B. Questionnaire sent to the Member States under a financial assistance programme

1. **If applicable, why did your country decide to request a financial assistance programme?**

The current government was not in office when financial assistance was sought from European partners and the International Monetary Fund. Therefore it is not easy to fully assess the underlying rationale. Notwithstanding, quoting from the original letter of intent sent by the previous government: "against the background of the structural challenges facing the Portuguese economy and contagion from the sovereign debt crisis in other euro area countries, financial conditions facing the Portuguese sovereign and banks have sharply worsened. To restore market confidence and to raise the potential of our economy to generate socially balanced growth and employment we are proposing a far-reaching reform programme, backed by substantial international financing to meet balance of payments needs.".

2. **What was your role and function in the negotiation and set-up of the financial assistance programme for your country?**

The parties now in government, PSD and CDS-PP were at the time in the opposition. Both parties met with representatives from the European Commission, European Central Bank and International Monetary Fund prior to the final agreement, to discuss the main issues facing Portugal and the broad outline of a programme. Both parties gave their perspectives and opinions but were not involved in the negotiation of the measures, fiscal targets, conditionality, or size of the financial envelope.

3. **What was the role of the national Parliament in the negotiation of the MoU? How did the government present the text to the Parliament? How did the Parliament adopt the final MoU? Did social partners take part in the discussion on MoU?**

The national Parliament was not part of the negotiation process and did not adopt the final MoU. Adoption of the MoUs by the national parliament is not foreseen. The national parliament created in July 2011 (when the Programme was already being implemented, and after the elections) the "Ad Hoc Committee to Monitor the Measures of the Financial Aid Package for Portugal". This Committee is composed of MPs from all parties in parliament and met on 33 occasions, up to this date. The government was summoned a total of 10 times to report on the progress of the programme. After each review, members of government involved with the monitoring of the programme, namely the Deputy Prime Minister (since July 2013), the Minister of Finance and the Secretary of State to the Prime Minister, report to the Committee on the progress of the programme. Starting with the combined $8^{th}/9^{th}$ review, the government also met with the committee prior to the reviews to discuss priorities for the coming review. Finally, in each review, the President of the Parliament and members of Parliament from said committee, representing all parties, meet with the

mission chiefs of the three institutions. Subsequently to every review, a report is prepared outlining the main outcomes of each review. This report is sent to Parliament, to this special committee, and also to the President of the Republic and the leader of the main opposition party.
Similarly, social partners were not involved in the negotiation of the programme but meet with the mission chiefs on every review.

4. How much leeway did you have to decide upon the design of the necessary measures (consolidation or structural reforms)? Please explain.

As mentioned in the answer to question 2, none of the two parties now in government had the opportunity to discuss in detail the measures of the programme at the time it was negotiated. Thus, we are unable to answer this question. Since taking office, on June 21st 2011, and in the context of the regular reviews, the current government did have in-depth discussions on the measures. These led to adjustments in various measures. Some were clarified in subsequent versions of the memoranda, others were modified. For example, a number of specific consolidation measures for 2014, now included in the programme documents, were identified by the government after a public expenditure review initiated in 2012. The Government has also tried to adjust the programme targets, as in the most recent review mission - where requests were made to set a target of 4,5% instead of 4%. The consolidation path in general was subject to intense discussion throughout the process, aiming at the right balance between the need to restore credibility and sound public accounts with the drag on growth generated by such consolidation.

5. Do you consider that all consolidation measures/structural reforms were equally spared/divided among citizens? Please explain.

The social impact of the program has been considerable and the Portuguese people is going through a number of hardships. All efforts were made to ensure that the impact of the program was fairly divided. First, both the private and public sectors underwent a difficult adjustment during this period, the former mainly through rising unemployment, restrictive financing conditions and higher taxes and the latter mainly through changes in working arrangements, such as nominal reduction in wages and pensions. Second, all consolidation measures were progressive in nature, impacting more on higher incomes and companies with higher profits. Third, a number of targeted measures addressed rents in sectors sheltered from competition and network industries. Fourth, consolidation measures exempted civil servants and pensioners in lower income brackets, a number of social policies were reinforced, social energy and social transportation tariffs were reinforced, minimum pensions were increased and a social emergency programme was launched.

6. Please describe the quality of the cooperation between your authorities and the Troika institutions on site.

There has been a good technical cooperation between the authorities and representatives of the three institutions. The teams demonstrate competence and determination in addressing the challenges involved in a programme of this nature. Though there were disagreements along the way, there was always a mutually respectful dialogue. The help of the support task force set up by the Commission is also worth being mentioned. The technical teams cover a wide spectrum of policy areas and this has been helpful.

7. **What impact did the entry into force of Regulation (EU) No 472/2013 have on the implementation of the programmes? Did you make use of the provisions of the Regulation, particularly Article 7 (11)? If not, why?**

Regulation (EU) 472/2013 exempts Portugal from reinforced information requirements required to Euro Area Member States. Specifically, in accordance with the provisions of article 10 (2a), we did not submit the report on effective action. Following article 13 we did not submit the draft budgetary plan. On the provision of Article 7 (11), as stated in our answer to question 3 above, there are regular meetings between members of our national Parliament and the mission chiefs of the three institutions, including the European Commission. As far as we are aware, until now, the national Parliament has not invited a commissioner to participate in an exchange of views on the progress made in the implementation of the macroeconomic adjustment programme. A hearing of the Minister for Finance to the Economic and Monetary Affairs Committee of the European Parliament has been requested and is pending upon finding a suitable date.

8. **How many cases of infringement of national law challenging the legality of the decisions arising out of the MoU are you aware of in your country?**

As far as we are aware, there are no cases of infringement of national law directly arising from measures of the MoU. Some consolidation measures implemented in order to meet the deficit targets agreed under the program were sent for judicial review and the Constitutional Court considered some of these unconstitutional. As a result the government corrected or replaced the measures to assure conformity with the ruling.

9. **Are you satisfied with the objectives and the effective outcomes of the programme in your country?**

We remain convinced that a programme was inevitable and that on the whole it remains a suitable and rational response to the crisis of credibility threatening our country. It allowed for a safe harbour in the midst of a widespread and severe crisis of confidence and market turbulence, covering for the funding needs of the general government and allowing for an orderly adjustment. We see the program as an opportunity to engage in a process of fiscal consolidation so as to ensure the sustainability of public finances, to reinforce the banking sector and initiate a deleveraging process in order to guarantee financial stability and to implement a comprehensive program of structural reforms, namely in the labour and product markets, that will boost our growth potential. It is a very demanding program entailing multiple sacrifices for all – it had worse than expected impact on both output and unemployment. And the external environment was tougher than anticipated, making progress harder. But overall, there were a number of positive surprises as well, such as the faster than expected correction of persistent external imbalances, mainly driven by one of the highest rates of export growth in Europe. Reforms are starting to show positive results and our institutions are stronger and better equipped to prevent and manage future crisis. In hindsight it is possible to identify areas where the initial design of the program could have been different. A salient and central example relates to the pace of adjustment. The estimated fiscal position on which the program was founded was incorrect which meant that early on, in the first weeks of the program, a fiscal gap was identified. This forced a number of emergency measures which dampened expectations. This, we would have benefited from having a more complete picture of the fiscal position prior to taking office. If the adjustment path had immediately reflected such worse than anticipated starting point, the consolidation path could have been smoother, potentially avoiding part of the resulting recessionary effect. All in all, it has been possible to maintain political stability and social cohesion throughout the programme period. Nevertheless, it is worth highlighting that the democratic legitimacy and programme ownership must be preserved at all times, and that the balance of pressures from creditor countries and programme countries should be carefully managed, involving significant communication challenges, both to the troika institutions and national governments' representatives.