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Committee: United Nation Development Program (UNDP)

Topic: Discussing the response of the committee to Coronavirus Pandemic

Country: Portugal

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Introduction:

Pandemic has entered the world's daily vocabulary in the most dramatic and unexpected way. As the severity of the situation worsens, a growing number of legislative initiatives attempt to address the needs of citizens and society in the face of the outbreak. Regulatory initiatives have been taken in Portugal with a view, mainly, to protecting society against the spread of the new coronavirus and the effects that the pandemic causes on social and economic life.

Portugal has **26,182** confirmed cases, **1,089** deaths and **2,076** recoveries from the disease. According to the World-o-meters website Portugal is ranked 20th in the world with the number of cases.

Measures taken by Portugal to contain the spread of COVID-19:

Portugal registered its first coronavirus cases on March 2, a month after the disease appeared in Spain and Italy. That time lag allowed the government to learn from its neighbors' mistakes and introduce countermeasures before the virus took a grip.

Portugal shut down schools on March 16 when there were just 245 cases in the country

Lisbon banned all public gatherings at an early stage in the epidemic's evolution.

The state of emergency putting Portugal on lockdown was declared March 18 when the country had 448 cases.

On 24th March, the Portuguese Government admitted that the country could not contain **COVID-19** any more, as it is widespread, and, on 26 March, the country entered the **Mitigation Stage**. The health care sites dedicated to fight the disease started including the Portugal Health center groups.

On 2nd April, the Parliament approved the extension of the State of Emergency, requested by the President. The State of Emergency will remain until 17 April, subject to further extensions of similar duration. Under the new regulations, for the Easter celebrations, from 9 April Maundy Thursday to 13 April Easter Monday

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The Portuguese Government decreed special measures in restricting people movements between municipalities with very few exceptions, closing all airports to civil transportation and increased control in the national borders.

On 30th of April, the Portuguese Minister's Council approved a plan to start releasing the country from the COVID-19 container measures and cancel the Emergency State. The plan was divided in three stages (dates): 4th of May, 18th of May and 1st of July.

On 2nd of May the Emergency State was canceled.

On 4th of May Portugal started the first phase in easing the restrictions

General Measures:

Mandatory use of masks in crowded, closed spaces (e.g. public transportation, schools, supermarkets, stores)

- All events with over 10 people are prohibited
- Family members are authorized to attend funerals
- The entire population of Portugal has a "civic duty" to stay home unless there is a justified reason

Other measures in effect beginning May 4:

- Small establishments of up to 200 square meters will be allowed to open, to include libraries, barber shops/hair salons, car dealers, real estate agencies, bookshops, among others.
- Outdoor, individual, non-professional sports, are authorized. Group sports will not be allowed.
- Restaurants, cafés, nightclubs, and bars will remain closed.
- Businesses that do reopen will be limited to one client every 20 square meters with a mandated minimum distance between them.
- Telework remains mandatory for the entire month of May, when possible.

Through May 4, Portuguese police are enforcing existing State of Emergency restrictions within Portugal with random checks on roads, highways, and bridges and are requiring justification for traveling in and around Portugal. The public is being asked to stay in their homes, with few exceptions, which include:

- Buying food or other essential items
- Going to work if unable to work from home
- Going to hospitals or health centers
- Going to care for someone
- Returning to their primary residence
- Exercising outdoors or walking pets, for short periods and not in groups larger than 2 persons.
- The suspension of most international flights to and from Portugal and the suspension of some domestic flights.
- All individuals in Portugal are requested to limit their circulation throughout the country to only trips that are deemed essential. For those who are in "high-risk" groups, including those over age 70, the Portuguese Government recommends prophylactic isolation.
- Gatherings of more than 5 people are banned, except for larger families.
- All air and land borders with Spain are closed to tourism and leisure travelers.
- A bar on the entry of foreign cruise ship passengers.
- The closure of public and private schools and universities.
- The prohibition on the public consumption of alcohol.
- The closure of bars, discos, and similar establishments.
- The closure of all beaches.
- Museums, theaters, pools, and other public and private institutions have been closed in many municipalities around the country.

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- Portuguese authorities recommend the use of masks in closed public spaces, such as supermarkets, pharmacies, etc.

Economic crisis in Portugal:

After achieving its strongest growth of the century in 2017, the Portuguese economy kept expanding and is estimated to have grown by 2.2% of GDP in 2019, from 2.6% the previous year (IMF). The growth was mainly driven by strong domestic demand, which should however ease in the upcoming years due to a reduction in job creation (partly offset by the expected increase in wages). In the short term, a weakening industrial performance should be counterbalanced by the services and construction sectors. According to the updated IMF forecasts from 14th April 2020, due to the outbreak of the COVID-19, GDP growth is expected to fall to -8% in 2020 and pick up to 5% in 2021, subject to the post-pandemic global economic recovery.

Unemployment rate dropped to 6.5% in 2019 (from 7% a year before). However, the IMF expects this trend to be heavily affected by the negative economic impact of the COVID-19 pandemic, the rate being currently estimated to increase to 13.9% in 2020 and decrease slightly to 8.7% in 2021. Nevertheless, wages are projected to gradually accelerate, supported by the unfreezing of career progressions in the public sector and a reduction in labour market slack.

The ravaging COVID-19 pandemic has battered tourism and the sports industry, the two major pillars of the Portuguese economy. It is difficult to specify a number to the impact of the coronavirus on tourism due to the scale of activities linked to the sector, and the March figures vary from company to company with falls of 30, 40 or 50 percent.

In April and May, they do not vary much: more than 90 percent of companies have zero sales.

The three major Portuguese Premiership League clubs, Benfica, FC Porto and Sporting, could lose more than 27 million euros (about 30 million U.S. dollars) for each month due to the suspension of football matches, said Alfredo Silva, sports management specialist and professor at the Higher School of Sports. The transfers of players which is a big money-making business for the Portuguese sports industry, were also badly affected by the pandemic.

Main Sectors of Industry

The agricultural sector comprises around 2.1% of Portugal's GDP and employs 6% of the active population (World Bank, 2019). The main crops produced include cereals, fruits, vegetables and wine. Portugal is the ninth largest wine exporter in the world and in the first three-quarters of 2019 wine exports recorded an increase of 3.6% in value compared to the previous year (around EUR 580 million). Mining, specifically copper and tin, represents a good part of the country's GDP, with Portugal being one of the largest marble exporters. The forests of Portugal provide a large part of the world's supply of cork.

The industrial sector employs 24% of the workforce and contributes to 19.2% of Portugal's GDP. The manufacturing industry is modern and dominated by small and medium-sized companies. Its main sectors of activity are metallurgy, machinery, electrical and electronics industries, mechanical engineering, textiles and construction. According to data by the World Bank, the manufacturing sector alone contributes 12% of GDP. Portugal has increased its role in the European automobile sector and has an excellent mould manufacturing industry. Biotechnologies and IT are also growing.

The services sector comprises 65.3% of GDP and employs nearly 69% of the active population. Tourism in particular plays an important and rapidly increasing role in the Portuguese economy: in 2018, it grew by 8.1% and gave employment to 21.8% of the workforce (World Travel & Tourism Council).

Contribution by Portugal in the fight against COVID-19:

Please find below some examples of companies from other branches of activity that have started to produce biosafety equipment or support for tests:

- **Hidrofer**, a manufacturer of swabs, can produce 12,000 swabs per hour, which corresponds to the daily consumption in Portugal;
- **Logoplaste** produces tubes to transport swabs;
- **OLI**, a toilet flush manufacturer, produces protective visors;
- **Science4You** produces 15,000 goggles a day.

There are many other examples. Several companies in the mold sector produce visors, while textile companies have developed tunics and other protective equipment. Perhaps one of the most versatile initiatives, albeit with low volume production, is the one resulting from 3D printers, which are already present in many regions, including the Portuguese Speaking African Countries (PALOP). Sharing drawings, by email, then allows local printing.

Several clinical laboratories have started to test, while universities and polytechnics are working on the development of equipment, including the most complex ones, such as ventilators. Many of these units are supporting their counterparts in other countries and transferring knowledge that allows them to produce locally. We believe that many of these experiences can be repeated in other contexts and help to reduce the public health and economic impacts caused by the pandemic.

Portuguese tax measures:

In the context of the public health emergency resulting from the spread of COVID-19, the State of Emergency was declared in Portugal on 18 March 2020.

To mitigate the negative economic impact of COVID-19 on companies and individuals, the following measures have been introduced in respect of taxation, social security contributions, employment and credit.

General measures

The time limits for paying corporate income tax (**CIT**) for 2019 and making advance payments for 2020 have been extended. The time limit for paying stamp tax in respect of the first quarter of 2020 has also been extended.

All proceedings and procedural acts (including all tax proceedings in judicial and arbitral courts and with the Portuguese tax authorities, as well as tax infraction and enforcement proceedings) have been suspended until the end of the exceptional situation.

Credit lines have been made available to assist Portuguese companies with their cash-flow management in the coming months.

Measures to help certain companies and sectors

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Certain measures were introduced to help companies that meet one of the following criteria: a turnover of under €10m, a decline in turnover of at least 20% or having operations in a sector whose activity was suspended under the State of Emergency:

- deferral of VAT payments and personal income tax and CIT withholdings which would otherwise have been due in the months of April, May and June. The relevant companies may pay the tax in three or six instalments without accruing interest or having to provide security
- deferral of the payment of social security contributions payable by employers for March, April and May. The relevant companies may pay 2/3 of the contributions in three or six instalments without accruing interest from June onwards. This measure also applies to companies in the aviation or tourism sectors. Employers in special distress (meaning employers in suspended sectors or with a decline in turnover of at least 40%) may suspend their employees' employment agreements or reduce their employees' normal working hours and temporarily reduce their pay to 2/3. The Portuguese government also offers to pay up to 70% of salaries up to a maximum of three months.

How we can solve the economic crisis?

A three-step approach: "Stable Ramp-up" action plan:

- As long as the number of new infections is still rising dramatically, the current lockdown is essential. At the same time, it's important to start building a differentiated protection strategy now. Having comprehensive testing facilities (to test for the virus itself or for antibodies) and the necessary infrastructure in place is central to this. A sufficient supply of protective material, e.g. breathing masks and disinfectants, must also be guaranteed.
- In a second step, the "Stable Ramp-up" action plan will ensure that our society and economy gradually get back up and running. We recommend proceeding step by step (see B): First, public life must be restored. This applies above all to schools and childcare. Recent weeks have shown that normal

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economic activity is not possible without these public services in place. Then the free flow of goods must get back on track. In addition, factories and companies must come up with suitable protective measures so that it becomes possible to work under coronavirus conditions without increasing the risk of infection. This concerns first and foremost the manufacturing sector and certain services that facilitate its operation.

The measures should be tackled in this order because of the way in which the relevance of supply and demand varies as the crisis progresses. During the acute phase of the crisis it is primarily a matter of securing economic supply with the help of financial injections and loans. Once the crisis has passed the peak it is about stimulating economic demand.

To foster industrial production in the automotive sector, for example, we recommend a number of specific measures such as increasing the level of subsidies on electric vehicles via a Scrappage Bonus 2.0, greater subsidies on low-emission cars and deferring emission penalties. For the retail sector, especially in the catering/hospitality trade, we recommend measures such as consumer vouchers, temporary VAT adjustments and tax breaks.

- Thirdly, it's essential that we learn the right social and economic lessons for the post-crisis period now.

Both companies and the public are called upon to act:

Companies need to rethink their investments, improve their crisis resilience, refine their digital business models and introduce agile working methods. In production, it's crucial to strengthen regional and local supply networks in particular.

In public life, it has become clear that a digital education offensive is urgently needed at all levels in this country. The accelerated expansion of network infrastructures nationwide is a prerequisite for this.

Thank You