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COVER NOTE

From: Rui Henrique Alves, Financial Counsellor, Permanent Representation of Portugal to the EU

date of receipt: 31 October 2014

To: Mr Carsten PILLATH, Director General, Council of the European Union

Subject: Portugal:
Draft Budgetary Plan of Portugal for 2015, as laid down in Article 6(1) of Reg. (EU) 473/2013 on Common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the member states in the euro area

Delegations will find attached the revised version of Portugal's Draft Budgetary Plan for 2015.

This document is aimed for discussion in the **Eurogroup**.

Bruxelas, 30 de outubro de 2014

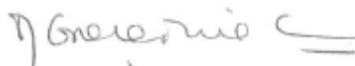
Proc.

Senhor Diretor-Geral,

Tendo sido detetada a necessidade de proceder a ligeiras correções (Tabela 3 - cenário de não alteração de políticas; Tabela 5.a - código ESA para três medidas; Tabela 6.a - clarificação relativa ao estado atual da revisão da Lei do Enquadramento Orçamental), venho, por este meio, remeter a V. Exa. a versão final revista, em português e em inglês, do "Draft Budgetary Plan 2015" para Portugal.

Os documentos que agora se remetem deverão substituir os enviados a 15 de outubro, para efeitos de discussão no quadro do Eurogrupo.

Queira aceitar, Senhor Diretor-Geral, os protestos da minha mais alta consideração.



Maria da Graça Mira Gomes
Embaixadora, Representante Permanente no COPS

Exm^o Senhor
Carsten PILLATH
Diretor-Geral
Direcção-Geral G
Assuntos Económicos
e Competitividade
Conselho da União Europeia
BRUXELAS



ANEXO

RHA/PBC

1. Macroeconomic forecasts

Table 0.i) Basic assumptions

	2013	2014	2015
Short-term interest rate ¹ (annual average)	0,2	0,2	0,1
Long-term interest rate (annual average)	6,2	3,9	2,6
USD/€ exchange rate (annual average)	1,3	1,3	1,3
Nominal effective exchange rate	1,1	1,1	1,1
World excluding EU, GDP growth	3,3	3,3	3,8
EU GDP growth	0,2	1,4	1,8
Growth of relevant foreign markets	0,7	3,1	4,3
World import volumes, excluding EU	2,8	4,0	5,0
Oil prices (Brent, USD/barrel)	108,6	104,2	96,7

¹/If necessary, purely technical assumptions.

Table 0.ii). Main assumptions. Non-exhaustive check list. (Similar information can be provided in different formats)

	2013	2014	2015
<i>1. External environment</i>			
a. Prices of commodities	-1,2	-3,0	-4,1
b. Spreads over the German bond	458,0	256,0	129,4
<i>2. Fiscal policy</i>			
a. General government net lending / net borrowing	-4,9	-4,8	-2,7
b. General government gross debt	128,0	127,2	123,7
<i>3. Monetary policy / Financial sector / interest rates assumptions</i>			
a. Interest rates:			
i. Euribor	0,2	0,2	0,1
ii. Deposit rates	2,0	1,8	1,8
iii. Interest rates for loans	5,1	5,1	5,1
iv. Yields to maturity of 10 year government bonds	6,2	3,9	2,6
b. Evolution of deposits	-1,3	1,2	1,2
c. Evolution of loans	-5,2	-5,7	-5,7
d. NPL trends	15,6	6,9	6,9
<i>4. Demographic trends</i>			
a. Evolution of working-age population	-0,8	-0,1	0,0
b. Dependency ratios	52,1	52,6	52,9
<i>5. Structural policies</i>			

Table 1.a. Macroeconomic prospects

	ESA Code	2013	2013	2014	2015	2016	2017	2018
		Level (10 ⁶ euros)	rate of change	rate of change	rate of change	rate of change	rate of change	rate of change
1. Real GDP	B1*g	168018,0	-1,4	1,0	1,5	N/A	N/A	N/A
Of which								
1.1. Attributable to the estimated impact of aggregated budgetary measures on economic growth ¹		N/A	N/A	N/A	N/A	N/A	N/A	N/A
2. Potential GDP			-1,1	-0,7	-0,4	N/A	N/A	N/A
contributions:								
- labour		-	-1,1	-0,6	-0,5	N/A	N/A	N/A
- capital		-	-0,3	-0,3	-0,2	N/A	N/A	N/A
- total factor productivity		-	0,3	0,2	0,3	N/A	N/A	N/A
3. Nominal GDP	B1*g	171211,0	0,9	2,5	3,0	N/A	N/A	N/A
Components of real GDP								
4. Private final consumption expenditure	P.3	110692,0	-1,4	1,8	2,0	N/A	N/A	N/A
5. Government final consumption expenditure	P.3	32447,6	-1,9	-0,6	-0,5	N/A	N/A	N/A
6. Gross fixed capital formation	P.51	25923,0	-6,3	1,5	2,0	N/A	N/A	N/A
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	530,7	0,3	0,5	0,6	N/A	N/A	N/A
8. Exports of goods and services	P.6	67216,3	6,4	3,7	4,7	N/A	N/A	N/A
9. Imports of goods and services	P.7	65540,5	3,6	4,7	4,4	N/A	N/A	N/A
Contributions to real GDP growth								
10. Final domestic demand		-	-2,3	1,4	1,3	N/A	N/A	N/A
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	-	0,1	0,0	-0,1	N/A	N/A	N/A
12. External balance of goods and services	B.11	-	1,0	-0,3	0,2	N/A	N/A	N/A

^{1/}Please report here the estimated impact on real GDP growth of the aggregated budgetary measures contained in the DBP.

Table 1b. Price developments

	ESA Code	2013	2013	2014	2015	2016	2017	2018
		Level	rate of change	rate of change	rate of change	rate of change	rate of change	rate of change
1. GDP deflator			2,3	1,4	1,5	N/A	N/A	N/A
2. Private consumption deflator		-	0,7	0,9	1,2	N/A	N/A	N/A
3. HICP		-	0,4	0,0	0,7	N/A	N/A	N/A
4. Public consumption deflator		-	6,4	0,8	1,0	N/A	N/A	N/A
5. Investment deflator		-	-0,1	-0,8	1,1	N/A	N/A	N/A
6. Export price deflator (goods and services)		-	-0,3	-0,7	0,8	N/A	N/A	N/A
7. Import price deflator (goods and services)		-	-1,9	-2,4	0,6	N/A	N/A	N/A

Table 1c. Labour market developments

	ESA Code	2013	2013	2014	2015
		Level	rate of change	rate of change	rate of change
1. Employment, persons ¹		4450,0	-2,9	1,4	1,0
2. Employment, hours worked ²		N/A	N/A	N/A	N/A
3. Unemployment rate (%) ³			16,2	14,2	13,4
4. Labour productivity, persons ⁴		27,7	1,6	-0,4	0,5
5. Labour productivity, hours worked ⁵		N/A	N/A	N/A	N/A
6. Compensation of employees	D.1	76782,1	0,9	0,8	2,3
7. Compensation per employee		20,8	3,5	-0,7	1,2

1/ Occupied population, domestic concept national accounts definition.

2/ National accounts definition.

3/ Harmonised definition, Eurostat, levels.

4/ Real GDP per person employed.

5/ Real GDP per hour worked.

Table 1.d. Sectoral balances

% of GDP	ESA Code	2013	2014	2015
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	1,3	1,5	1,5
of which:				
- Balance on goods and services		1,0	1,3	1,5
- Balance of primary incomes and transfers		-1,2	-1,0	-1,2
- Capital account		1,5	1,2	1,2
2. Net lending/net borrowing of the private sector	B.9	6,1	6,3	4,2
3. Net lending/net borrowing of general government	B.9	-4,9	-4,8	-2,7
4. Statistical discrepancy		0,0	0,0	0,0

2. Budgetary Targets

Table 2.a. General government budgetary targets broken down by subsector

% of GDP	ESA Code	2014	2015	2016	2017	2018
Net lending (+)/ net borrowing (-) by sub-sector¹						
1. General government	S.13	-4,8	-2,7	N/A	N/A	N/A
2. Central government	S.1311	-5,7	-3,7	N/A	N/A	N/A
3. State government	S.1312	-	-	-	-	-
4. Local government	S.1313	0,4	0,5	N/A	N/A	N/A
5. Social security funds	S.1314	0,5	0,5	N/A	N/A	N/A
6. Interest expenditure	EDP D.41	5,0	4,9	N/A	N/A	N/A
7. Primary balance ²		0,3	2,2	N/A	N/A	N/A
8. One-off and other temporary measures ³		-1,1	0,1	N/A	N/A	N/A
9. Real GDP growth (%) (=1 in Table 1.a)	B1*g	1,0	1,5	N/A	N/A	N/A
10. Potential GDP growth (%) (=2 in Table 1.a)		-0,7	-0,4	N/A	N/A	N/A
contributions:						
- labour		-0,6	-0,5	N/A	N/A	N/A
- capital		-0,3	-0,2	N/A	N/A	N/A
- total factor productivity		0,2	0,3	N/A	N/A	N/A
11. Output gap (% of potential GDP)		-4,7	-3,1	N/A	N/A	N/A
12. Cyclical budgetary component (% of potential GDP)		-2,4	-1,6	N/A	N/A	N/A
13. Cyclically-adjusted balance (1-12) (% of potential GDP)		-2,4	-1,1	N/A	N/A	N/A
14. Cyclically-adjusted primary balance (13+6) (% of potential GDP)		2,7	3,8	N/A	N/A	N/A
15. Structural balance (13-8) (% of potential GDP)		-1,3	-1,2	N/A	N/A	N/A

1/ TR-TE=B.9.

2/ The primary balance is calculated as (B.9, item 1) plus (D.41, item 6).

3/ A plus sign means deficit-reducing one-off measures.

Table 2.b General government debt developments

% of GDP	ESA Code	2014	2015	2016	2017	2018
1. Gross debt⁴		127,2	123,7	N/A	N/A	N/A
2. Change in gross debt ratio		-0,8	-3,5	N/A	N/A	N/A
Contributions to changes in gross debt						
3. Primary balance (=item 10 in Table 2.a.i)		-0,3	-2,2	N/A	N/A	N/A
4. Interest expenditure (=item 9 in Table 2.a.i)	D.41	5,0	4,9	N/A	N/A	N/A
5. Stock-flow adjustment		-2,5	-2,5	N/A	N/A	N/A
of which:						
- Differences between cash and accruals ²		0,0	0,0	N/A	N/A	N/A
- Net accumulation of financial assets ³		-2,0	0,0	N/A	N/A	N/A
of which:						
- privatisation proceeds		-0,2	0,0	N/A	N/A	N/A
- Valuation effects and other ⁴		-1,0	0,0	N/A	N/A	N/A
p.m. implicit interest rate on debt⁵		4,0	4,0	N/A	N/A	N/A
Other relevant variables						
6. Liquid financial assets^{6,7}		7,0	4,9	N/A	N/A	N/A
7. Net financial debt (7=1-6)		120,2	118,8	N/A	N/A	N/A
8. Debt amortization (existing bonds) since the end of the previous year		8,1	4,1	N/A	N/A	N/A
9. Percentage of debt denominated in foreign currency		3,5	-	N/A	N/A	N/A
10. Average maturity		7,5	-	N/A	N/A	N/A

1/ As defined in Regulation 479/2009

2/ The differences concerning interest expenditure, other expenditure and revenue could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value

3/ Currency and deposits, government debt securities, government controlled enterprises and the difference between listed and unlisted shares could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

4/ Changes due to exchange rate movements, and operation in secondary market could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

5/ Proxied by interest expenditure divided by the debt level of the previous year

6/ Liquid assets are here defined as AF.1, AF.2, AF.3 (consolidated for general government, i.e. netting out financial positions between government entities), AF.511, AF.52 (only if listed on stock exchange)

7/ Only includes central Government Deposits

Table 2c. Contingent liabilities

% of GDP	2014	2015
Public guarantees	13,3	12,0
<i>Of which: linked to the financial sector</i>	3,0	1,5

3. Expenditure and Revenue Projections under the no-policy change scenario

Please note that the no-policy change scenario involves the extrapolation of revenue and expenditure trends before adding the impact of the measures included in the forthcoming year's budget.

Table 3. General government expenditure and revenue projections at unchanged policies broken down by main components

% of GDP	ESA Code	2014	2015
General government (S13)			
1. Total revenue at unchanged policies	TR	43,8	44,4
Of which			
1.1. Taxes on production and imports	D.2	13,8	14,4
1.2. Current taxes on income, wealth, etc.	D.5	10,7	10,7
1.3. Capital taxes	D.91	0,0	0,0
1.4. Social contributions	D.61	11,5	11,7
1.5. Property income	D.4	0,9	0,7
1.6. Other ¹		6,9	6,8
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995) ²		33,3	34,4
2. Total expenditure at unchanged policies	TE ³	50,1	47,8
Of which			
2.1. Compensation of employees	D.1	11,8	11,1
2.2. Intermediate consumption	P.2	6,0	6,1
2.3. Social payments	D.62 D.632	19,6	19,0
of which Unemployment benefits ⁴		1,3	1,2
2.4. Interest expenditure	D.41	5,0	4,9
2.5. Subsidies	D.3	0,9	0,6
2.6. Gross fixed capital formation	P.51G	2,6	2,4
2.7. Capital transfers	D.9	1,1	0,4
2.8. Other ⁵		3,1	3,2
2.9. Net lending (+)/ net borrowing (-)		-6,3	-3,4

4. Expenditure and Revenue targets.

Table 4.a General government expenditure and revenue targets, broken down by main components

% of GDP	ESA Code	2014	2015
General government (\$13)			
1. Total revenue target	TR	44,5	44,6
Of which			
1.1. Taxes on production and imports	D.2	13,9	14,6
1.2. Current taxes on income, wealth, etc.	D.5	10,8	10,7
1.3. Capital taxes	D.91	0,0	0,0
1.4. Social contributions	D.61	11,8	11,7
1.5. Property income	D.4	0,9	0,7
1.6. Other ¹		7,1	6,9
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995) ²		33,6	34,5
2. Total expenditure target	TE ³	49,2	47,3
Of which			
2.1. Compensation of employees	D.1	11,6	10,9
2.2. Intermediate consumption	P.2	5,8	5,8
2.3. Social payments	D.62 D.632	19,5	19,2
of which Unemployment benefits ⁴		1,3	1,2
2.4. = Table 2.a.9. Interest expenditure	D.41	5,0	4,9
2.5. Subsidies	D.3	0,8	0,5
2.6. Gross fixed capital formation	P.51	2,4	2,4
2.7. Capital transfers	D.9	1,1	0,3
2.8. Other ⁵		3,1	3,2
2.9. Net lending (+)/ net borrowing (-)		-4,8	-2,7

1/ P.11+P.12+P.131+D.39rec+D.7rec+D.9rec (other than D.91rec)

2/ Including those collected by the EU and including na adjustment for uncollected taxes and social contributions D.995), if appropriate.

3/ TR-TE = B.9.

4/ Includes social benefits other than social transfers in kinds (D.62) and in social transfers in kind via market producers (D.632) related to unemployment benefits

5/ D.29pay + D.4pay (other than D.41pay) + D.5pay + D.7pay + P.52+P.53+NP+D.8.

Table 4.b. Amounts to be excluded from expenditure benchmark

	ESA code	2013	2013	2014	2015
		Level	% of GDP	% of GDP	% of GDP
1. Expenditure on EU programmes fully matched by EU funds revenue		N/A	N/A	N/A	N/A
2. Cyclical unemployment benefit expenditure ¹		N/A	N/A	N/A	N/A
3. Effects of discretionary revenue measures ²		N/A	N/A	N/A	N/A
4. Revenue increases mandated by law		N/A	N/A	N/A	N/A

1/ Please detail the methodology used to obtain the cyclical component of unemployment benefit expenditure. It should build on unemployment benefit expenditure as defined in COFOG under the code 10.5

2/ Revenue increases mandated by law should not be included in the effect of discretionary revenue measures: data reported in rows 3 and 4 should be mutually exclusive.

Table 4.c General government expenditure by function

4.c.i) General government expenditure on education, healthcare and employment

	2014		2015	
	% GDP	% general government expenditure	% GDP	% general government expenditure
Education ¹	N/A	N/A	N/A	N/A
Health ¹	N/A	N/A	N/A	N/A
Employment ²	N/A	N/A	N/A	N/A

1/ These expenditure categories should correspond respectively to items 9 and 7 in table 4.c.ii)

2/ This expenditure category should contain, inter alia, government spending related to active labour market policies (ALMPs) including public employment services. On the contrary, items such as compensation of public employees or vocational training programmes should not be included here.

4.c.ii) Classification of the functions of the Government

Functions of the Government	COFOG Code	2014	2015
1. General public services	1	N/A	N/A
2. Defence	2	N/A	N/A
3. Public order and safety	3	N/A	N/A
4. Economic affairs	4	N/A	N/A
5. Environmental protection	5	N/A	N/A
6. Housing and community amenities	6	N/A	N/A
7. Health	7	N/A	N/A
8. Recreation, culture and religion	8	N/A	N/A
9. Education	9	N/A	N/A
10. Social protection	10	N/A	N/A
11. Total Expenditure (= item 2 in Table 2.c.i)	TE ¹	N/A	N/A

5. Description of discretionary measures included in the draft budget

Table 5.a Discretionary measures taken by General Government

List of measures	Detailed description ¹	Target (Expenditure / Revenue component) ESA Code	Accounting Principle	Adoption Status	Budgetary impact	2014	2015	2016	2017
						% GDP	% GDP	% GDP	% GDP
Impact of change in remuneration policy	For 2015, Law 75/2014 foresees a reversal of 20% of the existing cuts from 3,5% to 10% for monthly pay above 1500€. The budgetary impact arises from comparing the full year of 2015 (with new cuts) with a combination of 3 rules regarding wages and salaries during 2014. There were more than 4 monthly pay without any reduction (after the Constitutional Court ruled against the measures of the 2014 State Budget: 2.5% to 12% progressive cut applied to public employees with monthly pay over 675€ (effective from May 31st onwards) up to the reinstatement of the 3.5% to 10% reduction for monthly pay above 1500€ (effective from September 2014, onwards).	D.1	Accrual	Ongoing for the reduction cuts applied since september 13, 2014. The reversal of 20% is effective from January, 1st 2015	-199	-0,1%			
Attrition (retirements)	The Summary Statistics of Public Employment (Q2-2014) presents a General Government employment reduction of 9,7%, 60k less than end of 2011. The main reason for the reduction is retirement.	D.1	Accrual	Ongoing	190	0,1%			
Carry-over of Mutual agreements in 2014	Almost 4,3k applications for mutual agreements' terminations were accepted in 2014.	D.1	Accrual	Ongoing	65	0,0%			
Requalification Programme	Law nr.80/2013, establishing a New regime of requalification of civil servants, entered in force on December, 1st. This regime is more oriented to support Public Administration Reform, addressing training and requalification for a better allocation of Human Resources. After a streamlining/rationalization process, employees can be allocated to a pool for requalification purposes. In that position, the compensation is adjusted: 12 months at 60% wage and 40% afterwards with a ceiling of 2 IAS.	D.1	Accrual	Ongoing	58	0,0%			
Other measures related to personnel costs		D.1	Accrual	Ongoing	75	0,0%			
Extinction of CES (3,5%-10%)	Up to the end of 2014, monthly pensions above 1000 euros are subject to a reduction of 3,5% to 10%. In addition, for pensions between 11 IAS (4,611€) and 17 IAS(7,127€), an extra reduction of 15% is applied, and above 17 IAS the remaining is subject to a 40% reduction. CES was introduced (and accepted by CC) in the Budget Laws as a transitory measure.	D.62	Accrual		-660	-0,4%			
Introduction of cap on social contributions (means-testing)	Introduction of a ceiling for the sum of social benefits depending on the condition of the beneficiary. This procedure would ensure that the beneficiaries do not earn more with social benefits than they would earn as income from work.	D.62	Accrual	Introduced with Budget Law for 2015	100	0,1%			
CES for golden pensions	Pensions above 11 IAS (4,611€) are subject to a reduction applied as follows: 15% for the amount between 11 IAS and 17 IAS; 40% for the amount exceeding 17 IAS (7,127€)	D.62	Accrual	Introduced with Budget Law for 2015	42	0,0%			
Adicional income from health sector, in particular from pharmaceutical industry	Agreements with the pharmaceutical industry regarding a cap mechanism for medicine drug spending and increasing the target share of generics to 60% by volume of the total market.	D.632	Accrual		160	0,1%			
Outras medidas sectoriais/prestações sociais em espécie		D.632	Accrual		13	0,0%			
Savings in ICT costs	The general guidelines of the "Overall strategic plan to rationalize and reduce costs on ICT in Public Administration" report, containing 25 measures of ICT resources rationalization, were approved in the Council of Ministers held on 12th January 2012 (RCM 12/2012, 7/02). The plan envisages among others, the implementation of a centralised process for evaluating projects and ICT expenditure; the assessment of the number and location of data centers, the centralization of IT functions in each ministry, including management of the technology infrastructure, communications, information systems, management and acquisitions licensing and user support.	P.2	Accrual		138	0,1%			
Savings in studies/consultancy/etc.	The estimated overall reduction stems from the firm commitment to contain overall expenditure on studies, reports, consulting projects and specialized work to the lowest levels observed between 2013 and 2014.	P.2	Accrual		179	0,1%			

Other measures related to intermediate consumption		P.2	Accrual		190	0.1%		
SOE subsidies (indenizações compensatórias)		D.3	Accrual		85	0.0%		
Other measures/subsidies		D.3	Accrual		14	0.0%		
Investment		P.51G	Accrual		28	0.0%		
Other current expenditure		D7+D5	Accrual		51	0.0%		
Carry-over of ADSE-SAD-ADM contribution		D.613	Accrual		75	0.0%		
New regulation on online gambling	New regulation on online gambling	D.7	Accrual		25	0.0%		
Consumption-specific taxes		D.2	Accrual		100	0.1%		
Increase in banking sector levy	Prolongation of regime on banking sector levy, approved by Article 141 of Law No 55-A/2010, of 31 December, and increase of levy upper limit to rates applicable to liabilities component to 0.085% from 0.07%.	D.2	Accrual		31	0.0%		
Modification of motorway levy	Modification of motorway levy aiming at supporting expenses incurred until 2010 and paid from 2014	D.2	Accrual		160	0.1%		
Other measures/revenues		D.7	Accrual		50	0.0%		
Concessions		NP	Accrual		216	0.1%		
					TOTAL			

^{1/} Please describe in further detail in case of major fiscal policy reform plans with potential spillover effects for other Member States in the Euro Area.

Table 5.b Discretionary measures taken by Central Government

List of measures	Detailed description ¹	Target (Expenditure / Revenue component) ESA Code	Accounting Principle	Adoption Status	Budgetary impact	2014	2015	2016	2017
						% GDP	% GDP	% GDP	% GDP
(1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
(2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
...					TOTAL	N/A	N/A	N/A	N/A

^{1/} Please describe in further detail in case of major fiscal policy reform plans with potential spillover effects for other Member States in the Euro Area.

Table 5.c Discretionary measures taken by sub-sectors of the General Government¹

List of measures	Detailed description ²	Target (Expenditure / Revenue component) ESA Code	Accounting Principle	Adoption Status	Budgetary impact	2014	2015	2016	2017
						% GDP	% GDP	% GDP	% GDP
(1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
(2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
...					TOTAL	N/A	N/A	N/A	N/A

^{1/} Please name whether State Government, Local Government and/or Social Security Funds.

^{2/} Please describe in further detail in case of major fiscal policy reform plans with potential spillover effects for other Member States in the Euro Area.

Table 6.a CSR recommendations

CSR number	List of measures	Description of direct relevance
1 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.	<p>The 2014 budget law was amended for a second time in late August to ensure compliance with the 2014 fiscal targets. The second amendment corrected the effects of the Constitutional Court ruling of May 30th, 2014 and incorporated the most recent information in terms of macroeconomic perspectives as well as budgetary execution. Following an overall assessment, the increase in tax revenues, improvements to Social Security account and further control of expenses proved to fully accommodate negative pressures to the budget. Thus, no additional consolidation effort was considered necessary to attain the 4% deficit target for 2014. The referred decision of the Constitutional Court required amending the budgetary ceilings to accommodate higher expenditure than previously anticipated (namely under compensation of employees and social benefits other than in kind). In particular, the Constitutional Court ruled against the 2,5%-12% progressive wage reduction for public employees with monthly pay over 675€, foreseen in the budget law, rendering its application impossible from May 31st onwards. To mitigate this effect, the government reintroduced the the 3,5%-10% progressive wage reduction for public employees with monthly pay over 1500€, which had been in force in 2011-2013.</p> <p>Regarding 2015, the medium-term fiscal strategy document (FSD) presented in April included the detailed presentation of consolidation measures for next year worth 0,8% GDP. Since the presentation of the FSD, there have been successive negative decisions from the Constitutional Court (CC) with implications in both 2014 and 2015. These decisions also limited the scope for further expenditure reduction in the most relevant items (compensation of employees and social benefits). In addition, the effects of the entry into force of the ESA2010 were relevant for Portugal, namely in what regards the incorporation of additional entities in the General Government perimeter, following the revision of sector classification rules. The State Budget for 2015 includes additional measures vis-à-vis the FSD, namely to partly compensate for the CC decisions. However, in face of the limitations in terms of expenditure reduction, compliance with the 2,5% target would require additional tax increases, which the Government feels would undermine the ongoing economic recovery, especially since tax revenues are already high in historical terms. Notwithstanding, the Government still presented a deficit target for 2015 below the 3% limit of the SGP, and as close as possible to the 2,5% target, thus achieving an important balance between the importance of continuing the fiscal adjustment and the potential effects of further tax increases on expectations and hence on the economy as a whole.</p>	
1 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.		This recommendation will be considered in the preparation of the Stability and Growth Programme for 2015-2019.
1 Prioritise expenditure-based fiscal consolidation and increase further the efficiency and quality of public expenditure.		Ongoing.
1 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.		Given the limited scope available following successive negative CC decisions, the Government has proposed to discuss the pension reform with the main opposition party to achieve a broad agreement and long-term solution for pensions.
1 Control healthcare expenditure growth and proceed with the hospital reform.		Ongoing.
1 Review the tax system and make it more growth-friendly.		The CIT reform will proceed in 2015, with a further lowering of the rate and additional cross-checking measures to strengthen the fight against tax fraud and evasion. 2015 will also be the first year of implementation of a Green Tax Reform and PIT Reform.
1 Continue to improve tax compliance and fight tax evasion by increasing the efficiency of the tax administration.		Ongoing.
1 Strengthen the system of public financial management by swiftly finalising and implementing the comprehensive reform of the Budgetary Framework Law by the end of 2014.		The Law now fully reflects the Fiscal Compact, following the 8th amendment (through Law 41/2014, which entered into force on July 11th, 2014). At the moment, a new amendment is being prepared, so as to put in place a profound reform of the budgetary process. A Reform Committee has been designated to this effect and its first proposals will be submitted to the Government by November 30th, 2014.
1 Ensure strict compliance with the Commitment Control Law.		Ongoing.
1 Effectively implement single wage and supplements' scales in the public sector from 2015 onwards.		Both scales will be effectively in place in 2015, following the approval of Law 75/2014 (for the single wage scale). The Government has also proposed a single supplement framework to further streamline compensation packages and increase transparency, which has been sent for final approval from the President.

<p>2 Maintain minimum wage developments consistent with the objectives of promoting employment and competitiveness.</p>	<p>Minimum wage has been set at 505€ / month, as of 1 October 2014 until 31 December 2015 (Decree-Law No 144/2014, of 30 September. This decision was taken in the context of an agreement with most social partners, where productivity was the cornerstone criterion, without prejudice to other criteria set in the law.</p>	<p>The increase in minimum wage (4.1%) was less than the productivity evolution (4.3% in 2012 and 2013). Also, the effect of the increase on the overall remuneration levels in the economy is not significant (circa 0.25% of wages). Therefore, this increase does not compromise competitiveness or employment in a significant manner. Furthermore, as it allows for the partial recovery of the 7% loss (since 2011) in real purchasing power by minimum wage employees, it will have a positive effect on consumption (note that employees with low income have a very low propensity to save. Lastly, it should be noted that this increase will reduce inequalities in the Portuguese economy.</p>
<p>2 Ensure a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level.</p>	<p>According to Council of Minister's Resolution No 43/2014, of 27 June, new minimum criteria for the extension of collective agreements were introduced, in particular in terms of representation (at least 50% of all employees of each economic sector, within the applicable geographic, personal and professional context, in 2012; or a minimum of 30% of all associates shall be, directly or through representation, micro, small and medium enterprises in 2014).</p>	<p>It promotes collective recruitment (which was significantly reduced in 2012 and 2013) by adjusting the criteria for the extension of collective agreements, which takes into account representation of SME in various economic sectors. This is very important as it prevents SME from losing competitiveness due to obligations triggered by the extension mechanism.</p>
<p>2 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.</p>	<p>Temporary suspension of collective agreement provisions and employment agreement clauses which have entered into force before 1 August 2012 has been extended until 31 December 2014 by Law No 48-A/2014, of 31 July.</p>	<p>Temporary suspension of collective agreement provisions increases flexibility in labour market, thereby making it easier for companies to adapt to economic difficulties.</p>
<p>2 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.</p>	<p>The survival period of collective agreements which termination is dependent on replacement by other collective agreements has been reduced to 3 years from 5 years. In case of voluntary termination, the agreement will be on survival regime during the negotiation period, including conciliation, mediation or voluntary arbitration, for a maximum of 12 months.</p> <p>Full or partial application of collective agreements may be temporarily suspended in case of corporate crisis or due to market, structural or technological constraints, or any other occurrences which have seriously affected the normal operation of the company. Suspension shall be effected by written agreement between the employers' associations and unions, or any entities empowered for such purpose.</p> <p>These measures were introduced by Law No. 55/2014, of 25 August, and are in force since 1 September 2014.</p>	<p>Reduction of legal time-limits and survival of collective agreement aims at promoting development and enhancing of collective negotiation mechanisms.</p>
<p>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.</p>	<p>Ongoing.</p>	
<p>3 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.</p>	<p>Ongoing measures.</p> <p>a) Drafting of new legislation on the framework of employment policies (which will repeal and replace Decree Law No 132/99, of 21 April), in cooperation with social partners and taking account of the rationalization process of labour market active measures (e.g., by aggregating types of internships in programme "Estágio Emprego" (Labour Internship) or by cancelling labour active measures which are unadjusted to the labour market)</p> <p>b) Maintaining "Vida Ativa" (Active Life) measure (professional qualification and certification);</p> <p>c) Revision of support to recruitment by creating "Estímulo Emprego" (Employment Stimulus) measure (financial support to employers who hire unemployed people registered in labour services, for contracts of 6 or more months, or without term, either full or partial-time, undertaking to provide professional training to the employees);</p>	<p>Reform of employment policies and impact assessment of measures implemented, in cooperation with social partners, aims at reducing segmentation, promoting the levels and quality of employment, reducing the level and duration of unemployment, modeling training to labour market needs, enhancing the adjustment between offer and demand, stimulating the economy and labour market, and promoting the integration of vulnerable people.</p>

<p>3 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.</p>	<p>Ongoing execution of "Garantia Jovem" (Young Guarantee), approved in December 2013 and under implementation since January 2014. We also note the following recent measures:</p> <p>a) "Estágios Emprego" (Work Internships) – 9-months internships, aiming at promoting integration of youth in the labour market or professional reconversion of unemployed people (Ordinance No 149-B/2014, of 24 July);</p> <p>b) "Emprego Jovem Ativo" (Active Youth Employment) – 6-month project for the development of practical experiences in work by teams of 2 to 3 young people less favoured in terms of qualifications and employment prospects and 1 qualified young person (adopted by Ordinance No 150/2014, of 30 July);</p> <p>c) "Programa Investe Jovem" (Youth Investment Programme) – programme aimed at promoting the establishment of companies by youth unemployed people, by providing financial support to investment and/or to own employment to promoters, as well as technical support in entrepreneurship to reinforce skills and structure and develop the project (Ordinance No 151/2014, of 30 July).</p>	<p>Execution of measures in "Garantia Jovem" (Youth Guarantee) programme and general coordination, in order to ensure that youth people under 30 years old are given quality opportunities for employment, permanent training, learning or internships, within 4 months after they become unemployed or exit formal education. To that end, we will continue to pursue effective mechanisms to signal "NEET" young people, to assess their particular situation and forward them to solutions adjusted to the features and needs of each young person.</p> <p>Therefore, we envisage:</p> <p>a) Addressing the high youth (under 25 years old and under 30 years old) unemployment rate (unemployment rate 15-24 years old of 35.6% in 2Q2014) by enhancing measures to directly support its recruitment or activity measures which prevent their entry into long unemployment and inactivity cycles, in order to favour their labour market integration;</p> <p>b) Increasing education levels and improving their qualifications, ensuring actual compliance with mandatory education until 18 years old.</p> <p>c) Promoting transition to active life.</p>
<p>3 Ensure adequate coverage of social assistance, including the minimum income scheme, while ensuring effective activation of benefit recipients.</p>	<p>Transversal Training Programme Improvement of process related to request for job offers Addressing non-declared work</p> <p>Centralised process to sanction the breach of employment duties in the context of the existing regime on unemployment protection</p>	<p>Activation and Job Search Techniques – support in job search and entrepreneurship in order to promote and foster in unemployed people, in particular young people, employment conditions, active job search and establishment of own work or company, adapted to the profile of each unemployed person.</p>
<p>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.</p>	<p>Establishing a legal framework for education and professional training at high-school level, through the harmonisation of offers for education and training offers of level 4 young people (QNQ)</p> <p>Measures:</p> <ul style="list-style-type: none"> - Creation of "Escolas Profissionais de Referência Empresarial" (Business Reference Technical Schools) and reform of the professional education and training system (VET) by reinforcing its dual feature; - Monitoring results of external assessment, low education performance rates, early school and training leaving - Maintaining vocational courses in order to reduce early school leaving and to direct young people to areas of professional training which are adapted to the labour market; <ul style="list-style-type: none"> - Structuring network of "Centros para a Qualificação e o Ensino Profissional (CQEP)" (Professional Qualification and Education Centres) to guide young people and adults, in order to ensure quality at qualification, employment and long-term learning policies; - Adequately adjusting the training offer to country needs in terms of skilled employees, by promoting Science, Engineering, Technologies, Mathematics and Informatics areas, and by reducing the vacancies in higher education degrees with low employment prospects; - Promoting 2-year "Cursos Técnicos Superiores Profissionais (TeSP)" (Technical Higher Degrees), to be provided at a polytechnical ISCED (International Standard Classification of Education) 5 level, with a strong focus on its professional feature and in liaison with the corporate sector. 	<p>Adequately adjust the education and training offer to labour market needs, affording it flexibility by curricular harmonisation with existing programmes, with a view to increase its quality and improve training at work.</p> <p>Monitoring results and retention rates allows for a greater degree of attention to the needs of students in various schools and focusing efforts on interventions targeted at promotion of school performance; reform of professional education and the introduction of vocational courses intend to adequately adjust the school offers to labour market needs, in stronger liaison with companies; CQEP structuring enhances direction and orientation of young people and adults to educational and training offers which better adapt to the person's profile; in higher education, alignment of offers with labour market needs will reduce current offer dispersion and the number of students registered in low employment offers.</p>
<p>4 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.</p>	<p>Training courses to young people – the training courses organised as part of this measure target young people at risk of early school leaving or already out of school. The programme will provide these young people professional qualification equivalent to the 9th year of formal education (2nd level of the "Quadro Nacional de Qualificações" – National Qualification Framework). Dual training courses target young people already at the 9th grade of formal education and provide professional qualification equivalent to the 12th year of formal education (4th level of the "Quadro Nacional de Qualificações").</p> <p>Please see above</p>	<p>The training courses identified directly respond to this CSR' aim, insofar the relationship with business (in particular in what concerns dual education) is set at different levels, namely (a) as external training institutions, articulated as regards geographical proximity with the centers of Public Employment Services; (b) as entities supporting alternatives, where in-job training is provided; (c) as qualification training-partners, through partnership memoranda with elementary, secondary and tertiary education facilities, as well as professional qualification granting institutions, optimising at local levels human and material resources.</p> <p>Please see above</p>

<p>4 Enhance cooperation between public research and business and foster knowledge transfer.</p>	<p>The "Programa de Transferência de Conhecimento e Tecnologia para o Tecido Empresarial" includes: (a) the strategic repositioning of the Agência Nacional de Inovação as a platform building upon and operationalising the growing strategic alignment of the policies aiming at building knowledge and technological transfer and increase their economic value; (b) following doctorship programmes and involving relevant business/I&D institutions selected through competitive bidding subject to international evaluation; (c) projects competitions through "FCT Seed", a program open to FCT beneficiaries, to bring closer business and scientific research; (d) entrepreneurship in I&D units and higher education institutions through creation of self-entrepreneurship clusters (such as UTEN, the network of university technology transfer), startups support centers, development of business incubators such as PTTI in the space sector and of (e) business accelerators such as Biz.pt and BGI, in the technologies area.</p>	<p>Although existing indicators point to a convergence route with European average, the "Sistema Científico e Tecnológico Nacional" (National Scientific and Technological System) has still to attain the European average in what concerns technological and intensity output to the economy at large. Articulation between business and institutions within NSTS is still to improve. Further aligning doctorship and post-doctorship offers to the "Estratégias de Especialização Inteligente" (smart specialisation policies) and "Prioridades Políticas Nacionais" (national policy priorities) as well as the entrepreneurship technological based programs will actively contribute to technological transfers to business.</p>
<p>5 Monitor banks' liquidity position and potential capital shortfalls, including by on-site thematic inspections and stress-testing.</p>	<p>Bank's liquidity position is monitored on a very frequent basis (daily and weekly), given the liquidity constraints still faced. Stress testing exercises have been carried out on a quarterly basis, during the Assistance Program, BdP has also carried out several special inspections programs since 2011 for the 8 largest groups, and the 4 significant institutions under the SSM are included in the ECB Comprehensive Assessment exercise.</p>	
<p>5 Assess the banks' recovery plans and introduce improvements to the evaluation process where necessary.</p>	<p>The recovery plans assessment is part of the regular supervisory process. The supervision units' assessment is complemented by a horizontal and transversal assessment under a process designed to identify areas for improvement in the institutions' recovery plans (both in the methodologies used and in the measures embedded in the plans).</p>	
<p>5 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.</p>	<p>* The roadmap of measures, which includes i) providing ratings to mutual guarantee SMEs, ii) fine tuning of in-court and out-of-court restructuring procedures iii) changes to the legal and fiscal framework of mezzanine finance is in execution as planned.</p>	
<p>5 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.</p>	<p>* The manager of the mutual guaranteed system, SPGM, promotes access to finance to viable SMEs in productive sectors of the economy.</p>	
<p>5 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>	<p>The EWS (Early Warning System) was already implemented and a first set of non financial corporations with excessive levels of indebtedness was identified. The banking groups were asked to assess (also with the support of the external auditors) a subset of those corporations and provide information that allows BdP to evaluate how those banking groups have been dealing with these exposures (notably in terms of impairment coverage). This exercise will be carried out on a regular basis.</p>	

<p>6 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.</p>	<p><u>2nd Package - measures:</u></p> <ul style="list-style-type: none"> - Offset of the wholesale windfall profits stemming from the changes in Spain - Removal of the hydro terrains from the regulated asset base - Correction of distortions in the system services market - Sines e Pego Coal Power Plants <p>- Introduction of cost efficiency incentives to the tariff harmonization mechanism applicable to the Madeira and Azores Autonomous Regions</p> <p>[Additionally, as set forth in the State Budget for 2014, the Government applied in 2014 (and the same will happen in 2015) a special levy on the energy operators that will generate c. € 150 million (c.€ 100 million to support energy expenses foreseen in the State Budget for 2014 and c.€ 50 million to the national electricity system), and assured that this contribution can not be passed through on to consumers]</p> <p><u>3rd Package - measures:</u></p> <ul style="list-style-type: none"> - Low cost fuels legislation - Bottled gas – propane and butane <ul style="list-style-type: none"> - Long term natural gas sale and purchase agreements (take or pay) entered into by Transgas - Virtual point of transaction (VPT) - Special levy on energy operators - Forest cleaning <ul style="list-style-type: none"> - Social tariff of electricity (enlargement of the eligibility criteria to benefit 500 000 families). 	<p>Measures are being implemented.</p> <p><u>2nd Package:</u></p> <p>The Portuguese Government has taken measures in excess of €3.4 billion in order to achieve an elimination of tariff debt by 2020 (in 2020 the tariff debt will be residual). These measures also ensured that the system will generate surplus that will allow to eliminate the tariff debt, as well as, limit the annual average increase of the tariffs to 1,5%/2% (plus inflation).</p> <p><u>3rd Package:</u></p> <p>Bearing in mind that the previous two packages already assured sustainability of the national electricity system (NES) and the elimination of the tariff debt by 2020, the Government decided to implement a third package of measures in the energy sector, announced in April 2014, should provide other results, putting the focus on social issues and on business competitiveness. Firstly, involving all the energy (in particular, bottled gas, gas and liquid fuel), not just electricity. Secondly, the cuts in the energy sector will have impact on the reduction of energy prices to consumers (all sectors) and not in the sustainability of the NES.</p>
<p>6 Improve the cross-border integration of the energy networks and speed up implementation of the electricity and gas interconnection projects.</p>	<p>Within the discussion of the objectives review of the European Union climate action at the horizon of 2030, Portugal has advocated ambitious goals for 2030, including a target of 25% electricity interconnections (assumes achieving the goal of 12% by 2020 and, in the very short term, 10% for all Member States)</p> <p>The challenge of meta "Interconnections - Access to the European market and security of supply", approved in the Council of Ministers in Brussels, has a strong symbolic and strategic nature, resulting from a national initiative.</p>	<p>Allows Portugal to become a stronger exporter of renewable energy to Europe, flowing renewable production for the rest of the European market, where it is needed but where there aren't the same natural conditions that we have in our country.</p>
<p>6 Implement the comprehensive long-term transport plan and the 'chronogram' setting out the ports sector reforms.</p>	<p>* The Transport and infrastructure strategic plan (PETI3+) has been approved by the council of ministers. The engineering studies are being conducted on several projects in order to complete the necessary file for EU funding applications and for works tender procedure launch.</p>	
<p>6 Complete the transports concessions for the metropolitan areas of Lisbon and Oporto.</p>	<p>* The tender process for the concession of transport services in the Oporto metropolitan area has already been launched. Bidders' proposals are expected to be received until December.</p> <p>* The preparatory works for the concession of transport services in the Lisbon metropolitan area are in the final stage and the tender procedure should be launched during Q4_2014.</p>	
<p>6 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.</p>	<p>* Renegotiation of existing port concession contracts are undergoing and aligned with EU regulations. All agreements resulting from the renegotiation process will be submitted to the Account's Court, ensuring the legality appraisal of the process.</p>	
<p>6 Ensure that the national regulatory authority for transport (AMT) is fully independent and operational by the end of September 2014.</p>	<p>* The by-laws of AMT were already approved.</p> <p>* The board of directors of AMT should be appointed within the following weeks.</p>	
<p>6 Ensure the financial sustainability of the state-owned enterprises in the transport sector.</p>	<p>* Since 2011, state-owned enterprises in the transport sector have been implementing a very demanding restructuring program in order to achieve operational balance.</p> <p>* Following the implementation of the 1st stage of the restructuring program, the Government has already started the 2nd phase with the launch of the tender procedures for the concession of transport services in Oporto and Lisbon metropolitan areas.</p> <p>* This measures will allow companies to improve their operational efficiency and reduce/eliminate the cost for the State with the provision of transport services.</p>	
<p>6 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>	<p>* The transfer of the freight terminals is already undergoing through a combined taskforce CP/CP Carga/REFER. The process should be completed by the end of the year.</p>	

<p>7 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.</p>	<p>Development of new software that will provide an overview of the housing market</p>	<p>The government is initiating the development of new software that will provide an overview of the housing market. This application will aggregate several input data, from different public entities.</p>
<p>7 Continue efforts to carry out further inventories of regulatory burdens with a view to including, by March 2015, sectors not yet covered.</p>	<p>Services account for around 2/3 of the Portuguese economy. Initiatives to liberalize and simplify procedures within the services sector are crucial to boost productivity and thus competitiveness. Portugal is well ahead of the curve in the transposition of the Services Directive, the initiative of the European Commission to create a true internal market of services within the European Union. During the adjustment programme, the government approved almost 70 diplomas adapting service-specific legislation. This means that nowadays virtually all major services benefit from a more favourable business environment, one with less bureaucracy, less barriers to entry and reduced regulatory costs. In line with these initiatives, the government recently reviewed the whole regulatory framework for commerce, services and restaurant activities, simplifying the access to these businesses by combining in a single diploma several existing documents while eliminating most associated fees. In the near future the government will build on this work. Because the services directive is now mostly transposed, it is now essential to carefully monitor its effectiveness in the real economy and fine tune as needed.</p>	
<p>7 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.</p>	<p>* Following the approval by Parliament of Law 2/2013 which establishes the horizontal legal framework meant to improve the functioning of the regulated professions for which regulation involves a professional body, the Government will soon submit to Parliament the professional bodies' amended statutes.</p>	<p>The government carried out a number of measures to deregulate professions and eliminate excessive restrictions imposed by professional bodies. Although these associations have an important regulatory mandate, guaranteeing the quality of service and ethical standards, they can also create excessive restrictions and barriers to entry. The new framework law approved in 2013 sets up more reasonable requirements and regulations regarding 18 important professional services in the economy (such as medical doctors, lawyers and engineers). Reduced internship periods and fewer examinations are among the changes introduced in order to lower the barriers to access these professions. Although the foundation for this change is now in place, in the coming months the government still has to adapt each of the associations' by-laws to the new framework. A number of steps were already taken, including the preparation of draft laws and a number of bilateral negotiations between the government and each professional body. These changes will (i) ensure that requirements affecting the access to and exercise of activity which are not justified or proportional, such as those restrictions to the use of commercial communication (advertising), reserves of activity and legal form and shareholding requirements under the Services Directive, will be eliminated and (ii) further improve the conditions for mobility of professionals (in and out of Portugal) in line with EU Directives in the area of free movement of professionals.</p>
<p>7 Eliminate payment delays by the public sector.</p>	<p>*Commitment law and transposition of the late payments directive</p>	<p>The elimination and control of arrears has been a priority of the adjustment programme, as part of reinforcing the institutional framework and expenditure control. To that end, the Government enacted a new commitments law that forces services to ensure availability of funds before committing to an expense and transposed the late payments directive in order to eliminate a long-standing problem of accumulation of arrears. The governance model and monitoring systems for State Owned Enterprises and Public Private Partnerships were also upgraded, also contributing to a tighter expenditure control.</p>
<p>7 Ensure adequate resources of the national regulators and competition authority.</p>	<p>* Following approval by Parliament of Law 67/2013 (framework law on regulators), the Government approved the corresponding amendments to the bylaws of the Competition Authority, including its new financing model.</p>	<p>With the new framework law in place, the government is now finalizing the necessary adaptations in the bylaws of each regulator. The aim is to reinforce the independence and effectiveness of regulators while increasing their accountability. After this process, regulatory authorities will have greater financial resources and autonomy and more extended powers. Most by-laws of the sector regulators are now in the legislative pipeline and will soon be completed.</p>

<p>8 Continue to rationalise and modernise central, regional and local public administration.</p>	<p><u>Programa Aproximar</u> - Rationalization and modernization of the Public Administration front office network (the Strategy has been approved by the Resolution of the Council of Ministers n.º 55-A/2014):</p> <ol style="list-style-type: none"> 1) Merger of the different Public Service's front offices present in each municipality in a single "citizen's shop", namely the local tax offices, social security offices and registrar offices. 2) Complement this primary front office network and leverage the existing high availability of online services through a network of "citizen's spots", where citizens can access Public Administration online services with the help of a "digital broker". 3) The revolution in the public services front offices creates a very significant opportunity to optimize public real estate, either through sale of no longer used public assets or reduced rents paid to third party entities. Additionally increased back office scale should allow gains in employee specialization and productivity. 4) Complementary to the 3 main axis, additional mobility solutions are proposed: "citizen's vans" (mobile "citizen's spot") increasing service coverage for low and very low population density areas, and 5) "public transport on demand" solutions in adhering municipalities, by promoting and articulating with the "Portugal Porta-à-Porta" program ("Portugal door-to-door") of the Ministry of Economy. 	<p>Overall, the measures listed for Programa Aproximar present a very significant opportunity to optimize public real estate: cutting rental costs and vacating units. These that can be sold, while improving the experience and convenience of the interaction between the public and the Public Administration front offices. Sharing front offices and increasing back office scale also present opportunities to improve efficiency in occupied areas per employee, as well as to liberate employees for higher value added tasks. Both the additional capillarity and the digital training role provided by citizen's spots and vans will reduce the time consumed by society in its interaction with the Public Administration, with resulting productivity gains.</p>
	<p><u>Global Strategic Plan to Rationalize and Decrease ICT costs in Public Administration</u></p> <p>The Council of Ministers Resolution no. 46/2011 set up the Project Group for Information and Communication Technologies (PGICT). PGICT developed a global strategic plan to rationalize and decrease ICT costs in Public Administration. Based on the global strategic plan each ministry developed its sectorial strategy, in compliance with the strategic goals outlined. Envisioning a quality public service which presents lower costs for citizens and companies and simultaneously decreases public expenditures, particularly concerning ICT, 25 rationalization measures are proposed according to the following principles of operation: (i) improving governance mechanisms, (ii) cost reduction, (iii) using ICT to leverage administrative change and modernization, (iv) implementing common ICT solutions and (v) stimulating economic growth. Gains can partially result from wider governance, from concentrating of computing function on each ministry and from the rationalization of resources, thus allowing the State to be considered for the first time as a whole by ICT service providers or vendors. Among the 25 rationalization measures the following ten should be highlighted due to their overall impact:</p> <ul style="list-style-type: none"> Measure 2: Rationalization, organization and management of IT function Measure 6: Assessment of ICT projects and expenditure Measure 7: Communications rationalization Measure 8: Rationalization of data centers Measure 9: Unified communications platform Measure 11: Interoperability in Public Administration Measure 12: Electronic authentication and signature in Public Administration Measure 18: Cloud Computing in Public Administration Measure 21: Adoption of open software on the State's information systems Measure 22: Purchase of ICT goods and services 	<p>The proposed 25 measures of ICT rationalization were identified by their cross-cutting nature and potential impact on the Public Administration as a whole. Through the implementation practice it is becoming clear that they can drastically reduce the Central Administration administrative expenditure, not only in reducing costs directly related with ICT management (software, hardware, services and communications), but also through efficiency gains, namely in facilities management, human resources and other operational costs.</p>
<p>8 Implement the reforms to enhance the efficiency of the judicial system and increase transparency.</p>	<p>Law 32/2014, May 30</p> <p>Law 62/2013, August 26; Decree-Law 49/2014, March 27</p> <p>Law 41/2013, June 26; Ordinances 280/2013, August 26, and 282/2013, August 29 - New Code of Civil Procedure</p> <p>Decree-Law 134/2013, October 4</p> <p>Ordinance 344/2013, November 27</p>	<p>Pre-executive extrajudicial procedure is a procedure of voluntary nature intended to identify attachable assets through the provision of information and consultation of databases of electronic direct access to enforcement procedure whose disclosure or query does not depend on prior court order. Strengthening the economy. Decrease the pendency of executive actions.</p> <p>The new law on the organization of the judicial system based on territorial centrality recognized by citizens with increase of specialization. The new organization of the judiciary has set up management structures near local realities and with effective powers of intervention in the management of processes which will bring significant level of services, a justice system that wants to gain more flexible, more transparent, more responsive and more adjustable to the real needs of people and business. Better organization of judicial system and better system of court management.</p> <p>Exponential increase in seizures of bank over € 150 million pledged since September 1, 2013. The clearance rate on civil enforcement actions in the fourth quarter of 2013 is 202,1%.</p> <p>Exceptional system of recruitment of new judicial administrators. Provide the system with judicial administrators more prepared to restructure companies.</p> <p>Alternative dispute resolution - Mediation: strengthening mechanisms granted to private mediators. Creates conditions in which the agreements signed by the intervention of private mediators are enforceable. It can facilitate the use of ADR by the companies.</p>

<p>8 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.</p>	<p>The Government adopted "Programa SIMPLIFICAR" pursuant to Parliament's Resolution no. 31/2014, which includes stakeholder engagement through direct contacts with business sector and crowdsourcing campaigns, allowing for the identification of regulatory burdens as well as solutions for administrative simplification. In addition, Decree-Law no. 72/2014 establishes mandatory systematic ex ante and ex post assessments (including the one-in, one-out rule and the SME-test), and ensures the monitoring of the reforms in administrative modernization and simplification.</p>	<p>The identification of regulatory burdens is key for ex post evaluation. Also, stakeholder engagement plays an instrumental role in identifying opportunities for regulatory simplification.</p> <p>In this context, the Interministerial Network for Administrative Modernization and Simplification coordinates and monitors the reforms regarding administrative modernization and simplification, as well as the implementation of the mandatory systematic ex ante and ex post assessments in the legislative process.</p>
<p>8 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>	<p>Decree-Law no. 72/2014: the revitalization of the Interministerial Network for Administrative Modernization and Simplification with new functions as a centre for evaluating reform implementation in administrative modernization and simplification, as well as for regulatory impact assessments.</p>	<p>ESAME, the independent government unit overseeing the program implementation, has been dismissed in May 2014. The Ministry of Finance is now the central focal point for ensuring completion of the measures, as well as EDP and European Semester recommendations' compliance. To that end, GPEARL, in the Ministry of Finance, is empowered to oversee the remainder of programme implementation and to assist in preparing the post-programme monitoring missions. GPEARL will liaise with sectoral ministries and services to ensure appropriate planning of actions to take, to monitor implementation and report. The Minister's Cabinet and the Secretaries of State for Budget and Treasury remain involved in this process as well.</p>
	<p>Council of Minister's deliberation empowering GPEARL to lead and assist in post programme monitoring.</p>	<p>With Decree-Law no. 72/2014, the Interministerial Network for Administrative Modernization and Simplification is responsible for coordinating and monitoring the implementation of reforms in administrative modernization and simplification, as well as for ensuring the accomplishment and the quality of ex ante and ex post impact assessments - including the one-in, one-out rule and the SME-test.</p>

Table 6.b Targets set by the Union's Strategy for growth and jobs

National 2020 headline targets	List of measures	Description of direct relevance to address the target
<p>National 2020 employment target [75% of employment of those aged between 20-64]</p>	<p>*Executing "Garantia Jovem", approved in December 2013 and being executed since January 2014. Most recent measures deserving highlighting are (a) youth employment trainingship initiative - trainingship of 9 months, aiming at promoting youth employment and empowering unemployed (Portaria n.º 149-B/2014, 24 July); (b) Youth Active Employment: the programme offers vulnerable youngsters a company internal trainingship in teams of 2 or 3, together with another less vulnerable youngster. Each project lasts for 6 months (Portaria n.º 150/2014, 30 July); (c) "Investe Jovem" program: the program aims at incentivising youngsters to develop their own business, through financing, promoting self employment and technical assistance to build entrepreneurship and project structuring and consolidation (Portaria n.º 151/2014, 30 July). In what concerns labour policies, the following deserve mentioning: (a) preparation of new framework labour policies law (to replace law decree 1332/99, 21 April), in full cooperation with social partners and in alignment with the active labour market policies being implemented (namely by aggregating trainingship initiatives within the "Estágio Emprego" initiative or by revoking inadequate active labour policies); (b) pursuing "Continuação da Vida Ativa" (empowering and professional attestation); (c) reformulating hiring support through "estímulo Emprego" (that allows offering financial support to those employing unemployed registered in unemployment centers for permanent contracts or 6 month term contracts, coupled with an obligation of trainingship); (d) new network of "Gabinetes de Inserção Profissional"; (e) partnerships between "Serviço Público de Emprego" and private employment services; (f) enlarging the network of those involved with "Serviço Público Emprego".</p>	<p>Executing the measures referred to in "Garantia Jovem" and broadly coordinating such initiative to ensure portuguese aged under 30 are given a quality job experience, either of employment, permanent education, trainingship or lifelearning, within a 4-month deadline after becoming unemployed or of leaving formal education. Vulnerable youngsters will be given guidance, analysis and diagnosis of their particular situation, for further assistance. The objective of such program is to (a) fight the high level of youth unemployment (those aged between 15-24 face an unemployment level of 35,6% 2T2014) by reinforcing measures supporting their hiring or active labour measures avoiding long periods of unemployment and inactivity, to foster their ability to be part of the employed population; (b) upgrading educational levels and fostering qualifications, guaranteeing effective compliance of mandatory scholarship levels (up until 18 years' old); (c) smooth transition to active life. In what regards employment policies, the aim is to reduce segmentation, promote quality and levels of employment, reduce the level and duration of unemployment, adjust training to the job needs, better adjust job offer and demand, foster economic growth and better integrate those most vulnerable.</p>
<p>National 2020 R&D target [between 2,7% and 3,3%]</p>	<p>Please refer to the National Reform Programme</p>	<p>Please refer to the National Reform Programme</p>

<p>GHG emission reduction target [+1% compared to 2005 emissions in non ETS]</p>	<ul style="list-style-type: none"> • Implementation of energy efficiency measures and consumption rationalization in urban (road and river) public transport of passengers • Promoting sustainable urban multimodal mobility • Promoting the use of electric vehicles • Promoting the use of environmentally friendly transport and their networks • Support for the incorporation of renewable energy, including electricity, in transport and also the use of cleaner fuels • Elaboration of National Program for Climate Change (PNAC) 2020-2030 	<p>The transportation sector accounts for over a third of national energy consumption, which realizes the importance that it has in terms of strategies to promote energy efficiency and reduction of GHG emissions. On the other hand, the diversification of energy sources in the transport coupled with promotion of renewable energies sector, is a key to promoting efficiency in the transport sector, with consequent gains in economic and environmental terms for the country factor. The promotion of transport systems with low carbon emissions is crucial for sustainability in resource use for economic development and improving the living conditions of the populations. Thus, the focus on development of green transport systems is a major goal in the transition to an economy with low carbon emissions.</p> <p>The National Program for Climate Change (PNAC) 2020-2030 sets national targets and measures to reduce GHG emissions.</p>
<p>Renewable energy target [+31% in final energy use]</p>	<ul style="list-style-type: none"> • Pilots relating to development and testing of new technologies and network integration • Projects of energy production from renewable sources not yet widespread in the country • Pilots of equipment installation and energy storage systems, including renewable sources • Developing of distribution and transportation network in order to contribute to a better integration of projects • Exploration, identification and study of the necessary development of energy production from renewable based technologies and energy storage conditions 	<p>The energy sector represents a major opportunity for the development of new projects, businesses and jobs on renewable energy, sustainable cities, energy efficiency, and smart grids. Portugal offers a unique investment environment in the renewable energy industry.</p>
<p>National energy efficiency target [25% for primary energy use in the baseline scenario]</p>	<ul style="list-style-type: none"> • Support for the promotion of the management contracts for energy efficiency in public facilities (ESCO model) • Investment in the implementation of energy efficiency measures • Support to Energy Service Companies as promoters of energy efficiency in public administration • Design and implementation of energy efficiency action plans • Promotion actions of energy efficiency and supporting the use of renewable energies in housing sector and in enterprise sector 	<p>Selective investments in the eco-efficiency, clean technologies and the efficient use of energy, is an opportunity to boost economic growth and job creation and reduce the external debt generated by imports of fossil fuel energy.</p> <p>The residential and services sector represents about 7.5% of emissions of greenhouse gases and 28% of final energy consumption in Portugal. The measures to be implemented contribute to proceed with the reducing energy consumption and diversification of supply sources in Portugal, contributing to reduced emissions of greenhouse gases</p>
<p>National early school leaving target [10%]</p>	<p>Please refer to the National Reform Programme</p>	<p>Please refer to the National Reform Programme</p>
<p>National target for tertiary education [40%]</p>	<p>Please refer to the National Reform Programme</p>	<p>Please refer to the National Reform Programme</p>
<p>National poverty target [reducing at least 200.000 people living below the poverty target]</p>	<p>The Social Emergency Programme (PES) is one of the main measures Portugal took to provide a strong intervention on emerging social problems during the period in which Portugal is under the economic adjustment process.</p>	<p>The Programme aims at mitigating the social impact of austerity on most vulnerable groups. It is expected to cover almost 3 million people. It has elected five main areas: families, older people, people with disabilities, volunteering and social solidarity institutions.</p> <p>Complementing PES in the beginning of 2013, and focusing on the intervention aimed at the active population. Portugal has put into practice the creation of around 100 Local contracts for social development, focusing on unemployment and child poverty, promoting community-based solutions, more innovative and experimental.</p> <p>A third major policy instrument are the active labour market policies, where we have been rationalising the amount of offer we had in place, and where there is a strong effort of concentration on tackling youth unemployment.</p>

7. Divergence from latest SP

Table 7. Divergence from latest SP

% GDP	ESA Code	2013	2014	2015
Target general government net lending/ net borrowing	B.9			
Stability Programme		-4,9	-4,0	-2,5
Draft Budgetary Plan		-4,9	-4,8	-2,7
Difference		0,0	-0,8	-0,2
General government net lending projection at unchanged policies	B.9			
Stability Programme		N/A	N/A	N/A
Draft Budgetary Plan		-4,9	-4,8	-2,7
Difference ¹		N/A	N/A	N/A

^{1/} This difference can refer to both deviations stemming from changes in the macroeconomic scenario and those stemming from the effect of policy measures

taken between the submission of the SP and the submission of the DBP. Differences are expected due to the fact that the no-policy change scenario is defined differently for the purpose of this Code of Conduct with respect to the Stability Programme

8. Distributional impact of the main expenditure and revenue measures

Por definir (sem modelo específico)

N/A