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Public sector financial sustainability reform in Portugal and in the European Union: perspectives from public management paradigms

Reforma da sustentabilidade financeira do setor público em Portugal e na União Europeia: perspectivas a partir dos paradigmas de gestão pública

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ABSTRACT: Administrative reforms often emerge from crises, introducing new ideas of modernization and management inspired by different public administration paradigms. In Portugal, as in the wider European Union, reforms have been driven by the need to simplify administrative processes, enhance transparency, increase efficiency, and ensure financial sustainability, while also addressing persistent budget deficits and high levels of public debt. This study examines the impact of the sovereign debt crisis on the reform of the budgetary process in Portugal between 2012 and 2024. Adopting a qualitative approach, it analyzes government programs, administrative reform initiatives, reports, and national and European legal frameworks. The findings highlight how reform measures reflect the coexistence of multiple public management models with more substantial alignment to the Neo-Weberian paradigm, complemented by elements of New Public Management and New Public Governance. The research contributes to understanding the trajectory of reforms aimed at achieving long-term fiscal stability, improving administrative practices, and promoting inclusive citizenship.

KEYWORDS: Financial sustainability reforms. Sovereign debt crisis. Public administration. Public debt. European economic governances.



RESUMO: O surgimento de reformas administrativas costuma ocorrer em contextos de crise, introduzindo novas ideias de modernização e gestão inspiradas por diferentes paradigmas da administração pública. Em Portugal, tal como na União Europeia, estas reformas têm sido impulsionadas pela necessidade de simplificar processos, reforçar a transparência, aumentar a eficiência e assegurar a sustentabilidade financeira, ao mesmo tempo que se enfrentam défices orçamentais persistentes e níveis elevados de dívida pública. Este estudo analisa o impacto da crise da dívida soberana na reforma do processo orçamental em Portugal entre 2012 e 2024. Com uma abordagem qualitativa, explora programas de governo, iniciativas de reforma administrativa, relatórios e enquadramentos legais nacionais e europeus. Os resultados mostram que as medidas de reforma refletem a coexistência de múltiplos modelos de gestão pública, com maior alinhamento ao paradigma Neo-Weberiano, complementado por elementos da Nova Gestão Pública e da Nova Governação Pública. A presente investigação contribui para compreender a trajetória de reformas orientadas para a estabilidade fiscal de longo prazo, a melhoria das práticas administrativas e a promoção de uma cidadania inclusiva.

PALAVRAS-CHAVE: Reformas para a sustentabilidade financeira. Crise da dívida Soberana. Administração pública. Dívida pública. Governação econômica europeia.

1. INTRODUCTION

Public management encompasses activities related to the administration and oversight of public service operations. It aims to meet the needs of all in an efficient, transparent, effective, and responsible manner in the use of public resources. It seeks to optimize service delivery to citizens and enhance the effectiveness of public policies through competent, results-oriented administration. This broad field encompasses systems, techniques, processes, and rules that support the formulation, implementation, control, and evaluation of budgetary policies (Cangiano, Lazare, 2013).

Throughout much of the 20th century, Traditional Public Administration (TPA), inspired by the principles of Weberian bureaucracy, was regarded as the main model for organizing the public sector (De Waele et al., 2015; Emery, Giauque, 2014). However, the growing demands of citizens, combined with an increased focus on efficiency,

introduced approaches inspired by the private sector, giving rise to the New Public Management (NPM) movement. This movement brought practices such as management by objectives, performance management, and results-oriented strategies (Christensen & Lægreid, 2010).

The implementation of NPM reforms did not follow a uniform path across contexts, varying from country to country (Emery & Giauque, 2014). Criticisms of its application concern the loss of legitimacy, organizational fragmentation, and the inability to respond to the complexity of the public sector, leading to the emergence of new approaches such as New Public Governance (NPG), the Neo-Weberian State, and New Public Service, which sought to address the challenges of public administration (Torfing, Triantafyllou, 2013; Christensen et al., 2018).

Successive transformations in administrative reforms do not occur linearly but instead give rise to different formats and layers where elements of existing paradigms interact with new administrative practices, resulting in more complex forms of organization. Thus, the contemporary public sector is characterized by a combination of distinct administrative paradigms, including hierarchical organization (TPA), market-oriented approaches (NPM), and network-based models (NPG), which coexist across time and space (Aristovnik & Ravšelj, 2022; Christensen & Lægreid, 2010). This coexistence tends to manifest itself in overlapping paradigms, making it difficult to clearly delineate the boundaries and trajectories of each paradigm (Polzer et al., 2016).

Public administration has been managed according to various rationales and models that emerge in response to societies' needs and challenges, evolving dynamically over time. This study examines the reforms undertaken during a specific period, analyzing their content and objectives and identifying which public administration models they tend to reflect. This characterization is essential for understanding the reformist movement in the budgetary process in Portugal over the past 12 years (2012-2024), which was driven by the sovereign debt crisis (2007-2011).

Based on a characterization of the relevance and advantages of long-term public financial sustainability as a foundation for the development and security of our societies, the specific objectives of this research are:

- a) To characterize the sovereign debt crisis (2008–2012), its causes, and its antecedents, with a focus on the European Union.
- b) To identify and describe a set of measures that shaped the financial reform undertaken, identifying their respective causes, considering Portugal's full integration into the Economic and Monetary Union and its implications for the internal management of public resources.
- c) To analyze these measures considering public management paradigms to understand which ones most influenced these specific reform measures.

To this end, we aim to address the following research question: How do the financial reform measures implemented following the sovereign debt crisis reflect the characteristics of public management paradigms?

We recognize that, in specialized literature, several theoretical public management paradigms are considered relevant for analyzing and implementing reforms in the public sector. These models offer diverse perspectives on how public management should be structured, the objectives that should be achieved, and how reforms can be implemented to enhance the efficiency, effectiveness, and legitimacy of public institutions. However, given the scope of this study, we have selected the following public management paradigms: The New Public Management (NPM), the New Public Governance (NPG), and the Neo-Weberian State (NWS).

This study begins by characterizing the three selected models and then discusses sustainability and financial governance within the

Portuguese and European Union context. It then compares these measures with the most relevant characteristics of each model to determine whether there is a dominant model and its underlying principles.

2. THEORETICAL PARADIGMS OF PUBLIC MANAGEMENT

The various theoretical paradigms of public administration offer different perspectives on how public management should be structured, what its objectives should be, and how reforms can be implemented to enhance the efficiency, effectiveness, and legitimacy of public institutions. We now analyze the essential characteristics of the selected models, as it is understandably not possible to provide a detailed characterization of each.

2.1. New Public Management or Managerial Administration (NPM)

New Public Management (NPM), also known as Managerial Administration or the post-bureaucratic paradigm (Barzelay, 1992), emerged in the 1980s and 1990s as a response to criticisms directed at traditional bureaucratic models of public administration. Inspired by specific principles of the private sector and the neoliberal reform movement, NPM advocates for transforming public administration to make it more efficient, effective, and performance-oriented, proposing the introduction of market mechanisms, decentralization, and enhanced customer service (Lan & Rosenbloom, 1992; Lane, 2000).

This model or paradigm views the market as the most suitable sociopolitical space for efficiently allocating available resources to economic agents. It embodies the influence of neoliberal economic ideas and economic thought regarding the private sector's typical management of production resources (Hood, 1991).

Theoretically emerging from Managerialism (Pollitt, 1993), Public Choice Theory was developed by Buchanan and Tullock (1962, 1986). Additionally, Transaction Cost Theory (Coase, 1937; Williamson, 1979, 1985, 1988, 1996) and Agency Theory (Jensen and Meckling, 1976, 1979) have also contributed to its development.

NPM proposed that disaggregated entities could achieve the intended outcomes, arguing that such entities should compete and operate in market contexts, with an emphasis on effectiveness and transparency, while avoiding the concentration of all functions—such as regulation, policy advice, and oversight—within a single unit (Van de Walle, Hammerschmid, 2011). At the same time, this movement promoted the outsourcing of services to the private sector, focusing on the markets in which public entities operate (Manning, Lau, 2015).

By advocating an approach to the public sector based on results, impacts, and efficiency—rather than adherence to bureaucratic rules and procedural compliance—NPM established a new organizational model of the state to replace traditional administrative rationality (Kettl, 2000; Meyer, Hammerschmid, 2006).

Christensen and Læg Reid (2010) critically analyze NPM, highlighting its complex and heterogeneous nature, resulting from economic ideas that may be ambiguous and even contradictory. NPM combined centralizing and decentralizing tendencies, generating greater control despite calls for deregulation. One of the shortcomings identified was the attempt to separate management from the formulation of public policies. Post-NPM reforms, which emerged in the late 1990s in Australia and New Zealand, aimed to mitigate the negative effects of NPM by introducing stronger political oversight and enhancing the capacity to address complex problems. Among the measures adopted were the reintegration of agencies into ministries and the promotion of more integrated governance.

In addition to the emergence of Post-NPM reforms associated with Governance, criticisms of NPM also gave rise to a new approach: New Public Service. This approach emphasizes values such as

citizenship, democracy, civil society, and public service, positioning the state as a conciliator and mediator (Denhardt, Denhardt, 2003; Göçoglu, 2021).

Another approach that arose in response to the limitations of NPM is the Neo-Weberian State model. This perspective argues that NPM's methods and principles are not universally applicable, emphasizing that administrative reforms vary according to the political and institutional dynamics of each country, which limits the global impact of NPM. The concept of the Neo-Weberian State was proposed and developed primarily by Christopher Pollitt and Geert Bouckaert as a renewal of public administration, preserving certain principles of Max Weber's traditional bureaucracy. The authors propose a synthesis between the stability of bureaucratic routines and the innovation promoted by new collaborative and networked arrangements in public organizations, simultaneously valuing the professional management of public administration and the promotion of collective interest (Göçoglu, 2021; Pollitt & Bouckaert, 2011).

2.2. New Public Governance (NPG)

The model emerges as an evolution of public administration theories that developed in the late 20th and early 21st centuries. It addresses the limitations of the bureaucratic administration model and NPM, proposing a more collaborative and inclusive approach to formulating and implementing public policies (Osborne, 2010).

Rhodes (1994, p. 144) argues that one of the defining characteristics of the public sector is the “determination of collective values out of the mosaic of conflicting interests, a process which extends beyond such values as managerial efficiency to encompass equity and justice.” For this author, NPM does not always acknowledge the purposes and specific conditions under which the public sector operates.

Similarly, Kickert (1997) emphasizes that public management is distinct from private management due to the political and social

environment in which it operates, making it challenging to replicate private-sector values in contexts governed by “political democracy” and the “Rule of Law” (Rechtsstaat). Thus, assuming that context is decisive for the functioning and structure of organizations, public management must necessarily be guided by principles different from those of private management.

The disintegration and fragmentation brought about by NPM reinforced the need to develop horizontal coordination mechanisms in the public sector, capable of addressing the complex reality of designing and managing public services (Osborne, 2010). Beyond coordination, it also becomes important to promote reforms that encourage integration, fostering joint work across state boundaries and administrative levels to achieve shared objectives (Christensen, 2012).

In 1990, Walter Powell advanced networks as a new model of economic organization, characterized by patterns of communication and reciprocal exchanges, in contrast with hierarchical and market-based structures. Such networks proliferate in contexts where relationships of trust and long-term knowledge sharing are established, and where monopolistic appropriation of existing knowledge is not feasible.

Rhodes (1996) reinforced this idea by presenting networks as an alternative model to hierarchies and markets, highlighting factors such as reputation, trust, reciprocity, and interdependence. By advocating the multiple meanings of governance, he contributed to the debate by arguing that it corresponds to “self-organizing, interorganizational networks” (Rhodes, 1996, p. 660), characterized by: a) interdependence among organizations; b) continuous interactions between their members; c) interactions based on trust and rules, as in a game; and d) a certain degree of autonomy from the central power of the state.

Building on these contributions, Osborne (2010) proposed New Public Governance (NPG) as a conceptual tool to explain the importance of interorganizational interactions in the context of public administration, conceived as an open system in which multiple

interdependent actors contribute to the provision of public services in a plural, complex, and fragmented environment. This context—shaped by the shortcomings of NPM reforms and the growing complexity of “wicked problems” (Rittel, Webber, 1973)—requires collaborative arrangements where multiple actors with different interests and objectives become mutually dependent (Kickert, 1997; Klijn, Koppejan, 2012).

The fundamental characteristics of NPG emphasize collaboration and partnerships through governance networks, where multiple actors work together to solve complex problems, increasing engagement and cooperation among governments, the private sector, non-governmental organizations (NGOs), and citizens (Osborne, 2010). This active participation enables the inclusion of diverse perspectives, thereby strengthening the legitimacy and effectiveness of public policies. Torfing et al. (2021) outlined several proposals, including Digital Era Governance, Public Value Theory, the New Public Service, and the Neo-Weberian State, which foster constant evolution, allowing for coexistence and competition.

This model advocates for a more collaborative, inclusive, and adaptive approach to public administration, promoting the dynamic involvement of multiple actors and sectors in formulating and implementing public policies (Stoker, 1998). NPG encourages partnerships and governance networks to address complex problems that require integrated solutions and coordination among multiple actors, as highlighted by Bovaird and Löffler (2003). Therefore, the model encourages citizen participation and the involvement of all stakeholders in the decision-making process.

NPG also supports the decentralization of power and the sharing of responsibility in decision-making, enabling greater flexibility and adaptation to local needs, as defended by Pierre and Peters (2000). It also advocates for a more horizontally structured and autonomous public administration, as well as innovation, as the most appropriate mechanisms for solving public problems (Kooiman, 2003). The holistic and more decentralized approach to public management enhances

public institutions' responsiveness and resilience in both daily operations and crisis situations (Pierre, Peters, 2000).

Transparency and accountability are also fundamental aspects of NPG in ensuring the pursuit of collective interests (Bovaird, Löffler, 2003). According to this model, a stronger focus on results and the impact of public policies on problems—rather than just on processes and procedures—translates into a greater tendency to use performance indicators and evaluations to improve public policies (Osborne, 2006; Robinson, 2007).

2.3. Neo-Weberian State (NWS)

The concept of Neo-Weberianism was proposed and developed primarily by Christopher Pollitt and Geert Bouckaert as a response to the limitations and criticisms directed at NPM, offering a proposal for the renewal of public administration while still preserving some of the principles of Max Weber's traditional bureaucracy. The perceived excessive focus on market mechanisms—whose application to public administration was contested—the fragmentation of public services and the claimed inequality in access to public services were among the reasons its proponents advocated for change (Pollitt, Bouckaert, 2011). This model promotes a synthesis between the stability of bureaucratic routines and the innovation advocated by NPG, while emphasizing more professional public administration management for the benefit of all stakeholders. NWS became consolidated in the early 2000s, maintaining a focus on meeting citizens' needs and expectations, strengthening democratic quality through regular consultation with all sectors of society, and prioritizing clear public service outcomes and accountability (Lynn Jr., 2008).

This model reaffirms Weberian principles of bureaucratic rationality, administrative stability, efficiency, and high-quality legal frameworks that are clear, universally applicable under equal conditions, and enforced by hierarchically structured public services. It

promotes stability, responsibility, and regularity in public administration procedures. Additionally, the model reaffirmed the value of representative democracies and the role of law (particularly public law) and reinforced the ideal of a public service with a distinct status and culture (Torfing et al., 2021).

Finally, Pollitt and Bouckaert's (2011) proposal emphasized technological modernization and the continuous professionalization of public administration by incorporating innovations from NPG (e.g., those focused on efficiency and accountability) to enhance the effectiveness and quality of public services. The role of the citizen is re-centered by placing them at the core of public administration activities, with a renewed focus on the quality of services provided and citizen satisfaction (Pollitt, Bouckaert, 2011, 2017).

3. DEBT CRISIS AND FINANCIAL SUSTAINABILITY

In recent decades, state functions have expanded significantly, resulting in substantial increases in public spending and budget deficits, measured as a percentage of GDP. This persistent trend appears to have resulted from fluctuating fiscal policies rather than a single sustainable policy (Bystrov, Mackiewicz, 2019). Consequently, it places pressure on democratic stability (Armingeon, Guthmann, 2014) and raises concerns about states' capacity to meet their financial commitments.

This was the case during the 2007–2011 crisis, affecting countries such as Portugal, Ireland, Greece, Spain, and, to a lesser extent, France, Italy, and several other European Union member states. As a result, various international financial institutions questioned the solvency of these states' commitments, and financial markets reacted by imposing higher interest rates on them (Bystrov, Mackiewicz, 2019; Heinrich, Kutter, 2013; Herrmann, 2013; Schwarzer, 2015).

Financial sustainability specifically refers to the ability of a state or group of states to maintain stable financial and budgetary policies

over the long term, ensuring that the debt-to-GDP ratio does not become unsustainable, which would necessitate abrupt fiscal adjustments (Public Finance Council, 2024; Catarino, 2025). In the European Union, this sustainability is monitored through the continuous assessment of annual deficit levels and public debt as a percentage of GDP, as part of an ongoing monitoring process (Brender et al., 2013).

Financial sustainability is achieved through budgetary adjustment measures that improve the annual budget balance, specifically by increasing revenue and/or reducing spending. It provides states with enhanced security, giving them greater capacity to respond to crises. It also offers economic agents with the stability necessary to make informed investment decisions. Controlled annual budget balances and reduced levels of public debt allow for the creation of financial reserves and the allocation of funds during crises to stimulate the economy.

The Organisation for Economic Co-operation and Development (OECD) has also emphasized the importance of states achieving high levels of fiscal consolidation and implementing structural reforms despite the real challenges in containing public spending (OECD, 2024). In line with OECD recommendations on the exhaustion of public borrowing limits, the European Union has also encouraged its member states to adopt restrictive public spending policies through structural reforms and compliance with the rules established under the Stability and Growth Pact (GDP growth (annual %) - European Union) (Fournier & Fall, 2015).

This incentive is essential for the success of the Economic and Monetary Union (EMU) 's ongoing deepening process. Low economic growth rates further exacerbate the challenges of implementing structural reforms.

3.1 Sovereign Debt Crisis (2008-2012)

Implementing structural public reforms in democratic societies poses a challenge, primarily due to the inherent complexity that arises

from the plurality of organized actors and stakeholders interested in how public resources are distributed (Pierson, 1996). In the European context, this challenge is even more significant, as Member States are engaged in deepening and increasingly integrating their economies into a single economy, known as the EMU. This continuously evolving process, whose third phase began in 1999, led to the adoption of the euro as the common currency of the European Union.

In the current phase, Member States must adhere to strict limits in conducting their fiscal policies. This includes setting a maximum annual budget deficit of 3% of GDP and ensuring greater long-term stability by capping public debt at 60% of GDP. During the initial period of the third phase of the EMU (1999–2007), compliance with deficit level targets depended on political commitment and cooperation among all Member States, with the European Commission responsible for overseeing this progress.

The result was weak fiscal consolidation during this period and a fragile reinforcement of long-term sustainability (Paniagua et al., 2017), weakening the economic and monetary integration process, as evidenced in the following table (evolution of budget balances between 1999 and 2013).

Table 1 – Budget Balances in the EU between 1999-2013 (as a % of GDP)

| Country | Acronym | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------|---------|------|-------|------|------|------|------|------|------|------|------|-------|-------|-------|-------|-------|
| EU-28 | | -1.1 | 0.5 | -1.5 | -2.6 | -3.2 | -2.9 | -2.5 | -1.5 | -0.9 | -2.4 | -6.8 | -6.5 | -4.4 | -4.0 | -3.3 |
| Euro Zone | | -0.9 | 0.7 | -1.4 | -2.5 | -3.1 | -2.8 | -2.4 | -1.4 | -0.8 | -2.4 | -6.8 | -6.5 | -4.5 | -4.0 | -3.3 |
| Austria | AT | -2.4 | -1.8 | -0.2 | -0.9 | -1.7 | -4.6 | -1.8 | -1.7 | -1.0 | -1.0 | -4.1 | -4.5 | -2.4 | 2.6 | -1.5 |
| Belgium | BE | -0.7 | -0.1 | -0.4 | -0.2 | -0.2 | -0.2 | -2.6 | 0.3 | -0.1 | -1.1 | -5.6 | -4 | -4 | -4.1 | -2.7 |
| Bulgaria | BG | 0.1 | -0.5 | 1.1 | -1.2 | -0.4 | 1.9 | 1.0 | 1.9 | 1.2 | 1.7 | -4.3 | -3.1 | -2.0 | -0.8 | -1.5 |
| Croatia | HR | n.i. | n.i. | n.i. | n.i. | n.i. | n.i. | n.i. | n.i. | n.i. | n.i. | -5.3 | -6.4 | -7.8 | -5.0 | -4.9 |
| Cyprus | CY | -4.3 | -2.3 | -2.2 | -4.4 | -6.6 | -4.1 | -2.4 | -1.2 | 3.5 | 0.9 | -6.1 | -5.3 | -6.3 | -6.4 | -5.4 |
| Czechia | CZ | -3.6 | -3.6 | -5.6 | -6.5 | -6.7 | -2.8 | -3.2 | -2.4 | -0.7 | -2.2 | -5.8 | -4.7 | -3.2 | -4.2 | -1.5 |
| Denmark | DK | 1.3 | 2.2 | 1.2 | 0.3 | -0.1 | 1.9 | 5.0 | 5.0 | 4.8 | 3.3 | -2.8 | -2.7 | -2.0 | -3.9 | -0.9 |
| Estonia | EE | -3.5 | -0.2 | -0.1 | 0.3 | 1.7 | 1.6 | 1.6 | 2.5 | 2.4 | -3.0 | -2.0 | 0.2 | 1.1 | -0.2 | 0.2 |
| Finland | FI | 1.7 | 7.0 | 5.1 | 4.2 | 2.5 | 2.3 | 2.7 | 4.1 | 5.3 | 4.3 | -2.7 | -2.8 | -1.0 | -2.2 | -2.5 |
| France | FR | -1.8 | -1.5 | -1.7 | -3.3 | -4.1 | -3.6 | -3.0 | -2.4 | -2.8 | -3.3 | -7.5 | -7.0 | -5.2 | -4.9 | -4.3 |
| Germany | DE | -1.6 | -1.1 | -3.1 | -3.8 | -4.2 | -3.8 | -3.3 | -1.7 | 0.2 | -0.1 | -3.1 | -4.2 | -0.8 | 0.1 | 0.0 |
| Greece | GR | -3.1 | -3.8 | -4.5 | -4.9 | -5.8 | -7.5 | -5.6 | -6.2 | -6.8 | -9.9 | -15.6 | -11.0 | -9.6 | -8.9 | -12.7 |
| Hungary | HU | -5.2 | -3.1 | -4.1 | -9.0 | -7.3 | -6.5 | -7.9 | -9.5 | -5.1 | -3.7 | -4.6 | -4.4 | -4.2 | -2.2 | -2.4 |
| Ireland | IE | 2.5 | 4.9 | 1.0 | -0.3 | 0.4 | 1.4 | 1.6 | 2.9 | 0.2 | -7.4 | -13.7 | -30.6 | -13.0 | -8.1 | -7.0 |
| Italy | IT | -0.2 | -0.9 | -3.2 | -3.2 | -3.6 | -3.6 | -4.5 | -3.4 | -1.6 | -2.7 | -5.4 | -4.4 | -3.6 | -2.9 | -2.8 |
| Latvia | LV | -3.8 | -2.8 | -2.0 | -2.3 | -1.6 | -1.1 | -4.0 | -0.6 | -0.7 | -4.4 | -9.1 | -8.1 | -3.5 | -1.4 | -0.9 |
| Lithuania | LT | -2.8 | -3.2 | -3.5 | -1.9 | -1.3 | -1.5 | -0.5 | -0.4 | -1.0 | -3.3 | -9.4 | -7.2 | -5.5 | -3.3 | -2.2 |
| Luxembourg | LU | 3.4 | 6.0 | 6.1 | 2.1 | 0.5 | -1.1 | 0.0 | 1.4 | 3.7 | 3.2 | -0.7 | -0.8 | 0.2 | 0.0 | 0.1 |
| Malta | MT | -6.9 | -5.7 | -6.3 | -5.7 | -9.0 | -4.6 | -2.9 | -2.7 | -2.3 | -4.6 | -3.7 | -3.5 | -2.7 | -3.3 | -2.8 |
| Netherlands | NL | 0.4 | 2.0 | -0.3 | -2.1 | -3.2 | -1.8 | -0.3 | 0.5 | 0.2 | 0.5 | -5.6 | -5.0 | -4.3 | -4.0 | -2.4 |
| Poland | PL | -2.3 | -3.0 | -5.3 | -5.0 | -6.2 | -5.4 | -4.1 | -3.6 | -1.9 | -3.7 | -7.5 | -7.8 | -5.1 | -3.9 | -4.3 |
| Portugal | PT | -3.1 | -3.3 | -4.8 | -3.4 | -3.7 | -4.0 | -6.5 | -4.6 | -3.2 | -3.7 | -10.2 | -9.9 | -4.3 | -6.5 | -5.0 |
| Romania | RO | -4.1 | -4.7 | -3.5 | -2.0 | -1.5 | -1.2 | -1.2 | -2.2 | -2.9 | -5.7 | -9.9 | -6.8 | -5.5 | -3.0 | -2.3 |
| Slovakia | SK | -7.4 | -12.3 | -6.5 | -8.2 | -2.8 | -2.4 | -2.8 | -3.2 | -1.8 | -2.1 | -8.0 | -7.5 | -4.8 | -4.5 | -2.8 |
| Slovenia | SI | -3.0 | -3.7 | -4.0 | -2.4 | -2.7 | -2.3 | -1.5 | -1.4 | 0.0 | -1.9 | -6.3 | -5.9 | -6.4 | -4.0 | -14.7 |
| Spain | ES | -1.3 | -1.0 | -0.6 | -0.3 | -0.3 | -0.1 | 1.3 | 2.4 | 2.0 | -4.5 | -11.1 | -9.6 | -9.6 | -10.6 | -7.1 |
| Sweden | SE | 0.8 | 3.6 | 1.6 | -1.5 | -1.3 | 0.4 | 1.9 | 2.2 | 3.6 | 2.2 | -1.0 | 0.0 | 0.0 | -0.7 | -1.3 |
| United Kingdom | UK | 0.9 | 3.5 | 0.4 | -2.1 | -3.5 | -3.5 | -3.4 | -2.8 | -2.8 | -5.0 | -11.3 | -10.0 | -7.6 | -6.1 | -5.8 |

Source: Author's elaboration based on Eurostat

Table 1 highlights the impasse in reducing the deficits of Member States. This trend was similar—albeit at different paces—among euro-adopting states and those that did not adopt the euro. Additionally, some states that initially had deficit levels below the established threshold (3% of GDP) either allowed or were unable to prevent exceeding this limit, even if only temporarily (e.g., Germany, France).

Overall, according to Paniagua et al. (2017), the results indicate that the distinction between core and peripheral EMU countries is mainly arbitrary. Paniagua et al.'s (2017) study also reveals that some countries, such as Germany and Belgium, systematically and continuously addressed their public debt, whereas others, like France and

Spain, adopted more sporadic responses (Afonso & Rault, 2010). The table above further illustrates that many states did not implement the necessary structural reforms to prevent breaches of these mandatory limits.

The results show that, in 2020, the EU Member States with the highest public debt (as a percentage of GDP) were Greece (207.0% of GDP), Italy (155.0%), Portugal (134.9%), Spain (120.3%), France (114.9%), Cyprus (114.9%), and Belgium (111.9%)—all of which belong to the eurozone.

As a consequence of the sovereign debt crisis, Portugal and several other Member States (Ireland, Spain, Greece), followed by Italy and, to some extent, France, faced such severe financing conditions in financial markets that they were forced to seek international assistance under the protection of the European Commission and the ECB, along with the IMF. This crisis exposed a set of structural weaknesses not only in the economic and monetary union's deepening process but also in the states that exceeded deficit and debt limits.

4. METHODOLOGY

Taking stock of the literature review on the impact of the sovereign debt crisis on budgetary process reform, this study adopts a qualitative approach to explore a set of initiatives related to financial sustainability. These actions were selected because they directly reflect the willingness and necessity for reform to improve the quality of democracy, secure the future of upcoming generations, minimize risks in the face of new crises, and fulfill Portugal's external obligations within the European context.

To this end, we analyzed key documents, including legal acts, plans, activity reports, and Portuguese and European regulations, to reform and strengthen the economic governance model.

For data collection and analysis, we employed document analysis and qualitative content analysis methodologies, which enable the systematic identification and interpretation of written and visual communications by categorizing them into smaller units of data. Through the creation of categories and codes, these units were aggregated to allow valid and replicable deductions, thus producing valuable insights for the study (Bardin, 2016; Kleinheksel et al., 2020).

Following Bardin's (2016) framework, the content analysis proceeded in three stages. The first stage—pre-analysis—involved selecting relevant documents, formulating hypotheses, and developing indicators to guide interpretation. The second stage focused on applying the material through practical exercises. The third stage consolidated the findings to provide a comprehensive synthesis of the analyzed material.

The aim was to establish connections between the reform measures and the most evident characteristics of public management paradigms, seeking to identify aspects that provide a sufficiently coherent link to better understand initiatives related to financial sustainability.

5. RESULTS

The recovery following the sovereign debt crisis, the COVID-19 pandemic, and the consequences of Russia's war against Ukraine have introduced new challenges for the EU economy. These challenges arise in a context where high debt and interest rates persist. To counteract this adverse environment, the European Union has adopted new objectives regarding investments and reforms. The EU has updated its economic governance framework, maintaining its primary goal of ensuring financial stability and sustainability while promoting sustainable and inclusive growth across all Member States through investments and reforms. This update triggered a wave of reforms coordinated by the European Commission, alongside the European

Parliament and the European and EU Councils, which directly and immediately impacted Member States.

In Portugal, these reforms led to the adoption of legislative measures based on legal texts, such as Law 151/2015 of September 11, which reformed the Budgetary Framework Law (LEO), repealing Law 91/2001 of August 20. Other key legislative instruments included the Major Planning Options Law for 2013 (Law No. 66-A/2012, of December 31) – precisely its Second Option (“Public Finances and Growth: The Budgetary Strategy”) – as well as several reports, such as UTAO Report No. 4/2022 on the reform of the budgetary legislative process and the restructuring of the Technical Budget Support Unit, published on March 22, 2022, among others.

The reform, as outlined in the Major Planning Options Law, is based on the premise that the quality of the budgetary process is a crucial determinant of fiscal stability. A profound revision of budgetary rules, procedures, and practices has been recognized as a fundamental pillar of Portugal’s financial and macroeconomic adjustment strategy. Consequently, a revised fiscal framework was developed to foster long-term stability and sustainability in public finances while also improving the quality, effectiveness, and efficiency of public spending (Law No. 66-A/2012, of December 31, 2012 – Annex, Second Option: Public Finances and Growth – The Budgetary Strategy).

Generally, the reforms undertaken stem from Portugal’s initiative and will also result from the recommendations of the OECD, the IMF, and the European Union. However, it is possible to distinguish between reforms that primarily originate from the state’s individual initiative and those that arise from strict legal obligations and political commitments stemming from Portugal’s external ties as a member of the European Union. In this study, we have chosen to group them into a single table, even though, in general, both types of reforms pursue the same essential objective. We have consolidated the broad set of actions summarized in the following table for the sake of simplifying the analysis.

Table 2 – Specific Reform Actions in Portugal
and the European Union (2012-2024)

| Action | Most Evident Model | Description |
|---|--|---|
| Implementing Program-Based Budgeting | New Public Management | Characterized by a results-oriented and efficiency-driven approach rather than merely complying with rules and procedures. It tends to reflect the NPM paradigm. |
| Simplification and Reduction of Budgetary Process Fragmentation | New Public Management / Neo-Weberian State | Strengthens the coherence of the budgetary process and broadens the State's overall vision of public resource management. Enhances the efficiency of public spending. It partially reflects the NPM paradigm, although the reinforcement of coherence in principles and rules also aligns with the NWS paradigm. |
| Increasing Bottom-Up Accountability of Sectoral Ministries | New Public Management / Neo-Weberian State | Advocates for increased accountability of public managers for results, strengthening accountability and audit mechanisms, as well as greater transparency and responsibility in the use of public resources. This measure reflects several characteristics of NPM. It also shares some features of the NWS paradigm by aiming to modernize bureaucracy and strengthen the State's capacity. |
| Stability Program | New Public Governance | This measure primarily adopts characteristics of the NPG model by fostering multi-level collaboration/ participation among actors, transparency in public management, coordination, and integration of economic and budgetary policies between Member States and the European Commission, as well as accountability and evaluation. |

| Action | Most Evident Model | Description |
|---|--|---|
| Multiannual Framework for Public Expenditures | New Public Governance / Neo-Weberian State | <p>This measure reflects the characteristics of the NPG paradigm: multi-level collaboration/ participation, transparency, coordination, and integration of economic and budgetary policies between Member States and the European Commission, participation, continuous integration, and coordination of common policies, accountability, and the need for evaluation. It also reflects some characteristics of the NWS by emphasizing efficiency, transparency, and accountability while maintaining the robustness and discipline characteristic of classical bureaucracy.</p> |
| Expenditure, Budget Balance, and Structural Budget Balance Rules | Neo-Weberian State | <p>These rules emphasize the need for efficient management, greater budgetary discipline, transparency, and accountability, as well as a robust public administration. They embody the characteristics of the NWS, which combines elements of traditional bureaucracy with modern management practices.</p> |
| The Reform of the Stability and Growth Pact of the European Union: 1999, 2005, 2012, and the New Rules of the Six-Pack and Two-Pack | Neo-Weberian State / New Public Governance | <p>The SGP aims to increase transparency and accountability of Member States by introducing mechanisms for budgetary and debt control, as well as expanded sanctions. It reflects the principles of responsibility and discipline of the NWS. It imposes transparency and accountability through specific procedures (for excessive deficits and macroeconomic imbalances), promotes public finance clarity and accountability, and fosters multi-level coordination with EU institutions, as well as a strong and integrated public administration system. In this regard, it reflects the NPG paradigm.</p> |

| Action | Most Evident Model | Description |
|---|-----------------------|--|
| Adoption of specific governance instruments in the EMU: the European Semester | New Public Governance | The European Semester appears to best reflect the characteristics of the NPG paradigm through multi-level governance, coordination, collaboration, and integration of multiple actors—both national and European—intervention by different levels of government, and the promotion of transparency and accountability in the public policies associated with it. |

Source: Authors' elaboration based on the literature review related to public management paradigms.

In summary, the implementation of program-based budgeting and the increase in bottom-up accountability of sectoral ministries clearly reflect the NPM paradigm, as they focus on the results and are efficiency-oriented. These measures also strengthen public managers' responsibility for outcomes and enhance mechanisms for accountability and auditing.

The measures aimed at simplifying and reducing fragmentation in the budgetary process, adopting specific rules for expenditure, budget balance, and structural budget balance, and partially reforming the Stability and Growth Pact—particularly through the introduction of reinforced fiscal rules—are more aligned with the NWS paradigm. This alignment is evident as these reforms blend traditional administrative principles with modern management practices, emphasizing efficiency, effectiveness, and accountability.

The integration of the Stability Program and the Multiannual Framework of Public Expenditures) into national budgetary processes, along with the SGP reform—particularly in aspects related to multilevel economic and financial governance—and the adoption of the European Semester as a pillar of the new European Economic Governance framework, primarily reflect the NPM paradigm. These

initiatives promote multilevel collaboration and participation and the coordination and integration of economic and budgetary policies between Member States and the European Commission.

6. DISCUSSION

The measures outlined share a common focus on sustainability and strengthening the capacity to respond to future crises. However, due to their distinct characteristics, they reflect different fundamental aspects of various public management models. Below, we analyze these measures in relation to their respective frameworks.

6.1. Implementing Program-Based Budgeting

The program-based budgeting approach adopted by Portugal (as well as other EU Member States) structures expenditure budgets (and their financing sources) by policy areas or state functions in parallel with the traditional line-item classification. Budgetary programs act as aggregators of revenue and expenditure with a shared purpose. In a program-based budget, resource allocation decisions benefit from a broader focus on achieving overall program objectives (Public Finances Council, 2024).

This approach clearly aligns with the NPM paradigm, which prioritizes efficiency and results rather than simply allocating resources based on needs. Program-based budgeting enhances transparency, enabling better monitoring and evaluation of program performance while also increasing public managers' accountability. Additionally, it ensures that public resources are allocated to areas that best serve citizens' needs, aligning public objectives with societal expectations.

By emphasizing outcomes over processes, program-based budgeting represents a significant shift from the traditional public

administration (Weberian Bureaucracy), which is characterized by rigid structures, hierarchical decision-making, and strict adherence to rules.

6.2 Simplification and Reduction of Budgetary Process Fragmentation

The budgetary process is the mechanism through which governments obtain parliamentary authorization to collect and allocate public resources to implement public policies (Public Finance Council, 2024). It encompasses all rules and procedures governing the drafting, approval, and execution of the State Budget, including accountability and auditing.

However, organic and functional fragmentation—among other forms—leads to the dispersion of key elements and relevant information, reducing coherence in the process and limiting the holistic vision necessary for better-integrated management of public resources.

Simplifying the budgetary process enhances efficiency, increasing clarity, transparency, integrity, and accountability. As previously discussed, the NPM paradigm advocates for efficiency-driven measures, results-oriented approaches, cost-cutting, and resource rationalization. In this regard, simplifying the budgetary process aligns with NPM principles. However, it diverges from NPM in that the model promotes the involvement of multiple independent actors, which can increase complexity and fragmentation, making it less compatible with a focus on simplification.

Conversely, the NWS paradigm seeks to reconcile traditional public administration principles with contemporary management practices, aiming to achieve efficiency and effectiveness without compromising the stability and accountability of public administration—hallmarks of classic bureaucracy.

Thus, it is evident that reducing budgetary process fragmentation and simplifying its structure represents a modernization effort that

improves coordination and resource management while enhancing the state's ability to govern more effectively. This simplification and fragmentation reduction, both in Portugal and at the EU level, appear to be firmly grounded in the values and principles of the NWS.

6.3 Increasing Bottom-up Accountability of Sectoral Ministries

Traditionally, the responsibility for budget execution rested primarily with the Minister of Finance and the Government. However, the reforms implemented during the period under review reversed this logic. All sub-sectors are responsible for ensuring sound budget execution within their respective domains. This responsibility extends to public managers across all public entities, including local and regional administrations, who must execute their budgets in line with planned allocations and within the established expenditure ceilings for each sub-sector.

Public entities' greater autonomy and accountability in managing their budgets, combined with stricter reporting obligations, the implementation of efficiency measures, cost-cutting, and resource rationalization, aligns this reform closely with the NPM paradigm. At the same time, it also shares core values of the NWS, particularly regarding accountability, adherence to legal rules and procedures, predictability, and fiscal discipline.

6.4 The Stability Program

The Stability Program is a strategic document that defines the country's budgetary targets for a medium-term period, usually three to four years. Under the Stability and Growth Pact's preventive arm, EU Member States must submit a Stability or Convergence Program to the European Commission every spring (Public Finance Council, 2024). The adoption of a Stability Program with the function of a

convergence program allows the government to demonstrate compliance with the Medium-Term Budgetary Objectives and adherence to the expected fiscal adjustment path before the European Commission and the EU Council.

This new instrument, incorporated into Portugal's Budgetary Framework Law (LEO) in 2015, appears to better align with the NPG paradigm. This is because it embodies a new paradigm of financial governance, emphasizing centralized control while fostering collaboration, participation of multiple stakeholders, and transparency in public financial management—all key factors for its success.

It also embodies multilevel collaboration, a central characteristic of the NPG paradigm, which is also embedded in the Stability and Growth Pact rules and the Treaty on Stability, Coordination, and Governance in the Economic and Monetary Union (TSCG or "Fiscal Compact"). This collaboration occurs between each Member State, the European Commission, and the EU Council, reinforcing transparency in each country's adjustment trajectory toward the required deficit and debt levels. Additionally, it reflects the values of centralized coordination and budgetary policy integration between Member States and the EU to ensure long-term economic and financial stability. For this reason, it serves as a strong example of multilevel governance, a key element of the NPG paradigm.

In summary, the Stability Program appears to be more closely aligned with NPG due to its emphasis on integrated coordination of budgetary and economic policies across different levels of government. It also promotes multi-actor participation, collaboration, transparency, and accountability.

6.5 The Multiannual Framework for Public Expenditures

The Multiannual Framework for Public Expenditures is the document that sets total expenditure limits by mission and organizational base for the current year and the following four years, following

public budget accounting principles (Conselho das Finanças Públicas, 2024). The Multiannual Framework for Public Expenditures reflects several characteristics of the NWS paradigm. As previously discussed, this model combines elements of traditional bureaucratic administration with modern management practices, emphasizing efficiency, transparency, and accountability while maintaining the robustness and discipline of public administration, which are core attributes of Weberian bureaucracy.

By providing a medium-term perspective on total public expenditure and its allocation by mission and organizational base, the Multiannual Framework for Public Expenditures reinforces predictability and budgetary planning. This strategic, centralized planning rationality, typical of Weberian bureaucracy, ensures efficiency, transparency, and accountability. At the same time, since the Multiannual Framework for Public Expenditures strengthens the quality of the internal budgetary process, particularly by forecasting medium-term expenditures, it reflects modernization and innovation values in public financial management, which are in part influenced by European requirements.

This instrument aligns well with the NPG paradigm, as it facilitates integrating and coordinating national and EU public policies over multiple years. It ensures that budgetary decisions remain aligned with the government's long-term strategic objectives while staying within the expenditure limits set by the European Union.

The Multiannual Framework for Public Expenditures diverges from the NPM paradigm, at least in its focus on short-term efficiency and decentralization. While NPM promotes decentralization and immediate results, the Multiannual Framework for Public Expenditures is centered on medium—and long-term planning and centralized management of total expenditure levels. Additionally, it is less compatible with NPM's flexible, results-driven management philosophy.

The Multiannual Framework for Public Expenditures is a highly technical and specialized instrument focusing on internal management efficiency and public administration discipline. These characteristics

align more closely with the NWS paradigm. However, the Multiannual Framework for Public Expenditures also reflects NPG characteristics because it promotes collaboration and transparency and represents a new financial and economic governance paradigm at the European level.

6.6 Expenditure, Budget Balance, and Structural Budget Balance Rules

The expenditure rule establishes that the annual budget expenditure ceiling is binding, reinforcing the notion of limit violations as grounds for sanctions. The annual budget balance rule requires that the budget execution balance be neutral or positive, effectively aiming to reduce or eliminate annual deficits. This restricts public expenditure growth and strengthens long-term financial sustainability, aligning with long-term economic goals.

The structural budget balance rule—which corresponds to the general government budget balance as defined under the European System of National and Regional Accounts)—requires that the budget balance, adjusted for cyclical effects and excluding extraordinary and temporary measures, not fall below the medium-term objective set in the Stability Program. This obligation is imposed by the Stability and Growth Pact.

These fiscal rules align with the NWS paradigm emphasis on efficient financial management and budgetary responsibility. They ensure controlled public spending and adherence to strategic objectives within the EMU framework. These rules promote financial sustainability and budgetary discipline, which are fundamental to this model.

The NWS paradigm also values predictability and strict financial control, ensuring structural fiscal sustainability. These rules reflect the need for rigor and order in budget execution and compliance with European fiscal targets, much like the TPA paradigm. However, while both models emphasize order and discipline, the NWS paradigm is

more adaptable to modern fiscal management needs, allowing flexibility in response to economic fluctuations.

6.7 The Reform of the Stability and Growth Pact of the European Union: 1999, 2005, 2012, and the New Rules of the Six-Pack and Two-Pack

The Stability and Growth Pact is a legal instrument approved in 1997 and reformed in 2005, 2011, and 2024. It coordinates national budgetary policies within the European Union and operationalizes the provisions of the Treaty on the Functioning of the European Union (TFEU). The SGP seeks to ensure the long-term sustainability of public finances in Member States by enforcing deficit control and stabilizing public debt levels.

The Stability and Growth Pact align closely with the NWS paradigm, combining the discipline and budgetary rigidity (now expanded to include greater economic and financial discipline) of TPA paradigm with more modern elements of flexibility and continuous adaptation to economic conditions.

Higher levels of budgetary discipline and public finance sustainability across EU Member States, along with the emphasis on deficit elimination and debt control within established limits, reflect fiscal responsibility and discipline principles inherent in the NWS paradigm. The 2005 and 2012 reforms and the 2024 revision introduced greater flexibility in applying the Stability and Growth Pact. This allowed for adjustments based on specific economic conditions, acknowledging the need for extraordinary and temporary measures in exceptional circumstances. This balance between strict fiscal rules and adaptability to national economic realities, including countercyclical measures, is a key characteristic of the NWS.

Since the Stability and Growth Pact requires close coordination between Member States and the EU, including regular information-sharing with the European Commission for evaluation, it fosters

policy integration and multilevel cooperation. This coordination aligns with the NWS, which underscores the importance of a strong and integrated public administration system to implement budgetary policies effectively.

However, the Stability and Growth Pact reform also introduced stricter monitoring mechanisms and sanctions to ensure deficit and debt rules compliance. Reinforcement of transparency and accountability—mainly through two specific procedures (for excessive deficits and macroeconomic imbalances)—aligns with NPG principles, particularly in promoting negotiation and multilevel coordination.

The Six-Pack and Two-Pack regulations further strengthened oversight and fiscal discipline among EU Member States. The Six-Pack, adopted by the EU in 2011, consists of six regulations and directives to enhance budgetary supervision and reinforce the Excessive Deficit Procedure. The Two-Pack, adopted in 2013, is a set of two regulations designed further to strengthen economic and fiscal governance in the eurozone. It complements the Six-Pack and the Treaty on Stability, Coordination, and Governance (TSCG or Fiscal Compact), effectively establishing a European economic governance system. The Two-Pack's main objective is to improve the multilevel coordination of budgetary policies and increase oversight over national budgets within the eurozone. It specifically focuses on Annual Budget Planning and Macroeconomic Adjustment Programs, aligning it more closely with the NPG paradigm.

6.8 The European Semester, Established by the Treaty on Stability, Coordination, and Governance in the Economic and Monetary Union

The European Semester, introduced in the Treaty on Stability, Coordination, and Governance in the Economic and Monetary Union, also known as the Fiscal Compact, came into effect in 2013. It is an annual cycle of budgetary, economic, and financial policy coordination,

running approximately from October/November to April of the following year. During this period, national policies are coordinated by growth forecasts published by the European Commission and within the framework established by the Alert Mechanism Report.

The European Semester aligns most closely with the NPG paradigm, which emphasizes coordination, collaboration, and the integration of multiple actors, government levels, and public administration bodies. It also prioritizes transparency and accountability in public policies.

This coordination process requires close cooperation between EU Member States and the European Commission, making it essential to implement economic, financial, and budgetary policies effectively. In this sense, it reflects the values of multilevel coordination and cooperation. The European Semester embodies transparency and accountability, key tenets of the NPG paradigm, as they are promoted through reports, opinions, recommendations, and potential sanctions, as well as through individually negotiated policies and solutions within the established principles and rules.

This annual cycle demands frequent interaction between Member States, their national structures, and the European Commission, particularly in shaping common policies. Since participation is a fundamental characteristic of NPG, the European Semester is strongly aligned with this model.

Additionally, the evaluation of national policies, adjusted to the structural measures recommended by the European Commission and the EU Council, is a core component of the European Semester. This continuous assessment and implementation process is clearly in line with the principles of NPG.

7. CONCLUSIONS

This study examined the influences that shaped the financial reform measures undertaken by Portugal following the sovereign debt crisis

and explored how these measures reflect the characteristics of different public administration models. By comparing the key features of these reforms with existing public management models, we conclude that they predominantly align with the NWS and the NPG paradigms. The NPG paradigm is particularly evident in measures that implement the new economic governance framework in the European Union. Some reforms, particularly those focused on results and public management efficiency, also reflect aspects of the NPM paradigm, albeit to a lesser extent.

The findings suggest that the studied measures incorporate elements of all the examined models, albeit in varying degrees. This reflects the historical foundations of European democratic states, which draw on diverse administrative traditions.

This study supports the doctrine that the emergence of new public administration and modernization ideas is based on principles derived from multiple theories and administrative models. One limitation of this research is that a deeper analysis of these models would require additional data, mainly quantitative data, on the effects of the implemented measures.

A potentially valuable avenue for future research would be to analyze the resilience of EU Member States in the face of a new financial market crisis, using the evolution of fiscal consolidation over the studied years as a reference point.

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