

NPM AND THE CHANGE IN PORTUGUESE CENTRAL GOVERNMENT

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ABSTRACT: *This article examines the influence of New Public Management ideas on recent changes in the Portuguese central government. Its purpose is to analyze the tendency to make public organizations more autonomous and to decentralize following the example of other countries inspired by the practice of the private sector and New Public Management stressing managerial flexibility. The message it conveys is that changes were primarily guided by values of the public domain, juridical concerns and the primacy of politics, building a public governance that emphasizes the role of politicians and opens the administrative system to the sociopolitical environment.*

The creation of autonomous organizations (such as agencies) in government has followed a trend occurring in many OECD countries whereby New Public Management ideas have significantly influenced public sector organization. The arguments underlying this convergence of administrative reforms towards new organizational forms and the claim of the entrepreneurial government (Osborne and Gaebler 1992) that works better and costs less (Gore 1993) has been challenged by scholars who argue that there are differences in the ways that the agency model has been introduced in various countries (James 1999; Pollitt 2000). Hood (1996) makes evident the existing variations in public management reforms that oppose the inevitable convergence proposed by Osborne and Gaebler (1992). Meanwhile, James (1999) argues that the agency model developed in the UK and imported by other countries is influenced by local corporate governance arrangements. Pollitt (2000) points out that in several countries agency development is a superficial phenomenon, harboring differences in political and administrative culture, political purpose, and organizational behavior and that it is little more than a shell of an idea. This seems to be the case of administrative reform in Portugal.

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The paper examines the influence of New Public Management ideas on recent changes in Portuguese central government. Within the ministries, the search for effectiveness in policy implementation is driving major changes, stressing reorganization through the autonomy of government bodies that have traditionally been under strong supervision in the hierarchy of central departments. The trend among ministries of setting up autonomous organizations seems to follow the example of other countries towards autonomy and decentralization inspired by the practices of the private sector and New Public Management stressing managerial flexibility. Hence, it is worthwhile investigating how the idea of agencies has been adopted in the Portuguese central government. The analysis uses the political and sociological version of new institutionalism to understand the process of making organizations more autonomous. First, it defines the concept of agency and outlines its key characteristics and features; second, it analyses the process of making organizations more autonomous. It argues that, despite the influence of NPM ideas, the process of making them more autonomous is guided by the political and societal context in which the change takes place.

NPM AND THE AGENCY CONCEPT

The New Public Management framework, built upon a new managerial ethic supporting the view that managers have the right to manage (Flynn 1993), has dominated administrative reform (Hood 1995). Some particular features of this form include (Hood 1991):

- a. the breakup of traditional structures into semiautonomous units responsible for central government activities;
- b. the freedom to manage by discretionary power and visible managers at the top;
- c. clarity in the statements of goals and targets measurable as indicators of success;
- d. resource allocation and rewards linked to performance; and
- e. a shift from a unitary civil service toward the diversity of working conditions, reward systems, and career mobility.

Other arguments include the belief among reformers that NPM methods provide new means of organizing the public sector so that it can be more efficient and effective than traditional bureaucracy (Peters and Wright 1998).

Government and administration fragmentation through agency creation has become a widespread trend in several countries, perhaps the most important structural changes among European reforms (Peters 1997). Agency creation is not a novel concept,¹ but the influence of UK reforms and the agency model derived from the Next Steps initiative was a benchmark that spread this form of organization to the public sector. Ministries are fragmented into autonomous organizations through decentralization and the devolution of powers, a process some authors claim is producing similar forms of administrative organizations (Osborne and Gaebler 1992). There is, however, considerable academic literature about how these forms have been adopted by governments in many countries that rejects deterministic arguments for convergence toward NPM and the adoption of similar models of agencies (Pollitt 2000; Polidano, Hulme, and Minogue 1998).

The change process in Portuguese central government was influenced by this trend. There is an NPM-flavored set of policies of which the creation of autonomous organizations is a good example. Several ministries undergo major reorganization through the creation of public institutes, which are a similar form of agencies. Public institutes are instruments of flexibility and agility of public service delivery that join the traditional management of public organizations with the private sector methods. Their creation does not follow a specific reform program nor a specific model; rather, they are the result of individual ministerial initiatives that emphasize the revitalization of autonomous organizational forms that exist in the juridical administrative regime. They are a trend among ministries that has become stronger in the recent past, in part influenced by the experiences in other countries, the need to overtake the strict administrative law constraints in public services management, personnel management, and financial management, and partly to overcome bureaucratic resistance to change.

Administrative studies concerning change in organizations have been influenced by the institutionalism approach to political and sociological science (see March and Olsen 1983; Scott 1995). According to March and Olsen (1989) the process of institutional change follows the internal dynamic according to an institution's origin and history. North (1990) argues that today's as well as tomorrow's choices are shaped by the past, and introduces the concept of path dependency to explain the process of institutional change. Individual choices are made in light of previous experiences in comparable situations and in conformity with standards of obligation. Institutions² shape the definition of alternatives influence the perception and construction of the reality in which action takes place (March and Olsen 1996). DiMaggio and Powell (1991) suggest the process of change consists to a standard model. Hence, the process of change is shaped and constrained by internal dynamics and takes place over long intervals of time. The complexity of administrative work results in established practices and rules that institutionalize administrative organizations and structure their influence in the political system "constraining the conduct of politics by shaping the motives and conducts of politicians" (Searing 1991, 1240). This approach is appropriate for studying the creation of public institutes and how the constitutional, legal, and cultural constraints limit available options. It suggests that public institutes will reproduce certain features that are embedded in the existing rules, routines, and culture. It also shows how the idea of agency derives from other experiences that have been introduced in Portuguese central government.

THE CONTEXT OF CHANGE

The structure of the Portuguese central government and the evolution of its ministries are constant change. Reorganizations usually involve moving organizations from one ministry to another, abolishing or merging units, or simply changing their names. It simply involves the rearranging of parts of the different organizations, which are moved like blocks in a kind of cube game (Araújo 1999). It has become routine whenever a new government takes power and usually influences only formal issues of public administration. Portuguese central public government consists of legal entities that are under state tutelage and supervision, following the hierarchical and centralized administrative model based on the

French Napoleon type of state. The so-called direct administration, consisting of the directorates-general, directorates, departments, divisions, and other operational units, have no administrative or financial autonomy. The competence to carry out administrative acts and to authorize expenditure belongs to their parent ministries, to whom they request prior authorization. These bodies operate under webs of regulations and administrative controls that drastically limit their managerial freedom and follow the formal and legalistic approach to resource management. They exhibit much of the dysfunction associated with traditional bureaucracy that was accentuated by a legal system that had become suffocated in its own procedures and self-importance. These constraints reduced the effectiveness of policy implementation, and increased the burden of resources as well as the ability to quickly respond to the challenges posed by society.

A second group of legal entities under the tutelage of ministers but distinct from the government are the public institutes (PI).³ These bodies perform their activity in the public domain and have no commercial nature. They have financial and administrative autonomy, which means that they have full competence to carry out administrative acts and the freedom to spend its funds up to a certain limit without previous permission. They have their own revenues and a private budget that is a part of the budget approved by the Parliament. This form of power devolution is aimed at improving the implementation of executive tasks. The creation of these autonomous organizations was for a long time limited, usually for specific activities like higher education, hospitals, and research. Public institutes are similar to the French *établissement public*, the German *öffentliche Anstalten*, the Spanish *organismo autónomo* and, in Italy, the *enti pubblici*.

Portugal has a formal, centralized, and hierarchical bureaucracy, plagued by rules and regulations, a rigid budget system, a rigid personnel system, and is preoccupied with legal control. Directorates-general, the traditional form of structuring central government, are seen as bureaucratic, old-fashioned, legalistic, and hierarchical organizations that do not respond appropriately to the dynamics of change. Some politicians regard them as an obstacle to the effectiveness of policy implementation. Since the democratic revolution in 1974, there has been a trend to strengthen ministerial influence in public administration in order to reduce the traditional power of bureaucracy that Portuguese senior officials call the progressive abolition of directorates (Araújo 1999). On the other hand, politicians believe that PI work better because they are under a more moderate juridical regime than the directorates-general, particularly in what concerns their funding and personnel management. Hence, managerial autonomy would lead to efficacy in public service delivery and ministerial reorganization would abolish directorates and replace them with PI. Public institutes and similar organizational forms become the fashionable format for policy implementation.

Management for change followed incremental modifications of existing arrangements through the revitalization of PI. The search for managerial flexibility and new organizational forms are challenging the administrative structure and changing the traditional concept of governance. But the fragmentation within central government, as directorates-general changed into public institutes, did not produce a less coherent apparatus for governance suggested by some scholars (see Peters and Wright 1998; Stewart and Walsh 1992). In the Portuguese case there is movement towards a more complex activity,

reducing the strict administrative legal control over management and opening up participation in public management and policy implementation to other actors.

THE AGENCIFICATION PROCESS IN CENTRAL ADMINISTRATION

As in other OECD countries, administrative reform in Portugal is looking for different ways of doing things within the administrative context (Klages and Löffler 1995). Public institutes are not new organizations but there is a renovating aspect to their creation and structuring, which in itself suggests a departure from traditional operating procedures that point to a breakage in uniformity. The number is increasing over time. Table 1 shows the evolution of PI.

There is an increase in PI, a phenomenon that seems to be similar to the Italian case where they have quickly flourished among ministries. In the year 2000, there were 328 public institutes. Some of them are the result of small changes in legal statutes of previous organizations, of the centralization or the fragmentation of abolished organizations, and others are new organizations. Table 2 shows the number of PI by ministry.

The movement toward autonomy did not change the centralized nature of public administration. The geographic distribution of PI throughout the country (see table 3) shows its concentration in the capital (Lisbon).

The distribution shows the centralized nature of Portuguese government with 48 percent of PI located in the capital (Lisbon). Actually, in 1996, 81.1 percent of civil servants were working in central administration, and in 2000 this percentage was 78.3 percent. It is worth stressing that the percentage of PI in other cities included hospitals, universities, polytechnical schools. The creation of PI is not a decentralizing activity.

Among the ministries there is a great diversity of PI, and some diverge from the original requirements for creation. Some have great autonomy working under a mixture of administrative law and private law. Others work within a model similar to the directorate-general but with administrative, financial, and patrimonial autonomy. The diversity of legal regimes and its influence in management becomes an issue in the administrative agenda. The reform is not based on the rule of administrative law, the foundations of public organizations management, but on adopting private law within the administrative system that allows for more flexibility in resource management. However, while in other countries the reasons to create agencies are the result of financial, legitimacy, and other problems (Pollitt, Bathgate, Smullen, and Talbot 2000), in Portugal the main purpose of politicians in choosing public institutes as a model to structure ministries is that of improving the coordination and effectiveness of policy implementation. The joining of the

TABLE 1
Evolution of Public Institutes

	1980	1985	1990	1995	2000
	55	74	173	250	328

MREAP 2001.

TABLE 2

Number of Public Institutes by Ministry

Ministry	Number
Internal Administration	4
Agriculture, Rural Development and Fishery	8
Environment and Territory Administration	8
Science and Technology	8
Culture	18
National Defense	1
Economy	29
Education	38
Social Equipment	18
Finance	11
Justice	7
Youth and Sports	4
Foreign Affairs	6
Planning	1
State Reform and Public Administration	4
Work and Solidarity	16
Wealth	143
Presidency of Council of Ministers	6

Source: MREAP 2001.

administrative judicial regime and the private judicial regime shows a sign of entrepreneurship in PI and in its managerial boards.

However, there is concern among political parties and other social forces about the boom of public institutes and the variety of models that are emerging. Some critical commentators claim that this process is an expedient to overtake administrative legal control of resource management and overtake legal financial constraints, a device used by politicians to look for ways to bypass the rigidity of financial control mechanisms and bureaucratic procedures. This is an opinion shared by Alberto Martins, the minister responsible for administrative reform, who states that there is a trend to run away from the administrative judicial regime through exceptional judicial regimes. According to Martins in an interview in *Público*, 15 June 2000, public institutes and similar organizations with autonomy are spread about in order to make management easier. This flexibility does not mean efficiency and efficacy. These mechanisms are set up to turn around financial controls.

TABLE 3

Percentage of Public Institutes by Region

Region	Percentage
Lisbon	48
Porto	9
Other cities	43

Source: MREAP 2001.

This diversity of PI seems to go against the regularity and uniformity of Portuguese public administration, whose structures are established according to a legal framework. There was a need to establish a legal framework to regulate the creation, management, and functioning of public institutes in order to discipline the agencification process. These were the reasons for the government to set up a task force to study and propose the rationalization of these organizations. The task force proposed a draft law concerning the rules and principles to create public institutes.

FROM DIRECT ADMINISTRATION TO MORE AUTONOMOUS ORGANIZATIONS

The Case of the Fiscal General Administration (AGT)

Three directorates-general are responsible for policy implementation in the area of fiscal administration: the Directorate-General of Taxes (DGI), responsible for direct and indirect tax policies; the Directorate-General of Customs and Special Taxes (DGAIEC), responsible for the external border of EU customs duties and other special taxes; and the Directorate-General of IT, Taxes and Customs Support (DGITA), responsible for giving advice and support in IT issues. Coordinating these directorates was critical in policy implementation. To improve the coordination of activities among them, a Council of Directors-General was established in 1997. The council, however, was limited in its ability to coordinate the directorates and in its powers to introduce changes in fiscal administration. On the other hand, fraud and tax evasion pressures the changes undergone in policy administration.

Reform in the tax administration concentrates mainly on structural issues through the creation of a public institute—the Fiscal General Administration (Administração Geral Tributária-AGT)—which integrates, as operational units, the above-mentioned directorates-general (Decree-law 376/99). The model is closed off to the corporate form borrowed from the private sector and uses the multidivisional firm model. The directorates are organizational units organized by type of product under the responsibility of a single person, the director-general, under a strong central organization to coordinate the different units, the AGT. This kind of private sector model is similar to the Danish experience consisting of a holding company (the AGT) and a number of divisions (the directorates) (Jørgensen and Hansen 1995).

Managerial boards of AGT are collegiate but with a kind of chief executive, the president. At the very top is the High Fiscal Council (HFC) with a strategic policy role that sets up the guidelines for AGT services and the priorities and objectives in policy making and policy implementation. The HFC is chaired by the minister of finance; the other members are the secretary of state for fiscal issues, the president of the Directive Council and three directors-general. The executive board, which is the Directive Council (DC), is composed of the president and two outside members appointed by the minister and the three directors-general. The DC is responsible for the general management of AGT in issues like personnel, budget, patrimony, and contracting out services. The president is the chair of DC and has devolved powers concerning the AGT management. Indeed, despite the rule of

collegiate decisions, he can make decisions without the approval of the DC and cancel its decisions. To follow the evolution of the fiscal system and advise in policy implementation, there is a consultative board, the Tax National Council, whose members are the social partners and the directive staff of the above mentioned directorates-general. General services includes an Audit Service responsible for inspecting and auditing the management of AGT and the other directorates, a Center for Policy Advice and Evaluation, an institute for training, and a service responsible for strategic planning of information systems. All members of these collegiate boards are appointed by the minister for a three year mandate.

This new structure is in response to improving effectiveness in fiscal policy implementation and management through coordination and control between services. The AGT centralizes policy management and increases ministerial control linking policy formulation with policy implementation. It is responsible for the coordination, strategic planning, and control of directorates-general. It is also responsible for tax collection and the management of common services to these directorates. The AGT is a step towards coordination into high politics that emphasizes hard political choices rather than more managerial decisions common in administration. It is an innovative way of ministerial supervision and control given that the minister is involved in policy implementation. It adopted a top-down process, with central boards promoting the cooperation among subordinate organizations. Reorganization increased the role of nongovernmental organizations in policy formulation and policy making through participation in collegiate boards. This is a change in governance, but does not mean a devolution of power to lower echelons of government.

The Case of the Institute of Solidarity and Social Security (ISSS)

Implementation of social security policy followed a decentralized model, with five public institutes (the Regional Centers of Social Security-CRSS) responsible for policy administration. However, seventeen years after this decentralization the government admits that the target of the five CRSS has not been achieved: there was low managerial effectiveness in policy management, the waste of resources (financial, technical, and human), the absence of strategic planning, and the lack of coordination (Decree-Law 316-A/2000). For instance, in social security policy implementation, each CRSS follows its own strategy without lateral communication, which led to the development of five computer systems among the operational organizations that cannot exchange data with each other. Hence, this made it impossible to exchange information or monitor policy administration. It hampered the efficacy of policy implementation and the control of beneficiaries. This is an inefficient way to administer the collection of contributions. It leads to large contributors arrears, which amounted to about 2.6 percent of GDP in 1996 (OECD 1996). Moreover, there were differences in service delivery among operative services that violated the constitutional principle of uniformity of service to all citizens.

The failure of coordination among the decentralized regional centers was the main reason to reorganize the public institutes responsible for policy implementation. The regional centers were abolished, having had their responsibilities centralized in a single public institute (the Institute of Solidarity and Social Security-ISSS) and the organization respon-

sible for pension payments (the National Center for Pensions) became its functional unit. Hence, it has concentrated six PI into one large institute. The reorganization abolished, as well, other organizations in the ministry and replaced them with other public institutes.

The ISSS centralized decision making and the implementation of social security and social action policy in order to improve the coordination of policy implementation and "to deal with all citizens in the same form throughout the country" (Decree-Law 316-A/2000). The new model transferred more responsibilities of implementation to a district level and centralized strategic planning to the ISSS. Coordination between the ISSS and the five-region plan is handled by regional delegates, who are responsible for planning, assuring the uniformity of service delivery throughout the country, and inspecting social security benefit payments. Managerial boards in ISSS are collegiate. There is an executive board, the Directive Council (DC) with nine members: a president, two deputy presidents, and six outside members. The president is a kind of chief executive, as in the AGT. The Consultative Council (CC) is responsible for pronouncing itself on the overall strategy, on the issues submitted to them, and on the annual planning and activity report. Its members are the top managers of the social security organizations, the presidents of associations of NGOs, a representative of unions and enterprise associations, and a representative of the association of pensioners. An Audit Commission with three members is responsible for scrutinizing the management of the ISSS.

The ISSS aims, as well, at improving service delivery, making borderlines more permeable for citizens with a customer-oriented working pattern through a network of front offices. Service delivery will follow the improvements of other reform experiences through the creation of a national network of a hundred front offices called solidarity shops (a kind of citizen shop: see Araújo 2001), responsible for all issues related to social security benefits.

MANAGEMENT IN PUBLIC INSTITUTES

Management in PI is influenced by private sector corporate governance, as in other countries (James 1999). As shown in table 4, usually the governance arrangement of PI has a president, a directive board, and an audit board, like private sector organizations. However, the majority of PI have a consultative board for interest representation (unions, federations of enterprises, nonprofit organizations, local authorities representatives) to discuss activities connected to the institute or the organizations under its supervision. This is a way to involve the stakeholders of the organizations to find new alternatives for prob-

TABLE 4
Corporate Governance Arrangements

<i>Private Sector</i>	<i>Public Institutes</i>
President	President
Collegiate Executive Board	Collegiate Directive Board
Collegiate Audit Board	Collegiate Audit Board
	Collegiate Consultative Board

lem solving. For instance, in the Ministry of Work and Solidarity the Institute for Social Development and the Institute for Solidarity and Social Security have such boards (Decree-law 433-A/99; Decree-law 316-A/2000).

As stated above, the administrative, financial, and patrimonial autonomy of public institutes allowed the adoption of a more open judicial regime in their management, particularly in two critical issues: financial management and personnel management.

Rule-driven financial management has been replaced by the implementation of a more elaborate planning and reporting system through annual activities plans, annual budgets, balance sheets, and annual financial reports. Public institutes work within their specified budgets and with targets established in their annual activity plans, and in some cases have a three-year plan. It is worth noting that, as experienced in other countries, the agencification takes place after the financial management reform to enable control of functions.⁴ But the financial reform in Portugal is a long process: it began in late 1980, and only in 1998 were the first proposals implemented. On the other hand, budget cuts and cost savings are not, at this stage, a priority in public institutes management. The focus on public management is not merely on effectiveness and efficiency, but also on coordination and political steering. This is why performance measurement and performance indicators were not introduced at this stage. However, a general issue is emerging with the creation of institutes that is an important component of New Public Management: strategic planning and the reporting system.

Personnel management is moving from the rigid system of civil service towards a more flexible employment system. A common characteristic in the statute of public institutes about personnel management is recruitment by individual contract. However, as the majority of staff comes from the abolished public organizations, the statute of PI allows them to opt for the civil service system or for the individual contract. As long as the civil service system is more advantageous (at least in job stability and retirement pensions) the large majority of staff prefers to stay in the civil service system, which limits personnel management flexibility due to its rigidity. In the long term, however, this will allow a gradual shift to take place, thus bringing public service more in line with private labor conditions. Personnel management in public institutes is made according to two or three systems: the individual contract, the civil service system and the specific employment regime of social security organizations. Hence, the adoption of NPM ideas is made gradually, preserving the civil servants statute.

Managers are appointed by the prime minister, upon suggestion of the minister responsible, for the three-year mandate, and most of them work under the public manager statute. This means that they will have higher wages that do not come under the regime of the civil service statute and its salary structure. The flexibility to negotiate salaries is important in retaining skilled professionals in competitive job positions and attracting new skilled professionals to the public sector. In some ministries, this flexibility was the main reason for some directorates-general to change to the public institute statute. Otherwise, it would be very difficult to retain the best qualified staff. However, the minister responsible for administrative reform is critical of the developments in personnel management. He points out that flexibility in personnel management is always used to increase public expenditures, costs, and inefficiency. He says there is little interest in reducing public employ-

ment, promoting retirements, increasing the mobility of personnel, or adjusting training to professional needs. Usually, civil servants' wages in public institutes join the best of two worlds: a salary competitive with the private sector and the privilege belonging to the public sector, with stable employment and retirement benefits (Martins 2000).

Personnel management has been a difficult issue in Portuguese public administration, particularly the growth of the government wage bill. Public debit is increasing every year and it seems difficult for the government to control this growth. For instance, according to the Bank of Portugal, personnel expenditures increased 6.5 percent in 1996, 6.6 percent in 1997, 9.4 percent in 1998 and 9.2 percent in 1999 (Banco de Portugal 2000). Overall, there was a strong growth of primary current expenditure of 1.2 percent of the GDP. As was argued above, the movement towards agencification has little to do with doing more with less. The argument that has spread throughout many countries that government must do more with less just does not fit Portugal, where it is more appropriate to say, do more spending more (Araújo 2001).

PUBLIC GOVERNANCE

The process of making central public organizations more autonomous does not follow the strict managerial prescription patterns that stress the separation of politics from management. The main tasks of public institutes are the execution of operational tasks according to the responsibilities set up on their legal statute. However, these executive tasks are not at an arm's length of policy-making departments as in other countries (Pollitt and Bouckert 2000). It does not mean that the state has been hollowed out (Rhodes 1997). The minister continues to have the political and administrative responsibility for activities in PI. For instance, the planning of activities depends on minister's approval and is not a discretionary power of managers because the minister can, at any time, interfere directly in PI management. The responsibility to achieve results belongs to the president of the institute, but ministers remain accountable to Parliament.

However, there is movement from the hierarchical source of coordination toward a more complex one. Governance is based on political confidence and the powers of tutelage and superintendence. Tutelage means that the member of government responsible can interfere directly in service management by sanctioning decisions, or inspecting and canceling decisions. In some cases, the tutelage power overlaps the powers of the directive board (Araújo 2000) or is vague depending on the ministry and public institute. For instance, the PI under the tutelage of the Ministry of Finance included control of legality of decisions, decisions concerning the internal organization and functioning, and other controls (Decree-law 21/99). Superintendence means that the member of government responsible for the public institute can give general orientation and recommendations to managerial boards about objectives and priorities. The politicization of collegiate boards in public institutes strengthens ministerial control.

The authority of the minister is felt, which means that the public institutes are formally an extension of the minister's constitutional and legal power. As a consequence, directive boards and presidents of public institutes, despite their autonomy, are limited in their decisions by the minister, who can turn them into a kind of direct subordinate of the parent

department. It is common for ministers to cancel decisions made by public institutes or substitute for the presidents to deal with current issues. For instance, the minister of culture canceled the decision made by the PI responsible for the distribution of grants to artists, cultural associations, and theater groups because he disagreed with the process followed. The Constitution and the statute of the minister give this right to interfere in operational issues of PI. So, whether public institutes aim at freeing civil servants to be able to manage in a more flexible and professional way is ambiguous. PI have more freedom from administrative laws governing day-to-day operations because they do not follow the rules of the civil service or of finance, but continue to be very dependent on the minister. The model did not shift the activities of government dramatically (Pollitt 2000), and the business/economic thinking in terms of effectiveness and efficiency did not dominate.

Autonomy is not only a question of managerialism but of public governance and legitimacy as well. Basic public values like democracy, equity, impartiality, justice, and uniformity remain central and are as important as efficiency or economy. The emerging governance relationships between the ministries and the institutes follow the ministerial and parliamentary accountability and the democratic control and the primacy of politics. On the other hand, management boards in PI stress some of these points through the advisory and consultative boards, bringing to the organizations the representatives of its societal and political context and looking for consensus about policy issues among different actors. The relationships with the various actors in the public domain and the close links with their parent ministries provide a favorable ground for policy advice, giving the presidents of the institutes a substantial policy role. Hence, the changes are not producing a less coherent apparatus of governance as in most industrialized democracies, where changes are usually justified in terms of efficiency (Peters and Wright 1998). The legal, political, and cultural context and public values influence the mode of governance and the design of autonomous organizations maintaining the foundations of public service.

CONCLUSION

The Portuguese process of making organizations more autonomous and the emerging organizations were constrained by the institutional framework, which established the available options. The revitalization of public institutes reinforces this idea. The analysis shows that despite the pressure to improve policy implementation and the influence of NPM, the constitutional, legal, and established practices prevented the adoption of new organizational forms and extensive managerial changes. The change was primarily guided by values of the public domain, the judicial aspects, and the primacy of politics, building a public governance which emphasizes the role of politicians and opens the administrative system to the sociopolitical environment.

This does not mean that the system is not enabled to innovate and introduce managerial flexibility. The variety of models shows that each ministry sets up those characteristics that respond to their particular problems, creating hybrid models of public institutes. The search for new ways of doing things and the need to speed up the implementation of decisions were constrained by the prevailing institutional framework, which stressed the rule

of law and administrative procedures. The lack of coordination and political steering limited the extent of change. Hence, public institutes become something which are a mix of the traditional structures and the new ideas of NPM. Management in PI is not fully concerned with effectiveness and efficiency but is, above all, focused on the coordination of activities.

NOTES

1. For instance, the separation of Swedish and U.S. central governments into ministries and agencies is a long-standing tradition.
2. Institutions refer to the normative and regulative structures that create a framework in which social interactions take place and establish the norms, rules, and routines that are embedded in the culture. Institutions set constraints through formal written rules and unwritten codes of conduct and shape the character of activities developed.
3. For this study, only the public institutes which belong to the public administrative sector are relevant. In the Portuguese administrative judicial system a public enterprise is a public institute as well, but it is part of the public enterprise sector.
4. For instance, reform in UK implemented the Financial Management Initiative and the MINIS, the financial information system for ministers.

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