Portugal
Good Practice on Business Environment and Regulation

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Business environment and regulation depend on institutions: market economy – since 1776

**Business environment:** Property rights help explain the wealth of nations

**Regulation:** “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices”
Why Business Environment and Regulation?

1 - They encompass a very large share of the economy

2 - Just the beginning: going-on reforms

3 - Structural bottlenecks: if they fail, everything else fails
   (productivity, exports, digitalisation, R&D, innovation, human capital, entrepreneurship, scale-up of firms, etc.)
Portugal: main issues in 2010

1 - Business environment: Justice, fiscal, licensing
2 - Regulation: autonomy, independence
3 - Policy evaluation

**Strategy:** to foster competition, attract more investment and boost competitiveness.

“Reduce excessive licensing and regulatory framework along with a reform in corporate taxation, which are impeding the establishment, operation, and expansion of firms.”

*Portugal, IMF Article IV, 2013*
Business environment (DB2019) Compared to 2010, Portugal has improved in almost all indicators.
Positive Perception From Investors: **IMD’S Key Attractiveness Indicators**

According with *IMD-2018*, the most mentioned *Key attractiveness factors of Portugal* in response to the Executive Opinion Survey, were:

- Skilled workforce: 79.5%
- Cost competitiveness: 73.9%
- Reliable infrastructure: 68.2%
- Open and positive attitudes: 62.5%
- High educational level: 47.7%
- Dynamism of the economy: 40.9%
- Business-friendly environment: 37.5%
1 - Business environment in Portugal

• Huge improvement effort in the last decade
  o Goal: lower costs of doing business for economic growth and job creation

• Best practice: New Licensing regime
  o Complemented by many other measures:
    ▪ Planned reduction of CT
    ▪ New insolvency regime
    ▪ Out-of-court settlement mechanisms
    ▪ Strengthening competition and sectoral regulators
    ▪ ... etc.
1 - Business environment: New Licensing regime

- **Inventory of the costs** of all regulations at central, regional and local levels
- **Roadmap** for a regulatory simplification
- **Commerce, services, tourism, light industries** - "Zero" licensing: one-stop shop and on-line declaration for the installation, modification, occupation of public space and closing up.
  - EU Services Directive and beyond
  - Coordinated with municipalities
  - Nationwide land registration system
  - New legal regime for the environment/ecological reserves
  - New legal regime for Territorial and Urban Planning
  - Review of the housing market: renting, house renovations
1 - **Business environment:** New Licensing regime

- **Mining and heavy industries (type 1):**
  - Pre-determined industrial zones
  - Standard licensing and other fast track procedures
  - Alignment with territorial and urban planning
  - Review of environment impact evaluation to reduce time and monetary costs
  - Fast-track application system for planned investments

- An attempt to prevent future growth of excessive regulation was made but failed due to legal concerns
  - **Policy evaluation** is the answer
2 - Regulation: Independence of regulators

- Expert **report with recommendations** on regulation based on international best practices

- New **framework law** for regulation
- Elimination “golden shares” / **Privatization** network industries
- Amendment of statutes to guarantee **independent and strong regulators**
  - Financial, administrative and management autonomy ahead of full market liberalization
  - Joint economic and legal approach
  - Not too many regulators - coordination among them is often required (e.g. financial system)
  - Specialized court for competition law
3 - Policy evaluation is key: A never ending task

- Accountability not embedded on European culture
- Monitorization is not evaluation
- Efficiency, equity and stability: mitigate trade-offs
- More money and new laws are not a panacea
- Too many sources of law co-exist

Examples:
- “Custa quanto”: ex-ante and ex-post cost-benefit assessment of new laws
- National Productivity Board
- EU structural funds: effect on firms and technology transfer
Thank you!