

# Executive Summary

## A Comprehensive Assessment of Regional Business Climate

The Subnational B-READY in the European Union (EU) series is a project led by the World Bank in partnership with the European Commission's Directorate-General for Regional and Urban Policy (DG REGIO) aimed at assessing and enhancing the business environment across different regions within the EU. This year, the Subnational B-READY series cover 40 cities in six EU Member States—Bulgaria, Croatia, Hungary, Portugal, Romania, and the Slovak Republic—covering 36 European regions. This phase builds upon the World Bank's previous Subnational studies conducted in these countries between 2017 and 2022. More broadly, the former Subnational in the EU reports assessed business environments in Bulgaria, Hungary, and Romania (2017); Croatia, the Czech Republic, Portugal, and the Slovak Republic (2018); Greece, Ireland, and Italy (2020); Austria, Belgium, and the Netherlands (2021); and Denmark, Finland, and Sweden (2022), covering 115 locations across 16 EU Member States. These studies have laid the groundwork for identifying regulatory gaps and sharing best practices to strengthen the EU's regional economic cohesion. As part of an ongoing effort, the team is launching the second round of measurements, which will cover over 60 cities from the Czech Republic, Greece, Ireland, Italy, Poland, and Spain. A third round is set to begin in 2025, expanding the assessment to more EU Member States.

### Objective

The primary objective of the Subnational B-READY studies is to identify and address regional disparities in regulatory environments and to promote reforms that foster private sector growth, job creation, and sustainability. The Subnational B-READY series delivers a rigorous, data-driven analysis of business climates at the local level, offering actionable insights for policy makers. By examining key areas of the life cycle of the firm—Business Entry, Business Location (including Building Permitting, Environmental Permitting, and Property Transfer), Utility Services (Electricity, Water, and Internet), Dispute Resolution, and Business Insolvency—this report offers a road map for improving administrative processes and

regulatory frameworks that directly affect businesses at the local level in eight Portuguese cities: Braga, Coimbra, Évora, Faro, Funchal, Lisbon, Ponta Delgada, and Porto.

### Intended Audience

This Subnational B-READY report series targets a wide audience, from national to local government officials, and from private sector stakeholders to development agencies, policy makers, and researchers. The findings are meant to help these groups identify best practices, reduce regulatory bottlenecks, and foster a more unified and efficient business environment across regions. Additionally, the collected data serve as an effective tool for local governments, enabling them to benchmark and track performance over time vis-à-vis not only national standards but also international benchmarks. The comprehensive underlying country-specific datasets provide ample opportunities for further research in the area of private sector development and growth.

### The Importance of Regional Data

An insight into regional dynamics allows an economy to be more inclusive and sustainable in its economic growth. The Subnational B-READY reports offer governments the evidence needed to design targeted reforms, allowing regions to enhance their business climates and bridge performance gaps. It is hoped that the key findings will encourage peer learning across regions by disseminating good practices observed in high-performing cities. It is expected that such a sharing of best practices would lead to cross-regional improvements and eventually spur competitiveness across the EU.

By highlighting both achievements and areas for improvement, these assessments aim to support national and regional policy makers in driving meaningful reforms. In this way, the project exemplifies the shared commitment of the World Bank and DG REGIO to enhancing economic cohesion and resilience within the EU through rigorous analysis and evidence-based policy recommendations.

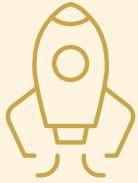
# Key Findings

- ▶ All eight Portuguese cities show diverse performance across topics. Faro leads in Dispute Resolution and Business Insolvency but falls below the average of the eight cities in Utility Services and Business Location. Porto scores the highest in Utility Services and Business Location but the lowest in Business Insolvency. This points to opportunities for Portuguese cities to improve and learn from each other's good practices.
- ▶ All cities perform with equal effectiveness in Business Entry. Using *Empresa na hora*, entrepreneurs can complete the necessary steps to open a new limited liability company in as fast as 4.5 days in all eight cities assessed.
- ▶ Business Insolvency shows the largest gap across all measured areas. Faro scores the highest in this topic (88.1), while Porto scores the lowest (79.8).
- ▶ Across the country, city-level scores are the highest on Business Entry (94.2) and the lowest on Business Location (68.5). The weaker performance in Business Location is due to the limited geographic coverage of cadastral information, restricted digital services for building and environmental permits, and long processing times for obtaining building permits.
- ▶ Cities in Portugal tend to perform better in terms of the strength of the Regulatory Framework (Pillar I) than on the quality and delivery reliability of Public Services (Pillar II). There is no city-level variation within the country on the quality of the Regulatory Framework (Pillar I). On average, the eight cities score relatively high in Pillar I, particularly in Business Entry (95), Business Location (94.8), and Dispute Resolution (90).
- ▶ In Business Insolvency, the city performance across the country on the Regulatory Framework (Pillar I, 69.1 points) is the weakest among the measured topics due to lower scores in subtopics such as post-commencement standards in liquidation and reorganization, and the availability of specialized insolvency proceedings for micro- and small enterprises.
- ▶ There are notable differences in service levels across cities in the provision of Public Services (Pillar II) for topics such as Business Location and Business Insolvency. For example, in the area of building permits, Lisbon and Porto lead in offering comprehensive electronic permitting platforms, while these platforms are either nonexistent or rudimentary in cities such as Évora, Faro, and Funchal, requiring paper, email or USB flash drive/CD ROM submissions.
- ▶ Most of the cross-city variation is driven by Operational Efficiency (Pillar III). For example, how efficiently electricity connections can be obtained in Portugal varies significantly in time and cost. Lisbon offers the fastest connection in 100 days, while in Ponta Delgada connecting takes up to 133 days. Costs also vary depending on the type of voltage connection.
- ▶ Obtaining a water connection is fastest in Braga, at 31 days, and slowest in Évora and Lisbon, at 65 days. Differences are due mainly to the need for municipal excavation permits in some cities, which can add over a month, as well as how efficiently local utilities complete the connection work.
- ▶ The largest disparity among cities for Dispute Resolution is in the total costs for commercial litigation. Despite standardized court fees nationwide, litigation costs, which comprise court fees and attorneys' fees, vary from 2.6 percent of the claim value in Funchal to 11.8 percent in Porto, as legal fees remain unregulated.



# Areas of Improvement

## Business Entry



Looking ahead, Portugal can continue supporting the implementation of digital tools to facilitate the business entry process. In 2023, the government announced the project *Empresa Online 2.0* (<https://registo.justica.gov.pt/empresa/autenticacao>), with the aim to further facilitate the online registration process. This project introduces several features to make it easier for entrepreneurs to form companies. These features include the prefilling of shareholder information when completing the online form, the possibility also to incorporate *sociedades anónimas* (corporations) online, support for foreigners who use the platform in English, and, lastly, the registration of beneficial owners at the time of company registration.

## Business Location



Areas of improvement in the building-permitting process for Portugal include implementing and strengthening electronic permitting systems in most cities, accompanied by user support and awareness campaigns. Introducing a standardized legislative framework to harmonize requirements and simplify construction-permitting legislation, including the cost structure for building permits, can reduce regulatory fragmentation and uncertainty. Additionally, developing and integrating platforms based on the Geographic Information System (GIS) for spatial planning and coordination among various agencies involved in the permitting process can reduce delays and improve efficiency.

To improve land administration and property transfer, Portugal can continue promoting the use of online registration to speed up the process and make managing the workload at the registry offices more efficient. In parallel, reviewing and addressing the causes behind the decline in the use of *Casa Pronta* as a viable alternative channel for registration could help improve efficiency. In addition, further progress to achieve the full registration and mapping of private properties is important to enhance the legal se-

curity of property rights. The authorities can also consider setting up an out-of-court mechanism at the land registry to compensate for losses suffered by private parties due to land registry errors, preventing lengthy court proceedings. Finally, to increase transparency, the authorities could publish service standards and make available online all relevant information on property transactions, statistics on land disputes, and sex-disaggregated data on land ownership.

To improve the environmental permitting framework, Portugal could implement a standardized formal qualification system that is recognized nationally for environmental impact assessment (EIA) professionals. Entrepreneurs in Portugal can also benefit from improved coordination between the environmental and building-permitting regulatory frameworks and their processes. The Autonomous Regions of the Azores and Madeira could consider developing and deploying a comprehensive online platform similar to SILiAmb (<https://siliamb.apambiente.pt/pages/public/login.xhtml>) to replace the current paper-based application method. Digital submissions and real-time status tracking would improve transparency and allow applicants to monitor the progress of their applications more effectively. This transition could streamline processes and reduce administrative burdens.

## Utility Services



To improve electricity services, Portugal could consider implementing and strengthening online application platforms for electricity connections across all cities, accompanied by customer assistance, online guidelines, and awareness campaigns. Expanding the functionalities of digital platforms to include tracking features and more comprehensive support for entrepreneurs could reduce delays and improve customer experience. Enhancing transparency and accountability through the collection and publication of statistics on processing times, connection costs, and service reliability can help set clear expectations and incentivize performance improvements. Additionally, streamlining the legal framework to harmonize requirements across municipalities and simplifying the excavation process can reduce regulatory fragmentation and uncertainty. Finally,

increasing investments in electricity infrastructure in Braga and Ponta Delgada could enhance the reliability of electricity services.

To improve water services further, Portugal could implement and strengthen online application platforms for water connections across all cities, accompanied by customer assistance, online guidelines, and awareness campaigns. Enhancing transparency and accountability through the collection and publication of statistics on processing times, connection costs, and service reliability can help set clear expectations and incentivize performance improvements. Additionally, harmonizing qualification requirements for professionals operating in the sector and introducing financial and nonfinancial incentives for water-saving practices can promote sustainability and efficiency. Streamlining the process of obtaining excavation permits and improving interoperability between local utilities and municipal systems can further reduce delays and enhance service delivery across the country.

### Dispute Resolution



Areas for improvement in the Dispute Resolution framework of Portugal include the establishment of a dedicated commercial court, or commercial divisions within existing courts, to deal with legal disputes between firms to reinforce the efficiency of commercial litigation. Judges with specialized knowledge in locations with large case-loads and complex cases could encourage more streamlined procedures. Also, the publication of first-instance judgments in a freely accessible and searchable database can enhance judicial transparency. Extending the publication of all judgments, beyond those of the Supreme Court of Justice and appellate courts, could drive public access and legal certainty forward.

### Business Insolvency



Suggested improvements in insolvency proceedings focus on three areas. First, experts agree there is inequitable attention paid to the management of insolvent companies in the Autonomous Regions of the Azores and Madeira, due to proximity issues. Paying increased attention to the number of insolvency administrators in all regions is important, as is developing digital tools to improve case management at distance when circumstances do not allow in-person

meetings with creditors. Second, enhancing the transparency and accountability of insolvency administrators can improve their effectiveness and reduce procedural delays. For this, Portugal can implement regulations to foster communication between insolvency administrators and stakeholders, improve visibility in the management of insolvent assets, and reinforce compliance and oversight measures for the profession by the relevant authorities in issues such as expense reimbursement and delayed payment to creditors. Third, enhancing the accuracy of the registry office databases accessed via *Citius* and effectively utilizing the legal provision authorizing insolvency administrators to access tax and social security databases may further improve their performance.



Table 1. Summary of Potential Opportunities for Regulatory Improvement in Portugal

Topic	Areas for Improvement	Relevant Stakeholders
<b>Business Entry</b>	Ongoing improvements: <i>Empresa Online 2.0</i>	<ul style="list-style-type: none"> <li>Institute for Registers and Notary (IRN)</li> </ul>
	<b>Building Permitting</b>	
<b>Business Location</b>	Harmonize requirements and simplify construction permitting legislation	<ul style="list-style-type: none"> <li>Ministry of Infrastructure and Housing</li> <li>Administrative Modernization Agency, I.P. (AMA)</li> <li>Regional Coordination and Development Commission (CCDR)</li> <li>Ministry of Territorial Cohesion</li> <li>Municipalities</li> </ul>
	Review and simplify the cost structure for building permits	<ul style="list-style-type: none"> <li>Ministry of Infrastructure and Housing</li> <li>Administrative Modernization Agency, I.P. (AMA)</li> <li>Regional Coordination and Development Commission (CCDR)</li> <li>Municipalities</li> </ul>
	Introduce and improve electronic platforms for the building permitting process	
	<b>Environmental Permitting</b>	
	Standardize and formalize the qualifications for EIA professionals	<ul style="list-style-type: none"> <li>Portuguese Environmental Agency (APA)</li> <li>Regional Coordination and Development Commission (CCDR)</li> </ul>
	Improve coordination and consistency in environmental permitting and building permit integration	<ul style="list-style-type: none"> <li>Portuguese Environmental Agency (APA)</li> <li>Regional Coordination and Development Commission (CCDR)</li> <li>Administrative Modernization Agency, I.P. (AMA)</li> <li>Municipalities</li> </ul>
	<b>Property Transfer</b>	
	Promote the uptake of digitally submitted registration requests throughout the country	<ul style="list-style-type: none"> <li>Institute for Registers and Notary (IRN)</li> </ul>
	Assess the reasons for <i>Casa Pronta's</i> usage decline and take measures to address identified issues	
	Make Land Registry and Cadastral databases interoperable with each other and with those of other key agencies	<ul style="list-style-type: none"> <li>Institute for Registers and Notary (IRN)</li> <li>National Registry of Legal Entities</li> <li>Directorate-General for the Territory</li> <li>Tax and Customs Authority</li> </ul>
	Ensure that all private properties are registered and mapped	<ul style="list-style-type: none"> <li>Institute for Registers and Notary (IRN)</li> <li>Directorate-General for the Territory</li> <li>Municipalities</li> </ul>
	Set-up an out-of-court mechanism at the Land Registry to compensate for losses suffered by private parties due to Land Registry errors	<ul style="list-style-type: none"> <li>Ministry of Justice</li> </ul>
	Increase transparency by publishing and committing to service standards, and publish annual statistics on land disputes and sex-disaggregated data on ownership	<ul style="list-style-type: none"> <li>Ministry of Justice</li> <li>Institute for Registers and Notary (IRN)</li> </ul>
	<b>Utility Services</b>	<b>Electricity</b>
Replace the internal installation certificate with a self-certification of compliance		<ul style="list-style-type: none"> <li>Directorate-General for Energy and Geology (DGEG)</li> <li>Distribution utilities</li> <li>Regional Energy Directorate (DREn)</li> <li>Regional Directorate for the Economy and Transports (DRET)</li> </ul>
Streamline the process for getting an excavation permit		<ul style="list-style-type: none"> <li>Distribution utilities</li> <li>Municipalities</li> </ul>
Introduce and strengthen the online application platforms		
Increase transparency and accountability by collecting and publishing statistics		
Improve the reliability of the electricity supply	<ul style="list-style-type: none"> <li>Energy Services Regulatory Authority (ERSE)</li> <li>Distribution utilities</li> </ul>	

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Topic	Areas for Improvement	Relevant Stakeholders
<b>Utility Services</b>	Water	
	Streamline the process of obtaining an excavation permit	<ul style="list-style-type: none"> <li>• Water utilities</li> <li>• Municipalities</li> </ul>
	Enhance the use of GIS-based databases	<ul style="list-style-type: none"> <li>• Water utilities</li> </ul>
	Allow customers to submit a certificate of conformity for the internal installation	<ul style="list-style-type: none"> <li>• Water and Waste Services Regulatory Authority (ERSAR)</li> <li>• Water and Waste Services Regulatory Authority in the Azores (ERSARA)</li> <li>• Water utilities</li> </ul>
	Enhance the qualification requirements for professionals operating in the water sector	<ul style="list-style-type: none"> <li>• Water and Waste Services Regulatory Authority (ERSAR)</li> <li>• Water and Waste Services Regulatory Authority in the Azores (ERSARA)</li> </ul>
	Publish stipulated standards for water connection times online	<ul style="list-style-type: none"> <li>• Water utilities</li> </ul>
<b>Dispute Resolution</b>	Establish specialized commercial courts or commercial divisions	<ul style="list-style-type: none"> <li>• Ministry of Justice</li> <li>• Judicial High Council</li> </ul>
	Publish all judgments at the first instance level	
<b>Business Insolvency</b>	Revise the number of insolvency administrators per region	<ul style="list-style-type: none"> <li>• Ministry of Justice</li> <li>• Commission for Legal Assistants (CAAJ)</li> </ul>
	Enhance transparency and accountability	

Source: Subnational Business Ready