



European Construction Sector Observatory

Policy measure fact sheet

Portugal

Sustainable Competitiveness of
Construction & Real Estate Sector

Thematic Objectives 1, 2, 3, 4 & 5

January 2018



In a nutshell

Implementing body:	Institute of the Public Markets of Real Estate and Construction (IMPIC)
Key features & objectives:	52 measures grouped under 7 pillars that aim to boost growth, employment and competitiveness in the broad construction sector in Portugal. These measures address all five thematic objectives of the EC's Construction 2020 Action Plan.
Implementation date:	2013
Targeted beneficiaries:	Construction and real estate companies
Targeted sub-sectors:	Construction and real estate
Budget (EUR):	Varies according to the measure, e.g.: 200 million (SME Growth initiative); 3.7 billion (Infrastructure investment).

The broad construction sector in Portugal accounts for over 18% of GDP and about 610,000 jobs. Since 2001, the sector has experienced a deep and prolonged period of recession, which was further exacerbated by the economic crisis in 2008. In 2012, the sector registered its eleventh consecutive year of production losses, amounting in real terms to a decrease of 50% compared to the value determined in 2001. The impact on employment amounted to a loss of 351,000 jobs in 2012, representing around 23% of total national unemployment. A further 140,000 jobs in the broad construction sector were also estimated to be at risk if measures were not taken in 2013.

In 2012, the European Commission presented the European Strategy for the Sustainable Competitiveness of the Construction Sector and its Enterprises as part of the Europe 2020 initiative. The strategy recognises the need to implement policies to stimulate growth and employment, intended to achieve long-term lasting effects within the sector. The five thematic objectives (TO) of this strategy are to:

1. Stimulate favourable investment conditions;
2. Improve the human-capital basis of the construction sector;
3. Improve resource efficiency, environmental performance and business opportunities;
4. Strengthen the Internal Market for construction;
5. Foster the global competitive position of EU construction enterprises.

In alignment with the European strategy, the Portuguese Government and the Portuguese Confederation of Construction and Real Estate (Confederação Portuguesa da Construção e do Imobiliário – CPCI) signed the Commitment to the Sustainable Competitiveness of the Construction and Real Estate Sector (Compromisso para a Competitividade Sustentável do Setor de Construção e Imobiliário) on 8 March 2013. The Commitment introduced a comprehensive set of measures to increase competitiveness, growth and employment in the broad construction sector. As the first national strategy to encompass real estate taxes, environmental policy, urban rehabilitation and competitiveness, among others, the initiative is based on an in-depth diagnosis of the reality of the sector and its undeniable importance for the Portuguese economy.

The vast majority of the measures (77%) were implemented during the first three years that followed the signing of the Commitment, with the remainder either underway or in preparation for implementation. The Commitment and its constituent measures are broadly welcomed by stakeholders, although some industry stakeholders highlight a number of potential weaknesses as well as strengths. Industry stakeholders also recommend a greater focus on building renovations and infrastructure upgrades, as opposed to new construction work, and a greater focus on helping companies in the broad construction sector to develop technical skills and become more productive.

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General description

The Commitment to Sustainable Competitiveness of the Construction and Real Estate Sectors integrates a set of 52 measures that are grouped under 7 pillars (priority areas) which support the conversion and relaunch of the broad construction sector:

1. Promoting employment and skills:

4 measures to train, requalify and enhance the employability of construction workers. These measures aim to reorient the business fabric through vocational training and professional internships in strategic areas such as urban rehabilitation and energy efficiency;

2. Improve access to finance and promote business investment:

6 measures to support broad construction sector companies in the process of restructuring their activities by providing financial support instruments, incentives and fiscal benefits. For instance, EUR 200 million are set to be used in credit lines for construction SMEs through the SME Growth initiative. Under this pillar, a private investment incentive scheme will be set up to attract investors in areas such as Urban Rehabilitation and Residential Tourism. Regarding tax incentives, a VAT Cash Regime for SMEs will allow them to pay the VAT after receiving the invoice;

3. Promote a structural public policy investment:

4 measures are included under this pillar. The target is to establish an investment policy with adequate planning in infrastructure, taking into account the economic indicators and employment rates, in order to boost and generate economic activities. Over EUR 3.7 billion is allocated to provide investment in infrastructure and equipment, taking advantage of National Strategic Reference Framework (Quadro de Referência Estratégico Nacional – QREN) funds over 2 and a half years, in areas such as urban rehabilitation, waste and water, education, health and social support, environmental qualification and accessibility. Under this pillar, the aim is also to ensure the involvement of the construction sector in the definition of the strategic programme for European funds for the period 2014-2020 and to operate the eligibility of Portugal's JESSICA I Initiative (Joint European Support for Sustainable Investment in City Areas) for the Energy Efficiency Objective;

4. Encourage business innovation and internationalisation:

7 measures are included under this pillar with the purpose

of developing an Economic Diplomacy that recognizes the importance, weight and specific needs of the broad construction sector (work visas, customs issues, etc.) and strengthens international business networks and international cooperation mechanisms. It also aims to create the conditions for greater participation and integration of the sector into European research programmes, and to evaluate the creation of a National Competitiveness and Construction Technology and Real Estate Policy;

5. Streamline urban rehabilitation and the rental market:

8 measures focus on: setting up an autonomous IRS income tax applicable to urban rental market revenues; the creation of a new housing financing programme for the integral rehabilitation of residential buildings intended for lease; and the introduction of measures intended to simplify the procedures and licensing costs. It also aims to promote Energy Efficiency and the creation of a fund to serve as an income guarantee in case of default of payment by the tenant;

6. Promote the reduction of context costs:

13 measures targeting 3 areas: Public Contracting (4 measures) Licensing (4 measures) Safety and Health at Work (5 measures). It comprises the publishing of standard clauses of reference specifications for a correct definition of the price based on the Contexts; measures to promote the establishment of uniform rules concerning the operation of the various electronic platforms; the preparation of a Technical Building Code that will compile all the technical legislation applicable regarding the construction activity, among others;

7. Promote environmental sustainability in the sector:

10 measures to promote the efficient management of resources, namely energy efficiency and environmental sustainability. The measures also support the implementation of programmes to adapt to the context of the new 'Low Carbon Economy'. The promotion of research and innovation within the scope of sustainability requirements, and the development of harmonized indicators, codes and methods for assessing the environmental performance of equipment, products, processes and construction works will also be implemented in order to draw up standards on the characteristics of construction products with regard to the use of materials, durability and environmental compatibility. Finally, the government will continue to update the National Strategy for Green Public Procurement.

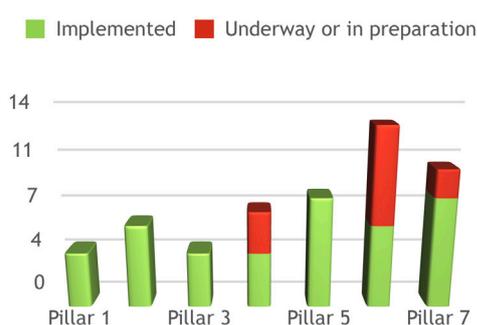
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Achieved or expected results

Implementation monitoring is being done by the Institute of the Public Markets of Real Estate and Construction (Instituto dos Mercados Públicos do Imobiliário e da Construção - IMPIC). In addition, the Portuguese Confederation of Construction and Real Estate (Confederação Portuguesa da Construção e do Imobiliário - CPCI) is represented in the supervision of the commitments. The CPCI has confirmed that 33,250 new jobs were created thanks to a 4.1% growth in the broad construction sector in the last three years.

By 2015, 2.5 years after its signature, the Commitment had achieved an execution rate of 77%, with around 40 measures having been implemented. The remaining 12 measures are currently underway or are in preparation. Some examples are: creation of a National Pole of Competitiveness and Technology Construction and Real Estate; development of a Technical Building Code; study on the creation of an occupational safety and health regulation for construction undertakings; clarification of the definition of waste and the conditions for waste transport; and the review of the National Strategy for Ecological Public Purchases.

Figure 1: Implementation status of the 52 measures of the 'Commitment to Sustainable Competitiveness of the Construction and Real Estate Sectors'



Source: Nota Informativa: Execução do Compromisso

Some examples of the measures that have been implemented or are being implemented under the different pillars and their actual/expected results include:

- Support for the creation of internships (Pillar 1 measure) which could potentially translate into 7,600 internships for young people, meaning a support of EUR 33.7 million and the award of 2,970 permanent employment contracts, which will correspond with an incentive of EUR 6.4 million;
- Creation of new lines of credit (Pillar 2 measure) which have the potential to benefit almost 16,000 companies by providing them with loans averaging about EUR 90,000, for a combined total of EUR 1.5 million;
- A new fiscal framework developed as part of a measure to strengthen international business networks and cooperation mechanisms (Pillar 4 measure) which is expected to result in a 25% increase in the costs incurred by national companies operating in foreign markets when acquiring goods and services;
- According to the CPCI, the creation of a tax rate on income of 21.5% (Pillar 5 measure) would generate tax revenues of approximately EUR 1.06 billion in a three-year period.
- The national 'Rehabilitate for Rent' (Reabilitar para Arrendar) programme (Pillar 5 measure) which has contributed to the rehabilitation of more than 400 buildings in its first two years of operation, thanks to a EUR 50 million credit line;
- Work to promote the prevention, reuse and recycling of waste in the construction sector (Pillar 7 measure) which aims to ensure the recycling of 70% of construction and demolition waste by 2020.

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Perspectives and lessons learned

From an **implementation perspective**, the Portuguese Confederation of Construction and Real Estate (Confederação Portuguesa da Construção e do Imobiliário – CPCI) has a positive overall impression on the implementation of the initiative. This is in spite of the restricted public expenditure and the complex implementation of some measures due to the large number of stakeholders and the wide variety of measures of the Commitment. The overall success was helped by the global and integrated strategy which was based on the shared diagnosis of all stakeholders involved. Indeed, the CPCI believes that a national consensus on urban refurbishment convinced the Portuguese government to change its construction policy.

The President of the CPCI, who is also the President of the Association of Industrial Construction and Public Works (Associação dos Industriais da Construção Civil e Obras Públicas – AICCOPN), is of the opinion that the Commitment has been positively welcomed by all stakeholders as it has been instrumental in helping to build trust in the sector. From his experience, the design of public policies, such as the Commitment, must be based on a detailed analysis to develop a strategic vision establishing concrete measures and an adequate implementation schedule. This, together with suitable communication tools, a strong political commitment and proper monitoring, are the key issues for the success of an initiative such as the Commitment.

From an **industry perspective**, the Portuguese Association of Building Material Traders (Associação Portuguesa dos Comerciantes de Materiais de Construção - APCMC) developed a SWOT model related to the construction sector. Five opportunities

(urban rehabilitation, energy efficiency, sustainability of the environment, leasing and tourism) could be compromised by five threats (economic crisis, growing importance of online business and product certification, lack of proper competition rules, structural fragility of the SMEs, and fiscal and labour costs). On the one hand, the main strengths are the international prestige, good technical and location capabilities, and strong tendency for technological modernisation of the construction companies. On the other hand, the main weaknesses are the small size of the majority of SMEs, the internationalisation of the SMEs activities, the business organisation in the areas of strategic management and marketing, the loss of sales profitability and the degradation of the financial situation of companies.

On the other hand, the Grémio do Património (GECORPA), an association of private and public organisations involved in building rehabilitation and the conservation of heritage, does not agree with the identification of the causes of the broad construction sector crisis established in the Commitment. GECORPA blames the completely unsustainable business and investment volumes that the broad construction sector has been accustomed to. GECORPA argues that the crisis will not be overcome by promoting new construction or more urbanisation, as Portugal already has sufficient infrastructure and urban equipment, nor by expending more financial resources from the State. On the contrary, the most effective way to boost the sector and the national economy would be to prioritise the renovation of existing buildings and infrastructure, and encourage broad construction sector companies to become more efficient and technically proficient.

Endnotes

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