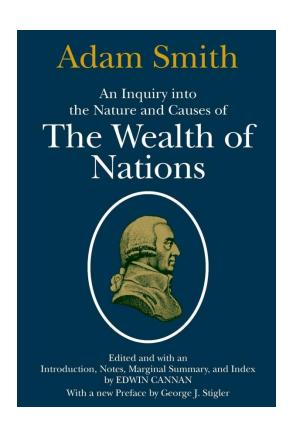


# Portugal Good Practice on Business Environment and Regulation

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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

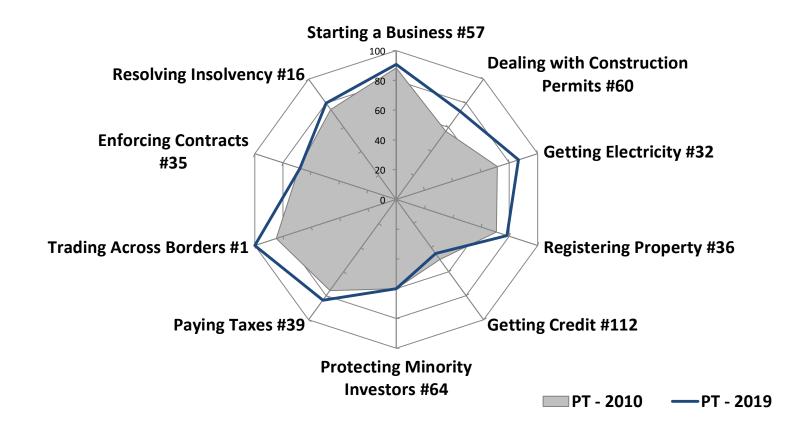
**Strategy**: to foster competition, attract more investment and boost competitiveness.

"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



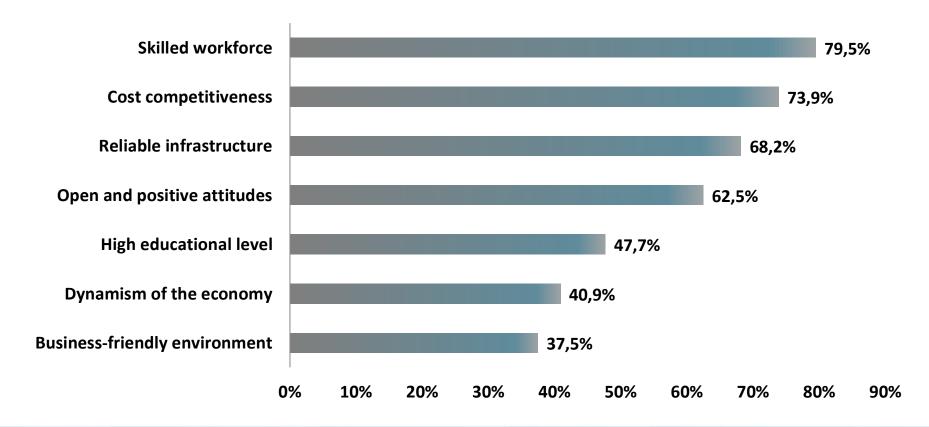
# Business environment (DB2019) Compared to 2010, Portugal has improved in almost all indicators





### 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:





#### 1 - Business environment in Portugal

- Huge improvement effort in the last decade
  - Goal: <u>lower costs of doing business</u> for economic growth and job creation
- Best practice: New Licensing regime
  - Complemented by many other measures:
    - Planned reduction of CT
    - New insolvency regime
    - Out-of-court settlement mechanisms
    - Strenghtening 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!