IMPLEMENTING PERFORMANCE-BASED MANAGEMENT IN THE TRADITIONAL BUREAUCRACY OF PORTUGAL

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The influence of the New Public Management (NPM) movement in Portuguese administrative reform has been one of the country’s noticeable trends in recent decades (Araújo 2001, 2002a; Rocha 2001). Many governments have aimed to introduce a new managerial rationality in public services. The literature about administrative reform shows that institutional bureaucracies resist change, particularly when it challenges prevailing practices and procedures (Bjur and Caiden 1978; Olsen 1991). This paper contributes to these debates. It examines the influence of New Public Management ideas in Portuguese administrative reform and discusses improvements in the way public services are implementing change using new managerial tools in Portugal: the Activity Plan (AP) and the Activity Report (AR). The data collected from official reports and a questionnaire show that the juridical-administrative model persists and transforms both Activity Plan and Activity Report into little more than a formality, another routine to be followed.

The influence of the New Public Management (NPM) movement in Portuguese administrative reform has been a noticeable one in recent decades (Araújo 2001, 2002a; Rocha 2001). Many governments have aimed to introduce a new managerial rationality in public services, replacing the traditional approach to public management by the introduction of new managerial techniques. The idea that private management is better than public management has permeated reform thinking and brought the opportunity to introduce techniques and models of management from the private sector. In Portugal, the implementation of an Activity Plan (AP) and an Activity Report (AR) represents an attempt by the Portuguese government to introduce ‘management for results’ into Portuguese public administration. They are, according to the government, designed to complement the budget process by the progressive implementation of new practices of planning, budgeting and control (RCM No. 34/87). They represent two interrelated managerial tools aimed at introducing a managerial culture, something which goes against the traditional model of management in Portuguese public administration. Hence, each public service is required to have an Activity Plan, the purpose of which is to link the programmes, projects and activities of each service with the resources to achieve the target objectives. The Activity Plan itself works within a more general system of management integrated with the budget. As part of the mechanism of managerial control, the Activity Report was implemented to present the results achieved on a yearly basis.

The literature about administrative reform shows that institutional bureaucracies resist change, particularly when it challenges the prevailing practices and procedures (Bjur and Caiden 1978; Olsen 1991). According to North (1996), the historic past establishes a set of rules, norms and routines which evolve over time and which are part of the institutional
framework. It gives continuity to institutional action through these internal rules, norms and routines, and these are assimilated by participants and transmitted to newcomers. This is a source of the continuity that is embodied in the culture and reproduced according to the organization’s ‘genetic code’ (Araújo 1999).

The influence of NPM in administrative reform has found different expressions in the different governments adopting it. According to Pollitt (2000), in several countries, the introduction of NPM ideas is a limited and superficial phenomenon, consisting in little more than a ‘shell of an idea’. Despite the fact that, in formal terms, the administrative systems show new and modern structures, internal operations and practices retain the traditional pattern of the old system. Hood (1996) argues that there are variations in public management reforms, and these oppose the inevitable convergence proposed by Osborne and Gaebler (1992). Many countries have taken up elements of the NPM agenda without adopting the entire package (Polidano 2001, p. 45). This is the case in continental Europe, particularly in France, Greece and Spain, where the transposition of NPM ideas is doubtful (Kickert 1997).

This paper is a contribution to these debates. It examines the influence of New Public Management ideas in Portugal and the way public services are implementing new managerial tools. The analysis draws on new institutional theories in order to understand the implementation process of the Activity Plan and Activity Report in Portugal as follows:

1. outlining the key features of NPM and defining management according to objectives;
2. introducing the new institutionalism as the theoretical lens to guide the discussion;
3. introducing financial reform and linkages between programmes, projects and activities to the system of planning, budgeting and control;
4. analysing the implementation of the Activity Plans and Activity Reports in public services.

Data were collected from official reports and from a questionnaire with closed and open-ended questions conducted from April 2002 to June 2002 and directed to senior public managers working in central public organizations under the reform of the state financial administration. A sample of 181 out of 249 public organizations was selected, representing 72.7 per cent of the population. The data collected show that the juridical-administrative model in Portugal persists. As will be discussed below, this has transformed both the Activity Plan and the Activity Report into little more than formalities or routines to be followed.

THE NEW PUBLIC MANAGEMENT AND THE FOCUS ON RESULTS

The approach to public management within OECD countries, under the general label of New Public Management, has some points in common: (1) a great concern about results; (2) flexible organizations and employment terms; (3) clearly defined objectives and performance indicators; (4) the use of market to run government functions; and (5) a trend to reduce government functions through privatization (Hughes 1994). This latter trend was centred on separating government functions into clear responsibilities: identifying costs, associating them with outputs, and holding managers accountable for their results. NPM aimed to enhance the performance of public organizations and managerial control and this pressured the move from a bureaucratic administration towards a managerial model, replacing the political-juridical rationality by a managerial one (Gow and Dufour 2000). A managerial model stresses the need to relate managers'
authority and responsibility to resources, outputs and results and the introduction of an integrated system which links planning, the uses of resources, and control. Reformers consider that management offers a more logical, rational and orderly approach to improve performance in the public sector (Metcalf and Richards 1993) and to search for economy, efficiency and effectiveness in public services. Ferlie et al. (1996, p. 9) point out that behind the importation of a number of new management techniques to the public sector lay the rise of new sets of key managerial ideas and beliefs.

One of the techniques introduced by the private sector in OECD countries was performance-based management or ‘managing for results’ (Wholey 1999). Despite their not being particularly recent, we have seen a renewed interest in managerial innovations such as planning, programming-budgeting systems, and management by objectives. They fit the ideas of NPM which focus on the need to improve public service efficiency through planning and control and with the emphasis on results. According to Drucker (1954), managing for results is a tool of planning and control which relies on the idea that to get results, one needs to previously clarify the organization’s business and to define the objectives it intends to achieve. Humble (1968) points out that this is an interactive system, one which integrates the need to achieve organizational objectives and the importance of the contribution of managers to their development through goal setting, thereby influencing individual motivation and commitment. Managing for results is part of an overall approach which articulates different levels of management – strategic, tactical and operational – and the concomitant types of objectives. It requires the adoption of new tools as well as a new attitude from managers and employees. As will be made clear below, this model is similar to that implemented by the Portuguese public administration through the Activity Plan (AP) and the Activity Report (AR).

The global trend of New Public Management represents a paradigm shift and has an impact upon both structures and operations as well as the mind set of the public sector (Hood 1995). In the 1990s, and following this international trend, Portugal became involved in a huge reform of the state’s financial administration. New management techniques were imported from the private to the public sector and with the focus on results. How are these management tools implemented by public services and which ways are the AP and the AR adopted?

Performance-based management in the public sector
A major reform in the 1990s in Portugal was the performance budget. This links performance information with budget and the introduction of the so-called performance-based management (PBM) or results-based management (RBM). Performance-based management consists of a variation of the Management by Objectives developed by Peter Drucker (1954) in his book The Practice of Management. Despite the use of different terminology, approaches such as performance- or results-based management share some core components: a greater emphasis on strategic planning, performance measurement and results-oriented objectives (Osborne and Plastrik 1997). In this article, these approaches will be named performance-based management (PBM), and the convention that results will be adopted as a synonym for outcomes.

The literature about the evaluation of PBM reforms shows that the results are ambiguous. Some studies show that PBM is successful (Osborne and Plastrik 1997; Abramson and Kamensky 2002) and others, concerned with PBM implementation, display disappointing results (Boyne and Walker 2002; Bourgaul 2004). According to Moynihan (2006), the implementation of management for results in the United States was a partial one. His
study demonstrates that the US government adopted an increased focus on results while neglecting the focus on the increase of managerial authority.

Bourgault (2004) stresses that the implementation of PBM raises problems such as the difficulty of integrating different managerial elements such as budget management with strategic planning. Munevar and Bozzi (2000), on studying a performance-based management tool implemented through the SINERGIA programme in Colombia, point out that such a model is an extremely rich and complex one to be implemented as a simple and rigid instrument for public organizations. It requires, moreover, a new managerial culture. As major problems, they point out the difficulty in articulating operational tools using the Activity Plan and, concerning the budget, the lack of coordination between the plan and the formal instruments concerning budgetary procedures. In addition, they stress that acceptance of the new system did not occur at any level of management. According to these scholars, the institutional context in which the system was implemented hampered the implementation of the necessary tools (Munevar and Bozzi 2000, pp. 16–17). On the other hand, Julnes and Mixc°atl (2003) point out that in Mexico the attempt to introduce PBM encountered difficulties because the new ideas met a prevailing culture that was resistant to them. They report the difficulties of creating an atmosphere for evaluation because civil servants share a negative idea of PBM and regard it as ‘another initiative from the boss’. In addition, the authors report that employees do not have the necessary skills to implement PBM. Hence, the experience of implementing performance-based management suggests that it is both difficult to accomplish and that it takes years before some of these changes are incorporated into existing systems. This seems to be the case concerning the implementation of PBM in Portuguese public organizations.

THE NEW INSTITUTIONALISM AS AN ANALYTICAL LENS

The New Public Management movement provides a helpful method to explain the adoption of new concepts by reformers in Portugal, but it does not reveal the nature of the implemented changes. It is particularly limited in any attempt to account for changes in a bureaucracy whose organizations display institutional characteristics (Araüjo 1999).

Administrative studies of change in organizations influenced by the new institutionalism approach claim that organizations may be conceptualized as institutions, with a set of rules and routines that define legitimate participants and agendas, prescribe the rules of the game, and create sanctions against deviations as well as establish guidelines for how the institution may be changed (Olsen 1991). Thus institutionalized organizations can be expected to adhere to practices and procedures that guide the actions and the pace of change.

The continuity of organizations depends on their capacity to stabilize norms, rules and procedures, and to pass on these meanings to new generations (March and Olsen 1996, p. 258). Thus a key set of elements exist that remain relatively unchanged in relation to the preferences and expectations of individuals; accordingly, organizations communicate, through the socialization process, to individuals concerning what is opportune in a specific situation. Adjustments in preferences and attitudes, even if informal, are constrained by institutional structures within a range of possible alternatives (Searing 1991, p. 1255). In the same way, inducements to change from external sources are received and adapted by the organization according to its existing patterns.

The above provides a useful approach for analysing both the process of change in a traditional bureaucracy and the persistence of institutional features. The continuity

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of traditional features can be explained by the concept of path-dependence. According to Powell and DiMaggio (1991, p. 192), there is a path-dependence of patterns of development that perseveres within organizational procedures, forming and shaping their future course. The path-dependence concept is useful to explain how, even in processes of managed change, certain practices and structures are perpetuated over time. By path-dependence I mean the process by which practices and procedures persevere since initial choices preclude future options. These are institutional features that both persist over time and are reproduced. They consist of elements that are unable to change rapidly in response to perturbations in the environment. Thus, change and continuity are part of the same process. Assorted features that are embedded in the culture are reproduced and persistent in organizations. March and Olsen (1989, p. 168) argue that organizations ‘embed historical experience into rules, routines and forms that persist beyond the historical movement and condition’. This is not to deny the influence of pressures for change or the possibility for managed change. It recognizes, however, that an absolute change is rare and associated with exceptional events that constitute a ‘crisis’. Thus, one would expect to find a permanent pattern which is preserved by the culture. Path-dependence provides the key to understanding continuities and the persistence of culture in a bureaucracy. This is not a deterministic argument. Patterns of organizational change are subject to major disjuncture, but the power of tradition and inherent structures create distinctive influences. Scott (1995, p. 135) points out that ‘each organisation has its own history and its own time-dependent line of development’. This source of institutionalization influences the way organizations operate, and how they change over time. Since public administration in Portugal represents a traditional bureaucracy (Araújo 1999, 2001a, 2002b; Rocha 2001), the new institutionalism approach seems to be a useful approach to analyse the implementation of Activity Plans and Activity Reports on Portuguese public organizations.

METHODOLOGY

The article draws on a study which took place in 2002. It combines data collected from official reports and newspapers, a questionnaire conducted from April to June 2002, and interviews. The questionnaire, made up of closed and open-ended questions, was directed to senior public managers working in public institutes and to directorates general. The questions were tailored to assess how the Activity Plan and the Activity Report were being disseminated as management tools as well as being integrated with the budget of the parent ministry. The questionnaire’s aim was to elicit how public organizations implemented the Activity Plan and Activity Report and how integrated these tools were with the budget. We were particularly interested in knowing how these tools were elaborated, how they worked as managerial tools, and the degree of integration with the national budget.

The study looks at the implementation of the Activity Plan and Activity Report from the point of view of official engagement in such a managerial tool within public services. This constitutes a limitation to this analysis since it does not bring into the analysis the perspective of other actors within those ministries involved in the budget elaboration. The new rules were introduced in 1990 by the Administrative and Financial Reform of the State (Reforma da Administração Financeira do Estado – RAFE). Decree-Law 8/90, of 20 February, introduced a new accounting system and, in 1992, Decree-Law 155/92 set up the basis of the New Regime of Financial Administration of the State, both these
TABLE 1  Number of public organizations by ministry

<table>
<thead>
<tr>
<th>Portuguese ministries</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presidency of Council of Ministers</td>
<td>2</td>
</tr>
<tr>
<td>Ministry of Finance</td>
<td>7</td>
</tr>
<tr>
<td>Ministry of Defence</td>
<td>3</td>
</tr>
<tr>
<td>Ministry of Foreign Affairs</td>
<td>1</td>
</tr>
<tr>
<td>Ministry of Internal Administration</td>
<td>2</td>
</tr>
<tr>
<td>Ministry of Justice</td>
<td>2</td>
</tr>
<tr>
<td>Ministry of Economy</td>
<td>8</td>
</tr>
<tr>
<td>Ministry of Agriculture, Rural Development and Fishery</td>
<td>4</td>
</tr>
<tr>
<td>Ministry of Education</td>
<td>2</td>
</tr>
<tr>
<td>Ministry of Science and Higher Education</td>
<td>4</td>
</tr>
<tr>
<td>Ministry of Culture</td>
<td>3</td>
</tr>
<tr>
<td>Ministry of Wealth</td>
<td>4</td>
</tr>
<tr>
<td>Ministry of Social Security and Work</td>
<td>7</td>
</tr>
<tr>
<td>Ministry of Equipment, Transport and Housing</td>
<td>6</td>
</tr>
<tr>
<td>Ministry of Cities, Territory Administration and Environment</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>56</strong></td>
</tr>
</tbody>
</table>

Source: survey conducted by the authors in 2002.

TABLE 2  Respondents by employment category and gender

<table>
<thead>
<tr>
<th>Employment category</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director General</td>
<td>22</td>
<td>4</td>
<td>26</td>
<td>47</td>
</tr>
<tr>
<td>Deputy Director General</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Director of Service</td>
<td>5</td>
<td>7</td>
<td>12</td>
<td>21</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>7</td>
<td>13</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37</strong></td>
<td><strong>19</strong></td>
<td><strong>56</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: survey conducted by the authors in 2002.

Decree-Laws being followed by further regulation. In 2002, there were 249 organizations operating under the new rules of financial management and implementing the Activity Plan and Activity Report. From these organizations we selected a simple random group of 181 public organizations, representing 72.7 per cent of the population working under the new financial system. Returns were received from 56 public organizations, a 31 per cent response rate.

The respondents
Data were collected from public organizations covering all ministries (see table 1). According to the survey results, 56.4 per cent of public organizations have administrative autonomy and 43.6 per cent have administrative and financial autonomy. The distribution of respondents by employment category and gender is shown in table 2. The majority of respondents are male (66 per cent) and 47 per cent are Directors General (DGs).

THE PORTUGUESE BUREAUCRACY: A TARGET FOR REFORM
Together with Spain and Greece, Portugal is a young democracy moving from an authoritarian public administration to a democratic one. The origins of certain structural characteristics of the Portuguese administrative system are inherited from the dictatorship.
period in Portugal under the Salazar administration which lasted from 1932 to 1974. Some remain and characterize the Portuguese traditional bureaucracy: the ‘rule by law’ approach to management, formal control on inputs and procedures, centralized hierarchical organizational structures, authoritarian and paternalistic attitudes, centralized decision-making processes, fragmented structures and low communication levels (Araújo 1999; Rocha 2001). According to Sotiropoulos (2004), the Southern European countries have interrelated distinguishing characteristics, something that may set them apart from the rest of the West European bureaucracies. He points out that the ‘convergence with the bureaucracies of other EU member-states is an open question’ (Sotiropoulos 2004, p. 405).

The end of the dictatorship and the beginning of democratization introduced a new challenging era for Portugal: the country had to create a new democratic public administration from scratch. It was a period of great political and social change, but the opportunity to introduce large administrative reforms on the wave of the revolution was not taken. Indeed, the reform itself was hindered by the governmental instability brought about by the democratic revolution in 1974 which partly restricted the expansion of reforms required by Portuguese society (Barreto 2000). The short life of governments and their parliamentary weakness impeded the approval of economic, fiscal, social and, in particular, the reform of the public administrative system. Between 1976 and 1985, there were over 10 different governments, all of them with great ambitions to reform. At the same time, short-term political management had to deal with issues emerging from the revolution: nationalization, the social integration of thousands of citizens returning from the ex-colonies, the development of the health, social security and educational systems (Mozzicafreddo 2003b). In addition, the struggle among political parties to control the state apparatus diverted attention from the need for structural reforms. The country was led in different directions as various governments tried unsuccessfully to implement different policies (Mozzicafreddo 2001). This is one explanation for the persistence of the traditional mode of public administration (Araújo 1999).

In the 1980s there were several issues demanding reform: (1) domestic pressures from industries required a more liberal approach to the economy; (2) social movements and citizens claimed more responsible, less formal, and less bureaucratic public services; and (3) external pressures – resulting mainly from economic internationalization, particularly with the decision to join the European Union – prompted changes in the economy and domestic markets (Lopes et al. 1989). During the 1980s the country was confronted with a set of political and financial pressures caused by the internationalization of its economy and the consolidation of democracy: these made administrative reform a matter of urgency.

In Portugal, the preparation of national administrative systems for the requirements of integration has been a long process. It involved an increasing collaboration between institutions at different levels of government and between national and European institutions. To develop and prepare Portuguese integration, for instance, several structural programmes were established in areas such as industrial restructuring, as well as regional, social and agricultural development. Hence, development and modernization were two vital issues on the political agenda, both needed to meet the challenge of international competition. Thus it was crucial to reduce the burden of the state by improving the efficiency and effectiveness of policies. To give one example, the number of civil servants in Portugal was, and still is, over 700,000, highly concentrated in Lisbon and Oporto and the vast majority are not very qualified.
In 1986, the Portuguese government, led by Prime Minister Aníbal Cavaco Silva, was committed to modernize the administrative system through innovative public management tools such as the Common Assessment Framework (CAF) (Carapeto and Fonseca 2005). However, the effective management of the substantial resources received by the country was a considerable challenge for the public services. Government departments had to adapt and reorganize themselves so that adequate structures could be established for the implementation of these EU programmes. By following the examples of good practice and benchmarking set out by the European Union, Portugal progressively became more integrated in the European networks of good practice and benchmarking that it represents.

It is worth stressing that, apart from the continuing pressure coming from European Union, international organizations such as the OECD and the European Public Administration Network (EUPAN) have become an important external link to the transformation of Portuguese administration. The Secretary of State responsible for reform stated that the target was to change the prevailing culture, recognizing that it would be difficult and time-consuming since it would require a change in the values, attitudes and practices as well as in the mind set prevailing in Portuguese bureaucracy (Corte-Real 1990, p. 19). The reform direction sailed through the decentralization process, the privatization of part of the public sector, and the effects of European integration. The whole approach to public administration changed from an institution of power to an institution serving the public (Fonseca 2005).

The pressures to reduce an excessive budget deficit directed the reform to the control and reduction of public expenditure. The government was particularly interested in reforming the financial administrative sector in order to obtain proper knowledge of what was happening in the Portuguese administrative units, as well as achieving control over public administration so that it became financially accountable and responsible (Mozzicafreddo 2003a). According to Martins (2003), in 2002 public debt and its control required the implementation of an efficient monitoring system that allowed analysis of the efficiency of public expenditure. On the other hand, regulations emanating from the EU raise issues concerning information and administrative cohesion in Portugal. Strict criteria for integration have been set up, requiring efficiency and effectiveness in their implementation. For instance, monetary convergence, particularly the single currency target, has indirect implications for national public sectors due to the requirements for greater budgetary discipline. For the administrative system, the implications are twofold: there is the question of the reaction and adjustment to EU recommendations and regulations, and there is the question of the creation of administrative bodies to deal with European issues, and in particular the implementation process.

THE PORTUGUESE FINANCIAL ADMINISTRATIVE SYSTEM AND ITS REFORM

The Portuguese Financial Administrative System was established in 1908 and subject to some adjustment in the 1930s. That system remained almost unchanged until the beginning of the 1990s (Silva 1992) where a Decree-law (Decree-law 155/92 of 28 July) revoked 189 old regulations. According to Silva (1988), this stability and the legal and formal regularity of Portuguese bureaucracy, strongly influenced the economy, as well as the efficiency and effectiveness of financial management. In a certain way, these rules act to organize social interactions among actors concerning the financial administrative management according to the established norms and routines embedded in the culture.
These norms and routines were thus stabilized and were passed on to new generations (March and Olsen 1996). Hence, the established financial management practices were maintained over time.

The Portuguese state budget was developed according to the procedures established for each ministry. Portuguese public services propose an annual budget as well as preparing a projection of their expenditures for the following year according to the incremental (that is, cash-flow based) approach. This budget is negotiated with each individual minister’s cabinet. The overall budget of the ministry is then negotiated with the Finance Minister. In these discussions, there is no debate on the need for, or the size of, the existing services or programmes; nor is there consideration of the costs and benefits of each of the programmes put forward. Thus there would be an incremental budget system whereby the bureau director knew that his annual budget request would be funded at a level below what he needed to operate.

State budget decision making and implementation in Portugal is based in three systems (see figure 1). In terms of the political system, the government submits a budget proposal to parliament. Parliament is then responsible for approving the budget and the laws to regulate its implementation. It also holds the political control over budget implementation. The government is responsible for budgetary policy and supervises the financial administrative system. At the jurisdictional level, and working as an

![Figure 1: Portuguese system of financial administration, showing the three levels of actors](image)

Key: MF – Ministry of Finance; TC – Court Accounting; DGA, DGI, . . . DGT – Directorates General; DGO – Directorate General of Budget; IGF – Inspectorate General of Finances; IG-Min. - Inspectorates-General in each Ministry.
independent authority, the Court of Accounts is responsible for the external technical-jurisdictional control. It has the responsibility in particular for scrutinizing the legality of expenditures and auditing the state budget implementation in each administrative unit. At the administrative level, directorates general are responsible for the implementation of the tax policy, the budget and the government treasury. An Inspectorate General of Finances is responsible for the internal financial control within the units.

These actors work within a legal framework and under sets of rules and practices which are embedded in the Portuguese Financial Administrative System. There is a hierarchy according to which each actor fulfils specific functions established in statutory law. The Ministry of Finances imposes a strict legal control over expenditures and applies this to all governmental departments and on financing public programmes. The linkage between the government and other public services for budget and accounting issues is established through the directorate general of budget (Direcção Geral do Orçamento – DGO) which has a privileged role in the administrative financial system and public accounting. Its directions and instructions about state budget implementation and public accounting define the procedures and practices concerning the budget for all public services.

The reform introduced in 1990 established a new legal framework concerning financial management; it revokes all previous budgeting and accounting regulations. The budget changed from an incremental approach to a budget by programmes and activities based on a medium-term scenario which serves as a frame of reference with clear objectives for drafting the annual budget. In terms of public services, a new accounting system and procedures were introduced. The new accounting system follows the model used in the private sector. Management practices imported from the private sector is one the trends of the New Public Management (Hood 1991), an international trend that the Portuguese public administration has not been immune to. Despite some scepticism on the part of Portuguese reformers towards the New Public Management agenda, together with the traditional foundation of its administrative system, some innovative ideas have been introduced (Araújo 2001).

The new accounting system aimed to rationalize and improve the effectiveness of the financial administrative system. It also aimed to introduce a new culture by making managers accountable for results. The reform was influenced by the managerial approach adopted in OECD countries generally which stressed economic rationality, management by objectives and the use of performance indicators (Hood 1995). The budgeting and public accounting reform established a new public management model for financial management: that of administrative autonomy as a general rule and administrative and financial autonomy as an exceptional rule (Decree-law 155/92 of 28 July).

At the implementation level, among directorates general and other public services, there is strong concern about financial management. There is a feeling that an Activity Plan needs to be elaborated for each year, one that has clear objectives, with the activities, programmes and resources needed for the intended targets. At a macro level, the reform established the integration of budget management according to the cycle of management: planning, programming, budgeting and control. Ministers should be charged with approving the Activity Plans of each public service and integrating that information on the overall strategy and on the ministry budget. The information from the Activity Plans acts as support for the state budget to be submitted to parliament. After parliament’s approval of the budget, each ministry budget and the Activity Plans should be corrected accordingly. As part of this process, there should be an articulation between management by objectives and the techniques of budgeting management. The Activity Plan represents the last phase
of programming, justifying and supporting financial needs for each service. The Activity Report is the instrument of control which, together with the traditional budgetary financial control, allows the monitoring of activities and project implementation.

The Activity Plan and the Activity Report
The Activity Plan and the Activity Report are compulsory for all public services coming from central administration, whether autonomous or not (Decree-law 183/97 of 27 September). To enhance the implementation of these instruments, the reform established for the first time the participation of all stakeholders and the free availability of information concerning public service activities. This was an innovation in terms of budget elaboration.

The Activity Plan aims to define, for a calendar year, a clear strategy for the service, priorities, activities and resources for each activity. The Decree-law established that in the first part the AP should introduce the organization, their clients, and their services or products. The second part should define the long-, medium- and short-term objectives and the strategy to achieve them. The last part must define the predicted activities and the resources needed. There is no obligation to quantify the objectives or to set up performance indicators. However, the objectives should be ranked according to government priorities. The AP for the coming year must be submitted to the minister in June/July.

The Activity Report represents an instrument of managerial control to be submitted to the parent ministry. The report follows a similar approach to the AP. The first part presents a general overview of the public service. The second part lists the activities developed with an analysis of the objectives, the resources spent, and the results achieved. Finally, the report presents a short analysis of the global performance of the public service.

In each directorate, the director general is responsible for ensuring that there is an Activity Plan and Activity Report. The minister is responsible for its approval and is accountable to parliament. The public services should give an account of the Activity Plan and Activity Report to the directorate general of budget, the directorate responsible for controlling implementation of the state budget.

Throughout the budget management cycle, there should be integration and linkage between the Activity Plan and the Activity Report. In this context, the budget is the main concession to management by objectives; however, the emphasis on the complementary nature of these management tools makes them dependent on the budget. To set up operational objectives, the way they are established as well as their characteristics are critical elements of this model. Indeed, the motivation and commitment of all staff working in the public services, in terms of both self control and evaluation, depends on those elements.

THE IMPLEMENTATION OF ACTIVITY PLANS (AP) AND ACTIVITY REPORTS (AR)
There was some resistance from the public service to implement the AP and AR and the first government decision in 1987 (RCM No. 34/87) to introduce such tools did not produce the desired effect. Nine years later a government law (Decree-law 183/96 of 27 September) acknowledged that the implementation of the AP and the AR was extremely low. It suggested that the resistance came from those invested in the existing institutions as well as from an inappropriate implementation strategy. In fact, in terms of support for the implementation of the AP and AR, senior civil servants underwent no training programme in management by results. The only support involved was the advice given by
the unit responsible for the administrative reform. Government here was only concerned to make these tools compulsory for all public services following a ‘rule of law’ approach.

In 2002, data from the survey show that there was a high percentage of public services (98.2 per cent) elaborating the Activity Plan and of these all were elaborating the Activity Report. In terms of progress since the last regulation, this represented an enormous change. But how are the Activity Plan and the Activity Report used by senior civil servants? According to the survey, the reasons behind the implementation of the AP and the AR were mainly legalistic, that is, formal ones. The majority of the interviewees (80 per cent) said that it was compulsory by law and only 43 per cent said that it was by their own initiative. This suggested that public services respond according to their mindset, focusing on the formal issues, and reproducing the way organizations tend to operate (see Scott 1995). To a certain extent, this explains why the majority of public services (about 86.3 per cent) have already institutionalized a routine to elaborate the AP and AR, and why a great number (75 per cent) have a unit responsible for the elaboration of these documents. Participation in the plan and in report elaboration is high, for instance, among top and intermediate managers. Interviewees declare that there is excellent participation (about 80 per cent), according to which the elaboration of the AP and AR are facilitated. However, in terms of the participation of other staff or citizen representatives (a requirement by law), there is low participation (Rocha 2001). As an example of this, the consultative council, compulsory in public institutes, meets rarely and in some cases is not established at all. A relatively small group therefore seems to be active in this process, something which shows that this particular tool did not succeed in changing the culture in terms of participation at all levels. Formal external pressure, both from the law and from ministers, was the determinant for the implementation of the AP and AR and ministries themselves were the most receptive to this innovation, including the Ministry of Finance, the Ministry of the Economy, the Ministry of Social Security and the Ministry of Public Works and Transportation.

As has been said, implementation of the AP and AR was not followed by a strategy to address the issues concerning the new techniques; nor did the reformers set up a structure to pursue the implementation or to evaluate the results. According to 93 per cent of the survey respondents, data from the PA and the AR are more important to ministers than to organizations. This suggests that these managerial tools are more a legitimization instrument than a managerial instrument. As Pollitt (2000) points out, the adoption of new tools ‘is a limited and superficial phenomenon’. The impetus to change, that came from the change in the law, was received and adapted by organizations (see Searing 1991) according to the traditional pattern: that is, stressing the formal element. According to this interpretation, the rule of law and the focus on procedures are the main concerns for civil servants. Indeed, only 25 per cent of respondents sent the Activity Plan to the ministry and to the directorate responsible of preparing the annual state budget.

To analyse the integration between the AP and the budget, and its importance in the management process, we looked at the timing of when senior managers in public services prepare the AP and if the financial information was sent to the parent minister and to the central service responsible for the preparation of the budget, the directorate general of budget (DGO). Only 26.7 per cent of the services produce the AP in June/July which means that few organizations produce the AP in advance of the budget. The majority produce the AP after the state budget is approved by the Council of Ministers. According to the interviewees, only 25 per cent send the AP to the DGO and only 21.4 per cent send the AR. Therefore, there is a lack of integration of the new techniques into the existing
system. The data from the Activity Plan does not support the elaboration of the state budget. This suggests that the AP and the AR do not have a role in the allocation and accountability process. According to Martins (2003), there are several explanations for this lack of accountability: (1) there is no institutionalized practice among public services to send this information; (2) the parent ministers do not scrutinize the implementation of these mechanisms; and (3) a normative approach to management and the absence of a managerial culture persist. On the other hand, the survey results suggest a resistance to change by those invested in the existing institutions: the top public managers. This seems to follow a similar experience in Mexico, where the lack of a managerial culture was a major difficulty in implementing and articulating operational tools such as the Activity Plan and the budget (Munevar and Bozzi 2000; Bourgault 2004). According to Araújo, the ‘Portuguese public services change to an extent that such a move represents either the consolidation of their position or the only way to survive’ (1999, p. 34). It was the external pressure from both law and ministers which brought about the change. The answer to these pressures was produced according to ‘the framework within which human interactions take place’ (North 1996, p. 4). In the case of Portuguese public administration, it is argued elsewhere (Rocha 2001) that the legitimization of administrative action comes from compliance with the law. Activities are strictly organized to follow legal requirements.

There are other reasons to send information about the AP and the AR that have nothing to do with preparing the budget. Respondents pointed out, for example, that when public services need to change their staff, they need supporting information from the DGO. In this case, the DGO requires the AP and AR. Thus the AP did not support and justify the financial resources needed for the annual activities of the public services in the state budget, according to those services’ priorities.

Interviewees stressed that this information is relevant to the minister responsible for the service (92.9 per cent for the AP and 94.6 per cent for the AR) and not so important in terms of the service itself. This suggests that interviewees regard these tools as an obligation that must be followed rather than an element which is part of the state financial administration system. For instance, the number of services sending the AP and AR for auditing reasons is low. The percentage of services which send the AP and AR to the Inspectorate General of Public Administration is about 30 per cent. The AP and AR, as managerial tools, are thus limited as instruments that inform the budgetary process. It seems that there is a gap between the budget formulation and the activities planned in public services. The linkage between the budget and the AP and AR, therefore, seems to be extremely low. The interviewees stressed that the articulation between these instruments presents the greatest difficulty, together with the absence of political guidance together with the frequent changes in political priorities. This pattern is similar to the explanation for the failure of such reforms in Mexico (Bourgault 2004).

From the point of view of the managers from the DGO, they acknowledge that the AP is not used to justify and support the budget proposal. The practice of the activity budget formulation follows the same path it has done since 1987, with the addition of small changes in the application forms used in the budget. According to the interviewees, information concerning the activities and, particularly, the objectives is not relevant; nor is it even analysed. The budget elaboration process follows the traditional model based on an incremental budget. The way public services are responding to the reform shows path dependency (March and Olsen 1989, pp. 167–8; North 1996, p. 100). The power of tradition and inherent structures seem to create a distinctive influence in the way organizations
operate and how they change. People maintain the procedures and processes that worked in the past since established practices and the ‘way things are done’ give a sense of security in public services. Change is the result of marginal adjustments ‘to the complex of rules, norms’ (North 1996), an adaptation to an external environment that follows the internal dynamic according to ‘an institution’s origin and history’ (March and Olsen 1996, pp. 256–7). The Activity Plan changed the way public managers plan their activities hardly at all. The old pattern, dependent on the financial resources approved in the budget, continued to be the rule. However, there was a positive response to the AP as a management tool.

THE INFLUENCE OF MANAGERIAL REFORM

The changes introduced by financial reform in Portugal, and particularly the AP and the AR, seem to have had an ambiguous influence in the management of public services. The Portuguese case seems to be similar to the experience of other countries like France, Mexico and EUA, where PBM reforms show ambiguous results (see Abramson and Kamensky 2002; Boyne and Walker 2002; Bourgault 2004). As a managerial tool, the opinion shared among senior civil servants is that it has a limited influence in changing the management of public services. However, interviewees acknowledge that the definition of strategic objectives and the participation of managers in the elaboration of AP improve the overall functioning of their services. They point to several reasons to explain this improvement. First, they are required to think about the service mission and to establish objectives, projects and activities for each year. This exercise allows them to discuss and strategically analyse the organization and to establish priorities. This is a type of activity they rarely did previously. Second, it breaks barriers between units and forces managers to share information and opinions, and to reach an agreement on the issues and problems they share. As the interviewees pointed out, there was a high participation at least from top to intermediate managers. Some interviewees indicated that a document now exists giving directions for managers and structuring the organization’s activities.

However, data suggest that public managers shape these tools and turn them into what amounts to yet another routine. They admit that they adhere to the Activity Plan because it is compulsory. It becomes another procedure, established by law, that they must follow. Indeed, the changes in management seem to be insignificant at the operational level. The level of staff participation is low and there is no participation by citizens. Thus the motivation and commitment to objectives and targets is severely reduced. On the other hand, the monitoring and the systematic following of projects and activities take place according to the traditional approach. There are no performance indicators relating to established objectives and no recorded information on monitoring. Interviewees stress that in public administration the AP and AR are not managerial tools, but merely represent another routine to be followed. This explains why there was a concern to establish a routine and the subsequent difficulties in integrating the plan and the budgetary process. The linkage between the AP and the budgetary process exhibited timings which perverted the logic of the process. The AP and AR are followed according to a schedule; however, this schedule is only available after the elaboration of the budget. The majority of public services elaborate the AP and the AR in October/November, after the approval of the budget. This means that the projects and activities planned in each public service, according to the established priorities, neither justify nor support the financial needs for that service. Instead, they define their activities for the following
year according to the financial resources available in the budget for each service. Hence the financial resources available for the budget of the following year are the major factor for the elaboration of the AP. There is no adjustment in the practices and procedures for the elaboration of the budget that fit the changes in the financial management system. Hence the feedback loop is never fulfilled. This situation was aggravated by the role of the directorate responsible for budget elaboration, the DGO, which persisted in the traditional practices and routines. The procedures for budget elaboration defined by the directorate general of budget did not change, which means that they do not take into account the information of the Activity Plan for the budget. Thus a high level of inefficiency exists in the process.

Institutional theory suggests that inducements to change from external sources are received and adapted by the organization according to its established patterns. Adjustments in preferences and attitudes, even when informal, are constrained by institutional structures within a range of possible alternatives (Searing 1991, p. 1255). There are several mechanisms by which persistence and continuity in organizations can be explained. One concerns habit or routine: people will persist in their way of doing things because they have always done it that way. At the same time, people are reluctant either to alter processes that have worked in the past or to alter processes that through inertia they have largely misconceived. The new tools challenge the mindset of senior civil servants and their established routines and procedures. Another obstacle to change is self-interest. People resist change and continue to use old procedures because these are seen as a source of benefit and power. Before the advent of an Activity Plan and Activity Report, these procedures gave more discretionary power to make decisions about which activities to carry out and limited the mechanism of control.

CONCLUSION

The purpose of this paper was to analyse the implementation of new managerial techniques in Portugal: the Activity Plan and the Activity Report. It has analysed the implementation of a new system of planning, budgeting and control in Portuguese central government, focusing in two interrelated managerial tools. The data show that the extent to which new tools were imported from NPM was limited and constrained by the prevailing practices in the Portuguese bureaucracy. The findings reveal that the reform was adopted in formal terms, as yet another routine, rather than by a real transformation of the culture of bureaucracies or of the broader budgetary process. The new general system of planning, budgeting and control conflicts with the prevailing approach, one which is dominated by the incremental budget. The Activity Plan and the Activity Report do not play a role in the allocation and accountability process. In this process, the parent ministries and the directorate responsible for the reform did not induce new practices in the budgetary process in other organizations. Instead, they kept performing their job in the same way, ignoring the linkage between projects and activities and the resources needed in order to achieve target objectives. As discussed, the tools are developed after the budget is elaborated. As a consequence, public services are not put under any pressure to change their practices. They have adopted the AP and AR merely as a formality or routine. It is worth recalling Sotiropoulos (2004) who remarked that despite the fact that Southern countries imitate the NPM tendency, ‘in the last 30 years the most important administrative reforms in Southern Europe had little to do with NPM’ (2004, p. 417).
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