

3 March 2021

## Comments to the Portuguese Recovery and Resilience Plan

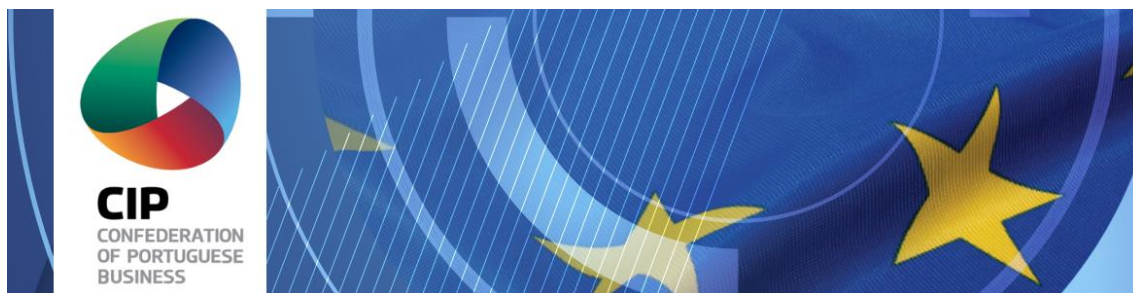
The amount of European funds to be channelled to Portugal over the coming years is unprecedented. It provides a chance to invest in Portugal with the view to modernise its structures, improve its competitiveness, lead the green transition, and qualify our human resources. We will not have another opportunity of the kind – we must get it right.

The Portuguese Recovery and Resilience Plan (RRP), as submitted by the government for public consultation between the 15<sup>th</sup> of February and the 1<sup>st</sup> of March, foresees €13,944 million in grants plus €2,699 million in loans. However, **the non-financial aspects are the ones that will define how efficiently these billions are spent. These funds will only have the expected impact if accompanied by adequate structural reforms**, and this is indeed a prerequisite from the EU to disburse payments. However important reforms are missing, namely the ones to improve the context where companies operate as well as fiscal reforms. The government is also silent on the digital transformation strategy of the Public Administration and the Judiciary, which cannot be reduced to the mere public investment in digital technologies and computer tools.

According to our estimation, around 70% of the RRP is directed at the public administration. This includes several important investments to improve the health system, modernise the public administration, fight social vulnerabilities, in addition to ensuring the respect for the main European objectives, namely green and digital transition. Some of these reforms and investments will also directly benefit companies so, indirectly, the private sector can also benefit from investments in the public sphere.

We estimate that the components of the RRP related to companies amount to €5,520 million (35% of the total), of which €1,250 million are loans (€4,405 million if we include direct measures to companies only). To this, we must at least add €3,2 million unspent from the previous programming period (Portugal 2020) and, according to the government, around €5 million from the current programming period (Portugal 2030) will be channelled directly to companies.

However, CIP believes **companies are far from being given the focus that would be necessary given their central role in the economic recovery**. Companies need instruments aimed at strengthening their capitalization, and the encouragement of mergers and acquisitions.



Companies need solutions, of financial and fiscal nature, which allow them to restore their solidity and capacity to drive the recovery. However, the RRP fails to properly address these bottlenecks.

An aspect which will be fundamental is how these funds will be channelled into the real economy. **The management of RRP funds should be based on expeditious, efficient and rapid forms of approval and disbursed to beneficiaries**, avoiding the reproduction of the mechanisms which currently exist in the management of community funds.

Moreover, **the RRP cannot be evaluated in isolation**. It must be considered jointly with the €11,200 million available from the programming period 2014-2020 (Portugal 2020), and €33,600 million from the multiannual financial framework 2021-2027. There are also the Portuguese annual budgets, as well as complementary instruments from Next Generation EU. However, the **RRP is presented without a proper overall assessment of the financial programmes and instruments, and it also fails to present an analysis of the expected macroeconomic impacts of the foreseen reforms and investments**.

We believe there are other important elements missing from the RRP. Incomprehensibly, the **blue economy** – a strategic asset for Portugal – is hardly mentioned in the document, and **circular economy** is only mentioned superficially. When it comes to **housing**, despite its importance in the RRP, the associated bottlenecks which may impede a successful evolution of this issue are not addressed. Finally, it fails to provide solutions for the **railway sector**, especially for the transport of goods and cross border interconnections. We hope these gaps will be bridged by the other strategies which will complement the RRP.

Last, CIP cannot abstain from giving an **alert to the process underlying the public consultation process regarding the RRP**. Social partners have been mostly kept away from the process which led to its current version. Interested parties were given a 15 day deadline to submit comments on the *summary* document which will define, to an important degree, the development strategy of Portugal for the coming years. CIP believes it is of the utmost importance that the government guarantees an in-depth and permanent consultation and dialogue with social partners from now on, in the process of designing and implementing Portugal's recovery strategy. This includes the involvement of social partners in the definition of priorities, as well as regarding detailed measures, instruments, and ways of allocating and controlling the use of funds.

The full document with CIP's response to the public consultation can be found [here](#) (in Portuguese only).