

### Summary of the assessment of the Portuguese recovery and resilience plan

Grants: EUR 13 907 294 284

Loans: EUR 2 699 000 000

115 measures: 32 reforms and 83 investments divided into 20 components

Number of milestones and targets: 140 milestones and 201 targets

Climate target: 38%

Digital target: 22%

#### 1. Summary of the Commission's assessment of the recovery and resilience plan

Criterion	Commission assessment	Rating A-C
2.1	<p>The plan is <b>balanced</b> and focuses on Portugal's main challenges. Besides the twin transitions, these challenges largely refer to the country's social and educational needs, institutional resilience (including the efficiency of the justice system and of the public administration in general), and the need to boost the productive potential of the economy by investing in research and development, and by improving the business environment. The green and digital pillars meet the targets.</p> <p>The remaining four policy pillars are appropriately addressed through measures to: (i) strengthen the capacity, resilience and sustainability of the National Health Service; (ii) provide social housing and affordable housing; (iii) offer integrated social services, especially in deprived metropolitan areas; (iv) strengthen education and vocational education and training systems; (v) ensure the digitalisation of primary and secondary education; (vi) implement measures to incentivise innovation and support entrepreneurship; (vii) implement measures to digitalise public services, make public administration more efficient and improve the quality and sustainability of public finances; and, (viii) implement measures to improve the business environment, including the modernisation of administrative and tax courts and the streamlining of legal procedures.</p>	A
2.2	<p>The plan is expected to contribute to addressing <b>a significant subset of the recent country-specific recommendations</b> addressed to Portugal by the Council. The plan promotes investment for the climate and green transition. Improving the quality of public finances and the financial sustainability of state-owned enterprises is central to the plan because it is a necessary condition to strengthen Portugal's economic resilience. The plan is ambitious in strengthening the resilience of the health system and improving access to quality health care and long-term care. The plan aims to improve the population's overall level of skills including digital skills and reinforces the link between regional and sectoral skills needs and vocational education and the training offer. The plan provides a significant response to improve the effectiveness and adequacy of social protection. The plan introduces relevant measures to reduce labour market segmentation, support quality employment and the preservation of jobs. The plan significantly aims to support the use of digital technologies and promote digital skills for various population groups such as students, teachers, the workforce, businesses and civil servants. The plan introduces significant measures to promote access to finance, in particular</p>	A

	for SMEs, and promote private and public investment for the country's economic recovery. The plan introduces significant reforms and investments to promote investment in research and innovation and make these more efficient and effective. The plan is ambitious in tackling the challenges of the business environment and improving the efficiency of the justice system.	
2.3	The main contributions to both economic growth and employment are expected to come from investments and reforms in innovation, education (including digital skills and vocational training), decarbonisation of the industry, and housing. Model simulations conducted by the Commission using the QUEST model show that the economic impact of the NGEU in Portugal could lead to an increase of GDP of between 1.5% and 2.4% by 2026. After 20 years, GDP could be 0.9% higher. This stylised scenario does not include the possible positive impact of structural reforms, which can be substantial. A model-based benchmarking exercise shows that undertaking structural reforms that would result in halving the gap vis-à-vis best performers in terms of indicators of structural reforms could raise Portuguese GDP by up to 10% in 20 years' time, in line with findings for the EU average.	A
2.4	The measures in Portugal's plan comply with the ' <b>do no significant harm</b> ' (DNSH) principle. The DNSH requirements are upheld in the design of the measures, including their milestones or targets. Particular attention is paid to measures whose impact on environmental objectives warrants close scrutiny. The road infrastructure investments are flanked by an expansion of publicly accessible electric vehicle charging stations, up from around 3 500 now to 15 000 in 2025. In addition, any condition resulting from the environmental impact assessment (EIA) needed for the road projects is expected to be implemented. For the water management measures, Portugal commits via milestones to ensure compliance with EU environmental law, including the Water Framework Directive (2000/60/EC). It has also given a binding commitment to carry out EIAs and implement any conditions identified in them through which significant harm can be avoided.	A
2.5	The plan is expected to contribute to the <b>green transition and environmental protection</b> . 38% of the plan's total allocation will support climate objectives. Climate-relevant investments are energy-efficiency renovations, the decarbonisation of industry or sustainable mobility. They support Portugal's decarbonisation and energy objectives, as set out in the 2030 national energy and climate plan and are thus a step towards achieving carbon neutrality by 2050. Measures on forest management and the sea economy will enhance <b>biodiversity</b> .	A
2.6	Overall, the plan's contribution toward the <b>digital objectives</b> amounts to 22% of the plan's allocation, and as such, the digital target of 20% is met. The plan significantly aims to support the use of digital technologies and promote digital skills for various population groups such as students, teachers, the workforce, businesses and civil servants. Key measures address the digitalisation of businesses and education, including the purchase of digital equipment and professional training. They include upgrades to the information systems for public financial management and for the provision of health care services, as well as the modernisation of the public administration to improve accessibility and simplify public interactions with businesses and citizens.	A
2.7	The measures in the plan facilitate the green and digital transitions and strengthen the growth potential, job creation and economic and social resilience of Portugal and are, thus, expected to have a <b>lasting</b> , positive <b>impact</b> on the economy and society. The plan presents structural changes in the country's public administration or related institutions. These include, inter alia, the reform	A

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	of the governance model of public hospitals, the establishment, capitalisation and mission expansion of Banco Português de Fomento, the reform to modernise and simplify public financial management, and, the digitalisation of public administration. Moreover, structural changes in policies are envisaged in all components of the plan, aiming mainly at improving the business environment and promoting sustainable development and technological advancement, thus improving the country's competitiveness and potential for attracting foreign investors.	
2.8	The <b>milestones and targets</b> of the Portuguese plan constitute an appropriate system for monitoring the plan's implementation. The monitoring indicators are sufficiently clear and comprehensive to ensure that their completion can be traced and verified. They reflect adequately the different stages of implementation of reforms and investments and appear realistic. The verification mechanisms, data collection and responsibilities appear sufficiently robust to justify in an adequate manner the payment requests once the milestones and targets are completed.	A
2.9	Portugal has provided individual <b>cost estimates</b> for all investments and reforms with associated costs included in the plan. The cost breakdown is generally detailed and well substantiated. Cost estimates, supporting documents and cost justifications show that most of the costs are reasonable, plausible, commensurate, and in line with the principle of cost-efficiency. However, some gaps remain which preclude the highest rating of this assessment criterion.	B
2.10	The <b>internal control system</b> described in the plan is based on robust processes and structures and clearly identifies actors (bodies/entities) and their roles and responsibilities for the performance of the internal control tasks. The national management will be centralised in the 'Recuperar Portugal' task force. The implementation of the plan will be contracted out to public agencies or bodies or intermediaries responsible at decentralised levels. The control system and other relevant arrangements, including for the collection and making available of data on final recipients, are adequate.	A
2.11	The Portuguese plan reveals a strategic and consistent vision throughout the plan, displaying <b>coherence</b> between components and between individual measures. The reforms and investments in each component are consistent and mutually reinforcing, and synergies and complementarities exist between components.	A

## 2. Horizontal principles and additionality

Horizontal principle	Commission assessment
<b>Complementarity with EU programmes 2021-2027</b>	The measures in the plan are consistent with and complementary to other EU programmes in the period 2021-2027. The individual components do not, as a rule, provide clear information about additional and complementary investments from other EU funds, as the negotiation of the Partnership Agreement and the Programmes for the programming period 2021-2027 is ongoing. However, this is compensated by strong governance and control systems, which provide assurances that the amount of the total cost is not covered by existing or planned Union financing. Moreover, the recovery and resilience plan is a key implementing arm of the Portugal 2030 Strategy, to which other EU and national funding contribute to in a well-developed framework.
<b>Principle of additionality</b>	The measures in the plan respect the principles of additionality. Concretely, the measures in the plan are expected to be additional to

	a baseline scenario without the RRF, in a context of subdued public investment in Portugal at the outset of the COVID-19 crisis.
<b>Recurring costs</b>	Evidence was provided establishing the eligibility of the costs. All costs are incurred after February 2020 and do not substitute recurring national budgetary expenditure, with few duly justified exceptions, meeting the requirements of article 5 of the Regulation. The share of these costs in the overall plan is limited while these recurrent investments are expected to have a demonstrable long-term positive impact on the economic and social resilience of Portugal.

### **3. Reply to the European Parliament's questions**

**Contribution to equality and gender equality:** the plan contains measures to address the challenges of gender equality and equal opportunities, including reforms to combat gender pay gap and occupational segregation as well as measures to attract young women into STEM courses. The plan includes social responses for persons with disabilities. The situation of vulnerable groups in general is addressed in several parts of the plan, such as those dealing with health, home care services for the elderly, housing and skills. However, the plan's expected contribution to equal opportunities for specific groups, such as persons with a minority ethnic background, could have been better specified.

**Contribution to high-quality employment creation:** the plan includes relevant measures to support quality employment and preservation of jobs, both through the modernisation of productive systems and the improvement of institutional arrangements. As regards strengthening the productive capacity, the plan envisages the digitalisation of firms, provide for the acquisition of the skills needed for using digital technologies, the creation of new digital channels for marketing products and services, and the upgrading of skills to emerging needs in view of the digital and environmental transitions. The plan also envisages, through social dialogue, the strengthening of labour and social rights for atypical forms of work. The plan includes a measure to foster the creation of quality permanent jobs by providing temporary hiring subsidies.

**Contribution to the implementation of the European Pillar of Social Rights:** the plan contributes to the implementation of various principles of the European Pillar of Social Rights, such as education and lifelong learning, gender equality and equal opportunities, the promotion of quality and stable jobs, providing fair and adequate wages, enhance social dialogue, the promotion of policies for children and youth, broadening the coverage of social protection, fostering health and long-term care for the elderly, and provide social housing as well as access to other essential services.

**Addressing regional disparities:** The plan is expected to address regional disparities in Portugal. The Portuguese plan aims to reduce territorial and economic disparities mainly through the Resilience dimension of the plan, which is strongly intertwined with social aspects. The measures in the health sector, in social housing, and in social responses have a relevant territorial and local dimension, aiming at strengthening essential services for citizens and ensuring a larger coverage of the territory. The investments in transport infrastructure, in particular in the rural areas in the regions of Alentejo, Algarve, Madeira and Azores, will address the challenge of low territorial cohesion and the low competitiveness of firms in the inland regions caused by inadequate links to the road network. Measures of the culture component will also increase the attractiveness and tourism activity in the relevant regions. Additional territorial aspects are covered by investments in water and forest management and fire prevention. Finally, specific investments in various areas are planned in the Autonomous Regions of Azores and Madeira and in the disadvantaged Metropolitan areas.

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**Contribution to upward economic and social convergence:** the Portuguese plan includes an ambitious package of reforms and investments, designed to support economic growth and job creation and to boost the country's productivity. Several components target some of the root causes that have weakened Portugal's external competitiveness and slowed its convergence path towards the EU average in terms of GDP per capita in the last decade. In particular, components 4 to 7, 10 and a majority of components of the climate and digital pillars could help to improve the country's competitiveness and productivity, by promoting R&D and innovation, enhancing labour skills, facilitating firms' access to finance and strengthening the institutional capacity of the public administration. Moreover, the Portuguese plan aims to contribute to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and to mitigate the social impact of the COVID-19 crisis, thereby enhancing social cohesion and convergence within the Union.

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## Annex

Table 1: Illustration of the plan's contribution to the six policy pillars

	Green transition	Digital transition	Smart, sustainable & inclusive growth	Social and territorial cohesion	Health, and economic, social and institutional resilience	Policies for the next generation
1. National Health Service	○	●	○	●	●	○
2. Housing	○	○	○	●	●	○
3. Social Responses	○	○	○	●	●	●
4. Culture	○	●	○	●		●
5. Investment and Innovation	○	○	●		○	
6. Qualifications and Skills	○	●	●	●	○	●
7. Infrastructure	○	○	○	●	○	
8. Forests	●	○	○	○	○	
9. Water Management	●		○	○	○	
10. Sea	●	○	○	○		
11 Decarbonisation of Industry	●		○			
12 Bioeconomy	●		○	○		
13 Energy Efficiency in Buildings	●		○			
14 Hydrogen and Renewables	●		●			
15 Sustainable Mobility	●		○	●		
16 Enterprises 4.0		●	●			
17 Quality and Sustainability of Public Finances		●	●		●	
18 Economic Justice and Business Environment		●	○		●	
19 Digital Public Administration	○	●	○	○	●	○
20 Digital School		●	●	●		●

Key: '●' investments and reforms of the component significantly contribute to the pillar;  
 '○' the component partially contributes to the pillar.

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Table 2: Mapping of country challenges identified in 2019-20 country-specific recommendations and the Portugal's RRP components<sup>1</sup>

Country challenges	Associated CSR (2019-2020) and European Semester recommendations	Component 1- National Health Service	Component 2 - Housing	Component 3- Social Responses	Component 4- Culture	Component 5-Investment and Innovation	Component 6- Qualification and Skills	Component 7- Infrastructure	Component 8- Forests	Component 9-Water Management	Component 10- Sea	Component 11-Decarbonisation of Industry	Component 12- Bioeconomy	Component 13- Energy Efficiency in Buildings	Component 14-Hydrogen and Renewables	Component 15-Sustainable Mobility	Component 16- Enterprises 4.0	Component 17- Quality and Sustainability of Public Finances	Component 18-Economic Justice and Business Environment	Component 19 Digital Public Administration	Component 20- Digital School	
Fiscal policy & fiscal governance	2019.1.1; 2020.1.1; 2020.3.2																	●				
Long-term sustainability of public finances	2019.1.2; 2019.1.3; 2020.1.2	●							○										●		○	
Sustainability of state-owned enterprises	2019.1.3	●																	●			
Strengthen the resilience and accessibility of the health and long-term care systems	2019.1.2; 2020.1.2; 2020.1.3	●		●																		
Employment protection legislation & framework for labour contracts	2019.2.1; 2020.2.1; 2020.2.2						○															
Effectiveness and adequacy of social protection	2019.2.4; 2020.2.2		●	●																		

<sup>1</sup> The recommendations related to the immediate fiscal policy response to the pandemic can be considered as falling outside the scope of Portugal's RRP, notwithstanding the fact that Member State has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the provisions of the General Escape Clause.

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<b>Education, skills and life-long learning, particularly in science and information technology/digital</b>	2019.2.2; 2019.2.3; 2020.2.3; 2020.2.4		○	○	○	●					○					○			○	●	
<b>Research and innovation</b>	2019.3.1; 2020.3.6					●	○				○	○	○								
<b>Focus investment on the digital transition</b>	2019.2.3; 2020.2.3; 2020.2.4; 2020.3.4	●		○	○	●	○	○	○							●	●	○	●	●	
<b>Focus investment on the green transition, in particular clean and efficient production and use of energy</b>	2020.3.4; 2019.3.3	○	○	○		●		○	●	○	●	●	●	●	●						
<b>Rail and port infrastructures<sup>2</sup></b>	2019.3.2; 2020.3.5									○											
<b>Energy interconnections<sup>3</sup></b>	2019.3.3																				
<b>Front-load mature public investment projects; promote private investment</b>	2020.3.2; 2020.3.3					●															
<b>Address private indebtedness and improve the insolvency framework</b>	2019.4.1																		●		
<b>Improve competition and the regulatory framework</b>	2019.4.2; 2019.4.3						●											○	○		
<b>Improve the business environment, including by boosting the efficiency of tax and administrative courts</b>	2019.4.2; 2019.4.3; 2019.4.4; 2020.4.1																		●	○	

<sup>2</sup> Portugal indicated this CSR will be addressed outside the scope of the Plan

<sup>3</sup> Portugal indicated this CSR will be addressed outside the scope of the Plan



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Key: “●” investments and reforms of the component significantly address the challenge; “○” the component partially addresses the challenge