

Key points

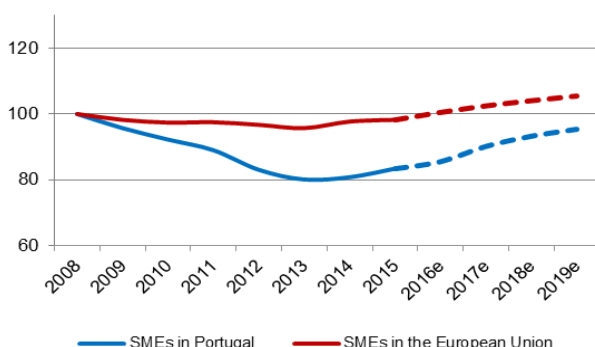
Past & future SME performance¹: SMEs are the backbone of the ‘non-financial business economy’ in Portugal. They account for over two thirds (68.4 %) of overall value added and over three quarters (78.0 %) of employment, against an average of 56.8 % and 66.4 % respectively in the EU as a whole. However, the productivity of Portuguese SMEs, calculated as value added per person employed, is around EUR 22 000, half the EU average. In 2013-2017, SME employment rose by a cumulated 12.6 %. The forecast for SMEs is favourable, with SME growth projected to continue in 2017-2019. An increase of 10.6 % in SME value added and 5.7 % in SME employment is predicted for the same period, corresponding to around 144 600 new SME jobs.

Implementing the Small Business Act for Europe (SBA): Portugal’s SBA performance presents a mixed picture. There are five areas in line with the EU average: ‘second chance’, ‘responsive administration’, access to finance, single market, and skills & innovation. Portugal performs above the EU average in entrepreneurship and environment. However, the areas of internationalisation and state aid & public procurement are below EU average. During 2017 and the first quarter of 2018, Portugal implemented a variety of different policy measures addressing all but one of the SBA principles.

SME policy priorities: Additional supporting measures need to be implemented in the areas of internationalisation as well as in state aid & public procurement. The frequent use of direct awarding of contracts is still an issue that needs to be addressed, and the same is true concerning the fragile protection of SMEs against late payment. Indeed, late payments, by both the public sector and private entities, remain a real concern in Portugal. The time required to conclude insolvency procedures is excessive, pointing to a still slow and congested judicial system, although some improvements have been introduced in this area. Further development and application of the principles of smart regulation, with the systematic regulatory impact assessment on SMEs, could help Portuguese businesses become more competitive. In terms of productivity and access to loans, SMEs may be hindered due to their relatively small size. Access to finance and equity capital needs to be further improved. Moreover, the high incidence of non-performing loans, notwithstanding the positive development in this field, still limits banks’ lending capacity and remains an issue to be addressed.

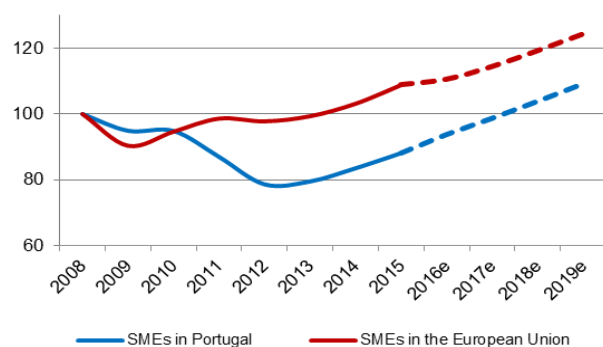
Number of persons employed in SMEs

(Index: 2008=100, estimates as from 2016 onwards)



Value added of SMEs

(Index: 2008=100, estimates as from 2016 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. The SBA fact sheets, published annually, 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	828 082	95.2 %	93.1 %	1 318 685	40.9 %	29.4 %	19.6	24.2 %	20.7 %
Small	35 027	4.0 %	5.8 %	665 497	20.6 %	20.0 %	18.0	22.2 %	17.8 %
Medium-sized	5 530	0.6 %	0.9 %	533 865	16.5 %	17.0 %	17.8	22.0 %	18.3 %
SMEs	868 639	99.9 %	99.8 %	2 518 047	78.0 %	66.4 %	55.4	68.4 %	56.8 %
Large	830	0.1 %	0.2 %	709 090	22.0 %	33.6 %	25.6	31.6 %	43.2 %
Total	869 469	100.0 %	100.0 %	3 227 137	100.0 %	100.0 %	80.9	100.0 %	100.0 %

These are estimates for 2017 produced by DIW Econ, based on 2008-2015 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 are the backbone of the 'non-financial business economy' in Portugal. They account for more than two thirds (68.4 %) of overall value added and over three quarters (78.0 %) of employment, against an average of 56.8 % and 66.4 % respectively in the EU as a whole. Micro firms make an especially important contribution to overall employment, providing around 4 in 10 jobs, against an EU average of 3 in 10 jobs. SMEs in Portugal are smaller than the EU average, employing an average of 2.9 people against 3.9 in the EU. The productivity of Portuguese SMEs, calculated as value added per person employed, is around EUR 22 000, half the EU average.

SMEs in Portugal have generated strong growth recently. In 2013-2017, SME value added consistently increased by more than 5 % per annum, adding up to overall growth of 24.1 %. Within the same period, SME employment rose by 12.6 %. Large firms outperformed SMEs in terms of employment growth, at 15.7 %, but lagged behind in terms of value added growth, at 17.2 %. However, most recently, SMEs have grown more rapidly than large firms. In 2016-2017, SME employment increased by 5.4 % and SME value added rose similarly, by 5.3 %, whereas growth in large firms was slower, roughly 2 percentage points in both employment and value added.

This strong SME growth was partly driven by *accommodation and food services*. SMEs in this sector generated a noteworthy

60.7 % increase in value added in 2013-2017. In the same period, SME employment also rose significantly, by 22.8 %. This sector has benefited from a major surge in tourism, involving both residents and foreigners. Overnight stays in Portugal have grown steadily in recent years, rising by 8 % in 2016-2017, one of the highest increases in the EU². Aside from Portugal escaping the security crises which have negatively affected some other coastal holiday destinations in the Mediterranean area, the country's two largest cities (Lisbon and Porto) have also benefited from the rapid growth of weekend breaks.

SMEs in the *administrative activities*' sector have also generated high-growth rates recently. In 2013-2017, SME employment in this sector increased by almost a quarter in cumulative terms, reaching 24.8 %, and SME value added rose by nearly a third, reaching 32.8 %. The subsector with the highest SME growth rates — 43.5 % in employment and 51.2 % in value added — is *travel agencies*. In 2013-2017, in the subsector of *office administrative and support activities*, SME employment increased by 23.5 % and value added by 34.8 %. There was also strong growth in SME employment and value added in the *employment activities* subsector, by 40.5 % and 37.9 % respectively, in 2013-2017.

The overall net trend between business registration and deletion from registers has been favourable in recent years. Business registrations increased by 8.2 % in 2016-2017, reaching a total of 40 326, the highest number over the past decade. At the same time, deletion from registers fell by 8.6 % to 14 165 in 2017. This positive business environment is also mirrored in the decline in insolvencies, a fall of 18.3 %, from 3 270 in 2016 to 2 670 in 2017³.

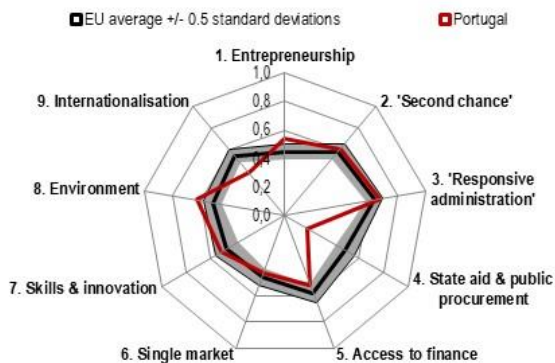
The following segment presents data that has been collected for the EU Startup Monitor and refers mainly to the population of

online and technology based start-ups⁴. The Portuguese start-up ecosystem has been rapidly developing over the past 5 years and many governmental steps have been taken to enhance the growth of this ecosystem. The typical Portuguese founder holds a university degree (91.0 %). Start-ups in Portugal are to be found in many sectors, such as Software as a Service (16.7 %) or E-Commerce (3.9 %). Portuguese start-ups on average currently employ 8.8 people and are looking to hire 7.3 more within the next 12 months. Revenue is being generated mainly through business-to-business markets (75.2 %). Portuguese start-ups show a great interest in internationalisation. Some 96.9 % of start-ups, the vast majority, are looking to grow within the eurozone. They have a global approach to growth and are also looking beyond Europe to enter foreign markets such as South America (21.5 %, against an EU average of 14.8 %) and Africa (second highest interest in Europe with 18.5 %, against an EU average of 9.4 %) as well as to Middle East. The geographic start-up hub for Portugal is Lisbon

Many Portuguese firms have successfully scaled-up their operations in recent years. In 2015, 4 202 firms — 11.0 % of all firms in the 'business economy'⁵ with at least 10 employees — were high-growth firms⁶, a higher proportion than the EU average of 9.9 %. High-growth firms are particularly prevalent in *information and communication* with a share of 19.2 % — the highest proportion for this sector in the EU — and in the *administrative and support services* sector, with 16.5 %.

The forecast for SMEs is favourable, with SME growth projected to continue in 2017-2019. An increase of 10.6 % in SME value added and 5.7 % in SME employment is predicted for the same period, corresponding to around 144 600 new SME jobs.

2. SBA profile⁷



Overall, Portugal's SBA performance is mostly in line with the EU average. Five areas show scores within the EU average: 'second chance', 'responsive administration', access to finance, skills & innovation, and single market (in the previous SBA fact sheet the country scored below EU average in the single market area). Portugal performs above the EU average in entrepreneurship and environment. However, its performance in the areas of internationalisation and state aid & public procurement is below EU average.

In 2017 and the first quarter of 2018, the reference period for policy measures in this year's fact sheets, Portugal's SBA performance has undergone changes. The country has progressed under the single market principle partly as a result of the government's efforts to reduce the backlog of non-transposed EU directives, as well as in the area of environment, where the measures have focused on environmental education and awareness. However, Portugal's performance in state aid & public procurement has deteriorated, and Portugal is one of the weakest performers in this area in the EU. This is mainly due to the decrease in the percentage of businesses taking part in public tenders, together with an increase in average delay in payments from public authorities.

During 2017 and the first quarter of 2018, Portugal implemented about 30 policy measures, addressing 9 out of the 10 policy areas under the SBA (whereas the area not addressed, the single market, is the one in which Portugal recently moved from being below the EU average to being in line with it). In addition, the ICT2020 Strategy for Public Administration (*Estratégia TIC2020 para a Administração Pública*) has been announced in the area of 'responsive administration'.

Access to finance was the area which saw the most significant progress in 2017 and the first quarter of 2018. Three measures in this area are focused on developing financing programmes, combining features of debt and equity. This area is followed by 'responsive administration', in which two measures focused on ensuring the full and timely implementation of the EU's Services Directive.

While three different measures were implemented to promote entrepreneurship, only one measure was adopted under the 'second chance' principle to simplify current extrajudicial mechanisms for the recovery of companies.

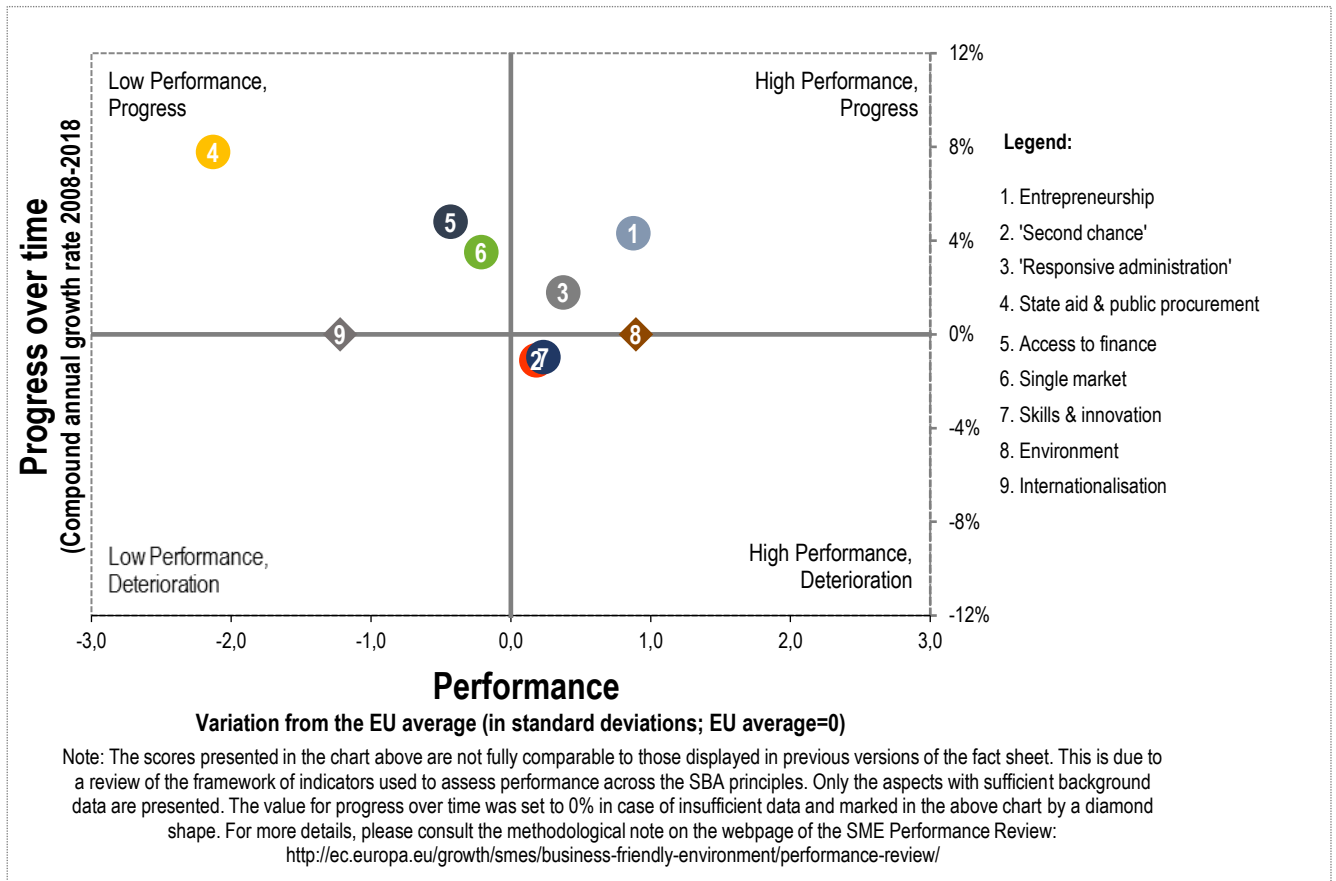
Two measures were adopted under the 'Think Small First' principle to progressively apply, in a systematic way, a preliminary legislative impact assessment model. In relation to the area of state aid & public procurement, policy measures focus on simplifying public procurement procedures and publicly supporting research activities. The policy priority in the area of skills & innovation has been the development of basic ICT skills. Policy measures in the area of environment have focused on raising awareness on environmental issues and fostering the transition to a circular economy. Regarding internationalisation, the Portuguese government has promoted export growth through a new internationalisation programme.

The single market principle is the area in which no significant measure was adopted or announced during the current reference period. However, the government made a huge and largely successful effort in reducing the backlog in the transposition of EU directives.

Overall, Portugal has made considerable progress in implementing the SBA over the last decade. The strategic objectives of Portuguese public policies have largely been aligned to the SBA's principles, with i) measures on entrepreneurship and access to finance adopted since the adjustment programme; and ii) recent measures targeting internationalisation and state aid & public procurement.

The Portuguese economic trajectory has to be assessed in the context of a deep economic and financial crisis, which affected the availability of financing, strongly impacting on SMEs. The legacy of the crisis still persists, notably through a banking sector with a high, although declining, ratio of non-performing loans, which also hinder banks' capacity to grant credit.

SBA performance of Portugal: state of play and development from 2008 to 2018⁸



3. SBA principles⁹

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 policymakers to take SME interests into account at the early stages of the policymaking process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

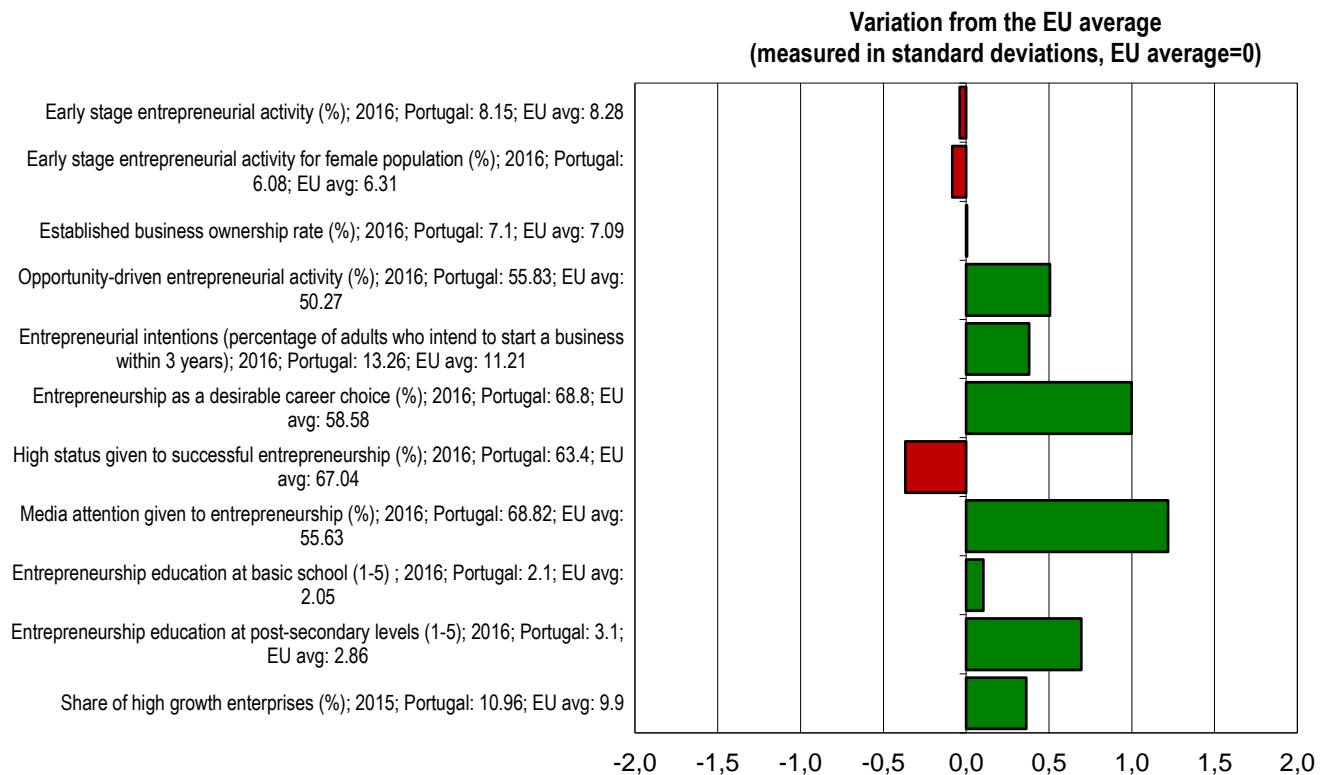
The simplifying and modernising of administrative procedures has been a priority for the Portuguese government over recent years. In this context, Portugal has already adopted several measures to achieve the objectives set out in the 'Think Small First' principle. The SME envoy in Portugal is the president of IAPMEI, the Portuguese Agency for Competitiveness and Innovation, working under the Ministry of the Economy. The envoy coordinates the Portuguese working group that monitors SBA implementation and designs support measures for SMEs, in consultation with the relevant stakeholders. Although several

SME consultations were carried out, a number of SMEs have complained about the lack of information on these consultations.

Two important measures falling under the 'Think Small First' principle were implemented during 2017 and the first quarter of 2018.

The 'How much does it cost?' measure (*Medida 'Custa Quanto?'*) consists of the application of a preliminary legislative impact assessment model. To support this measure, the Portuguese Council of Ministers created the Centre for Legal Competences of the State (*Centro de Competências Jurídicas do Estado*), responsible for ensuring that the regulatory impact assessment of a policy measure, including the 'SME test', takes place. In addition, this entity provides the necessary information for such an evaluation in close coordination with the proposing ministry and relevant government departments.

3.1 Entrepreneurship



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

Portugal performs above the EU average in entrepreneurship, having made notable progress since 2008. As a desirable career option, entrepreneurship has gained in popularity, in particular thanks to measures like ‘Start-up Portugal’, ‘Start-up Simplex’ and ‘Start-up Voucher’. The proportion of high-growth enterprises continues to increase.

Since 2008, the Portuguese government has implemented a substantial number of measures to promote entrepreneurship. Policy action has mainly focused on increasing employment, targeting in particular unemployed young people. Measures to support entrepreneurship are to a large extent included in two of the Ministry of Economy’s main strategies, i.e. the national strategy for entrepreneurship (‘Start-up Portugal’) and the Programme i4.0, whose objective is to accelerate the fourth industrial revolution in Portugal.

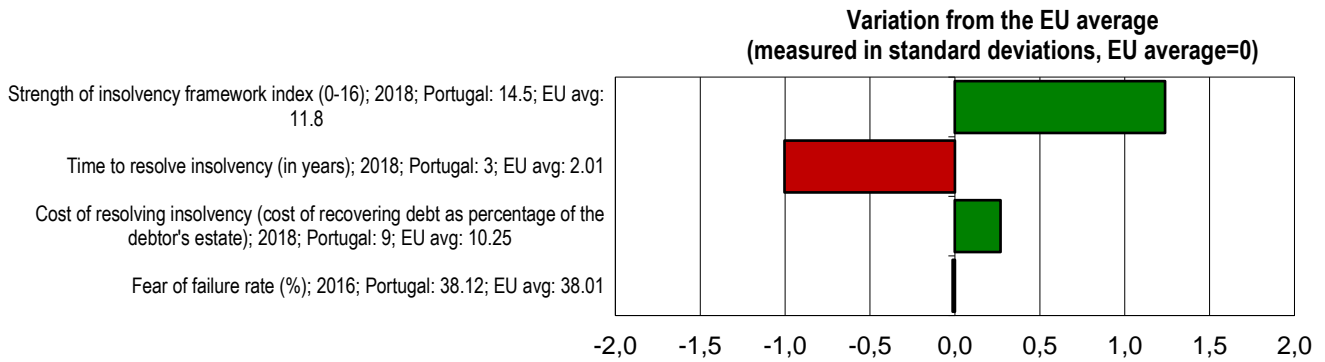
The consolidation of the national network of incubators (*Rede Nacional de incubadoras*) is complemented by specific strategies

to facilitate the scaling up of young firms, such as Scale-Up Porto. This programme fosters the creation of an ecosystem to promote innovation and a network of interested stakeholders in the city of Porto.

Two significant measures were adopted during 2017 and the first quarter of 2018 in the area of entrepreneurship:

- the Tourism 4.0 programme to promote the acceleration of start-ups, offering incubation services, as well as the identification of international innovation trends in tourism, supporting the international promotion of Portuguese innovation; and
- ‘Start-up Visa’, with which the Public Agency for Competitiveness and Innovation aims to attract investment, and talented and innovative entrepreneurs to Portugal through a residence visa for young entrepreneurs from all over the world.

3.2 ‘Second chance’



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

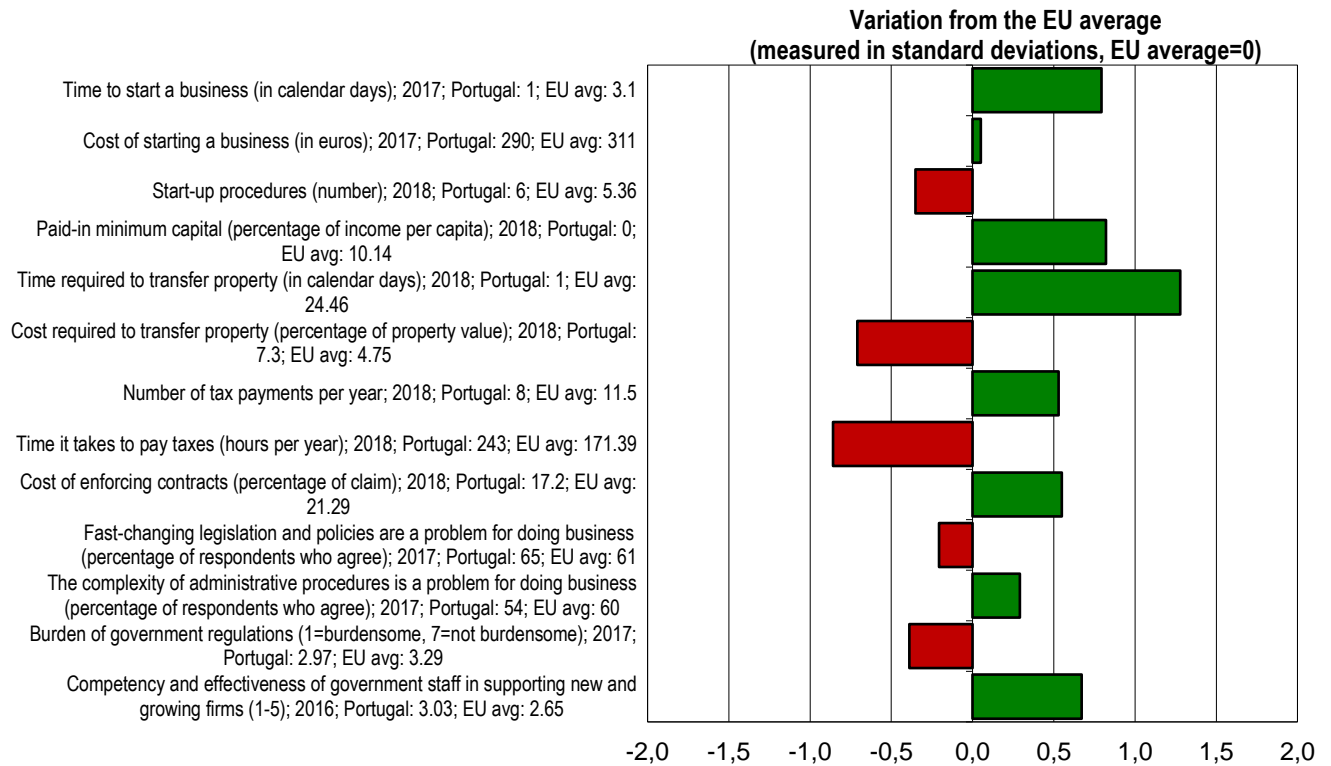
‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Although Portugal’s performance in ‘second chance’ is in line with the EU average overall, it has deteriorated since 2008 and also more recently since the previous reference period. However, the score on the strength of the insolvency framework index, which is the framework for rehabilitating viable firms and liquidating non-viable ones, is one of the highest in the EU, but the challenge for Portugal is to reduce the time required to complete insolvency procedures.

The ‘Special revitalisation process’ (*Processo Especial de Revitalização*) has been the most important measure adopted

under the ‘second chance’ principle since 2008. This measure aims to help honest bankrupt entrepreneurs and SMEs with economic difficulties to recover financially. In March 2017 the government approved an extrajudicial regime for the recovery of companies in difficulties. The *Regime Extrajudicial de Recuperação de Empresas (RERE)* allows for early action to safeguard companies and jobs, speeding up or withdrawing court proceedings. A mediator helps the debtor to diagnose the economic and financial situation of the company, and to negotiate with creditors.

An additional measure to further complete legal procedures for bankruptcy and simplify the RERE was adopted in early 2018.

3.3 ‘Responsive administration’



‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. Portugal’s performance in this area is in line with the EU average, having progressed since 2008. In Portugal the length of time required to start a business or to transfer a property is one of the shortest in the EU: one day in both cases. In addition, there is no paid-in minimum capital requirement for entrepreneurs. The competence and effectiveness of civil servants in supporting new and growing firms continues its positive trend. Although significant progress has also been reported regarding the time required to pay taxes, nowadays 85 hours per year less than in 2010, further efforts are needed, as it still takes much longer than the EU average.

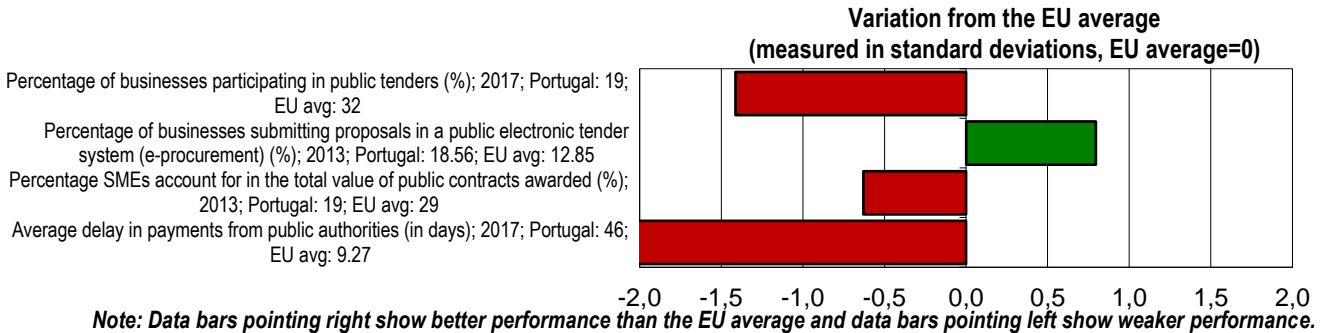
Portugal has put particular emphasis on adopting and implementing policy measures falling under this principle to address the complexity of licensing procedures and to simplify administrative procedures. In addition, the one-stop shop approach and the use of e-government applications have played a key role in making public services more efficient.

During the current reference period, the following measures were adopted:

- ‘Abolish+’ (*Revoga+*) simplifies the current legal framework mainly through eliminating 2 270 legal diplomas that had been approved by government (decree-laws) between 1975 and 1980 that had not been explicitly revoked and had in practice become obsolete.

- The new ‘Online SME Certification’ strengthens the control and monitoring of the information provided during the certification procedure of micro firms and SMEs. It also defines the concept of midcaps and small-midcaps.
- ‘Enterprise Space’ (*Espaço Empresa*) is a one-stop service for entrepreneurs who want to access services and/or obtain information related to the exercise of an economic activity and the life cycle of their company.
- A measure was adopted by the Ministry of Finance related to the settling of payments between taxpayers and the State to reduce SMEs’ waiting time for payment of state debts.
- ‘Simplex+ 2017’ was the umbrella programme for the administrative and legislative simplification and modernisation of all areas of governance.
- Aiming to attract investment for SMEs, the Golden Visa rules have changed, as the amount of investment required in small and medium-sized companies in order to obtain a residence permit has now been reduced (now EUR 350 000).
- The ICT2020 Strategy for Public Administration will promote better management of ICT as a tool for further administrative simplification.

3.4 State aid & public procurement



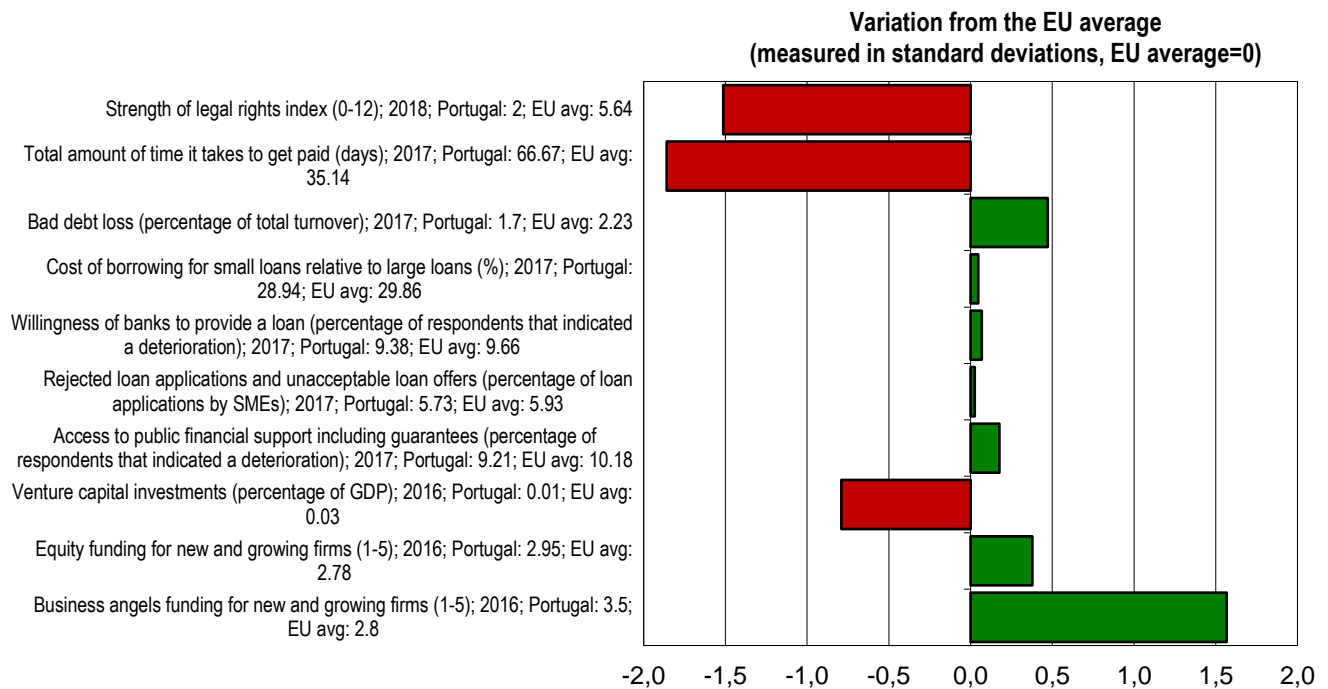
Portugal’s performance in state aid & public procurement was below the EU average, but it has improved overall since 2008. Despite more companies having used e-procurement than in the EU on average, the proportion of businesses taking part in public tenders has dropped and is among the lowest in the EU. The previous positive trend in reducing the delay days in payments made by public authorities has been reversed. The average delay is the longest in the EU. Delays in payments can also possibly result in increased transaction prices as firms incorporate expected delays in payments in their price offers.

Although Portugal has introduced measures to improve the situation of public procurement since 2008, significant challenges persist. For instance, the requirements to tender are

still burdensome and the direct awarding of contracts is being used frequently. These issues can be addressed by further simplifying administrative procedures, and appropriately modifying corresponding thresholds. In addition, and despite recent policy efforts, SMEs are still not sufficiently protected against late payment.

During 2017 and the first quarter of 2018, two relevant measures were adopted. First, the Code of Public Contracts (*Código dos Contratos Públicos*) was revised to further simplify public procurement procedures, making them more flexible, thus increasing the efficiency and quality of public expenditure. Second, the ‘Partnership for Innovation’ (*Parceria para a Inovação*) aims to foster research activities and the acquisition of innovative goods and services by the public administration.

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.

On the access to finance, Portugal continues to perform broadly in line with the EU average, although some indicators have deteriorated recently. Portugal has one of the lowest scores in the EU regarding the strength of the legal rights index, which measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. In Portugal there was an increase in collateral requirements, but on the other hand the cost of borrowing for firms has fallen markedly since 2012, and the level of interest rates on bank loans continued its steady decreasing trend in 2017 and the first half of 2018. However, there has been an increase in the average time it takes for a company to get its invoices paid, one of the highest in the EU. Furthermore, venture capital investments, which are lower than elsewhere in the EU, continued to decline. On average Portuguese SMEs seem to rely on bank loans to a much higher extent than SMEs in other EU countries. However, access to public financial support including guarantees has improved compared to the previous reference period. Also, during the current reference period a lower percentage of respondents indicated a deterioration in the willingness of banks to provide loans. The positive trend in the reduction of non-performing loans continues.

Portugal has made significant efforts to improve access to finance for SMEs over recent years, mainly through public support schemes such as guarantees for bank loans, credit lines and funds. In addition, the already mentioned national strategy for entrepreneurship ('Start-up Portugal') was set up to provide alternatives to bank loans such as equity finance, crowdfunding, peer-to-peer lending and co-investment. However, there were no

COSME financial intermediaries in Portugal, possibly entailing some potentially missed business opportunities. Nevertheless, there is InnovFin financing for innovative SMEs and midcaps.

A set of relevant measures was implemented during 2017 and the first quarter of 2018, to further improve access to finance for SMEs:

- With an overall budget of EUR 200 million, the Co-investment Fund 'Co-invest with the best' aims to carry out capital and quasi-equity investment operations in SMEs (e.g. subscription and acquisition of shares and bonds, options for the purchase and sale of holdings in companies in which venture capital operators participate).
- The 'Capitalise More' credit line provides EUR 1 billion to strengthen the competitiveness of SMEs in the export sector. Loans cannot exceed EUR 4 million per investment per company. These loans have a maturity of 12 years, including a grace period of up to 36 months.
- The statutes of the Portuguese Development Finance Institution (IFD) have been revised to strengthen the implementation of measures to support the financing and capitalisation of SMEs and midcaps.
- To dynamise the capital market, the government has issued short-term debt certificates and debt securities that may be eligible for investment by investment funds also

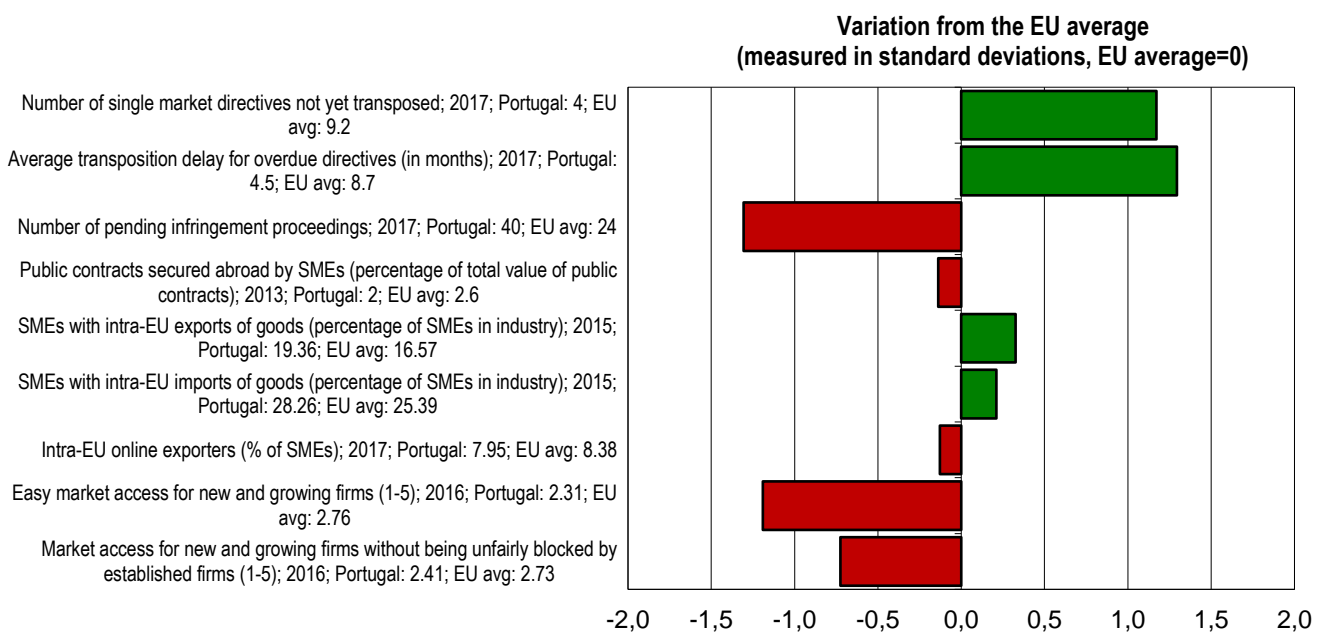
known as collective investment undertakings in transferable securities.

- 'Investment promotion companies' (*SIMFE*) are investment vehicles whose purpose is to support micro, small and medium-sized national companies that do not have securities admitted to trading (such as shares or bonds), either directly through participation in vehicle companies, or indirectly through participation in the companies' finances.
- A new Funding Instrument for Social Investment aims to respond to the specific training needs of each social innovation and entrepreneurship initiative (*Iniciativas de Inovação e Empreendedorismo Social – IIES*) through the

allocation of a fixed non-refundable amount (up to a maximum of EUR 50 000) to finance its training plan.

- Tourism Growth Venture Capital Fund (*Fundo Turismo Crescimento*) is a fund aimed at SMEs in the tourism sector that need a financial boost to expand. This fund has EUR 14 million available for investment and in the initial phase it aimed to support 40 SMEs in the tourism sector with investments ranging from EUR 100 000 to EUR 700 000.

3.6 Single market



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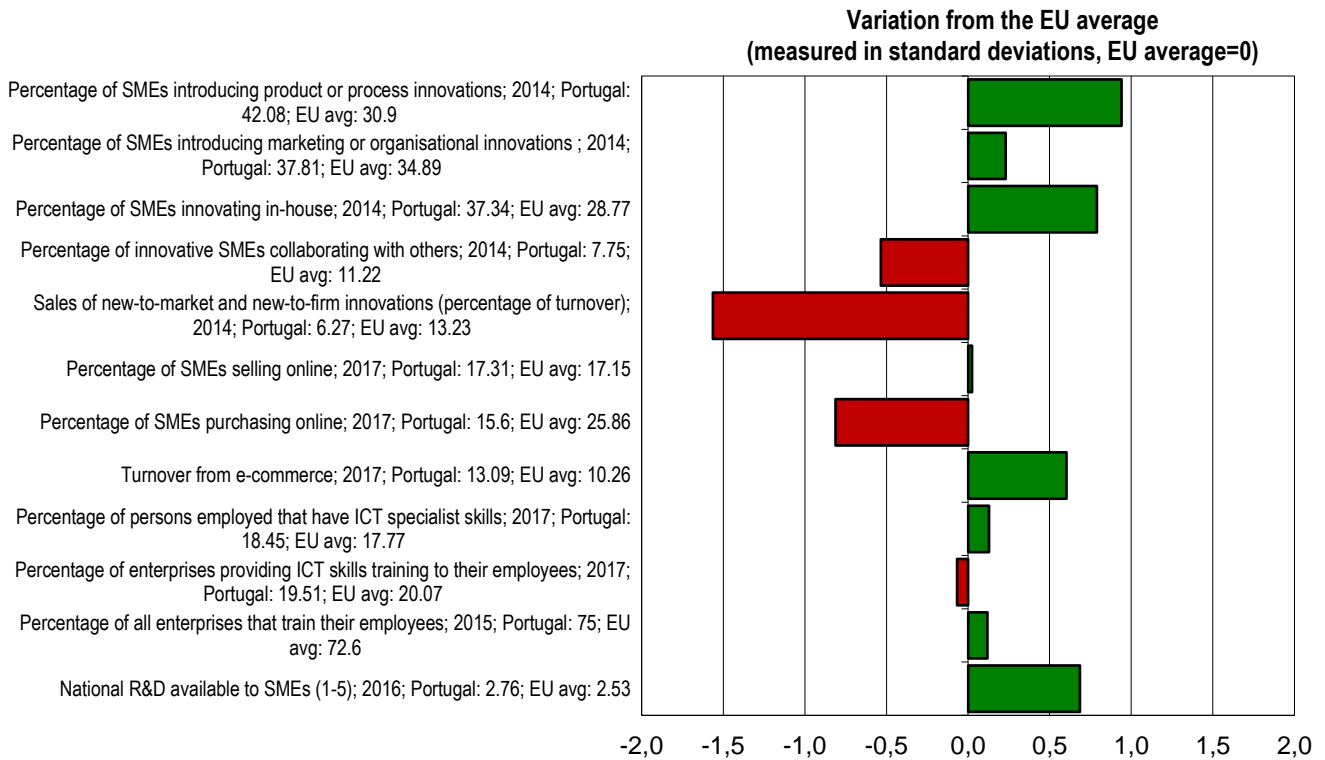
Portugal continues to make progress in this area and its performance is broadly in line with the EU average. Nevertheless, the number of pending infringement proceedings has increased from the previous reference period (from 36 cases to 40), which puts the country among the EU's three poorest performers in this indicator. However, against the previous year, Portugal has considerably reduced the number of EU directives not yet transposed (from 35 in 2016 to 4 in 2017). The average transposition delay of overdue directives has dropped and it is now among the shortest in the EU.

Portugal has taken steps to help its SMEs benefit from the single market. These include setting up an online portal and a SOLVIT

centre (aimed at helping businesses in cases where their rights are breached by public authorities in another EU country), therefore helping SMEs take advantage of business opportunities in the EU. In 2016, 167 out of the 2 360 cases handled by the 31 SOLVIT centres involved the SOLVIT Portugal Centre. The problem-solving rate in the Portuguese SOLVIT Centre was above the EU average.

During the reference period of 2017 and the first quarter of 2018, no significant new measures were adopted or announced in this SBA area.

3.7 Skills & innovation



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Portugal’s performance in this area remains broadly in line with the EU average. There were only minor changes against last year’s edition of the SBA fact sheet. The percentage of Portuguese SMEs selling online has slightly declined, while there was a rise in the percentage of SMEs purchasing online. The turnover from e-commerce remained above the EU average. However, the percentage of Portuguese companies that provide ICT training to their employees has been declining since 2014.

Since 2008, Portugal has implemented a number of measures to help SMEs upgrade their employees’ skills, including by providing training vouchers. In addition, public support to SMEs for RDI activities has been provided through the operational competitiveness and internationalisation programme (*Programa Operacional Competitividade e Internacionalização*) and the national strategic reference framework (*Quadro de Referência Estratégica Nacional*).

However, there is insufficient awareness of the importance of nurturing closer links between academia and businesses to ensure that the education system meets the needs of the market. Supporting the career path of tertiary education teachers and addressing barriers to the mobility of researchers from academia to industry and vice-versa could help in this respect. Therefore, key bottlenecks remain in the innovation system. Solely financial support from the government will not

address the obstacles to science-industry linkages as they are heavily linked to regulatory and non-financial policy issues, such as the career path of polytechnic and university teachers, barriers to the mobility of researchers from academia to industry and vice-versa and lack of standardisation of intellectual property contracts.

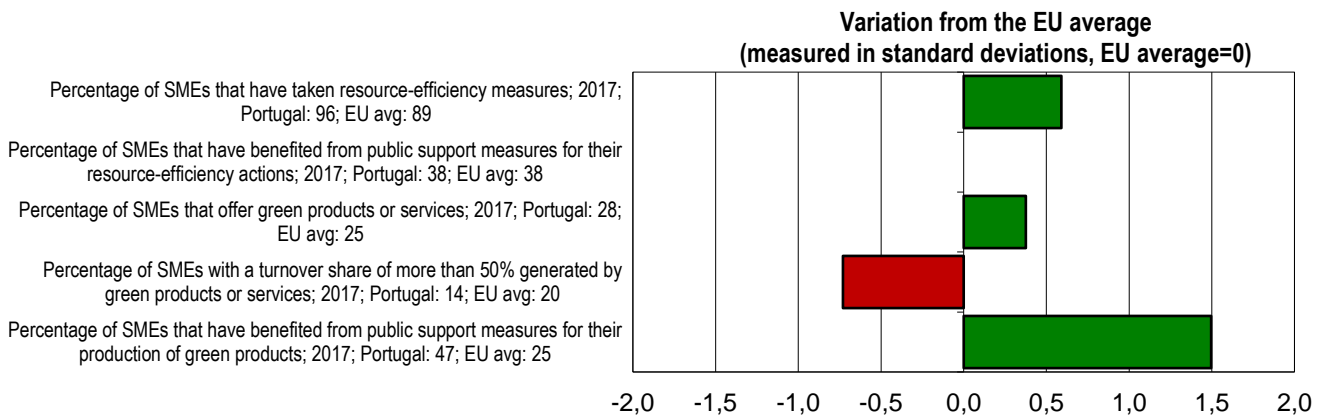
During 2017 and the first quarter of 2018, Portugal adopted the following measures:

- The Portuguese Industry Training Programme (*Programa Capacitar a Indústria Portuguesa — CITec*) was implemented and the Innovation, Technology and Circular Economy Fund (*Fundo de Inovação, Tecnologia e Economia Circular — FITEC*) was created to promote cooperation between higher education institutions and the Portuguese business community.
- The ‘Portugal INCoDe2030’ Initiative is being carried out to guarantee Portugal’s participation in international R&D networks and the production of new knowledge in the digital areas. This initiative aims to strengthen the basic ICT skills by tackling three major challenges: i) ensuring digital literacy, ii) stimulating digital technologies specialisation, and iii) producing new knowledge in international cooperation.

- The government is committed to a major programme called 'Qualifica', which aims cumulatively with the 'Portugal INCoDe.2030' initiative, to increase the level of adult skills through vocational education and training. This in turn aims to tackle labour skills

shortages, which also affect qualified staff, as the country has a relatively low level of adult skills and low digital skills.

3.8 Environment



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

Portugal performs above the EU average in this area and continues to progress. The country has achieved progress partly thanks to an increase in the proportion of SMEs that have taken resource-efficiency measures. Also, there continues to be a positive trend in the proportion of Portuguese SMEs that have benefited from public support measures for producing green products and the corresponding score is among the highest in the EU. Moderate progress has been reported in the proportion of SMEs offering green products or services. However, the proportion of SMEs with a turnover share of more than 50 % that is generated by green products or services has dropped by 9 percentage points against the previous reference period.

On the policy side, the Portuguese government has taken steps to encourage companies to become energy efficient and engage in eco-innovation through tax incentives (*Lei da Reforma da Fiscalidade Ambiental*) and a green growth strategy (*Compromisso para o Crescimento Verde*).

Two important measures illustrate the policy progress achieved over 2017 and the first quarter of 2018.

First, the main goal of the 'National Strategy for Environmental Education' (*Estratégia Nacional de Educação Ambiental — ENEA*) is to raise awareness on the values associated with sustainable development. This strategy establishes a collaborative, strategic

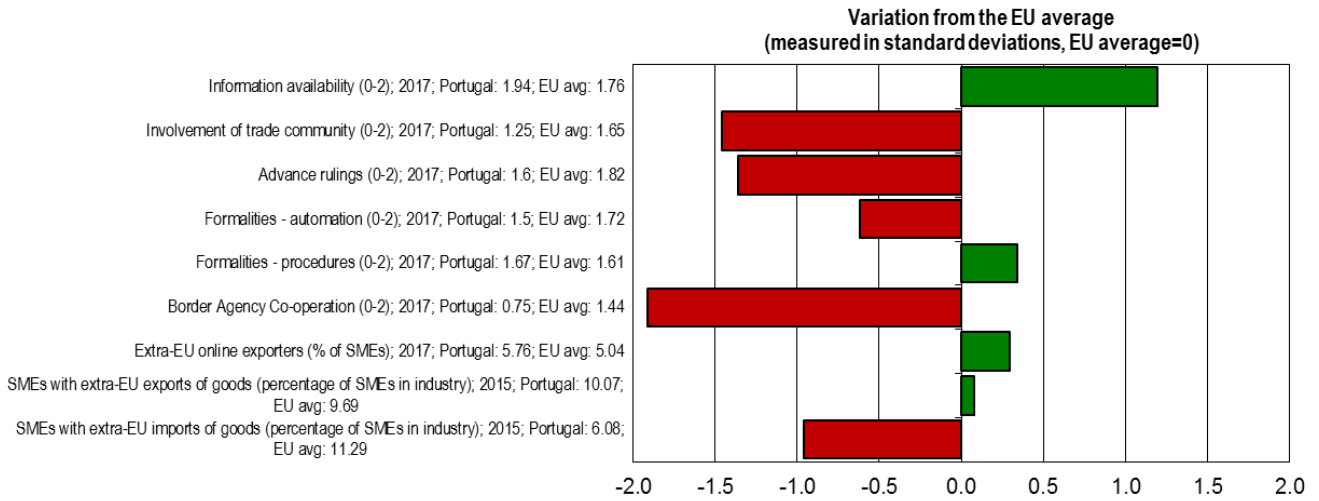
and cohesive commitment to advance environmental literacy in Portugal. Its implementation is based on three pillars: 1) decarbonise society; 2) make the economy circular; and 3) valuing the territory.

Second, an 'Action Plan for the Circular Economy' (*Plano de Ação para a Economia Circular — PAEC*) has been adopted to redefine the concept of 'end of life of the linear economy' based on the reuse, repair and renovation of materials and energy. This is a strategic model of growth and investment, based on the efficiency and value of resources aiming to minimise negative impacts on the environment. This action plan consists of three levels of measures for the next 3 years:

- national: measures to consolidate some of the activities of several governmental areas for the transition to a circular economy;
- sectorial: measures for sectors that are more resource-intensive and export-oriented; and
- regional: measures adapted to the socioeconomic characteristics of each Portuguese region.

In addition, 'circular economy vouchers' support companies in their transition to a circular economy by financing consultancy services issued by accredited entities, thus strengthening competitiveness and promoting sustainable economic growth.

3.9 Internationalisation



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

Internationalisation is one of the weakest areas for Portugal; its performance remains below the EU average in this SBA area. Although more information has been made available since the previous reference period, the involvement of the trade community has further deteriorated, with one of the lowest scores in the EU. In addition, there is still a lack of border agency cooperation, with Portugal being among the worst performers in the EU in this indicator. However, the weight of exports in gross domestic product (GDP) records a longstanding increasing trend, which dates back from before the financial crisis. From 27 % of GDP in 2009, exports nowadays account for more than 40 % of GDP.

Since 2008, various policy measures have been implemented under the internationalisation principle; for example, 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 presence of Portuguese exports in world markets.

Over 2017 and the first quarter of 2018, moderate policy progress was observed on internationalisation. A new internationalisation programme (*Programa Internacionalizar*) has been the most important measure adopted. This programme is composed of the following six areas:

- market and business analysis
- qualification of human resources and territory
- financing
- support in access to markets and investment
- development of the Portugal brand
- business policy and context costs

The programme's main goal is to increase exports, promoting the diversification of export markets at the same time. The increase in exports is expected to have a positive feedback loop with investment, fostering the growth of the national value added, an upward move in value chains, and promoting greater and better processes of internationalisation of the Portuguese economy.

4. Interesting initiative

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

Indústria 4.0 — National Strategy for the Digitisation of the Economy

The Portuguese National Strategy for the Digitisation of the Economy (*Indústria 4.0*) aims to encourage the digitalisation of the economy and society by accelerating the adoption of digital technologies by SMEs and strengthening Portugal's role in the fourth industrial revolution. To guarantee SMEs' readiness to lead the fourth industrial revolution, three core objectives have been established: (i) accelerate Industry 4.0 concepts and technology adoption by Portuguese companies; (ii) promote Portuguese companies as international Industry 4.0 players; and (iii) make Portugal an attractive location to invest through Industry 4.0.

Various stakeholders (120 Portuguese companies, trade associations, public organisations, etc.) participated in the design of the strategy with a focus on identifying the real needs of Portuguese industry, with a particular emphasis on SMEs as drivers for digital transformation. In addition, a strategic committee was set up to guide and supervise the design.

The investment of EUR 4.5 billion over 4 years (2017-2020) is expected to support more than 50 000 companies and re-skill more than 20 000 workers in different sectors (e.g. agri-food, automotive, tourism, fintech, etc.).

The implementation of *Indústria 4.0* will be conducted through a platform launched by the Ministry of Economy but managed by COTEC, also in charge of updating the initiative, which will serve to adapt its content to the quick evolution of needs.

References:

<https://www.industria4-0.cotec.pt>

<https://www.iapmei.pt/Paginas/Industria-4-0.aspx>

<https://www.iapmei.pt/PRODUTOS-E-SERVICOS/Incentivos-Financiamento/Portugal-2020/Vale-Industria-4-0.aspx>

http://www.incode2030.gov.pt/sites/default/files/incode2030_en.pdf

https://ec.europa.eu/growth/tools-databases/dem/monitor/sites/default/files/DTM_Ind%C3%BAstria%204.pdf

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/index_en.htm

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

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 2016, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2015 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 Eurostat news release 16/2018, *Tourism in the EU*, published 24.01.2018; available at <http://ec.europa.eu/eurostat/en/web/products-press-releases/-/4-24012018-CP>; last accessed 06.07.2018.

³ Biblioteca Informa, Barómetro, Edição de janeiro, Demografia empresarial, published 19.01.2018; available at <http://biblioteca.informadb.pt/read/document.aspx?id=2548>, last accessed 27.05.2018.

⁴ The data presented were collected by the EU Startup Monitor project, www.startupmonitor.eu

⁵ Due to data availability, the data on high-growth firms refer to the 'business economy' only, which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

⁶ In line with the Commission implementing regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees in the beginning of their growth and average annualised growth in number of employees greater than 10 % per annum, over a three-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. Source of the data on high-growth enterprises is Eurostat (http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2, last accessed 13.04.2018).

⁷ The 2018 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.

⁸ 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 2018. 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 2018. 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/>

⁹ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2017 and the first quarter of 2018. The national SME policy expert that PwC (DG GROW's lead contractor for the 2018 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.