

## STRUCTURAL BENCHMARKS IN THE MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES (IMF)

2011-May

### Public Finances

- Prepare a comprehensive report on 10 SOEs posing the largest potential fiscal risks to the state. The report would cover (i) concrete plans, per enterprise, for reducing its operational costs, consistent with an average cut of at least 15 percent in the sector over 2009 levels; (ii) a planned revision of the tariffs.
- Prepare a comprehensive inventory of the existing tax expenditures (including all types of exemptions, deductions and reduced rates), by type of tax, along with their costing estimates.
- Approve a standard definition of arrears and commitments.
- Establish a temporary task force of judges to clear tax cases worth above €1 million.

### Financial Stability

- Direct all banking groups subject to supervision in Portugal to reach a core Tier 1 capital of 9 percent by end-2011 and 10 percent by end-2012 and maintain it thereafter, with banks required to present by end-June 2011 plans on how they intend to comply with these requirements.

2011-Jun

### Financial Stability

- Design a program of special on-site inspections to validate the data on assets that banks provide as inputs to the solvency assessment.

2011-Jul

### Competitiveness

- Eliminate "golden shares" and all other special rights established by law or in the statutes of publicly quoted companies that give special rights to the state.
- Submit to Parliament a law, already agreed with social partners, to align and reduce severance payments on all new contracts (fixed term and open-ended).
- Finalize calibration of fiscal reform to reduce unit labour costs via deficit-neutral reduction in labour taxes.

2011-Aug

### Public Finances

- Conduct and publish the results of a survey of arrears of general government entities and SOEs for all categories of expenditure as at end-June 2011.
- Publish a fiscal strategy document for the general government which will specify 4-year medium-term economic and fiscal forecasts, supporting analysis and underlying assumptions, and 4-year costings of new policy decisions.

2011-Sep

### Financial Stability

- Seek evaluation of the enhanced solvency and deleveraging assessment framework by a joint team of experts from the EC, the ECB and the IMF.
- Improve disclosure on non-performing loans by adding a new ratio aligned with international practices to the current ratio that covers only overdue loan payments.

2011-Nov

### Financial Stability

- Amend legislation concerning credit institutions in consultation with the EC, the ECB and the IMF to strengthen the early intervention framework and introduce a regime for restructuring of banks as a going concern under official control.
- Amend the Insolvency Law to better facilitate effective rescue of viable firms and support rehabilitation of financially responsible individuals.

2011-Dec

### Public Finances

- Based on assessment from EU/IMF technical assistance on the budgetary implications of main PPP programs, recruit a top tier international accounting firm to complete a more detailed study of PPPs and identify areas for deeper analysis by an international consulting firm.

### Financial Stability

- Amend the relevant legislation to strengthen deposit insurance framework by authorizing bank resolution financing and introducing depositor preference.

### Competitiveness

- Submit to Parliament legislation revising the Competition Law, making it as autonomous as possible from the Administrative Law and the Penal Procedural Law and more harmonized with the European Union competition legal framework.
- Review the efficiency of support schemes for co-generation and renewables and propose possible options for reducing the implicit subsidy.
- Review the Code of Civil Procedure and prepare a proposal addressing the key areas for refinement.

2012-Feb

### Public Finances

- Prepare a report on SOEs assessing their financial prospects, potential government exposure and scope for orderly privatization.

### Competitiveness

- Take all necessary legal, administrative, and other steps to make arbitration for debt enforcement cases fully operational.

## EU / IMF FINANCIAL ASSISTANCE CONDITIONS

Facility	Length of assistance	Total amount	Disbursements	Repayment of principal	Average maturity	Cost
<b>IMF</b> EFF - Enhanced Fund Facility (under emergency financing and exceptional access)	36 months	SDR 23.742 bn (approx. 2306% of quota*)	Up to 13 quarterly tranches subject to conditionality	From 2015 to 2024 (For each tranche, 12 equal semi-annual repayments between 4.5-10 years from original drawing date)	7.5 years	<ul style="list-style-type: none"> <li>Interest: Basic rate of charge (SDR interest rate + 100 bp) + surcharge of 200 bp on credit outstanding above 300% of quota (surcharge increases to 300 bp after 3 years)</li> <li>Commitment fee charged on amounts available for each 12-month period (from 15 to 60 bp depending on amount made available). Refunded as funds are drawn</li> <li>Service charge of 50 bp on each amount drawn</li> <li>Interest paid quarterly</li> </ul>
<b>European Union</b> EFSM - European Financial Stabilisation Mechanism	36 months	€26 bn	Up to 14 installments (which may be disbursed in one or more tranches) subject to conditionality	Principal repaid at each tranche's maturity	7.5 years	<ul style="list-style-type: none"> <li>Cost of EU funding for each tranche + 215 bp margin + administrative costs</li> <li>Interest paid annually</li> </ul>
<b>European Union</b> EFSF - European Financial Stability Facility	36 months	€26 bn	Up to 14 installments (which may be disbursed in one or several loans) subject to conditionality	Principal repaid at each tranche's maturity	7.5 years	<ul style="list-style-type: none"> <li>Cost of EFSF funding + 208 bp margin + administrative costs</li> <li>One-off service charge of 50 bp on each loan</li> <li>Interest paid annually</li> </ul>

\* Portugal's quota in the IMF is SDR 1029.7 million.

## MACROECONOMIC SCENARIO | As a % of GDP, unless otherwise indicated

	2009	2010	2011	2012	2013	2014	2015	2016
Real GDP (% change)	-2.5	1.3	-2.2	-1.8	1.2	2.5	2.2	2.0
Consumer prices (% change)	-0.9	1.4	3.5	2.1	1.4	1.5	1.5	1.6
Unemployment rate (%)	9.6	11.0	12.1	13.4	13.3	12.0	10.8	9.8
General government balance*	-10.1	-9.1	-5.9	-4.5	-3.0	-2.3	-1.9	-1.8
General government debt	83.0	93.0	106.4	112.2	115.3	115.0	112.9	111.0
Current account balance	-10.9	-9.9	-9.0	-6.7	-4.1	-3.4	-2.7	-2.2
Net International Investment Position	-110.4	-107.5	-116.9	-123.3	-123.4	-121.4	-119.0	-116.4

\* In line with programme objectives, the general government deficit should be below €10 068 million in 2011; €7 645 million in 2012; €5 224 million in 2013, €4 521 million in 2013 and €4 521 million in 2014.

Sources: IMF Country Report No. 11/127, June 2011. | Council Implementing Decision on Granting Financial Assistance to Portugal, 17 May 2011.



**Banco de Portugal**

EUROSYSTEM

