

Governance-Oriented Leadership in Public Agencies: The Case of SENAVITAT

Leonardo Alfonzo*

Alejandro Estevez†

Paul Ervin‡

Ivan Quiroga§

Working Paper

**Instituto Desarrollo
Universidad de Buenos Aires**

June 26, 2018

*Instituto Desarrollo, Asunción, Paraguay, Tel.:+595-21-612-1824, email:lalfonzo@desarrollo.edu.com.py

†Universidad de Buenos Aires, Capital Federal, Argentina, email:aestevez2009@gmail.com.

‡Instituto Desarrollo, Asunción, Paraguay, email:desarrollo@desarrollo.edu.py.

§Universidad de Buenos Aires, Capital Federal, Argentina, email:ivan.fce.uba@gmail.com .

Abstract

Improving administrative capacity in public agencies is a necessary condition to deliver effective and efficient public policies and legitimize increasing funding for scaling up government action. Reforms needed for such improvement usually need strong unremitting governance-oriented administrative leadership. Some established institutional contexts, however, may tend to discourage the empowerment and discretionality of such leadership, specially when particular reforms undermine economic and political interests of an established bureaucracy. In this paper we explore a particular case of success, the turnaround of the Paraguayan public housing developing agency SENAVITAT, with emphasis on the institutional context that allowed the empowerment and success of its administrative leader. Following a multidisciplinary literature review we develop a simple but powerful conceptual model that allow us to derive testable hypothesis and predictions about the conditions and consequences of the empowerment of governance oriented leaders in public agencies. Through a mixed methodology we gather both quantitative and qualitative evidence to test those hypothesis and predictions in the SENAVITAT case. As a conclusion we find evidence of an very positive influence of the empowerment of competent and motivated governance oriented leadership in the agency chosen as study case, as well as an overall improvement of Paraguayan administrative institutions over the last few decades, which in turns results in a higher support of governance oriented leaders empowerment and probability of success. Although the positive tendency in overall governance in the Paraguayan public sector, we also find that those improvements are still very recent and vulnerable. Moreover, the lack of progress in the reform of political institutions, still pose a non trivial risk of stagnation or even reversal in the institutional improvement process at the administrative level. Therefore we find that agency reforms in Paraguay, far from being endogenous phenomena of a well established system, still depend heavily on the political will of elected politicians.

Keywords: governance, administrative leadership, public administration, organizational change, agency turnaround.

Contents

1	Introduction	3
2	Theoretical Framework	5
3	Methodology	17
4	Case Analysis	21
5	Conclusion	35

1 Introduction

Improving government quality is a mayor concern, specially in developing countries, like Paraguay, where the effective deployment of public policy is central to human development. Doing so requires reform at many levels of government, from the highest level political institutions to particular government agencies in charge of policy implementation. Some authors argue that the sequence of reform matters; since low level reform may be inviable, unpractical or ineffective because of distortions produced by higher level institutions (Polidano, 2001). On the other hand, higher level institutions are usually more difficult to reform (Ostrom, 2005). Therefore practical comprises, involving focusing on the reform of lower level administrative reforms, given the difficulties of reforming more higher level, structural institutions, may be pragmatically justified.

There is evidence that political leadership, specially from the executive in presidential democracies, can accomplish administrative reforms without the support of higher level institutions, by matter of political will alone (Rinnert, 2015; Borda, 2007). Several factors determine this types of occurrences and their probability of success. For example, the relation of the executive with existing political and bureaucratic institutions, the existence of an on going financial, economic or fiscal crises (deteriorating the legitimacy of whole political

system) and the role of the particular process or agency being reform in the executive political agenda. (Schneider and Heredia, 2003; Rinnert, 2015; Birch, 2011)

On the other hand, given an higher level institutional improvement, lower level reform can be less traumatic, needing also less presidential attention, and making administrative leadership more central. This interaction between leadership and institutions, and how they affect the government capacity of conducting successful reforms at the agency level, improving the quality of public administration, is the mayor concern of the present article. For that matter, a multidimensional measurement of government quality is given by the concept of governance (Fukuyama, 2013), which is aligned with the complex and multidimensional demands of modern pluralistic democracies.

In that regard, we focus in two research questions to guide this analysis: What are the institutional and political conditions necessary for a governance-oriented leader empowerment in government agencies?; and, once in a position of power, what are the conditions for such leaders to succeed in increasing her organization governance and to avoid compromising her values and being co-opted into a non-governance oriented background? This two questions are address by studying a particular case, seemingly successful, of empowerment of a governance-oriented leader in an Paraguayan central government agency: "La Secretaría Nacional para la Vivienda y el Habitat" or SENAVITAT, whose primary goal is the design, coordination and implementation of housing policies within the country, with focus on the poor.

SENAVITAT experienced from late 2014 on to the present, a process that is usually denoted in the public administration literature as an agency turnaround. From being considered a highly inefficient and corrupt agency SENAVITAT managed to be among the top performing agencies in the country, specially in relation to transparency, accountability and compliance. We argue that such a success was the result of the empowerment of governance-oriented leadership operating in a governance-oriented (enough) institutional setting and backed up by a supporting political will, at least from the executive.

In order to strengthen this argument we proceed by developing a theoretical model based on a multidisciplinary literature review that provide us with some testable hypothesis. We continue to develop a methodology for testing those hypothesis against the available data and information, and then attempt to draw some conclusions, which, as case study cannot be more than particular, but that as part of a body of studies, can eventually lead to some generalities about factors that should be taken into account to increase governance in the public sector as whole, and in public agencies in particular.

The discussion is organized in the following sections: (1) A theoretical framework section, in order to set terminology, establish the theoretical and philosophical assumptions upon which the conceptual model is constructed, develop the conceptual model and derive from it hypothesis and potential predictions that can be contrasted against evidence. (2) A Methodological section where the general strategies to address the hypothesis testing are discussed, as well as the type of information used as evidences and their intrinsic limitations.(3) A case study section where we attempt to present the evidence in such a way that is both amenable to the reader as well as rigorous enough to dispute and challenge the working hypothesis in order to test them scientifically. (4) Finally, we attempt to draw particular conclusions about the how the governance-oriented leadership was empowered and could conduct a successful reform program, and derive lessons that could be generalized, probably backed up by further study, to other agencies withing the public sector, both from Paraguay and other developing countries with similar political institutions.

2 Theoretical Framework

In order to develop a set of theories and hypothesis that can guide the discussion, we revise a diverse and interdisciplinary body of research involving public management, and other related fields such as institutional economics, political science and organizational psychology. Following insights from this revision, we construct a theoretical framework that attempts

to capture the effects and interactions between the two variables that we consider the most significant in order to explain the process that eventually generates the political will that allows agencies to undertake successful projects of governance improvement. Those variables are leadership and institutions. Leadership, on one hand, both at the political and the administrative levels, has been considered a key element in several studies of institutional reform and organizational change (Gabris, Golembiewski, and Ihrke, 2001; Kavanagh and Ashkanasy, 2006; Kotter, 1996). Although, there is a wide and diverse literature related to leadership, with different levels of scientific rigor, we to attempt here take an objective, rational-choice approach to the subject, avoiding potentially naive constructs. Institutions, on the other hand, have also had a great deal of consideration in the social sciences as a significant causal factor in economic, political and administrative development. Due to the broadness of the subject we focus on the aspects that we believe are the most relevant to the SENAVITAT's case, that is, on the way institutions influence government and the quality of public administration. On the following paragraphs we provide more detail on these variables, with particular emphasis in their relationship, attempting to develop a conceptual model from which to derive feasible hypothesis and predictions that can be contrasted with information obtained from SENAVITAT and other sources.

Institutions, as defined and characterized by North (1990) and Ostrom (2005) among other studies, are somewhat persistent rules governing social interaction. A special subset of institutions specially relevant to the case are those that regulate government functions, which many authors refer collectively as the State Dahl and Stinebrickner (2002). Institutions can be formal (in the form of legislation, decrees, norms) or informal (as uses and costumes of public servants). As formal institutions operate often against individual interests of compliers, they usually need to be enforced in some way Libecap (1999). Institutional change, therefore, can be slow and difficult. Moreover, institutions are generally hierarchically organized, being the most high level norms (for example the constitutional norms) more difficult to change than the lower level norms (for example an agency's internal procedures) Ostrom

(2005). Reform experience, however, often encounter the need of tackling higher institutions first, since lower level reforms may failed to be implemented because of the lack of effective and well established inter-agency or central government level institutions(Polidano, 2001).

Following the previous argument it is clear that SENAVITAT's analysis should incorporate not only the consideration of internal institutions, but also higher government's one. A subset of the public administration literature refers to reform processes of such nature as cross-organizational or third order reforms (Kuipers et al., 2014). More political approaches, on the other hand, tend to use terms State reform or government reform (Schneider and Heredia, 2003), which usually even involve an evaluation of the role that a particular State should play in a given country. In spite of the fact that many studies (specially from the 1980's and 1990's period) consider State reform specifically in relation to market oriented measures, such as privatization, outsourcing and regulation Estévez (2012) and Feigenbaum, Henig, and Hamnett (1999) there is no reason why term should no be used in a more broadly sense. In fact, Schneider and Heredia (2003), recognized at least three areas of State or government reform: (1) Control and transparency, which mainly aims to reduce corruption, (2) Efficiency, which aims to deliver public goods and services at a lower cost (including among these measures the market oriented ones), and (3) Civil Service, which attempts to increase the capacity of government personal by practices such as objective recruitment, meritocratic promotions, among others.

It's clear, however, that regardless of the depth and nature of any given reform process, a sense of direction is also need. Standards to measure quality of government, therefore, need to be taken into consideration both in the design and in the evaluation of reform programs. The term "governance" (Finkelstein, 1995; Fukuyama, 2013) has been coined for this purpose and the World Bank has develop a set of indicators to measure it (Kaufmann, Kraay, and Mastruzzi, 2010). The World Governance Indicators (WGI) encompasses several dimensions of government activities and issues, many of them discussed by political scientists and thinkers as the basis for public approval, consensus and legitimacy(Shapiro, 2012). The

ancient and unquestionable role of the State as provider of security is measured by the Political Stability Indicator, that measures ‘... the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means...’ (Kaufmann, Kraay, and Mastruzzi, 2010) as well as by the Rule of Law indicator, which measures ‘...the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.’ (Kaufmann, Kraay, and Mastruzzi, 2010). The former indicator is also related to issues of consent and constitutionality, ensuring citizens that governments will not use its power to change game rules arbitrarily, but following a well defined, transparent and consensual set of procedures. A more modern dimension of State activity is plurality or public involvement (Dahl and Stinebrickner, 2002). Public involvement can occur in several State processes, including leadership election through voting, policy making through public hearings and debate, complaints and protests, legislative consultation as referendum, and so forth. In that regard, the Voice and Accountability Indicator measures ‘...the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.’ (Kaufmann, Kraay, and Mastruzzi, 2010). Yet another dimension of government activity, considered specially key for development according to some authors (Acemoglu, García-Jimeno, and Robinson, 2015) is the State capacity. In that regard the Government Effectiveness Indicator measures the ‘...the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies.’ (Kaufmann, Kraay, and Mastruzzi, 2010) which is probably closely related to the Control of Corruption Indicator measuring the ‘...the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as capture of the state by elites and private interests.’ (Kaufmann, Kraay, and Mastruzzi, 2010). Finally the Regulatory Quality Indicator measuring ‘...the ability of the government to formulate and implement sound

policies and regulations that permit and promote private sector development.” (Kaufmann, Kraay, and Mastruzzi, 2010) is also extremely relevant, given the increasing tendency of relying in market oriented processes to accomplish government objectives, but also the need for regulation of government internal processes, in order to ensure compliance of formal institutions.

We conclude therefore that governance, as previously defined, is a comprehensive enough construct that can be used to objectively measure of the quality of public administration, serve as orientation of desirable reforms, at every level and function of government. Thus, we define as governance oriented institutions as those that are (apparently enough but always subject to debate) conducting to increases in governance; at least in some of their dimensions, and without undermining the rest. To this point we have a clear characterizations of institutions and the set of requirement that they should meet. However, since institutions in governments are enforced and comply by hierarchical organizations that still depend on people, we need also to address the leadership issue in order to have a complete picture of the main variables we have assume to have the most significance in explaining government agencies reform successes.

Leadership, specially political leadership, is covered in a vast literature, and seems to be a much more diffuse concept (Rhodes and Hart, 2014). Approaches to understand it, as used by political and management studies, differ in great degree. Nonetheless some common ground can be found. First we define leadership broadly as people with the capacity to influence and mobilize other people (followers) towards a finite set of ends. In that regard leadership seems very akin to influence and power as characterized by Dahl and Stinebrickner (2002). Leadership, however, is a slightly broader concept since it is center around the individual, and therefore includes issues such as leader’s attributes, motivations, communication style, and the like. In order to accomplish the research objective, however, we will focus on the dimensions of leadership that can have influence on its orientation towards governance. Therefore we define more narrowly governance oriented leadership as a particular kind of

leadership that, regardless of her intrinsic motivations, acts out in a way that increases governance in her sphere of action.

Characterization of leadership was first attempted on the strategy for mobilizing followers, including Max Webber's discussion of legal, traditional and charismatic authority, and the classic discussion of Burns and Stalker (1961) about transactional and transformational leadership. In this regard little can be informed from the mobilization strategy to understand governance orientation. In spite of the Burns and Stalker (1961) discussion on idealism, integrity and transformational leadership, we cannot generalize to say that transformational leadership will tend to be governance oriented. Since idealism depends on subjective belief systems and values (and integrity relates behavior to those values) its very naive to think that leader's values, as honest as they may be, will always coincide with governance. We can easily think imagine transformational leadership (for example religious or ideological) whose values are not aligned with some dimension of governance (for example pluralism). Therefore, the fact that leadership rely more on ideological means (as transformational leaders do) or on political-economic means (as transactional leaders do) to mobilize their followers, does not give us any clue about the governance orientation of that leadership. We do expect to find, however, that governance oriented leadership will restrict their mobilization strategies to the existing legal and normative framework.

As mobilization strategy is not a good criterion to identify governance oriented leadership, we move on to analyze others that have more impact in the leader's motivation (and therefore their set of objectives). In that regard, Schneider and Heredia (2003) characterized political leadership according to their affiliation base and their relationship with the current bureaucratic structures. In that sense Leaders are distinguished by the authors as insiders or outsiders. Insider leaders belong or are closely related to the groups that control the bureaucratic structure of the state, and therefore, they tend to be institutionally conservative. Outsider leaders do not meet that criteria and, according to the authors, are more likely to undertake reforms (Schneider and Heredia, 2003). In that sense Feigenbaum, Henig, and

Hamnett (1999) discusses a set of reform strategies that can be related to an insider/outsider position. The conservative strategy, resisting any kind of change or reform can be mapped almost exclusively to insiders. The tactical or electoral strategy, embracing reforms expected to conduce to short termed electoral success, can be embraced by both insiders and outsiders, as long as they don't significantly change the underlying power distribution. The systemic strategy, that attempts to introduce permanent change in the power distribution of society, it is very unlikely to be supported by insiders but, on the other hand, could become an obsessive agenda for outsiders.

Although the relation to current bureaucratic structures (the insider/outsider range) it's much more informative of the leadership intentions than it's mobilization strategy, is still an insufficient characterization to predict governance orientation of leadership, since bureaucratic structures can be already governance oriented. In that sense it seems to be a vacuum in literature about the leadership attributes that best determine this feature. Nonetheless we explore here some possible occurrences.

Since governance-oriented leaders are primarily interested in increasing the State capacity and reputation, we can expect, according to rational choice theory, that governance be mapped somehow as an argument to the leader's utility function. For example, to administrative leaders who depend on their current performance for future success and recognition, following an established and credible career path in the public sector, which also increases their human capital value for the private and NGO sectors, the governance orientation, as a general rule of behavior, can be a fairly reasonable solution to a realistic (selfish) optimization problem. Provided that civic servants are risk averse, and that incremental developments in the institutional framework render alternative attitudes incrementally riskier and more socially unacceptable, one could even expect that governance orientation should eventually become the norm rather than the exception. In that sense, it could seem that governance orientation of leadership, rather than being a natural occurrence, is a deliberate social construct that modifies institutions in order to align individual motivations to govern-

ment quality¹. Hence, to understand governance orientation in leadership we need to have a better understanding of the relationship between leadership and institutions.

It is clear that both Leadership influence institutions and institutions affect leadership. On the first premise, history is full of accounts of leaders challenging existing institutions, many times successfully changing them, although not always with the desired outcomes. The second relationship, that institutions affect leaders, although may have more subtle evidence, it's probably more permanent and pervasive. Institutions are involved in the socialization of future leaders leadership, they define their incentives within organization North (1990), Ostrom (2005), Libecap (1999), and they determine to a great extent the selection criteria for vertical mobility within organizational hierarchies(Rhodes and Hart, 2014; Diprete, 1987; Farrell and Petersen, 1982). As leaders learn predominant values from a young age, and are selected by their seemingly compliance of those values by existing institutions, and furthermore, once they attained positions of authority and power, they are rewarded when acting according to the institutional framework, it is very difficult to comprehend what forces may cause leaders to deviate from established institutional guidelines.

Therefore, unless there are strong exogenous influences to current institutions, leaders who manage to get empowered generally comply to a great extent to established institutional values. On the other hand, there is not guaranteed that the influence of individual leaders on existing institutions are going to be positive, in a governance oriented sense. Leaders may as well tend to reverse conquered reforms rather than to deepen them. Even with a scenario of governance wise improved institutions, if the later are not strong enough ² it still may be possible for governance to deteriorate over time.

The conservative nature of institutions is well documented in political history analy-

¹Some political thinkers believe that reason why "State building" have been so difficult during history relies on its artificial nature, since human natural tendencies are to favor those in the inner social circle rather than follow formal rules and established procedures to ensure abstract concepts such as plurality or meritocracy (Fukuyama, 2004)

²On the issue of what makes institutions stronger, Sklar and Huntington (1969) identifies a series of factors including: legitimacy, longevity, stability, adaptability, coherence, effectiveness, procedures for regulating succession and controlling political conflict, capacity for obtaining funding, for innovation, for execution of policy, among others

sis (Acemoglu, García-Jimeno, and Robinson, 2015; Kingston and Caballero, 2009; North, 1990) and it is consistent with rational collective choice theories, especially when assuming an uneven distribution of power (Kingston and Caballero, 2009). Institutional change at the State level usually require the occurrence very strong externalities. Some of these may be: (1) international competition for human and financial capital, (2) risk of foreign political influence (Kingston and Caballero (2009) and (3) severe economic, financial and fiscal crises (Schneider and Heredia, 2003). The risk of radical reforms or even the overall collapse of existing institutions seems often a requirement for traditional elites to "open the game" and allow for incremental reforms detrimental to their short term interests. More over, as Kingston and Caballero (2009) explore, evolutionary theories of institutional change predict that those elites that fail to recognize this necessity are eventually replaced for others proposing more effective social arrangements. In spite of it's difficulty, broad governance oriented institutional changes seem to be a requirement for organizational improvements at agency levels (Polidano, 2001). Therefore, given the seemingly successful reform process in SENAVITAT, we should expect to find those kind of reforms at a central government level as well.

From the previous discussion we present a conceptual model for considering the relationship between the degree of governance orientation of leadership and institutions. This model is summarized in (table 1). On one hand, the binary vertical axis presents the governance orientation of State institutions. On the upper row, institutions are still heavily determined by traditional non-governance oriented values and allegiances

³ . On the lower row, sufficient reforms have been successfully implemented for an overall

³In the specifics of Paraguayan case, like many countries in Latinamerica (Panizza and Philip, 2005), institutions inherited from the dictatorship were based on the government ability to generate economic growth, State-enabled rent opportunities for a supporting economic elite, and the distribution of clientelistic benefits to the party base (Abente Brun, 2014). Early democracy, from 1992 to early 2000s, retained some features of those institutional settings (Molinas, Perez Liñán, and Saieh, 2004; Lambert, 2002; Nickson and Lambert, 2002). However, as democracy became more competitive, political actors invested more in electoral mobilization generating an explosion of clientelistic employment, which coupled with a decade long economic stagnation and an eventual political and fiscal crisis, originated enough urgency to undertake structural reforms (Borda, 2007)

governance oriented climate to prevail in central government, which in turn slowly permeates decentralized agencies.

The horizontal axis, on the other hand, makes assumptions about the administrative leader’s governance orientation. In the left hand side column, leaders either were vertically selected by previous institutional values and allegiances, or respond to groups that operate by old-style politics of investing on electoral clientelism in order to capitalize gains in the form of rent and public employment influences. In the right hand side, on the other hand, leader’s with values are aligned with a governance oriented view of the State, motivated by the possibility of professional growth and social recognition.

Table 1: Relation between leadership and institutions

Institutional Values	Leaders Values and Motivation	
	Clientelism, Rent-seeking	Governance, Transparency, Efficiency
Clientelism, Rent-seeking	Predatory Leader and Institutions	Impotent Governance Oriented Leader
Governance, Transparency, Efficiency	Compliance Reluctant Predatory Leader	Effective Governance Oriented Leader

From the intersection of both axis, four scenarios are possible: (1) In the predatory scenario, institutions are still far from being governance oriented. Informal institutions can prevail. Extractive and predatory behavior as well as support for clientelism as political assets are rewarded by political bases, and there is not enough transparency or freedom and guarantees, for civic society to resist those behaviors. Among civic servants, clientelism and rent-seeking are viewed as a form of obtaining returns from electoral investments, rationalized by the logic that: "if the other side had won they would have acted in the same way". (2) Given the Impotent Governance Oriented Leader or "too soon" scenario, for some reason, intruders have been able to foul the system (for example appointed by a genuinely concerned president) and arrived to high authority while not in accordance to traditional extractive and clientelistic values. These leaders may have wanted to use their influence to change things in government, but given the overall system and values, they may have found themselves

overwhelmed and impotent, facing the dilemma of resign or collude with the existing middle level elites. (3) In the compliance reluctant scenario, old-style non governance oriented leadership have manage to persists, even though the overall institutional context has changed in favor of more governance oriented practices. Such leadership, facing new rules and regulations are forced to devise formal compliance strategies to remain "under the radar" of audit and control agencies, in order to continue the policy of of clientelism and rent-seeking expected from the political investors that contributed to their vertical rise and permanence within the organization. Finally we argue that is the scenario number (4), the governance oriented scenario, where both institutional framework and leadership are aligned in favor of governance oriented policies, the one that more strongly favors governance oriented reforms in government agencies.

Given the apparent success observed in SENAVITAT's reform process, we assume that its occurrence within scenarios (1) and (2) would have been very difficult. Heavily socialized institutions affecting positively selected public servants and administrative leaders would establish a great change resistant attitude

4

. On the other hand, assuming a "brute force" process based mainly in a strong political will from the president, would have required a mayor re-staffing of the agency or the construction of parallel organizational structure dis-empowering the existing ones. Those kind of measures are very costly, specially politically, and would be generally justified only in critical agencies given critical situations. For example, the reform process of the treasury ("Ministerio de Hacienda") from 2003 to 2005, was done in this fashion, but only when the countries finances were in critical state with a serious risk of default (Borda, 2007). As important as habitational policy may have been in 2014,it is doubtful that may presented

⁴Attitude theory of organizational psychology states that attitudes are formed by the evaluation of perceptions, given established belief and values, establishing automatic emotional responses, so the brain does not need to analysis every new similar perception to evaluate the emotional response. Furthermore those emotional responses triggered by attitudes condition several cognitive processes, such as attention, memory and even reasoning, making their change even more difficult(Lines, 2005)

the same existential threat as the previous case, and its reform at the expense of assuming high political costs policies would have been much unlikely.

However, had it occur we can expect to find some associated phenomena. On one hand, given in scenario (1) and (2), the overall institutional framework of central government would have been primarily non governance oriented, and efforts towards reforms would have been few and superficial. We would not expect to find significance changes in legislation and norms regarding public administration, and those that had occur, would have received very little compliance resources, with enforcing agencies nonexistent or weakly empowered. Thus, we would also expect find little improvement in governance indicators, and generally low quality of public administration across agencies, reflected in poor assessments and audit scores. On the other hand, at the agency level, we would expect to find lack of support and cooperation from other agencies for its reform process, specially agencies regulating resource allocation. We would also expect to find strong, generalized and explicit resistance to change from existing staff at the agency, that could have been overcome only by generalized re-staffing or almost completely bypassing existing organizational structures through new parallel ones. Finally, presidential support would have had to be strong and persistent, both to shield the process from external political influence and even to enforce measures through the use of public force, as it was needed at some point in the 2003-2005 treasure reform (Borda, entrevista).

A much more likely possibility is that SENAVITAT's reform process took place in a scenario closer to (3). In this scenario, overall governance would had improve sufficiently to provide more support than resistance to agency reform efforts while meritocratic staffing within the agency would have provide a critical mass of governance oriented mid-level officers. Legacy top administrative leadership, on the other hand, having been vertically selected by previous non governance oriented institutions, would have presented a compliance reluctant behavior towards new formal institutions. Audit reports, news articles and interviews should reveal in this case evidence of poor public management as well as predatory practices such

as clientelism and even corruption.

With the change of leadership in late 2014, on the other hand, the scenario would have rapidly change from (3) "Compliance Reluctant" to (4) "Governance Oriented", enabling administrative improvements that could have derived in the increase in performance. In this case, interviews should reveal radical organizational changes backed-up by a critical mass of mid-level officers and supported by other agencies of central government. We would also expect to find that the particular leadership in 2014 was greatly governance oriented, allowing merit based recruitment and promotion of staff, increasing transparency and accountability, as well as a deep concern for effectiveness and efficiency.

Based on these arguments we derive two main hypothesis in order to provide a clearer guidance to the case study, which are the following: (1) By late 2014, when the agency reform program of SENAVITAT started, Paraguayan central government institutions were already (or very close to be) Governance Oriented. (2) SENAVITAT, in particular, was stuck in "Compliance Reluctant" scenario, due to legacy administrative leadership, so the change of the agency head was sufficient to allow the rapid and significant improvements in performance. Given these hypothesis we proceed to develop a set of methods to contrast them against collected evidence.

3 Methodology

A mixed methodology is used for the current case study, using both quantitative and qualitative data in order to achieve its research objectives. We first need to prove that in fact SENAVITAT's have increased its performance, measured by objective parameters. We also need to prove that such a performance boosts was a result of an intended organizational reform process, and not the result of other factors (for example, increasing in funding). Next we need to explore the processes that lead to the decision of undertaking the reform process and some of the factors that contributed to its success. The simple fact the previous reform

attempts (had they been made) were unsuccessful does not inform us about neither the factors involving the 2014 reform decision process nor its success, since failed attempts can be attributed to many reasons, including lack of funding and lack of external support from other agencies. Evidence of deficient management or even corruption can be more supportive proofs.

On the other hand, assuming that the first hypothesis hold, we can expect to find evidence in favor of an improvement in Paraguayan government and State institutions, both in terms of legislation and compliance. Such phenomena should require significant changes in legislation, decrees and norms, addressing several dimensions of governance. In order for institutions to improve, however, formal documents need to be effectively implemented. Therefore, along with the approval of new rules of government, we should also expect to find the creation, empowerment and funding of compliance and control agencies or other organizational structures, in charge of securing implementation. Given those conditions, we can expect that institutional improvement should also be reflected in the Paraguayan civic society's perception of governance, assessments of international development organizations, as well as SENAVITAT's authorities favorable opinions on the influence and role of external agencies of control and compliance over the agency's reform process. We should also expect to find other cases of agency improvement, since an overall improvement in government should have positive cross-organizational effects.

The first hypothesis also implies a relative low need of presidential involvement and the use of coercion and force as means implementing changes by brute force. With a improved overall institutional settings, the cross organizational networks would cooperate with the reform process and a critical mass of governance oriented internal public servants could have existed (provided the implementation of new meritocratic staffing procedures) easing the resistance to change. Presidential support, has been argue to be dependent on the strategic importance of the agency (Rinnert, 2015), which was the case of SENAVITAT, as an agency delivering non-divisible goods to the poorer population strata, which can be regarded as a

key tactic policy, in the electoral sense as understood by Feigenbaum, Henig, and Hamnett (1999). Therefore, a strong hands-on presidential could have made political sense and could have achieved positive results without the need of too much overall institutional improvement, by means of brute force, complete re-staffing and coercion. Evidence on such case would clearly undermine the first hypothesis.

If the second hypothesis also holds, it would mean that one reason for SENAVITAT's sharp improvement was given by the fact that previous administration had been reluctant to comply with the new rules of government, cutting corners and finding ways to continue with predatory behaviors such as clientelistic staffing, lack of transparency and corruption. Had it been the case we expect to find negative audit and assessment reports on the agency's previous administration, evidence of corruption complaints, and poor opinion on SENAVITAT's current authorities on past practices. We also can expect to find a positive opinion on current leadership, and an improvement on motivation of governance-oriented staff that could have been neglected during previous administrations.

Finally if both hypothesis jointly hold, it is expected positive expectation among high SENAVITAT's authorities with regard to the continuation and deepening of the reform process, regardless of future electoral outcomes. If governance oriented institutions and leadership have been solidly established, as our theoretical model predicts, a new equilibrium is achieved where leaders vertically selected and motivated by exiting governance oriented institutions make efforts to support them and strengthen even more.

In order to test the predictions derived from the hypothesis, we have collected several types of evidence, some of them are the following: (a) Independent international assessment of international development agencies; (b) Important Legislation changes and legislation implementation through the empowerment of compliance agencies; (c) Evolution on statistics regarding expert opinion on overall Paraguayan governance (specially the World Bank's Worldwide Governance Indicators); (d) Interviews with administrative authorities of SENAVITAT, including both new and senior, considering the issue of the role (negative

or positive) of specific State level cross-organizational institutions on SENAVITAT's reform process; (e) Audit reports and scores specific to the agency's administration as well as to the overall Paraguayan public sector; and (f) complaints, denounces and news reports of corruption of previous administrations.

The analysis and discussion of the evidence is organized as follows: An historical overview of Paraguayan housing policies addresses the issue of the changes over time in target, scope and priorities, given the changes in social, economic and political conditions of the country, as well as earlier attempts of organizational reform and their results. Next, the reform process undertaken by SENAVITAT's from late 2014 and its results is analyzed, focusing on the underlying reason for such process, the change in leadership characteristics, style and motivation, as well as an overview of the general strategy for implementing the changes along with the internal response of the agency, in terms of levels of resistance and support. We further discuss issue of Presidential support, its role and degree of involvement and the need (or lack of need) to use coercion and force to overcome resistance. We also analyze the general results of the reform process, specially in terms of the improvement in the capacity to generate physical outputs (houses in particular). We then continue the case analysis by exploring the development of overall government institutions in Paraguay, mayor changes in legislation, compliances and its effect in international assessments and civic society's leaders perceptions on governance, focusing in institutional shortcomings and drawbacks that could reject our first hypothesis of a general improvement of governance. We continue by analyzing SENAVITAT's top authorities perceptions on the role of key government institutions in SENAVITAT's reform process, which institutions played the most critical roles and whether they facilitated or impede the process and to what degree. And finally, the SENAVITAT's authorities perception on the measures taken and the likelihood of a continuation, and deepening, of the reform process regardless of future electoral outcomes. To complete the evaluation of prediction and possible implications of the proposed hypothesis, the case analysis finalizes with a comparison of performance, both in capacity of delivering physical

outcomes, and administrative compliance given by external audit scores.

4 Case Analysis

According to the historical accounts, housing development policy has been on the Paraguayan political agenda since at least the middle of the twentieth century, but it has only received high priority in recent years. Although an agency for coordinating the housing development policy, the IPVU (Instituto Público para la Vivienda y el Urbanismo) operated through the 1970s and 1980s, resource allocation for urban housing developing during the Stroessner's dictatorship (1954-1989) was very limited and, most likely, highly politicized in terms of beneficiary selection. Public policy during that period was also focused on establishing a financial scheme that could allow housing development by the private sector. Although the scarcity of information about the results of those policies, it is possible to conclude that they were at best very limited. According to Flores (2012), for example, under the combined scheme of IPVU and SNAPV only 6.700 houses were built from 1964 to 1989.

By the 1990s, on the other hand, pressures for urban housing built because of a mass rural-urban migration coupled with a decade long economic stagnation. The labor market failed to absorb the excess supply of low skill labor, deriving in an increase of poverty, informal settlements and precarious housing conditions. According to ...table:3... by 2002, the overall housing deficit was of almost a hundred thousand new units, while more than seven hundred thousand presented severe qualitative defects. Although efforts to reorganize the policy implementation agency were made, replacing the IPVU by the CONAVI (Consejo Nacional de la Vivienda), and reorganizing the housing finance scheme, these fell very short in covering increasing necessities. Moreover, they were not accompanied by significant increases in funding. Paraguayan expenditures on public housing during that decade was among the lowest of the region allowing only to the construction of the 3.000 new houses per year, while estimates established the necessity of at least triple that rate in order to reduce the housing

deficit in no less than ten years (Secretaría Nacional de la Vivienda y el Hábitat, 2013).

Table 2: Paraguay: Housing Deficit by Type and Residency Area, 2002

Type of Housing Deficit	Residency Area		
	Urban	Rural	Total
Qualitative Deficit	326,492	378,806	705,298
Quantitative Deficit	71,802	26,917	98,719
Total	398,294	405,723	804,017

On the other hand the cause for social housing rapidly gained legitimacy, strengthening the argument for greater priority and funding to housing programs. Internally, the new 1992 democratic Constitution guaranteed decent housing to all Paraguayans. Externally, the the MDO (Millennial Developments Objectives) and later the SDO (Sustainable Development Objectives) of the United Nations included several themes closely related to housing and habitat. This increased concern contributed to the important legislative measures during the 2000s and 2010s oriented to increase funding, define the beneficiary target (the poor), and reorganize the policy implementation scheme. The FONAVIS law (Fondo Nacional para la Vivienda) (Congreso Nacional del Paraguay, 2009) established a budget for public funding of direct housing subsidies accounting to 0.1 per cent of the country’s GDP. Besides securing funding, the FONAVIS law also focused those funds on subsidies for housing to people in the state of poverty and extreme poverty. By the next year, another legislative measure (Congreso Nacional del Paraguay, 2010) created SENAVITAT. The new agency was more than a change of name, SENAVITAT was assigned the role of managing the FONAVIS funding, as well as coordination other public housing development plans, as its scope of action was greater, including the "habitat" function to its mission, which allowed the agency to incorporate all service related issues to housing, including utility provision, communication and transport, access to employment, recreational spaces, creation of communities, and similar issues.

These two pieces of legislation could have been considered windows of opportunities for comprehensive organizational reform and significant improvement in performance. Although

the increases in funding and range of action allowed the new agency to improve the housing production rate to some extent, it remained, nonetheless, without achieving the expected results (cite). Changes in administrative leadership in 2010(?) and 2013 both failed to accomplish a successful turnaround, although the later could have facilitated by identifying structural weakness in the administration

5

. Audit reports, both internal and external, showed several financial irregularities and severe weakness in compliance with established internal control standards and procedures, including corruption complaints (SENAVITAT staff, Personal Interview, march 2017). Interviews with high authorities at the agency suggest that prior to the organizational change starting in 2014 a highly clientelistic and corrupted environment still prevailed within the organization, even against new legislation and norms. Therefore, in spite of formal institutional changes, implementation-wise, the reform of the habitational policy remained stagnant, at least until the next administration.

Given the dire administrative situation of SENAVITAT's, President Horacio Cartes appointed minister Soledad Nuñez by 2014, with the objective of reforming and improving SENAVITAT. Nuñez at that time was a young Civil Engineer, in her early 30s, but had four year experience as director of "TECHO" an non governmental organization aiming to improve housing conditions of the poor. Therefore, she clearly had the technical expertise and motivation required for the job, and received full autonomy and support from the presidency (SENAVITAT staff, Personal Interview, march 2017).

Minister Soledad Nuñez started by taking decisive action against corruption allegations, initiating prosecution to former top and middle level officers. Doing so, she gained credibility and started to gain support of a significant body of public servants, who, according to interviews, shared the minister vision of increasing integrity and administrative capacity

⁵A the beginning of 2014, a short termed change in the administration of the agency achieved an institutional diagnostic, including the identification and documentation of several malpractices, but fail to take decisive action (SENAVITAT staff, Personal Interview, march 2017)

within the agency (SENAVITAT staff, Personal Interview, march 2017).

Furthermore, most interviewees agree that administrative leadership can be regarded as the most significant factor in terms of the successful implementation of the improvements in both administration capacity and performance of SENAVITAT. They also stressed Nuñez values of honesty, integrity, technical capacity, energy and industriousness, team work philosophy, along with political and persuasion skills that enable her to avoid direct conflict with resistant groups.

Reforms included a policy of transparency, higher ethical standards, open door policy and leadership by example. The implementation strategy prioritized higher impact programs, both in terms of available budget and poverty alleviation impact, avoiding high risks practices, such as private land purchases. Administration measures included increasing the on site monitoring and control resources, improving internal and external communication, and compliance with audit standards. Later on, once its authority was better established, the minister her team address more institutionalization and efficiency oriented issues, such as the improving and formalization, and digitalization of procedures.

The administrative reform translated very rapidly into performance improvements in delivering housing solutions. According to data published on November 2017, the number of completed houses which construction started within the previous year amounted to 19,304, with no units taking more than a year to build ⁶, which is quite remarkable given previous performance and the fact that the 2017 national budget was not approved in parliament and the agency had to deal with the 2016 amounts (SENAVITAT staff, Personal Interview, march 2017)

The combination of interviews opinions and data on performance improvements, suggests that SENAVITAT new leadership was indeed governance oriented, as well as highly motivated and effective. There is also evidence that the internal environment were not entirely against Minister Nuñez. She received support from a significant part of existing employees.

⁶Number calculated from SENAVITAT's web page on November 2017.

According to interviewees many of them felt embarrassed to work for an agency publicly considered as corrupted and with the new administration they felt dignify and proud of their workplace. This fact can be considered as improvement in the governance framework since it indicates governance orientation on the part of middle and level officers, probably related to the implementation of the new meritocratic procedures established the 2000's law of Civic Service and its subsequents modifications and regulatory resolutions from the SFP (Secretaría de la Función Pública). On the other hand, legacy top authorities, not related to corruption cases, were not dis-empowered. Many high official were granted the opportunity to join the change process (some of them did, but many step aside voluntarily due to increase on working hours). Resistance to change was rather passive and localized in the agency's union leaders, which, according to the interviewees, derive from 'political reasons'.

Literature suggest that, in the absence of a strong governance oriented institutional framework, strong presidential (or other kind of political) support can also leverage profound organizational changes (Rinnert, 2015; Borda, 2007) even in the absence of significant institutional improvements.

On the other hand, according to political theory, Presidential support hinges on a number of factors:(1) The political background of the executive leader, specially his degree of detachment of the established bureaucracy (Schneider and Heredia, 2003) which determines her attitudes towards institutional change (Feigenbaum, Henig, and Hamnett, 1999); (2) The leadership style of the president, either favoring a hands off management style giving the appointed administrative leaders operational autonomy (as prescribed by the New Public Management Model (Hood, 1995)) or favoring micromanagement with great involvement in operational decision, sometimes with political objectives; (3) The political priority of the president and the role that the particular agency plays in her agenda (Rinnert, 2015); (4) and the degree of malfunctioning in the agency's administration.

Therefore, extending the argument of the improvement of institutional incentives from middle level public servants towards governance-oriented behavior all the way to the top

political leadership, may probably be too naive. Governance orientation of top political leadership, although can be influenced by the institutional background, can hardly be argue to be guaranteed, specially in electoral democracies of small countries with dynamic internal and external political contexts.

In the case of SENAVITAT, although interviews reveal the key role of presidential support, it does not seems that it was as critical as in the past ⁷. Presidential support, in the case of SENAVITAT, served basically to provide political shielding, giving operational autonomy to administrative leaders and demanding accountability exclusively through results. The use of police resources against explicit or violent resistant was never needed. Interviewees agree that the hand-off presidential management style, empowering technical administrative leaders and avoiding micromanagement, was a very important factor in the success of the reform process.

Although it can be argue that the decision of changing and empowering the administrative leadership in SENAVITAT was presidential, and therefore not an endogenous product of the institutional framework, the fact that the administrative leadership, once its authority was established, was able rather autonomously to implement deep changes in the organization can be regarded as a first indication of institutional improvement.

Such institutional improvement can be tracked back as a processes beginning with the countries democratization process during the 1990's, although, we argue not entirely attributable to it. Historical accounts and political analysis, as well as reports from international development agencies, all suggest that institutional changes in the Paraguayan Public Sector have been unplanned, and mostly implemented reluctantly by the political and bureaucratic elite, specially during the early phases of the democratic process

(Molinas2004POLITICAL1954-2003;Cohen2004AnParaguay;WorldBank2004Paraguay:Asses

⁷A previous example of a radical agency reform process is given by the 2003-2005 administrative reform of the Treasury ("Ministerio de Hacienda") which met very high internal and external (specially political) resistance and relied almost completely on parallel structures staffed with new personnel and the development of ad hoc control procedures in the absence of standardized ones, It also required strong and permanent presidential support and the use of security forces at specific and specially critical moments (Borda D., Personal Interview, 2017)

Lezcano Claude, 2012; Birch, 2011; Borda, 2011; Borda, 2007; World Bank and Interamerican Development Bank, 2004).

Extractive predatory institutions, such as clientelistic staffing and different forms of corruption, persisted through much of the democratization process (World Bank, 1996; Richards, 2008; Nickson and Lambert, 2002) and was also adopted by members of opposition parties as they started to gain terrain in government through the open electoral competition (Setrini, 2011). Eventually, however, pressures from organized groups within civic society, conditions imposed by international financial and cooperation agencies, as well as the risk of economic stagnation, financial and fiscal crises (Insfrán Pelozo, 2000; Borda, 2007), social unrest and the organization of left parties with strong international support, all slowly manage to convince an increasingly greater part of traditional political leadership of the need of structural changes.

Positive reforms, both in terms of legislation and implementation, have affected several functions and dimensions of government, including financial administration (Congreso Nacional del Paraguay, 2000a), civic service (Congreso Nacional del Paraguay, 2000b)

8

, public procurements (Congreso Nacional del Paraguay, 2003; Interamerican Development Bank and World Bank, 2007), audit and control Presidente de la Republica del Paraguay (2008), LA CONTRALORIA GENERAL DE LA REPUBLICA (2008), and EL PODER EJECUTIVO (2012), transparency and accountability (Congreso Nacional del Paraguay, 2014; Congreso Nacional del Paraguay, 2013), as well as increasing efforts to introduce e-government platforms.

These reforms seem to have had a positive impact in civic society perception of governance, as can be appreciated in —table... which expose the World Bank Governance

⁸Schneider and Heredia (2003) argue that civic service reform are the most difficult since they deprive traditional political leaders of great influence over the State bureaucracy, and hence is usually performed by political outsiders, which are more likely to seek systemic changes, according to Feigenbaum, Henig, and Hamnett (1999) terminology, which actually was the case in Paraguay since civic service reform remained little more than “dead letter” until the opposition rose to the executive power in 2008 (Borda, 2011)

Indicators for Paraguay for 2000 and 2015. It seems to have been clear improvements most indicators in the those fifteen years. In spite of remaining in the negative spectrum, all of them show increases (becoming less negative) and, with the exception of Government Effectiveness, those increases seem to be statistically significant across surveyors⁹.

Table 3: Paraguay: World Wide Governance Indicator’s Estimates for years 2000 and 2015, difference and significance test

Indicators	Est. 2000	Est. 2015	dif=2015-200	t-stat
Control of Corruption	-1.38	-0.95	0.43	2.15**
Government Effectiveness	-1.16	-0.95	0.21	0.84
Political Stability	-0.97	0.04	1.01	3.26**
Regulatory Quality	-0.82	-0.27	0.55	2.29**
Rule of Law	-1.01	-0.69	0.32	1.88**
Voice and Accountability	-0.51	-0.07	0.44	2.44**

Source: World Bank, Worldwide Governance Indicators.

However, improvements on governance indicators do not appear to have been monotonic. Figure 1 and Figure 2 suggest that Control of corruption reached a peak on 2010, positioning the country at the 26th percentile of the world, but later decreased to the 16th percentile in 2015. Similarly, government effectiveness also reach a peak during 2005 at the 25th percentile, and diminish in later years to the 17th percentile. The other governance indicators show a more stable trend, and political stability showed a significant improvement in 2015, positioning Paraguay a the 47th percentile with respect to the world.

Although World Bank Governance Indicators are based on expert opinions rather than objective evidence, they could provide clues to the strength and weakness about the state of the the governmental institutional framework. The deterioration of the corruption control perception can be explained by several factors, including the extensive use of economic power in order to gain political power on the part of the 2015 executive leader H. Cartes, as well as the suspicions of corruption about some his close advisors (Borda, interview). However, even under the assumption of a prevalence of top-leadership corruption and the persistence of a plutocracy, the fact that the current institutional framework have produced a significant

⁹explicar metodologa de prueba de hipotesis

Figure 1: WGI Indicator's Estimates for Paraguay by Year

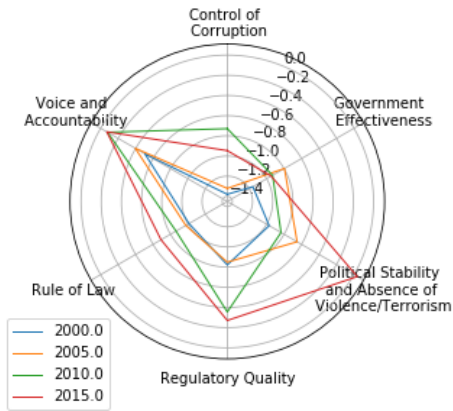
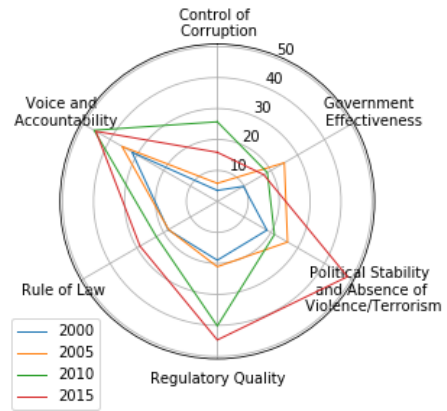


Figure 2: WGI Percentile Ranking for Paraguay by Year



change in mid and lower level public servants motivations (as controls, transparency and sanctions have increased) is still hard to dispute. Therefore, the widespread corruption that once characterized the Paraguayan public sector have probably significantly diminished.

From the evaluation of developments in legislation and compliance, and civic society perceptions, therefore, it can be argued Paraguayan public sector have experience significant progress in governance during the current century. Further evidence on the matter is address in the next section, which characterizes SENAVITAT's authorities opinions on the role of the overall government institutions in the agency reform process, as well as their expectation about the continuation an deepening of such process.

Most opinions captured by the interviews, support the hypothesis of a significant improvement in the overall and inter-organizational Paraguayan public sector governance institutions, as an important and synergistic factor that allowed the success of renewed leadership in SENAVITAT's 2015-2018 turnaround.

According to the SENAVITAT's authorities opinions, as seen in the (??), most of the institutional elements were perceived has having a positive contribution to the reform process of the agency. Not all elements of the institutional framework, however, were perceived with the same degree of importance. The most cited positive element is clearly the Standard Model of Control (MECIP) which provides guidance for strategic and operational planning,

developing of an control environment,risk mitigation, among other issues¹⁰. It was perceived that, given the political will to change, the MECIP provides sufficient guidance for its implementation. However, without a genuine will it can also be used to show formal compliance (Franco V., Personal Interview, October 2017).

Moving on on Table x, it can be observed that Policy planning and coordination, given by the National Development Plan (PND 2030) and cross-agency programs such as "Sembrando Oportunidades", implemented by the STP (Secretaría Técnica de Planificación) was also perceived as a very important institutional developments, as well as the law for Transparency and Access to Public information, which allows civic society to take a more active role on controlling State activity. The program ("Sembrando Oportunidades") coordinated action of several public agency with this objective. Within the program, actions like conditional monetary transfers, improvement of human capital, increasing of small farmer's productivity, provision of basic infrastructure, including roads, electricity, water, and housing (Government Official, Personal Communication, march 2017).

E-government platforms were also regarded as very positive factors. Specially a recent platform develop by SENATICS to exchange information among government agencies. Most interviewees were also very exited by a project oriented to the automation of procedures and digitalization of files, that a the time was being implemented with the cooperation of the Inter-american Development Bank. Other international cooperations from foreign country's housing developing agencies included, among others, the development of technical tools for housing policy planning (SENAVITAT staff, Personal Interview,march 2017).

In particular law of Transparency and Access to Public Information, which is also qualified as mainly positive factor in SENAVITAT's reform process, seem to have been specially effective in order to improve public servants motivations, from clientelistic to managerial compliance, since it allow widespread control on the part of the press and civic society.

¹⁰The model was based on international standards of audit, control and risk management (COSO, COCO, CADBURY, COBIT, GAO and MECI Colombia) adapted to the Paraguayan institutional framework. A series of decrees and resolutions during the years of 2007 and 2008

The previously mentioned FONAVIS law was also qualified in mainly positive terms by SENAVITAT’s authorities, assessing only a few limitations.

Table 4: Contribution of Institutional Elements to the Reform Process in SENAVITAT, 2017

Institutional Element	Interview Number										
	1	2	3	4	5	6	7	8	9	10	11
Process Control(MECIP)	+	+		+			+	+	+	+	+
Financial Management(MH)		+					0	+			-
Public Procurement (DNCP)	+									+	
Public Service (SFP)	+	+		+			+				-
TICs Platform G2G (SENATICS)	+					+					
Policy Planing (PND)			+								
Policy Coordination (STP)	+		+		+	+			0		
Law Enforcement Agencies	+										
Presidency	+	+					+				
Judiciary	+										
Congress	0		-	-	+	-					
Housing Subsidies Law (FONAVIS)	0		0			-			+	+	
Transparency Law	+			+		+			+		
Property Registry and Database	-										
International Cooperations			+			+	+		+		

References:
 (+)= Positive Impact
 (-)=Negative Impact
 (0)=Positive Impact but Needs Improvement
 Empty=Not Mentioned

Source: Author’s construction based on interview transcripts.

Older and more established laws and regulations were less cited and recognized, probably because they are perceived as normal for younger public servants with less knowledge of the past practices. The public procurement process, for example, was perceived as the most ordered and established, not requirement too much attention from high authorities, and thus freeing them to perform more strategic activities (SENAVITAT staff, Personal Interview,march 2017). Also Financial Management Processes, managed by the Treasury (“Ministerio de Hacienda”), was seen as too slow and bureaucratic by some of the interviewees, specially one contracted from the private sector, clearly accustomed to more agile processes, who happened to have similar opinions about the Public Servant’s law (SENAV-

ITAT staff, Personal Interview, march 2017). Notwithstanding, more senior public servants, who had knowledge of previous practices in the public sector, were more likely to appreciate the greater control provided both by the Financial Management, Public Procurement, and the Public Service laws and regulations.

Among the institutional elements that were considered obstacle to the improvement process within the agency, Congress was by far the most cited as a troubling element. Although at the beginning of the administration, the agency received some degree of support (SENAVITAT staff, Personal Interview, march 2017), later on, however, its position changed, specially in the senate, putting obstacle to SENAVITAT sponsored project for changes in the legislation (SENAVITAT staff, Personal Interview, march 2017), and proposing an irresponsible 2017 government budget, that had to be vetoed by the Presidency, which force all branches of government to work with the previous 2016 budget (SENAVITAT staff, Personal Interview, march 2017).

Again, according to the interviews in SENAVITAT, presidential support was key to the process, providing autonomy at the operational and administrative levels, while demanding accountability based solely on results. It was also extremely relevant in shielding the minister from political pressures and harassment, specially given her detachment and reluctance to take part in any partisan political interests.

This findings seem to suggest that, although there were positive improvements in the overall Paraguayan government, these are both too recent and incomplete. Therefore strong political support (specially presidential support) is still essential for success at the administrative level, specially to provide political shielding from less developed political institutions, such as the congress and some political parties.

Moreover, previously failed attempts to reform SENAVITAT shows the possibility that, in some other government agencies, there may still exist administrative leaders, vertically selected by previous institutional frameworks, with values, allegiances and motivations are not align with governance but rather insists in practices of clientelism and rent-seeking by

engaging in active or passive resistance to the compliance to recent changes in formal rules and regulations.

To conclude our analysis of hypothesis 1, we need to consider whether SENAVITAT improvement was an isolated case, or, on the contrary, one example of a broader institutional and organizational improvement in the Paraguayan public sector. For that purpose we focus our analysis in two key pieces of information. On one hand, we examine available data on physical performance on comparable agencies, in the sense that are (at least in part) in charge of producing or organizing the production of physical infrastructure. On the other hand, we turn to data on compliance score of external audits performed by the AGPE, based on the national control standard model (MECIP), that can serve as a proxy for improvements in administration quality.

Table 5: Paraguay: Performance of Selected Government Agencies in Infrastructure Projects, 2015

Agency	Type of Infrastructure	Unit	Target	Exec.	%
MOPC	Rural Roads (Construction)	Kilometers	645	1,246	193%
MOPC	Bridges (Construction)	Meters	820	766	93%
MOPC	Paved Roads (Construction)	Kilometers	426	590	138%
MOPC	Rural Roads (Maintenance)	Kilometers	16,460	15,182	92%
MOPC	Bridges (Maintenance)	Meters	1,200	1,077	90%
MOPC	Paved Roads (Maintenance)	Kilometers	3,500	2,398	69%
MSBPS	Health-care Facilities (New)	Facilities	40	39	97%
MEC	Schools Repair and Enlargement	Facilities	368	344	93%
SENAVITAT	Housing Solutions	Houses	10,633	8,273	78%
SENASA	Water Supply	Water Systems	170	170	100%
INDERT	Water Supply (Rural colonies)	Water Systems	125	134	107%
ANDE	Electric Lines Maintenance	Kilometers	2,054	1,774	86%

Source: Presidential Score Card Executive Report, December 2015

According to table x, most of the infrastructure development agencies showed high levels of execution by 2015. The "Ministerio de Obras Públicas y Comunicaciones", show the lowest execution rate of the sample in its product of Paved Roads Maintenance (69%), however it is also clearly the most active agency with several products, most of them with very high execution rates. Moreover, SENVITAT's execution rates by the end of 2015 was still

below average considering other infrastructure development agencies. Therefore, in terms of performance it's hard to argue that SENAVITAT was an isolated case. The alternative explanation seems more likely.

Table 6: Titulo

OEE	2014.2	2015.1	2015.2	2016.1	2016.2	2017.1	2017.2
Ministerios	0	8,33	18,18	66,67	75	83,33	91,67
Secretarias	6,25	27,78	38,89	47,06	52,63	57,89	89,47
Empresas y Entes Autarquicos	0	0	10	20	33,33	55,56	78
Universidades	7,89	6,06	0	11,11	0	-	-
Gobernaciones	0	0	0	0	0	16,67	20
Otros	3,23	21,21	30,43	27,03	27,27	34,38	48,48
Total Sector Publico	4,59	13,64	23,94	27,12	39,24	48,72	66,67

Fuente

With respect to improvement in audit compliance scores, provided by the AGPE, there has been a clear tendency of improvement since the starting of data releasing in 2014. Agencies belonging to Central Government, including Ministries and Secretaries had a more rapid and clear improvement. Autonomous agencies started to report later, by the second semester of 2015, but in the same manner experienced rapid improvement after that. Lagging behind are still public universities and local governments. Overall, adequate compliance of control standards have risen from less than 5% of the agencies in late 2014 to close to 70% at the end of 2017, strengthening the argument in favor of a broad phenomena in the public sector.

Furthermore, given the complexity of the Paraguayan public sector it is hard to argue that this success can be attributed to the executive leader and elite team alone. On the contrary, the fact that given the right political will, the Paraguayan public sector have been able to produce sharp improvements, both in production capacity and administrative quality, can be considered a strong indicator of the effectiveness of the incremental institutional reform that have been discussed in this paper.

5 Conclusion

In this paper we have explored the role and empowering conditions of governance-oriented leadership in the administrative improvement of public agencies. In order to accomplish that objective we have conducted an in depth analysis of a case study involving the Paraguayan Social Housing Developing Agency, SENAVITAT, complemented with data on the overall development and performance of Paraguayan government. We formulated two working hypothesis, based on a conceptual model inspired by a multidisciplinary literature review. This two hypothesis considered that Paraguayan institutional framework have improved sufficiently enough to strengthening, rather than undermine, the performance of governance oriented leaders, and that, given the recent nature of this process, in some agencies compliance reluctant authorities could have remained. In this scenario a change of top leadership could be enough to jump start positive processes of organizational change. According to the case analysis, we have concluded that evidence do not seem to reject those two hypothesis and that the resulting improvement of SENAVITAT's performance and administration quality was rather radical. We also have encounter evidence that SENAVITAT's case was not isolated but an example of a broader process in the Paraguayan public sector. Although the improvement on administrative institutions in Paraguayan public institutions is quite promising, there are still some risks involving mainly the recent nature of those processes, and the need of further reforms on the political and judicial institutions of the country.

Bibliography

- Abente Brun, Diego (2014). *El Régimen Stronista*. Asunción: El Lector, pp. 8–67. ISBN: 978-999953-1-451-4.
- Acemoglu, Daron, Camilo García-Jimeno, and James Robinson (2015). “State Capacity and Economic Development: A Network Approach”. *American Economic Review* 105(8), pp. 2364–2409. ISSN: 0002-8282. DOI: 10.1257/aer.20140044.
- Birch, Melissa (2011). “Generando Crecimiento Sustentable en un contexto democrático 1989-2009”. *Estado y Economía en Paraguay 1870-2010*. Ed. by Fernando Borda Dionsio; Masi. Asunción: Centro de Analisis y Difusión de la Economía Paraguaya, pp. 245–282.
- Borda, Dionisio (2007). *Paraguay: Resultados de las Reformas (2003-2005) y sus perspectivas*. Santiago de Chile: Cepal Naciones Unidas, pp. 5–49.
- Borda Dionsio; Masi, Fernando (2011). “Breves consideraciones sobre la institucionalidad pública en el Paraguay”. *Estado y Economía en Paraguay 1870-2010*. Ed. by Dionisio Masi Fernando; Borda. Asunción: Centro de Analisis y Difusión de la Economía Paraguaya, pp. 284–326.
- Burns, T. and G. M. Stalker (1961). *The management of Innovation*, p. 204.
- Congreso Nacional del Paraguay (2000a). *Ley N° 1535/99, "DE ADMINISTRACIÓN FINANCIERA DEL ESTADO"*.
- (2000b). *Ley Nro.1.626/00 DE LA FUNCION PUBLICA*. Asunción.
- (2003). *Ley No. 2051/03 DE CONTRATACIONES PÚBLICAS*.
- (2009). *Ley No. 3637/09 QUE CREA EL FONDO NACIONAL DE LA VIVIENDA SOCIAL - FONAVIS*.
- (2010). *QUE CREA LA SECRETARÍA NACIONAL DE LA VIVIENDA Y EL HÁBITAT SENAVIDAT*.
- (2013). *Sistema de Información Legislativa*. URL: <http://sil2py.senado.gov.py/>.
- (2014). *Ley 5282/14 DE LIBRE ACCESO CIUDADANO A LA INFORMACIÓN PÚBLICA Y TRANSPARENCIA GUBERNAMENTAL*.

- Dahl, Robert A and Bruce Stinebrickner (2002). *Modern Political Analysis*. Vol. 72, pp. 34–51. ISBN: 9780130497024. DOI: 10.2307/1953617. URL: <http://www.lavoisier.fr/livre/notice.asp?id=0R2WOKA6L030WA>.
- Diprete, Thomas a (1987). “Horizontal and Vertical Mobility in Organizations”. *Administrative Science Quarterly* 32(3), pp. 422–444. ISSN: 0001-8392. DOI: 10.2307/2392913. URL: <http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=4009930&site=ehost-live&scope=site>.
- EL PODER EJECUTIVO (2012). *Resolución AGPE 74/2012 APRUEBA Y ADOPTA EL FORMULARIO INDEPENDIENTE DEL MECIP PARA ORGANISMOS Y ENTIDADES DEPENDIENTES DEL PODER EJECUTIVO*.
- Estévez, Alejandro (2012). “El impacto de las reformas de los 90, un análisis comparado entre los casos de Argentina, Bolivia, Brasil, Chile y México (1989 - 2000)”. *Cuadernos de Polipub.org* (8), pp. 2–50.
- Farrell, Dan and James C. Petersen (1982). “Patterns of Political Behavior in Organizations”. *The Academy of Management Review* 7(3), p. 403. ISSN: 03637425. DOI: 10.2307/257332. URL: <http://www.jstor.org/stable/257332?origin=crossref>.
- Feigenbaum, H., J. Henig, and C. Hamnett (1999). *Shrinking the State. The Political Underpinnings of Privatization*. Cambridge University Press.
- Finkelstein, Lawrence S (1995). “What is Global Governance?” *Global Governance* 1(3), pp. 367–372. ISSN: 10752846. DOI: 10.1016/B978-0-323-26509-6.00002-4. URL: http://heinonlinebackup.com/hol-cgi-bin/get_pdf.cgi?handle=hein.journals/glogo1§ion=27.
- Flores, Ana Raquel (2012). *Paraguay : política laboral y habitacional, desde 1989 hasta hoy*. Tech. rep. Quito.
- Fukuyama, Francis (2004). “The Imperative of State-Building”. *Journal of Democracy* 15(2), pp. 17–31. ISSN: 1086-3214. DOI: 10.1353/jod.2004.0026. URL: http://muse.jhu.edu/content/crossref/journals/journal_of_democracy/v015/15.2fukuyama.html.

- Fukuyama, Francis (2013). *What is governance?* DOI: 10.1111/gove.12035.
- Gabris, G. T., R. T. Golembiewski, and D. M. Ihrke (2001). “Leadership Credibility, Board Relations, and Administrative Innovation at the Local Government Level”. *Journal of Public Administration Research and Theory* 11(1), pp. 89–108. ISSN: 1053-1858. DOI: 10.1093/oxfordjournals.jpart.a003496. URL: <http://jpart.oxfordjournals.org/cgi/doi/10.1093/oxfordjournals.jpart.a003496>.
- Hood, Christopher (1995). “The new public management in the 1980s: Variations on a theme”. *Accounting, Organizations and Society* 20(2), pp. 93–109. ISSN: 03613682. DOI: 10.1016/0361-3682(93)E0001-W.
- Insrán Pelozo, Anibal (2000). “El Sector Financiero Paraguayo. Evaluando 10 Años de Transición”.
- Interamerican Development Bank and World Bank (2007). *Actualización del Informe de Evaluación del Sistema Nacional de Adquisiciones Públicas del Paraguay*. Tech. rep.
- Kaufmann, Daniel, Aart Kraay, and Massimo Mastruzzi (2010). “The Worldwide Governance Indicators: Methodology and Analytical Issues”.
- Kavanagh, Marie H. and Neal M. Ashkanasy (2006). “The Impact of Leadership and Change Management Strategy on Organizational Culture and Individual Acceptance of Change during a Merger”. *British Journal of Management* 17(S1), S81–S103. ISSN: 1045-3172. DOI: 10.1111/j.1467-8551.2006.00480.x. URL: <http://doi.wiley.com/10.1111/j.1467-8551.2006.00480.x>.
- Kingston, Christopher and Gonzalo Caballero (2009). “Comparing theories of institutional change”. *Journal of Institutional Economics* 5(02), p. 151. ISSN: 1744-1374. DOI: 10.1017/S1744137409001283.
- Kotter, John P. (1996). *Leading change*. Harvard Business Review Press, p. 194. ISBN: 1422186431.

- Kuipers, Ben S. et al. (2014). “The management of change in public organizations: A literature review”. *Public Administration* 92(1), pp. 1–20. ISSN: 14679299. DOI: 10.1111/padm.12040.
- LA CONTRALORIA GENERAL DE LA REPUBLICA (2008). *Resolución CGR no. 425, de fecha 9 de mayo de 2008, ESTABLECE Y ADOPTA el Modelo Estándar de Control Interno para las Entidades Públicas del Paraguay MECIP, como marco para el control, fiscalización y evaluación de los sistemas de control interno de las.*
- Lambert, Peter (2002). “State reform and the ‘privatized state’ in Paraguay”. *Public Administration and Development* 22(2), pp. 163–174. ISSN: 02712075. DOI: 10.1002/pad.218.
- Lezcano Claude, Luis (2012). “HISTORIA CONSTITUCIONAL DEL PARAGUAY (Período 1870-2012)”. *Revista Jurídica Universidad Americana* 3, pp. 173–291.
- Libecap, Gary D (1999). “Contracting for Property Rights”. *Political Economy of Institutions and Decisions*, p. 132. ISSN: 01475967. DOI: 10.1016/0147-5967(91)90043-S.
- Lines, R. (2005). “The Structure and Function of Attitudes Toward Organizational Change”. *Human Resource Development Review* 4(1), pp. 8–32. ISSN: 1534-4843. DOI: 10.1177/1534484304273818.
- Molinas, Jos, Anbal Perez Liñán, and Sebastian Saieh (2004). “POLITICAL INSTITUTIONS, POLICYMAKING PROCESSES, AND POLICY OUTCOMES IN PARAGUAY, 1954-2003”. *REVISTA DE CIENCIA POLÍTICA* XXIV(2), 67–93.
- Nickson, Andrew and Peter Lambert (2002). “State reform and the ‘privatized state’ in Paraguay”. *Public Administration and Development* 22(2), pp. 163–174. ISSN: 02712075. DOI: 10.1002/pad.218.
- North, Douglass C (1990). “Institutions, Institutional Change, and Economic Performance”. *Cambridge University Press* 5(1), pp. 1–153. ISSN: 07388950. DOI: 10.2307/2234910.
- Ostrom, Elinor (2005). *Understanding Institutional Diversity*. Vol. 132. 3-4, p. 376. ISBN: 0691122385. DOI: 10.1007/s11127-007-9157-x. URL: <http://www.amazon.com/dp/0691122385>.

- Panizza, Francisco and George Philip (2005). “Second Generation Reform in Latin America: Reforming the Public Sector in Uruguay and Mexico”. *Journal of Latin American Studies* 37(4), pp. 667–691. ISSN: 0022-216X. DOI: 10.2307/3875348. URL: <http://www.jstor.org.ezproxy.bibl.ulaval.ca/stable/3875348>.
- Polidano, Charles (2001). “Why Civil Service Reforms Fail”. *Public Management Review* 3(3), pp. 345–361. ISSN: 14719037. DOI: 10.1080/14616670110050039. URL: <http://dx.doi.org/10.1080/14616670110050039%5Cnhttp://www.tandfonline.com/doi/pdf/10.1080/14616670110050039>.
- Presidente de la Republica del Paraguay (2008). *Decreto 962/08 prueba la implementación del MECIP para las entidades Públicas del Paraguay sujetas a la Ley 1.535*.
- Rhodes, R A W and Paul 't Hart (2014). *The Oxford Handbook of Political Leadership*.
- Richards, Donald G. (2008). “Transition and reform in a predatory state: The case of Paraguay”. *Journal of Economic Policy Reform* 11(2), pp. 101–114. ISSN: 13841289. DOI: 10.1080/17487870802031403.
- Rinnert, David (2015). “The politics of civil service and administrative reforms in development-explaining within-country variation of reform outcomes in Georgia after the rose revolution”. *Public Administration and Development* 35(1), pp. 19–33. ISSN: 1099162X. DOI: 10.1002/pad.1709.
- Schneider, Ben Ross; and Blanca Heredia (2003). *Reinventing Leviathan: the politics of administrative reform in developing countries*. Ed. by Ben Ross; Schneider and Blanca Heredia. Michigan: North-South Center Press.
- Secretaría Nacional de la Vivienda y el Hábitat (2013). *Plan Nacional de Hábitat y Vivienda del Paraguay (Planhavi)*. Tech. rep.
- Setrini, Gustavo (2011). “Veinte años de democracia electoral en Paraguay. Del clientelismo monopólico al clientelismo plural”. *Estado y Economía en Paraguay 1870-2010*. Ed. by Dionisio Masi Fernando; Borda. Asunción: Centro de Analisis y Difusión de la Economía Paraguaya, pp. 327–399.

Shapiro, Ian (2012). *The Moral Foundations of Politics*. United States of America: Yale University Press. ISBN: 978-0-300-18545-4.

Sklar, Richard L. and Samuel P. Huntington (1969). "Political Order in Changing Societies." *American Sociological Review* 34(4), p. 571. ISSN: 00031224. DOI: 10.2307/2091978. URL: <http://www.jstor.org/stable/2091978?origin=crossref>.

World Bank (1996). *Paraguay The Role of the State*. Tech. rep., pp. 1–49.

World Bank and Interamerican Development Bank (2004). *Paraguay: Country Financial Accountability Assesment*. Tech. rep. World Bank, Interamerican Development Bank, pp. 1–48.