

2016 SBA Fact Sheet

Portugal

Key points

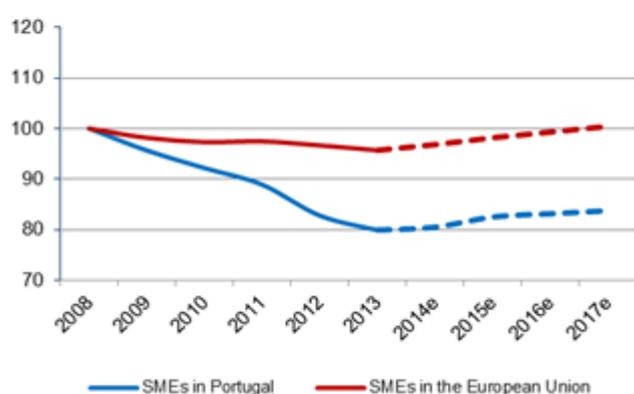
Past & future SME performance¹: Portuguese SMEs account for more than two thirds of total value added (compared with an average of 57 % in the EU) and nearly four out of five jobs (against two out of three jobs in the EU on average). Despite a more positive outlook since 2013, the recession period of 2008 continues to have an impact. SME employment in Portugal is recovering more slowly than value added and neither of these two indicators have yet reached pre-crisis levels. In 2015, SME employment and value added were still 18 % and 12 %, respectively, below pre-crisis levels. However, the registration of new businesses is growing. From 2016 onwards, the positive developments of recent years are expected to continue. The forecast includes a rise in SME value added of 3 % per year in 2015-2017. The outlook for SME employment is projected to be slight growth of close to 1 % per year, thus creating about 33 000 new jobs in 2015-2017.

Implementing the Small Business Act for Europe (SBA): Portugal's SBA profile is solid and broadly in line with the EU average. Its score on Entrepreneurship is among the best in the EU, but on State aid & public procurement and Access to finance it continues to trail the EU average. Recent policy measures have focused on reorganising public administration services and reviewing legal systems, processes and procedures in order to reduce complexity and response times. Adding to the existing public funding available, several new funds were established to enhance creation, growth and internationalisation of SMEs.

SME policy priorities: Despite significant government efforts to improve the situation, alternative sources of funding, such as private equity, venture capital, crowdfunding and funding by business angels, remain marginal and quite underdeveloped. Late payments are still a serious problem for SMEs, particularly those aiming to participate in public procurement. Transparency and efficiency on public-private partnerships and concessions need to be increased, particularly at local and regional level. Although the 'SME test' has been adopted, it lacks methodology to make it effective and consistent across the administration. Licensing procedures need to be improved and accelerated. Further reducing regulatory barriers, especially in business services, is also essential to help SMEs grow.

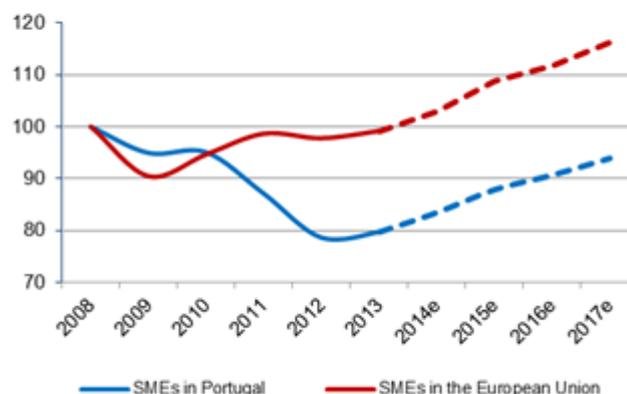
Number of persons employed in SMEs

(Index: 2008=100, estimates as from 2014 onwards)



Value added of SMEs

(Index: 2008=100, estimates as from 2014 onwards)



About the SBA fact sheets

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from Entrepreneurship and 'Responsive administration' to Internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. Published annually, the SBA fact sheets aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.

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1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Portugal		EU28	Portugal		EU28	Portugal		EU28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	746 474	95.2 %	92.8 %	1 218 660	41.3 %	29.5 %	16.9	23.8 %	21.2 %
Small	31 921	4.1 %	6.0 %	607 090	20.6 %	20.2 %	16.1	22.8 %	18.0 %
Medium-sized	4 912	0.6 %	1.0 %	478 852	16.2 %	17.0 %	15.9	22.5 %	18.2 %
SMEs	783 307	99.9 %	99.8 %	2 304 602	78.1 %	66.8 %	48.9	69.0 %	57.4 %
Large	757	0.1 %	0.2 %	646 090	21.9 %	33.2 %	22.0	31.0 %	42.6 %
Total	784 064	100.0 %	100.0 %	2 950 692	100.0 %	100.0 %	71.0	100.0 %	100.0 %

These are estimates for 2015 produced by DIW Econ, based on 2008-2013 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

The share of SMEs in Portugal's 'non-financial business economy' is higher than in the rest of the EU. SMEs account for more than two thirds of total value added (compared to an EU average of 57 %) and nearly four out of five jobs (compared to an EU average of about two out of three jobs). In 2015, however, SME productivity, as calculated by the ratio of value added to employment, was approximately EUR 21 000 per person, which is less than half the EU average of around EUR 43 000.

The *manufacturing* and *wholesale and retail trade* sectors each contribute about a quarter of total SME value added and a similar share of employment. Their shares are slightly higher than the average shares of the same sectors in other EU countries.

The crisis still prevails in the 'non-financial business economy'. Despite a more positive outlook since 2013, the 2008 recession continues to have an impact. SME value added fell by 21 % in 2008-2012. The downturn in employment lasted even longer, until 2013, amounting to 20 %. Employment recovery has been slower than that of value added. Over the past two years, employment has increased by 3 %. Value added has grown by 12 % since 2012. As a result, in 2015, SME employment and value added were still 18 % and 12 %, respectively, below pre-crisis levels.

Austerity measures introduced in response to the crisis resulted in strong restrictions on consumer spending.² Net disposable incomes fell by roughly 10 % in 2011-2012.³ As a consequence, consumer expenditure on non-essential goods and services, such as restaurant visits and holiday trips, fell. The *accommodation*

and food services sector was therefore one of the most heavily affected by the crisis. SME value added fell by a quarter in 2008-2013. At the same time, employment fell by a tenth. However, the recession bottomed out in 2013, which led to a stabilisation and partial recovery of consumer spending, including in domestic tourism.⁴ Additionally, international tourism continued to grow. The number of visitors from abroad increased by more than a third in 2010-2014.⁵ These factors resulted in a reversal of the downturn in this sector. SME value added increased by 15 % in 2013-2015, and employment by 4 %.

In the *telecommunications* sector, over the past 2 years, the number of SMEs and SME employment stabilised, after a period of high growth. SME value added fell by 11 % in 2013-2015, after a period of large fluctuations. These recent developments can be related to regulatory measures aiming to increase openness and competition in the telecommunications market, part of the Memorandum of Understanding between the Portuguese government and international creditors.⁶

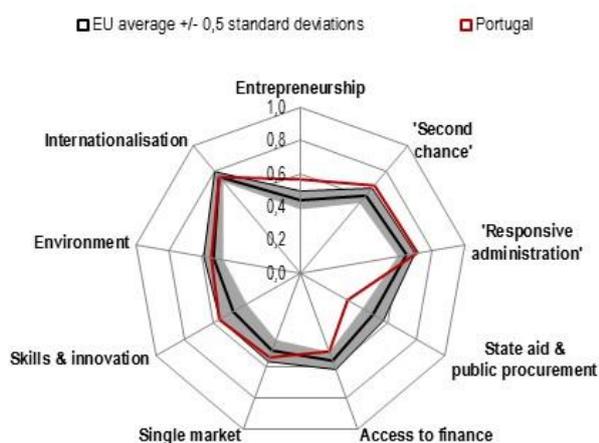
In terms of the business demographic indicators for 2015, Portuguese businesses have recovered. In 2015, 37 698 new companies were registered, 5.2 % more than in 2014 and the

highest number recorded since 2007.⁷ Company closures, on the other hand, rose, by 3.6 % in 2014-2015, to a total of 15 541. However, there were only 4 192 bankruptcies, approximately 6.7 % fewer than in 2014. The highest growth in new registrations, 19.8 % and 17.5 %, respectively, were in the *telecommunications* and *real estate activities* sectors, although the majority of new companies belong to the service sectors, including *retail trade* and *accommodation and food activities*.

One important factor behind the increase in business registrations was a regulatory change in 2011, which allows companies to be set up with a capital of only EUR 1, instead of the previously required EUR 5 000.⁸ In addition, the persistently high level of unemployment, especially among young people, has triggered various self-employment initiatives.⁹

From 2016 onwards, the positive developments of recent years are expected to continue. The forecast includes a rise in SME value added of 3 % per year in 2015-2017. The outlook for SME employment is somewhat less optimistic, but it still projects a slight growth of close to 1 % per year, thus creating about 33 000 new jobs in 2015-2017.

2. SBA profile¹⁰



Portugal's SBA profile is balanced and broadly in line with the EU average. Since 2008, the overall business environment has improved significantly. The score on Entrepreneurship is among the best in the EU, but on State aid & public procurement and Access to finance it continues to trail the EU average.

Although the government has not adopted an explicit national strategy to implement the SBA, its industrial development strategy for growth and employment 2014-2020 covers various

topics related to the SBA, including internationalisation, skills & innovation, entrepreneurship and access to finance.

Overall, since 2008, Portugal has made important progress in implementing the SBA. Significant policy work has been devoted to promoting entrepreneurship as a way of reducing the unemployment and increasing youth entrepreneurship. The key support measures have included tax incentives and grants.

Portugal has liberalised some of its highly regulated professional services, eliminating excessive restrictions and facilitating access to professions. The reforms have been gradually implemented over the past few years, but some legal restrictions remain to the access of a number of regulated professions that in practice reduce the impact of the reforms.

In 2015 and the first quarter of 2016, Portugal has adopted and implemented 22 new policy measures addressing six of the ten policy areas under the SBA. The policy focus was on extending the simplification of administrative procedures and further increasing the public funding available to SMEs. All the SBA-related policy measures announced in 2014 and the first quarter of 2015 have been adopted.

The 'SME test' was adopted, requiring impact assessments of economic and administrative costs for new legislative proposals that affect SMEs. However, as concerns the administrative burden, the impact of the 'SME test' (and of the adoption of the 'one-in, one-out' principle, aiming to prevent regulatory compliance costs from increasing) has yet to be seen, given the

lack of an established methodology to ensure effective and consistent implementation across the administration (and the lack of systematic consultations of SME stakeholders). In the current situation, the 'SME test' risks becoming an administrative compliance exercise rather than a balanced and comprehensive assessment to make legislation more SME-friendly.

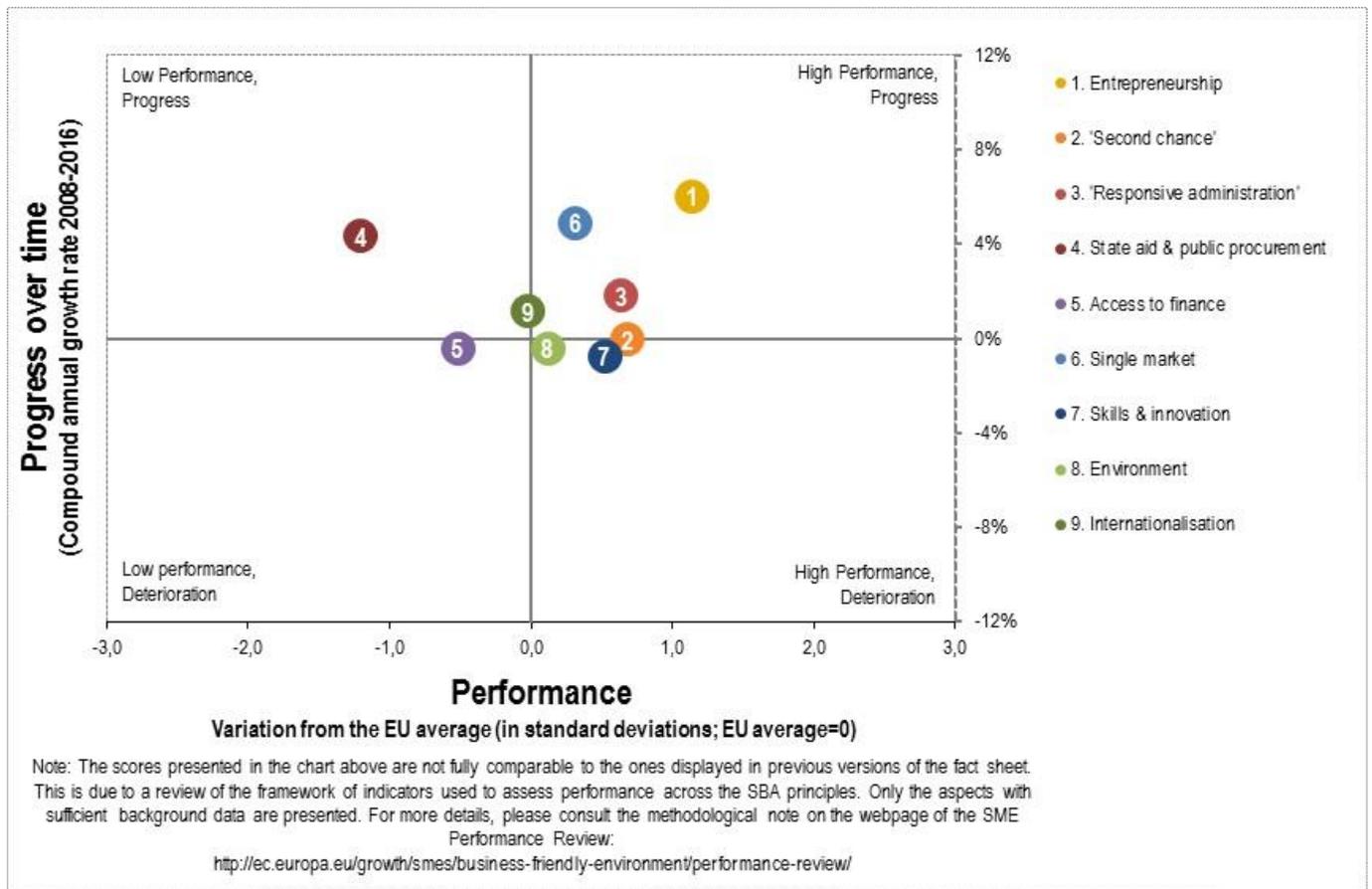
The deployment of e-government applications has played a key role in improving the efficiency of the delivery of public services. However, licensing procedures remain cumbersome and complex, for example in construction. Despite progress, regulatory barriers, especially in business services, and unpredictable administrative procedures are still hampering business growth.

SMEs are still not adequately protected against late payment by customers including public authorities. This is in spite of policy efforts to minimise the impact on SMEs through, for example, minimum interest rates for late payment. Transparency and efficiency in public procurement need to be increased as regards public-private partnerships and concessions, particularly at local and regional level.

Since 2012, the number of respondents reporting a deterioration in the willingness of banks to provide loans has been falling steadily. Overall, progress has been made on access to finance, but credit remains costly and difficult to access for start-ups in particular and SMEs in general. Moreover, despite significant efforts by the government to improve the situation, e.g. through the recent establishment of tax incentives for investors and regulations on crowdfunding, alternative sources of funding such as private equity, venture capital, crowdfunding and funding by business angels still remain marginal and quite underdeveloped.

Cooperation between universities and businesses could be further incentivised. In particular, regulatory obstacles and the lack of incentives for cooperation in the academic system present barriers to cooperation between universities and the business sector. Despite the recovery of Portugal's innovation performance in recent years and the progress made on the regulation recognising competitiveness clusters, there are still few mechanisms to support SMEs taking part in innovation partnerships and to support commercialisation of R&D results. These issues, combined with the structural shortage of skilled labour, present challenges that Portugal needs to address.

SBA performance of Portugal: state of play and development from 2008 to 2016¹¹



3. SBA principles¹²

3.0 'Think Small First'

The 'Think Small First' principle is intended as a guiding principle for all policy- and law-making activities. It requires policy-makers to consider SME interests at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

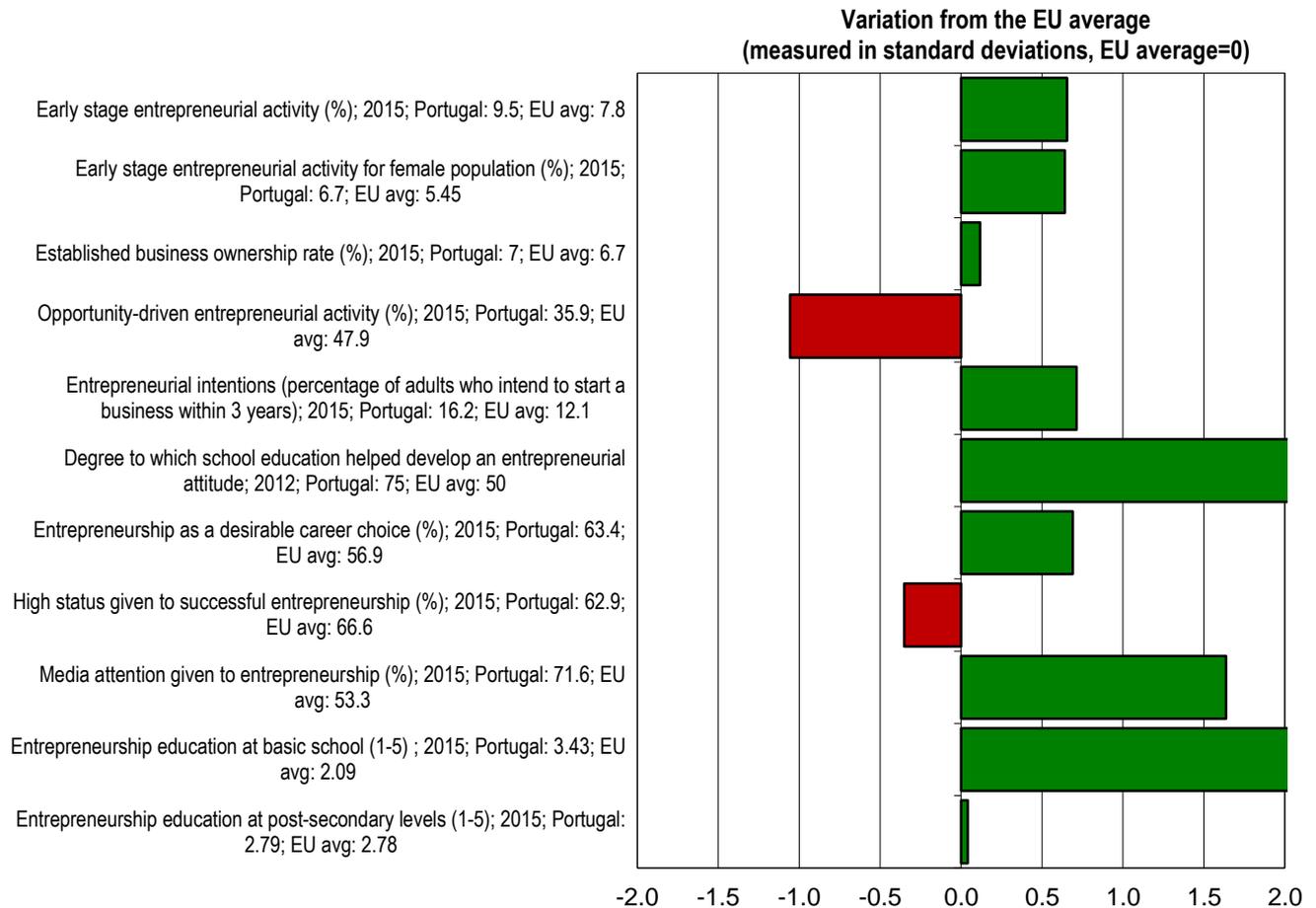
The Interministerial Network for Administrative Modernisation (*Rede Interministerial de Modernização Administrativa*) was reactivated in March 2014 to assess the impacts of new acts on SMEs. In April 2015, the Council of Ministers passed Resolution No 23/2015, adopting the 'SME test' and requiring impact assessments of the economic and administrative costs for new legislative proposals affecting SMEs. The next step is to effectively implement the test. However, as concerns the administrative burden, the impact of the test (and of the

adoption of the 'one-in, one-out' principle, aiming to prevent regulatory compliance costs from increasing) has yet to be seen, given the lack of an established methodology to ensure effective and consistent implementation across the administration and the lack of systematic consultations of SME stakeholders. In the current situation, the 'SME test' risks becoming an administrative compliance exercise rather than a balanced and comprehensive assessment to make legislation more SME-friendly.

While there is no use of common commencement dates, most key requirements of the 'Think Small First' principle are in place, including regulatory impact assessments.

The SME envoy coordinates the working group that monitors the implementation of the SBA and works closely with stakeholders to design support measures for SMEs.

3.1 Entrepreneurship



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

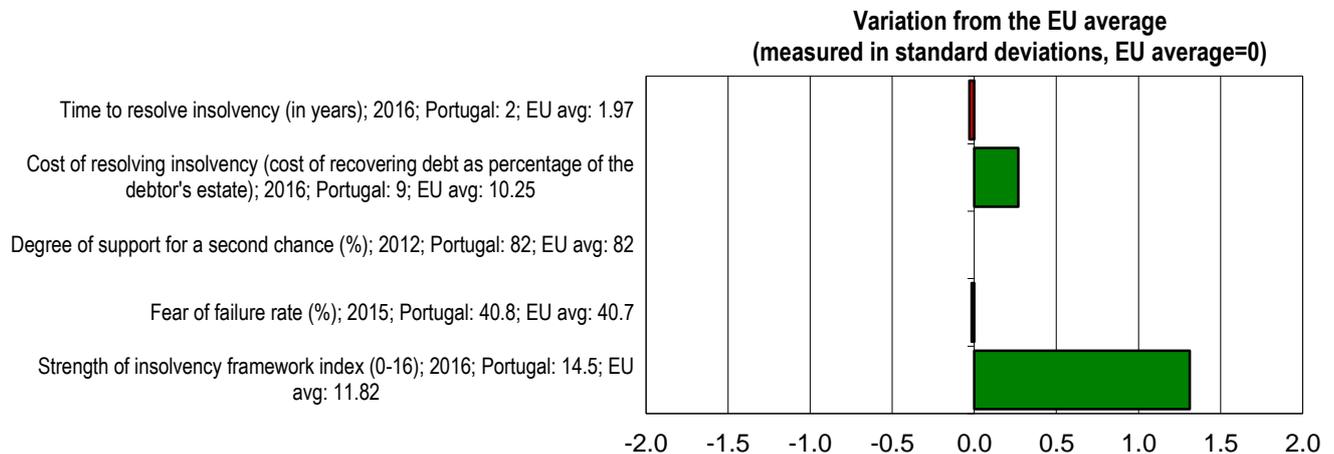
Portugal continues to perform well above the EU average in this area, with the fourth-best score of all the EU countries. As in previous years, Entrepreneurship remains the Portugal's strongest area. The country has made significant progress since 2008. Although school education does more to develop an entrepreneurial attitude than in any other EU Member State, this is mainly true of basic school education. Entrepreneurship education could be strengthened further at secondary and post-secondary levels. Furthermore, opportunity-driven entrepreneurial activity scores fifth lowest in the EU. This relatively low score is even more noticeable as it has fallen steadily in recent years, from 58 % in 2011 to 36 % in 2015, while the EU average is about 48 %.

Since 2008, substantial policy efforts have been made to promote entrepreneurship as a way of reducing the unemployment rate. Measures have included reimbursing a percentage of the social taxes paid by employers who employ the qualified unemployed, and providing tax incentives and financial support to encourage the growth of start-ups. Recent

efforts have focused on youth entrepreneurship and self-employment, in particular, through the establishment of the national youth guarantee implementation plan (*Plano Nacional de Implementação de uma Garantia para a Juventude*) and the youth investment programme (*Programa Investe Jovem*).

The focus on youth entrepreneurship continued in 2015 and the first quarter of 2016. The *COOPJOVEM* programme was set up, led by the António Sérgio Cooperative for Social Economy and the Institute of Employment and Vocational Training, to provide grants to young people to engage in cooperative entrepreneurship. In addition, the 'Be an entrepreneur' (*Emprende Já*) programme, targeting people aged 18 to 29 who have completed compulsory education but are not in employment, education or training, was put in place to encourage social entrepreneurship. The 'Industry 4.0' initiative was also launched, to help national enterprises become better prepared to face the present global digitalisation challenges.

3.2 ‘Second chance’



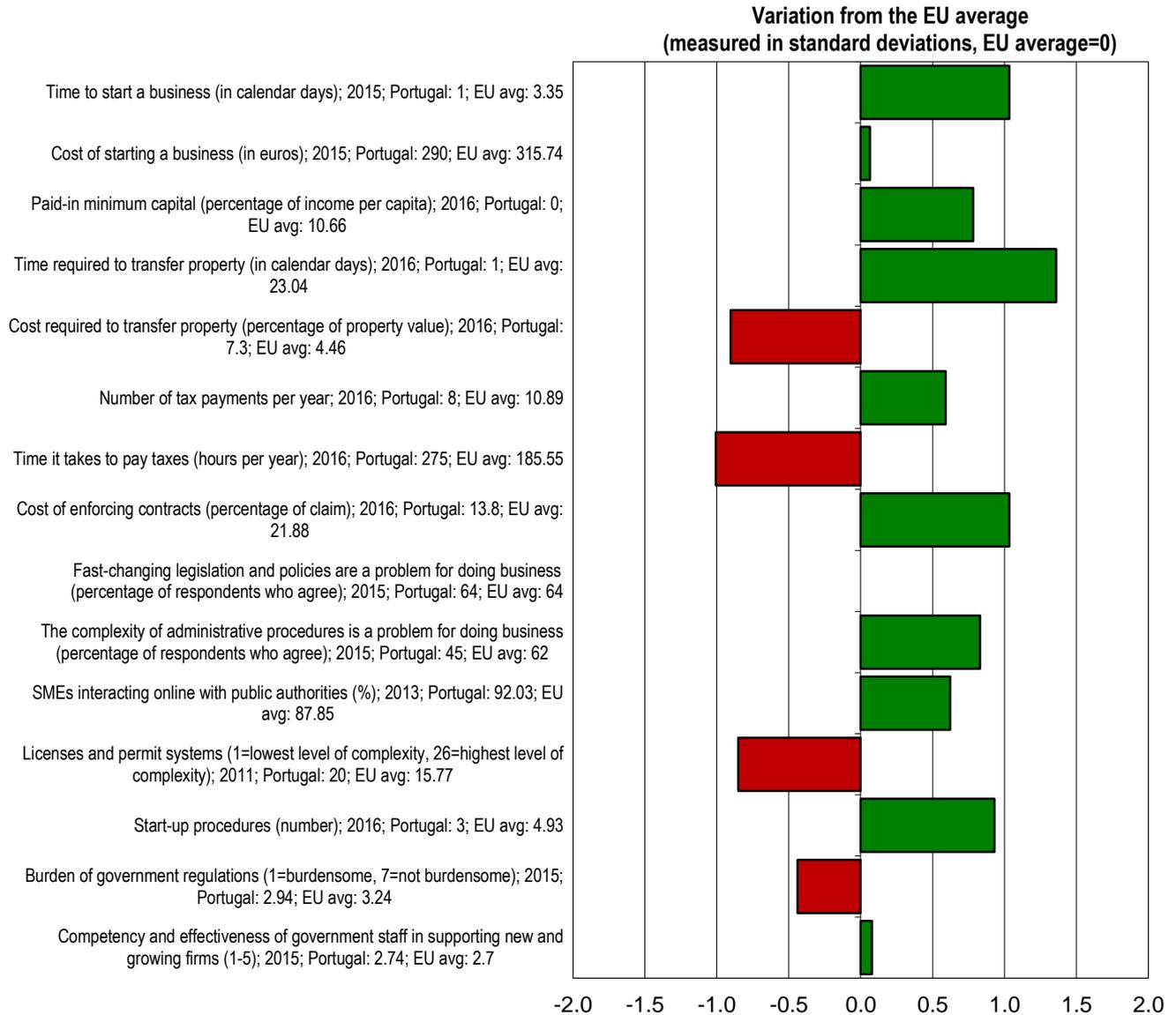
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‘Second chance’ means ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. On this principle, Portugal performs above the EU average. The proportion of the population who see opportunities but say that the fear of failure would prevent them from setting up a business has increased slightly (from 38.4 % in 2014 to 40.8 % in 2015) and is in line with the EU average. The insolvency framework is among the top three in the EU, indicating that Portugal has legislation that is well designed to rehabilitate viable firms and liquidate non-viable ones.

The most important measure taken in recent years to implement the ‘Second chance’ principle was the adoption of the Company Restructuring Simplification Act. The act aims not only to strengthen the influence of creditors and shareholders but also to support self-administered company restructuring through the ‘special revitalisation process’ (*PER — Processo Especial de Revitalização*). The goal of PER is to save companies that are economically sound but facing insolvency.

As a follow-up to an early warning mechanism introduced in 2014 to facilitate timely signalling of financial difficulties, additional changes were made to the ‘extrajudicial business recovery system’ (*SIREVE — Sistema de Recuperação de Empresas por via Extrajudicial*) and to the Insolvency and Corporate Recovery Code (*CIRE — Código da Insolvência e da Recuperação de Empresas*). To make the system more effective, SIREVE is now restricted to entrepreneurs who have their accounts in order. Companies currently in bankruptcy procedures are prohibited from using SIREVE, as are companies that have resorted to PER and failed to fulfil the terms of the approved recovery plan. Companies interested in recourse to SIREVE can perform a self-assessment of their economic and financial situation (*Autodiagnóstico financeiro*) beforehand, using an e-platform available since July 2015. This instrument enables companies to identify weaknesses in their economic performance and in their financial structure.

3.3 'Responsive administration'



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

'Responsive administration' means public administration being responsive to the needs of SMEs. Portugal performs above the EU average in this area. Its performance on individual indicators is largely the same as in previous years. The cost of enforcing contracts, as a percentage of the claim, is among the very lowest in the EU. While the time required to transfer property is the shortest in the EU, the relative cost of doing so is the fourth highest. Portugal ranks similarly low for the time it takes to pay taxes, which is about 50% longer than the EU average.

In recent years, Portugal has put particular emphasis on adopting and implementing policy measures that fall under the

'Responsive administration' principle. The use of e-government applications has played a key role in improving the efficiency of public service delivery. New regulations on starting and running commerce, services and food and beverage activities ('*RJACSR — Regime jurídico de acesso e exercício de atividades de comércio, serviços e restauração*') were introduced in 2015 to revitalise small commercial establishments and the urban centres in which they are located. The measures further simplify acts regulating the opening hours of trade and service establishments and retail sales at reduced prices. Various reforms were introduced in recent years to address the complexity of licensing procedures, but these remain cumbersome and complex, for example in

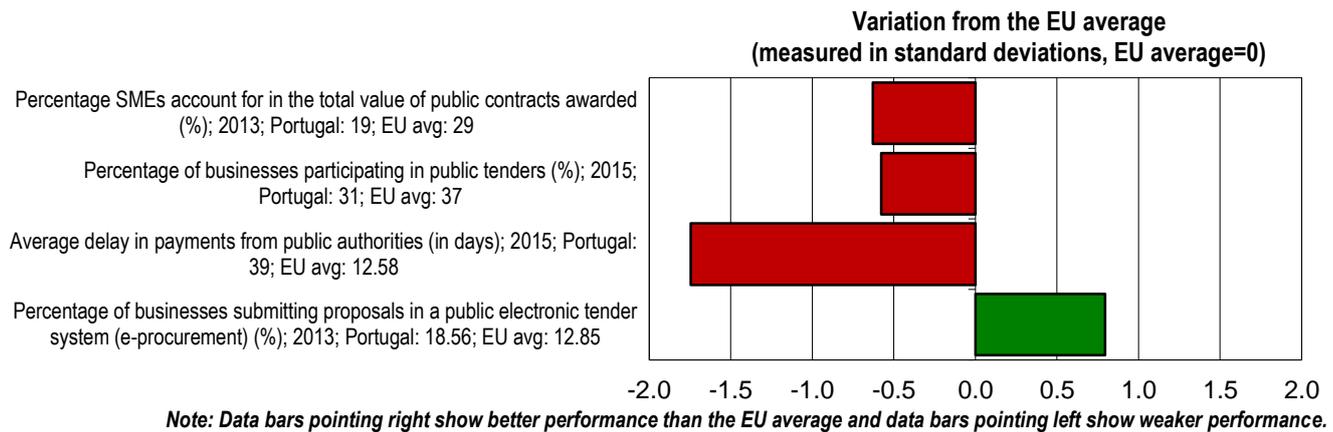
construction. Despite progress, regulatory barriers, especially in business services, and unpredictable administrative procedures are still hampering business growth.

A number of new measures were adopted in 2015 and the first quarter of 2016, with the potential for substantial positive impacts. For example:

- To further alleviate persistent licensing complexity, the ‘legal framework for single environmental licensing’ (*Regime Jurídico do Licenciamento Único Ambiental*) was adopted, combining various environmental licensing schemes into a single regime, aiming to make licensing simpler, more transparent and less costly.

- To simplify processes and reduce response times by public administration, the new code of administrative procedure (*Novo Código do Procedimento Administrativo*) was adopted.
- To facilitate access to and to decentralise the public administration, a strategy for restructuring public administration support services (*Programa Aproximar — Estratégia para a Reorganização dos Serviços de Atendimento da Administração Pública*) was adopted.
- To simplify procedures and save costs, the ‘responsible industry system’ (*Alteração do Sistema da Indústria Responsável*) was revised.

3.4 State aid & public procurement



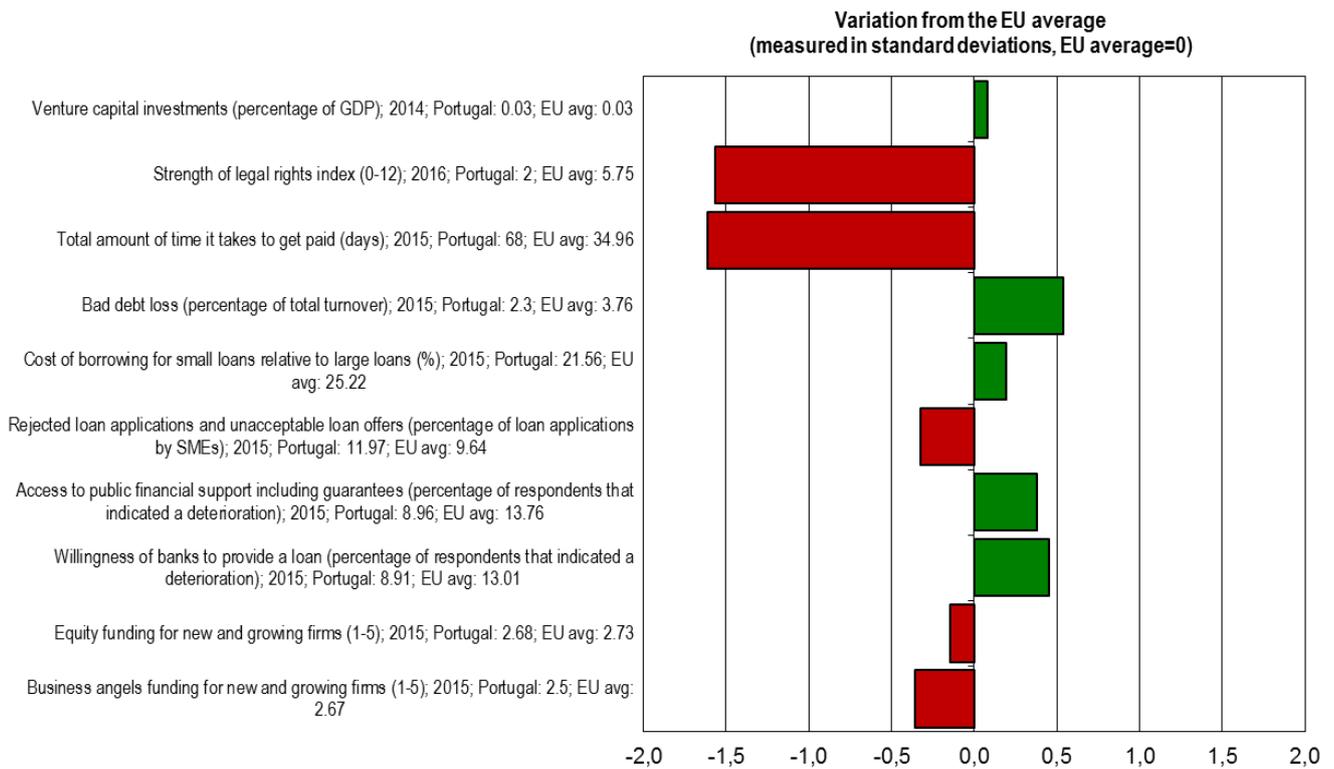
Portugal continues to perform below the EU average in this area, doing better than only three other EU Member States. The average delay in payment by public authorities is the second longest in the EU, even though it has improved in recent years. On e-procurement, Portugal is among the top 10 performers in the EU, partly due to the BASE portal, which provides information on available opportunities.

One of the most important steps taken since 2008 by the Portuguese government to support the participation of SMEs in public procurement was the launch, in 2009, of the centralised public procurement platform. However, contracting authorities in

Portugal often use the direct award procedure. Public procurement of innovation has not yet been achieved, and SMEs are still not adequately protected against late payment, despite policy efforts to minimise the impact on SMEs through, for example, minimum interest rates for late payment. Transparency and efficiency in public procurement need to be increased as regards public-private partnerships and concessions, particularly at local and regional level.

In 2015 and the first quarter of 2016, no significant new measures to promote the participation of SMEs in public procurement were adopted or announced — despite the ongoing challenges that SMEs face in public procurement.

3.5 Access to finance



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

In this area, Portugal scores below the EU average. This is largely due to late payment. Despite improvements in recent years, the time it takes to be paid in Portugal is still over a month longer than the EU average. In addition, Portugal scores second-lowest in the EU on the strength of legal rights, a measure of the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. On the positive side, access to public financial support including guarantees, improved in 2015; only about 9 % of respondents having reported a deterioration in access in 2015, against nearly 27 % in 2014. Since 2012, there has been a trend of ever fewer respondents reporting a deterioration in banks’ willingness to provide loans, but credit remains costly and difficult to access for SMEs and start-ups.

Since 2008, Portugal has made significant efforts to facilitate SMEs’ access to finance. Public support schemes such as guarantees for bank loans, credit lines and funds have been introduced. The Development Finance Institution (*Instituição Financeira de Desenvolvimento*) was set up to serve as a ‘wholesaler’ of the different public financial instruments available. Various other measures have been taken to facilitate the cash flow of SMEs. These measures include setting minimum interest rates for late payment, adopting low tax rates for SMEs, and granting VAT exemptions for SMEs with an annual turnover of up to EUR 500 000. To address the lack of venture capital, a

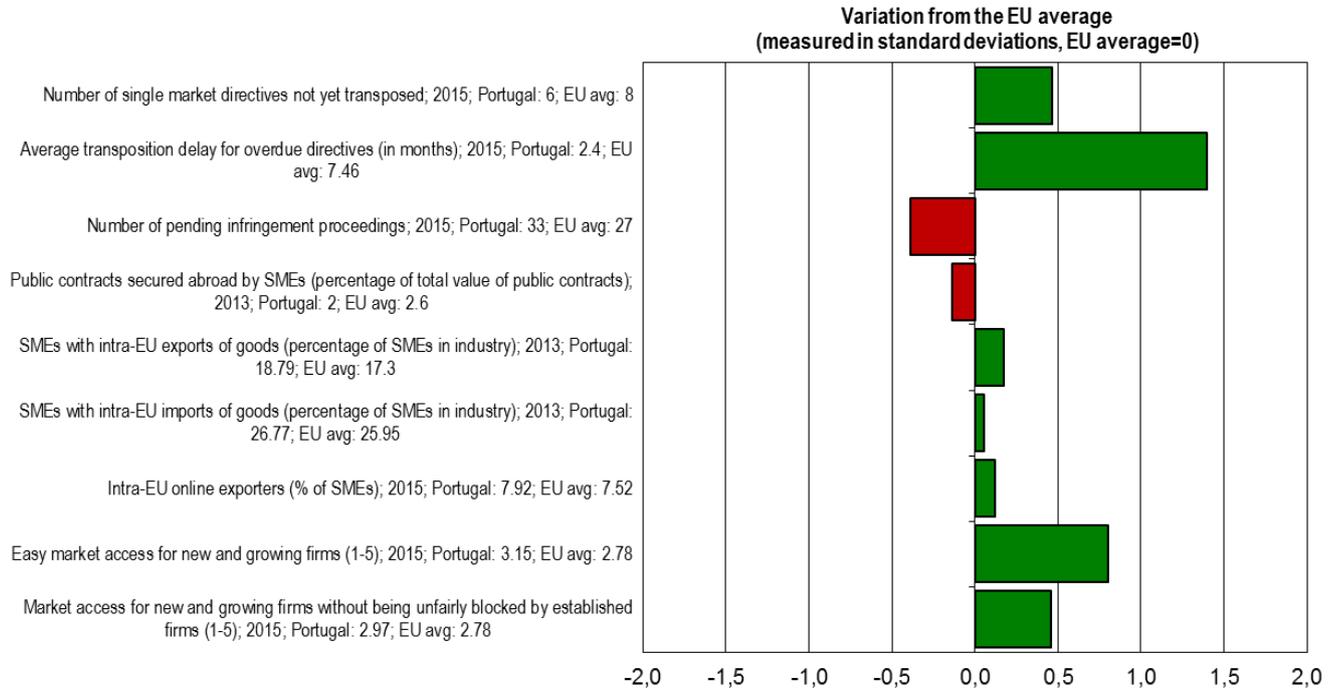
new legal framework was approved for venture capital investment activities (*Regime da atividade de investimento em capital de risco*), transposing relevant EU directives in the process. However, while significant public funds have been made available for SMEs and start-ups, the lack of private investment has remained an issue to be addressed. Accordingly, to attract private investors, a new line of financing (*Nova linha de Business Angels*) was put in place to provide public funding of up to 65 % of the total amount invested. In addition, the investment tax code (*Novo Código Fiscal ao Investimento*), adopted in 2014, established tax incentives for investors.

In 2015 and the first quarter of 2016, policy efforts to tackle the scarcity of capital were stepped up. Payments to Portugal 2020 projects were accelerated through the ‘100 plan’ (*Plano 100*) initiative. Support was provided to companies internationalising in Angola. Adding to the public funding already available, various new measures were established. For example:

- The Development Finance Institution (*Instituição Financeira de Desenvolvimento*) allocated EUR 100 million for the mezzanine financing credit line 2015 (*Linha de Crédito Mezzanine Financing IFD 2015*) to help companies pursue growth strategies.

- A new SME growth credit line (*PME Crescimento 2015*) was set up, with four specific lines: EUR 300 million for micro- and small enterprises; EUR 800 million for working capital and investment; EUR 100 million for high growth companies; and EUR 200 million for commercial credit to exporters.
 - The ‘new line of support for business revitalisation’ (*Nova linha de apoio à Revitalização Empresarial*) with a budget of EUR 50 million, was introduced to finance working capital and investment related to new expansion and growth cycles. This tool has two specific lines, one short-term (EUR 30 million) and one medium-term (EUR 20 million).
 - The Capital and Quasi-Capital Fund (*Fundo de Capital e Quase Capital*) was set up with an initial capital of EUR 146.9 million, to create new or strengthen existing financial instruments for the capitalisation of SMEs in start-up or early stages of growth and product development.
 - A Debt and Warranties Fund was set up to create or strengthen business financing instruments, in particular with regard to SMEs.
 - New legislation on collaborative financing was introduced, and seven crowdfunding platforms have already registered: PPL Crowdfunding Portugal, Accelerate Azores, Novo Banco Crowdfunding, Colmeia, Crowdfunding Networks, Loving the Planet and BoaBoa.
 - The creation of Startup Portugal (an umbrella programme for entrepreneurship) aims to offer alternatives to bank loans, namely by promoting new methods of financing, such as equity crowdfunding, peer-to-peer lending, and co-investment, with key national and international investors.
 - Sea 2020 (*Mar 2020*) and the Blue Fund (*Fundo Azul*), the EU support programme specifically for maritime and port activities, have a total of EUR 520 million, including from national counterparts, by the end of the decade.
 - There is a set of credit lines for the tourism sector worth EUR 60 million and the Tourism Institute of Portugal has been allocated new funding of EUR 50 million, with the objectives of providing more training to improve the quality of supply and accessibility on international routes.
 - The economic potential of inland parts of the country is improving, with the creation of a system of incentives for entrepreneurial activity in low-density areas (EUR 50 million).
 - Credit lines totalling EUR 20 million have been launched for producers of raw milk and pigs — two secured credit lines target producers of raw cow’s milk (EUR 10 million) and pork (EUR 10 million).
- However, despite these significant efforts to improve the situation, alternative sources of funding, such as private equity, venture capital, crowdfunding and funding by business angels, remain marginal and quite underdeveloped.

3.6 Single market



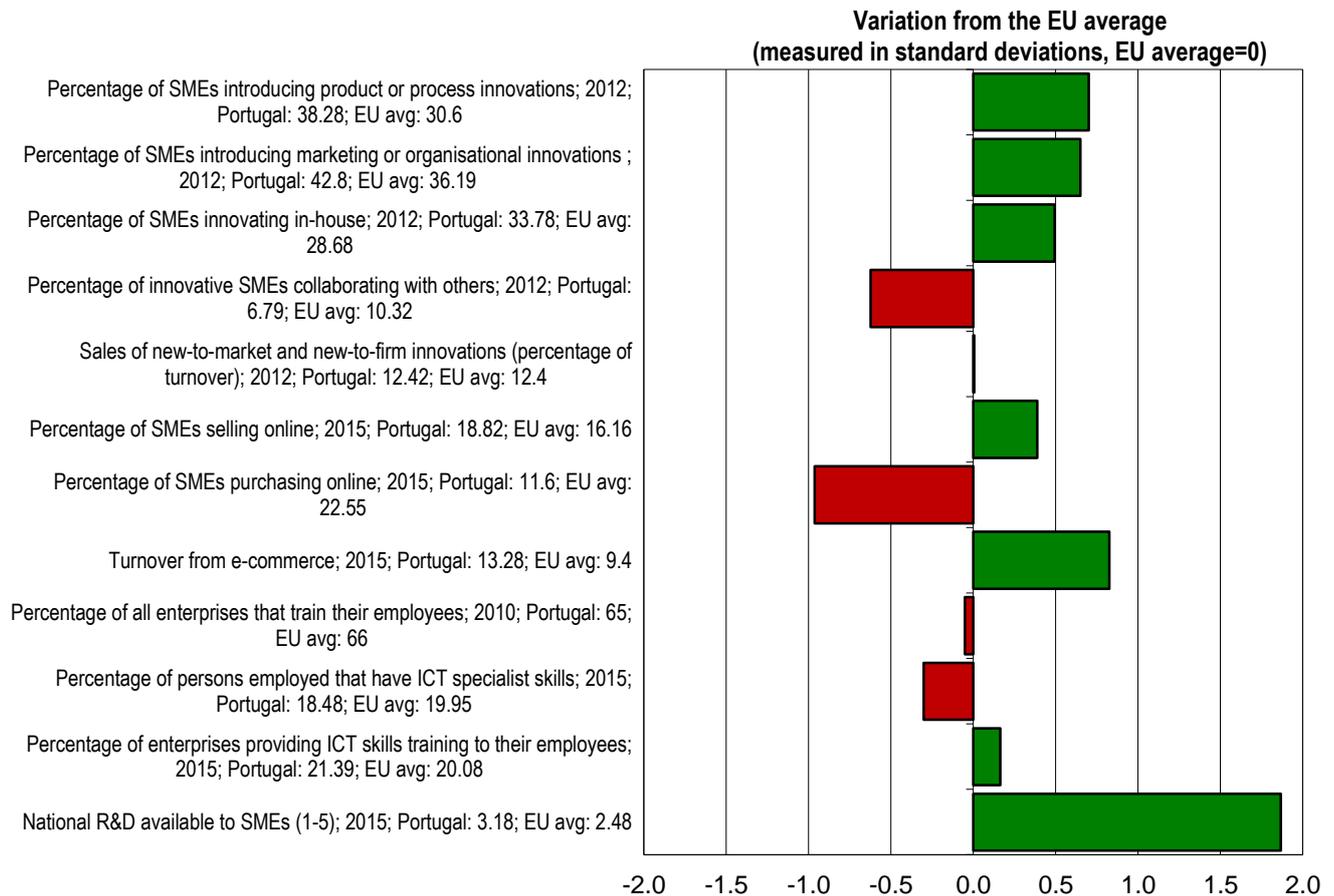
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Portugal's performance in this area is broadly in line with the EU average and has markedly improved since 2008. The average delay in transposing legislation fell from 6.3 months in 2014 to 2.4 months in 2015, which puts it among the three best performers in the EU. The number of single market directives not yet transposed has also fallen (from 10 in 2014 to 6 in 2015), and there has been continuous improvement in terms of the number of pending infringement proceedings, which fell from 68 in 2010 to 33 in 2015. All these actions contributed to improving market access for new and growing firms, which face fewer market-entry-related obstacles in Portugal than in most other EU Member States.

In recent years, Portugal has taken steps to help Portuguese SMEs benefit from the single market — including through the establishment of the SOLVIT centre and the creation of an online portal to help take advantage of business opportunities in the EU. However, more can be done to support companies in seizing the opportunities of the single market.

In 2015 and the first quarter of 2016, no significant new measures were adopted or announced.

3.7 Skills & innovation



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

In this area, Portugal performs above the EU average. Turnover from e-commerce is the seventh highest in the EU and has increased in recent years. Portugal's score on national R&D available to SMEs, which reflects the extent to which national research and development is to lead to new commercial opportunities and is available to SMEs, is the second highest in the EU.

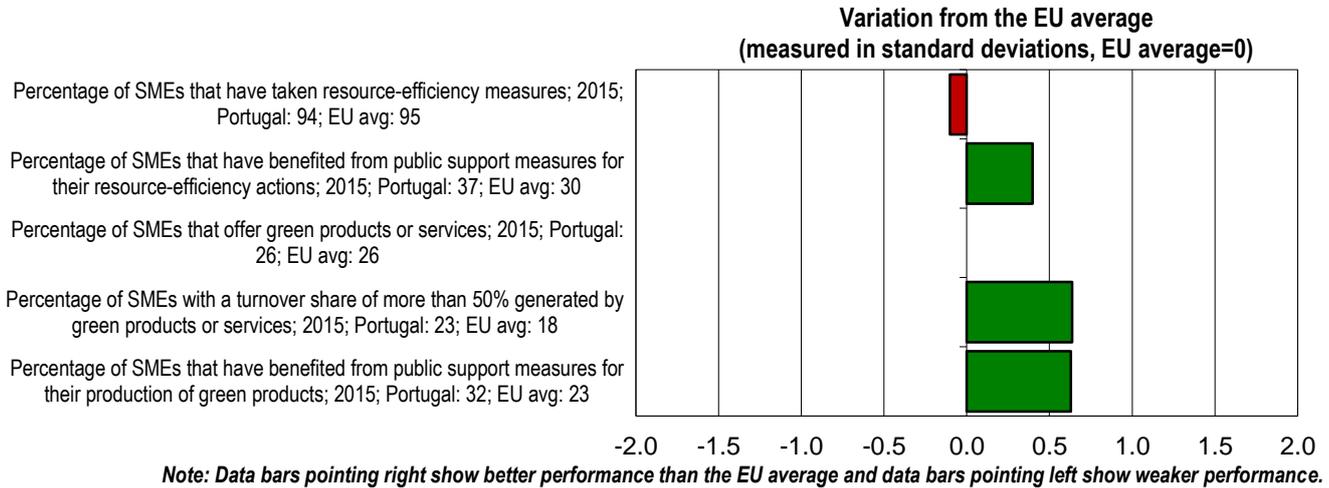
The key measures to promote upgrading of skills in SMEs were adopted under the national strategic reference framework (*QREN – Quadro de Referência Estratégica Nacional*). In 2014, Portugal launched the Portugal social innovation initiative (*Iniciativa Portugal Inovação Social*) by allocating EUR 150 million to finance social entrepreneurship projects. Public support for SMEs' R&D and innovation activities has also been provided under the Compete 2020 programme (*Programa Operacional Competitividade e Internacionalização*).

During 2015 and the first quarter of 2016, to complement the available innovation vouchers (*Vales Inovação*) for SMEs, a

training voucher (*Cheque-Formação*) system was set up to finance vocational training for employed and unemployed persons.. To further address long-term unemployment, the Reactivate programme (*Programa Reativar*) was established to finance six-month work placements. Competitiveness clusters were also reinforced, by approving regulations for the recognition of competitiveness clusters.

Cooperation between universities and businesses could be further incentivised. In particular, the barriers to cooperation between universities and the business sector exist due to both regulatory obstacles and the lack of incentives for cooperation in the academic system. While its innovation performance has recovered in recent years and it has made progress on the regulation recognising competitiveness clusters, Portugal still lacks mechanisms to support SMEs taking part in innovation partnerships and to support commercialisation of R&D results. These issues, combined with the structural shortage of skilled labour, present challenges which Portugal needs to address.

3.8 Environment



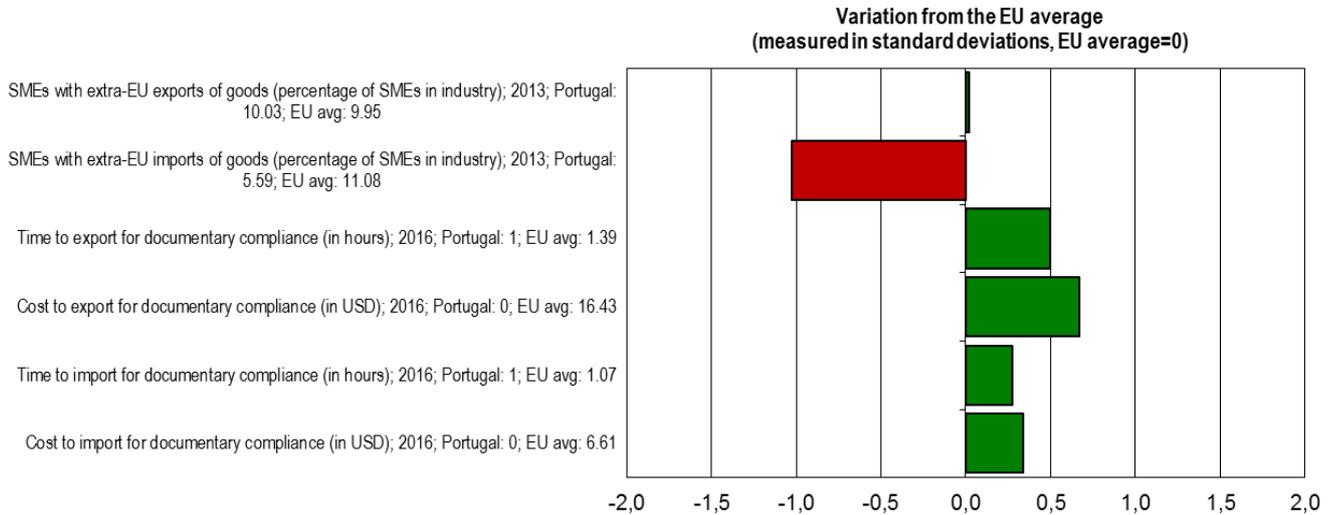
Portugal’s performance in this area is broadly in line with the EU average. In 2015, compared with 2013, the percentage of SMEs that make most of their turnover from green products or services improved, from 16 % to 23 %. The percentage of SMEs receiving public support for their production of green products also rose, from 16 % in 2013 to 32 % in 2015, and is thus among the upper third in the EU.

Recent policy efforts to support businesses’ resource efficiency have included the adoption of the Environmental Taxation Reform Law (*Lei da Reforma da Fiscalidade Ambiental*) in 2014,

introducing tax incentives for sustainable production and consumption, and actions to support investment in reducing emissions, water management schemes, environmental audits and certification.

While in 2015 and the first quarter of 2016 no significant new measures were adopted, the ‘green growth commitment’ (*Compromisso para o Crescimento Verde*) was announced — aiming to provide a comprehensive national strategy on green growth, setting quantifiable targets for 2020 and 2030 and outlining 83 initiatives to promote eco-efficient businesses.

3.9 Internationalisation



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

In this area, as in most areas of the SBA, Portuguese SMEs are broadly in line with the EU average. Since 2008, Portugal has been among the seven EU Member States that improved most in the overall score on this principle and has gradually increased its exports of goods outside of the EU.

Portugal has put in place various policy measures in recent years to support SME internationalisation. These include the provision of specialised consulting and training to SMEs, and the Portugal brand (*Marca Portugal*) initiative established in 2014 to

strengthen the global image and raise awareness of Portuguese exports. There are some encouraging signs that these measures might be starting to improve the export performance of Portuguese SMEs.

In 2015 and the first quarter of 2016, no significant new measures were adopted or announced, but in terms of financing a credit line of EUR 500 million to support Portuguese companies with operations in Angola (*Linha para Empresas Portuguesas com Processo de Internacionalização em Angola*) was created, improving their cash-flow situation.

4. Interesting initiative

Below is an example of an initiative from Portugal to show what governments can do to support SMEs.

‘SME Leader’ (PME Líder)

‘SME Leader’ status, enhancing the reputation of financially sound SMEs, is awarded to companies by the Public Agency for Competitiveness and Innovation (*IAPMEI*), and by ‘Turismo de Portugal’ for tourism enterprises, under the FINCRESCCE programme. The scheme works in partnership with 11 banks operating in Portugal (Banco BIC, Banco BPI, Banco Popular, Barclays, Caixa Geral de Depósitos, Crédito Agrícola, Millennium BCP, Montepio, Novo Banco, Novo Banco Azores and Santander Totta). SME Leader status can be obtained if the company meets the following requirements:

- a) it is an SME according to Portuguese legislation defining micro-, small and medium-sized enterprises which, itself, follows the EC recommendation of 6 May, 2003 (2003/361/EC), as proven by online certification, which must be renewed annually;
- b) it has no debts to the Tax Office, Social Security, IAPMEI or Turismo de Portugal;
- c) it has a specific focus on pursuing growth and competitiveness strategies;
- d) it has a risk profile that meets the standards of the different banks’ internal systems for credit ratings;
- e) in addition to the credit rating profile, it meets at least three of the following conditions:
 - (i) positive financial outcome in 2014;
 - (ii) EBITDA (earnings before interest, taxes, depreciation, and amortisation) positive in the two years under review;
 - (iii) at least 30 % of equity in assets in 2014;
 - (iv) at least EUR 1 000 000 turnover in 2014;
 - (v) at least 8 employees, as an autonomous company, in 2014.

Companies that meet the above criteria are sought by the partner banks, which with their agreement recommend them to IAPMEI or to Turismo de Portugal. SME Leader status is granted to the company, acknowledging the bank that recommended it.

As a visible statement of financial health, the SMEs recognised in this way can use the SME Leader logo in their corporate communications, which boosts their competitiveness.

By January 2016, 7 270 companies were SME Leaders. An increasing number of Portuguese SMEs are interested in participating in the programme.

References:

www.pmelider.pt

Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information. Produced annually, the fact sheets help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:

http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm

grow-spr@ec.europa.eu

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

European Small Business Portal:

http://ec.europa.eu/small-business/index_en.htm

Endnotes

¹ The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2014, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2013 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm

² <http://www.euronews.com/2014/05/17/portugal-s-bailout-is-over-but-not-the-austerity/>; last accessed 30.03.2016.

³ <https://data.oecd.org/hha/household-disposable-income.htm>; last accessed 30.03.2016.

⁴ Eurostat: Final consumption expenditure of households by consumption purpose; extracted from <http://ec.europa.eu/eurostat/web/national-accounts/data/database> on 30.03.2016.

⁵ <http://www.oecd-ilibrary.org/docserver/download/852015041e1t074.pdf?expires=1459326540&id=id&accname=quest&checksum=54EB96693A636A3749020C45B34A4D5F>; last accessed 30.03.2016.

⁶ <http://www.dn.pt/dossiers/economia/portugal-pede-ajuda-externa/noticias/interior/vai-aumentar-a-concorrenca-nas-telecomunicacoes-1844123.html>; last accessed 30.03.2016.

⁷ Barómetro Empresarial informa D&B Dados Históricos <http://biblioteca.informadb.pt/flipbook/2016/dados-historicos/#/0>; last accessed 26.08.2016.

⁸ Decree Law No 33/2011 of March, 7th; available at http://www.docs.apeca.pt/docs/apeca-documentos/dl_33_2011.pdf, last accessed 30.03.2016.

⁹ http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics#Youth_unemployment_trends; last accessed 30.03.2016.

¹⁰ The 2016 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

¹¹ The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis, measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2016. These are measured against the individual indicators which make up the SBA area averages. This means that the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2016. All SBA principles, with the exception of the 'Think Small First' principle, for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm.

¹² The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2015 and the first quarter of 2016. The national SME policy expert that CARSA Spain (DG GROW's lead contractor for the 2016 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.