

Doing Business in the European Union 2018

Fact Sheet: Portugal



Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia is the latest in a series that aims to expand the benchmarking to secondary cities in all EU member states with a population above 4 million. This edition covers 25 cities from the four member states. The focus of the report is on indicator sets that measure the complexity and cost of regulatory processes, as well as the strength of legal institutions, affecting five stages in the life of a small to medium-size domestic firm: starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts. Top performing cities are identified and best regulatory practices are highlighted. The report suggests that reform-minded officials need not look far: the region has good, practical models to draw on.

DOING BUSINESS IN PORTUGAL

The report goes beyond the capital cities—measured by *Doing Business*—to identify good regulatory practices, uncover administrative bottlenecks and recommend reforms based on examples from each country and 186 other economies measured by *Doing Business*.

In Portugal, the report assesses the business regulatory environment and its impact on local entrepreneurs in **8 cities**: Braga, Coimbra, Évora, Faro, Funchal, Lisbon, Ponta Delgada, and Porto.



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MAIN FINDINGS

- Portuguese entrepreneurs face different regulatory hurdles depending on where they establish their businesses.** Implementation of business regulations as well as efficiency of public agencies vary within the country. Large differences can be seen in dealing with construction permits, getting electricity and contract enforcement. For example, dealing with construction permits takes only 159 days in Funchal and Porto, but 100 days more in Braga. The main differences arise in the time required to obtain the approvals for the construction project and for the building permit from the municipality. Together, these two procedures take the shortest time in Porto (100 days)—and up to half a year in Braga and Coimbra. But Coimbra has the shortest trial phase in contract enforcement, taking just 10 months, while the same phase takes over 18 months in Lisbon. Judges and litigants cited manageable caseloads, small backlogs and less complex cases as reasons for the greater speed in Coimbra.
- No city excels in all five areas.** Porto ranks first in dealing with construction permits but close to the bottom in registering property and enforcing contracts. Coimbra leads in getting electricity and enforcing contracts, but lags behind in dealing with construction permits. Faro, along with Funchal and Ponta Delgada, tops the ranking in registering property, but ranks last in getting electricity.
- In the areas of starting a business, enforcing contracts and registering property all eight cities outperform the EU average.** For business registration in particular, Portugal has a state-of-the-art one-stop shop and electronic platform. An entrepreneur can register a company and complete the tax, social security and labor registrations at a single contact

point in one or two hours. All the information is automatically shared among the public agencies involved. Indeed, business registration can be completed on the spot, though in Lisbon and Porto an appointment may need to be made in advance.

- **Contract enforcement and property registration take longer for entrepreneurs in Porto and Lisbon.** The slowest courts among the cities benchmarked in Portugal are in its largest business centers: Porto and Lisbon. The metropolitan areas of these two cities are home to more than half the country's population. In Porto courts take 14 months to complete the trial phase; in Lisbon they take just over 18 months. Particularly for Lisbon, litigants noted that court congestion and backlogs are higher than in the other benchmarked cities. In all eight cities registering a property transfer takes a single procedure—making Portugal one of only four countries in the world where only one interaction is required. In Faro, Funchal and Ponta Delgada that procedure can be done on a walk-in basis, within a few hours, at a local Casa Pronta service desk. In the other cities an appointment usually has to be made first by phone, and the wait can be as long as 8 days, as in Porto, or 10 days, as in Lisbon.

- **There are opportunities to make tangible improvements by replicating good practices found in the cities measured.** Because Lisbon represents Portugal in the Doing Business global benchmarking, improvements in this city would be reflected in the country's rankings. If Lisbon were to adopt all the good practices already in place among the eight benchmarked cities, Portugal would rise to 25 in the global ranking of 190 economies on the ease of doing business—four places higher than its current ranking according to *Doing Business 2018* and ahead of Spain and Poland.

- **Subnational variation in performance in dealing with construction permits, getting electricity and enforcing contracts suggests that cities could make important gains in competitiveness in these areas by replicating good practices within the country.** Portuguese cities could make enforcing contracts easier by following the example of Coimbra and Braga, those with the fastest process among the country's benchmarked cities. Coimbra and Braga have the shortest delays in appointing expert witnesses and obtaining and commenting on their opinions, as well as the shortest waits to obtain hearing dates. Coimbra also follows a good practice in the electricity connection process that other cities could replicate: thanks to the utility's use of a georeferencing system there, a site visit is no longer required for preparing an estimate of the connection cost. Moreover, cities in continental Portugal could follow the example of Funchal and Ponta Delgada, where the internal wiring certificate has been replaced by a notification through which the technicians assume responsibility. To make construction permitting easier, Portuguese cities could introduce electronic permitting systems and process guidelines similar to those adopted in Porto. And they could introduce silence-is-consent rules to reduce the time required to obtain approvals of architectural projects.

ABOUT SUBNATIONAL DOING BUSINESS

Subnational Doing Business studies capture differences in business regulations and their enforcement across locations in a single country. The reports provide data on the ease of doing business in selected areas, rank each location, and recommend reforms to improve performance at the local level.

- **Offers a new diagnostic tool.** Applying the methodology used in the cross-country global Doing Business report in a number of locations in the same country or region, the projects create micro-level data on various areas of business regulation. This allows the participating locations to compare their business regulations among themselves and with 189 economies worldwide.

- **Motivates regulatory improvements.** The studies uncover bottlenecks, provide policy recommendations and identify local good practices that can easily be replicated without changing the country's legal and regulatory framework. The studies motivate regulatory improvements, mainly through peer-to-peer learning.

FULL REPORT AVAILABLE AT:

www.doingbusiness.org/EU2.