

SPRING 2017 REFORM BAROMETER – PORTUGAL

European Semester - Overall assessment of 2016 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (February/November 2016) is appropriate.	To a large extent	CIP has generally agreed with the assessment and general strategic guidelines of Portuguese NRP. Priority should be given to the pillars concerning the capitalization of enterprises and the modernization of the State. However, the development of some of those guidelines was considered insufficient. The main criticism CIP has expressed was that its response to the challenge of the sustainability of public finances is very limited and insufficient.
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	On budget consolidation, the reference to the expenditure review at all levels of public administration was a positive signal concerning the strategy to follow. Recommendations 2 and 4 are very pertinent.
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	To a large extent	

Assessment of Country Specific recommendations 2016 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Ensure a durable correction of the excessive deficit, in accordance with the relevant decisions or recommendations under the excessive deficit procedure, by taking the necessary structural measures and by using all windfall gains for deficit and debt reduction. Thereafter, achieve an annual fiscal adjustment of at least 0,6 % of GDP. Conduct, by February 2017, a comprehensive expenditure review and strengthen expenditure control, cost effectiveness and adequate budgeting at all levels of public administration. Ensure the long-term sustainability of the health sector, without compromising access to primary healthcare. Reduce the reliance of the pension system on budgetary transfers. By the end of 2016, refocus ongoing restructuring plans of state-owned enterprises.	Important	Mixed	Targets are expected to be met, but structural measures were insufficient and the results expected from the expenditure review are very limited. 2017 budget increased indirect taxes and created an additional taxation on urban real estate. Tax burden is expected to remain at the present level.
CSR 2	In consultation with social partners, ensure that the minimum wage is consistent with the objectives of promoting employment and competitiveness across sectors.	Extremely important	Unsatisfactory	The increases of the minimum wage in 2016 and in 2017 were not consistent with the objectives of promoting employment and competitiveness. CIP and the other social partners within the Standing Committee for Social Concertation have agreed on compensatory measures to mitigate the effects of those increases. Agreement for 2017 was reached with the Government but those measures have not materialized yet.

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 3	Ensure the effective activation of the long-term unemployed and improve the coordination between employment and social services. Strengthen incentives for firms to hire through permanent contracts.	Extremely important	No progress	<p>There was not any relevant development regarding the effective activation of the long-term unemployed and improvement of coordination between employment and social services in this matter. Taking into account the Portuguese specificities, namely given the high rate of youth unemployment, activation efforts must also be directed to the youth.</p> <p>With regard to the recommendation to strengthen incentives for firms to hire through permanent contracts, it is CIP's perspective that permanent and fixed term contracts should be supported. In 2016, the Portuguese Government, instead of strengthen incentives for firms to hire through permanent contracts, announced its intention to eliminate or significantly reduce support for fixed-term contracts. In CIP perspective, the government announcement is extremely negative for the future of the labour market.</p>
CSR 4	Take measures, by October 2016, to facilitate the cleaning up of the balance sheets of credit institutions and address the high level of non-performing loans. Reduce the debt bias in corporate taxation and improve the access to finance for start-ups and small and medium-sized enterprises via the capital market.	Extremely important	Mixed	<p>The State Budget for 2017 has an important and positive measure to reduce the debt bias in corporate taxation. Measures to facilitate the cleaning up of the balance sheets of credit institutions and address the high level of non-performing loans are still expected.</p>

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 5	Increase transparency and efficiency in public procurement as regards public-private partnerships and concessions. By the end of 2016, improve and accelerate administrative and licensing procedures, accelerate tax litigations and reduce regulatory barriers, especially in business services. Incentivise cooperation between universities and the business sector.	Important	Unsatisfactory	Some progress was made to improve and accelerate administrative and licensing procedures in cooperation between universities and the business sector.

Reform Progress in your Member State in 2016

How would you assess reform progress in 2016, for the following broad areas:

Taxation and Public Finances	Mixed
Business environment (regulation/access to markets)	Mixed
Labour market	No progress
Innovation and skills	Mixed
Access to finance and Financial stability	Unsatisfactory

Is there any example of an economic reform, specific to your country that BUSINESSEUROPE could highlight in its 2017 Reform Barometer?

The revision of our notional interest deduction regime in the State Budget for 2017 was an important step to reduce the debt bias in corporate taxation.

Reform priorities for 2017

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Bank lending conditions	Address the high level of non-performing loans and the need for business to restructure their debt and recapitalize.	yes
Priority 2	Business Environment - Regulatory barriers to entrepreneurship	Implement impact assessment systems, "one in one out" principle and "only once principle". Focus on improving judicial system.	yes
Priority 3	Wage bargaining and wage-setting policies	Reach an agreement with social partners on objective criteria for the evolution of the minimum wage.	yes
Priority 4	Labour market mismatch and labour mobility	Link education and vocational training with the labour market needs, deeply involving social partners and companies.	yes
Priority 5	R&D and Innovation	Resume the investment on that area through partnerships between the public and private sector.	yes