

Key points

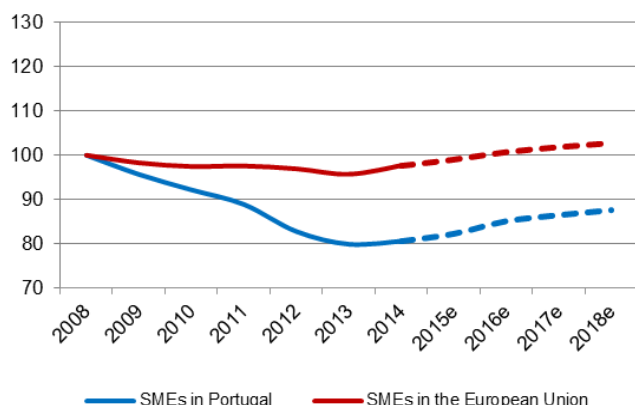
Past & future SME performance¹: Portuguese SMEs are slowly but consistently recovering from the economic crisis. SME value added hit a low point in 2012, but subsequently rose steadily to a total of 16.7 % by the end of the period 2012-2016 from the base year of 2008. Nevertheless, in 2016, SME value added still remained 8.3 % below its 2008 level. SME employment is also recovering, with the first signs of growth in 2013 leading to an overall increase of 6.6 % in 2013-2016. Nonetheless, employment was still 14.8 % lower in 2016 than its pre-crisis level. However, the most recent figures for 2015 and 2016 are positive, with growth in SME value added and employment of 3.8 % and 3.5 % respectively. The Structural Funds and other EU programmes and initiatives, like the Enterprise Europe Network, were major drivers of economic growth in Portugal. Until May 2017, the total funding approved under Portugal 2020² was over EUR 6 billion, of which 74 % for SMEs. The recent SME growth is expected to continue in the coming years. In 2016-2018, SME value added is expected to rise by 8.8 %. Nevertheless, growth in SME employment is projected to slow down slightly in the same period, with an overall increase of 3 %, corresponding to approximately 70 400 new SME jobs.

Implementing the Small Business Act for Europe (SBA): Portugal's SBA performance is moderate and broadly in line with the EU average. Entrepreneurship, 'second chance' and 'responsive administration' are the three areas where the country surpasses the EU average. However, in state aid & public procurement, single market and internationalisation the country performs below the EU average. Over the past few years, access to finance and entrepreneurship have developed well, and the score on entrepreneurship is among the best in the EU. During the current reference period, Portugal adopted 21 policy measures addressing 6 of the 10 policy areas under the SBA. Overall, Portugal has adopted a number of SBA-related policy measures over the past few years, leading to a more favourable business environment.

SME policy priorities: The results of the regulatory impact assessments and the 'SME tests' must be used more effectively to foster an SME-friendly business environment. Public procurement contracts are still too often awarded directly. Furthermore, too few SMEs participate in public procurement procedures, and the share of SMEs in the total value of public contracts awarded is modest and could thus be increased. Market access for new and growing firms should be improved.

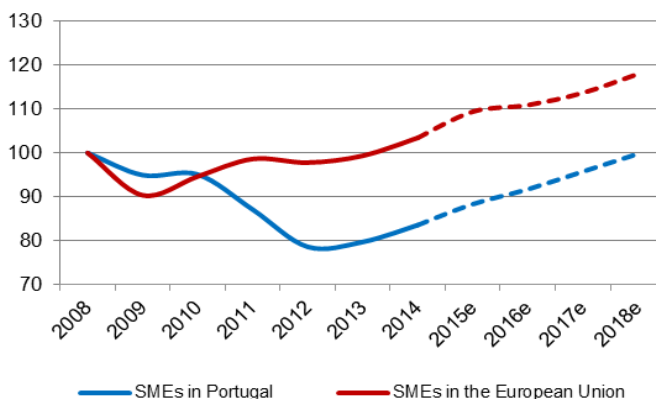
Number of persons employed in SMEs

(Index: 2008=100, estimates as from 2015 onwards)



Value added of SMEs

(Index: 2008=100, estimates as from 2015 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		EU-28	Portugal		EU-28	Portugal		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	763 109	95.1 %	93.0 %	1 242 789	40.8 %	29.8 %	18.0	24.2 %	20.9 %
Small	33 623	4.2 %	5.8 %	638 227	20.9 %	20.0 %	16.4	22.1 %	17.8 %
Medium-sized	5 135	0.6 %	0.9 %	499 433	16.4 %	16.7 %	16.6	22.3 %	18.2 %
SMEs	801 867	99.9 %	99.8 %	2 380 449	78.1 %	66.6 %	51.1	68.5 %	56.8 %
Large	787	0.1 %	0.2 %	669 293	21.9 %	33.4 %	23.5	31.5 %	43.2 %
Total	802 654	100.0 %	100.0 %	3 049 742	100.0 %	100.0 %	74.6	100.0 %	100.0 %

These are estimates for 2016 produced by DIW Econ, based on 2008-2014 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 following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). 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.

SMEs play a particularly important role in the non-financial business economy in Portugal, accounting for 68.5 % of value added and 78.1 % of employment. These estimates are more than 10 percentage points higher than the respective EU averages. By contrast, Portuguese SMEs employ an average of about 3 people, which is approximately one person fewer than the EU average. The two largest SME sectors, *manufacturing* and *wholesale and retail trade*, together generate roughly half of SME employment and value added. Annual productivity of Portuguese SMEs, calculated as value added per person employed, is approximately EUR 21 500, half of the EU average.

Portuguese SMEs are still recovering from the economic crisis. SME value added hit a low point in 2012 but has subsequently risen consistently to a total of 16.7 % overall by the end of the

period 2012-2016. Nevertheless, in 2016, SME value added still remained 8.3 % below its 2008 level. Employment recovery has been even slower for SMEs, with the first signs of growth recorded only since 2013, leading to an overall increase of 6.6 % in 2013-2016. Although employment was still 14.8 % lower in 2016 than its pre-crisis level, the most recent figures for 2015-2016 are positive, with growth in SME value added and employment of 3.8 % and 3.5 % respectively.

The recent performance of SMEs in *manufacturing*, one of the largest Portuguese SME sectors, was consistent with SME performance in the overall non-financial business economy. Value added increased strongly, whereas job growth lagged behind. There was strong growth in SME value added in almost all subsectors, resulting in an overall sector increase of 22.5 %

in 2012-2016. *Textiles, wearing apparel, and leather products* generated above-average growth in the same period, with a combined value-added increase of 27 %. This exceeded pre-crisis levels by 12.9 %. These subsectors benefited from a renewed industry focus on high quality and design^{3,4}, and international promotion⁵, which successfully revived demand, especially from abroad⁶. At the same time, improvements in technology and increased automation of production led to a rise in productivity^{7,8} and therefore lessened the demand for workers. As a result, job growth in these three subsectors was weaker than value-added growth, totalling only 10.1 % in 2012-2016. SME employment has also increased recently in the sector as a whole, rising by 6.7 % in 2013-2016 and therefore slowly recovering from the crisis. In 2016, however, employment was still 14.7 % lower than in 2008.

One sector recording negative production until 2016 was *construction*. Although it is now (2017) positive, in 2016 the SME value added in this sector was still approximately half its 2008 value, and SME employment was more than 40 % lower. *Construction* was one of the sectors most severely hit by the subprime and European sovereign debt crises. During the economic recession that hit Portugal after 2008, public and private investment slumped, lowering demand for construction services⁹. However, in 2014-2016, SME employment in the *construction* sector increased by 5.7 %, showing signs of recovery driven by industry expectations of improved overall economic performance. This growth is likely to accelerate further, with GDP projected to increase by 1.6 % — 1.8 % per year from 2017 onwards, encouraging a resumption of private and public investment^{10,11}. The resulting demand in *construction* is likely to form part of the expected recovery of gross fixed capital formation, which is projected to grow by 4.8 % — 6.8 % annually within the next 3 years¹².

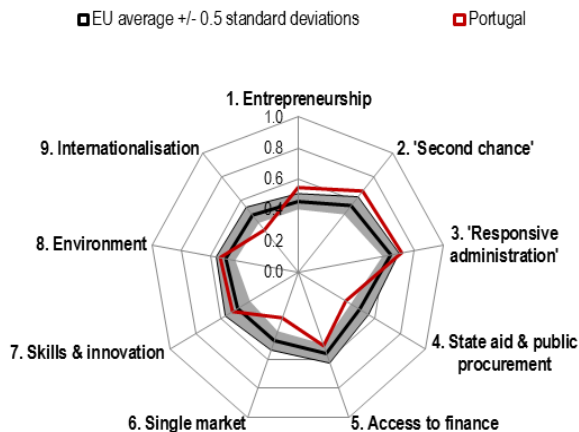
Business demographic indicators reflect the moderate pace of recovery of Portuguese SMEs. New company registrations totalled 37 034 in 2016, a drop of 2.4 % compared with 2015, but still the second highest total since 2012¹³. The number of de-registrations has fluctuated in recent years, although the overall trend has been downward since 2012, falling most recently from 16 638 in 2015 to 15 505 in 2016¹⁴. Insolvencies also continued to decline, from 5 928 in 2011 to 3 256 in 2015, mirroring the overall improvement in the economic environment¹⁵.

Self-employment is as prevalent in Portugal as in the rest of the EU, comprising 14 % of total employment in 2016¹⁶. This share was over a fifth higher in the early 2000s, but has fallen steadily ever since, with the exception of 2012 and 2013. The strongest fall has occurred in the past 3 years. The most likely cause is the ongoing economic recovery and the labour-market reform, which has resulted in increased demand for employees.

The share of high-growth firms in Portugal with at least 10 employees is slightly lower than the EU average. In 2014, the figure was 8.6 %, compared to 9.2 % in the EU¹⁷. The sectors with the highest shares of high-growth firms with at least 10 employees were consistent with the rest of the EU: *information and communication* (16.1 %), followed by *administrative activities* (12.4 %), and *transportation and storage* (11.8 %).

Over the coming years, the recent SME growth is expected to continue. In 2016-2018, SME value added is expected to rise by 8.8 %. However, SME employment growth is projected to slow down slightly in the same period, with an overall increase of 3 %, corresponding to approximately 70 400 new SME jobs.

2. SBA profile¹⁸



Portugal's SBA performance is moderate and broadly in line with the EU average. Entrepreneurship, 'second chance' and 'responsive administration' are the three areas where the country performs better than the EU average. However, in state aid & public procurement, single market and internationalisation, the country performs below the EU average. Over the past few years, access to finance and entrepreneurship have progressed significantly, and the score on entrepreneurship is among the best in the EU.

Since 2008, Portugal has made considerable progress in implementing the SBA. Policy strategy has focused on promoting entrepreneurship, reducing unemployment and fostering youth

entrepreneurship. E-procurement helped to improve the participation of SMEs in public procurement. However, there is room for further progress on the share of public contracts awarded to SMEs. The deployment of e-government applications has played a key role in the more efficient delivery of public services.

During the current reference period, between 2016 and the first quarter of 2017, Portugal adopted over 20 policy measures addressing 6 out of the 10 policy areas under the Small Business Act. Portugal has also announced a new measure for entrepreneurship.

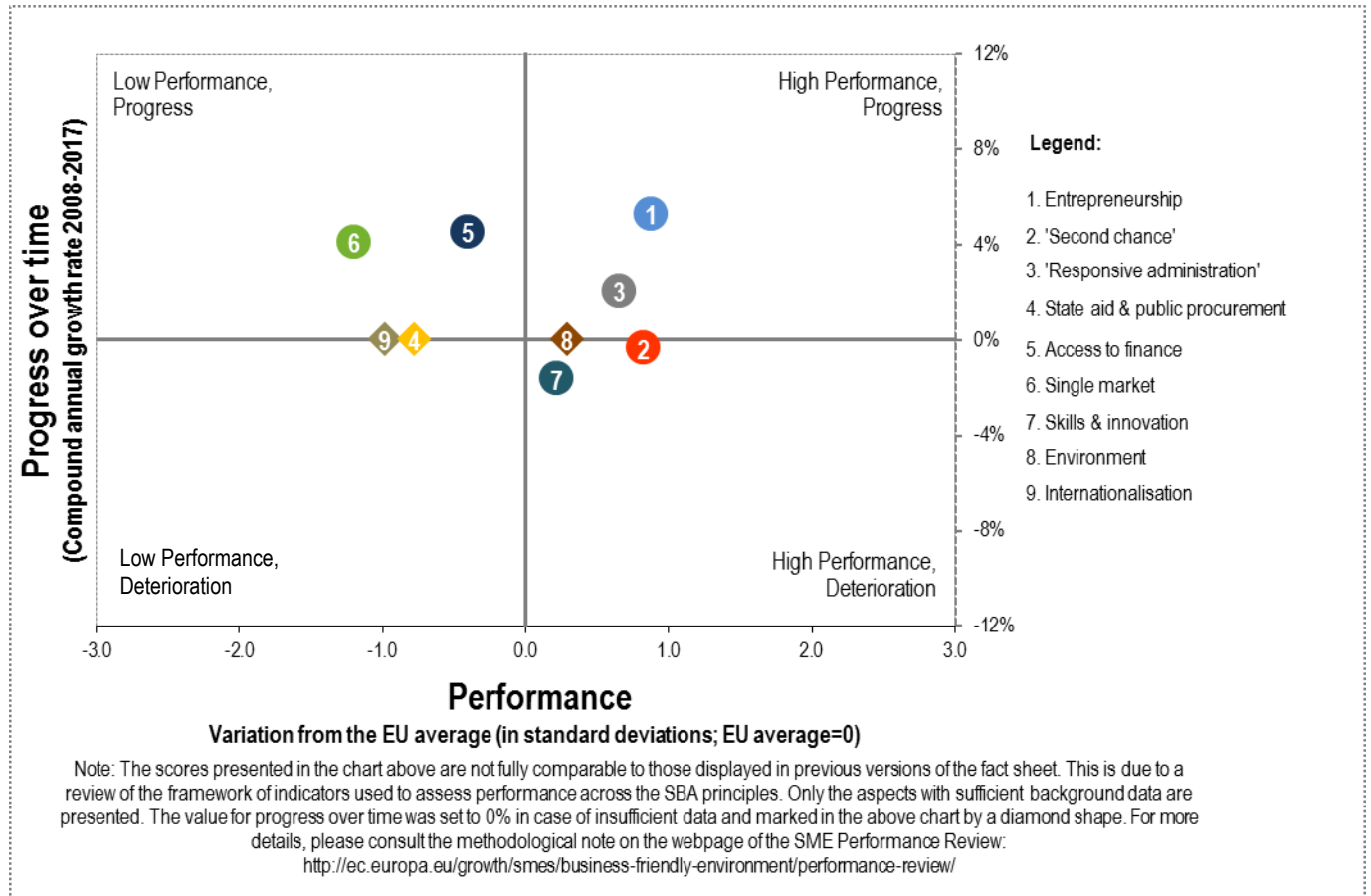
The Portuguese Government presented some key policies for supporting the Portuguese economy:

- the national strategy for entrepreneurship 'Start-up Portugal';
- a strategy for the simplification of public administration 'Simplex + 2016 and 2017';
- a strategy to digitalise the economy through initiatives such as the 'Industry 4.0 programme' (*Programa indústria 4.0*) and the Capitalise programme.

Considering the 'Think Small First' principle, Portugal has implemented the SME test through the 'Custa Quanto?' programme.

Policy efforts were also dedicated to improving access to finance. Portugal adopted new and specific credit lines for SMEs, not only for working capital and company growth, but also for the capitalisation of indebted companies.

SBA performance of Portugal: state of play and development from 2008 to 2017¹⁹



3. SBA principles²⁰

3.0 'Think Small First'

The 'Think Small First' principle is meant to be a guiding principle for all policy- and law-making activities. It requires policy-makers to take SME interests into account 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.

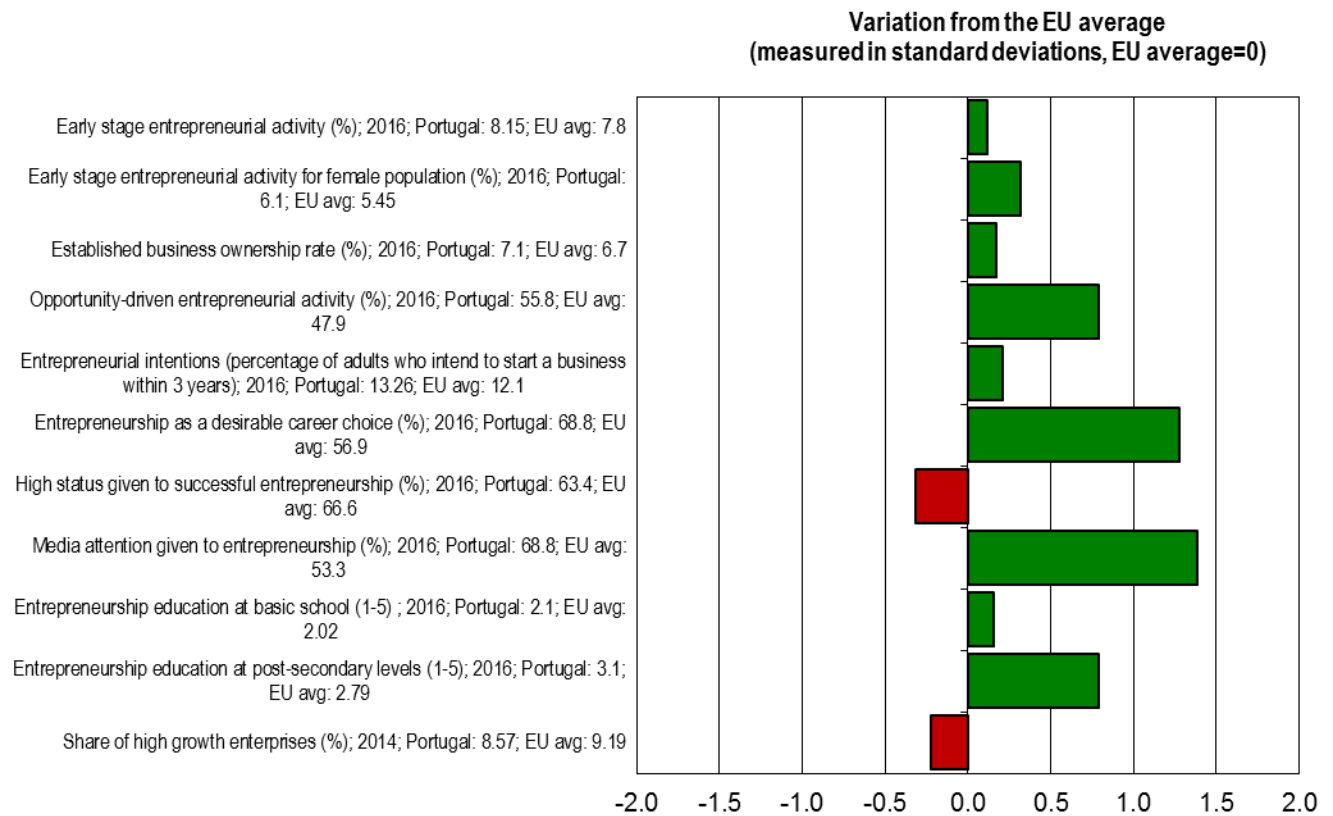
Portugal already adopted several policy measures and most of these measures aim to minimise burdens for business, apply the 'Think Small First' principle to administrative procedures and implement the SME test to assess the impact of new legislation on SMEs.

Although a regulatory impact assessment (RIA) has been put in place, its results have not been effectively used to adjust legislation in a systematic or consistent way. The SME test, introduced in April 2015 is an integral part of the regulatory impact assessment. In this context the 'Custa Quanto?' programme aims to assess the legislative impact, i.e. to measure

the impact the initiatives have on people and businesses (especially micro, small and medium-sized enterprises). The test has been effectively implemented and the government has already established a methodology to ensure effective and consistent implementation across the administration, especially for the consultation of SME stakeholders.

There has been substantial progress in the role of the SME envoy. 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. The current envoy holds the position of President of IAPMEI, the Portuguese Agency for Competitiveness and Innovation, under the Ministry of the Economy. The Interministerial Network for Administrative Modernisation (*Rede Interministerial de Modernização Administrativa*) was reactivated in March 2014 to assess the impact of new acts on 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 above the EU average in this area. Since 2008, the country has made significant progress in this principle. Compared to the previous years, entrepreneurship education at post-secondary levels has slightly improved, whereas entrepreneurship education at basic school level has fallen. The attention given to entrepreneurship by the media is among the highest in the EU. Since 2014, the percentage of respondents who consider entrepreneurship a desirable career choice has steadily increased. Opportunity-driven entrepreneurial activity has also significantly improved compared to 2015 results and now performs well above the EU average. The share of high-growth enterprises is around the EU average, and the trend is positive.

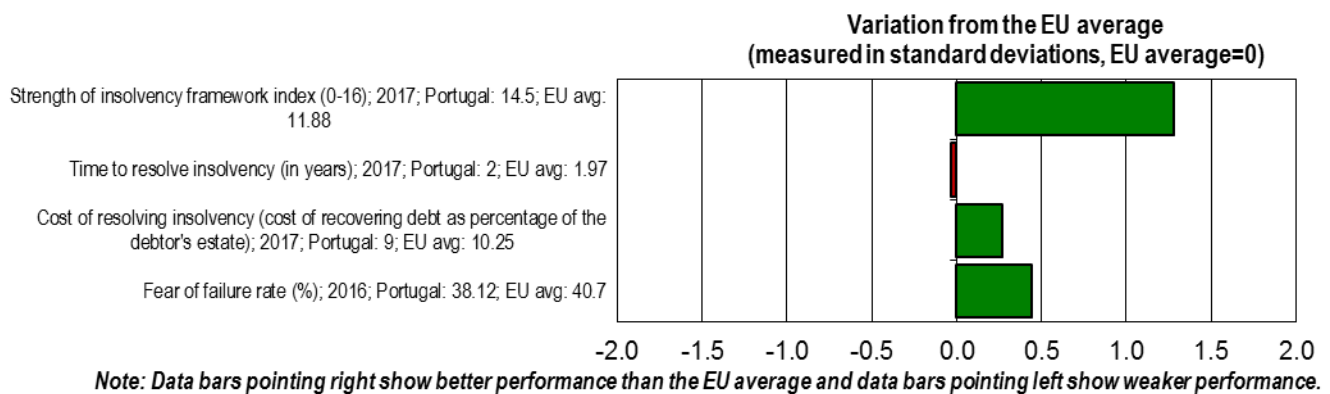
Since 2008, the Portuguese Government has implemented a substantial number of measures to promote entrepreneurship across the country. Policy action has mainly focused on increasing employment, targeting unemployed young people in particular. To address long-term unemployment, the 'reactivate programme' (*Programa Reativar*) was set up. Tax incentives and the introduction of financial support measures have helped start-ups and new and growing firms.

During the current reference period, a number of new and significant measures were adopted:

- As indicated in Section 2, Start-up Portugal is the new Portuguese national strategy for entrepreneurship. The programme aims to help entrepreneurs improve their economic performance and increase job creation.
- Start-up Simplex intends to support entrepreneurs wanting to develop products or services that make interaction between public administration and citizens easier.
- The incubation voucher (*Vale incubação*) provides new enterprises up to EUR 5 000 to acquire incubation services.
- The start-up voucher aims to help young entrepreneurs to develop their business ideas and transform them into business actions. The voucher provides financial support for creating up to 100 start-ups.
- The national incubators network (*Rede Nacional de incubadoras*) was created to improve coordination and share best practices and resources among incubators.

- The momentum programme (*Programa Momentum*) provides financial support to innovative projects that have a high-growth potential.
- Efforts have also focused on youth entrepreneurship and self-employment, in particular, by establishing 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 seed programme (*Programa Semente*) was created to help individual investors to invest in the social capital of innovative start-ups by creating a more favourable tax regime.
- Finally, the Industry 4.0 initiative was also launched to help Portuguese businesses become better prepared to face the challenges of global digitalisation. Under this initiative, a new incubator and start-up accelerator were created.

3.2 'Second chance'



'Second chance' is about ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Portugal continues to perform above the EU average in this area. The Portuguese insolvency framework for rehabilitating viable firms and liquidating non-viable ones is well designed, showing the second highest results in the EU. The fear of failure rate has been reduced.

Under 'second chance', the most remarkable measure adopted since 2008 has been the 'special revitalisation process' (*Processo especial de revitalização*). This measure was designed to help honest bankrupt entrepreneurs and companies with economic difficulties to recover financially. However, it still takes over a year to complete legal procedures for bankruptcy. The Portuguese government has announced it will review these processes.'

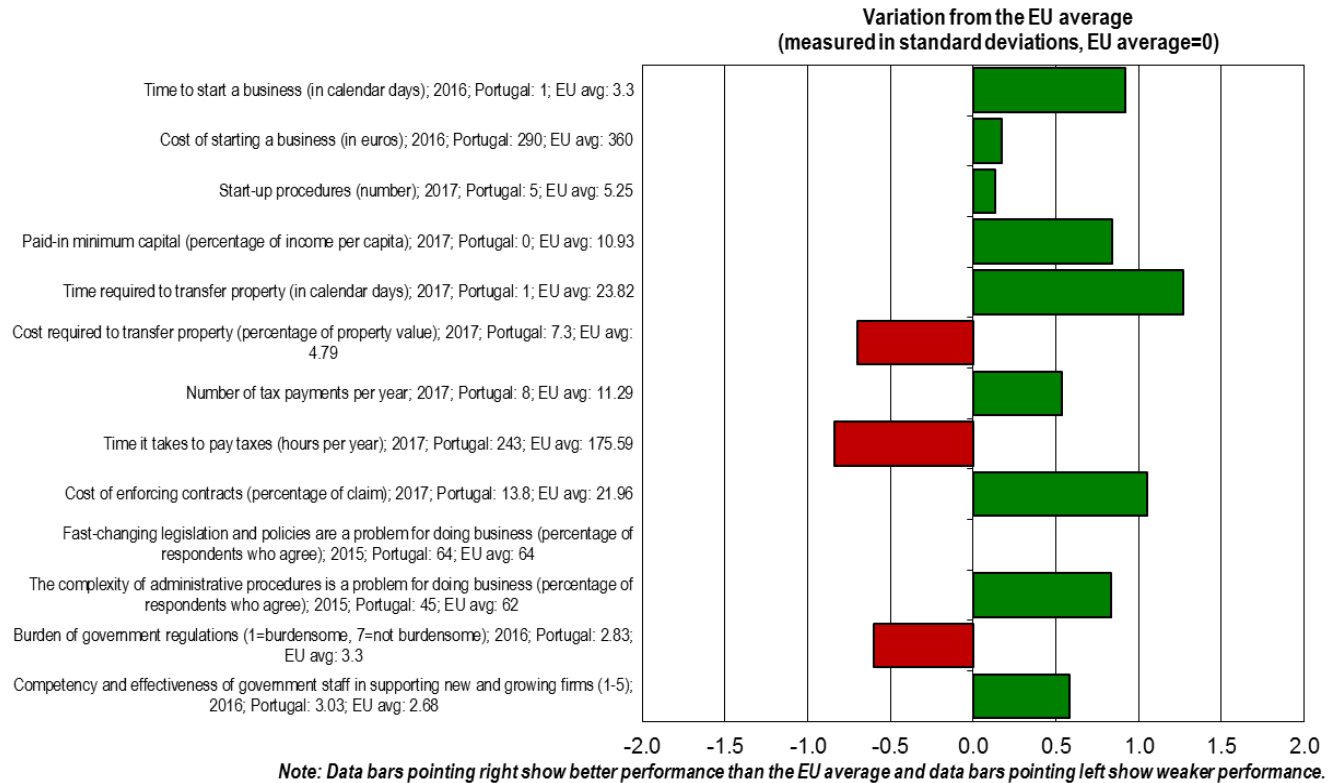
To make the system more effective, the 'extrajudicial business recovery system' (SIREVE — Sistema de Recuperação de Empresas por via Extrajudicial) is now restricted to entrepreneurs who have their accounts in order. Companies interested in using SIREVE can perform a self-assessment of their economic and financial situation (Autodiagnóstico financeiro) beforehand, using an e-platform available since July 2015. The assessment enables companies to identify weaknesses in their economic performance and in their financial structure.

In March 2017, the government approved an extrajudicial regime for the recovery of companies (*Regime Extrajudicial de Recuperação de Empresas* — RERE) for companies in difficulty, intervening early to safeguard companies and jobs and speeding up or withdrawing court proceedings. To help the debtor with the diagnosis of his economic and financial situation, the institution of the 'mediator', will be created to negotiate with creditors and draw up a recovery agreement.

There are also plans to create a 'one-stop shop' for the management via a single body of companies' social security, tax and customs debts. This will serve for insolvency proceedings, the special revitalisation process (PER) or the extrajudicial regime for the recovery of companies (RERE).

Finally, there are plans to create an electronic model of the judicial certificate that workers need to access the labour compensation fund. The aim here is to expedite the process when companies are considered insolvent.

3.3 'Responsive administration'



'Responsive administration' refers to public administration being responsive to the needs of SMEs. The country continues to perform above the EU average in this area. The results in some individual indicators are among the best in the EU. For instance, the time to start a business and the time to transfer a property are in both cases the shortest in the EU, done in one day. Since 2012, no paid-in minimum capital is required for business registration. It takes longer than the EU average to pay taxes, but this has improved since last year.

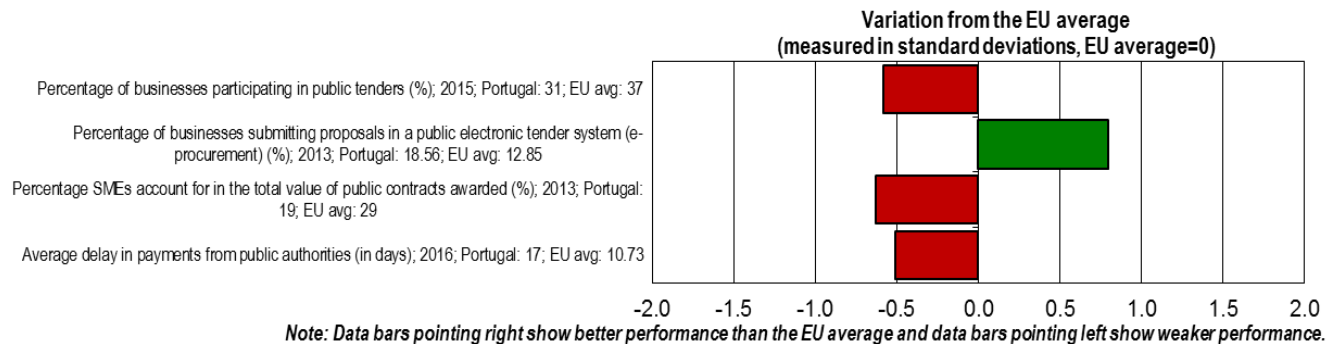
Various reforms have been introduced in recent years to address the complexity of licensing procedures and to simplify administrative procedures. Portugal has put particular emphasis on adopting and implementing policy measures that fall under the 'responsive administration' principle. The use of e-

government applications (*programa Aproximar*, the national strategy for the reorganisation of public administration services) has played a key role in making public administrative services more efficient.

During the current reference period, the government launched the Simplex + 2016 programme to further simplify legislative and administrative procedures and improve the use of information and communication technologies.

This was followed by the launch of the Simplex + 2017 programme to continue simplification of legislative and administrative procedures and pursue further some of the measures of the 2016 programme. The 2017 programme has 172 measures for administrative simplification and modernisation.

3.4 State aid & public procurement



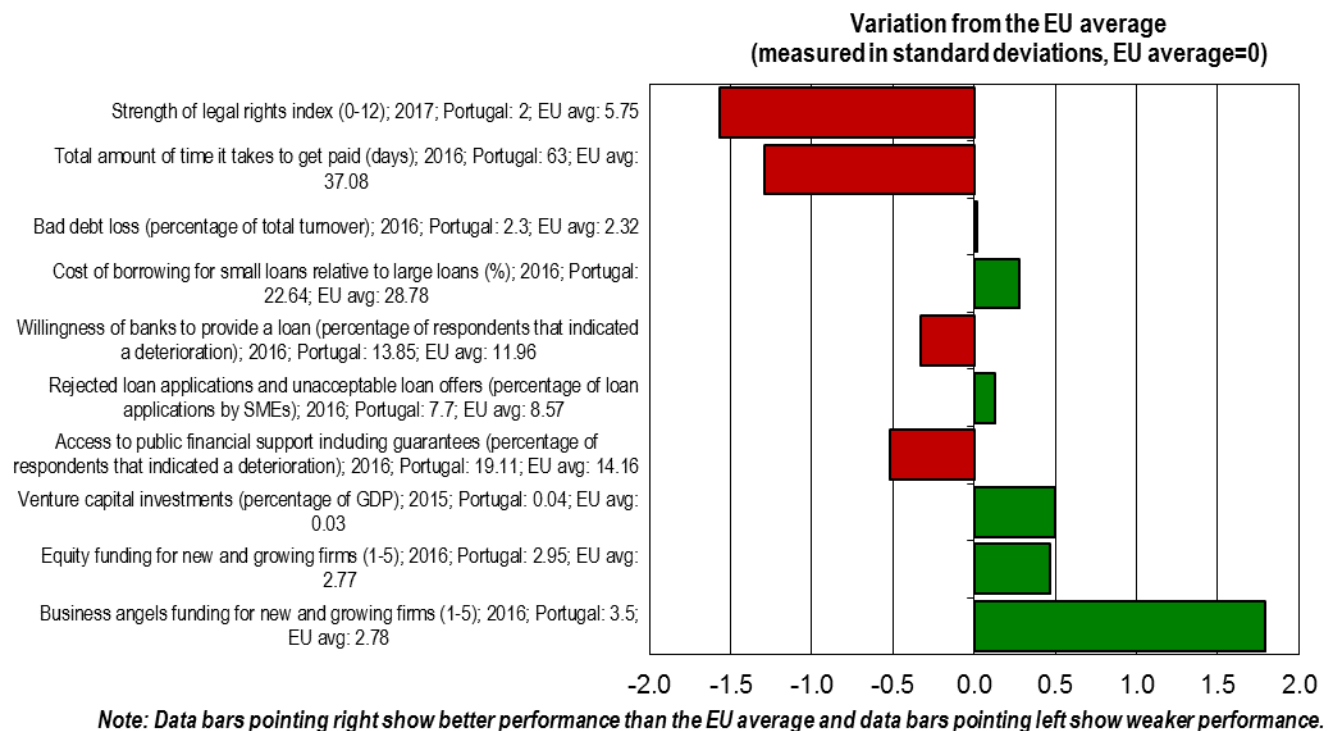
Portugal performs below the EU average in this area. The performance for individual indicators has largely remained the same as reported last year. Nevertheless, the average time in payments improved.

Since 2008 Portugal has introduced measures to improve the situation for public procurement. However, significant gaps remain. For example, the requirements to tender are not proportional for SMEs, and the frequent use of direct awarding of contracts is seen by Portuguese SMEs as an issue that needs to be addressed.

Public procurement of innovation has not yet been achieved, and SMEs are still not sufficiently protected against late payment. This is despite policy efforts to minimise the impact on SMEs through, for example, minimum interest rates for late payment.

During the current reference period, no new significant measures were adopted or announced under this SBA area. Transposition of the new Public Procurement Directives has been delayed and their entry into force is planned for early 2018.

3.5 Access to finance



Portugal performs above the EU average in this area, as a result of the substantial progress last year. The percentage of rejected loan applications and unacceptable loan offers has improved,

decreasing from 11.97 % in 2015 to 7.7 % in 2016. Access to public financial support including guarantees has gone down.

There has been a positive trend in the time it takes to get paid, but it is still longer than in most EU Member States.

Over the years, Portugal has made significant efforts to improve access to finance for SMEs. Public support schemes such as guarantees for bank loans, credit lines and funds have been introduced. Most of the SBA recommendations have been addressed, and in overall terms progress has been substantial. The creation of the Development Finance Institution (*Instituição Financeira de Desenvolvimento* — IFD) has been crucial to help Portuguese SMEs access the different public financial instruments. About 500 policy measures that fall under the access-to-finance principle have been adopted and implemented since 2011, giving SMEs more options to finance their growth.

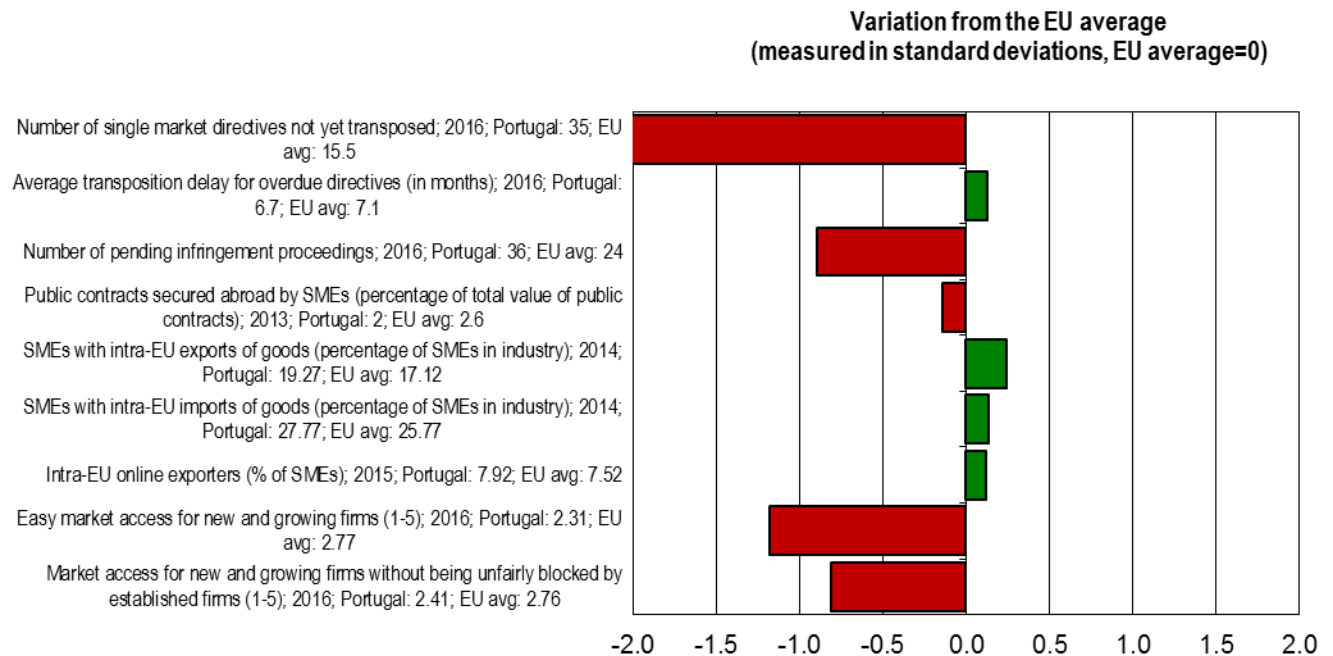
Start-up Portugal (an umbrella programme for entrepreneurship) was set up to offer alternatives to bank loans. The programme does this by promoting new methods of financing, such as equity crowdfunding, peer-to-peer lending, and co-investment, with key national and international investors. This means that Portugal Ventures, the body responsible for public venture capital investment, can intervene better in strategic sectors for the national economy and in projects at a stage at which the risk is perceived to be too high for private investors and where there is currently a gap in the market.

During 2016 and the first quarter of 2017, a number of new significant measures were adopted:

- The 'capitalise programme' (*Programa capitalizar*) was set up to support the capitalisation of enterprises through 64 concrete measures in five strategic areas, including taxation, business restructuring, leverage financing and investment, and capital markets.
- The 'capitalise credit line' (*Linha de Crédito Capitalizar*) provides EUR 1.6 billion to support long-term investments and create more advantageous financing conditions for micro and small enterprises.
- The 'blue fund' (*Fundo azul*), implemented by the Conselho de Gestão do Fundo Azul, aims to provide incentives to the ocean-related economy and improve access to finance in this sector.

- The 'venture capital funds' (*Linha de financiamento a fundos de capital de risco*) was created to increase the capital of SMEs. The programme is co-financed by the development finance institution (*IFD-Instituição Financeira de Desenvolvimento*).
- 'Financing line for business angels vehicle entities' (*Linha de financiamento a entidades veículo de Business Angels*) is a competition for the selection and financing of business angels vehicle entities (EVBA) whose investment activity in SMEs (similar to that of venture capital operators) will be co-financed by IFD.
- The 'Tourism 4.0' programme (*Programa Turismo 4.0*) aims to promote Portugal as a global innovation hub for tourism. It will seek to do this by developing funding mechanisms for digital projects to accelerate investments and adoption by those in the tourism industry.
- The 'SME Leader' initiative enhances the reputation of financially sound SMEs; it is granted for tourism enterprises, under the FINCRESCCE programme. The scheme works in partnership with 11 banks operating in Portugal and the Portuguese mutual guarantee system.
- Given that many SMEs in Portugal are family businesses, the transfer of such a business is also of great interest for entrepreneurs. Portugal has been developing a project to improve the procedures for business transmission and succession. The intention is to envisage more possibilities, creating opportunities for companies in difficulty due to their business model or management, for entrepreneurs planning their succession and/or withdrawal and for SMEs with unprofitable assets, which can be revitalised if included in a new value chain.

3.6 Single market



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

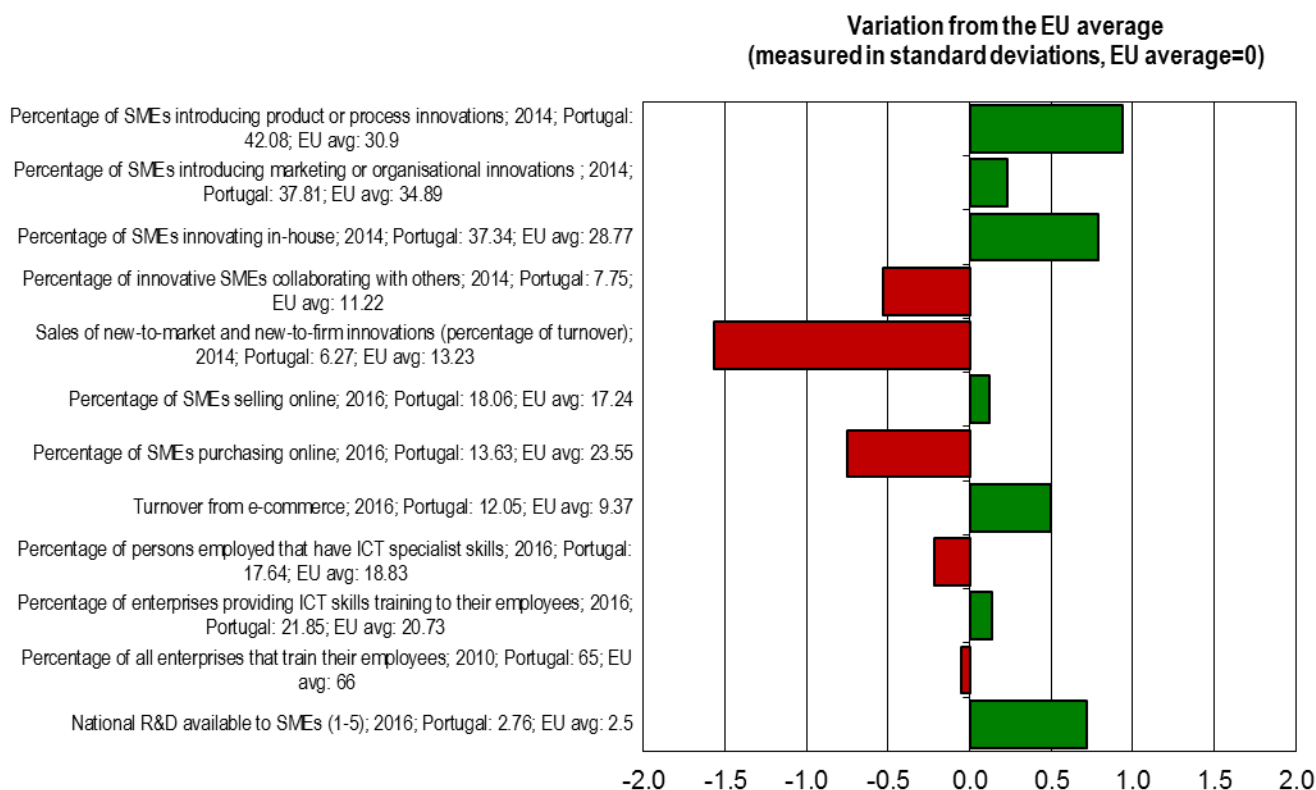
In this area, the country performs well below the EU average. Despite the significant progress made since 2008, this is Portugal's most problematic SBA area. The average delay in transposing overdue directives more than doubled compared to 2015. Also, the number of single market directives not yet transposed rose dramatically from 6 directives in 2015 to 35 in 2016²¹. Market access for new and growing firms has decreased.

On a positive note, the percentage of Portuguese SMEs trading in the single market is broadly in with the EU average.

Portugal has taken steps to help Portuguese SMEs benefit from the single market. These include setting up a SOLVIT centre and an online portal to help enterprises take advantage of business opportunities in the EU.

During the current reference period, no significant new measures were adopted or announced under this SBA principle.

3.7 Skills & innovation



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

Portugal performs in line with the EU average in this area. Compared to last year's edition of the SBA fact sheet, the country's performance has deteriorated in some areas. The percentage of turnover from sales of new-to-new market and new-to-firm innovations halved in 2014 compared to 2012. On a positive note, Portugal scores high on SMEs introducing innovative products or processes and SMEs innovating in-house.

Since 2008, Portugal has implemented several measures to help SMEs to upgrade their skills, including the use of innovation and training vouchers. The operational competitiveness and internationalisation programme (*Programa Operacional Competitividade e Internacionalização*) and the national strategic reference framework (*QREN — Quadro de Referência Estratégica Nacional*) have provided essential public support to SMEs for R&D and innovation activities. However, support for closer cooperation between universities and businesses and mechanisms to support SMEs to exploit R&D results are lacking, although Portugal is making efforts to provide this link.

During 2016 and the first quarter of 2017, 5 new important measures were adopted:

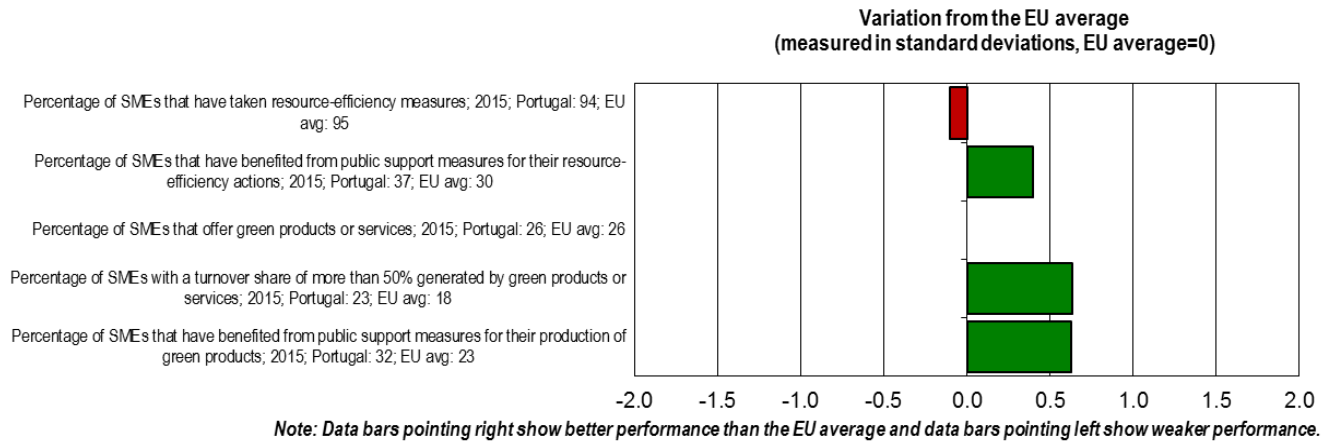
- The 'Industry 4.0 programme' (*Programa Indústria 4.0*) indicated in Section 2.
- Clusters, which were recognised for their central role as open innovation platforms for promoting and accelerating

knowledge transfer processes, and establishing collaborative networks, joint projects and initiatives in the scientific, technological and innovation fields. Programmes like COSME that can help clusters to develop their activities abroad and provide relevant support for more innovation and internationalisation. In this context, Portuguese cluster policy has recognised 20 clusters as competitiveness clusters.

- Training Portuguese industry (*Capacitar a Indústria Portuguesa*), which is a programme to support knowledge transfer from higher education institutions to SMEs.
- The fund for innovation, technology and circular economy (*Fundo de Inovação, Tecnologia e Economia Circular*), which finances scientific and technological activities that encourage cooperation between higher education institutions, technological interface centres and companies.
- The Start-up Simplex initiative was a programme for entrepreneurs wanting to develop projects or applications that improve and facilitate relations between public administration, citizens and businesses.

In line with the national reform programme, the 'Qualify' programme (*Programa Qualifica*) is expected to reach around 600 000 people by 2020. About 300 *Qualifica* centres are to be set up in the country by the end of 2017.

3.8 Environment



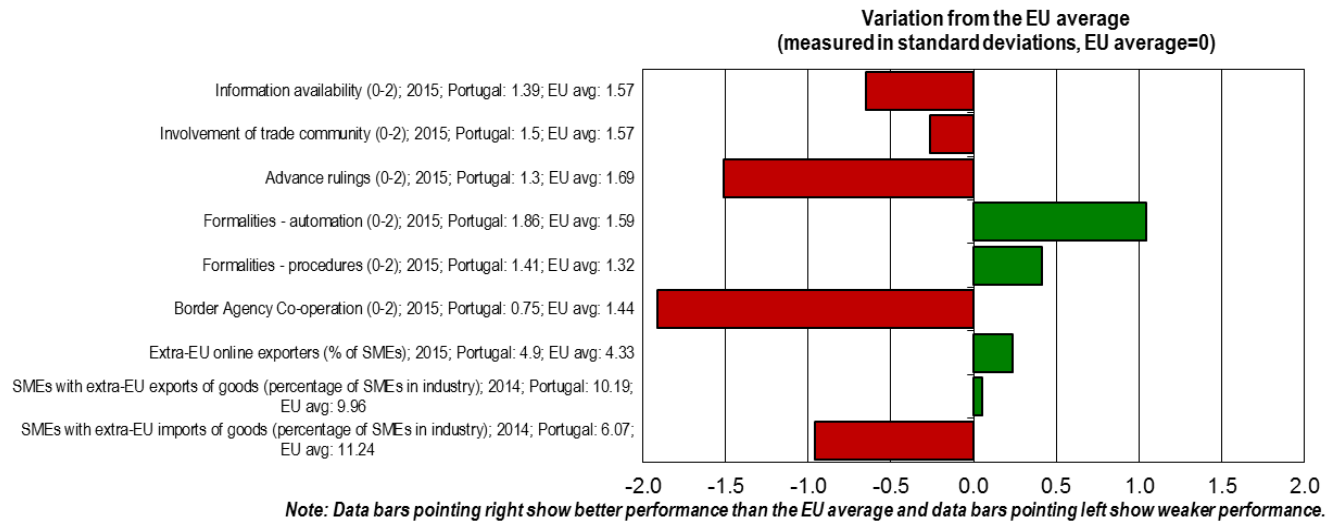
Portugal performs broadly in line with the EU average in this area. The proportion of SMEs that have benefited from public support measures for their resource-efficiency actions fell from 46 % in 2013 to 37 % in 2015. Despite this, the country still scores well in this indicator. The percentage of SMEs that benefited from public support for their production of green products doubled between 2013 and 2015.

The Portuguese Government has taken steps to encourage companies to become energy efficient and engage in eco-innovation. The environmental taxation reform law (*Lei da Reforma da Fiscalidade Ambiental*) has introduced tax incentives for sustainable production and consumption. In addition, the national strategic reference framework has taken steps to promote competitiveness by financing investments in renewable energy.

Moreover, the government announced the green growth commitment (*Compromisso para o Crescimento Verde*), which is a measure to provide a national strategy on green growth, setting quantifiable targets for 2020 and 2030 and outlining 83 initiatives to promote eco-efficient business.

During the current reference period, the 2020 national public procurement strategy (*Estratégia Nacional para as Compras Públicas Ecológicas 2020-ENCPE 2020*) was adopted. The strategy defines the environmental criteria that are mandatory in public procurement. The strategy therefore contributes to the objectives of reducing pollution, decreasing consumption of natural resources and increasing the use of efficient systems.

3.9 Internationalisation



Important methodological changes have been introduced for this principle in this year's fact sheet. All World Bank indicators (time and cost to export and import) have been replaced by six OECD trade-facilitation indicators (following a scale where 0 is the worst and 2 is the best score)²². Therefore, the overall performance in this area cannot be compared to last year's.

Portugal performs below the EU average in this area. There is a lack of cooperation between border agencies, and advance rulings are weak. On a positive note, Portugal is among the EU's best performers for the automation of formalities.

Portugal has implemented all the SBA recommendations under the internationalisation principle. A noteworthy policy measure is the provision of specialised consulting and training to SMEs and the Brand Portugal (*Marca Portugal*) initiative launched in 2014 to strengthen the global image and awareness of Portuguese exports.

During the current reference period, no new significant measures were adopted or announced under this SBA principle.

4. Interesting initiative

Below is an example of a Portuguese initiative showing what governments can do to support SMEs.

StartUP Portugal — Incubation Voucher and StartUP Voucher

The StartUP Voucher project is one of the 15 measures of Startup Portugal, the national strategy promoting entrepreneurship, which aims to ensure that Portugal has a flourishing ecosystem for start-ups.

Incubation Voucher

The incubation voucher (*Vales de Incubação*) is a EUR 5 000 grant awarded to start-ups. Start-ups eligible to apply for the voucher may use it in the business incubators certified by the Agency for Competitiveness and Innovation (IAPMEI). Entrepreneurs and start-ups can then use the voucher to buy professional services to support the development of their businesses. Another interesting result of the incubation voucher is that it is promoting competition among the incubators to deliver better services and attract more start-ups with vouchers. Several measures in the Start-up Portugal strategy — not only the incubation voucher — aim to empower incubators. For example, incubators now certify which start-ups receive the voucher. So, if a start-up is not in any incubator, it still needs to approach one to submit an application for that voucher. Incubators also have a say in the choice of business angels to co-invest with public funds. And most important of all, the National Network of Incubators in Portugal, which already accounts for 120 incubators from around the country, is helping all these entities to share best practices and to share resources such as mentors.

StartUP Voucher

The ongoing Start-up Voucher project aims to help young people ages 18 to 35 develop innovative entrepreneurship projects that are at an idea stage, providing a set of technical and financial tools that enable the subsequent creation of new companies.

The projects that can benefit from the Start-up Voucher have to be concerned with the creation and development of new technology-based, knowledge-intensive companies or they are projects of the cultural and creative industries and have high potential for competitiveness and internationalisation. This initiative includes a set of linked measures that help young people to develop their entrepreneurship project as a way of entering the working world, providing them with financial and technical support throughout the development of the project. In addition, network mentors offer individual guidance, follow-up and specialised technical assistance.

The application was subject to an initial evaluation carried out by accredited entities for the provision of incubation services under the entrepreneurship — incubation vouchers.

The StartUP Voucher is valid for 4 to 12 months, depending on the stages of development of the business project and creation of the company.

References:

<http://startupportugal.com/vale-de-incubacao/>
<http://www.poci-compet2020.pt/noticias/detalhe/Vale-Incubacao>
http://startupportugal.com/en_voucher/
<https://www.iapmei.pt/PRODUTOS-E-SERVICOS/Empreendedorismo-Inovacao/Empreendedorismo/Startup-Voucher.aspx>

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, they 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/>

grow-spr@ec.europa.eu

Small Business Act:

<http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/>

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 2015, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2014 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/>

² Partnership agreement signed between Portugal and the European Commission which focus on the implementation of 5 Structural European Funds and sets the principles of programming regarding the policy of the economic, social and territorial cohesion of Portugal, between 2014 and 2020.

³ Expresso — Economia, Têxteis recuperam para níveis de 2001, article published 11.02.2017; available at: <http://expresso.sapo.pt/economia/2017-02-11-Texteis-recuperam-para-niveis-de-2001>; last accessed 10.04.2017 — consider substitute the newspaper article with the original information source — <http://www.atp.pt/gca/index.php?id=546>.

⁴ Portugal têxtil, Exportações fecham em alta, article published 10.02.2017; available at: <http://www.portugaltextil.com/exportacoes-fecham-em-alta/>; last accessed 10.04.2017.

⁵ APICCAPS Portuguese Footwear, Components and Leather Goods Manufacturers' Association, Calçado, Componentes e Artigos de Pele — Monografia Estatística 2015; available at: http://www.apiccaps.pt/library/media_uploads/APICCAPS20177218984306p.pdf, p. 19; last accessed 10.04.2017.

⁶ Visão — Economia, Têxteis portugueses a caminho do recorde absoluto, article published 09.01.2017; available at: <http://visao.sapo.pt/actualidade/economia/2017-01-09-Texteis-portugueses-a-caminho-do-recorde-absoluto>; last accessed 10.04.2017 — same as note 2.

⁷ Visão — Economia, Têxteis a caminho do recorde nas exportações, article published 13.01.2017; available at: <http://visao.sapo.pt/actualidade/economia/2016-01-13-Textil-a-caminho-do-recorde-nas-exportacoes>; last accessed 10.04.2017 — same as note 2 and 5.

⁸ Centro de Inteligência Têxtil: Anuário de Mercado — Comércio externo de têxteis e vestuário Junho 2015, p. 16; available at: <http://www.portugaltextil.com/estudos/anuario-de-mercado/>; last accessed 10.04.2017.

⁹ FEPIOP — Federação Portuguesa da Indústria da Construção e Obras Públicas (2015): Investimento em Construção e VAB do Setor registam primeira variação semestral positiva desde 2007; available at www.aecops.pt/getfile.php?xp=2&src=file2297_pt&ext=pdf&fid=2297; last accessed 10.04.2017.

¹⁰ Banco de Portugal: Projeções económicas (29 de março de 2017); available at <https://www.bportugal.pt/page/projecoes-economicas>; last accessed 10.04.2017.

¹¹ FEPIOP — Federação Portuguesa da Indústria da Construção e Obras Públicas, Press 121 — Março 2017; available at: http://www.fepiop.pt/getfile.php?xp=2&src=file323_pt&ext=pdf;

¹² Banco de Portugal: Projeções económicas (29 de março de 2017); available at <https://www.bportugal.pt/page/projecoes-economicas>; last accessed 10.04.2017.

¹³ Barómetro Informa — Dados Históricos 2012 – 2016; available at: <http://biblioteca.informadb.pt/read/document.aspx?id=2513>; last accessed 10.04.2017. FIRM DEMOGRAPHY OFFICIAL DATA EXISTS in PT PRODUCED BY BANCO DE PORTUGAL

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Persons employed and self-employed persons refer to persons aged 15-64. Source of the data is Eurostat. To calculate the 2016 value, quarterly data from the LFS series was averaged over all quarters for which information was available on 20.03.2017.

¹⁷ In line with Commission Implementing Regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees at the beginning of their growth and average annualised growth in number of employees greater than 10 % per annum, over a 3-year period. The share of high-growth enterprises is the number of high-growth enterprises divided by the number of active enterprises with at least 10 employees. The source of the data on high-growth enterprises is Eurostat (http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2, last accessed 10.04.2017). Due to data availability on Eurostat, the data on high-growth firms refer to the 'business economy', which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

¹⁸ The 2017 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.

¹⁹ 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 2017. These are measured against the individual indicators which make up the SBA area averages. Hence, 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 2017. 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/>

²⁰ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2016 and the first quarter of 2017. The national SME policy expert that CARSA Spain (DG GROW's lead contractor for the 2017 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.

²¹ The data for 2016 were compiled in December 2016, while the 2015 data were from May 2015.

²² Please see Moisé, E., T. Orliac and P. Minor (2011), 'Trade Facilitation Indicators: The Impact on Trade Costs', OECD Trade Policy Papers, No 118, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5kg6nk654hmr-en> for more information on the methodology applied to construct the indicators; further information is available at: <http://www.oecd.org/trade/facilitation/indicators.htm>, last accessed 06/07/2017.