EUROPEAN COMMISSION

Brussels, 29.1.2014
COM(2014) 55 final

2014/0028 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

amending Implementing Decision 2011/344/EU on granting Union financial assistance to Portugal

EXPLANATORY MEMORANDUM

Upon a request by Portugal, the Council granted financial assistance to Portugal on 17 May 2011 (Council Implementing Decision 2011/344/EU) in support of a strong economic reform programme aiming at restoring confidence, enabling the return of the economy to sustainable growth, and safeguarding financial stability in Portugal, the euro area and the EU.

In line with Article 3(10) of Decision 2011/344/EU, the Commission, together with the IMF and in liaison with the ECB, has conducted the tenth review to assess the progress on the implementation of the agreed measures as well as their effectiveness and economic and social impact.

Taking into account the recent economic, fiscal and financial developments and policy actions, the Commission considers that some changes to the economic policy conditions underpinning the assistance are necessary to secure the programme's objectives, as explained in the recitals of the proposed amendments to the Council Implementing Decision.

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Proposal for a

COUNCIL IMPLEMENTING DECISION

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism[1], and in particular Article 3(2) thereof.

Having regard to the proposal from the European Commission,

Whereas:

(1) The Council granted financial assistance to Portugal, at the latter's request, on 17 May 2011 by means of Council Implementing Decision 2011/344/EU[2]. Such financial assistance was granted in support of a strong economic and financial reform programme (the 'Programme') which aims to restore confidence, enable the return of the economy to sustainable growth, and safeguard financial stability in Portugal, the euro area and the Union.

(2) In line with Article 3(10) of Implementing Decision 2011/344/EU, the Commission, together with the International Monetary Fund (IMF) and in liaison with the European Central Bank (ECB), has conducted, between 4 December and 16 December 2013, the tenth review of the Portuguese authorities' progress on the implementation of the agreed measures under the Programme.

(3) Quarterly GDP growth continued at positive rates in the third quarter of 2013 and the short-run indicators point to the projected economic recovery. On an annual basis, real GDP is still forecast to decline by 1,6% in 2013 but to move into positive territory in 2014 and 2015, with growth of 0,8% and 1,5%, respectively. The labour market outlook has improved as well but unemployment remains high, expected to peak at 16,8% in 2014 and to progressively decrease thereafter. Downside risks to the macroeconomic outlook remain, as the projected recovery crucially hinges on positive trade and financial market developments, which also depend on the broader European outlook.

(4) Up to November 2013 the government cash deficit recorded an improvement of 0,25% of GDP (net of extraordinary factors) compared with the same period of the preceding year, which resulted from revenue growth outpacing expenditure growth. The acceleration of tax revenue growth reflects the recovery of economic activity in recent months as well as improved efficiency in the tax administration, especially in the fight

[1] OJ L 118, 12.5.2010, p. 1.

[2] Council Implementing Decision 2011/344/EU of 17 May 2011 on granting Union financial assistance to Portugal (OJ L 159, 17.6.2011, p. 88).

against fraud. On the expenditure side budget execution is overall in line with the targets of the second supplementary budget.

(5) The general government deficit target of 5,5% of GDP (net of bank recapitalisations) in 2013 is likely to be met and the deficit outcome may even be below the target. This results from positive risks having materialised in the last months of the year while most negative risks dissipated. In particular, tax collection is expected to exceed the implicit targets in the second supplementary budget. Moreover, the yield of the one-off debt regularisation scheme for outstanding tax and social security contributions launched at the end of 2013 was about 0,3% of GDP higher than envisaged. The absorption of EU Funds is also expected to be better than previously estimated. Furthermore, negative risks from the Public-Private Partnerships' renegotiations have been mitigated. Some negative risks nevertheless persist, notably lower-than-projected revenue from property taxes while overruns on specific expenditure items, particularly personnel costs, intermediate consumption and pensions benefits cannot be excluded.

(6) The 2014 State Budget and other supporting legislation are consistent with a deficit target of 4% of GDP in 2014. In order to reach the target consolidation measures amounting to about 2,3% of GDP are being implemented, which also cover for budgetary pressures and the need to rebuild the provisional budget allocation for 2014. The measures are primarily of a permanent nature and rely predominantly on expenditure savings.

Most of the consolidation in 2014 — about 1,8% of GDP — draws on the public expenditure review, which was carried out over the past year with the objective of increasing equity and efficiency in the provision of social transfers and public services. The main public expenditure review measures will be implemented along three principal axes:

(a) limiting outlays on the public wage bill by reducing the size of the public-sector work force while changing its composition towards higher-skilled employees, notably through a requalification programme and a voluntary redundancy scheme; further convergence of public and private sector work rules and the revision of the wage scale as well as the streamlining of wage supplements; increase of beneficiaries' contributions to the special public health insurance schemes, aiming at the self-financing of these systems;

(b) limiting the public pension expenditure, given the need to reassess its sustainability on the back of demographic developments, while at the same time protecting the lowest pensions, by increasing the statutory retirement age via changes to the sustainability factor; recalibrating the 'extraordinary solidarity contribution', by lowering the minimum threshold for the application of the progressive rate as well as the thresholds for the application of higher rates; streamlining survivors' pensions of both CGA and the general pension regime; reducing lifelong pensions to politicians;

(c) savings in intermediate consumption and expenditure programmes across line ministries.

(7) Further smaller-yield permanent revenue measures amounting to 0,4% of GDP, aiming to further improve the efficiency and equity of the current tax and benefit structure, complement the public-expenditure-review package with a view to achieving the 4% of GDP deficit target. Moreover, a number of one-off measures totalling 0,2% of GDP will be implemented, which more than offset the costs arising from the one-off upfront

payments related to the introduction of a mutual agreement redundancy scheme in the public sector.

(8) Most of the above-mentioned measures were adopted through the 2014 Budget Law or by changes to specific legislation. Some of the envisaged consolidation measures have not yet been fully legislated to date. Among these are the tightening of eligibility conditions of survivors' pensions (beyond the change of replacement rates in case of accumulation with other pensions); the sale of online gambling licences; the transfer of the postal service's (CTT) health fund to the general government and the sale of port concessions.

(9) A comprehensive reform of the corporate income tax aimed at promoting simplification as well as boosting the internationalisation and competitiveness of Portuguese companies was approved in the Parliament in December 2013 and entered into force on 1 January 2014. A key feature of the reform is the reduction of the standard CIT rate from 25% to 23% and a reduced 17%-rate applicable to the first EUR 15 000 of taxable income for SMEs. In addition to the existing surtaxes, a third state surtax of 7% will apply on taxable profits exceeding EUR 35 million. Other key provisions of the reform include the revamping of tax incentives, changes to dividends and capital gains taxation, group taxation and intangible assets regime, the introduction of a participation exemption regime, an extension of the period during which losses can be carried forward and a further limitation to interest deductibility.

(10) The debt-to-GDP ratio is expected peak below 129.5% in 2013 and to decline thereafter. The upward revision of the debt profile compared with the combined Eight and Ninth Review, in spite of a better-than-expected budget execution, is to a large extent explained by a substantial increase in the Treasury's cash balance as well as the postponement to 2014 of some short-term debt reducing operations on the part of the Social Security Financial Stabilisation Fund. Accordingly, the net debt – excluding IGCP's cash deposits – is projected to peak at about 120% of GDP, slightly below the level expected at the last review.The expected decline in the general government debt-to-GDP ratio starting from 2014 will be supported by the projected economic recovery as well as by a decline in cash deposits and the realisation of the Social Security's short-term debt-reducing operations.

(11) The budgetary adjustment process is flanked by a range of fiscal structural measures to enhance control over government expenditure and improve revenue collection. The comprehensive reform of the Budget Framework Law is progressing in a number of important areas. However, given the scope of the reform and the need to engage in a broad-based consultation with all relevant stakeholders the process is expected to take place in two phases. The new commitment control system is showing results by limiting the build-up of new arrears but implementation needs to be monitored closely to ensure that commitments are covered by available funding. A task-force to evaluate and improve this process will be created. Reforms in the public administration are being implemented with a view to modernising and rationalising public sector employment and entities. Reforms towards a modern compliance risk management model of the revenue administration continue. A new Risk Assessment Unit has been recently established and will become operational shortly, focusing in the first place on improving compliance of certain groups of taxpayers such as self-employed and high wealth individuals. Some other reforms, such as the reduction of local tax offices, are delayed. While the renegotiation of public-private partnerships (PPPs) has made progress, it could not be concluded by the end of 2013. Still, significant savings are expected for 2014 and beyond. State-owned enterprises (SOEs) reached operational

balance on average by the end of 2012 and additional reforms are foreseen to avoid a renewed deterioration of their results. Privatisation has made good progress and proceeds exceed the target under the programme. Reforms in the health care sector are producing significant savings and implementation is continuing broadly in line with targets.

(12) Policy implementation and reforms in the health sector continue progressing and producing savings through increases in efficiency. The consolidated deficit for the sector has been significantly reduced since 2010. However, the remaining stock of arrears, the tight budget line and increased labour costs due to the reinstatement of the 13^{th} and 14^{th} bonus payments forced the authorities to speed up the existing reforms. The existence of an important stock of arrears is strongly (though not solely) related to the consistent underfunding of SOE hospitals vis-à-vis their service provision. The authorities remain committed to implementing the ongoing hospital reform and to the continued fine-tuning of the set of measures related to pharmaceuticals, centralised procurement and primary care.

(13) The banks' capital ratios comfortably continued to meet the European Bank Authority regulatory capital buffers as well as the 10% Core Tier 1 Programme target. This capital buffer remains adequate across the board when using the new Capital Requirements Directive (CRD) IV rules for evaluating the banks' own funds. These new capital rules apply from January 2014 onwards with a threshold set at 7% of Common Equity Tier 1 ratio. The system wide loan-to-deposit is 120,7% and is likely to continue to decrease until end-2014, with some banks already below this threshold. Efforts to diversify the sources of funding for the corporate sector are being continuously strengthened. Building on the recommendations of the 2013 external audit of the existing government-sponsored credit lines the authorities are implementing the measures aiming to improve the performance and the governance of those instruments including risk management capabilities and practices. The legal framework for new debt restructuring tools directed at households and aiming at the non-litigious settlement of debts is in place and fully operational. Similarly, the impact of the changes in the corporate insolvency and recovery law is being assessed as the new debt restructuring and debt recovery mechanisms are now functioning. The crisis management toolkit is being completed. The bank resolution fund is functioning, early intervention powers have been introduced and the recapitalisation law has been amended to reflect the Communication from the Commission on the application of State aid rules to support measures in favour of banks in the context of the financial crisis[3].The roadmap for improving the effectiveness and governance of the National Guarantee System is being implemented to better serve SMEs financing needs.

(14) Further progress has been made in implementing growth and competitiveness-enhancing structural reforms. The authorities have adopted additional measures to reduce unemployment and to boost labour market effectiveness, including enhaced activation policies and a youth guarantee implementation plan. Revisions affecting the definition of fair dismissals in the Labour Code are under preparation after being declared unconstitutional. Additional measures have been adopted in the area of education, in which progress is overall satisfactory.

(15) The government approved a new levy on energy operators for 2014 which must be closely monitored to avoid distortions in the system. As regards the elimination of the

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[3] OJ C 216, 30.7.2013, p. 1.

energy tariff debt and ensuring the sustainability of the system, further reforms are required.

(16) In the telecommunication sector and postal sectors actions have been implemented to comply with EU rules and underpin the attainment of the programme objectives. The selection of the universal service providers and the revision of the existing contract with the incumbent are positive developments towards the full implementation of the Universal Service Directive. The publication of legislation laying down the framework of the concession contract with the national provider of the postal service will reduce the current concession period, thus increasing competition. The authorities remain commited to increasing the sustainability and efficiency in the transport sector.

(17) Sector-specific legislation with a view to aligning it with the Services Directive is progressing, with some delays in the adoption of the regulatory framework for the construction sector, the amended professional bodies' bylaws and internal rules to adopt the horizontal framework law on public professinal associations. The authorities are commited to further improving the functioning of the Point of Single Contact

(18) The assessment of the urban lease reform is underway after the full implementation of the new legal framework. The authorities aim at increasing the efforts to fight tax evasion in the rental market.

(19) The new framework of the National Regulatory Authorities (NRAs) is advancing and the relevant bylaws are being amended and are expected to be adopted shortly. The publication of a new executive order establishing the contributions of the regulators for 2014 has been delayed.

(20) Reforms of the judicial system continue progressing as planned. Advances have been made in the implementation of the Judicial Organisation Act to streamline the court system, a law strenghtening the body for enforcement agents and insolvency administrators has been published and a new extrajudicial procedure creating a pre-trial triage to identify and settle out of court cases is being finalised. Measures to improve the licensing environment and reduce administrative burden have advanced with the adoption of legal provisions streamlining licensing in the area of tourism, industry and territorial planning. Legislation on commercial licensing is underway and the legal regime for urbanism and building is being reviewed.

(21) In the light of these developments, Implementing Decision 2011/344/EU should be amended,

HAS ADOPTED THIS DECISION:

Article 1

In Article 3 of Implementing Decision 2011/344/EU, paragraphs 8 and 9 are replaced by the following:

‘8. Portugal shall adopt the following measures during 2014, in line with specifications in the Memorandum of Understanding:

(1) the general government deficit shall not exceed 4% of GDP in 2014. For the calculation of this deficit, the possible budgetary costs of bank support measures in the context of the government's financial sector strategy shall not be taken into account. To achieve this objective Portugal shall deliver consolidation measures worth 2,3% of GDP as defined in the 2014 Budget Law and supporting legislation adopted with this aim;

(2) beyond the currently adopted pension measures, the existing pension legislation of the civil servants' pension regime CGA shall be modified by end of March 2014 to ensure that the new rules on the sustainability factor and thus the increased retirement age effectively apply also to this regime; Portugal shall also develop new comprehensive measures as part of the ongoing structural reform of pensions in the course of 2014 with a view to ensuring their sustainability whilst strengthening equity principles;

(3) to control for potential expenditure slippages, the government shall closely monitor the respect of the ministerial expenditure ceilings through monthly reporting to the Council of Ministers;

(4) Portugal shall swiftly define and implement the envisaged changes in survivors' pensions eligibility conditions as well as the conditions for the sale of online gamblig licences. In addition, Portugal shall make decisive steps to implement the sale of the port concessions;

(5) the comprehensive reform of the corporate income tax shall be implemented within the existing budgetary envelope to respect the fiscal consolidation targets;

(6) the standstill rule for tax expenditures at central, regional or local level shall be maintained**.** Efforts to fight tax evasion and fraud for various types of taxes shall be further strengthened, *inter alia* by the monitoring of the new e-invoicing system. A study on the shadow economy in the housing market shall be carried out in the first quarter of 2014 with a view to seeking ways to reduce rental tax evasion;

(7) should adverse legal or other budgetary execution risks materialise, Portugal shall implement compensatory measures of high quality in order to meet the deficit target;

(8) beyond 2014, Portugal shall achieve a general government deficit of no more than 2,5% of GDP in 2015 and arrest the accumulation of domestic arrears. The strategy to achieve the target shall be underpinned by the Reform of the State document which focuses on social security sustainability, public administration reform, greater efficiency in health and education and environmental taxation. Broad-based consultations with political and social partners to advance and define reforms are ongoing. The progress in this process shall be analysed at the eleventh review and identified measures shall be reflected in the 2014 Fiscal Strategy Document. In order to comply with the EU budgetary framework requirements, this document shall also provide details of the medium-term budgetary plans;

(9) Portugal shall take additional measures to further strengthen its Public Financial Management system. Budget fragmentation shall be reduced by limiting the number of budget entities and reviewing the classification of own revenues. The strategy for the validation and settlement of arrears shall continue to be applied and the commitment control law fully enforced in all public entities to prevent the creation of new arrears. Portugal shall review the Budget Framework Law (BFL) to fully transpose the relevant EU legislation. In addition, Portugal shall carry out a more comprehensive revision of its BFL to streamline the budget appropriation structure, to strengthen accountability and to further anchor public finances in a medium-term framework. Portugal

shall ensure that the measures to implement the new budgetary framework at central government level shall also be applied at regional and local level;

(10) Portugal shall continue the reform agenda towards a modern and more efficient revenue administration in line with international best practises. Portugal shall reduce the number of tax municipal offices by at least 25% in the first quarter of 2014 and by a further 25% by May 2014. The number of resources devoted to auditing in the tax administration shall increase by at least 30% of the total staff. A new Taxpayer Services Department, unifying different services for taxpayers, shall be created within the tax administration. The Risk Management Unit shall be fully operational in the first quarter of 2014, focusing initially on targeted projects to improve compliance of self-employed professionals and high net wealth individuals. The tax compliance situation shall be continuously monitored;

(11) Portugal shall continue implementing reforms of the public administration. Following the comprehensive review of wage scales in the public administration by the twelfth review, a single wage scale aimed at the rationalisation and consistency of remuneration policy across all careers shall be developed in the first half of 2014 and finalised by the end of 2014. This shall replace the wage revision included in the 2014 Budget Law. In addition, following the survey on cash supplements, Portugal shall prepare a report on the comprehensive reform of wage supplements. Draft legislation for a single supplement scale shall be presented by the eleventh review;

(12) Portugal shall complete the implementation of the strategy of shared services in public administration;

(13) Portugal shall fully implement the new legal and institutional PPPs framework. Renegotiations of PPPs shall proceed in various sectors in order to contain their budget impact. Following the new SOEs framework law and in line with the Ministry of Finance's enhanced shareholder role, a Technical Unit for the monitoring of SOEs shall be created. The Government shall continue its comprehensive restructuring programme of SOEs with a view to reaching a sustainable operational balance. The Portuguese Government shall continue with the privatisations already in the pipeline;

(14) Portugal shall present a report with the following objectives:

i. identify overlaps of services and jurisdictions and other sources of inefficiencies between the central and the local levels of government; and

ii. reorganise the network of decentralised services of ministries mainly through the 'Lojas do Cidadão' (administration and utilities single points of contact) network and other approaches, encompassing more efficient geographical areas and intensifying the use of shared services and digital government;

(15) Portugal shall ensure the efficiency and effectiveness in the health care system by continuing with the rational use of services and control of expendiures, reducing the public spending on pharmaceuticals and eliminating arrears;

(16) Portugal shall continue the reorganisation and rationalisation of the hospital network through specialisation, concentration and downsizing of hospital services, joint management and joint operation of hospitals, and ensure the implementation of the multi-year action plan for hospital reorganisation;

(17) following the adoption of the amendments to the Law 6/2006 on new urban leases and the decree law which simplifies the administrative procedure for renovations, Portugal shall undertake a comprehensive review of the functioning of the housing market;

(18) while respecting the Constitutional Court's ruling of 20 September 2013, Portugal shall devise and implement alternative options of the labour market reform with similar effects;

(19) Portugal shall promote wage developments which are consistent with the objectives of fostering job creation and improving firms' competitiveness with a view to correcting macroeconomic imbalances. Over the Programme period, any increase in minimum wages shall take place only if justified by economic and labour market developments;

(20) Portugal shall continue to improve the effectiveness of its active labour market policies in line with the results of the assessment report and the action plan to improve the functioning of the public employment services;

(21) Portugal shall continue to implement the measures set out in its action plans to improve the quality of secondary and vocational education and training; in particular the Government shall present plans to make the funding framework of schools more effective and the professional schools of reference shall be established;

(22) Portugal shall complete the adoption of the outstanding sectorial amendments necessary to fully implement Directive 2006/123/EC of the European Parliament and the Council;

(23) Portugal shall publish quarterly reports on recovery rates; duration and costs of corporate insolvency cases; duration and cost of tax cases and on the clearance rate of enforcement court cases;

(24) Portugal shall improve the business environment by completing pending reforms on the reduction of administrative burden (fully operational Points of Single Contact provided for by Directive 2006/123/EC and 'Zero Authorisation' projects) by converging the characteristics of regulated professions to EU Directives and by carrying out further simplification of existing licensing procedures, regulations and other administrative burdens in the economy which are a major obstacle for the development of economic activities;

(25) Portugal shall complete the reform of the ports' governance system, including the overhaul of port operation concessions;

(26) Portugal shall implement the measures enhancing the functioning of the transport system;

(27) Portugal shall continue to implement the transposition of the EU Railway Packages;

(28) Portugal shall implement the plan to create an independent gas and electricity logistics operator company;

(29) Portugal shall implement the adequate measures to eliminate the energy tariff debt and to ensure the sustainability of the national electricity system ;

(30) the Government shall submit to the Portuguese Parliament the professional bodies' amended statutes;

(31) Portugal shall approve the corresponding amendments to the bylaws of the National Regulatory Authorities;

(32) Portugal shall continue to eliminate entry barriers, soften existing authorisation requirements and reduce administrative burden in the services sector;

(33) Portugal shall publish quarterly reports on recovery rates; duration and costs of corporate insolvency cases; duration and cost of tax cases and on the clearance rate of enforcement court cases;

(34) Portugal shall adopt the Construction Laws and the other sectorial amendments to fully implement the Services Directive;

(35) Portugal shall assess the impact of the optional VAT cash accounting regime;

(36) Portugal shall carry out an inventory and an analysis of the cost of regulations that are likely to have a higher impact on economic activity.

‘9. With a view to restoring confidence in the financial sector, Portugal shall aim to maintain an adequate level of capital in its banking sector and ensure an orderly deleveraging process in compliance with the deadlines set in the Memorandum of Understanding. In that regard, Portugal shall implement the strategy for the Portuguese banking sector agreed with the Commission, the ECB and the IMF so that financial stability is preserved. In particular, Portugal shall:

(1) monitor the banks' transition to the new capital rules as laid down in the Capital Requirements Directive IV package (CRD IV) and ensure that capital buffers remain commensurate with the challenging operating environment;

(2) advise banks to strengthen their collateral buffers on a sustainable basis;

(3) remain committed to providing further support to the banking system, if needed, encouraging banks to seek private solutions while resources from the Bank Solvency Support Facility (BSSF) are available in line with the recently amended EU-State aid rules to further support viable banks, subject to strict conditionality;

(4) ensure a balanced and orderly deleveraging of the banking sector, which remains critical in permanently eliminating funding imbalances and reducing the reliance on Eurosystem funding in the medium-term. Banks funding and capital plans shall be reviewed quarterly;

(5) continue to strengthen the supervisory organisation of the BdP (Banco de Portugal), optimise its supervisory processes and develop and implement new supervisory methodologies and tools. The BdP will revise the standards on non-performing loans in order to achieve convergence with the criteria included in the relevant EBA technical standard in line with the timeframe set at the EU level;

(6) continue to monitor on a quarterly basis the banks’ potential capital needs with a forward looking approach under stress conditions also through the integration of the new top-down stress testing framework into the quality assurance process, which allows for a review of the key drivers of the results;

(7) continue to streamline the state-owned CGD (Caixa Geral de Depósitos) group;

(8) outsource the management of the BPN (Banco Português de Negócios) credits currently held by Parvalorem to the firms selected through the bidding process

with a mandate to gradually recover the assets; and ensure timely disposal of the subsidiaries of, and the assets in, the other two state-owned special purpose vehicles;

(9) analyse banks' recovery plans and issue guidelines to the system on recovery plans in line with the relevant (draft) EBA technical standards and the forthcoming EU Directive on the recovery and resolution of credit institutions, and prepare resolution plans on the basis of the reports submitted by the banks;

(10) finalise the implementation of the framework for financial institutions to engage in out-of-court debt restructuring for households and smoothen the application of the framework for restructuring of corporate debt;

(11) prepare quarterly reports on the implementation of the new restructuring tools; on the basis of the recently conducted survey, explore alternatives to increase the successful recovery of companies adhering to the PER (the Special Revitalisation Procedure for companies in serious financial distress) and the SIREVE (the Companies' Recovery System through Extrajudicial Agreements for companies in a difficult economic situation or imminent or actual insolvency);

(12) continue the monitoring of the high indebtedness of the corporate and household sectors through quarterly reports and also the implementation of the new debt restructuring framework to ensure that it is working as effectively as possible;

(13) encourage on the basis of the made proposals the diversification of financing alternatives to the corporate sector, develop and implement solutions that provide financing alternatives to traditional bank credit for the corporate sector through an array of measures aiming to improve their access to the capital markets;

(14) improve the performance and governance of the existing government-sponsored credit lines building on the results of the recent external audit. Implement the recently revised roadmap for improving the governance of the National Guarantee System (NGS) and making these schemes more efficient while minimising risks for the State;

(15) establish a development financial institution (DFI) aiming at streamlining and centralising the management of the reimbursable part of the financial instruments of EU structural funds for the 2014-2020 programming period. The institution shall not accept deposits or other repayable funds from the public, nor engage in direct lending.

Article 2

This Decision is addressed to Portugal.

Article 3

This Decision shall be published in the *Official Journal of the European Union.*

Done at Brussels,

For the Council
The President