ANNUAL CONFERENCE

PUBLIC LAW AND THE MODERNIZING STATE

Oeiras - Portugal
3- 6 September 2003
WORKSHOP II: INNOVATION IN PUBLIC ORGANISATIONS/INNOVATION DANS LES ORGANISATIONS PUBLIQUES

ANDRADE J. Fernanda, Escola Superior Ciências Empresariais, PORTUGAL
“Complaints Handling and Quality”

AFONSO António, FERNANDES Sonia, Technical University of Lisbon, PORTUGAL
“Efficiency of Local Government Spending: Evidence for the Lisbon Region”

BAPTISTA DIAS José Pereira, Institut Supérieur Miguel Torga, PORTUGAL
« La Crise de l’Etat et la Réforme de l’Administration de la Justice »

CAMÕES Pedro, TAVARES António, Universidade do Minho, PORTUGAL
“New Forms of Local Governance: A Theoretical and Empirical Analysis of the Case of Portuguese Municipal Corporations”

COELHO Jorge, PORTUGAL
“Planning and costing activities in Policia de Segurança Pública”

CORDEIRO Rui, PORTUGAL
“The role played by the citizen in the context of the renovation of Public Administration”

DE CARVALHO Elisabete (REIS), PORTUGAL
“Quality Assessment: better results guaranteed?”

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GRAN Thorvald, IAO University of Bergen, NORWAY,
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HARFOUCHE Ana, PEREIRA João, RIBEIRO João,
“Is there a need to moderate the relation between the local Public Administration and the Citizen?”

ISOLA-MIETTINEN Hannele, University of Tampere, FINLAND.
“The Innovative Action in Public Sector Organisations - Reason and Preconditions?”

JORGE Manuela, INETI, PORTUGAL
“Innovation in Portuguese Ministry of Economy: trends and perspectives”

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METCALFE Les, University of Bocconi, ITALY
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SCHWABSKY Nitza, VIGODA Eran, SHOHAM Aviv, RUVIO Ayalla, University of Haifa, ISRAEL
"Organizational Innovativeness in the public sector"

SCHWABSKY Nitza, VIGODA Eran, SHOHAM Aviv, RUVIO Ayalla, University of Haifa, ISRAEL
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SILVA Barbara
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WOOLDRIDGE Ewart, Civil Service College, UNITED KINGDOM
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Public Administration and the Government's Role in Housing Policy in Portugal: Should we talk about innovation?

António Duarte Santos (*)

1. Introduction

The subject matter dealt with in this "Innovation in Public Organizations" workshop, in the ambit of the Annual Conference of the European Group of Public Administration (EGPA), in which the conference theme is "Public Law and Modernising State" allows for such vast gamma of issues and analysis possibilities that I have decided to limit my paper to a specific and very important area, housing. I intend my paper to deal mainly with questioning readers and participants about the possible innovation link to a practical problem that affects citizens' in their daily lives, rather than merely trying to analyse, in a more or less complete manner, what Central Administration's housing policy and its providing of services has been in this matter.

The will to innovate is certainly common to all productive agents, citizens as it is to public administration itself. It is also something government is constantly concerned with. In innovating one searches for the answer to the problems that affect organisations daily or, in the least, how to overcome them and how to increase their efficiency, that is, how can one improve methods and produce results.

For the majority of the organisations, to improve means new technologies. Although the concept of innovation is vaster and does affect all of an organisation's areas, we will, when dealing with this situation in the present document, make it out to be only an ultimate consequence of technological and economic innovation. So much so because housing construction is a very pervious sector to receiving technologically based innovation, be it concerning building materials, technical processes and architecture conception. We will not concern ourselves, in this paper, with the fact that innovation be a concept normally associated to that of research. We will take it for granted that an

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1 It is a fact that innovation does not necessarily have to be technological. It might simply be a way to present, distribute or create an activity. But, it is also true that, presently, there is probably no single domain of activity that does not depend on some type of technology and in which innovation gains in efficiency.
innovative process is always triggered off by a previous basic research project. This, however, does not at all mean that only those organisations that do research are capable of innovating. The autonomous projects of public administration comprise multiple and diverse organisations organisations that perform the tasks of an elected government. General Directorates, departments, agencies, institutes, local councils and committees all constitute a government's permanent structure. These organisations are not as important judicially – they are lead by people who are not very visible to the public eye – as they are in as far as their property and means are concerned as they are in so far as their property and means are concerned – the frequently vast resources they possess and apply.

The housing policy of a more social or economic nature, born of government's will and its subjacent ideology, tries to promote, due to demands of public dignity, harmony between freedom of choice and the citizen's social right to housing. Even though this is a foreseen constitutional right, we intend to verify whether housing policy is vulnerable to cause confirmable variations that are relevant in processes and methods of public administration, this is, if the housing policy decided by government can or cannot alter principles of public administration in this matter and if makes any sense to talk about innovation brought about by the implementation of a given policy.

2. Innovation and continued reengineering

Does innovation, in as far as public administration is concerned, only mean research and development of new technologies? Is buying technology also innovation? Is changing management processes innovation as well? Do governmental policies originate innovation?

In questioning public administration in this manner that means at least two things. One, that it is aware to the fact that it is necessary to make innovation something rather continuous which, undoubtedly, is a positive thing. Secondly, it means that, if on the one hand public administration is getting used to this idea, its reach and meanders are

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1 According to NEVES (1997: 14), one should envisage basic research as being projects to be acquired, further studied or to develop scientific knowledge instead of applying this referred to knowledge into commercially applicable products or services. Currently, research is more commonly referred to as development.

2 For MENDES (1997: 66), as in other social policies, the housing policy also reflects the ideological options of those who govern. (The "D" of R & D).
still somewhat not totally known to it. To innovate means more and more new technologies, but it also means more initiative.

The objective of information technologies is to try and adapt the present with a sense of future perspective, and to break away from the temptation of instilling past behavioural patterns. However, to make it possible to attain this new situation, adaptation has to be carried out at the proportional rhythm to the weight and size of public administration. Nevertheless, the origin is already identified: technological evolution in general and that of information technologies in particular is, at the outset, exploitation of its potentialities so as to obtain the necessary feedback to that investment. This presupposes the intense use of its installed capacity. Well, this sets permanent doubt on public administration in terms of evaluating its capacity to meet citizen’s demands, and what its degree of quality in providing services is. The consequence to this is the constant passage and permanent adaptation of public administration to the information technologies. And, in this sense, housing is particularly sensitive to social mutations which are reflected in the labour market due to the expansion of those technologies, also determining a more qualified search.

Excluding the public entrepreneurial sector, how can one adapt this concept of “continued reengineering” to public administration? How can one search for and, per chance, find the aphorism “less State, better State”? Is public administration itself presently in any condition to move towards this “continued reengineering”? Or, has it already? Does this not clash with characteristics that are proper or non-entrepreneurial public organisations?

The objective of the Science of Administration is to scientifically study public administration as an entity within which administrative activities are undertaken. These are destined to satisfy collective needs, even though they are under instrumental dependency of the political power\(^1\). Through reengineering innovation is, so to speak, a tool for perfection and efficiency placed at the disposition of public administration, approached from a “top-down” sense, that is, from the top to the bottom of its organisational structure. But, this permanent need for adaptation and at a speed that tends to be ever more progressive has its origin in two motives: globalisation, with the growing competitiveness that is inherent to it and the bureaucratic model that still persists, at least in some of public administration’s activities. Thus, the logic to obtain results

\(^1\) BILHIM (2000: 31).
from efficient techniques tends to surpass the logic of mere activity set within existent and indispensable legal norms in a State of Law. It is public administration serving the tax payer and being closer to the anonymous and civil society, but more and more aware of the importance of public services and also being more demanding (VIGODA: 2002). In this sense we can say that the doctrine and phases of the “new public management” and of “reinventing government” will, sooner or later, tend to be included in the continuous renewal movement of public administration that is brought about by technology, economic development and social mutations. This is the result of the turbulence caused by change consequential from this intense technological innovation. We believe that the continued speed technological evolution causes, and will continue to do so, a growing distance between its practical usage as a private and individual tool and the structure of public administration that provides the services\(^1\). For this reason also and as a consequence the law, in general, and particularly the legislative edifice of public administration will have to adapt to this permanent evolution of reengineering and of innovation which will constantly be equated and adapted to new technological realities. Effects that result from this innovation are also felt in housing, given its particularity as an economic asset. As KING (1998: 52) wrote, “housing, ..., is an example of an instrumental need, where we are able to exercise some choice and thus, to an extent, our needs are conditional upon those choices.” Information technologies do not just aim at accelerating what already exists, but they also aim at modifying choice and services processes, making them more effective and efficient\(^2\).

3. Some considerations about the endogenous innovation process in Public administration

For the introduction of information systems, understood in a broad sense, to be necessary and congruent in public administration, it is necessary that the administrative structure itself be prepared to receive it. This is very important because it can condition, right at the start, the whole necessary receptivity to carrying out of any governmental

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\(^1\) As VITORINO (2001: 92) wrote: “We believe, in fact, that the degree of the citizens’ demand in relation to the performance of Public administration has been increasing and, probably, that the changes introduced, in a confirmed positive direction, have been occurring at a rate and intensity that is inferior to the referred increase of demands.”

policy such as, for example, is the case with public organisms that directly or indirectly deal with the housing policy in Portugal.

Innovation depends on the characteristics of the implemented information systems at all moments in which one becomes aware of the need to change the manner of providing public services. Thus, one can say that innovation and the consequent changes it implies directly depend on the characteristics of the organised information system in use at all moments.

It is the endogenous process of public administration at work and the changes to the information systems are dependent on the search for new and more efficient means of providing services by public administration. But, not all innovation in Public Service is absorbed in the intended way. Generally speaking, innovation is only adopted if it has an adaptable value and it will only be implemented if it is accepted. In order for innovation to be accepted it has to interiorise and originate improvement in productivity, that is, it must be able to make itself more efficient, considering economic and social agents as clients (TAYLOR: 2000). This improvement in efficiency implies introducing new attitudes and responsibilities by the various organisms that compose the structure of Public administration. Throughout time, all of this endogenous process generates structural and functional adaptations.

At the practical level of executing government policies converted into law, the change, or a certain innovation in public administration can be found within, they are endogenous to administration itself and social and economic development will compel and accelerate, in a larger or smaller degree, the innovation phenomenon. The cause for change is exogenous (technological, economic and social development), but its consequence becomes endogenous. Thus, we can find changes to the organisation structure of public administration of a continued and convergent type to that of the needs of the agents at each given moment, and more occasional and sporadic changes, caused by habituation to administrative processes that are less subject to external pressure.

In any case, the empiric evidence and knowledge of reality not only show that continuous pressure on the efficiency of the services provided has come to confirm itself more and more, but also that it will tend to be faster, given the growing

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2 According to VITORINO (2000: 94) “Public Administration does not modernise itself. It needs guidance and specific stimuli, as well as continued accompaniment in its evolution and, also, regular evaluation of the attained results and of the produced effects.”
competitive economic, professional and negotiation attitude of both citizens and businesses. This pressure reflects itself at the various levels of intervention of the organisms of public administration that are involved in everything that had to do with housing: licensing, notary registers, other legal and formal exigencies, previous contracts, legalisation processes, financing structure and analysis and decision for the various types of support. In order to respect taxpayers demands, it should be demanded that mechanisms and cooperation practices within the Administration be created. This need is originated by the fact that, quite frequently, public services prefer to rather ask citizens and firms for information that is available or that originates from other Administration organisms\textsuperscript{1}. I believe that public administration is surely not less capable of innovating than the private sector. Given its volume and the various levels of command in terms of human resources, it might just take a while longer to attain. However, if it is not less capable of innovating, it is less apt to do so. Probably what is missing is advice and guidance on what to innovate. Guidance on where to start and what route to take to arrive at the desired idea. Advice on what steps to take. Innovation also makes it possible to shorten distances between what governments want and what governments do.

4. Government’s role and public leadership

The whole of public administration’s organisation has to submit itself to the country’s political body. It is up to this political composition to define the guidelines that limit the action of the structure of public administration, because these two institutionalised groups can, as they very frequently have different sets of logic and preoccupations, lead to declining of responsibilities and inertia of acts, at both political and administrative levels (KADEMIAIN and FELDMAN: 2002). It should also be said that the various organisms of the public administrative sector are of a distinctive characteristic to that of the State’s entrepreneurial sector. Here there is a leadership of action that is well determined, concrete, it is visible. There is relative transparency by managers in their decision taking.

At the public administration level, apart from the bureaucratic organisation being prone to political manoeuvres, especially in situations of disbelief and relative political

\textsuperscript{1} VITORINO (2001: 87).
weakness, there is still the dichotomy issue between elements of administration itself that were appointed by political criteria and that of traditional public servants\(^1\). This distinction leads public administration to resist change, be it at political or at administrative level. As taxpayers are the reason for the existence of public administration, and in order to avoid falling into counterproductive situations that generate conflicts between both parts makes the responsibility issue (VIGODA: 2002) assume special importance in face of the citizens. Thus the importance of leadership, which immediately starts at the political level, that is, at the level of support of current civil management. It is the superior organ of public administration that establishes political orientation and the measures it must follow, that is, Government is the first leader or, in other words, the supreme leader.

Considering how important leadership capacity and competence in coordinating actions of an organisation are, McMAHON (1997: 273) wrote: “But leadership usually involves more than being able to make correct judgements about how best to achieve certain ends; it involves being able to get people to do what they must to promote these ends.” Capacity for leadership makes it easier to reach these mutual benefits of cooperation between public administration and citizens. Weakness in leadership deprives workers of the public administration of motivation to cooperate through the methods of innovation that are intended to be implemented and of which they could benefit from. In democratic societies, political organisation itself does, through the leadership of the various branches of public administration, condition actions and cooperation among the multiple organs and elements (KHADEMIAN and FELDMAN: 2002). The administrative activity, which we can call purely technical, must be able to change political decisions into results, goods or services for the population it serves. There, then, lies the reason we can find political functions of an ideological inspiration from start to end of the chain of administration’s services.

Innovation does not process itself unless it is exactly known where administration’s decision centres are, that detain the power to affect the behaviour of the administrative apparatus at its highest level of management and exercising services. Because it originates, ultimately, from electoral promises, this means that, to carry these deeds out it is necessary to have an organisational structure of public administration that will bear political conceptions and consequent new regulating policies, that are not only socially

\(^1\) Max Weber classified civil servants into two distinct categories, although not in opposition: "professional civil servants" on the one hand, and "political servants." (WEBER (1979: 31)).
credible, without which concentration of power has little meaning, but also with such political performance that can emend potentially undesirable trajectories (BALCHIN: 2002).

5. Housing policy in Portugal: actors, regulation and Public Administration

After some introductory considerations about the origin of innovation and the desired political leadership, we will try to analyse if, having that as a basis, we can establish the existence of an association between the embracing mission of public administration, the accomplishment of the housing policy instituted by government and the various intervening actors.

Throughout the 80s and 90s, the strategy of the various Portuguese governments, in the housing policy area, essentially based itself on motivating increasing stimuli to the purchasing of owner-occupied dwellings¹. Simultaneously, governments do take a certain amount of care to dynamize the tenure market, together with the reinforcement of some renewal policies in the housing sector. On the other hand, State also intervened socially, by housing people who were obviously destitute of homes. The main agents of this intervention were the local councils that were quite important in promoting economic housing. Nevertheless, it was during the 90s that government started to reveal greater concern and the desire to be more decisive in the housing ambit, and its policies showed a clear basis that settled in three domains: dynamize bank loans for the purchasing of owner-occupied dwellings and other associated mortgage loans, to the reinforcement of direct promotion and support of public and private sector rentals and, finally, rehabilitation measures of degraded property. A great deal of the State's financial effort took on the form of low interest rates in relation to loans granted for purchasing owner-occupied dwellings. The referred to effort undertaken by the State, to aid in supporting housing in Portugal throughout the 90s can be seen in Chart I.

5.1. Regulating bank loans and the acquisition of private property

When Portugal became a member of the European Union and with the liberalisation of the banking system and consequent drop and stabilization of interest rates, to buy an

¹ In an economic point of view, to buy a house is to have a meritible asset, that is, an asset susceptible of being produced by the private sector, even though high prices might be an important factor to hold back a substantial number of citizens from buying their own homes. (MATIAS: 51).
## Chart I.

(Amount in millions of Euros)

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<td><strong>Rentals</strong></td>
<td>14 634,73</td>
<td>13 961,35</td>
<td>26 521,08</td>
<td>20 794,88</td>
<td>25 817,78</td>
<td>28 271,86</td>
<td>48 687,66</td>
<td>97 046,12</td>
<td>111 207,0</td>
<td>110 119,61</td>
<td>497 062,08</td>
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<td><strong>Relocation of Families</strong></td>
<td>17 767,18</td>
<td>8 309,97</td>
<td>8 619,23</td>
<td>5 272,29</td>
<td>7 112,86</td>
<td>7 217,61</td>
<td>18 046,51</td>
<td>37 783,94</td>
<td>41 165,79</td>
<td>41 614,71</td>
<td>192 910,09</td>
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<td><strong>Renewal and Furnishing of Council Estates</strong></td>
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<tr>
<td><strong>Total Investment (Central Government)</strong></td>
<td>32 401,91</td>
<td>22 271,32</td>
<td>35 140,31</td>
<td>26 067,17</td>
<td>32 930,64</td>
<td>35 489,47</td>
<td>66 734,17</td>
<td>134 830,06</td>
<td>152 372,79</td>
<td>151 734,32</td>
<td>689 972,17</td>
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<tr>
<td>% Total Investment</td>
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<td>11,4</td>
<td>11,7</td>
<td>8,1</td>
<td>8,2</td>
<td>7,1</td>
<td>11,1</td>
<td>18,1</td>
<td>16,5</td>
<td>15,3</td>
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<td><strong>Private Sector</strong></td>
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<td><strong>Rentals</strong></td>
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<tr>
<td><strong>Encouragement for young people to lease (LJ)</strong></td>
<td>0</td>
<td>0</td>
<td>753,18</td>
<td>9 756,49</td>
<td>18 171,21</td>
<td>25 433,70</td>
<td>36 312,49</td>
<td>43 565,01</td>
<td>51 705,39</td>
<td>53 905,09</td>
<td>239 602,56</td>
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<tr>
<td><strong>Aid for the recuperation of leased property</strong></td>
<td>1 591,17</td>
<td>3 701,08</td>
<td>5 915,74</td>
<td>10 240,32</td>
<td>12 185,63</td>
<td>15 258,23</td>
<td>20 640,26</td>
<td>27 563,57</td>
<td>29 688,45</td>
<td>28 032,44</td>
<td>154 816,89</td>
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<td><strong>Total Investment (Central Government)</strong></td>
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<td>3 701,08</td>
<td>6 668,92</td>
<td>19 996,81</td>
<td>30 356,84</td>
<td>40 691,93</td>
<td>56 952,75</td>
<td>71 128,58</td>
<td>81 393,84</td>
<td>81 937,53</td>
<td>394 419,45</td>
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<td>% Total Investment</td>
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<td>1,9</td>
<td>2,2</td>
<td>6,2</td>
<td>7,6</td>
<td>8,1</td>
<td>9,4</td>
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<td>8,8</td>
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<td><strong>Support for the Acquisition of Owner-occupied Dwelling</strong></td>
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<td><strong>State Co partnership</strong></td>
<td>80 211,69</td>
<td>110 079,71</td>
<td>162 802,65</td>
<td>161 396,04</td>
<td>194 241,88</td>
<td>226 992,95</td>
<td>229 132,79</td>
<td>244 151,59</td>
<td>346 854,08</td>
<td>408 116,44</td>
<td>2 164 159,38</td>
<td>42,0</td>
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<tr>
<td><strong>Low interest rates</strong></td>
<td>49 780,03</td>
<td>59 556,47</td>
<td>95 469,92</td>
<td>114 424,24</td>
<td>143 254,76</td>
<td>199 718,68</td>
<td>250 645,94</td>
<td>295 787,15</td>
<td>340 878,48</td>
<td>348 719,59</td>
<td>1 898 235,25</td>
<td>36,9</td>
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<td><strong>Tax Deductions</strong></td>
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<tr>
<td><strong>Total Investment (Central Government)</strong></td>
<td>129 991,72</td>
<td>169 636,18</td>
<td>258 272,57</td>
<td>275 820,28</td>
<td>337 496,64</td>
<td>426 711,63</td>
<td>479 778,73</td>
<td>592 938,74</td>
<td>687 732,56</td>
<td>756 836,03</td>
<td>4 062 394,63</td>
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<tr>
<td>% Total Investment</td>
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<td>85,7</td>
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<td>79,5</td>
<td>72,4</td>
<td>74,6</td>
<td>76,4</td>
<td>78,9</td>
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**TOTAL** | 163 984,30| 195 608,58| 300 001,80| 321 884,26| 400 784,11| 502 893,03| 630 286,08| 746 076,95| 921 499,19| 990 507,88| 5 146 786,25| 100     |

Source: Adapted from *Secretaria de Estado da Habitação* (Junior Housing Ministry) (2000) and SERRA (2002)
owner-occupied dwelling became the main instrument of the housing policy in the 80s and 90s, by way of regulation of mortgage loans for people wanting to buy their own homes. The allocation of housing was largely based in the information channels and in the incentives of market mechanisms.

The shrivelling of the private sector rentals and insufficiencies of public policy to promote housing also contributed towards creating an atmosphere that there was only one alternative for all families to buy their own homes: a bank loan (NEVES: 1997). The diploma that regulated all housing loans throughout the 90s was published in 1986, through the Decree-Law number 328/86 and Ordinance 562-A/86, both dated September 30th. The mentioned diplomas have since been changed and revoked, but the Decree-Law lasted until 1998, the date on which Decree-Law number 349/98 was published.

The latter created three financing regimes for housing: general arrangements for loans, non subsidized by the State, soft loans regime and soft loans regime for young people, the last two being subsidized by the State according to the number of people in the household, their effective annual income; the household members’ age and their relationship between the loan and the valuable security (*loan to value (LTV) ratio). In Chart II we will point out the objectives of the State’s intervention, public entities that are either directly and indirectly involved, as well as public administration’s tasks in this matter.

This policy resulted in the increase of competition between credit institutions. The public administration’s task centred itself essentially on controlling interest deductions from the amount liable to income tax (IRS) (Inland Revenue) and to the reimbursement charges of subsidized interest payments to banks (Treasury). From 1990 to 1999 State’s expenditure in sustaining permanent residence corresponded to approximately 78,9% of the total of the support to the housing sector, being that 42% were relative to payment of subsidized interests and the remaining 36,9% to current expenditure arising from deductions to income tax.

An extremely important factor for the evolution of this situation was the rise in demand, which resulted from the practiced deductions to income tax, which became even more significant from 1997, and, its posterior stabilization in low rates, within the ambit of the convergent economic policy applied to adhere to the Euro. Such accentuated decreases in interest rates lead to a relevant rise in the capacity for families to become indebted and to resort to loans by means of an increase in real income.
## Chart II

**Loan systems, objectives and aspects of the regulation to the access of housing**

<table>
<thead>
<tr>
<th>Credit Schemes</th>
<th>Objectives</th>
<th>Main Regulated Issues</th>
<th>Public Organisms Involved</th>
<th>Public Administration Choresas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Regime</strong></td>
<td>- purchase, construction and repairs in the owner-owned dwelling;</td>
<td>- maximum 30 year deadline;</td>
<td>MOPTC;</td>
<td>- control of tax deduction of interests on personal income tax;</td>
</tr>
<tr>
<td></td>
<td>- dynamize promotion of owner-occupied dwelling;</td>
<td>- LTV up to 100%</td>
<td>Ministério das Finanças;</td>
<td>- statistics information.</td>
</tr>
<tr>
<td></td>
<td>- finance plan for purchasing and for leasing a secondary residence.</td>
<td></td>
<td>Banco de Portugal;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>DGCI</td>
<td></td>
</tr>
<tr>
<td><strong>Soft Loans Regime</strong></td>
<td>- Ibid, except what concerns a secondary residence and leasing;</td>
<td>Ibid, except LTV;</td>
<td>Ibid;</td>
<td>- Ibid;</td>
</tr>
<tr>
<td></td>
<td>- conciliate revenue policy with the evolution of the size of the household.</td>
<td></td>
<td>DGT;</td>
<td>- accompaniment, supervision and checking of legal provisions;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Parishes.</td>
<td>- control of soft loan interests;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- repayment of soft loan interests to the bank;</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>- declaration of the household composition;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- statutory declaration of the taxpayer’s income.</td>
</tr>
<tr>
<td><strong>Soft Loans Regime for Young People</strong></td>
<td>- Ibid;</td>
<td>Ibid;</td>
<td>Ibid;</td>
<td>- Ibid;</td>
</tr>
<tr>
<td></td>
<td>- finance plan for purchasing land;</td>
<td>LTV up to 100%</td>
<td>INH.</td>
<td>- supplementary third party guarantee aid on interim loans.</td>
</tr>
<tr>
<td></td>
<td>- interim loan for payment of signal.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- MOPT – Ministério das Obras Públicas, Transportes e Comunicações (= Ministry of Public Works, Transportation and Communication);
- DGCI – Direcção-Geral das Contribuições e Impostos (= Directorate General for Taxation);
- IRS – Imposto sobre o rendimento das pessoas singulares (= Individual Income Tax);
- DGT – Direcção-Geral do Tesouro (= Treasury);
- INH – Instituto Nacional de Habitação (= National Housing Institute);

(a) It is the relationship between the monthly installment of the loan and a twelfth of the annual gross income.

### 5.2. Public administration organisation and the State as legislator and actor in the Housing sector: public promotion of housing

The Portuguese public administration has organised itself, from the public’s standpoint and in terms of government structure in matters related to housing, on the basis of a Junior Ministry, together with the Treasury Department, and under its auspices, into two organisms founded in the 1980s: the Instituto Nacional de Habitação (INH) (= National Housing Institute) and the Instituto de Gestão e Alienação do Património Habitacional do Estado (IGAPHE) (= Institute for the Management and Transfer of the State’s Habitation Patrimony)
The INH was founded in 1984\(^1\) and structured in 1986\(^2\) when its organic law was published, and it is a public institute and it has legal personality. The occupation of this institute is to administer the financing of social housing supported by the State and promoted by public, cooperative and private sectors. Its missions are also to: (a) study housing situation in order to formulate policy measures and proposals, as well as legislative measures and regulations; (b) to prepare the National Housing Plan, as well as the annual and multiannual investment plans in this sector and, finally, (c) to keep under review the implementation of the policy measures and supply technical aid to the above mentioned promoters.

IGAPHE was founded in 1987\(^3\), also as a public institute and to carry out the following: (a) management, preservation and divestiture of housing stock, equipment and land of which its patrimony is made up of; (b) provide technical support to parishes and other institutions that promote social housing, within the management and preservation domain of the housing stock and, (c) support government in defining leasing policies and divestiture of public housing.

So, one can say that the State’s intervention in the housing sector occurred, on the one hand, through an institution guided essentially towards financing social housing and, on the other hand, through an institution more directed towards managing the housing stock and towards supplying technical aid to all agents that promote social housing.

During the 90s, however, there was an inversion in the State’s attitude due to housing problems and took on a more active and dynamic posture in promoting this good and attempted to solve the country’s housing deficiency\(^4\). These housing deficiencies are normally linked and denounce a bigger or smaller dimension of the preservation problem of the housing stock.

When Decree-Law number 163/93 was published, on May 7\(^{th}\), it was founded a Special Rehousing Programme in the Lisbon and Oporto metropolitan areas (Programa Especial de Realojamento (PER)). The objective of this programme was to put an end to shacks and similar poor housing until the year 2000. The State would have a 50% capital contribution on all promotional costs and the local autarchies would be

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1 Decree-Law number 177/84, May 25\(^{th}\).
2 Decree-Law number 202 – B/86, July 22\(^{nd}\).
3 Decree-Law number 88/87, February 26\(^{th}\).
4 MENDES (1998: 24) stated, in April, 1997 that, in the 90s, the housing policy was directed towards mobilising economic and social resources to involve all acting members in the direction of decentralising responsibilities in implementing actions.
responsible for the remainder of the costs, and they could also benefit from soft loans by way of the INH (Instituto Nacional de Habitação = National Housing Institute).

Simultaneously, Decree-Law number 164/93, also published on May 7th. Instituted the Programa de Construção de Habitações Económicas (= Programme for Building Subsidised Housing) and it also regulated the building of price controlled accommodations through making parcels of land, belonging to IGAPHE, available to the autarchies. However, between 1990 and 1999, the costs the State had to support in Rehousing families and to renew equipments in council estates represented about 13,4% of total costs with the housing sector. Nevertheless, there was a rise in the amounts attributed to these programmes, as from 1996, namely of PER (Chart I).

In fact, expenses related to direct promotion of housing between 1990 and 1995, when Portugal was governed by the Social Democratic Party (centre-right government), which held a majority of seats in Parliament, represented about 9,8 of the total of financial support to the Portuguese housing sector. Between 1996 and 1999, the amount rose to 15,5%, the period during which Portugal was governed by the Socialist Party (centre-left government)\(^1\). On the other hand, after 1995 there was an increase in partnerships between the public administration and a growing number of communes eligible and, consequently an increase in processes and financing amounts. With the undertaking of this enterprise capital, the success of these programmes is dependent on the commune’s dynamism and on the town planning constraints.

5.3. Public and private leasing sector

Throughout the 90s, the political strategy followed for the leasing sector was that of attempting to liberalise it. This was so both in order to try attract investment for reinitiating it, and also to try and revoke lease blocking, which had been common practice until 1985. Prudent updating of leasing amounts and an indexation inferior to inflation followed this policy.

This policy helped stimulate tenement offer on the part of private and cooperative sectors, but also to dynamize demand.

In as far as public tenement is concerned, stimuli to demand were centred in, (a) creation of subsidies for tenement in 1986, (b) tax incentive, (c) in creating the

\(^1\) SERRA (2002: 237), even though many of the undertaking of these constructions had been contracted prior to 1995, the results of which would, therefore, be posterior to the mentioned date.
Tenement Incentive for Young People (*IAJ* – Decree-Law number 162/92, August 5th.) with the attribution of a subsidy to young households whose average age limit did not exceed 30 years and, (d) aid in rent for council leasing.

In as far as *IAJ* is concerned, it is to be noted that throughout the decade there was a significant rise both of beneficiaries as well as in the financing and processes scale, being that it was the Lisbon and Oporto districts that received the greater percentage (15.9% and 18.6% of the total approved candidacies) and Braga district (15.3%), where the young population represents a significant vein of the resident population\(^1\).

In as far as the private sector tenement is concerned and especially from 1995 onwards, programmes were created and amplified to support restoration of buildings\(^2\). The objective of the mentioned programmes was to help Municipalities to act mainly in historic centres and to share financially in rehabilitation programmes of ancient buildings. Their objective was also to support preservation of immovable property in general that were private owned and carry out works in the common access parts of residences by way of instituting a subsidized credit line. In fact, it became evident, during the mentioned decade, that, in Portugal, the rentability of immovable property was of little significance in the civil construction market, contrary to what happened (and still does) throughout Europe, in which it is the most active area in the sector\(^3\).

6. Conclusions

1. Conduction of economic activity headed by the various governments and of public administration itself must, in our opinion, show four types of permanent demands and concerns, namely:
   
   a) Physical resources, fixed capital, where one must embody technology, resulting, at the outset, from investment;
   
   b) Initiative to know how to use and profit, that is, innovation and human resources are needed with a reasonable degree of training;
   
   c) Leadership, that is, determination and perseverance to command and to have an impact on previous resources;

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\(^1\) SERRA (2002: 238).
\(^3\) COUTINHO (1995: 104).
d) Consider the accumulation process of past activity of economic and social agents, that is, to pay special and constant attention so as that that process will not be interrupted and that its results are adequately and prudently applied.

2. Innovation in non-entrepreneurial administration will have to have an ever greater importance: competition, at all social levels and organisation's constant flexibility and that of individuals will lead to decrease in the lag behind between their productivity and reaction and adaptation of public administration.

3. The definition of housing policies is the government's responsibility, but its implementation is up to the various organisms over which government has limited control, namely in as far as procedures and tasks (BALCHIN: 2002). The undertaking of this policy does not happen immediately after it has been formulated. Even though part of government's responsibility is frequently compulsive because of legislation, the variety of interpretations of the law can be widespread, which leads to varied options. This is so especially in an area such as housing in which there is scarcity of demand and in which, in social terms, substitutions are inadmissible. In the case of municipalities, each one can decide its own policies and set down their own processes and programmes.

4. It should be noted, however, that the implementation of the housing policy by public administration is also limited, for its organisation and division of the various competencies are factors to bear in mind. There is a tendency to fragment responsibilities in civil management and, very often, this shows the disperse nature of legislation on housing and the tempo of its changes. Not less important is the need to cut down on bureaucracy and, at least, to simplify some administrative processes in order to confer greater flexibility to the legal frame and to regulate the financial system and the frame of incentives and subsidized loans. This will only become possible if all actors guarantee that they will participate in promoting housing (MENDES: 1998).

5. Finally, the effects of the housing policy have more to do with government's political options than with innovation proper, as it is understood in this study. They are consequences more of structural factors than of innovation in itself. They are the results of what happens in the construction sector, of government and civil administration's organisation and of the capacity to control public organisms that convey council housing policy. Although council housing is not a desired option, to which we must add the little dynamism of the private rental sector, Portuguese families are obliged to
become owners because they have only one choice: apply for a loan at the bank to buy and build their own homes (NEVES: 1997).

Bibliography


