



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Assembleia da República for its Opinion concerning the Recommendation for a Council recommendation on Portugal's 2014 national reform programme and delivering a Council opinion on Portugal's 2014 stability programme {COM(2014) 423 final}.

In its Opinion, the Assembleia da República raises issues linked to the EU response to the crisis in general, and the case of Portugal in particular. The Commission would like to provide a number of clarifications on both aspects.

Over the last years, the EU and its Member States had to address the worst global financial crisis they have ever faced, with a sizeable impact on all the spheres of the economy. The EU has learnt lessons from the crisis, namely the imperative of stronger economic and budgetary coordination, the need for closer cooperation between the EU and its Member States, as well as the importance of better detecting risks and possible imbalances early on.

Drawing on this diagnosis and as a response to the crisis, the EU has put in place the European Semester of coordination of economic and budgetary policies. Over the last years and at the height of the crisis, the Commission has constantly highlighted the importance of pursuing the mutually reinforcing objectives of fiscal consolidation and growth enhancing measures. Fiscal consolidation has never been an end in itself, but rather an imperative and a prerequisite for building solid foundations for growth and restoring confidence.

Although recovery remains fragile and needs to be strengthened and sustained, a number of signals show that the efforts made over the last years are starting to bear fruit. Thus, the emphasis has gradually shifted from addressing the emergencies of the crisis to strengthening the ground for sustainable growth and employment in a post-crisis economy. Yet, a number of important challenges still need to be addressed and call for maintaining the reform momentum.

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In the case of Portugal, the macroeconomic adjustment programme was successfully concluded on 17 May 2014, with the bulk of the planned consolidation and reform measures being completed. The scope of this macroeconomic adjustment programme was not limited to fiscal consolidation measures, but also aimed to enable the economy to return to balanced growth and safeguard financial stability, with a view to restoring confidence. Significant fiscal consolidation has been achieved over the three-year programme period, financial stability risks have been carefully managed and the banking system's ability to extend credit to viable enterprises has been safeguarded, and major structural reforms have been implemented.

In spite of these advances, a series of important challenges remain to be tackled to improve the performance of the Portuguese economy. These are reflected in the country-specific recommendations endorsed in July 2014 by the Council. The Commission would like to clarify that the country-specific recommendations invite Portugal to pursue fiscal consolidation in a growth-friendly manner and call for a range of structural reforms in the areas of the labour market, education, energy, transport or the modernisation of the public administration, fully in line with the growth and jobs' objectives of the Europe 2020 strategy.

The Commission hopes that these clarifications address the issues raised by the Assembleia da República and looks forward to continuing our political dialogue in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Valdis Dombrovskis
Vice-President*