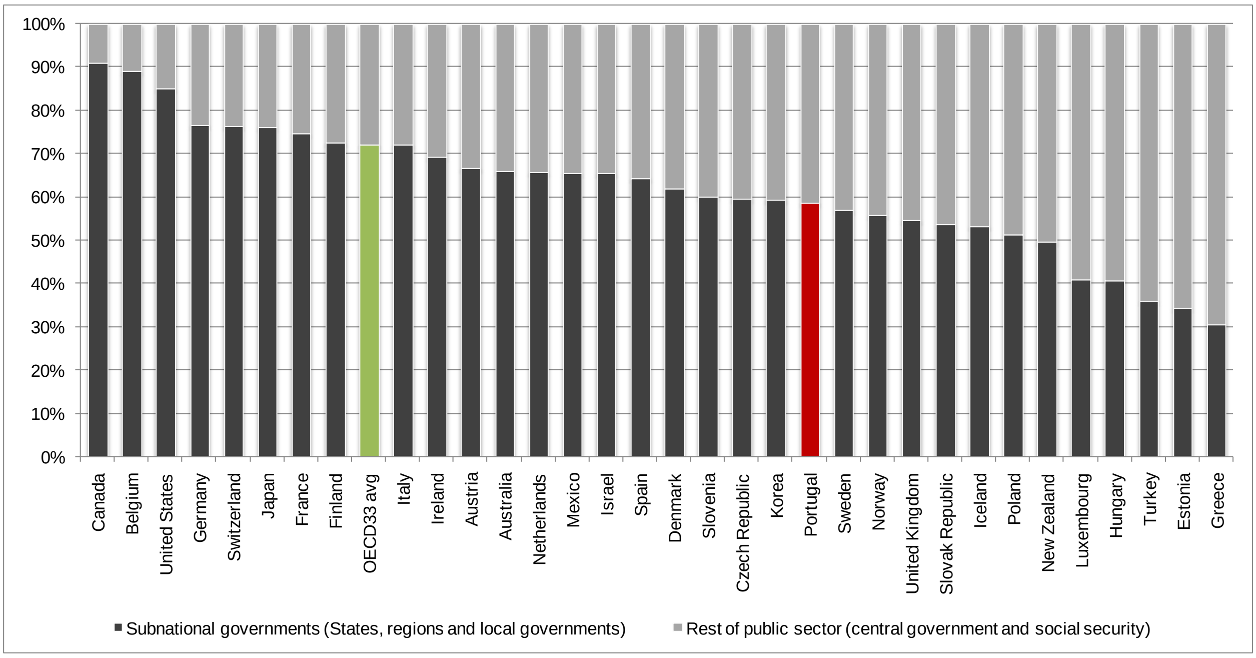
Country Fact Sheet

PORTUGAL

Figure 1. Sub-national public direct investment in OECD countries, 2012

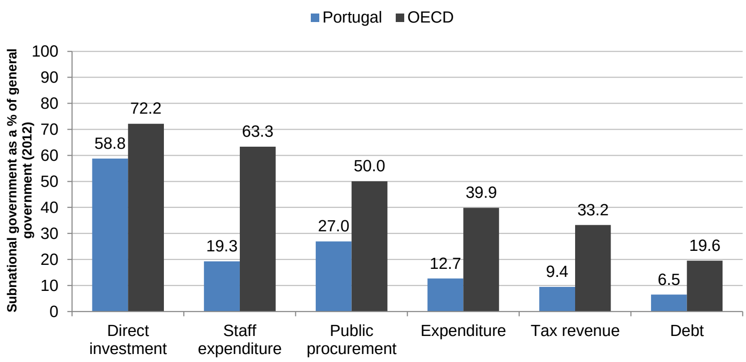
(as a share of public direct investment)



Note: Data for Australia, Mexico, Switzerland, the U.S., Israel, Japan, Korea, & Turkey from 2011; Data for Canada and New Zealand from 2010

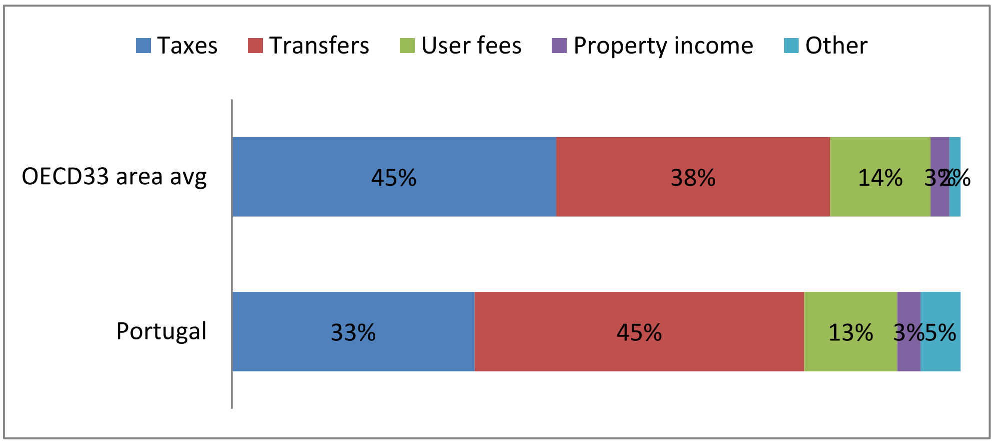
Source: OECD National accounts.

Figure 2. The role of sub-national governments in public finance in Portugal



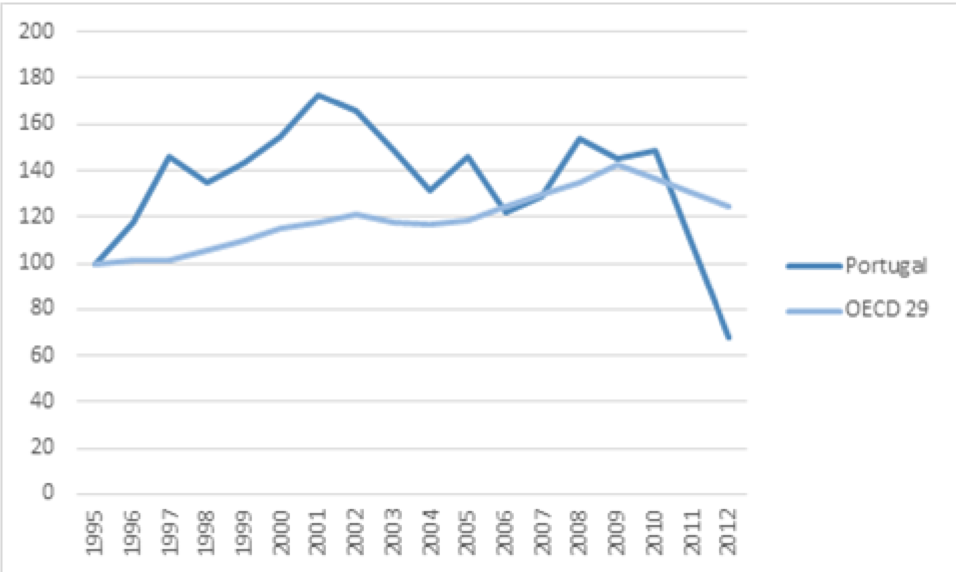
Sub-national direct investment represents 58.8% of total investment. General public services and economic affairs are the two largest spending items for SNGs in Portugal: together they represent 48% of sub-national expenditure, almost double the OECD average (28%).

Figure 3. Indicators of sub-national fiscal autonomy in Portugal



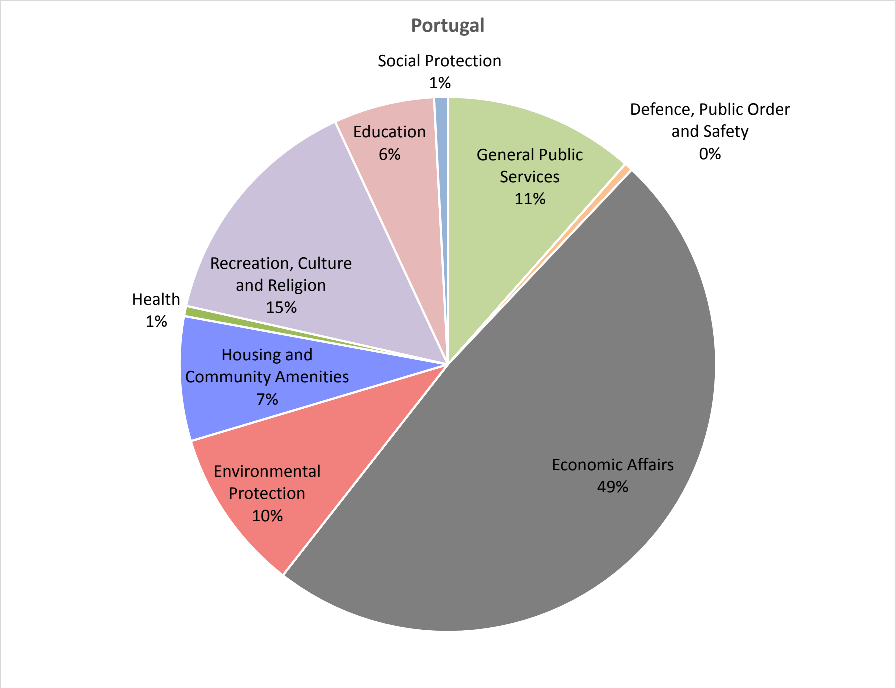
Source: OECD (2013), *Subnational governments in OECD countries: Key data.*

Figure 4. Trends in sub-national investment in Portugal



Source: OECD National Accounts.

Figure 5. Breakdown of sub-national investment in Portugal by economic function (% of total direct investment, average 2008-2012)



Source: OECD (2013), [*Subnational governments in OECD countries: Key data.*]

FACTS AND FIGURES RELATED TO PUBLIC INVESTMENT:	
General government public direct investment (USD billion), 2012	4.3
• Percent of GDP	1.6
• Percent of public expenditure	3.4
• In USD per capita	405
Sub-national government public direct investment (USD billion), 2012	2.6
• Percent of GDP	1.0
• Percent of sub-national public expenditure	15.8
• Percent of total public direct investment	58.8
• In USD per capita	238
INDICATOR SUBNATIONAL FISCAL ATONOMY	
• Tax revenues (2012) [Percentage in total sub-national revenues]	33%
• User fees (2012) [Percentage in total sub-national revenues]	13%
• Property income	3%
• Transfers (2012) [Percentage in total sub-national revenues]	45%
MAIN MECHANISMS FOR COORDINATING PRIOTISATION AND IMPLEMENTATION OF PUBLIC INVESTMENT BETWEEN NATIONAL AND SUB-NATIONAL LEVELS (2012)	
Vertical relations	
• Sectoral body in charge of national/sub-national co-ordination	Yes
• National body in charge of national/sub-national co-ordination;	Yes
• Forum gathering sub-national governments	No?
• Contractual arrangements across levels of government	Yes
• National sectoral representatives appointed to sub-national levels	No
• Regional Development Agencies	No
Horizontal relations	
• Mechanisms or incentives exist to encourage co-operation for public investment (horizontally) across sub-national authorities, 2012	Yes
STRENGTHENING CAPACITIES FOR PUBLIC INVESTMENT AT DIFFERENT LEVELS OF GOVERNMENT	
• There is recognition of procurement officials as a specific profession, 2010	Yes
• Percent of general government procurement occurring at the sub-national level, 2011[(1)]	29
• PPP unit(s) exist at the national (Nat'l) or sub-national (SN) levels	National
• Use of relative and/or absolute value-for-money (VFM) assessments of PPPs	Both
• Intergovernmental co-ordination mechanisms impose obligations in regulatory practice	No

Sources: OECD (2013), *Subnational governments in OECD countries: Key data*; OECD (2013), *OECD Regions at a Glance 2013*,; OECD (2013), *Government at a Glance 2013*; OECD (2012), Questionnaire: Multi-Level Governance of Public Investment, unpublished; OECD (2010), *Dedicated Public-Private Partnership Units: A Survey of Institutional and Governance Structures*; OECD (2009), "Indicators of Regulatory Management Systems, 2009 Report".

GOOD PRACTICE EXAMPLES IN THE UNITED STATES

Principle	Good practice examples from different levels of government
Principle 1.	***Invest using an integrated strategy tailored to different places and coordinate across sectors***
	A single agency to coordinate EU structural and investment funds A new agency for Development and Cohesion was created in 2013. It has responsibility for Coordination EU structural and investment funds and Regional Policy. *Source:* OECD (2014) *Regional Outlook 2014. Regions and Cities: Where Policies and People Meet*. OECD Publishing, Paris
Principle 2.	C***o-ordinate among levels of government***
	Boards composed of different levels of government to improve vertical coordination for regional development The recent creation of boards (composed of the president of the Regional Co-operation and Development (CCDR), two representatives of municipalities, and two representatives of the central government) in charge of leading the management of Regional Operational Programmes is expected to improve vertical collaboration. *Source:* OECD (2008) Territorial Review of Portugal.
Principle 3.	***Encourage effectiveness through cross-jurisdictional co-ordination***
	Territorial reforms to reduce the number of sub-national governments The number of freguesias (parishes) has been reduced. The sub-municipal level was reorganised by two laws adopted in November 2012 and January 2013. The laws reduced the number of parishes by about 27%, going from 4 259 entities to 3 091 as of September 2013. Source: OECD (2014) *Regional Outlook 2014. Regions and Cities: Where Policies and People Meet*. OECD Publishing, Paris **EC partnership agreement to foster inter-municipal cooperation** The partnership agreement with the EC will be used to promote inter-municipal cooperation, using EU funds as an incentive, following a positive experience in the previous programming cycle. The aim is to overcome fragmented and/or overlapped municipal level investments. Source: OECD (2014) *Regional Outlook 2014. Regions and Cities: Where Policies and People Meet*. OECD Publishing, Paris.
Principle 4.	***Use long-term and comprehensive appraisals for investment selection***
	Selection of investment projects Programmes for allocating and using EU funds have increasingly been based on sound analysis of investment needs and identification of adequate progress indicators. They have contributed to improving environmental performance and administrative capacity in Portuguese regions. [more info?] Source: OECD (2013) Reforming the State to promote growth, OECD Publishing, Paris.

Principle 5.	***Engage public, private and civil society stakeholders throughout the investment cycle***
Principle 6.	***Mobilise private actors and innovative financing arrangements to diversify sources of funding and strengthen capacities***
	Improved framework for PPPs In recent years, Portugal has undertaken substantial efforts to improve the national PPP programme, both in terms of performance and in terms of designing a prudent enabling framework. These efforts include developing a plan to reduce PPP costs by about €250 million in 2013, and by up to €400 million after 2014 through measures such as reviewing levels of service, optimising the toll collection mechanisms and reducing private partners' internal rate of return. A full review of public-private partnerships by an international auditor was completed in 2012 and could be used in such potential contract re-negotiations. The new PPP framework law (enacted in May 2012) is a step towards achieving these goals and ensuring value-for-money assessments and implementation of strict procurement procedures. In particular, a new technical unit was created in the Ministry of Finance to assess and monitor PPPs. This unit is now fully operational and is involved in all PPP sectors, including the Road PPPs' renegotiation process currently under way. While the new PPP unit is a good start, much will depend on the implementation of this framework and the vigour with which the spirit of the law is taken on board. The regions have been encouraged to design similar frameworks for assessing fiscal risks derived from PPPs, concessions and other public investments. Source: OECD (2013) Reforming the State to promote growth, OECD Publishing, Paris.
Principle 7.	***Reinforce the capacity of people and institutions throughout the investment cycle***
Principle 8.	***Focus on results and promote learning***
	Composite Index of Regional Development to monitor progress Instruments to improve efficiency, including evaluation, are built into the delivery of Cohesion Policy in line with regulatory requirements. Increased emphasis is on strategic monitoring under the Structural Funds system and under the responsibility of NSRF Observatory. At the regional level regional dynamics observation centres are created to perform similar functions. An indicator system is being developed at the national and regional levels. The Composite Index of Regional Development, published in May 2009, aims to provide a tool for monitoring regional disparities on an annual basis. It is made up of 65 indicators divided into three components which reflect broader sustainable development concerns: competitiveness, cohesion and environmental quality.
Principle 9.	***Develop a fiscal framework adapted to the objectives pursued***
	Revised fiscal framework, notably transfers The revision on local and regional finances laws was passed in September 2013. The regime governing transfers from the State to local authorities was reviewed as was property taxation. The autonomous regions tax power with regard to exonerations was reduced.

Principle 10.	***Require sound and transparent financial management***
	Greater focus on multi-year budgeting The revision on local and regional finances laws was passed in September 2013. It establishes a multi-year budget plan, spells out expenditure rules, budget balance and the debt by setting stricter debt limits and finally it gives the State greater fiscal oversight. Since 2012 the State Budget has included a chapter on contingent liabilities in general, which included contingent liabilities from PPPs.
Principle 11.	***Promote transparency and smart use of public procurement at all levels of government***
	E-procurement and framework agreements for procurement To increase productivity, Portugal has restructured its purchasing function and consolidated purchases to achieve economies of scale. The National Agency for Public Procurement, established in 2007, has managed in recent years to professionalise the procurement function and achieve efficiency gains through the use of aggregation vehicles for the central administration (framework agreements) and investment in a state-of-the art eprocurement platform. One of the challenges facing the Government is to ensure that similar capacity is developed at the sub-national level. Portugal is increasingly using procurement as a policy lever to pursue policy objectives, such as SME development, innovation, and environmental protection. This is being done, for example, by dividing government contracts into small lots. *Source*: OECD (2013) Reforming the State to promote growth, OECD Publishing, Paris.
Principle 12.	***Pursue high-quality and coherent regulation across levels of government***

Areas of focus of recent/current/planned reforms (national level)

Please mention whether your country has recently conducted or is currently conducting reform(s) in the field of governance of public investment across levels of government (territorial reforms, fiscal reforms, capacity building initiatives, performance monitoring, procurement reforms, reforms linked to PPPs or innovative financing arrangements, etc.). You may provide explanations in the box below (or just briefly mention which of the 12 OECD Principles are currently high on your government agenda).