

**POLITICAL ENVIRONMENTS, SECTOR SPECIFIC CONFIGURATIONS AND
STRATEGIC DEVICES: UNDERSTANDING INSTITUTIONAL REFORM IN
URUGUAY**

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Abstract

This paper argues for a multi-level explanatory model for understanding institutional reform. The expanding but still modest accumulation in the field tends to clamp together different levels of efficient causes. Statements like “reform will be more likely in countries that have swiftly proceeded with macroeconomic reform and stabilization and have the legitimacy and power to push further reform” refer to general political conditions. The notion that reforms will be harder where costs are concentrated and benefits diffuse for beneficiaries as in the case of Social security reform, relate to sector specific aspects. Thirdly, the idea that bundling can constitute a viable political strategy for overcoming vetoes refer to concrete strategic devices. Finally, a strong policy entrepreneur behind a reformist impulse is nothing else than a contingency.

General enabling conditions, sector specific configurations, the use of strategic devices and contingent factors all contribute to the success or failure of reformist attempts. This analytic divide is indispensable to put some order into the rival explanations attempting to grasp the political logic of institutional reform. Using the case of Uruguay we seek to show how a changed political environment combined with sector specific configurations and political strategies of reformist leaders allowed for successful institutional reform.

More specifically we claim that the dynamics of electoral politics and political learning are the clues that explain how the dynamics of cooperation and conflict in the political system in Uruguay moved from free rider behavior, to opposition restraint and finally to cooperative reformism thus enabling institutional reform.

Furthermore for our three cases of reform, technical accumulation and precise diagnosis, the power of administrative and beneficiaries corporations, the perception of the population regarding the quality of services and benefits, and the effects of the institutional diseases on the country as a whole appear as critical factors accounting for the intensity of the reformist impulse.

Finally we shall show how changes in the broad political environment were capitalized in social security and education and not in health not only due to the use of strategies that linked sector reform to the broader political process in the first two cases and not in health. Strategies that successfully divided or neutralized losers and identified clear winners were also behind successful reformism. Regarding the launching and sustainability of reforms both the creation of new stake holders and the adequate use and knowledge of the institutional structures and its potential veto points proved critical.

1. REFORM AGAINST THE ODDS.

After Latin America embraced adjustment and structural reform in the late eighties and early nineties, the region had to face a much tougher and lengthier process of reform: institutional reform. Cleaning up the economic mess of the early eighties and opening the economy to the world were no small tasks, nor were they achieved without much human suffering. But the reality was that little choice was left, and short of collapse, the Latin American economies had to face what amounted to a true developmental shift. What lays ahead is both harder and more critical to the sustainability of this new developmental path.

Structural economic reform is only a first step that provides incentives for actors to modify their economic behavior in directions expected to make markets more efficient. Yet, for markets to increase efficiency, economic reform is not enough. Institutions providing regulations of economic activity, the role of the state in the delivery of certain basic public goods, and a political and judicial system that is efficient and trusted are only some of the most critical aspects that Latin America has lacked and certainly needs in order to attempt stable, vigorous and equitable growth.

There are four huge obstacles to meet the challenge. The first one is Latin America's legacy. Corrupt political systems and judicial institutions, underfunded and inefficient social sector institutions, whole organizational and regulatory agencies captured by special interest provide a first hurdle that will not be easy to overcome. This legacy implies not only that what Graham and Naim (forthcoming) have termed institutional disease has been widespread and long entrenched and thus harder to eradicate in Latin America but also that people tend to be -and justly so, weary and suspicious of reformist promises, and thus many times unwilling to cooperate and support them.

Secondly the recent processes of economic crises and structural reform while needed, have left the state weaker and more underfunded than before. The fact that the literature today stresses more the notion of state rebuilding than the idea of simply downsizing comes to a large extent from the realization that dismantling the old state has had a devastating effect on the chances of rebuilding accountable and efficient state institutions. Furthermore, and as cases of corruption start to make the headlines of the region's newspaper, we know now that bringing markets back in, is no guarantee against institutional diseases. On the contrary new concentrated forms of corruption and disease tend to accompany the processes of market restructuring.

The final two large problems that have to be confronted to proceed with institutional reform in contrast with the process of economic restructuring make the task even harder. In many -we would argue most cases- we do not know where we want to go and in the few cases we do, we know little about how to get there.

While these four problems are present and make reform anything but easy, other factors actually help and contribute to a reformist agenda. The first one is the very same one that can be seen as an obstacle; the lack of trust in the state institutions. This can help diminish resistance to reform state institutions. The popular idea that something cannot probably get any worse and that anything is better than what they have maybe at work in some of the reforms in the region (Graham, 1994; Graham and Naim, forthcoming). In the same sense political elites and technical elites might understand as the institutional diseases grow and become more visible that crises management is no longer possible, and that wide ranging reform is needed.

Also, economic crises and structural reform present a positive flipside. Economic crises affect the relative power of previous dominant players and when economic reform takes place swiftly and successfully it gives the administrations political power and legitimacy to attempt further reform in a new field where entrenched players have lost footing (Graham and Naim, forthcoming).

Thirdly, the political landscape has been drastically modified in most countries, and political parties have tended to adapt and change alongside these transformations. People's loyalties to old party identities weigh less and the evaluation of past performances more as inputs to decide their vote. Overall party identities are less important, and the executive has gained momentum with the concomitant effect of diminishing veto points and enhancing technical initiatives and power.

Uruguay constitutes an especially interesting case for the simple reason that none of the enabling conditions is clearly present, and yet institutional reform, though in a peculiar way has taken and is taking place. In effect Uruguayan people and elites, while critical of the state in general, remain loyal to a statist ideology and extremely reluctant to market oriented solutions or to solutions that dismantle universal orientation in the provision of social services¹. Furthermore, economic reform has been gradual, and no economic crises and eventual shock treatment have taken place and provided the basis for further reform. Finally party loyalties remain high, veto points abundant, and the power of the executive while not minor, strongly mediated by congress and other institutional devices.

The enabling conditions depicted above point out, thus, to only one of the possible general configuration favorable to institutional reform. For lack of a better expression it can be labeled the "bad politics" approach and it has more than sound empirical support in the rest of Latin America. The cases of Argentina and Perú are the clearest cut ones, but Chile and México also resemble this broad enabling political sequence and configuration.

In effect one possible general political configuration, widely acknowledged in the literature, is that of economic crises that trigger shock treatments at the general level with a significant concentration of power and legitimacy in the executive, and the concomitant loss of power of special interest groups and corporations. This in turn provides both the push for institutional reform and the relative power vacuum in which these reform can overcome weakened forms of resistance (Cox and McCubbins 1996; Shugart and Haggard 1996).

A less spectacular route of reform takes place when long processes of political change transform the incentives of parties providing the basis for broad parliamentary coalitions. When this change is combined with political and technical learning at the sector specific level, it allows for the crafting of proposals that come to terms with veto players or are able to overcome them through party discipline in congress and technical capacity of implementation.

Uruguay, we claim, represents one such case. In one case, political obstacles are overcome by exogenous forces that destroy the power of veto players and by the concentration of power at the executive level; in the other case, political obstacles are factored in the solutions making them both tougher to find and messier in design. The interest of the Uruguayan case rests first in that it shows that even when the typical conditions of weakened opposition and strong executive are not present, reform is possible. Secondly this paper argues that what is recently being advocated by international agencies is possible: to carry out wide ranging institutional reform and in the process strengthen democratic institutions by betting on democratic decision making processes.

2. THE URUGUAYAN CASE: POLITICAL ENVIRONMENT AND ENABLING CONDITIONS. FROM STALEMATE TO SUCCESSFUL REFORMISM.

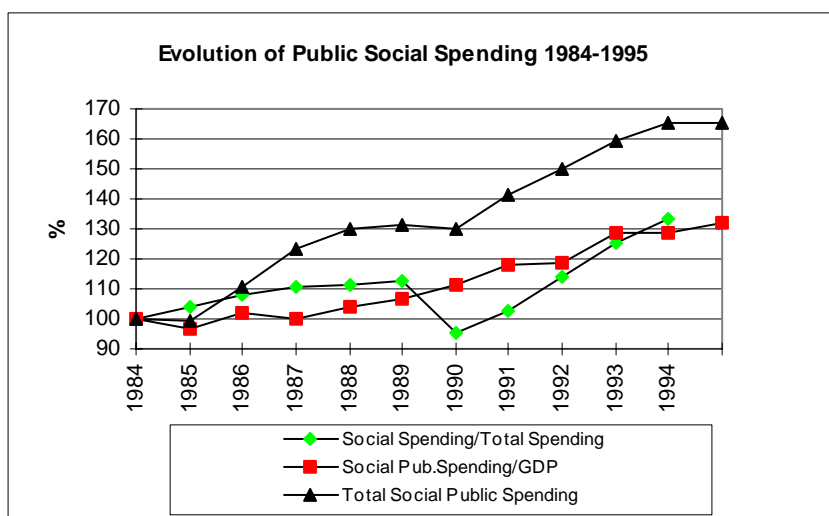
¹ In a recent survey in Latin America Uruguayans systematically overscore their peers in the region when asked about the desirability of state ownership of enterprises and administration of social services. On average 80% of the people asked in Uruguay, in a set that includes water, electricity, telecommunications, education and social security, answered that they prefer state ownership or at the most mixed ownership with state predominance (Latinobarómetro, 1995).

In 1994 Uruguay's stalemate regarding social policy and state reform seemed to be carved in stone. A plebiscite had suppressed the most important articles of a state enterprise privatization bill; health reform, first discussed in 1984 had not advanced an inch. Four social security reform bills had been blocked, and a movement of retired persons allied with the trade unions and the left coalition threatened to veto through plebiscites any attempts that could eventually pass in congress. Education looked no more promising. Besides the demonopolization of tertiary education, little had been done.

In 1997, the most important social security reform of the century is well under way; an ambitious education reform in primary and secondary levels is also taking place; state reform, has been able to push forward despite the popular veto to the five important articles in the bill; and health reform, while still blocked -it has been presented to congress and rejected-, achieved some of the bill aims through administrative measures (Filgueira and Filgueira; 1998).

All reforms have to meet challenges that are sector-specific. We shall deal with them later, trying to develop an approach that allows us to treat different sectors as independent units classified by a number of common variables (power of beneficiaries and of bureaucracy, perception of crises of old system, technical accumulation, reform strategies, etc.). But, surely, the fact that no major social sector reform was possible between 1985 and 1994, and that in 1995 major reforms take place cannot go unnoticed, and it is not plausible that they can be explained by parallel convergent processes in each sector. One possible convergent process would be an increasing lack of financial resources across all social sectors, thus enabling a reform by collapse and deterioration of social services. Yet the Uruguayan case shows that reform happened despite social benefit improvement at least as measured by overall social expenditure.

Chart 1



Source: Appendix 2.

The data while basic, shows a clear trend in increased social expenditure. This is not only true of real expenditure, but also clear when measured as percentage of total expenditure and as percentage of GDP. We have already argued, that our case can not be explained by economic collapse as a variable that radically transforms the political environment. Thus, neither convergent process of social sector decay, nor crises-led change in the political environment can account for the beginning of social sector reform in 1995. Other political processes, are then necessary to explain how general political enabling conditions emerged.

i. Step by Step.

As Latin America faced the collapse of its inward oriented model of development, it also had to confront increased political and social upheaval. Eventually, the region found itself in authoritarian rule. The 1980s marked the beginning of a long process of reconstruction of economic, social and political confidence. What has been called multiple transitions applies better to eastern Europe, but also rings plausible regarding the reality of Latin America. In effect, with the exception of Chile, who had done most of its economic restructuring during its dictatorship, other countries had to face the challenge of deep economic, political and state transformations.

To some analysts these transitions could be achieved all at a time. That meant carrying out the transition to democracy, the adjustment and opening of the economy and the reform of the state institutions as close together as possible. While hard, many saw these as inevitable processes since none of them could be left out without threatening the chances of the overall modernization process. As a matter of fact few countries attempted these transitions all at once. Peru, Argentina and to a lesser extent Brazil, through their heterodox plans did seek to advance during their first democratic government in the process of economic restructuring. The end result was that their economies collapsed, their political realities drew dangerously closed to the high conflict pre-authoritarian period, and eventually the reestabilization of the political situation and the economic restructuring, had to take place together under a different sign: that of orthodox shock and structural transformation. Those transformations were also the base that allowed many of these countries to almost immediately push forward with institutional reforms.

Other countries, such as Colombia and Costa Rica (without an authoritarian legacy) chose to deal in a combined fashion with institutional reform and economic transformations. Uruguay, on the other hand, is almost a perfect case of “dealing with one thing at a time”. In the first two years of the democratic government authoritarian legacies were dealt with. Partial economic adjustment took place later. As elections drew close fiscal responsibility was lost and a new adjustment took place under the second democratic administration. Economic restructuring really took place in the years following this second adjustment² (See appendix 1). The third post-authoritarian democratic administration was then in an optimal situation to face the last stage of reform: the institutional reform.

Thus one of the simple factors that favored institutional in 1995 reform was the fact that other needed and politically complex reforms had already taken place. As one top ranking official mentioned “the political leaders here liked Alfonsín, but could never understand why he was in such a hurry to change so many things... that cannot be done”³. In other words, the political parties were willing and in fact did mortgage part of their political capital for reforms, but they took one challenge at a time. Having accomplished the bulk of the first two transitions they could concentrate their energies and share the costs of the third transition in the 1995-2000 period. Yet it is important to point out that at any given moment Uruguay has an overload of reforms waiting to be attempted. The simple fact that other type of reforms had been accomplished did not imply that the ones under consideration were the next natural candidates. Identifying political space for reform and successfully entering and remaining in the political agenda required in some of the cases a conscious action by policy reform leaders. The cases of social security had been in the agenda for long and probably was the most natural candidate for making it into the new reformist attempts. Yet, the case

² It would be unfair to claim that during the authoritarian regime no structural reform had taken place. Financial liberalization and a more export oriented economic policy did develop. Yet import tariffs were still high, labor markets regulated along the same lines than before, public enterprises remained in the hands of the state and the overall role of the state in the economy central. Quite clearly the opening up of the economy remained a major challenge that was only completed during the Lacalle administration.

³ Quoted in Filgueira, Martínez and Peri, 1990.

of education and health reform had equal chances of becoming part of the new administration reformist agenda. Education reformist leaders grasped the opportunity, health leaders only weakly.

ii. Learning what coalitions really are.

It is common practice among academics and opinion shapers to point out the inefficacy of the political system and its incapacity to pass relevant and many times critical laws for the country (Gonzalez, 1993). To a large extent this is blamed on the high fragmentation of the party system and on the low party discipline of its representatives in congress. It is true that the system has more than once proven incapable of overcoming blocks and vetoes in critical moments. It is also true that broad agreements are hard to reach and that sometimes congress-people stab each other in the back at the last moment. But simply put, this does not happen in Uruguay any more than in most democracies in which catch all parties dominate the system.

In a recent work, Chasquetti and Moraes (1998, also Moraes and Morgenstern 1995), demonstrates two very important descriptive hypothesis. In the first place congress is far from inefficient. Congress can boast of an average of 90 laws a year between 1985 and 1995, of which around 12 in the most productive years and 4 in the least productive ones should be considered of great importance (in his definition, laws that have wide impact in institutional or distributional terms, that imply important changes and that are contested and debated beyond the political and technical elites). Furthermore, the work demonstrates that the party representatives are extremely disciplined. Considering an index that goes from 0 to 1 (1 being perfect discipline) the party system in Uruguay has a discipline of over 0.9 in important laws. It is true that the most disciplined party is the left wing coalition and not the traditional parties, but even when we consider the traditional parties alone discipline hovers around 0.8. That means that in most cases party representatives vote according to the official position of the party authorities.

The question then is why laws regarding institutional reform and more specifically social sector reform only came about in 1995. The answer is simple. Congress was unable to build majority reformist coalitions. It was not the case that representatives following special interest did not vote along official lines. Simply, parties did not reach agreements and thus did not build majorities to pass the laws. Part of the answer of why this happened takes us back to the previous point. Majorities were build to pass other types laws. Namely those dealing with authoritarian legacies and economic reform. The rest of the explanation takes us to the problems of coalition building.

In effect, between 1985 and 1995 the party that won the election governed mostly alone, with specific agreements for the laws that required majorities in congress. If we look at the dynamics of cooperation and conflict among parties in those years we shall see that ministerial cabinets were mostly one party, with fractions of the other parties included, but never the whole party. Consistently, laws were passed based on a case by case strategy, in which groups of other parties were willing to support the party in government strictly in that case. While the idea of cooperation existed and was evident in the terms of co-responsibility and governability it referred more to opposition restraint than to cooperative reformism. Thus we should ask ourselves why that changed after 1994. In 1995 a full blown coalition between the two traditional parties took shape. Such development requires an explanation. Part of the answer lies in the very development of electoral politics and the distribution of power that parties had in congress.

Between 1985 and 1995 the percentage of congress votes that the party in government controlled declined from 55 to 42, and the number of seats that were controlled by the winning fraction of the party in government declined from 45 to 32. In percentages they went down from 35% to 24%. That meant that a strategy of one party-one fraction government became less and less plausible. More importantly it meant that the fraction of the winning party in government did not

have enough votes to even hold the vetoes interposed by the executive to congress. Cooperation was not a choice any more. It had become a necessity

Yet what remains to be answered is why that situation prompted a full blown two party coalitional strategy, rather than a basic one party agreement that would have allowed for holding executive vetoes. To answer such questions numbers are not enough. The way in which political elites weighed the costs of free rider strategies and cooperation in reformist attempts have to be considered. More specifically, party leaders from both the Blanco and Colorado Party had to believe that crises management hurt both the party in government and the opposition party, and that sharing the costs of reform was a better option.

The political dynamics of the first ten years of new democracy were dominated by unstable coalitions between the two traditional parties pushing for reform, and one clear cut opposition party: the left wing coalition defending the traditional systems and demanding more resources be given to them. The reason why the traditional parties had a reluctant attitude towards stable coalition building was to a large extent due to simple electoral calculations. Why pay the costs of reform when they were opposition? Let the party in government carry that weight. In that way the party in the opposition sought to capitalize the losses of the traditional rival. Yet, reality proved quite different.

Between 1985 and 1995 the Colorado party went from 42.3% of the vote to 32.3%, the Blanco or Nationalist party went from 35% to 31% in 1995. The left wing coalition went from 24% to almost 31% of the national vote (Buquet, 1997). The party system had become a three party system. The only winner of the free rider-cooperative behavior had been the left wing coalition. In a sense this should not have come as a surprise. The Broad Front vetoed reforms to the traditional system of social protection and put a halt in some cases to the decline in the quality of social services and benefits by pushing for increased funds. Of course it did so at the expense of macroeconomic stability. The party in government with fractions of the other traditional parties eventually had to pass less than popular laws increasing taxes and cutting down expenditure in order to regain macroeconomic stability. For the left wing coalition this was a win-win situation, for the traditional parties a recipe for disaster.

The last election, in which the three parties virtually draw, made this point forcefully clear to the traditional parties. Sharing the costs of reform was better than playing the free rider game. While one party leader said:

“the law to privatize the state enterprises was good on paper but bad politically” later in the same interview and with the advantage of hindsight he also said “we either assume we are all in these together or the other guys win”⁴.

A learning process had taken place. Coalitions to pass broad reforms and sustain them were needed if the traditional parties wanted to hold on to the hegemony over the political system they had enjoyed for the last 150 years. These were not punctual agreements to pass individual laws, but programmatic coalitions willing to hold the storm and harvest the benefits later. Again in this point linking the reform with these new political environment was critical for reformist success. In other words reformist strategies could choose to play the game in the small field of closed policy environments (mainly engaging in the process the corporations, technical elites and beneficiaries to be affected) or they could choose to do so in open policy environments in which the resources of a coalitional base from the political realm could be used in full force. Of course a caveat is warranted. When the political environment is negative (close to elections, polarization, free rider behavior on the side of parties), and the closed environment manageable (potential common interest in the

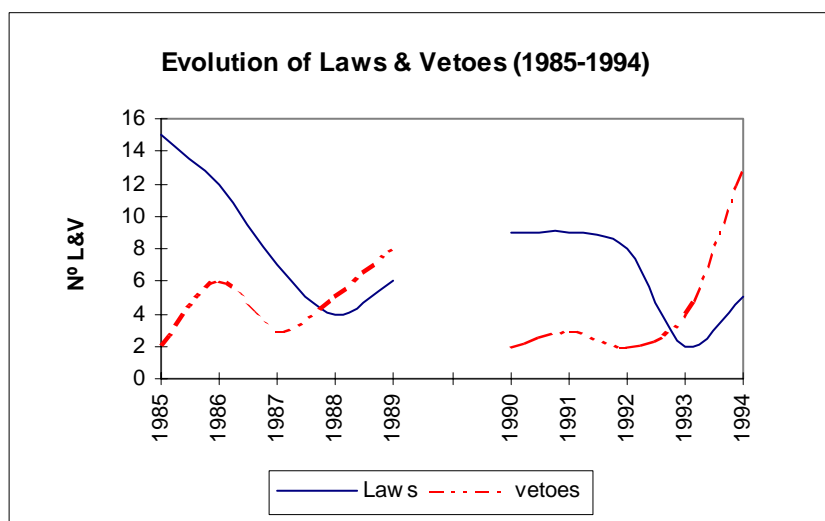
⁴ Informal conversation Colorado Party representative in Congress.

reform, win-win situations for most actors and groups engaged), it might be advisable to keep the issue out of the broader political agenda, until things are more or less irreversible. Both this issue and the previous comment regarding how reformist leaders took advantage of a less heavy and overloaded reform agenda are what we will refer later to as “linkage”.

iii. Learning to be at the right time at the right place.

While it is true that the Uruguayan political system is far from undisciplined and unproductive, it is also true that there are strong variations both in the discipline and productivity of congress depending on the moment we are looking at. The single most powerful predictor of congress productivity is the year within the administration cycle. The closest we move to the electoral competition the least productive -and disciplined- congress is. The first and second years of any of the three democratic administration were by far the most productive ones in terms of the sheer number of laws passed, and more importantly, these were the most productive years in terms of important laws passed.

Chart 2



Source: Chasquetti & Moraes, 1997; Moraes & Morgenstern, 1995..

The data presented by Chasquetti and Moraes (1998; also Moraes and Morgenstern 1995) shows not only the declining productivity of laws but also the increasing use of executive vetoes, since it is not able to discipline congress. The first two administrations, passed laws regarding authoritarian legacies and economic restructuring. The third one concentrated on institutional reform. Yet, social state reform, especially social security reform was attempted before. The fact that all this laws were rejected by congress is due to the factors depicted above, plus the fact that they were attempted in “bad years”. The clearest cut cases were two reform attempts in 1994 -a year before the election-, when they were clearly rejected by congress. In contrast a minor reform attempt in 1992 was actually approved, -only to be rolled back in a 1994 plebiscite. But the point remains, 1992 was still far from election day, 1994 was close, far to close.

While the urgency of certain laws dealing with authoritarian legacies or economic restructuring allowed for some of them to be passed during bad years, the absence of this urgency made institutional reform even more dependent on adequate timing. Thus the answer of why 1995 was such a good year regarding institutional reform should take into account not only the sequencing

of reforms and the emergence of a strong programmatic coalition but also the fact that this was the first year after the national election. In other words linking reform to the good cycles of congress productivity constitutes in this case the best strategy.

3. REFORMS: THE CASES.

i. Sector specific configurations and strategies.

Moving from one stage of reform to the other, finding the need and incentives to craft major and stable coalitions and managing the electoral cycle are macro political dynamics and learning processes that help us understand how Uruguay moved from a political environment that deterred institutional reform to one that enabled it. Yet these general enabling conditions are not enough to guarantee successful reforms. Sector specific dynamics and power configurations are also at play in each case and have a critical role in determining the fate of reformist impulses. Coupled with these specific configurations, certain strategies proved critical in enabling reform. Linking reform to other political processes and/or policy reforms, making them palatable to the population by highlighting the positive and welfare enhancing side of the reform, and using institutional channels and resources to overcome or by-pass opposition were in the different sectors important devices that facilitated reform. Further more paying off potential losers, leaving them out of the reform, and identifying clear winners were also strategies deployed to push reform forward. Finally, conflict legacies proved to have ambiguous effects over the chances to pass wide ranging reform. It goes beyond the ambitions of this paper, but the cases suggests that rather than looking at the existence and intensity of conflict legacies it might prove more useful to look at the shapes, results and types of these conflicts.

As we shall see later, health care reform, is the crucial case that shows the insufficiency of a purely political environment approach, and calls for a detailed consideration of the power of corporations, the degree of technical accumulation, the perception of the population regarding the sector to be reformed, the type of goods and services that are specific to each sector and the strategies that were used in each case.

Health care reform was attempted in 1995. There was a programmatic coalition in place, the timing was correct and as with the other cases it was attempted when the political agenda was clean of necessary previous reforms. But health care reform failed. What went wrong?. This question cannot be answered solely considering the general political environment. Furthermore, during 1990 and 1991, the Blanco government had the support in congress to pass major laws regarding economic restructuring. Social security was already then perceived as a major and rather urgent problem to be tackled, yet no reform was passed. The lack of clear technical alternatives played in this case a major role, the power of the retired peoples corporation which was at its height further deterred reform, and the idea of reform became linked to the unpopular state privatization program rather than to the more acceptable anti inflation measures. In other words, these examples, simply support the idea that sector specific problems and concrete strategies have to be considered.

ii. Social Security Reform: linkage, weakening veto coalitions, and the creation of new stake holders.

Social Security reform is the clearest cut case in which linkage became the prominent enabling strategy to pass reform. In effect by becoming one of the building blocks of a broader

bipartisan coalitional strategy, it assumed the status of a critical test for the coalition, and thus guaranteed the disciplined vote of a clear majority in congress. This link helps us explain how the proposal was able to overpower an already activated and powerful veto coalition that included the left wing party, the trade unions and the retired people movement. These veto coalition had not only vetoed reform but successfully advanced their own agenda.

Furthermore, the harshest costs that the final proposal of reform implied had been successfully toned down and contrasted with the costs of not passing reform by the actions of the previous administration and the marketing of the new Colorado one. Yet, without the coalition commitment, it is not likely that the votes would have been supplied so easily and readily.

Maybe the most important strategy in addition to linking reform to the Blanco-Colorado coalition consisted in leaving out of the reform powerful losers, in such a way as to weaken the veto coalition. Once approved the reform and its advocates have used institutional vetoes and constitutional arguments to guarantee that reform was not to be rolled back through a plebiscite or referendum. Furthermore the sustainability of reform has increased drastically as the new Private Funds emerged and an important number of people are now affiliated to them.

Background

Social Security in Uruguay takes seventy per-cent of all state expenditure in social policies and it covers more than 700.000 people in a country of 3.000.000 people In 1995. Uruguay finally reformed its Social Security system. It moved from a state monopoly “*pay as you go*” system to a mixed system that included private agents and mandatory levels defined by income of individual capitalization. This is no doubt, the most important reform to the system since the 1950s when the last categories of workers were included and the 1970s when the system reunified under one centralized agency most categories of workers. The system was in financial disarray since the 1960s, and the situation worsened in the last thirty five years (Iwakami et.al.; 1994 Barreto de Oliveira et.al.;1994; Noya et. al. 1995). Among the factors that were behind this progressive deterioration of the social security system we should distinguish between structural and institutional factors. Nobody doubted that demographic change lay behind the increasing lack of resources of the system. Yet the generosity of access, the resistance to adjust the level of benefits and the level of contributions, evasion and the lack of adequate technical criteria for investment and thus increased de-capitalization were also institutional factors that threatened to drive the system to collapse.

The reform had been on the agenda of the last two democratic administrations. Furthermore several projects of reform had been discussed, and many of those were actually sent to congress where they had been systematically defeated or quietly buried. Finally an ambitious reform of the system was finally passed in congress and has so far not been rolled back.

During the first democratic administration led by the Colorado party, the central issues on the agenda were the legacies of the authoritarian regime rather than state reform. Yet, Social Security given the perception of decline in benefits and its wide coverage and impact on people’s welfare jumped into the agenda early on, particularly linked to the issue of benefits indexation criteria (Papadópulos 1992). To confront rising demands a political leader from the Colorado party risked a first opinion: he proposed a privatization of social security “Chilean style” but that first attempt was quietly buried. The fact that 82% of the population declares its preference for the state to run social security is a good indication of why this proposal could not prosper⁵. Demands for improving

⁵ The data is for was gathered in 1994, but there is no reason to believe that the population had a different opinion before (data quoted by Moreira, 1997 from the Latinobarómetro, 1995). Also a survey carried out among technical and political elites, in 1994 showed that even after all the debate over the chilean model only 12% of the respondents agreed with a reform of this type, 60% radically opposed it and the rest either did not answer or accepted only a mixed system (Labadie, Canzani and Bonino, 1995).

benefits continued to rise and a new corporation of retired persons started to grow and build alliances with the left-wing coalition and with trade unions. In 1989 a referendum to amend the constitution was approved. It basically stated that social security benefits had to be raised each time state wages were raised and by the average salary raise in the economy. In short, a constitutional guarantee against the erosion of the real value of 700.000 social security checks, had been approved by almost 85% of the population.

This amendment triggered a fiscal crises that was met by the next Blanco administration through unpopular adjustment measures that included cutting public spending and raising taxes. In 1992 the Ministry of Economy declared:

"...we, Uruguayans confront a very critical situation. The major cause of this is the volume that the state spends y the impossibility to cover those expenses genuine resources[...]If measures are not taken the deficit can only be dealt with by printing more and more money, which amounts to extracting more and more money from people through the inflation tax[...]We have decided to do what anybody would do if in our place. The first and most important measures to be taken is a deep reform of our Social security system"⁶.

Soon, the political elites were discussing reform proposals. The most important one was presented to congress after ten month of technical and partisan debates. Congress blocked it. In 1995 right after the victory of the Colorado Party, another multy-party commission started to work on a reform.⁷ After the multyparty commission reached an early consensus, the bill was presented to Congress and approved with minor changes with the votes of all the Colorado and Blanco representatives (and minor parties). Only the left wing coalition opposed the bill.

Process

The single most important development regarding the arena of social security policy until between 1985 and 1994, was the emergence in the first democratic administration of a social movement of retired persons that was able to form a successful coalition with the trade union movement and with a good part of the political opposition. This movement did not emerge from nowhere. Retired persons awaited with great expectation the return to democracy, seeing the possibility to recover some of their pensions' value lost during the dictatorship. A number of mutual help organizations and groups of retired people tied to the political parties had existed for some time in Uruguay. What was unique about this development is that the Organización Nacional de Jubilados y Pensionistas del Uruguay (ONJPU) that was created around 1986 was an independent corporatist group with no party links that towards 1987 could boast to have the hegemony of the representation of retired people. The leader of the retired people movement confirmed this view;

"While originally we were(...) different and had our parties (...) and came from different walks of life (...) now no party can represent us, and we can tell parties what envelope (referring to the yeas and no options in referendums) they should put in their ballot envelopes"⁸.

An agreement reached by all social and political forces previous to the return to democracy, established the general aim of actually improving benefits, especially favoring those pensions that had lost more value (the older people and poorer people) by establishing differential indexation

⁶ Búsqueda 5/3/1992

⁷ The Interamerican Development Bank approved a 150.million dollar loan to pay for transitional costs. Since 1998 the World Bank is also supporting the transition with a loan of 100 million dollars.

⁸ Interview to Luis Alberto Colotuzo, October, 1997.

criteria. Raises were given but below the level that had been established⁹. To increase the discontent of the beneficiaries, those that had the better pensions saw their benefits increase at a slower pace than other pensioners.

The Colorado government of 1985-1989 chose a strategy of crises management, since neither the technical accumulation nor the political will -or energy, was there, for abroad ranging reform. By controlling social expenditure in social security they contributed unwillingly to activate the voice of the beneficiaries of the system. As Saldaín (1996) claims, Uruguayan elites were playing the “ostrich game”. By their unwillingness to see that a generous and underfunded system had to be replaced they allowed slowly for the deterioration of benefits. This “ostrich strategy” would come to an end as the retired people’s movement was able to push forward their agenda.

By 1989, this social movement was able to approve a constitutional amendment establishing indexation criteria that would boost benefits real values. As we said, eighty five percent of the population voted in favor of the amendment. This in short represented a strong backing of the traditional system. The issue was not one of drastic changes, but one of more resources. The already mentioned statist preference of the people towards the social security system was expressed in the ballot result. The only group that openly opposed the amendment (lead by the Colorado Jorge Batlle who had advocated the reform Chilean style) lost the election by a larger difference than expected. The sole opposition of Batlle should be highlighted. The reason why most of the Blanco and Colorado leaders did not oppose the constitutional amendment was not due to lack of technical warning. On the contrary both Colorado and Blanco technical elites argued that such an amendment could create a fiscal disaster and inflationary pressures¹⁰. Yet linkage operated deterring politicians to listen to such advice. This was an electoral moment, and leaders were vote seekers. Only later would they have to worry about the impact of this measure.

Besides the fact that this result expresses populations preferences and political dynamics, what has to be considered are the effects of this amendment on the reality of social security and its impact on the economy as a whole. First and foremost the amendment had the desired effect: it allowed for a strong recovery of benefits quality.

Table 1
Evolution of Real Pensions
(Constant Pesos of 1985)

	1991	1992	1993	1994
IPC	2795,67	4709,47	7257,2	10054,23
Jubilaciones	429.91	738.31	1190.56	1711.21
Pensiones	122.07	210.12	363.58	539.61
Pensiones Vejez	176.60	300.72	481.42	688.94
Promedio Gral.	286.33	494.31	800.89	1160,51
Var. Porcentual Real *		Ultimo Trienio	Ultimo Bienio	Ultimo Año
Jubilaciones		13.70	5.21	(-0.26)

⁹ Saldain, one of the directors of the BPS (Social Security Bank), and a key person throughout the process of reform, mentions this fact, and suggest that “pressures from the World Bank” were behind this less than expected raise.

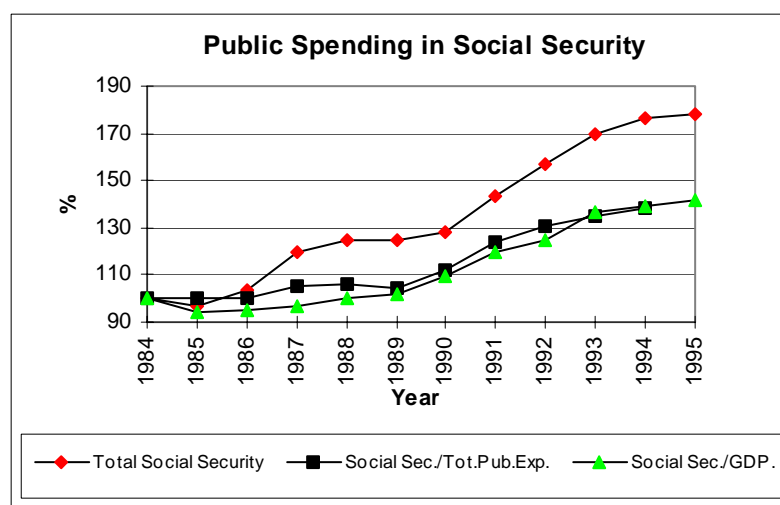
¹⁰ Búsqueda (25/10/1989).

Pensiones	25.45	12.30	2.99
Pens. Vejez	11.44	4.00	(-070)
Promedio	15.78	6.57	0.55

Source: National Budget Proposal 1995-2000-

Secondly, as technical elites had warned, it placed increasing strains on the state fiscal reality and on the economy as a whole. Between 1984 and 1989 the expenditure of the social security system as a percentage of the GDP went from 9.33 to 10.38, between that year and 1994 it increased to 14.34 of the GDP. In 1989 the funds that came from outside the system (VAT and direct transfers from the state treasury) to meet the obligations was around 2.50, in 1994 it was 5.0 as a percentage of the GDP.

Chart 3



Source: Appendix 2.

The Lacalle administration was then faced with a time bomb. A system that was already without financial resources required even more of the state resources if it was to meet its obligations. The administration adopted a two pronged strategy. On the one hand it increased taxes to meet the new demand, and made it absolutely clear that the reason for raising taxes was the people's vote in the plebiscite. Commenting on the law of fiscal adjustment passed in 1990 by the new administration the Ministry of Labor declared;

"Nobody is going to like these measures, but they have to be taken if we want to honor the reform in the social security system -with its new indexation criteria-, which was voted and approved by 85% of the citizenry" ¹¹.

On the other hand it pushed forward an ambitious project of building consensus under technical criteria in a multiparty commission. By 1992 the commission came up with three alternatives, and picked a reformed pay as you go system with tougher retirement ages, adjusted periods for the number of final years for benefit determination, and a much closer relation between contributions and benefits. Strictly speaking this was a far more moderate law than the one that was finally approved in 1995, yet congress blocked the 1992 proposal. A minor adjustment to the system

¹¹ Búsqueda (8/3/1990).

had been passed in 1992 in the process of budget reassessment that is held each year. This reform did help contain costs minimally.

The major reason why a broader reform was not achieved was that the overall thrust of Lacalle's reformist impulses were perceived by the population as radical or neoliberal, and had turned the Colorados -a reluctant partner so far- into something closer to opposition than coalitional partner. Lacalle had two broad programmatic agendas; one, though not popular, relatively accepted on pragmatic grounds; the other strongly rejected by the population on ideological grounds. On the one hand the Lacalle regime was strongly committed to curb inflation and open the economy to international trade. While this was not an easy task, the population and the Colorado party accepted and supported some harsh measures in order to achieve just that. The other platform was the privatization of state enterprises. This was strongly rejected by the population. In 1992 a survey showed that 49% of the population opposed selling state enterprises, only 21% supported the possibility¹². The results of the referendum on the law that allowed the privatization of state enterprises are even more clear; 66.3 of the population rejected the central articles of the law. The fact that social security reform had been cast in terms of private capitalization vs. PAYG public run system, created a negative linkage that diminished the chance for reform. While 64% of the population accepted the idea of individual accounts in Social Security only 29% were willing to consider private social security systems¹³.

An interesting point to highlight here is that the content of the 1992 proposal was not about privatization, yet the opposition was able to set the terms of the debate in that way. In 1993 another very similar law was sent to congress and was not even considered. If we look at the different press releases, most of them refer to the privatization of social security¹⁴. While Blanco technical and political elites did attempt to recast the debate over social security reform in terms of deficit containment and inflation control¹⁵, it was either too little or too late. People might have understood this (as the result of the education referendum suggests in 1994, see below), but their strong rejection of the slightest chance at a private system did not facilitate reform.

As the election day drew closer the willingness of the Colorados to cooperate in a reformist attempt diminished proportionally. In effect three additional attempts were made by the Lacalle administration, all of them defeated. Again a negative form of linkage took place. While less clear, reformist attempts became once again linked to a political context of low congress productivity. As we have shown when looking at the general political environment, the first year and a half of an administration are rather productive, only to be followed by a sharp decline in laws passed in Congress. As elections draw nearer the willingness of opposition to share reformist costs decreases dramatically.

Yet not all was a loss. These years allowed for the accumulation of domestic technical expertise on the subject and the configuration of basic political consensus regarding the viable options of reform. In fact, the 1995 reform, was quite similar with one of the alternatives handled but finally not suggested to congress by the technical multiparty commission of 1992. One major difference, that we suspect but have not been able to confirm, between 1992 and 1995, is that the

¹² El Observador (4/2/1992). Survey carried out by Equipos Consultores y Asociados.

¹³ Ibid.

¹⁴ Newspapers and weekly journal from left, right and center reflect the terms of debate. The Colorado newspaper El Día (23/7/1992) from the Colorado Party expresses that "opposition to reform reject privatization of Social Security". The Blanco newspaper El País (18/3/1993) informed that the directory of the Social Security Bank informed that "Agreement and plans for the privatization of Social Security" were being reached. In the same line a leftwing newspaper (20/3/1993) and an independent newspaper (22/3/1993) present the news with the words privatization in all the titles.

¹⁵ La Mañana (8/6/1993). The director of the Office for Budget and Planning (OPP) argued that the causes of inflation were wages and retirement benefits. As we mentioned before the Ministry of Labor had already made this link.

costs of transition¹⁶ in 1995 were mostly covered by an Inter-America Development Bank loan of U\$. 150.000.000.

Yet, besides the international support for the reform, domestic technical and political learning are extremely relevant outcomes of the 1990-1994 period and they are the factors that help explain the swift passing of reform in 1995. All interviewees engaged in the reformist process agreed on two points. One, that most of the reformist proposals between 1990 and 1994 were “born dead” since they were based on weak agreements that left nobody really convinced¹⁷. The market oriented reformers thought the projects too shy, the defenders of pay as you go systems, thought them too destructive of basic solidarity principles¹⁸. Yet most interviewees agreed on an additional point. The process of negotiation, the meetings and the proposals, allowed for a combined process of political learning (how to maximize consensus and minimize veto points and veto issues) and of technical learning (what was the real situation and the viable solutions). Thus it can be said that this made actors move from hollow consensus to viable solutions. Since the proposals themselves (for example if we compare the 1992 multy party proposal to the 1995 proposal) were not that different we can see that the role of negotiation was mostly to redefine expectations and come to terms with the idea of “second best” among the different players.

A second level of political learning took place. A more strategic one. One of the crafters of the actual reform when asked why the military, police, bank employees and certain professional groups were left out of the reform gave a clear cut answer:

“it was not worth it...to risk a good reform by challenging the most powerful groups...also this groups are not that large, they do not threaten the technical side of the reform”¹⁹.

The leader of the retired people movement was more sarcastic:

“You are asking me what you and everybody already knows”²⁰

Technical and political elites not only came to terms with the idea of second best in overall terms, they were also willing to leave powerful veto players out as long as it did not imply major changes in the expected impact of reforms.

The final and maybe most important strategy behind the success of this reform was overcoming the negative linkages that plagued the attempts during the Lacalle administration and constructing positive links with the broader political environment. After the Colorado victory in 1994, the Victoria Plaza Hotel became the headquarters of the party and a coalitional strategy started to be crafted between them and the Blanco party. Besides the commission on Constitutional Reform which was the ultimate aim of the coalition, four other commissions were created, sending a message to any potential coalitional partner: public security, administrative reform, social security, economic

¹⁶ While the reform is meant at lowering costs and fiscal deficits in the long run, in the short term it implies a huge financial commitment by the state as active workers stop contributing part of their income to the pay as you go system, while retired persons still perceive the full amount of previous benefits.

¹⁷ Interviews to Ariel Davrieux (Interview, November, 1997; leader of the 1995 reform) and to Ignacio de Posadas (Interview, September, 1997) the man behind the reformist attempts during the 1992-1994 period. The term “born dead” was actually used by De Posadas. The milder explanation of hollow consensus was advanced by the Colorado leader.

¹⁸ The positions were clearly split within the Colorado and Blanco party. Half of each -roughly- leaned towards a purely private system, the other half towards a reformed PAYG system or a state run mixed system (PAYG and capitalization). Interviews to Ignacio de Posadas and Ariel Davrieux.

¹⁹ Interview to Ariel Davrieux, November, 1997.

²⁰ Interview to Luis Alberto Colottuzo, October, 1997.

policy²¹. The Blanco party put one condition for the coalition: to keep the exchange rate; the Colorados, two conditions to accept them in the coalition; social security reform and administrative reform. The man behind the social security reform was also one of the technical leaders in the broader programmatic coalition being built between Blancos and Colorados. All these factors strongly linked social security reform to the process of coalition building and became a crucial test for sustaining this coalition. While some policies were marginalized from the coalitional bargain, social security assumed a prominent space within the coalitional agenda.

The process of reform gives important clues as to what configurations favored success in broad ranging reform in social security. A simplified table that considers as units the three periods of reformist impulses suggests that certain variables are critical in defining modes and types of change.

TABLE 2

	Configuration	Government Response	Response	Outcome
1985-1989	Large group of beneficiaries. Perception of crisis. Declining quality. Lack of technical alternatives.	Crises Management. Cost containment.	Activation of retired people's movement. Use of direct democracy channels.	Changes within dominant paradigm. Conservative coalition halts quality deterioration, and destroys cost containment strategy
1990-1994	Corporation active and powerful. Veto coalition in place. Harsh fiscal and economic side effects of 1989 reform.	Fiscal adjustment. Search for solutions (technical and political). Reformist attempts reach congress. They become negatively linked with privatization agenda	Veto coalition remains strong and threatens to veto reformist attempts.	Technical and political accumulation. No reform is passed.
1995-1997	Corporation active. Technical consensus and reformist political coalition at general level emerges. Reform becomes linked with coalitional dynamics	Reformist proposal guarantees interests of retired people's corporation and leaves out other potentially powerful losers	Moderate opposition from weakened veto coalition.	Paradigm shift from PAYG to mixed system. Reform approved

²¹ Interview to Tabaré Vera, November, 1997.

Besides this broad sector configurations and government responses more specific strategies were also used to enable reform. Two important strategies that were used as devices to facilitate reform were the already mentioned fact that powerful losers were left out of the reform and a strong packaging and marketing of the reform, less so before than after the law was passed in congress. In effect, the TV spots, the propaganda in newspapers and the presence of authorities in the media defending the reform seem to have been strategies attempting to lock in the reform or discourage the reemergence of the veto coalition rather than enabling its approval. Yet, as said before, the most important strategy of all was the successful linkage of the reform attempt to the overall crafting of the bipartisan coalition.

Outcome and Implementation

The new system was to be mixed in two senses: private and public; and PAYG and capitalization regimes. Retired persons were left in the old system and the constitutional amendment remained in full force. The better off para-state social security funds and the military and the police were exempted from the reform²². Subsidies in different forms continued to flow to these funds. The purely redistributive mechanisms of social security (unemployment, family benefits and non-contributive pensions) remained in the hands of the state funded from general taxes.

Four aspects of the final outcome of reform should be highlighted. The first one is that the rights and benefits of retired persons in the old system were not affected, and from 1985 until the actual reform, the quality of benefits improved. More specifically a social movement composed of retired persons was able to gain the support of the people and in 1989 through a plebiscite approved an amendment to the constitution in which pensions were to be raised each time the state functionaries received a raise and in the same proportion as the mean wage index²³. This, in short as a constitutional guarantee against the erosion of benefits quality. as a matter of fact, since public wages were indexed by past inflation in a context of declining inflation, benefits quality actually improved.

The second aspect that is important to keep in mind is that the first pillar of the new system is not a capitalization system but a pay as you go system in which everyone has to contribute part of their income. Being in the capitalization pillar does not excuse workers from contributing to the pay as you go system, which will remain the monopoly of the state.

Thirdly, while the administration of capitalization funds (AFAP's), can be in the hands of private agents, the state is also present with its own AFAP, and has to date, more than fifty per-cent of the market share. An additional statist feature, is that the 80% of the AFAP's capital has to be invested for a period of time in state treasury bonds.

Finally, this reform only covers old age, disability, and survivor benefits. The system of social security includes besides that, unemployment, family allowances and non-contributory pensions, which remain within the state administration and funded as before. An additional feature that so far holds but might change, and which marks an important difference with other regional experiences, is the fact that employers continue to contribute to the system²⁴.

²² In this sense Uruguay reproduces a continental pattern. In all cases of Social Security Reform the Military and the Police were left out of the reform.

²³ Before this amendment, a law in 1987 sent by the executive to limit benefits and reduce the system's deficit ended up actually increasing benefits and improving indexation criteria.

²⁴ According to some of those involved in the reform a non-written commitment of the reformers would be to do away with employers contributions. So far no steps have been taken in that direction and one technical advisor to the reform argued that financially such a measure would be less than sound. Interview to Nelson Noya, September, 1997.

Thus while this reform constitutes a clear departure from the old system, it differs markedly from the Chilean model: it remains statist and committed to some redistributive goals that have been neglected in other countries experiences (Mesa Lago, 1994). A synoptic view of the changes should illustrate this idea more clearly.

TABLE 3
Social Security Changes 1985-1995

	1985	1990-1991	1994-1995
Type of system	Pay as you go State monopoly	Pay as you go State Monopoly	Old system remains unchanged for retired persons and persons close to retirement. New system combines pay as you go and capitalization system. Private and public administration
Family Allowances	Universal	For low income families	For low income families
Health Insurance for retired persons	No	No	Yes (1997)

Sources: Multiple Sources; Law # 16713.

The toughest challenge **was** to pass reform, but sustaining it also implied controlling a potential backlash in the form of a plebiscite or referendum to derogate the law. The fact that the retired people and some of the most powerful para-state administrations were left out helped weaken a backlash to reform through a referendum. Still it did not stop it completely. Here is where the adequate use of institutional resources became apparent. When a referendum petition was actually issued, the electoral court dictated that such a measure was unconstitutional since the executive had sent the project and had the legal monopoly over social security initiatives. This argument had not been used before, and it cut out one of the major institutional devices the opposition could use to roll back reform. It was not used in the 1989 retired people amendment to determine indexation criteria because the retired people's movement had proposed this as a constitutional amendment (of higher legal status than executive initiatives), not as the derogation of any law sent by the executive.

One very important additional factor explains how reform was sustained: the creation of new stake holders. Both the administrators of private funds (AFAPS) and the new members have a stake in sustaining the new system. By simply looking at the number of people and the amount of money being channeled to the new administrative private funds we can easily grasp the importance of these new stake holders. In effect by May 1997 330.000 people were integrated into the capitalization funds. This represents more than 10 % of the population and XX% of the active population. Furthermore the AFAP's already manage approximately 205 million dollars, which represents roughly 1% of the GDP²⁵. Consistently, 28% of those surveyed believed that the new system was good for them and the population, against 27% that believed it was bad²⁶. Neutral answers and no answers completed the picture. Within those that actually are affiliated to the capitalization funds 50% declare conformity with the new system. The big surprise is that 45% of the left wing voters were affiliated to an AFAP (actually a higher percentage than other parties)²⁷. The fact that the left wing coalition is more urban, educated and comes from the formal sector of the labor market helps explain this fact. Yet, what is relevant is that the most important veto player at the political level, has

²⁵ A projection carried out in the Central Bank estimates that in 2005, the AFAPs will have more than 600.000 people and manage 4.500 million dollars.

²⁶ El País, (18/5/1997). Survey carried out by CIFRA.

²⁷ Data from Equipos Consultores Asociados. Survey carried out between 15 and 25 of August, 1997.

half its constituencies as stake holders in the new system. Thus, with this data and the evolution of affiliations (it has grown more than expected) a reversal of this reform is anything but likely.

iii. Education reform: linkage, emphasizing benefit expansion, by-passing veto points and creating new stake holders.

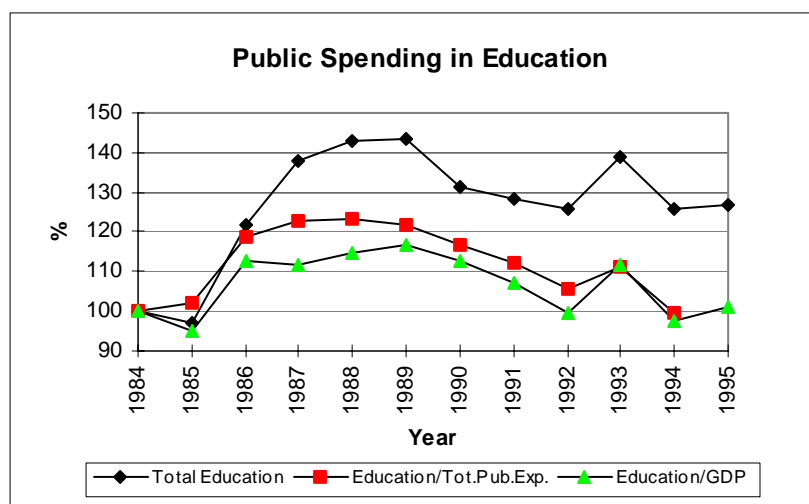
Education reform also benefited from a strong linkage to the coalition building strategy, but this was not as important strategically as in the case of Social Security. As we shall see passing the reform was not a contested issue. Launching it and sustaining it was the hardest part of the challenge. Bypassing the traditional structures of primary and secondary education by creating parallel structures was a basic strategy at the very start, showing a very keen understanding of the institutional structure and veto points on the side of the policy entrepreneur behind the reform. An excellent packaging and marketing of the reform is responsible for gaining broad support from the population as it is being implemented. Finally the creation of new stakeholders within the teacher's corporation starts to harvest benefits as opposition within the corporation splits and weakens.

Background

In 1995 Congress approved through the budget proposal the Program for Educational Reform (Mancebo, 1998 forthcoming). This reform did not apply to tertiary education. Besides that it implied major changes in the institutional and financial aspects of how primary, secondary and technical education were run before. Since the democratic opening in 1985, elites agreed on the need to reform public education. Yet no overarching proposals had been launched between that date and 1995. This was in no way due the fact that educational problems were not felt by either the political elites or the people as a whole.

Public education, once the pride of the nation, was perceived, with no small reason, to be in shambles at the return to democracy. Teacher's wages, inadequate infrastructure, overcrowded classrooms, curricula's inadequacy to labor market needs, and an important number of parents that had chosen to "exit" the system, and seek private alternatives, were just the most salient symptoms of an important crises. With democracy, the administration of primary and secondary education returned to a semiautonomous decentralized structure and the University to its self government, though it remained dependent for resources on the central government. Although consensual, these were symbolic gestures, that did little to improve the quality of education. The teachers' association's pressure for increased funds and University pressure, combined with governmental interest -given the perception of the population and the high legitimacy of potential measures- allowed for more substantive changes than the formal ones. Overall expenditure had a significant, though insufficient increase. One could say, that in comparison to Social Security and Health Care, this is the sector that between 1985 and 1995 received less additional resources. The reform would strongly change that. The 1995-1999 budget proposal, approved, implies taking education expenditure from approximately 8.6% of total expenditure to an amount slightly below 20% of total expenditure. The fact that the reform implied an important increase in funds, was, in and by itself an enabling component stemming from the very content of the proposal.

Chart 4



Source: Appendix 2.

Besides, the changes in education spending, no major structural reforms were attempted during the first administration, aside from some increasing attention to schools in poor neighborhoods. The Lacalle administration continued this trend, and developed a system by which some schools in neighborhoods with high levels of Unsatisfied Basic Needs were defined as schools of “priority requirement” and teacher’s wages increased accordingly as a premium.

Process

To understand the sector specific dynamics that enabled education reform we must take six factors into consideration. First the legacies of a comprehensive and for the most part, high quality system of public education in the fifties and sixties left an indelible mark on political elite’s perspective and on the citizenry in general regarding the desirability of public education. Second the perception of the population, while favorable to state administered education²⁸, was extremely critical of the actual situation of public education. Third, a strong process of technical accumulation and massive diffusion of results from studies done outside the state had taken place, showing both the flaws and some possible solutions for public education. Fourth, the teachers corporation, while not absent in the process of reform and potentially a veto player, lacked the numeric and organizational strength to mount a successful attack on the reformist process. Fifth, the reform identified winners that were large in numbers, and no clear losers (though the teachers corporation did feel threatened). Sixth the content of the reform is consistent with the ideological “common sense” of the population.

Education was the myth of the Uruguayan social state. Perceived as the foundation of citizenship in a country of immigrants, a ladder of social mobility for a people with middle class expectations, and a guarantee of equality and equal opportunity, any attempt at dismantling the public system would have been penalized strongly by the electorate. In a recent survey in Latin America (the Latinobarómetro) 86% of the population in Uruguay declared that basic primary and secondary education should be in the hands of the state. Even more importantly, it is doubtful that most of the political elite would have, based on their own convictions, supported this kind of transformation. Another survey gathering information on the political elites shows that they overwhelmingly support a publicly administered education with an egalitarian bent (Moreira, 1993). This should come as no surprise. A good part of the political elites are a product of public education.

²⁸ In 1995, 86% of the population chose a state run system of education over a private alternative (Latinobarómetro, 1995).

It is interesting to note that in the defense of the reform proposal these are exactly the points highlighted by its proponents. In a senate committee, Rama the reform leader argues that , “ for different reasons Uruguay has invested too much in tertiary education and not in those that have a critical effect in the development of peoples basic qualities...and thus of our society”; (ANEP, 1995). With the lower chamber he insists “one of the major aims of these reform relates to equality (...) these reform thus uses those abominable funds received from the World Bank and IDB to buy books (...) we shall have a whole generation of students that will have books for nine years. This is about social equality, since this is something private schools can provide, but public ones could not” (ANEP, 1996)

Yet it is true that there was a crisis, and it is also true that the state had few resources. Furthermore this crisis was clearly perceived by the population. The same Latinobarómetro survey shows that of all social services, the one in which biggest problems are perceived is by far education (a difference of 35% of the population believed that education had gotten worse rather than better in 1995). This perception as in the case of social security could have led to the activation of voice. Yet the fact that beneficiaries are harder to organize and that goods are more diffuse made such a development highly unlikely. Instead it was the teacher’s corporation the one to lead the way in confronting education’s decline.

In 1989, before the national election, one of the longest strikes of the period was led by the teacher’s association. Interestingly enough, despite the disruptions that such a strike had on people’s lives this strike survived because the people and of course the rest of the trade union movement, including at moments the teachers in private education, supported it. This conflict coupled with internal conflicts in the Colorado Party, hurt the government’s chances for electoral success significantly. The strikers pressed for increases in wages and budget under the general banner of a dignified education. Their demands were not met and the strike ended without affecting any changes in public education.

The next administration gave an important, but nonetheless unsatisfactory increase in wages to teachers, but was always under the threat of a major conflict unleashing. Soon came a more drastic warning. In 1994 the teacher’s association, the leftist coalition and the trade union movement proposed to plebiscite a constitutional amendment that would grant a 27% fixed floor of the national budget for public education. At the time it did not reach 15%. This time the political elites of the traditional parties did not escape confrontation as they had done in the retired people’s proposal, and the amendment was finally defeated in the plebiscite.

By and large the two events mentioned were mere attempts to increase the resources of the public education system. In contrast to the social security changes of 1989 there were no clear winners, besides the teacher’s corporation, in this attempt to increase funds, and even them could not be sure were the new resources would go. Also the experience of increased taxation in the case of Social Security contributed to a learning process on the side of the population. Increasing expenditures implied diffuse, but nevertheless identifiable costs in wallets and purses. The action of the traditional parties seems to have played a major role in pointing this out, and in refreshing peoples memories regarding the 1989 social security plebiscite and its fiscal impact²⁹. The evolution of voters preference regarding the education plebiscite makes this interpretation forcefully clear. A survey carried out in July of 1994, showed 70% of the population declaring a positive vote for the constitutional amendment of 27% of the budget as fixed floor for education. Four months later, only

²⁹ High ranking party officials (among them three presidential candidates from the Blanco and Colorado Parties) declared between July and November, that this proposal did not solve problems and was a recipe for fiscal disaster. Even the smaller moderate center-left group of Michelini opposed the measure. Only the left wing coalition remained loyal to the initiative (Press Reports from Búsqueda, El País and La República July, 1994-November, 1994).

20 days before the plebiscite, only 40% of the voters remained favorable to such an amendment³⁰. In the end the amendment received only 36% of the vote.

In 1995 two long term processes crystallize under a concrete political expression. As we mentioned before there was a wide belief of the population regarding the decline in the quality of public education. On the other hand, from outside the state and the corporations of education, there had been considerable accumulation especially regarding a detailed diagnosis of the systems flaws in efficiency and equity. CEPAL had been studying, publishing and feeding the media reports of lack of learning in the classrooms, regressive patterns of resource allocation and large differentials in educational outcomes by class and region³¹. So in 1995 the stage was set for reform. A broad diffuse perception of decline met with a precise diagnosis and later with a concrete proposal of reform. The corporations of education had been unable to convince the population that the solution passed mainly or even only through increased funds for education. Germán Rama had been the man behind the precise diagnosis. In 1995, a year after the election, the most ambitious project of reform of the last 25 years was launched. This reform was known as the “Rama reform” for it is German Rama, previously the director of CEPAL in Uruguay, the president of the CODICEN³² and leader of this reform.

The choice was a strategically correct one. In the first place Rama is a true policy entrepreneur. He had been pushing a reformist agenda from CEPAL for some time. Secondly he was widely consensual. This was due to a large extent to the fact that he concentrated on the diagnosis rather than the actual alternatives while he was in CEPAL. He was consensual to the point that only two members of the far left did not support his designation. Furthermore Rama invested additionally in building a consensual multyparty reform team. While he is clearly linked to the Colorado party, his two closest collaborators come from the Blanco party (Claudio Williman) and from the Broad Front (Carmen Tornaría).

Strategic choices linked the reform to the broader enabling political environment and allowed for a relatively swift congress approval. In the first place Rama, while not present at the Victoria Plaza Hotel negotiations, accepted the position being offered with the condition that he would have full support from the emerging coalition³³. Later he would collect on this promise. Some sectors of the Blanco party were critical of some measures of the reform and wanted to cut property based tax in the country side that was directly channeled to primary schools for food and services to children in need³⁴. Rama overtly opposed this and framed it in such a way that made the Blanco Party position look anything but popular³⁵.

Furthermore the strong statist bend in the reform had bothered the more market oriented members of the party, and more importantly the closing down of small rural schools went against some of the rural constituencies of Blanco leaders. Yet when we look at the parliamentary vote, these representatives followed coalitional discipline. Not only did they accept this measures but also a strong increase in the budget for education which was a cornerstone of the reformist strategy.

³⁰ Results from Equipos Consultores Asociados published in El Observador (24/11/1994).

³¹ The body of literature produced by CEPAL is large indeed. Among the most important reports are *Que aprenden y quienes aprenden en las Escuelas en el Uruguay* (1991), *¿Aprenden los Estudiantes? El ciclo básico de la educación media* (1992), *Los Jóvenes en el Uruguay. Esos desconocidos de siempre* (1991) and *El trabajo de los jóvenes en Uruguay. La búsqueda y el empleo* (1992).

³² *Consejo Directivo Central*, the decentralized entity that governs primary, secondary, and technical education that depends on the Ministry of Education.

³³ Interview to Renato Opertti, November, 1997.

³⁴ In El País (26/9/1995) the Blanco Party actually threatened not to vote the education reform if the primary school tax was not suppressed.

³⁵ In La República (3/9/1995) Rama answered claiming that “I defend the primary school tax because I do not want our kids to be left without food in our schools”.

Rama's lobbying and his presence in the press was a major factor behind this compliance, and in forcing the government to do some arm twisting with the Blanco party representatives³⁶. On the other hand, the reform was presented through the budget proposal allowing for pork barrel politics. In other words if some of the articles of the reform were being questioned those representatives pushing the reform forward could offer reluctant representatives votes in other articles of the budget in exchange for compliance with the education reform.

The final factor that sealed this positive fate was the very content of the proposal. As we have shown the proposal does not go against the statist perspective of the population (Mancebo, 1998). On the contrary it reinforces the presence of the state at the preschool level. Furthermore, Rama has not lost an opportunity to make loud and clear statements regarding his preference for the state in education matters and in how the public system should interact with private providers. In July of 1996, with the reform already well on its way, he answered to the possibility of contracting out as a strategy to increase efficiency and diminish costs:

“...It is not positive to make deals with private enterprises [...] I think that the best system to get resources and buy what we need is public debt be it through international loans or treasury bonds [...] to buy from a private agent is like having those small grocery cards [...] one always pays more, of course. This administration has not done and does not plan to develop any agreement with private providers³⁷.”

The reform also insists on a dimension that usually receives broad support from the population; redistributive goals. This does not mean that the population was an active supporter of the reform nor that it mobilized to push this reform forward. Who won and what was being won was too diffuse for such an effect. But it goes a long way to explain why the population did not mobilize against it. Coupled with the content of the proposal the conflict legacies favored though in a mediated form a reform proposal such as this. Consider that the trade unions and the left wing had failed to win the support of the population in 1989 and 1994 for increased funds. Behind these attempts lay the idea that the major problem of education was simply the lack of financial resources. This idea was not supported by the voters. The Rama reform took advantage of this legacy and proposed both increased funds and major institutional and organizational changes.

Again, as in social security education reform occurred when a certain configuration was present, other modes of change dominated when such configuration was not in place. With education the critical sector variables are the same, but the combination enabling reform is different. A perception of crises is not followed by a successful defense of the traditional system through increased funds. Thus there are no urgent side effects to be confronted. Technical accumulation takes place especially between 1990 and 1994 while popular perceptions become more and more favorable to reform. The fact that no large and powerful veto corporation had to be overcome and the very content of the proposal help us understand while even without the urgency of Social Security and with a lot less political bargaining reform could pass.

TABLE 4

	Configuration	Government Action	Response	Outcome
1985-1989	Large but diffuse group of	Crises Management.	Activation of teacher's	No changes. Further

³⁶ In El Observador (9/11/1995) Rama alerts that without more resources some children would not be in school. At different points in time he repeats this argument and his demand for more resources. In a more threatening tone in El Diario (30/9/95) referring to the possibility of being denied funds, he simply answered “ I would rather not consider a negative on the side of the government”. Funds were finally granted.

³⁷ El Observador (1/7/96).

	beneficiaries. Perception of crisis. Declining quality. Lack of technical alternatives.		movement. Strikes and demonstration.	deterioration according to some.
1990-1994	Teacher's corporation builds weak coalition with left wing and trade unions. Attempted plebiscite for more funds	Crises management. Open and active opposition to trade union movement amendment proposal. Some targeted actions and infrastructure investment.	CEPAL diagnosis. Political parties include education reform in electoral platform based on CEPAL diagnosis.	Technical accumulation. No reform proposed.
1995-1997	Technical consensus and reformist political coalition at general level emerges.	Reformist proposal with strong statist and redistributive bends.	No real opposition emerges besides minor complaints from teachers corporation and far left political groups. Later larger opposition from.	Reform approved

Outcome and Implementation

As we mentioned before after the election of 1995, the president designed as the director of the CODICEN (Central Directorate Counsel for primary, secondary and technical education) the ex-director of the Economic Commission of Latin America in Uruguay: Germán Rama. Rama had written extensively on education and he was a consensual man among parties and corporations. He was also known as a man with a reform in mind. What nobody knew quite well was what reform he actually had in mind.

The reform turned out to be rather different than most people and international agencies thought. No voucher system as subsidies for private offer were presented, no decentralization in fiscal terms was proposed, and increased expenditure rather than cutting down of costs took place. But he also did not advocate a return to the humanist and liberal curricula of before, nor did he invest those added resources in wages.

The reform changes the high school curricula, de-emphasizing the humanities and arts and increasing pragmatic content that prepares the individual for the labor market, rather than for college. This transformation implies a regrouping of subjects and the preparation of professors with training courses to meet the new demands. Secondly, this reform, undertakes the very ambitious aim of expanding public, free and obligatory education to preprimary level, something that had been done through private schools before and that had increased significantly for middle and upper middle classes in the last two decades (Operti 1997). This fact had been pointed out in analyses carried out by CEPAL in previous years to be a major factor in children's performance in later years, and thus a major element in potentially increasing the inequality of human capital allocation. In the third place, the reform seeks to develop full time school for some areas and has already launched some pilot experiences.

The most important features of this reform can be summarily pointed out in the following table:

TABLE 5
EVOLUTION OF PUBLIC EDUCATION 1985-1995

	1985	1990-1991	1994-1995
Public pre-school system	Only covered 5 years old children	Expanded for some schools to 4 year old children	Aim at universal coverage for 4 year old children by 1999
Full time Schools	No	Pilot experiences	Expanded
Teachers Courses	No	No	Yes
High School Curricula	College oriented	College oriented	Labor market oriented
Priority requirement schools	No	Yes	Yes

Sources: Multiple Sources; Budget proposal 1995-1999.

After the “Rama reform” was launched corporatist veto groups started to question what had in fact the broad consensus of the political system. The teacher’s and professor’s corporation had expected a big salary increase that did not take place. They felt cheated by this and threatened by the curricula changes and further changes in the systems of incentives and rewards for teachers. Resistance started to mount.

This brings us to the point of reform sustainability. Education reform was easily approved. The difference with Social Security is quite evident. While the later required repeated attempts, and had to deal with an active and powerful veto coalition built around the interest of 700.000 people with parliamentary representation, education reform had the broad support of the political system and weaker corporatist opposition without strong parliamentary backup. Yet once the reform was launched, the “paper tiger” seemed to turn into a “minotaur”.

But, while strikes and teachers mobilization seemed to threaten the reform in the end they did not amount to much. A general strike in education and harsh attacks from the far left threatened the reform. The political system by and far stood behind Rama. Even the moderate left, strongly linked with the corporations of education, refrained from open and harsh criticism, in what amounted to a clear signal of approval. Another strike by students and teachers at the secondary level attempted to roll back reforms alleging that they had been imposed without input from the people that would actually have to live with them.. This time around support from the population was less clear, and with time the corporations accepted reluctantly what was mostly a symbolic gesture by the authorities to open dialogue mechanisms.

TABLE 6
Public Opinion regarding students occupation of schools against reform

Position (percentages)	First Question	Second Question	Third Question
Agree	27	35	35
Not for nor against	14	11	15
Disagree	49	42	33
No opinion	10	12	17

Source: Factum, 1997

1. Agreement or disagreement with students occupations.
2. Agreement or disagreement with professors' corporations' support of occupations
3. Agreement or disagreement with CODICEN actions.

So far the "Rama reform" continues to evolve, and opposition, while active, is concentrated and has received little support from the broader political arena.

Yet sustaining reform was more than simply not rolling it back. Pushing it forward was the critical issue. Vetoes within the traditional structure of primary, secondary and technical education were almost a natural outcome, since they were controlled by the teachers and professors that felt threatened with this reform. Rama confronted this problem by creating and using a parallel structure for some of the reforms basic aims, gaining a strong foothold in critical decision making positions in the old institutional structure, and by dividing corporatist opposition. At first he largely bypassed the traditional structure of education government by making extensive use of cooperation programs and resources that had been set up by the previous administration or that in some cases he created. The program of primary education improvement (MECAEP), technical education improvement (BIDUTU) and secondary education improvement (MESyFOD) were extremely discretionary institutions in the hands of Rama with fresh resources from international cooperation agencies (IDB and World Bank). This resources were used to develop further technical diagnosis, evaluations of efficient performance, distribute monetary incentives for teachers and carry out pilot experiences that contributed to diffuse demonstration effects and create new stakeholders³⁸. Also, the resources from an old program, the FAS (Fortalecimiento del Area Social) were redirected for building preschool facilities

The second step, was to place part of his technical team in the highest ranking positions of the traditional structure (education management, resources and investment and Inspections -those who evaluate the teachers and professors). This did not allow him to control the whole structure, but it gave him a better knowledge of resistance and veto points across the different educational structures. Finally, the creation of pilot large programs of teacher's training with scholarships and curricula enhancement and the development of many pilot experiences for full time schools, and priority requirement schools allowed for the broader deepening within the traditional structure and the corporation itself of the reform agenda.

Especially in secondary school, the creation of new stakeholders operates mainly through the pilot experiences as a demonstration effect. Parents, professors and students are drastically and systematically more favorable to the reform and have a better evaluation of public education in general in the cases of pilot experiences. In effect consistent across ages, urban-rural location, political identification and groups within secondary education, there is a gap of plus 20% or more between pilot experiences and non-reformed high schools (CODICEN-InterConsult, 1997).

Before making an overtly optimistic assessment one caveat should be considered. Part of the strength of the reformist impulse comes from the leadership of a strong policy entrepreneur with a technical elite that comes directly from the very same team that was working in CEPAL and other professionals that came from outside the public education system. A potential weakness stems from that same configuration. Change and a commitment to reform has not been "endogenized" yet in the inner structures of public education. Large steps have been taken as teachers and professors take courses and undertake additional activities that the reformist program has created. But change is still

³⁸ This can be seen in a number of reports and publications by these very institutions, where they include diagnosis, plans of investment and coordination strategies with traditional structures of education. See "El curriculum experimental" MESYFOD, 1997; "La gestión en la educación, política educativa, administración y financiamiento" E2, Serie desarrollo social, FAS, 1995). Also Proyecto de Presupuesto, 1995-1999, Administración Nacional de Educación Pública, Vol. 1 and interviews to Renato Opertti and Ester Mancebo; November, 1997.

largely located outside the core of traditional public education. The reformist push still depends too much on Rama and his team of closest collaborators. Furthermore while the Rama reform is mostly liked, Rama himself is respected but not liked. His continuity under a different administration is anything but sure. This could very well endanger the reform intensity and consistency in the future.

iv. Facing health care crises and failed reform: weak linkages, diffuse winners and institutional errors.

Health care reform failed. Besides the sector specific configuration of power and interest groups, the most important factors behind this failure refer to strategic choices made by Solari, the policy entrepreneur behind the reform attempt, and the very content of the proposal. In sharp contrast with education an able leader was not present. In the first place he chose to battle in a closed policy environment first (negotiating with the medical corporation), and did not take advantage of linking the reform to the broader enabling political environment. While both social security and to a lesser extent education reforms were discussed in the meetings leading to the coalitional agreement, health reform was not. Secondly, in contrast to education, health care reform did not offer any expansion in coverage or benefits. On the contrary it implied cutbacks. It did attempt to save resources by limiting subsidies to the private sector, but it was never clear where those resources would be re-deployed. Thus while losers were clear, winners were not. Finally, one major institutional device that worked for education reform, did not pay off for health care reform: passing the reform in budget clothes. We shall see below how an institutional strategy that proved efficient in one case backfired in the other. Ironically this is the sector where there was no conflict legacy to be dealt with. Yet this very fact, limited the knowledge of Solari and his reform team regarding potential blocks and vetoes. As the reform entered congress, the veto players became immediately clear, and their strength sealed the fate of reform.

Background

In 1987 a deconcentration law was approved, creating the Administración de Servicios de Salud del Estado. ASSE was meant to be a first step in the process of decentralization and in the move to national health care system (the idea of a generalized insurance system had been left aside) in which the central state would basically have a regulatory role and notoriously diminish its role as a provider. As such the state would guarantee the funds for public decentralized services and overlook the system (both private and public as a whole). Yet little was advanced, since ASSE ended up assuming 90% of the Executive Units of public health, thus amounting to very little deconcentration. Nevertheless the letter of the law allowed for more ambitious aims. The idea was to “delegate in regional and provincial levels the urgent matters of everyday health care and concentrate at the central level the strategic decisions”³⁹. In 1995 a real health reform was attempted and congress rejected it article by article.

Uruguayan health is a complex articulation of private and public agencies that interact with each other at different levels (cooperation, financial, etc.). Historically two different systems can be distinguished. On the one hand the private system in which mutual aid societies (MAS) covered the middle and upper classes and with time part of the working class, and on the other the public system that covered those that could not pay the fee of the MAS⁴⁰.

In the 1960s and 1970s, bilateral agreements between state agencies and MAS created a system by which state employees, with a small discount could become members of an MAS. The

³⁹ Diagnóstico Sectorial de Salud, Volume 5, PRIS-OPP. 1994.

⁴⁰ There is also the completely private alternative, but it has always been miniscule and mostly regarding diagnosis since there is no private infrastructure besides MAS. On occasions these new mobile emergency services rent rooms and infrastructures from the MAS.

state in this way started to subsidize the MAS and their employees' health care costs. In the 1970s some laws and tripartite agreements opened the door for the first categories of private workers to a similar deal: now employers, employees and the state contributed to the health care of Uruguayan citizens.

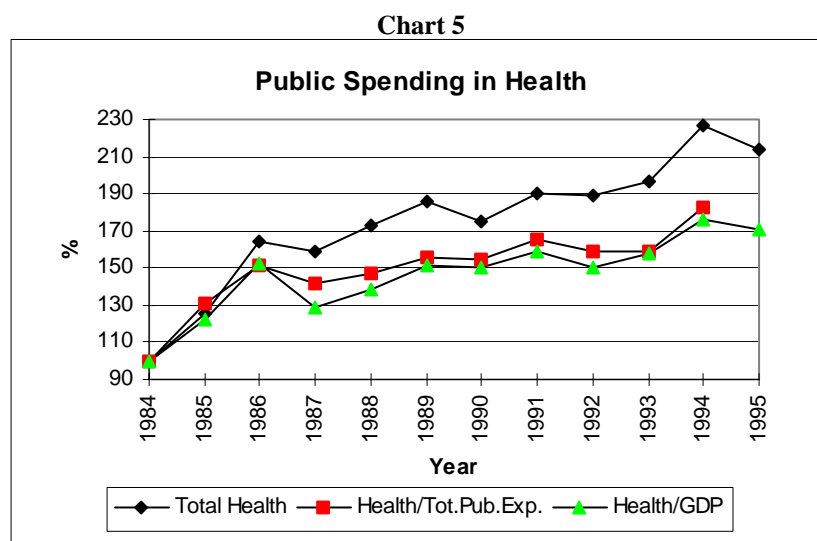
In 1984, the mechanism became universal as the last categories of formal sector workers (rural and domestic service) acquired the right to join mutual aid societies. This mandatory health insurance was administered by a new state directory (DISSE) that played an intermediary role between the worker and the MAS of choice. By 1988, according to the Ministry of Public Health, 1,400,000 people were members of mutual aid societies. The public system continued to serve around 1,000,000 people, and some private or specific public facilities (Military Hospital, State enterprises medical facilities) added to an almost complete coverage of the Uruguayan population. There is no doubt that the implementation of the agreements between the state and the MAS, and afterwards the creation of DISSE increased coverage in the higher quality layer of health care, and did so with a strong redistributive bent (the amount of money one pays to belong to a MAS from one's income, is proportional to that income).

Less clear, given the increased costs of customer co-payment meant at controlling consumer use, is how much the new popular sectors incorporated to the system could and actually did use the system (Sánchez and Fernández, 1997). The MAS system has for some time been in financial stress and the major incorporation of new members through DISSE constituted a hidden subsidy since not only the employee paid, but also the employer and the state. Yet it also implied a deterioration in the MAS services as increasing numbers of people had to be assisted with mostly the same infrastructure. Coverage in better quality services increased, but its flip side was that quality in those same services declined as overcrowding evolved and financial resources lagged behind. Also some costs in the form of strong raises in medicine tickets and red tape costs were passed on to the consumer -i.e. the member of the MAS.

In the 1980s a third form of medical service appeared: private emergency mobile units. These services also used a cooperative prepaid monthly quota that allowed for very low fees by redistributing costs and risks. A large part of the middle classes, and almost all of the upper middle and upper classes became members of these services. Mutual aid societies were particularly slow and inefficient regarding minor primary treatment and emergency and out-patient services, and these were precisely the areas in which mobile units -which later added basic primary care centers, attended. As a matter of fact, most people that could afford it paid a double fee, one to the MAS and one to the mobile emergency service.

The end result is that the country is moving to a three-tiered stratification structure in terms of health care: those that cannot afford to pay for health care in the MAS system (or cannot afford the tickets, even if they are members of a MAS) end up in a public system with stagnant quality, those who can only pay for a mutual aid system with declining quality⁴¹, and those that are members of MAS but can also pay and choose to do so the emergency and out-patient new services and in some cases in the few purely private facilities in the country. Yet, while quality improvement is not clear, expenditure has increased. The question is where did those funds go. The answer is that this increase in funds were mainly due to the increases in transfers of the state to the MAS system through DISSE (see appendix 2). The health care system was spending more and spending it more inefficiently.

⁴¹ In 1994, one third of the population had individual membership to Mutual Aid Societies. If DISSE and other bilateral agreements are included membership to Mutual Aid Societies add up more than 50 % of the population. Twenty nine percent of the population was cared for by the Public Health System and around 15 % by other options. Six percent of the population has no health coverage (Sánchez y Fernández, 1995).



The problem now faced by the health care system, is that the MAS system is in as deep financial trouble as before, and quality suffers as a consequence. Also the Public System is said to be understaffed, inefficient and with inadequate financial resources. All this is coupled with increased expenditure⁴². One of the major reasons of why reform failed can be traced back to this configuration and to the type of solutions that were being sought. Health care reform was not about expanding coverage, it was about cutting costs and limiting transfers to the private system.

Process

To understand health care reform the most important aspect to keep in mind is the power of the medical corporation (Moreira and Fernández, 1997). They are, in contrast with teachers, not simply the ones that provide the service, they also run the system. Furthermore they do not depend directly on the state and state funds to the extent the teacher corporation does. Of all health expenditure (private and public) the state only accounts for approximately 30% of total expenditure plus transfers to the private system (MSP/FAS, 1995). Private expenditure takes most of health care costs.

TABLE 7
Public and Private Spending in Health
1994*

	Pesos 1994	%
Total Public Spending	2.182.664	29.5
<i>MSP</i>	1.374.631	18.6
<i>Others</i>	808.013	10.9
Total Private Spending	5.204.526	70.5
<i>MAS</i>	3.632.496	49.2
<i>Others</i>	1.572.030	21.3
Total Spending in Health	7.387.170	100

Source: MSP/FAS, 1995

⁴² Some parts of the public system work better than others. Niches of efficiency are to be found -and this is a known fact by the population- For example, the Hospital Maciel, is known for service that equals MAS health services.

As this table shows, expenditure in MAS more than doubles health expenditures in the Minister of Public Health (which accounts for most public hospitals). At the same time the elite of the medical corporation runs both the private and public systems. It is not rare to see one doctor holding leading positions in a MAS, a public hospital, and a council on state health policies or the health program of social insurance. In this sense a wide ranging reform of the health care system is unlikely to pass when it stems from the sole initiative of the public sector, and specifically the MSP. As Londoño (1996) suggests, identifying critical nodes within the different sectors and between them and incorporating into the negotiations the different actors involved might prove a more viable piecemeal strategy. If the strategy chosen is wide ranging reform, then resources from outside the closed policy environment are needed. They were not secured in our case.

Solari, who would become minister of the Colorado government in 1995 was a member of that medical elite. It goes beyond the possibilities of this paper to ask why he of all people chose to confront the medical corporation. For that is precisely what he did, as will become evident when the contents of the proposals are detailed. It is relevant to our task to answer why he failed.

The power of the medical corporation, the financial crisis of the Mutual Aid Societies (receiving subsidies from the state), the late emergence of technical leaders of reform, and structural adjustment policies, interacted to shape an issue that while underlying the agenda, worked its way through gradualist crises management measures rather than by confronting the problem with deeper and wider proposals of reform. As we said before, the major reform attempt before 1995 was the law that created a ASSE (State Health Administrative Services) and that amounted for deconcentration at the administrative level, leaving political and financial issues untouched. The gradualist management of the crises allowed for increased coverage and for protecting potentially powerful losers: especially the medical corporation. Yet a reform by default was slowly taking shape, and it was doing so in a regressive pattern. When in 1995 Solari presented a bill in congress that drastically changed the logic of the previous reform he broke the code of silence and the rules of the game that had been behind the reformist group of doctors that dominated the system of health care.

Though the reform was not approved, a basic understanding of its contents is indispensable to comprehend why it was rejected. This reform attempted not only to move further in terms of decentralization, but also to touch a number of taboo issues regarding the health care system as whole. First it attacked the problem of financial transfers and subsidies from the state to the MAS system, especially those located outside Montevideo. It attempted to do so through a mechanism particularly threatening to the MAS from outside the capital city. It sought to create competitive public hospitals and allow workers to choose at DISSE between public and private health care. Not content with that it attempted to create communal hospitals (not said in the law but declared by the reformist leader, Solari) in which the doctors and the community would share the authority over the allocation of certain resources. Also it changed the civil servants workers statute, decreasing premiums and raises in wages due to years on the job, and increasing meritocratic and competitive criteria. Finally, it attempted to rationalize the use of public hospitals in Montevideo by tightening means tested mechanisms. This implied among other things, that those with DISSE coverage would not be entitled to use public hospitals.

Rather than protecting powerful losers, his initiative was based on identifying potential but diffuse winners. In particular this proposal meant that the medical corporation, especially those grouped in the FEMI (Medical Federation of the Interior -that is, those Mutual Aid Societies not based in Montevideo) would loose⁴³. A prominent member of the medical corporation simply claimed that,

⁴³ In El Observador (28/9/95), FEMI declared its open opposition to the Health Care Reform sent in the budget proposal.

“The reform was blocked because many people raised their hands to the sky. He (Solari) realized to late that from FEMI they were saying no and could actually wipe out the congress support he needed”.

A member of FEMI openly declared war on the proposal,

“If this project is presented again we are going to make our arguments clear and defend them with all possible means and show that this is not the reform that this country needs, at least not for the reality outside of Montevideo...It is not that we are against competition, as a matter of fact there are some MAS outside of Montevideo that are not members of the Federation (FEMI)...what we do not believe is correct is to create this pseudoMAS based on the state, which is going to have perverse effect on the whole system of competition”

The MAS' of Montevideo were mostly left untouched, but they were not either clear winners.

Rather they suspected that the ultimate end of the reform was to create a public system that could compete with the private options. A member of the *Plenary of MAS* made this point clear,

“to a certain extent, the view behind the reform was that the public sector could compete in equal standing with private collectivized medicine...that is one way to view the problem...we believe it is the wrong way. Of course an alternative has to be sought outside of Montevideo where FEMI owns everything, but in Montevideo there are 18 MAS working and people can choose which one they prefer.”

Thus, the medical corporation as a whole opposed or had strong misgivings about the reform. In addition the workers and civil service of health care opposed the reform because it changed the system of rewards and punishment, decreasing stability and increasing pressure for efficiency⁴⁴.

Besides the corporations, the political system was not willing to pass this reform either. First FEMI was able to block the proposal through congress by using its powerful links with the representatives of the traditional parties from outside Montevideo (many of them doctors themselves). Secondly the left wing did not approve of the tightening of means tested criteria for public health entitlements⁴⁵. In the words of a Doctor of the Ministry of Public Health;

“I believe that in some sectors what raised opposition was the fact that the reform implied that the state would start to charge and leave people out of public hospital if they were members of MAS, instead of providing free health care”

Finally and to top the cake a contingent factor came into play. Solari was seen as a potential runner up for the candidacy to the presidency by the Colorado party in the next election, and thus resisted strongly by those who did not support him in the party. Negative linkage to the broader political process, rather than positive linkage, thus, made its entry through this very contingent factor.

Given the content of the reformist proposal and the configuration of power in the health care sector and in the overall political system it was highly unlikely that this reform could have

⁴⁴ Reformist proponents added to these perception by declaring that “the state health care system had to reduce expenditure by 10%.” The federation of Health Care Workers answered by opposing the measure and claiming that superfluous expenses could be controlled and the savings used to increase their salaries and wages. *La República* (20/7/95)

⁴⁵ A left wing weekly journal titled “Better to be rich and healthy”, informing that “the health care reform budget proposal makes some free health care services, payed health care services”. *Brecha* (22/9/1995)

succeeded, at least as it was presented. But the absence of adequate strategic devices sealed the fate of the proposal. Solari chose to negotiate reform within a closed policy environment. Mainly he discussed his proposal with the State health care representatives (he was part of the team), the MAS in Montevideo and FEMI. He believed that despite open FEMI opposition congress would back the proposal. As a matter of fact Solari did not change his proposal after he presented them to the different interest groups⁴⁶. What he did not understand or weigh correctly was that FEMI had strong links with many party representatives. Had he chosen to go the other way, the coalition might have helped to discipline these representatives or at least contain the effect of them on other members of congress. Yet linkage to the broader political environment was not sought, and the articles of the health care reform came to congress without any previous dialogue with them. Many knew about the law, but did so through its detractors, and not its proponents. We will quote at length an interview with a Doctor and representative of the Blanco party in Congress since it constitutes the best empirical support for this interpretation,

“Solari took the project to the Medical School, to the Federation of Doctors, to the State system and to FEMI among others. ...(Solari) forgot what is most important and it is that projects get passed with the votes of congress. The faculty of the medical school or the doctors of MAS do not vote. Huge mistake, because Solari cannot believe that his ideas should not be debated by congress, just because of who he is. I, as a representative in Congress, actually knew about this project because of my personal connections and friends in the places where he actually did take the project...The way the debate was carried out was simply wrong”

The only strategy that Solari developed was to present this in Congress with the national Budget Law, as was done with education. Yet, this strategy, given the absence of previous debate in Congress backfired. We have to consider that the budget has to be passed during a certain period. Given this fact, articles that are extremely problematic and that make representatives unwilling to back the budget, are many times dropped from the budget law in such a way as to enable the swift passing of the budget law⁴⁷. A doctor from the Ministry of Public Health supports this idea;

“To attempt to pass the law as part of the budget so that it *would not sleep* in congress became a problem...The very fact that there clear deadlines did not give representatives enough time to discuss the law”

Besides that no marketing was carried out in aggressive form, no clear cut and understandable diagnosis of the systems flaws had been communicated to the population, and no previous dialogue with the representatives in Congress had been carried out before the presentation of the proposal Solari had in his favor, the support of Multilateral Lending Agencies and an overall enabling political environment but a weak linkage to it.

Against the background depicted above, those were clearly not enough aces. Two additional aspects that conspired against reformist success were the perception of the population (health care is of all social services the least criticized in surveys) and the fact that maintaining an inefficient and increasingly less progressive health care system is not a big problem for the state treasury for now.

TABLE 8

	Configuration	Government Action	Response	Outcome
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⁴⁶ La República (2/9/95) informs that the reform proposal was to be included in the budget without changes from the one presented to different actors involved in the health care system. Búsqueda (24/8/95) tells us that only some modifications suggested by technical elites from the MSP (Ministry of Public Health) had been incorporated.

⁴⁷ The president of FEMI, Urcade, argued that the project needed more time to be discussed. Yet the effect of asking for more time had to be to leave it out of the budget proposal. In other words to reject it as it was framed in such a proposal. La República (26/9/95)

1985-1989	Large but diffuse group of beneficiaries. Mild Perception of crisis. Declining quality. Powerful corporation administers gradualist reform.	Crises Management. Gradual reform.	None besides individual partial exit from MAS system.	Move to three tiered stratification system.
1990-1994	Continuation of gradualist strategy dominated by medical corporation. MLAs presence more clear.	Crises management. Gradual reform.	None.	Further deterioration of progressive pattern in health care
1995-1997	Technical and political differences within medical corporation. MLAs influence increases. Other actors remain inactive.	Reformist proposal with strong negative financial impact on part of private system and rationalization of public services and incentive systems.	Opposition from the medical corporation, the political system and the health care system trade unions.	Reform rejected Medical corporations regains control. Some aims of reform being discussed on a case by case basis.

Sources: Multiple sources; Budget Proposal

A final question seems relevant. Why did Solari failed so clearly to develop an adequate reform strategy? Part of the answer lays in the fact that he was a member of the medical corporation. Solari was convinced of the technical merits of his proposal, he lacked a clear political diagnosis and institutional strategy. The contrast with Rama here is telling. The latter came from outside the educational system. He was a technocrat, but a social scientist. For him technical merits had to be combined with political viability. Obstacles were factored into the strategy. Moreover, not only the technical profile of one policy entrepreneur and the other were different, their knowledge of overt conflicts and actors positions were also distinct. Rama had witnessed the 1989 teacher's strike and the 1994 referendum campaign and defeat. There was a conflict legacy from which to extract lessons, and furthermore that conflict legacy suggested that the teacher's corporation had failed in their attempt to increase funds. There had been no conflict of these dimensions in the health care system. Especially the medical corporation had carefully avoided the issues of funding and public-private transfers. While Solari probably knew that resistance would mount to some points of this proposal, he had not seen any of the potential veto players in action and thus could not evaluate what kind of threat they implied to the reform proposal.

Outcome and Implementation

While no reform was approved a number of measures have been taken place through administrative means. Congress has not considered any new law, but the new regulatory framework set in place by ASSE allows for a number of reforms to take place. Of course this is carried out on a step by step strategy, and does not achieve the more ambitious aims that the Solari reform pretended.

It is telling to see which of the reformist aims are actually being implemented, and even more telling to identify which ones have been blocked.

Three processes of piecemeal reform are under way. First the rationalization and cutting down of expenses in public hospitals is being performed. Secondly, a more managerial strategy for this public hospitals have had a timid start as managers are placed on top of the medical heads that traditionally controlled public hospitals and public health facilities. Finally, the identification of public health users has been already done, and in some hospitals this new information has already allowed for co-payment and limits on eligibility (for those who have MAS coverage). In other words, cutting down costs, making administrative routines more flexible, and limiting coverage are being done. This is the part of the agenda that counted with the opposition of the health care workers, the left wing, and only part of the medical corporation (depending on their ideological leaning).

What is important to highlight is the absence of changes in funding and in the public-private transfers that were behind the failure of reform. The aspects of the reform that are being carried out are those that do not affect the medical corporation and especially the FEMI in any important way. As a matter of fact one such attempt was made. Javier Bonilla, a director of a public hospital, and a member of Solari's small reformist team has recently been fired. A week before this happened he declared to the press that he would push forward a strong redefinition of hospital tasks aimed at limiting transfers to the private sector⁴⁸. Many things that were being bought from private agencies (services and goods) could either be done in the hospital or brought from other public hospitals and facilities. One of the members that the MSP that fired him, is also the owner of some of the enterprises that provide services to the public hospital⁴⁹.

CONCLUDING REMARKS

The first and most clear contribution of this project and the paper it produced is the analytical framework in which broad political condition, sector specific configurations and strategic devices are brought forth to understand the success or failure of institutional reform. The relative weight of the different levels and more importantly the interactions between them constitute a further challenge that should be tackled later on and as more cases are considered.

Secondly this paper has tried to define typical configurations at the general political level that enable reform. In that sense it distinguishes between an ideal type in which political bargaining takes the back seat and the concentration of power and disarticulation of the opposition are key for success, from another possible model, which Uruguay represents, in which dense democratic processes of learning, negotiating and electoral competition slowly craft environments conducive to reform. We hope the paper has given some clues as to how to identify good weather for reform. Furthermore we believe that this second configuration has a distinct advantage over the weak politics stage. It helps solidify democratic processes and it increases peoples positive perception of the democratic regime. The table presented below and its values are due not simply to the distinct political dynamics behind structural and institutional reform but we believe they do contribute to them.

TABLA 9
Opinions on democracy in seven Latin American Countries
1995 (% affirmative answers)

⁴⁸ Búsqueda (14/5/98) and (21/5/98).

⁴⁹ Interview to qualified informant (20/6/98) .

	Argentina	Brasil	Chile	México	Paraguay	Uruguay	Venezuela
La democracia es preferible a cualquier otra forma de gobierno	82	48	54	57	58	86	64
Satisfacción con el funcionamiento de la democracia en el país	53	31	34	24	31	59	38
La democracia permite que se solucionen los problemas del país	59	51	51	52	39	63	53
Las elecciones en el país son limpias	78	26	82	52	39	83	19
Los senadores y diputados se preocupan de lo que piensa la gente como uno	19	16	24	24	28	38	16
La manera como uno vota puede hacer que las cosas sean diferentes en el futuro	75	53	56	53	62	77	52

Source: Kaztman, 1996 (with data from the Latinobarómetro).

Thirdly, our analyses of sector specific configurations help us understand additional factors behind failure and success, especially the role of one critical strategy: negotiating and bargaining with organized winners and losers . Where corporations of beneficiaries are large and powerful leaving them out of the new model helps the reformist cause, where they are diffuse they tend to be irrelevant. Where civil service and administrators are not powerful, technical teams that are coherent and consistent even when they come from outside the system, coupled with political support can very well undertake major reforms. Finally when the corporation that delivers the service is powerful, the rest of the actors irrelevant and disorganized, unless there is strong political will to reform and confront that corporation, we suggest to do the reform with them. **To put it simply social security reform was possible because the beneficiaries of the old system were not affected, education reform was done despite the teacher's corporation, while health care reform has to be done with the medical corporation.**

Among the different additional strategies identifiable as devices to pass reforms one was found to be of central importance: linkage. In effect this strategy has proven to be the most important conceptual innovation to understand the fate of reforms. This is so for one simple reasons. Reforms are not usually discussed in a vacuum nor do they depend, mostly, on the specifics of the sector under consideration. On the contrary how the specific issue of reforms becomes linked to people's perceptions, parties broader agendas and even to other reforms determines many times if reforms will be approved or rejected. The absence of linkage of health care reform to the programmatic coalition between the Blanco and Colorado party is the key to understand its failure. By the same token overcoming resistance to Social Security reform was highly unlikely without the resources that came from a disciplined coalition in the form of votes and general support for the reform as it entered congress and public debate. Education reform also benefited from linkage. Rama is a good example of using the coalition once the law was being debated as part of the budget proposal to secure more funds for the reform.

Linkage or its absence is not only important to understand reform, negative linkage can also happen and sentence reforms to failure. The case of social security reform during the Lacalle administration in which reform became linked to the unpopular privatization attempts, is an example of these type of processes. One word of caution on the usefulness of linkage as an explanatory device. The concept brings with it the undertone of “conscious strategic choice”. This might very well be the case as in the case of Social Security in 1995, or the lack of such strategic choice on the side of Solari. Yet many times how and why a reform becomes linked to political issues beyond sector dynamics cannot be controlled by any one player. On the contrary sometimes these linkages are the product (intended and unintended) of multiple actors, both, for and against reform. **Synthetically it can be said that Social Security Reform benefited from positive linkage from the very start, health care reform lacked that very linkage, while education reform built that linkage through the strategic action and political skills of Germán Rama.**

The use of adequate institutional mechanisms to pass reform sheds less clear cut evidence. Passing reform laws as part of the Budget Proposal was present in both the education reform and the health care attempt. In one it proved successful in the other case a failure. What is more important the passing of the law through budget seems to have contributed as a **cause of failure** in one case and a **source of success** in the other. The question then is ¿what strong specifying variable makes the same attribute a plus for reform in one case and a hindrance in the other? One possible answer is **linkage** again. Where strong disciplined has been secured based on a preexisting political coalition little debate is needed, and whatever minor disagreements might arise they can be negotiated within the budget (pork-barrel politics typically takes place here). When that is not the case, a longer time for negotiation and bargaining is needed, and the budget set clear dead lines detrimental to the time requirements for longer bargaining. Yet education reform, went through the budget, before securing the coalition commitment.

The real question then is why was education reform capable of using the resources of the coalition in congress and health care reform was not. The answer is a combination of content and parties connections. The content of education reform was mostly palatable to everybody, and whatever misgivings the teacher’s corporation had, they could only be channeled through the left in congress. The parties of the coalition do not have any close connection with these corporations. That is not the case with health care reform. Besieged from many fronts because of different aspects of its content and attacked concretely by the medical interests from outside Montevideo who had strong connections with especially one of the coalitional partners (the Blanco party), the reform would have needed a long bargaining period. The budget mechanism did not allow for that.

The creation of new stakeholders proved to be a very important factor in the reform process. But its importance is clearly located after reform has passed. There are no clear new stakeholders before the reform has passed, at least in our cases. Yet once implementation starts, reforms benefit from these new stakeholders as they become active defenders of the reform making them more sustainable and pushing them forward through the many obstacles they have to face as they are being implemented. The new affiliates to the capitalization funds and the private pension funds administrators are powerful new players that have a stake in sustaining the new model and pushing forward the reformist agenda. The teachers, directors, parents and even students in the pilot programs are clearly more supportive of the Rama reform, than those involved in the old and still untouched parts of primary, secondary and technical education.

Conflict legacies, have been barely touched upon in this paper. This was a conscious choice. While they seem to be important in all cases, the causal direction is anything but clear. Strong conflict legacies were present in the case of Social Security, yet reform was passed. Conflict seems to have produced and positive effect in the long run, favoring bargaining and learning processes

especially on the side of reform proponents. In the case of education conflict legacies were weaker, and most important, the results of these conflicts had been the defeat of the coalition that could veto reform. In effect they had been unable to increase funds to the system through referendums and strikes. Finally in health care, conflict legacies were almost non-existent, yet rather than being an indicator of basic consensus, they are an indication of a code of silence, which once broken unleashed opposition actors and veto players from the medical corporation, the health care workers and the political system itself.

Finally, packaging, while not central to the overall argument has been important, but not so much as a one-shot marketing device. The process by which people understood the costs of social security and the strong support for an education reform respond more to the idea of building constituencies for reform in the long haul, and not in the short run. The time period these persuasive processes took support the idea.

There are no easy recipes for institutional reforms. That is not only because it is simply hard to do it, but also because we know little about how institutional change proceeds. We expect this paper has provided some clues to advance in that direction by identifying favorable political contexts, facilitating sector configurations, and adequate strategies to take advantages of those context and configurations.

Appendix 1*

Important Laws

* Government (1985-1990)

- 15736 Declaración de autoridades legales. univer. de la republica
- 15737 Rgimen de amnistia
- 15738 Derogacion de decretos, leyes esp. y fundamentales
- 15739 Creacion anep
- 15741 Suspension ejec. judicial. deudas comerciantes, industriales y productores rural
- 15757 Creacion de la Oficina de Servicio Civil
- 15786 Refinanciacion de deudas comerciante. industriales y productores rural
- 15800 Reinstutucionalizacion del Banco de Prevision Social
- 15803 Reincorporacion de los destituidos de la administracion publica
- 15808 Modificación regimen de organizacion FF.AA
- 15848 Caducidad de la Pretension Punitiva del Estado. Amnistia FF. AA y policias
- 15900 Modificacion regimen de pasividades
- 16061 Aumento de pasividades

* Lacalle Government (1990-1995)

- 16107 Ajuste Fiscal
- 16112 Creacion ministerio de vivienda ordenamiento territorial y medio ambiente
- 16196 MERCOSUR. Ratificacion del tratado de asuncion.
- 16206 Suspension de ejecuciones. deudores agro.
- 16211 Ley de empresas publicas.
- 16246 Ley de puertos (organizacion y servicios portuarios
- 16322 Endeudamiento interno. modificacion ley 16.243
- 16327 Sistema de intermediacion financiera. modificacion decreto ley 15.322
- 16336 Modificacion ley 16.333. pasividades policiales y militares
- 16426 Supresión de monopolios Banco de Seguros del Estado

Sanguinetti government (1995)

- Ajuste Fiscal
- Ley de Seguridad Ciudadana
- Ley de Seguridad Social
- Ley de presupuesto
 - Includes:
 - Education Reform (approved)
 - Health Care Reform (rejected)
 - Administrative Reform (approved)
- Reforma Constitucional
 - Includes:
 - Electoral rules
 - Municipal Decentralization.
 - Congress-Executive Relations.
 - Political Party regulations
- Desmonopolización de Alcoholes
- Reforma Código Penal
- Marco Regulatorio de las Usinas Térmicas del Estado (UTE)

*This is an extract of a broad list of important laws and vetoes selected by Chasquetti an Moraes 1997, and Moraes and Morgenstern 1995.

EXECUTIVE VETOES

* Sanguinetti Government (1985-1990)

- 2 12-17-85 Banco Prevision Social. Reinstitutionalizacion.-(Ley: 15.800).
- 4 07-10-86 Pasividades. Aumento. Interpretacion Dc. N°9
- 5 08-05-86 Modificacion Juicios Laborales (Ley: 15.837).
- 11 12-23-87 Comerc, Indust, Serv. Y Prod.Rural. Deudas. Refinanciacion.- (Ley: 15.940).
- 14 11-17-88 Pasividades. Ajuste Indice Medio Salarios. Diferencia. Pago.
- 15 12-13-88 Bps. Titulares Pasividades. Retribucion Especial. Otorgamiento.-
- 16 06-29-89 Socied. Comer.,Grupos Interes Econom. Y Consorcios. Reg. (Ley: 16.060).
- Vp 11-06-89 Funcionario Publico. Licencias. Reglamentacion.- (Ley: 16.104).

* Lacalle Government (1990-1995)

- 23 08-08-91 Comerc., Industrial, Productor Rural. Deudas. Refinanciacion.- (Ley: 16.243).
- 25 10-15-92 Cueros Bovinos. Exportacion. Regulacion.-
- 26 05-13-93 Inspeccion General De Hacienda. Cometidos. Redistrib.Por P.E.- (Ley: 16.376).
- Vp 12-17-93 Patrimonio Y Rentas Industria Y Com. (Impues.). Aplicacion. Modif- (Ley: 16.470).
- 30 08-26-94 Fondo Nacional Garantia. Creacion.- (Ley: 16.622).
- 31 10-20-94 Pasivo Militar. Beneficios Ley 14.106. Vigencia.- (Ley: 16.620).
- 34 10-20-94 Astra S.A. Intervencion Poder Ejecutivo. Autorizacion.- (Ley: 16.623).
- 35 06-29-94 Seguro Desempleo, Subsid Maternidad Y Enfer. Calculo Jubilatorio (Ley: 16.528).
- Vp 06-30-94 Comercio Exterior. Operaciones. Control, Regulacion y Tramitacion. Regimen.-
- Vp 12-20-94 Banco Central. Carta Organica.- (Ley: 16.696).
- Vp 01-15-95 Codigo General Proceso. Modificacion.-

Appendix 2

PARTICIPACION POR AREA EN EL PBI (en %)												
	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
PBI (MILLONES DE PESOS DE 1995)	90.413,19	92.676,67	97.794,62	111.555,18	112.827,71	111.020,68	105.614,15	108.342,76	113.798,86	112.237,53	116.432,91	113.309,62
TOTAL DEL GASTO SOCIAL / PBI	16,52	16,01	16,87	16,54	17,23	17,66	18,39	19,46	19,65	21,22	21,24	21,76
CULTURA Y EDUCACION / PBI	2,67	2,53	3,00	2,98	3,06	3,12	3,01	2,86	2,66	2,98	2,61	2,70
SALUD / PBI	2,10	2,57	3,19	2,71	2,90	3,17	3,15	3,33	3,15	3,32	3,70	3,59
TRABAJO Y SEG.SOCIAL / PBI	10,85	10,26	10,36	10,49	10,84	11,04	11,88	12,97	13,53	14,85	#¡REF!	15,40
SEG. SOCIAL / PBI	10,68	9,91	10,11	10,24	10,57	10,72	11,54	12,62	13,20	14,52	#¡REF!	14,99
VIVIENDA / PBI	0,91	0,64	0,32	0,36	0,42	0,34	0,36	0,30	0,31	0,06	0,09	0,08

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
% Gasto Público Social Total	53,19	55,45	57,26	58,66	59,54	59,31	61,40	65,64	67,12	67,99	69,83
sobre Gasto Gob. Cent. Consolidado*	50,27	53,22	56,18	57,37	58,08	58,18	60,19	64,62	66,07	67,80	69,52
	18,79	21,12	22,95	22,35	23,00	23,32	22,87	23,09	22,03	21,46	22,30
* Incluye Transferencias a la Seg. Social											

	PARTICIPACION DEL GASTO PUBLICO SOCIAL EN EL GASTO TOTAL								
	DEL GOBIERNO CENTRAL CONSOLIDADO								
	PERIODO 1984 - 1995 (En %)								
	1984	1985	1986	1987	1988	1989	1990	1991	1992
GASTO SOCIAL/GASTO TOTAL	50,3	53,2	56,2	57,4	58,1	58,2	60,2	64,7	66,2

				PARTICIPACION DEL GASTO PUBLICO SOCIAL EN EL GASTO TOTAL							
					DEL GOBIERNO CENTRAL						
					PERIODO 1984 - 1995 (En %)						
	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
GASTO SOCIAL/GASTO TOTAL	37,7	39,2	40,8	41,7	41,9	42,5	35,9	38,7	43,0	47,1	50,2

	EVOLUCION DE LOS GASTOS PUBLICOS SOCIALES											
	PERIODO 1984 - 1995											
	(Millones de Pesos Uruguayos de 1995)											
	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
CULTURA Y ENSEÑANZA	2.413,78	2.345,85	2.937,98	3.323,35	3.454,22	3.463,68	3.173,89	3.095,62	3.030,52	3.349,83	3.035,05	3.060,41
Educación Primaria	843,20	896,84	1.084,27	1.160,20	1.176,36	1.153,81	1.087,95	1.045,26	1.000,11	1.086,88	895,88	825,39
Educación Secundaria	397,58	432,99	529,71	559,57	612,22	611,14	563,52	537,12	542,94	619,41	525,86	489,37
Ed.Téc.Prof.Superior	243,39	269,98	322,68	340,62	336,72	332,89	313,60	311,01	297,43	332,17	280,33	253,71
Codicen (Adm.Gral)	44,40	52,22	72,62	200,87	228,49	233,73	234,10	176,95	234,53	423,60	323,34	370,47
Universidad (Sin H de C)	265,64	332,77	434,59	529,12	538,39	536,60	507,08	564,02	542,34	487,71	566,85	684,70
Com. Nal.Educ. Física	49,37	54,39	60,14	74,40	93,29	75,37	65,19	73,48	68,17	72,06	69,31	63,49
M.E.C (sin Educ.Fis.)	558,38	294,56	420,12	443,66	452,29	505,74	388,45	373,11	333,03	317,08	362,99	363,40
Capacit. Prof. Policial.	11,81	12,11	13,85	14,91	16,46	14,41	14,01	14,66	11,97	10,92	10,48	9,88
SALUD	1.897,37	2.378,84	3.121,96	3.020,43	3.273,61	3.516,11	3.325,13	3.605,19	3.587,81	3.728,27	4.310,55	4.062,42
Serv. Sanidad FFAA	276,95	247,29	243,35	275,85	265,77	270,49	239,41	232,36	249,26	209,85	229,04	214,78
Sanidad Policial	71,52	89,02	100,13	114,20	123,90	127,50	120,72	130,96	124,50	121,99	143,51	129,03
Ministerio Salud Pública	809,31	994,50	1.296,64	1.307,10	1.449,93	1.475,96	1.417,57	1.430,42	1.405,98	1.398,55	1.782,09	1.660,99
Hospital Clínicas	196,49	219,46	331,78	285,62	244,57	246,46	203,49	191,48	211,13	171,11	199,86	
D.A.F.A.	55,64	49,70	51,46	53,14	62,10	65,30	62,14	67,72	104,32	122,82	139,29	165,00
D.I.S.S.E.	428,81	700,74	842,73	878,78	994,95	1.195,22	1.150,76	1.432,62	1.384,23	1.619,24	1.735,90	1.817,53
I.N.D.A.	58,65	78,12	255,86	105,73	132,39	135,17	131,02	119,63	108,39	84,73	80,86	75,09
TRABAJO Y SEG.SOCIAL	9.805,52	9.513,16	10.129,40	11.706,09	12.231,52	12.257,44	12.544,56	14.054,84	15.397,00	16.669,80	17.277,77	17.445,27
Pasividades BPS	6.498,54	6.259,10	7.038,83	8.318,92	8.870,73	8.595,18	9.143,90	10.592,76	11.846,49	12.221,03	12.836,78	12.817,26
Pasividades Militares	1.080,09	941,45	849,76	892,66	711,34	1.002,31	920,28	879,12	957,14	1.398,61	1.268,83	1.384,95
Pasividades Policiales	626,66	531,66	488,24	514,83	617,80	630,53	554,43	510,29	504,83	726,79	745,37	715,00
Prestaciones a Activos	892,47	899,28	919,21	1.012,09	948,12	902,69	858,03	856,73	849,21	832,60	812,29	935,14
Otras Erogaciones BPS	560,64	554,17	591,42	683,52	780,81	770,44	714,46	828,64	866,28	1.118,56	1.170,18	1.138,38
Inst.Nacional Menor	104,38	125,50	173,83	207,15	242,68	288,65	306,37	333,94	328,20	332,91	401,61	409,35
MTSS (excluido INDA)	42,73	202,01	68,10	76,92	60,03	67,63	47,09	53,36	44,85	39,31	42,71	45,20
VIVIENDA	818,61	597,07	310,43	404,36	477,10	373,63	381,71	327,93	349,91	67,52	107,82	89,90
Banco Hipotecario	816,51	590,91	304,61	399,54	473,07	368,05	371,31	311,27	298,95	#¡VALOR!	#¡VALOR!	
MEVIR (Aport.Gob.Central)	2,10	6,16	5,82	4,82	4,03	5,58	8,25	#¡VALOR!	4,55	#¡VALOR!	#¡VALOR!	
Ministerio de Vivienda	0,00	0,00	0,00	0,00	0,00	0,00	2,15	16,66	46,41	67,52	107,82	89,90
TOTAL	14.935,28	14.834,92	16.499,77	18.454,24	19.436,46	19.610,86	19.425,28	21.083,57	22.365,23	23.815,42	24.731,19	24.658,01

Appendix 3

1. Selected list of interviewees

Social Security:

Ariel Davrieux. Director of Planning a Budget Office at the Presidencia de la República. Colorado Party..
 Tavaré Vera. General Coordinator of the Social Security Reform Program (OPP).
 Luis A. Colotuzo. Representative of the “Asociación de Jubilados y Pensionistas del Uruguay” (Social Security Bank).
 Ernesto Murro. Representative of the worker sector PIT-CNT (Social Security Bank)
 Ignacio de Posadas. Minister of Economy and Finance, 1992-1994
 Alberto Couriel. Senator of the Broad Front
 Nelson Noya. Economist. Technical Advisor in Social Security Reform.

Education

Germán Rama. President of the CODICEN.
 Claudio Williman. Vice President of the CODICEN.
 María E. Mancebo. Director of MESyFOD
 Renato Operti. Coordinator of FAS.

Health

Raúl Bustos. Minister of Public Health (1997-)
 Javier García. Deputy of the Partido Nacional
 Joaquín Serra. Advisor to Mutual Aid Societies (IAMCS).
 Sergio Urcade. Representative of FEMI.

2. Various Sources

PRESS REPORTS

- * Brecha (Various dates); Left wing Weekly Journal.
- * Búsqueda (Various dates), Weekly Journal. Politically independent. Strong market oriented bias.
- * La República (Various dates); Left leaning newspaper.
- * El Observador (Various dates); Politically independent. Strong market oriented bias.
- * El Diario (Various dates); Colorado Party newspaper.
- * La Mañana (Various dates); Colorado Party newspaper
- * El País (Various dates); Blanco Party newspaper.

CONGRESS LAWS

- * National Budget Proposal, 1995.
- * Social Security Law (Law #16713)

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