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PORTUGAL — REVIEW OF PROGRESS ON POLICY MEASURES RELEVANT FOR THE CORRECTION OF MACROECONOMIC IMBALANCES

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Executive summary

This note provides the fourth round of specific monitoring under the Macroeconomic Imbalance Procedure. In February 2019, Portugal was found to experience imbalances, identified in the 2019 Country Report as relating in particular to high public and private debt and a high share of non-performing loans (NPLs) in a context of a large stock of external liabilities and low productivity. The specific monitoring reviews the latest developments in Portugal's macroeconomic imbalances and policy initiatives to correct them, as called by the 2019 Country-specific Recommendations addressed to Portugal. The cut-off date for this report is 5 December 2019.

Economic performance remains broadly positive, but growth has moderated against the backdrop of weakening external demand. Following significant upward revisions to GDP growth to 3.5% in 2017 and 2.4% in 2018, the pace slowed down to 2.1% y-o-y in Q1-2019 and 1.9% y-o-y in both Q2-2019 and Q3-2019. Full-year growth is projected at 2.0% in 2019, according to the Commission 2019 autumn forecast. This reflects a more subdued pattern of employment creation and private consumption while the negative contribution of net exports is partially explained by a projected investment rebound.

Although unwinding, sizeable macroeconomic imbalances continue to characterise the Portuguese economy. Public debt continues on a downward path, on the back of several policy initiatives. Private indebtedness remains in decline, with the corporate sector deleveraging at a slightly faster rate than households, and with banks making progress in reducing NPLs. In contrast, the pace of adjustment for the net international investment position (NIIP) has slowed down, with the NIIP remaining one of the most negative among EU countries. Labour productivity registered a marginal improvement, insufficient to reduce the gap with the EU average.

Some measures are intended to improve overall sustainability of public finances and to reduce private indebtedness. As regards public finances, the new fully-fledged programme to strengthen the sustainability of the health system and address the root causes of hospital arrears is a step in the right direction, but it needs to be implemented in a timely and forceful manner. At the same time, the debt-to-GDP ratio of state-owned enterprises (SOEs) has been on a declining path, even though SOEs as a whole continue to struggle to achieve a balanced financial position and measures to ensure enhanced monitoring and closer adherence to initial business activity plans are advancing only gradually. As regards private indebtedness, measures are facilitating a reduction in NPLs and a swifter resolution of insolvency proceedings.

Various measures aim to address the productivity and competitiveness challenge. This is the case of structural policies in the areas of research and innovation, competition in services, or transport infrastructure. Other measures that could contribute to improving productivity and external competitiveness focus on the business environment, the efficiency of the justice system, and education and skills.

Reform progress differs across policy areas. Administrative simplification is advancing. Reforms addressing research and innovation, skills, or the efficiency of the judicial system go in the right direction but they are yet to trigger a relevant impact over productivity. In contrast, reform action lags behind in addressing barriers to competition derived from professional services regulation, and from licensing in certain sectors.

Table 1: Key findings on implementation of policy reforms [1]

On track	Wait-and-see	Action wanted
• Implementing the 3-pillar NPL reduction plan.	• Strengthening overall expenditure control, cost efficiency and adequate budgeting, with a focus in particular on a durable reduction of arrears in hospitals; • Improving the financial sustainability of state-owned enterprises, while ensuring more timely, transparent and comprehensive monitoring; • Upgrade the qualification levels of the population and reinforce the matching between skills and labour market needs; • Improve the tertiary education uptake, notably in science and information technology. • Boosting innovation and digitalisation of the economy. • Improving the effectiveness of the judicial system.	• Improving the quality of public finances by prioritising growth-enhancing spending; • Removing barriers to competition, notably by easing licensing requirements and procedures; • Addressing regulation of professional business services.

1 The table classifies reforms under review on the basis of their respective adoption and implementation process, uncertainty and their level of detail. "On track" are measures for which the legislative or implementation process has been completed or is progressing well according to the foreseen timeline, and which are expected to be sufficiently effective. "Wait and see" are measures for which the legislative process is on-going, but is still in a relatively early phase, or measures for which there is still uncertainty on the complete implementation and effectiveness. "Action wanted" are measures for which limited or no action has been taken, or measures that have been announced but which are not sufficiently detailed yet to be assessed.

1. Introduction

In February 2019, Portugal was identified as experiencing macroeconomic imbalances in the context of the Macroeconomic Imbalance Procedure (MIP). The identified imbalances mainly relate to the large stock of external liabilities, public and private debt, the high share of NPLs and low productivity growth. House prices were not considered a source of imbalances but warranted closer monitoring.

The 2019 Country-specific Recommendations (CSRs) under the European Semester provided guidance for the policy follow-up. These recommendations concern a wide range of policy domains that are relevant to address imbalances: (CSR1) public finances, including fiscal-structural policies; (CSR2) education and skills; (CSR3) policies related to investments in research and innovation, transport and energy transition; and (CSR4) policies for reducing NPLs, addressing regulatory restrictions, improving the business environment, and increasing the efficiency of the justice system.

This section provides an overview of the state of play regarding progress with policy implementation to address imbalances as identified under the MIP framework. In order to avoid an overlap with other ongoing surveillance processes, it does not provide an assessment of compliance with fiscal targets.

2. Outlook and evolution of imbalances

The country's net international investment position (NIIP) remains one of the most negative in the EU. A substantial part of the recent improvement was due to the significant upward revisions in GDP, while the positive net inflow from the current and capital account dropped to 1.4% of GDP in 2018 from 2.1% in 2017. The flows worsened further in the first half of 2019, as the current and capital accounts turned to a deficit of 2.0% of GDP relative to a fully balanced position a year earlier. Nevertheless, the NIIP moved to -104.4% of GDP at the end of June 2019[2], benefiting from economic growth. However, the pace of adjustment slowed substantially and the current projections point to a further slowdown in the short term.

Structural improvements mitigate external risks. Despite the slower pace of NIIP adjustment, the deterioration in the external trade appears fully driven by investment demand while the balance in trade with consumer goods and services is broadly stable. The risk profile of external liabilities also improved. On the one hand, it reflects the reduced risk-premium on government debt, accounting for nearly 60% of the NIIP. On the other hand, the FDI component of the NIIP keeps increasing from 36.8% of the NIIP at the end of 2017 to 38.1% at the end of 2018 and 39.2% at the end of June 2019. This implies that a large share of the external liabilities in the private sector are generated by non-defaultable instruments.

Public debt continues steadily decreasing from a high level. According to the Commission 2019 autumn forecast, after having dropped to 122.2% of GDP in 2018, the public debt-to-GDP ratio is set decline to 119.5% of GDP in 2019, while the headline balance gradually approaches balance. Looking ahead, the public debt-to-GDP ratio is projected to continue decreasing by close to 3 pps per year to 113.7% of GDP by 2021, on the back of steady primary surpluses and favourable growth-interest rate

[2] Data revisions show that the NIIP was even more negative than previously reported although the pace of adjustment is still in place. The lowest value reached at the end of 2014 now stands at -123.8% of GDP relative to previously reported -117.5%. The ratio improved to -109.9% by the end of 2017 (previously reported -104.7%) and to -105.6% by the end of 2018.

differentials. Portugal has deployed continuous efforts to reduce interest expenditure, extend the average maturity and reduce annual peaks in the debt redemption profile. Portugal has undertaken bond buybacks aimed at extending debt maturity and smoothening its profile. Moreover, the financial assistance loans to the International Monetary Fund have been fully repaid by end-2018. Portugal also carried out in October 2019 an early repayment of EUR 2 billion to the European Financial Stability Facility, which would otherwise only be due in 2025.

Private indebtedness continues decreasing. In consolidated terms, private debt has been falling steadily since 2012 driven both by the corporate and household sectors. After reaching a peak of 210.6% of GDP at the end of 2012, the ratio dropped to 162.2% of GDP at the end of 2017 and to 155.4% at the end of 2018. The latest data for 2019, available only in non-consolidated terms, show a similar pace of decline, reflecting a broadly stable debt stock in absolute terms while the debt ratio is pulled down by the growth in nominal GDP. The corporate sector is deleveraging slightly faster than households, although the difference has narrowed since the start of the year. The debt ratios remain on a downward trend across most business sectors.

NPLs decline substantially but remain relatively high. Portuguese banks have significantly further reduced NPLs, on the basis of sales, write-offs and loan restructurings. The NPL ratio dropped from a peak of 17.9% in the first half of 2016 to 9.4% at the end of 2018 and 8.3% at the end of June 2019. The six banks with the highest NPL ratios continue the process of balance sheet cleaning and are actively participating in the secondary market. Overall, the NPL stock remains high and the NPL ratio is significantly above the euro area average.

Labour productivity is improving marginally. Following significant upward revisions for GDP growth in 2017 and 2018, labour productivity marked a small increase in both years as compared to a previously reported small decline. According to the Commission 2019 autumn forecast, productivity is set to increase at a stronger pace of about 1% annually by 2021. This is explained by the decline in labour market slack and the projected slowdown in employment growth.

House prices keep rising at high rates. The growth in house prices moderated only slightly from an annual average of 10.3% in 2018 to 9.2% (y-o-y) in Q1-2019 and 10.1% (y-o-y) in Q2-2019. In deflated terms, the growth rate remains also high at 7.6% (y-o-y) in Q1-2019 and 9.0% y-o-y in Q2-2019 relative to an annual average of 9.2% in 2018. House prices are thus rising above the indicative threshold of 6% for the fourth year in a row but this follows a long period of undervaluation. Construction volumes continue to increase, particularly in regions with higher price growth, but this is still insufficient to offset supply gaps. In addition, authorities have maintained the borrower-based macro-prudential measures introduced in 2018 (limits to loan-to-value and debt-service-to-income ratios and an amortisation requirement), which have contributed to preserving sound credit standards.

3. Policy measures taken to address macroeconomic imbalances

3.1 Public finances

Growth-friendly fiscal consolidation remains essential to strengthen the sustainability of Portugal's public finances. On the one hand, a high priority on growth-enhancing spending appears necessary, including high-quality public investment. Despite having increased to 1.9% of GDP in 2018, public investment has remained comparatively low (2.7% of GDP in the euro area) and below the government's plans (2.3% of GDP in the Draft Budgetary Plan for 2018). This trend of subdued public investment is unlikely to have been reverted in 2019 (only 56.4% of the amount planned in the Draft Budgetary Plan for 2019 has been executed up to October). On the other hand, it would appear helpful to reinforce the efforts to strengthen overall expenditure control, cost-efficiency and adequate budgeting. The ongoing expenditure review is paramount but it is progressing slowly and has been estimated to lead to only modest efficiency savings of around 0.1% of GDP in 2019. Moreover, after recurrent postponements, both the new accrual-based public accounting framework and the main provisions of the 2015 Budgetary Framework Law are still awaiting to be implemented.

To cope with the ageing population, it is crucial to strengthen the sustainability of the pension system in a structural manner. Pension expenditure has continued to increase in 2019 (by around 0.3% of GDP year-on-year until October on a cash basis), mostly reflecting the underlying upward trend driven by the ageing population. In addition, measures gradually implemented in 2019 entailed further increases in pension spending (by around 0.1% of GDP). First, pathways for early retirement continued to be broadened with the introduction of a flexible early retirement scheme with full implementation by October 2019, exempting citizens who at age 60 paid contributions for at least 40 years from the sustainability factor. Second, additional special increases, on top of the regular pension indexation linked to inflation and real GDP growth, were implemented for low pensions, coupled with a new special supplement for new minimum pensions. In the absence of compensatory balance-improving measures of a structural nature, the improvement of the social security balance in 2019 (by around 0.4% of GDP year-on-year until October on a cash basis) risks having been mostly cyclical, with the currently favourable labour market conditions translating into higher revenue from social contributions and lower expenditure on unemployment benefits. The social security balance in 2019 has nevertheless also benefited from other positive impacts from measures to prevent fraud and error, changes to the contributory scheme of self-employed workers and transfers from the State, partly related to earmarked revenue from VAT, CIT and the surcharge on the local property tax.

The wage bill is exercising growing pressure on the expenditure side of the budget. The number of civil servants has been increasing at a steadily accelerating pace since mid-2015, having expanded by 2.8% year-on-year in September 2019. Staff increases have been particularly pronounced in local administration and in the health and education systems, concurring with two measures directly affecting the headcount. First, a wide-ranging programme in the public sector to convert temporary contracts into permanent ones has been gradually implemented since 2017. Second, the 35-hour work week has been extended in mid-2018 to employees in the health sector with private sector contracts, which used to include a 40-hour work week. In addition, public wages have benefited from the gradual unfreezing of career progression since 2018 with full implementation planned for December 2019 and a balance-deteriorating impact of around 0.2% of GDP in both years. In combination with the increase in the minimum wage applicable to civil servants in 2019, higher variable allowances and extra-hours compensation, the wage bill has increased above government plans (by 4.7% year-on-year by October 2019 on a cash basis, compared with the implicit annual target of 2.1%). The expanding wage bill introduces budget rigidities that limit the flexibility to adjust public expenditure in line with potentially less favourable economic conditions and new policy objectives.

Timely implementation of the programme to improve the sustainability of the health system remains of utmost importance. The overall balance of the health system continued to deteriorate in 2019 (by around 0.1% of GDP year-on-year by October on a cash basis), reflecting increases in the wage bill (including extra-hours compensation) and spending on medicines and other healthcare goods and services. A new fully-fledged programme to strengthen the overall sustainability of the health system started being implemented in 2019. The programme is expected to introduce a new governance model for public hospitals, with substantial increases in hiring autonomy and annual budgets being combined with enhanced joint monitoring by the Ministries of Finance and Health. A formal structure to evaluate the managing of public hospitals along these goals was created in June 2019, but most of the hospitals' new business activity plans are yet to be agreed upon. After having decreased visibly in December 2018, mainly as a result of sizeable *ad-hoc* clearance measures in that year, hospital arrears are back on a steady increasing path since July 2019 (to a level close to 0.4% of GDP by October). Prompt and effective implementation of the new programme would possibly help to slowdown the accumulation of hospital arrears in a more durable manner. At the same time, cost-effectiveness in the health system in 2019 has continued to be promoted through increased reliance on centralised purchasing of medicines and medical devices, coupled with further efforts towards greater use of cost-saving generics and biosimilars. Looking forward, optimising efficiency savings will be key to ensure the long-term sustainability of the health system and to finance sustained improvements to the access to healthcare.

SOEs as a whole continue to struggle to achieve a balanced financial position. While the net incomes of financial SOEs have improved in the first three quarters of 2019, the net incomes of non-financial SOEs have gradually worsened compared with 2018. As a result, SOEs at year-end will likely be farther from balance compared with government plans. At the same time, the debt of public non-financial SOEs included in general government has continued to decrease, though at a decelerating pace, from 15% of GDP in December 2018, to 14% of GDP by September 2019. Some measures to strengthen the sustainability of SOEs are only implemented gradually, including the analysis of quarterly data aiming to identify and correct in a timely manner deviations from the approved budgets. Moreover, the capital structure of a series of SOEs has been strengthened through sizeable capital injections and the liquidation of unprofitable or redundant SOEs has been continued. Transparency regarding the financial position of SOEs has been improved somewhat through the publication of aggregate quarterly financial data within a shorter timeframe.

3.2 Private debt

The NPL ratio in Portugal has steadily decreased since 2016. While it now represents less than half of the September 2016 peak level (17.7%), it is still the third highest in the EU. The continuous decline is the result of a number of NPL reduction strategies implemented over the past years by the authorities and the concerned banks, focusing on a combination of sales, write-offs and loan restructurings. The recovery in real estate prices has led to the development of a very active secondary market for distressed debt, with transactions totalling EUR 6 billion in 2018.

Efforts continue to further improve the efficiency of the judicial system, in particular related to insolvency proceedings. The efficiency of the judicial system remains an area where Portugal continues to face challenges, in particular in the area of insolvency. Over the past few years, Portugal has implemented several reforms to the legal and institutional framework for insolvency and debt enforcement. During 2018, the extrajudicial restructuring of firms received further improvements, with Portugal introducing the RERE – extrajudicial regime for business recovery. This regime involves a business recovery mediator, a skilled and experienced professional for aiding the debtor, particularly SMEs. Another law enacted in 2018 introduced a legal regime for debt-to-equity swaps. This legislation applies in a situation of default and negative equity and concerns the restructuring of the balance sheet with the conversion of credits into equity by simplifying the existing procedures. In addition, the judicial map was amended in early 2019 to increase the supply of specialised judicial courts in under-served regions. Since July 2019, Portuguese lenders also have the possibility to make use of a special regime allowing them to transfer loan portfolios in bulk to other financial institutions. This should enable a faster and less costly process of selling NPLs. Nevertheless, challenges related to lengthy proceedings remain. The legal and judicial frameworks are heavily affecting the recovery process and the prospects for efficient repossession of collateral by lenders. The longer the average duration of recovery proceedings, the higher the level of uncertainty that accompanies these proceedings, resulting in lower market valuations of non-performing assets. Therefore, a continuation of reforms in the judicial system is of paramount importance.

3.3 Productivity

Structural Policies

Portugal is actively implementing measures to increase digital literacy and help companies integrate digital technologies into their business and production processes. The *Indústria 4.0* initiative, launched in 2017, aims at developing skills, new methods and digital applications in key strategic sectors, and was revamped in 2019 to increase its take up by the private sector. The *INCoDe.2030* programme focuses on boosting digital skills with the launch of pilot calls and an observatory for digital skills, expected in 2020. The Scientific Employment diploma, adopted in 2018, aims to improving the attractiveness and stability of research careers; in addition, the Status of the Research Grantee, published in 2019, replaces previous legislation and intends to diminish the use of short-term contracts for researchers. These initiatives have so far resulted in the recruitment of 5166 researchers and PhD lecturers since January 2017, resulting in a substantial improvement from previous years. To improve framework conditions for collaborations, Portugal has set up 26 Collaborative Laboratories in areas of interest and has strengthened the cluster policy under the INTERFACE scheme. Measures announced during 2018 aim to revise the law of institutions involved in research and innovation.

A 2018 study identifying barriers to competition in the Portuguese economy has not led to reforms in professional services regulation. The study, co-authored by the Portuguese Competition Authority and the OECD, detailed priority reforms in highly regulated professions that could facilitate market competition and productivity growth. The proposals for reform covered the scope of reserved activities, restrictions on legal form, shareholding, management, advertising, multidisciplinary restrictions and incompatibility rules. The authorities have not yet announced their follow-up on these proposals.

Significant investment gaps affect railway and maritime port infrastructure. Railway investments associated with the Connecting Europe Facility co-funded projects of the Programme Ferrovia 2020 are facing delays. The investment situation has improved when compared to the 2007-2013 period, when most grant agreements had to be cancelled, but it is still sub-optimal. Regarding ports, the concession renegotiation for the port of Leixões is finished, while those for the Alcântara and Sines ports are currently taking place. The abovementioned study elaborated by the OECD and the Portuguese Competition Authority advised to broaden the participation of private services providers in the port sector, along with redesigning the concessions for cargo handling operations. The latter involve linking the duration of the concessions to the investment incurred by the concessionaire, as well as eliminating rights of first refusal for incumbents when renewing concessions.

Public Administration and Business Environment

Portugal continues to implement measures conducive to administrative simplification and modernisation. The SIMPLEX+ programme remains Portugal's main policy tool to help reduce administrative burden. Its current version, launched in the spring of 2019, consists of 119 measures, due throughout 2020. These new measures include a single document for tax and social security obligations, new means of payment for public services, a cybersecurity self-assessment tool, and measures to simplify certification and e-certification of SMEs. The programme also includes experimental measures using emerging technologies such as artificial intelligence and blockchain. While SIMPLEX+ is contributing to the reduction of administrative burden, it is less effective addressing sector-specific regulatory burdens, which remain sizeable. Some areas could transit from a generalised licensing model into an *ex post* inspection approach based on prior responsible declarations. Reforms in this regard have largely stalled since the end of the programme. Portugal is also carrying out Regulatory Impact Assessment (RIA), through the *Custa Quanto?* Programme. The RIA analysis focuses on the impact of administrative burden over the business sector, and it has recently been extended to also cover citizens (in 2018) and public administration (in 2019).

A comprehensive set of measures contribute to the improvement of the judicial system. A new law enacted in September 2019 foresees the possibility of creating specialised chambers, both in administrative and tax matters, whenever justified by the volume or the complexity of the service. During 2019 Portugal also continued to deploy efforts to promote e-justice, through measures integrated in the programme *"Justiça + Próxima*", which focuses on enhancing the efficiency and modernising the justice sector. An element of this programme is a project (*"Tribunal +")* addressing two long-standing issues of the Portuguese justice system –the high number of pending cases and the low efficiency. Additional initiatives in the area of e-justice amended the Code of Civil Procedure to facilitate electronic processing and the streamlining of the judicial procedures, giving full implementation to the "digital by default" approach in civil proceedings. In addition, the authorities continue their efforts towards the creation of two public procurement chambers with wide territorial jurisdiction.

Skills and Education

Portugal keeps on reinforcing its mechanisms for quality assurance in Vocational Education and Training (VET) and its analysis of skills needs. With the adoption of three pedagogical training standards, the country intends to increase the quality of continuous professional development for VET teachers and trainers. The Portuguese authorities also engaged in tripartite discussions with social partners with a view to tackle the structural lack of qualifications, the need to increase qualifications for specific sectors and the further adjustment of available skills and labour market demand.

The *Qualifica* programme received several improvements. First, the reorganisation of the *Qualifica* Centre network reinforced and expanded the network's response capability. Second, a new *Qualifica* Programme for Public Administration (*Qualifica AP*) was launched in February 2019. Third, a *Qualifica* programme for SMEs was launched to raise the qualification level of business owners. Finally, *Qualifica* Centres are now embedded in the local qualification networks, involving employers, VET providers, and municipalities.

During 2019, Portugal developed a new National Adult Literacy Plan. This plan follows the recommendations of the National Skills Strategy, detailing measures to promote literacy, numeracy and digital skills. The proposal is now under assessment and its implementation timeline is not yet finalised.

In the area of digital skills, Portugal launched the Digital Competence Reference Framework (QDRCD). This initiative allows individuals to assess their digital competences, while it also provides guidance to training institutions and companies. In parallel, the ongoing implementation of the *Capacitar i4.0* programme seeks to integrate *Indústria 4.0* and *INCoDe.2030* by increasing the digital preparedness of businesses as well as individuals.

Several policy measures aim to foster enrolment rates in higher education. Some of these measures seek to widen higher education enrolment in less densely populated regions. Additional measures, coming into force during 2019-2020, will strengthen funding and support to students. These include reduced tuition fees, grants and housing, as well as term extensions for tuition payments. Finally the +*Superior* programme provides scholarships for higher education, with a special quota for candidates with disabilities.

4 ANNEX 1: OVERVIEW TABLE OF MIP-RELEVANT REFORMS

MIP objective: reducing the levels of public debt			
Public finances			
Fiscal policy and fiscal governance			
Announced measures	*Adopted measures*	*Implemented measures*	*Sources of commitment*
Business activity plans are to be approved for a few public hospitals (4 have already been so) with a view to obtaining more autonomy in hiring and in undertaking investments.	The ongoing expenditure review was broadened to internal affairs in 2019. The authorities plan that additional efficiency savings of EUR 236 million will be achieved through the expenditure review in 2019. A new programme was launched in 2019 to improve the sustainability of the health system and address the root causes of hospital arrears. A formal structure has been created in 2019 (including experts from the Ministries of Finance and Health) to evaluate the managing of hospitals according to the goals of the new programme. A five-year clearance plan has been put forward in 2019 to contain hospital arrears.	The ongoing expenditure review has been gradually expanded to new areas of the public sector over the last few years. According to the authorities, efficiency savings of EUR 287 million have been achieved through the expenditure review in 2018. A task force appointed in 2018 made recommendations with a view to improving the sustainability of the health system and addressing the root causes of hospital arrears. Cost-effectiveness has been promoted through increased reliance on centralised purchasing across several areas of the public sector.	CSR1 - 2019: Improve the quality of public finances by prioritising growth-enhancing spending while strengthening overall expenditure control, cost efficiency and adequate budgeting, with a focus in particular on a durable reduction of arrears in hospitals

Long-term sustainability of public finances			
Announced measures	*Adopted measures*	*Implemented measures*	*Sources of commitment*
The review of public service contracts of a range of SOEs is to be conducted, particularly in the transport sector.	The capital structure of a series of SOEs is being strengthened in 2019 through sizeable capital injections. The liquidation of unprofitable or redundant SOEs is being continued in 2019.	SOEs' business activity plans have been subject to an in-depth analysis. SOEs' quarterly financial data started being analysed in 2019 in order to identify and correct deviations from the approved budgets in a timely manner.	CSR1 - 2019: Improve the financial sustainability of State-owned enterprises, while ensuring more timely, transparent and comprehensive monitoring.
		Some tax revenue (including from VAT, CIT and the surcharge on the local property tax) have been earmarked to the social security stabilisation fund.	CSR 1 – 2017: […] Ensure the sustainability of the pension system

MIP objective: reducing the debt levels of the private sector			
Private indebtedness			
Announced measures	*Adopted measures*	*Implemented measures*	*Sources of commitment*
	Special regime for Portuguese lenders allowing the transfer of loan portfolios in bulk to other financial institutions to enable a faster and less costly sale of NPLs (July 2019).	Fiscal incentives for individuals investing in firms which are undercapitalised. The three-pronged NPL strategy addresses the efficiency of the insolvency and recovery proceedings "Coordination platform" by the main banks to deal with corporate NPL. A new legal framework to allow majority creditors to convert their credits into share capital without the consent of shareholders and outside of an insolvency proceeding. A new legal framework for voluntary out-of-court restructurings (RERE). Larger financial envelope to Capitalizar, which is a strategic plan to support firm capitalisation	CSR4 – 2019: Allow for a swifter recovery of the collateral tied to non-performing loans by increasing the efficiency of insolvency and recovery proceedings.

MIP objective: improving competitiveness and productivity			
Structural Policies			
Research & Innovation			
Announced measures	*Adopted measures*	*Implemented measures*	*Sources of commitment*
Guidelines for an Innovation Strategy launched via a Resolution of the Council of Ministers in March 2018. A new law proposal ("projeto lei") to revise the law of institutions developing Research and Innovation.	Indústria 4.0 was revamped in 2019 to improve take up from industry and SMEs. The status of Collaborative Laboratories have been approved under the Interface Program. The Scientific Employment diploma to improve the attractiveness and stability of research careers. The Status of the Research Grantee was published to diminish short-term contracts The Qualifica scheme and INCoDe.2030 aim to boost digital skills	Applications for the "Industry 4.0 Voucher". The Tech Visa aimed at supporting companies to attract qualified human resources. 26 projects awarded under the status of Collaborative Laboratories Hiring of researchers under the Scientific Employment initiative and calls for hiring researchers and PhD teachers.	CSR3- 2019: Focus investment-related economic policy on research and innovation
Competition in Services			
Announced measures	*Adopted measures*	*Implemented measures*	*Sources of commitment*
		A 2018 study by OECD and PT Competition Authority assessed restrictions in 13 self regulated professions (including a set of reform recommendations) and in the transport sector but none of the recommendations has yet been implemented.	CSR4 – 2019: Develop a roadmap to reduce restrictions in highly regulated professions

Transport			
Announced measures	*Adopted measures*	*Implemented measures*	*Sources of commitment*
	Ports: Renegotiation of port concessions; development of the new container terminals in Sines and Barreiro. Railways: infrastructure projects under programme Ferrovia 2020	A 2018 study by OECD and PT Competition Authority assessed restrictions in 13 self regulated professions (including a set of reform recommendations) and in the transport sector but none of the recommendations has yet been implemented.	CSR3 – 2019: Focus investment-related economic policy on railway transport and port infrastructure.

Public Administration & Business Environment			
Business Environment			
Announced measures	*Adopted measures*	*Implemented measures*	*Sources of commitment*
Online certification of undertakings as SMEs. Identification of risk-profiles in EU funds Replacement of authorisation by responsible declarations in certifying pressure equipment.	Harmonised technical fiches for on-site inspection (gradual roll-out for activities, starting with the tourism and food sectors), streamlining inspection conditions and performance across the country.	New editions of the SIMPLEX programme introduced in 2018 and 2019, following an evaluation and a participatory co-design process. Stakeholders are involved but only in the earlier stages of this process.	CSR 4 – 2019: Reduce the administrative and regulatory burden on businesses, mainly by reducing sector-specific barriers to licensing

Civil Justice			
Announced measures	*Adopted measures*	*Implemented measures*	*Sources of commitment*
Measures to improve digitalisation in courts: renewal of the application interfaces for each user; information systems to support the processing of the insolvency administrators; information systems to ADR operations.	Further specialisation of Courts: creation of three kinds of special chambers - public procurement chambers, administrative social chambers, and tax enforcement and infraction review chambers. Advisory cabinets to provide counselling to magistrates. Amendment of the judicial map to increase the supply of specialised judicial courts in under-served regions.	E-justice: full implementation to the “digital by default” approach in civil proceedings. "Justiça + Próxima", dematerialisation of case management and information and new online solutions for access to information. Insolvency: extrajudicial recovery procedure, with a business recovery mediator; debt-to-equity swap; bulk assignment of credits. Backlog reduction: "rapid reaction teams"; creation of incentives to ADR: taxpayers can bring their cases older than 2017 to arbitration, free of charge.	CSR4 – 2019: Increase the efficiency of administrative and tax courts, in particular by decreasing the length of proceedings.

Skills and Education			
Skills & life-long learning			
Announced measures	*Adopted measures*	*Implemented measures*	*Sources of commitment*
Qualifica AP, a new branch of the *Qualifica* programme for public servants was announced and in the pipeline for adoption.	Reprogramming exercise of ESIF, notably ESF. The *Qualifica* programme is a core element of this exercise. National Digital Competences Initiative - Portugal INCoDe.2030. ‘Strategy and Action Plan for Digital Employability’ Diversification and differentiation in higher education through VET.	*Qualifica* Program specialising in adult education and training and aimed at providing counselling, guidance and referral to learning pathways (NRP 2017).	CSR2-2019: Improve the skills level of the population, in particular their digital literacy, including by making adult learning more relevant to the needs of the labour market.

Education			
Implemented measures	*Implemented measures*	*Implemented measures*	*Implemented measures*
	Various measures to foster enrolment rates in higher education studies (measures to widen higher education enrolment in less densely populated regions and increased the offer of two-year short-cycle higher education professional courses (Cursos Técnicos Superiores Profissionais) and master programmes. Measures due to start in 2019-2020 strengthen funding and social support to students: reduction in tuition fees and more grants and housing for low-income students, as well as the extension of the term to pay tuition fees and capped fees or free tuition for students receiving social grants; Programme +Superior: scholarships; special quota for disabled candidates for accessing higher education.		CSR2: 2019 - Increase the number of higher education graduates, particularly in science and information technology