

SPRING 2019 REFORM BAROMETER – PORTUGAL

European Semester - Overall assessment of 2018 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (March 2018) is appropriate.	To some extent	Main critics of CIP regarding the NRP are: absence of tax reforms; lack of ambition on reforms aimed at the capitalization and financing of Portuguese companies, as well as on the reform of the State and Public Administration; there is no clear priority in the allocation of resources to vocational training; we do not share the vision on the way how to fight labour market segmentation.
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	
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 2018 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Ensure that the nominal growth rate of net primary government expenditure does not exceed 0.7 % in 2019, corresponding to an annual structural adjustment of 0.6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Strengthen expenditure control, cost effectiveness and adequate budgeting, in particular in the health sector with a focus on the reduction of arrears in hospitals. Improve the financial sustainability of state-owned enterprises, in particular by increasing their overall net income and by reducing debt.	Important	Mixed	Headline deficit will be lower than the target, but the nominal growth rate of net primary government expenditure and the structural budget targets will not be attained. The expenditure review is still a very limited exercise. No progress in the reduction of arrears in hospitals. No progress in the reduction of tax burden.

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 2	<p>Promote an environment conducive to hiring on open-ended contracts, including by reviewing the legal framework in consultation with social partners. Increase the skills level of the adult population, including digital literacy, by strengthening and broadening the coverage of the training component in adult qualification programmes. Improve higher education uptake, namely in science and technology fields.</p>	Important	Mixed	<p>The European Commission's overall assessment of our country, which is the basis for its Recommendation, clearly points out that, in order to tackle segmentation in Portugal, it is necessary to amend the legal regime for individual dismissals associated with open-ended contracts. The Portuguese Government and the majority of the social partners signed an agreement, on the 18th June 2018, in the Standing Committee for Social Concertation, that foresees more restrictions in the fixed-term contracts legal regime, and, therefore, to its use. After difficult and complex discussions, CIP signed the agreement, not only because there were several other issues on the table, but also because we are strongly committed to the economic and social development of our country in an environment of social peace. Presently, a project of law is under discussion in the Portuguese Parliament to materialize the Agreement. Nevertheless, we continue to agree with the Commission assessment and Recommendation.</p>
CSR 3	<p>Increase the efficiency of insolvency and recovery proceedings and reduce impediments to the secondary market for non-performing loans. Improve access to finance for businesses. Reduce the administrative burden by shortening procedural deadlines, using more tacit approval and reducing document submission requirements. Remove persistent regulatory restrictions by ensuring a proper implementation of the framework law for highly regulated professions. Increase the efficiency of administrative courts, <i>inter alia</i> by decreasing the length of proceedings.</p>	Important	Mixed	<p>NPL have decreased and there were progresses on the program to improve the access to capital (Programa Capitalizar), but there are still measures missing, namely measures aiming the creation of new sources of finance and capitalization of companies. Progresses on the reduction of administrative burden and on the decreasing the length of court proceedings are slow.</p>

Reform Progress in your Member State in 2018

How would you assess reform progress in 2018, for the following broad areas:

Taxation and Public Finances	Mixed
Business environment (regulation/access to markets)	Mixed
Labour market	Mixed
Innovation and skills	Mixed
Access to finance and Financial stability	Mixed

Reform priorities for 2019

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Labour market mismatch and labour mobility	Prioritize vocational training, linking it with the labour market needs, deeply involving business associations and companies.	yes
Priority 2	Bank lending conditions	Address the need for business to restructure their debt and recapitalize	yes
Priority 3	Tax reforms	Reduce the tax burden on companies	no
Priority 4	Business Environment - Regulatory barriers to entrepreneurship	Implement an effective and transparent impact assessment system. Focus on improving judicial system (namely by capacitation of commercial courts)	yes
Priority 5	Job protection	Positive advances in labour reforms undertaken in Portugal between 2011 and 2015 must be preserved to safeguard and allow the dynamization and modernization of sectors.	no