

PORTUGAL: An Introduction to Public Law

The current economic, legal and political trends

2023 overview

2023 began with an uncertain pace and lack of confidence marked by Russia's invasion of Ukraine and fear of the war's impact on the Portuguese economy, given that the crisis caused by the conflict has spread worldwide and Portugal has felt the negative impact since mid-2022.

However, there are elements that allow the Portuguese economy and those that invest in the country to be optimistic.

Economic growth

The prospect of recession in the Eurozone seems to have retreated and, according to the State Budget for 2023, although the Portuguese government points to a more moderate growth than the previous year (the Portuguese economy had a growth of 6.8% in 2022), it still believes a 1.3% growth is likely. In addition to this there is still the expectation that this growth forecast will be revised upwards when the Stability Programme is approved in April 2023, especially since the Bank of Portugal pointed to a growth of 1.5% in the December 2022 Economic Bulletin. 2023 is expected to be marked by a huge financial oxygen balloon as a result of the European funds of the Recovery and Resilience Plan (RRP) and the European funds programmes for the 2021-2027 programming period (PT2030) that will have to be used.

If 2021 was the approval year of the famous Recovery and Resilience Plan and 2022 a very slow year, in which there were several delays in the implementation of the RRP, given the start-up difficulties of the RRP due to a lack of capacity and means of the Portuguese public bodies to speed up the implementation of the funds allocated to Portugal, the instructions of the Portuguese Government for 2023 are very clear, in the sense that the programme must be accelerated and that the implementation of the approved investments must be carried out more efficiently.

Moreover, in addition to the RRP funds, which have the Innovation Agendas, the decarbonisation projects and the business digitalisation initiatives as key elements, several calls are also expected under the PT2030 programmes, another package of European funds, with several programmes in specific areas and geographies with an overall value of more than 23 billion Euros.

Investment trends

If we had to identify two major investment trends for 2023, besides the infrastructure that will be addressed below, the focus in Portugal will be on energy and digital transitions.

In the State Budget for 2023, the Government committed to invest EUR2.1 billion in the energy transition this year as a starting point in the fulfilment of the commitment assumed to achieve carbon neutrality by 2050. The Portuguese Government believes that the successful achievement of this goal will only be possible through the collective mobilisation of all sectors of society, from families to companies, with the involvement of the Portuguese State playing a prominent role.

Another major trend for 2023 is related to the National Strategy for Connectivity in Very High Capacity Electronic Communications Networks 2023-2030, which was approved at the end of December 2022 and systematises national priorities in this area, and is aligned with the Government's Programme, with the Portugal 2030 Strategy and with the Action Plan for Digital Transition. Electronic communications and, in particular, very high capacity electronic communications networks are fundamental to meeting the basic needs of citizens, as well as for the digital transformation process of the country and for a dynamic and competitive economy.

The approval of this strategy marks an essential step for the Government to launch, in 2023, the tender for the installation, operation and maintenance of very high capacity networks in the areas currently without coverage (known as "white areas"). This will be a tender that will be notable for the telecommunications sector in 2023 due to its dimension.

National public infrastructure

Regarding national public infrastructures, 2023 has several sectors and projects in the spotlight.

The first one is the extension of the Lisbon Airport. The Portuguese Government has approved the creation of an independent technical commission to carry out a strategic environmental assessment of the future Lisbon Airport in order to prepare and approve a final report by the end of December 2023.

This independent I commission is currently studying five different options involving locations, complements or dual solutions, which include, among others, the analysis of the locations of Montijo, Alcochete and Santarém. It will also have to consider other solutions that may be suggested by stakeholders throughout the period of work of the independent commission.

In the aviation sector, the year will be also marked by the respective privatisation processes of TAP and SATA, the latter of which was launched on 8 March 2023.

In the health sector, the Portuguese Government plans to start the construction of four new hospitals in Portugal – Lisboa Oriental, Seixal, Sintra and Alentejo –, notwithstanding its intention to continue with the "necessary work to materialise" investments in the Setúbal Hospital.

Regarding railways and roads, the Portuguese Government plans to invest EUR 823 million in 2023, of which EUR 780 million (around 95% of the total) will be invested in railways as part of the Railway 2020 programme, and EUR 43 million in roads divided by various interventions.

With regard to railways, the ambitious programme of investment in the requalification and modernisation of the National Railway Network will continue in 2023, and the main interventions will include the modernisation of the Beira Alta Line, the construction of the new Alentejo Line, the modernisation of the North Line between Ovar and Gaia, the Sines Line, the Cascais Line and the electrification of the West and Algarve Lines.

Finally, the Defence sector which, has occupied an increasingly important place in the Portuguese's Government agenda, gained a new and stronger focus due to the Russian invasion of Ukraine, as it became even more urgent for the Portuguese Government to increase public investment in this sector and to coordinate this financial effort with the other European Union Member States. The Prime Minister has also shown a strong commitment from Portugal in seeking to develop a set of joint investments, joint procurement processes or joint research networks, in order to gain synergies and create integrated value chains in the European market, which will help strengthen Europe's economic base in a decentralised way in all member states.

The European Defence Fund has also been a great lever for the growth of private investment in the Portuguese defence sector, and also for the internationalisation of the Portuguese companies working in this sector, insofar as the projects to be financed by the European Defence Fund must have the collaboration of at least three member states.

In July 2022, the European Commission published the results of the 2021 calls of the European Defence Fund (EDF). Of the 61 collaborative projects selected, it was possible to ensure the Portuguese representation in 20, which represent about EUR569 million of the total budget and of which EUR516 million - 91% - correspond to the total amount funded. Portugal is now waiting until the summer of 2023 for the results of the 2022 calls.

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