Government at a Glance 2009
## Country Note: PORTUGAL

LEGISLATURE: **Unicameral**
- Upper house: none
- Lower house: elected using Proportional Representation

SYSTEM OF GOVERNMENT: **Dual Executive**
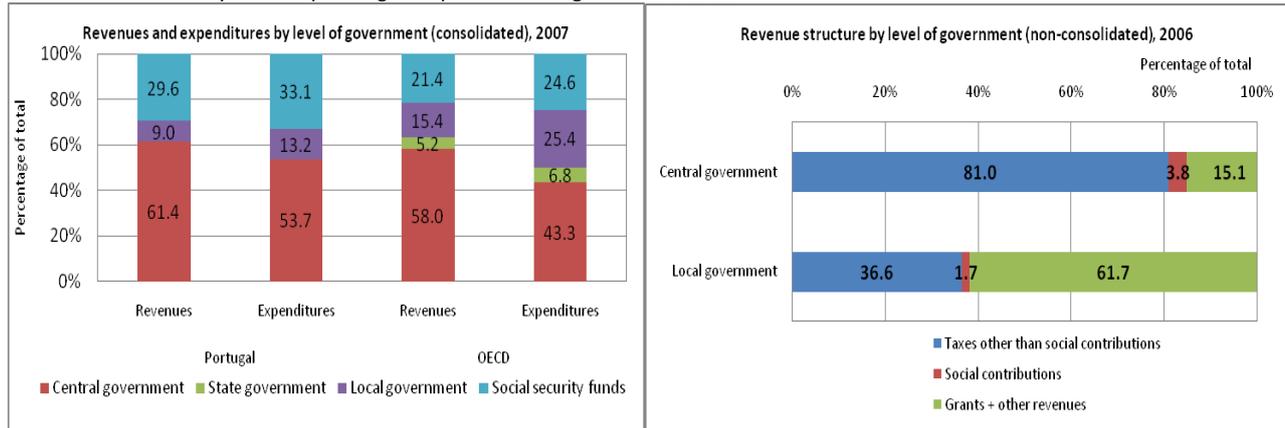- No. of ministries: 16 (2008)
- No. of ministers: 15 (2008)

STATE STRUCTURE: **Unitary**

Portugal is one of the few OECD countries to experience overall growth in revenues and expenditures as a share of GDP from 1995 to 2008. From the late 1990s to the mid 2000s, Portugal experienced structural budget deficits and problems of unsustainable growth of primary current expenditure. The government elected in mid 2005 took decisive action to correct these persistent fiscal imbalances, successfully reducing its budget deficit from 6.1% of GDP in 2005 to 2.6% of GDP in 2007. To achieve this improvement, the government undertook comprehensive structural reforms of the public sector including reorganisation and streamlining of government departments and agencies, restructuring the civil service to make it more flexible and responsive, and pension reform to enhance the long-term sustainability of public finances. In line with expenditure growth, production costs of government funded goods and services as a share of GDP rose between 1995 and 2007.

Production costs: Costs of government-produced and government-funded goods and services, 1995 and 2007
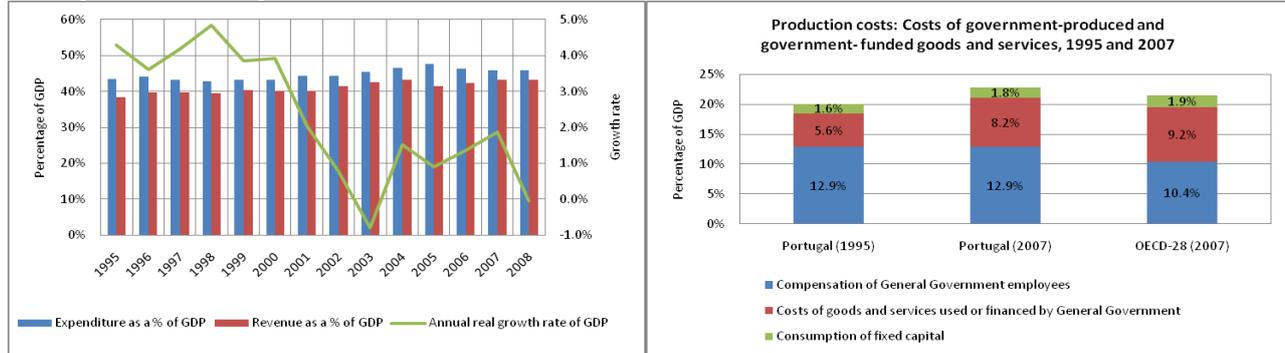
Source: OECD National Accounts and Economic Outlook. [Revenues] [Expenditures] [Production costs]

The Portuguese government is relatively centralised compared to other OECD countries. The central government accounts for the majority of revenues and expenditures. Local governments receive the majority of revenues from grants or transfers, indicating low levels of fiscal independence. The role of social security funds is quite large compared to other government levels.
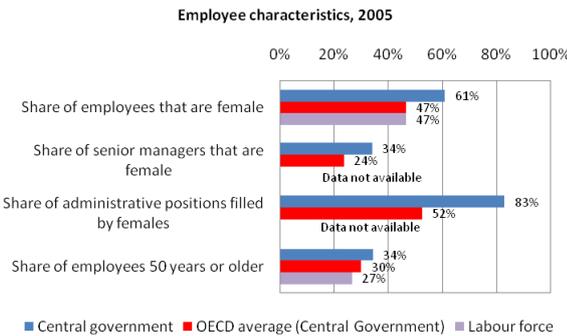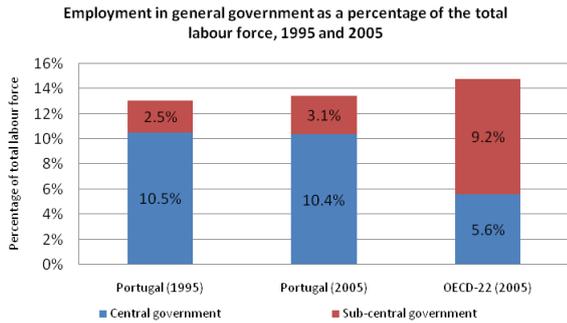

Revenues and expenditures by level of government (consolidated), 2007

Revenue structure by level of government (non-consolidated), 2006

Source: OECD National Accounts [Revenues] [Expenditures]

The structure of expenditures in Portugal is similar to the OECD average, with a slightly higher percentage of expenditures on general public services and education. General public services comprise a large proportion – one-third - of both central and local government expenditures, while social protection programmes are predominately funded by social security funds. The structure of central and local government expenditures indicates a fairly clear delineation of responsibilities for public service production. In addition to responsibilities for providing defence and public safety, a large proportion of central government resources are devoted to health and education. In comparison, local governments are more heavily involved in providing the following services: environmental protection, housing and community amenities, and recreation.

Expenditure structure by function of government (non-consolidated), 2006 *Share of total*	Portugal Central government	Portugal Local government	General government	OECD-26 General government	EU-19 General government
General public services	34.7%	34.3%	14.9%	13.8%	13.9%
Defence	4.2%	0.0%	2.8%	3.4%	3%
Public order and safety	5.9%	1.1%	4.1%	3.8%	3.7%
Economic affairs	8.3%	21.2%	8.3%	10.6%	10.1%
Environment protection	0.4%	6.8%	1.2%	1.7%	1.5%
Housing and community amenities	0.1%	8.7%	1.2%	2%	1.9%
Health	21.9%	6.1%	15.5%	15.1%	14.1%
Recreation, culture and religion	1.3%	10.3%	2.2%	2.6%	2.5%
Education	20.4%	8.8%	15.3%	12.9%	11.6%
Social protection	2.6%	2.6%	34.5%	34.2%	37.7%

Source: OECD National Accounts [General government] [Central, state and local]

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GOVERNMENT EMPLOYMENT: SIZE AND CHARACTERISTICS

Employment in general government as a percentage of the total labour force, 1995 and 2005

Employee characteristics, 2005

In 2005, the Portuguese government employed 13.5% of the total labour force, just below the OECD average of 14%. Government employment in Portugal is highly centralised, with over three-quarters of staff employed by the central government.

Note: While the 2005 data for sub-central governments include information about government employment in the Madeira Autonomous Region, these data are not included in the 1996 data. If these data are included, sub-central government employment as a percentage of the total labour force is 2.9% in 1996.
*Source: OECD Comparison of Employment in the Public Domain Survey and Labour Force Survey*
[General government employment] [Distribution by level]

Females represent a larger proportion of the central government workforce than the general labour force. Female participation in the central government workforce is much higher in Portugal than the OECD average. Portugal is one of the leading countries in the OECD in terms of the representation of women in senior positions (34 % vs. 23%) and is also a leader in terms of their representation in administrative positions (84% vs. 52.5%). The central government workforce is ageing more quickly than the larger labour force.
Source: OECD Strategic HRM Survey and Labour Force Survey
[Female participation] [Ageing]

COMPOSITE INDICATORS: PUBLIC MANAGEMENT PRACTICES

Composite indicators on HRM practices in central government, 2005
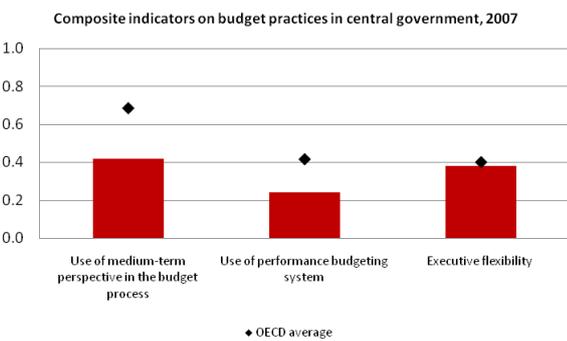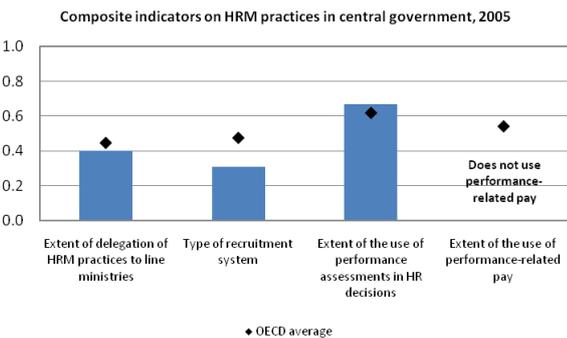
The Portuguese central government has delegated a modest level of authority for various HRM functions to line ministries. Staff are recruited for positions characterised by a career or activity, and the majority of appointments are made by contract. Performance assessments are used in certain HRM decisions and are, since 2008, a remuneration component of staff. Recent HRM reforms include shifting to contracts for most hiring, reducing the number of careers and career categories, strengthening the performance basis for career advancement and compensation, establishing a new mobility system, and adopting hiring constraints to reduce public employment. In addition, management positions are governed by a particular statute which is set out in a specific piece of legislation.
Source: OECD Strategic HRM Survey
[Delegation] [Recruitment] [Performance management]

Composite indicators on budget practices in central government, 2007


While current budgeting in Portugal has medium-term aspects, the central government does not have a comprehensive medium-term expenditure framework. In performance budgeting, Portugal lags behind other OECD countries because it does not have a government-wide strategy for developing performance information. Portugal is reforming its budget process and plans to introduce a medium-term expenditure framework and programme budgeting. There is some flexibility regarding reallocations once the budget act is approved by Parliament, such as shifts from within line items or budget chapters, although the functional category implicit to the budget remains unchanged.
Source: OECD International Budget Practices and Procedures Database.
[Medium-term] [Performance budgeting] [Executive flexibility]
OECD Journal on Budgeting: www.oecd.org/gov/budget/journal

E-GOVERNMENT

E-government uptake and readiness, 2008
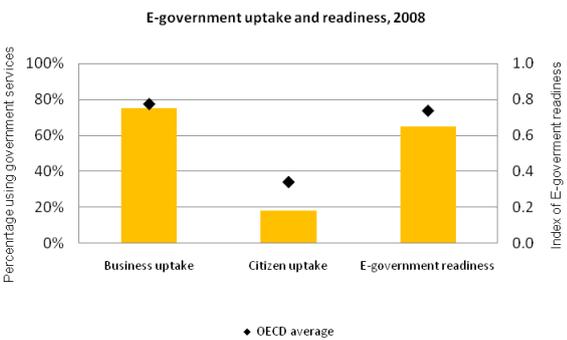
Portugal has prioritised e-government development as part of its Simplex Programme to reduce administrative burdens and has set the goal to have all basic public services available online by 2010. As a result, Portugal is a leader with regard to sophistication and online availability. While relatively low levels of broadband penetration can impede citizen's use of e-government resources, businesses' use remains high.
Source: United Nations E-Government Readiness Knowledge Base, Eurostat.
[Readiness] [Uptake]
[OECD E-Government Publications]

INTEGRITY

Types of information central government decision makers are required to disclose and level of transparency, 2009

Requirements for disclosure	President	Prime Minister	Minister	Lower House Legislators
Assets and liabilities	DP	DP	DP	DP
Loans	DP	DP	DP	DP
Sources and level of income	DP	DP	DP	DP
Outside positions	NA	NA	NA	DP
Gifts	DP	DP	DP	DP
Previous employment	DP	DP	DP	DP

D= Disclosed; DP= Disclosed and publicly available; ND= Not disclosed; NA= Not applicable.

Compared to other OECD countries, Portugal requires key elected officials from the central government executive and legislative branches to disclose and make publicly available a significant amount of information regarding their private interests. Members of the Executive branch are prohibited from holding outside positions.
Source: OECD Survey on Integrity
[Disclosures]

REGULATORY MANAGEMENT

Requirements for Regulatory Impact Analysis (RIA) processes used by central governments

	2005	2008
Quality reviewed by body external to Ministry preparing rules	No	Yes
Required for draft primary laws	No	Only for major regulation
Required for draft subordinate regulations	No	No
Required to quantify costs	No	Always
Required to quantify benefits	No	In other selected cases
Required to publicly release results	No	No

Extent of programs for reducing administrative burdens at the central level of government

	1998	2005	2008
Explicit programme exists	No	No	Yes
Includes quantitative targets	No	No	Yes

The 2005 and 2008 surveys of Indicators of Systems of Regulatory Management examined the extent of governance practices designed to improve the quality of regulation in OECD countries. Among the most important practices are: the use of regulatory impact analysis (RIA) to assess the cost and benefits of new regulation and the institutional oversight of the quality of regulations; and the design of programs to reduce the costs of administrative activities on business and citizens.

Portugal has developed policies for better regulation over the past several years. In 2006, it launched the Simplex Programme for the reduction of administrative burdens on business and citizens. Since then, the government has set a quantitative target to reduce burdens on businesses (which should be met in 2012) and has extended the programme to local governments. The *Legislar Melhor* Programme, launched in 2006, covers a range of tools to improve the quality of regulation, including the first steps towards *ex ante* impact assessment through a test to assess the expected administrative costs of planned regulation.
Source: OECD Survey on Regulatory Management.
[RIA] [Administrative simplification]
Regulatory Management Indicators: www.oecd.org/regreform/indicators
EU 15 reviews on Regulatory Reform: www.oecd.org/gov/regref/eu15
Background reports on Regulatory Reform: www.oecd.org/regreform/backgroundreports

DEFINITIONS AND METHODOLOGY

Production costs are a subset of total government expenditures, excluding government investment (other than depreciation costs), interest paid on government debt and payments made to citizens and others not in exchange for the production of goods and services (such as subsidies or social benefits). Production costs include compensation costs of general government employees, the costs of goods and services produced by private entities funded by government (intermediate consumption and social transfers in kind via market producers), and the consumption of fixed capital (indicating the level of depreciation of capital).

Structure of government expenditures: Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 functions. More information about the types of expenditures included in each function can be found in Annex B of *Government at a Glance 2009*.

Employment characteristics: The OECD averages refer to the following number of countries:
- Share of employees that are female: OECD-23
- Share of senior managers that are female: OECD-22
- Share of administrative positions filled by females: OECD-17
- Share of employees 50 years or older: OECD-25

HRM Composites: The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available at: www.oecd.org/gov/indicators/govataglance.
- **Delegation index** gathers data on the delegation of determining the number and types of posts needed in an organization, compensation levels, position classification, recruitment and dismissals, and conditions of employment. This index summarises the relative level of authority provided to line ministries to make HRM decisions. It does not evaluate how well line ministries are using this authority.
- **Type of recruitment system index i**ncludes policies for becoming a civil servant in general (*e.g.* competitive examination or direct application) and for recruiting senior civil servants, and systems for appointing entry-level positions and for allocating posts across departments. This index describes a spectrum of recruitment systems in place in OECD member countries. Countries scoring closer to 0 have career-based systems whereas countries scoring closer to 1 have more position-based systems. The index does not evaluate the performance of difference systems.
- The **performance assessment index** indicates the extent to which it is used in career advancement, remuneration and contract renewal decisions, based on the views of survey respondents. This index provides information on the formal use of performance assessments in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **performance-related pay index** looks at the range of employees to whom PRP applies and the maximum proportion of base pay that PRP may represent. This index provides information on the formal use of performance related pay in central government, but does not provide any information on its implementation or the quality of work performed by public servants.

Budget Composites: The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available at: www.oecd.org/gov/indicators/govataglance.
- The **medium term budget perspective index** contains information on whether countries develop and present multi-year expenditure estimates in the annual budget, the number of years the estimate covers, how often estimates are updated; and whether there are multi-year targets or ceilings and how often these are revised. This index measures the extent to which countries have developed a medium-term perspective in their budget process. However, it does not evaluate whether this perspective has been effective at achieving budget outcomes such as fiscal discipline and allocative efficiency.
- The **performance budgeting index** contains information on what type of performance information is developed; the processes for setting goals and targets; the process for monitoring and reporting on results; and if and how performance information is used in budget negotiations and decision making processes by key actors including the central budget authority, the line ministries and politicians. This index examines the degree to which OECD member countries have put a performance budgeting system in place. However, it does not measure how successfully these systems operate in practice.
- The **executive flexibility index** contains the following variables: the extent to which lump sum appropriations are used; the number of line items in the budget; agencies' ability to carry-over unused budget allocations between years, borrow against future appropriations, reallocate between line items and keep efficiency gains; and constraints on the executive's ability to increase spending during budget execution. This index looks at the different levels of flexibility provided to the executive during budget execution. However, it does not measure whether this flexibility is used effectively or appropriately.

E-Government:
- The **UN e-government readiness index** ranges between 0 (low level) and 1 (high level). It measures the capacity of governments to implement and develop e-government services. Developed within the framework of the UN global e-government survey, the indicator consists of three sub-indices: (1) the web measure index, (2) the telecommunication infrastructure index and (3) the human capital index. The web measure index ranks countries based on the coverage, sophistication and availability of e-services and e-products. The index categorizes countries as having either an emerging, enhanced, interactive, transactional, or networked e-government presence. The telecommunication infrastructure index is a weighted average of 5 measures of ICT infrastructure capacity: PCs/100 persons, Internet users/100 persons, Telephone lines/100 persons, Broad-banding/100 persons and Mobile phones/100 persons. The human capital index is a weighted average of the adult literacy rate (two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (one-thirds weight).
- The e-government take-up by citizens indicator measures the percentage of individuals (aged 16-74) who used the Internet to interact with public authorities in the 3 months preceding the survey. Data are collected through Eurostat's annual Community Survey on ICT Usage in Households and by Individuals, and are only available for European countries.
- The e-government take-up by businesses indicator measures the percentage of enterprises using the Internet to interact with public authorities. Only businesses with 10 or more employees are included. Data are collected by national statistical offices based on Eurostat's annual Model Survey on ICT Usage and E-commerce in Businesses.