

Annex. Progress in structural reform

This Annex reviews actions taken on recommendations from the previous Survey. Recommendations that are new to this Survey are listed at the end of the Executive Summary and the relevant chapters.

RECOMMENDATION	ACTION TAKEN SINCE THE FEBRUARY 2017 SURVEY
Macroeconomic policies	
Maintain momentum for structural reforms, in conjunction with a continuous ex-ante and ex-post evaluation of reforms.	The results of ex-post evaluations of the policy changes outlined in the annual National Reform Programme are now being published in subsequent National Reform Programme publications.
Continue gradual fiscal consolidation to ensure the decline of public debt without jeopardising the recovery.	The fiscal balance has improved and gross public debt (Maastricht definition) has moderated.
Reduce tax exemptions, special rates and tax expenditures.	The Minister of Finance created a special working group to review existing tax benefits. The working group shall present their report by the end of March 2019.
Strengthen current regulatory incentives for reducing non-performing loans, including through write-offs and sales.	Measures have recently been adopted to reinforce the comprehensive 3-pillar strategy to reduce NPLs which has been in force since late 2016. In particular; <ul style="list-style-type: none"> • Introduction of the "Platform for Integrated Management of Bank Loans" in 2018 to manage the negotiation of non-performing loan claims and guarantees on behalf of three major Portuguese lenders (CGD, BCP Millennium and Novo Banco); • The reform of the Special Revitalisation Proceedings (PER) regime in 2017 as part of "Programa Capitalizar"; • NPL reduction plans were submitted by three banks with high NPLs to regulators following the "Guidance to banks on non-performing loans" published by the ECB in March 2017.
Support the development of a market for distressed debt, notably through the creation of asset management companies.	The authorities conducted a study which claims the potential for a bulk transfer of NPLs to an asset management company is low.
Strengthening business investment	
Improve the workings of insolvency rules by: Reconsidering the privileged treatment of public creditors. Enlarging the scope for simple-majority decisions among creditors. Shortening out-of-court settlement procedures.	A one-stop-shop is being established and will enhance the coordination among public creditors to facilitate insolvency proceedings. A new out-of-court process (Regime Extrajudicial de Recuperação de Empresas, RERE) was introduced in 2018, replacing the previous one (SIREVE). The Special Revitalisation Proceedings (PER) regime, aiming at corporate restructuring, was reformed in 2017 to strengthen its effectiveness.
Revise land use regulations and limit discretionary powers of municipalities in licensing procedures.	No action taken
Ease entry requirements for professional services.	OECD Competition Assessments of the transport sector and the regulated professions were published with the cooperation of the Portuguese Competition Authority in July 2018. Specifically concerning the construction sector, measures have been implemented under the Simplex program.
Further reduce trial length and the backlog of pending court cases by expanding court capacity and assigning specialised judges to specialised courts.	No action taken
Phase out electricity generation schemes with guaranteed prices sooner than currently planned.	No action taken
Improve the efficiency of ports by renegotiating concession contracts, attaching service level agreements to any new concessions and promoting intra-port competition between terminals.	No action taken
Promote wage bargaining at the firm level, including by placing more binding limits on administrative extensions of wage agreements.	The Resolution of the Council of Ministers No. 82/2017 established the maximum period for consultation and the issuance of extension ordinances to be 35 working days.
Consider allowing refunds of research and development tax credits for low-making firms or extending the carry-forward period significantly.	SME now have an extended carry-forward period of 12 years. In the context of <i>Programa Capitalizar</i> , a more flexible regime for tax credits was settled.
Raising skills	
Target life-long learning programmes towards the low-skilled.	The Qualifica programme aims to raise the qualification level of adults. There is also a specific programme which targets those with the lowest qualification called <i>Vida Ativa Qualifica+</i> .

Systematically monitor the outcomes of the different active labour market programmes with a view to concentrating resources on the more effective programmes.	A study of active labour market programmes identified that some programmes had low employability outcomes and led to poor quality employment outcomes. These findings prompted a reorientation of the main active labour market policies with the aim of promoting greater efficiency of employment supports by public employment services.
Progressively reduce grade repetition in primary and secondary education by identifying students at risk early on and developing early individualised support.	The current government is targeting a reduction of 50% of school failure by 2020.
Consolidate the two VET systems into a single dual VET with strong workplace training and perform a thorough audit of all vocational training programmes.	No action taken
Strengthen the links between research and the business sector through better incentives for academics to co-operate with industry.	The Interface Programme, launched in February 2017, aims to accelerate technology transfer from universities to companies via Interface Centres
Collect and publish indicators of labour market outcomes (employment, unemployment rates, wage premiums) by level of education and area of study and at the regional level to allow for better-guided education and career choices.	The Institute of Employment and Training publishes data related to registered unemployment by level of education and field of study and at the regional level.
Ensure adequate coverage of early childhood care across the country, including for children younger than 4 years of age and with a particular focus on those from disadvantaged socio-economic backgrounds.	Additional pre-schooling classes were opened in 2017. A new legal framework that dictates children's allocation to schools takes into account the socioeconomic vulnerability of a family.
Strengthen teacher training and exposure to best practices and enlarge the probationary induction period for beginning teachers.	In 2018/2019, the Ministry of Education will provide a full-time teacher to coordinate each of the the 81 School Associations Training Centres.
Create incentives to attract the most experienced teachers and principals to disadvantaged schools.	No action taken
Take better account of students' profiles and specific needs when allocating resources across schools and provide more autonomy to schools to adjust class size accordingly.	Class size was reduced 2 students per class in the schools of more vulnerable contexts in 2017. In 2018, this reduction was extended to all schools in the country.
Reduce labour market duality to improve the job quality and strengthen learning incentives.	A tripartite Agreement signed by the Government and the majority of Social Partners in July 2018 aimed to reduce the maximum accumulation duration of fixed-term contracts from 3 years to 2 years. It also aimed to increase the financial contribution of employers that use fixed-term contracts excessively. Decree Law 72/2017 extended the duration of the exemptions of social security contributions for young people obtaining their first job (for a period of five years) and the long-term unemployed (for a period from three to five years), in order to promote permanent contracts.
Raise managerial skills by developing specific training courses for managers.	No action taken



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