

### SPRING 2015 REFORM BAROMETER - PORTUGAL

		Q1 : the recommendation is :	Q2 : Implementation on effort is :	Detailed comments
CSR 1	<p>Implement the necessary fiscal consolidation measures for 2014 so as to achieve the fiscal targets and prevent the accumulation of new arrears. For the year 2015, implement a revised budgetary strategy in order to bring the deficit to 2,5 % of GDP, in line with the target set in the Excessive Deficit Procedure Recommendation, while achieving the required structural adjustment. Replace consolidation measures which the Constitutional Court considers unconstitutional by measures of similar size and quality as soon as possible. The correction of the excessive deficit should be done in a sustainable and growth-friendly manner, limiting recourse to one-off/temporary measures. After the correction of the excessive deficit, pursue the planned annual structural adjustment towards the medium-term objective, in line with the requirement of an annual structural adjustment of at least 0,5 % of GDP, more in good times, and ensure that the debt rule is met in order to put the high general debt ratio on a sustainable path. Prioritise expenditure-based fiscal consolidation and increase further the efficiency and quality of public expenditure. Maintain tight control of expenditure in central, regional and local administration. Continue the restructuring of the state-owned enterprises. Develop by the end of 2014 new comprehensive measures as part of the ongoing pension reform, aimed at improving the medium-term sustainability of the pension system. Control healthcare expenditure growth and proceed with the hospital reform. Review the tax system and make it more growth-friendly. Continue to improve tax compliance and fight tax evasion by increasing the efficiency of the tax administration. Strengthen the system of public financial management by swiftly finalising and implementing the comprehensive reform of the Budgetary Framework Law by the end</p>	Important	Mixed	<p>Although consolidation measures considered unconstitutional were not replaced, the deficit target for 2014 is expected to be met. Structural adjustment underlying 2015 budget is weak and expenditure-based consolidation is unsatisfactory. Corporate tax reform (decided in 2013 and starting implemented in 2014) was growth friendly but green taxation reform (decided in December 2014) will have an adverse impact on energy costs. Personal income tax reform (decided in December 2014) was positive but not so far reaching as expected. Pension reform was abandoned, waiting for "political consensus".</p>

	of 2014. Ensure strict compliance with the Commitment Control Law. Effectively implement single wage and supplements' scales in the public sector from 2015 onwards.			
CSR 2	Maintain minimum wage developments consistent with the objectives of promoting employment and competitiveness. Ensure a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level. Explore, in consultation with the social partners and in accordance with national practice, the possibility of mutually agreed firm-level temporary suspension of collective agreements. By September 2014, present proposals on mutually agreed firm-level temporary suspension of collective agreements and on a revision of the survival of collective agreements.	Important	Satisfactory	Minimum wage actualization was agreed by employers' confederations and it was agreed to define future criteria consistent with productivity and competitiveness developments. The revision of the survival of collective agreements partially met employers objectives.
CSR 3	Present, by March 2015, an independent evaluation of the recent reforms in the employment protection system, together with an action plan for possible further reforms to tackle labour market segmentation. Pursue the ongoing reform of active labour market policies and Public Employment Services aimed at increasing employment and labour participation rates, specifically by improving job counselling/job search assistance and activation/sanction systems with a view to reducing long-term unemployment and integrating those furthest away from the labour market. Address the high youth unemployment, in particular by effective skills anticipation and outreach to non-registered young people, in line with the objectives of a youth guarantee. Ensure adequate coverage of social assistance, including the minimum income scheme, while ensuring effective activation of benefit recipients.	Important	Mixed	The reform of active labour market policies pursued, but further progresses are needed. National plan in line with Youth Guarantee was implemented.
CSR 4	Improve the quality and labour-market relevance of the education system in order to reduce early school leaving and address low educational performance rates. Ensure efficient public expenditure in education and reduce skills mismatches, including by increasing the quality and attractiveness of vocational education and training and fostering cooperation with the business sector. Enhance cooperation between public research and business and foster knowledge transfer.	Important	Mixed	No relevant results. Portugal 2020 (partnership agreement for ESIF) is expected to enhance cooperation between public research and business.

CSR 5	<p>Monitor banks' liquidity position and potential capital shortfalls, including by on-site thematic inspections and stress-testing. Assess the banks' recovery plans and introduce improvements to the evaluation process where necessary. Implement a comprehensive strategy to reduce the corporate debt overhang and reinforce efforts to widen the range of financing alternatives, including for early stages of business developments, by enhancing the efficiency of the debt restructuring tools (particularly PER and SIREVE) for viable companies, introducing incentives for banks and debtors to engage in restructuring processes at an early stage and improving the availability of financing via the capital market. Ensure that the identified measures support the reallocation of financing towards the productive sectors of the economy, including to viable SMEs, while avoiding risks to public finances and financial stability. Implement, by end September 2014, an early warning system mainly with supervisory purposes, to identify firms, including SMEs, with a high probability of default due to an excessive level of indebtedness, and which can, indirectly, promote early corporate debt restructuring.</p>	Extremely important	Mixed	<p>Results of stress tests to main Portuguese banks were favorable. Reform of debt restructuring tools for viable companies was carried out, but not enough. A strategy to reduce the corporate debt overhang must go beyond that. Early warning system was implemented but results are still to be seen. Further efforts to widen the range of financing alternatives are needed.</p>
CSR 6	<p>Implement the second and third packages of measures in the energy sector aimed at reducing energy costs for the economy, while eliminating the electricity tariff debt by 2020, and closely monitor implementation. Improve the cross-border integration of the energy networks and speed up implementation of the electricity and gas interconnection projects. Implement the comprehensive long-term transport plan and the 'chronogram' setting out the ports sector reforms. Complete the transports concessions for the metropolitan areas of Lisbon and Oporto. Ensure that the renegotiations of the existing port concessions and the new authorisation schemes are performance-oriented and in line with internal market principles, in particular procurement rules. Ensure that the national regulatory authority for transport (AMT) is fully independent and operational by the end of September 2014. Ensure the financial sustainability of the state-owned enterprises in the transport sector. Strengthen efficiency and competition in the railways sector, by implementing the plan for the competitiveness of CP Carga, after the transfer of the freight terminals while ensuring the management independence of the state-owned infrastructure manager and railway undertakings.</p>	Extremely important	Mixed	<p>CIP understands the constraints of the government in dealing with the issue of energy costs, but is displeased with the need for backloading costs and tariff deficit elimination and is not certain that in 2020 the deficit will be eliminated. There is no use in improving cross border integration of the energy networks between Portugal and Spain if integration of the networks between Spain and France is not effective.</p>

CSR 7	<p>Further improve the evaluation of the housing market, including by setting up, by the end of 2014, a more systematic monitoring and reporting framework and issue a comprehensive report on the shadow economy in that market. Continue efforts to carry out further inventories of regulatory burdens with a view to including, by March 2015, sectors not yet covered. Adopt and implement, by the end of September 2014, the outstanding licensing decrees and sectoral amendments. Remove, by the end of September 2014, remaining restrictions in the professional services sector and enact the professional bodies' amended by-laws which have not yet been adopted under the macroeconomic adjustment programme. Eliminate payment delays by the public sector. Ensure adequate resources of the national regulators and competition authority.</p>	Important	Unsatisfactory	<p>Inventories of regulatory burdens have been carried out but results are unknown: the process drags on too long. The government did pass legislation on licensing containing simplifications that, formally, are relevant but in practice unimportant due to the complexity in the functioning of the institutions of public administration. Yet, we recognize that the Government remains interested in the rationalisation and simplification of licensing procedures. Although arrears from the public sector have registered some reduction in late 2014, its still high level remains a problem affecting corporate finance.</p>
CSR 8	<p>Continue to rationalise and modernise central, regional and local public administration. Implement the reforms to enhance the efficiency of the judicial system and increase transparency. Step up efforts to evaluate the implementation of reforms undertaken under the macroeconomic adjustment programme as well as planned and future reforms. In particular, insert mandatory systematic ex ante and ex post assessments in the legislative process. Set up a functionally independent central evaluation unit at government level, which assesses and reports every six months on the implementation of these reforms, including consistency with the ex-ante impact assessment, with corrective action if needed.</p>	Extremely important	Unsatisfactory	<p>More efforts are needed to achieve the objective of rationalisation and modernisation of public administration. The reform of the judicial system has been seriously undermined by operational problems. Mandatory systematic ex ante impact assessments in the legislative process have been object of legislation but is not implemented yet (namely, SME test and one-in / one-out rule).</p>