

# PORTUGAL '2020

PROGRAMA NACIONAL DE REFORMAS

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# **PORTUGAL2020 | NATIONAL REFORM PROGRAMME**

**(Approved by the Council of Ministers 20 March 2011)**

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## 1 - INTRODUCTION

In accordance with the Europe Strategy 2020 approved by the European Council, the National Reform Programme (PNR) to be presented by each country must be drawn up in articulation with the Stability and Growth Programme (SGP) guaranteeing coherence between the two instruments, with reforms that in the short term take into account the priority of budgetary consolidation and the correction of macroeconomic imbalances and which contribute to boosting competitiveness, growth and employment.

Portugal 2020 –National Reform Programme, implements and furthers the Guidelines for the PNR 2020 approved in the Council of Ministers on 12 November 2010 and referred to the European Commission on that date for their appreciation. It also includes the Commission’s comments on these guidelines that resulted from bilateral working meetings, the guidelines of subsequently approved European and national documents and the contributions of the wider debate with institutions and civil society.

Departing from the Guidelines for the PNR 2020, the national coordination for the Europe Strategy 2020 promoted sector and regional debates, held a working session with national and international guests and organised thematic groups to ensure the national appropriation of the strategy and programme presented herein. The national coordination network was made up of key points from all Ministries and assured the political compatibility and appropriation of the reform and action lines constituting this programme.

### **Portugal 2020 –National Reform Programme - Commitments and Targets**

- . Reduction of public deficit: 4.6% of GDP in 2011, 3% in 2012 and 2% in 2013
- . Increase in the weight of exports in GDP to 40% in 2020
- . Intensity in R&D (GERD/GDP): 2.7% - 3.3%, of which 1.0% - 1.2% in public sector and 1.7% - 2.1% in the private sector in 2020 (1.9% in 2014)
- . Reduction in the school drop out rate to 10% in 2020 (15% in 2014) and increase in graduates aged 30 to 34 years to 40% in 2020 (30% in 2014)
- . 31% of consumed electricity produced with endogenous and renewable resources (23.1 in 2014 based on criteria of last ten years’ average), 20% increase in energy efficiency (9.8% in 2015) and 20% national contribution to Europe’s reduction of greenhouse gas emissions in 2020
- . 75% employment rate for population aged 20 to 64 years in 2020 (71% in 2014)
- . A decrease of at least 200 000 people in poverty in 2020 (50 000 fewer than in 2014)

Portugal 2020 – National Reform Programme focuses on the national constraints on growth and employment and the definition of strong lines of reform that are consistent with the macroeconomic context. The common objective of the focus and definition of action lines is the guarantee that Portugal’s various indicators in the Europe Strategy 2020 will reach the European average in 2020, and that the differential of skills and context conditions that has been penalising successive Portuguese generations will be eliminated in that decade.

To reach these targets in the context of the pledges assumed in the SCP, a strong push will be made in the modernisation measures and the focus of public policies on continuing to **foster internationalisation, improving competitiveness and the country's export capacity**, with the aim of reaching 40% of Gross Domestic product (GDP) originating from exports.

Departing from a definition of the macroeconomic scenario which **determines the need** for measures centered on combating macroeconomic imbalances, guaranteeing the consolidation of the budget and the creation of a healthy economic base for growth and employment based on internationalisation, exports and the increased production of goods that can be traded in the internal market, Portugal 2020 –National Reform Programme will identify the main constraints and propose concrete measures to tackle them.

The response agenda will focus on questions such as productivity and labour relations, the qualifications of workers and managers, scientific development and the promotion of innovation, entrepreneurship and the transparency of the markets, the business environment, the quality of administration and justice and the fight against informal economy, reducing energy dependence, urban rehabilitation and making better use of and giving greater value to endogenous resources.

Based on this active framework of reforms, targets will be defined for each objective, using the 2020 targets and the intermediate 2014 targets (or 2015 in the case of programmes underway with this time line as reference. Summary tables will also be presented for each action line and the respective execution indicators and tables on the articulation between the reforms and objectives, and between action lines and the response to the constraints. The set of measures proposed is in line with the various Emblematic Initiatives, with the Integrated Policy Guidelines and with the ten priorities set out in the European Union's Annual Review of Growth.

## 2 - MACRO ECONOMIC SCENARIO

### 2.1 Mid-term scenario (2011-2014)

#### 2.1.1 Main External Assumptions

The outlook for the years 2011 to 2014 points globally to average world GDP growth of 4.5% in real terms, based on the sharp recovery in emerging and developing economies and in a context where recovery in more advanced economies will take place more slowly. The gradual recovery of the global economy will be accompanied by an acceleration of prices in the medium-term, due mainly to the expected increase in fuel and raw material prices in international markets.

With regard to the money market, an increase in interest rates is expected, as a result both of the inflationary trend associated with the expected acceleration of fuel prices and raw materials, and global economic recovery.

In this context, a slowdown in significant external demand<sup>1</sup> for Portugal is forecast for the coming years and an increase in interest rates. It is also anticipated that there will be (i) an increase in oil prices, (ii) an appreciation of the euro against the dollar and (iii) an increase in the inflation rate, in line with the increase in prices for raw materials and oil.

Table 2.1 summarises the external assumptions underlying the macroeconomic scenario, reflecting information available as at 15 March 2011.

**Table 2.1 International framework - the main assumptions**

	2009	2010	2011 <sup>(f)</sup>	2012 <sup>(f)</sup>	2013 <sup>(f)</sup>	2014 <sup>(f)</sup>
Crescimento da procura externa relevante (%)	-14,7	7,9	4,2	3,2	3,3	3,8
Preço do petróleo Brent (US\$/bbl)	62,5	80,2	107,2	108,0	106,0	106,0
Taxa de juro de curto prazo (média anual, %) <sup>(a)</sup>	1,2	0,8	1,5	1,9	2,2	4,0
Taxa de juro de longo prazo (média anual, %) <sup>(b)</sup>	4,3	5,3	6,8	6,9	6,8	6,5
Taxa de câmbio do EUR/USD (média anual) <sup>(c)</sup>	1,393	1,327	1,369	1,362	1,319	1,319

Key: (f) forecast. (a) 3-month Euribor rate; (b) Ten year Treasury Bonds; (c) Annual average rates of change, % (positive/negative change, significant appreciation/depreciation of the euro). Sources: Ministry of Finance and Public Administration, EC, IMF and OECD.

(Translation of table - p becomes f- Growth in significant external demand (%), Price of Brent Oil (US\$/barrel), Short-term interest rate (annual average percentage rate, %), Medium-term interest rate (annual average percentage rate, %), EUR&USD Exchange rate (Annual average, %)

It should be noted, however, that the present situation is marked by a high degree of significant **uncertainty and risks** that could affect the evolution of key macroeconomic variables. **Potential risks** may include the following:

- **Significant evolution of external demand** for Portuguese exports constrained by the economic growth of its major trading partners: this variable is particularly relevant in the current context, since it is expected that exports will be the engine of economic growth in Portugal, in light of the expectations for domestic demand. In this context, the possibility of our major trading partners carrying out new fiscal consolidation measures could result in a slowdown of domestic demand in those countries, with negative consequences for

<sup>1</sup> Significant external demand: calculation made by the Finance Ministry based on forecasts of real growth in imports of our major trading partners weighted by the importance that these countries represent in terms of our exports. The following countries were considered: Spain (26.5%); Germany (13.3%); France (12.4%); Angola (8.1%); UK (5.6%); Italy (3.8%); the Netherlands (3.7%); United States (3.6%); Belgium (2.4%); Sweden (1.2%); Brazil (1%) and China (0.8%), which represent more than 80% of our exports.

our exports. Additionally, the increased instability in some countries where our exports have increased significantly in recent years (especially in the Maghreb) will also lead to a greater level of uncertainty;

- **Spill over effects from the earthquake in Japan** in the world economy: initially, the expected impact has been reflected in a downward revision of oil prices and of other raw materials; however, in the medium term, these are expected to rise with the reconstruction effort. The impact on the evolution of both the yen and the market for sovereign debt is also important;
- Developments in the **price of oil and raw materials**: the price of oil has been rising, but the great instability present in North Africa and the Middle East along with the evolution of world demand has introduced an additional element of uncertainty. The growth that has occurred in emerging countries and the change in their pattern of consumption has also put a strain on raw material prices;
- Changes in the **monetary policy** stance of the **European Central Bank** (ECB): current policy has been characterised by an accommodative tendency providing additional liquidity to cope with the impact of the crisis on the economy; however, existing inflationary pressures could lead to a change in this with increases in the ECB's reference rate. It should be noted that the increase in interest rates would not only have an impact on financing costs, but also on the appreciation of the euro;
- Tighter **financing conditions** in the Portuguese economy (Public Administration, the State Enterprise Sector, Banking Sector and, consequently, families and companies): given the existing volatility and uncertainty in the market for sovereign debt, it is conceivable that risk premiums will remain high; in light of the financing needs of the Portuguese economy, this will represent an additional high cost.

### 2.1.2 Forecasts for the Portuguese Economy for 2011-2014

With a view to strengthening the security and trust of international economic institutions with regard to budgetary targets for the current year of 2011, a macroeconomic scenario has been considered which is based on assumptions which reflect hypotheses taken from the forecasts of other entities which have already been disseminated. Accordingly, it is our consideration that in 2011 GDP will contract in real terms of 0.9% associated with a reduction in domestic demand, tempered by a positive contribution from net external demand of 2.1 percentage points.

**Table 2.2 Key indicators**  
(rate of change, %)

	2009	2010	2011 <sup>(p)</sup>	2012 <sup>(p)</sup>	2013 <sup>(p)</sup>	2014 <sup>(p)</sup>
<b>PIB e Componentes da Despesa (em termos reais)</b>						
PIB	-2,5	1,4	-0,9	0,3	0,7	1,3
Consumo Privado	-1,0	2,0	-1,1	-0,3	-0,1	0,3
Consumo Público	3,4	3,2	-6,8	-4,9	-2,6	-0,9
Investimento (FBCF)	-11,6	-4,8	-4,2	-2,7	-0,8	2,1
Exportações de Bens e Serviços	-11,6	8,7	5,6	5,2	5,0	4,0
Importações de Bens e Serviços	-10,6	5,3	-1,1	-0,4	1,2	1,6
<b>Evolução dos Preços</b>						
IPC	-0,8	1,4	2,7	2,1	2,1	2,1
<b>Evolução do Mercado de Trabalho</b>						
Emprego	-2,5	-1,5	-0,6	0,1	0,7	1,0
Taxa de Desemprego (%)	9,5	10,8	11,2	10,8	10,4	9,8
Produtividade aparente do trabalho	0,1	3,0	-0,3	0,2	0,0	0,3
<b>Saldo das Balanças Corrente e de Capital</b>						
Necessidades líquidas de financiamento face ao exterior	-9,8	-8,4	-8,3	-7,0	-5,8	-4,9
- Saldo da Balança Corrente	-10,8	-9,7	-9,5	-8,3	-7,0	-5,9
da qual Saldo da Balança de Bens	-10,1	-10,0	-9,1	-7,7	-6,6	-5,4
- Saldo da Balança de Capital	1,1	1,3	1,2	1,3	1,3	1,0



Key: (f) forecast; \* a macroeconomic scenario has been considered which is based on presuppositions which reflect hypotheses taken from the forecasts of other entities. Sources: INE (Portuguese Statistical Institute) and the Ministry of Finance and Public Administration.

(Translation of table:

GDP and Expense Components (*in real terms*) GDP Private Consumption, Public Consumption, Investment (GFCF), Export of Goods and Services, Import of Goods and Services, Price Evolution, CPI, Labour Market Evolution, Employment, Unemployment Rate (%), Apparent Labour Productivity, Current and Capital Balance, Net international financing needs, Current Balance, *of which* Balance of Goods, Balance of Capital. )

A fall of 1.1% for 2011 is expected for **private consumption**, the result of an adjustment to the pattern of household consumption, with particular focus on durable goods (the consumption of which increased significantly in 2010).

In turn, the budgetary consolidation measures that have been adopted by the Government, plus the base effects (the registration of the delivery of two submarines in 2010, the purchase of which was decided upon in 2003) mean a forecast of a 6.8% reduction in **public consumption** in 2011.

The **export of goods and services** should show favourable behaviour (5.6% growth), with associated gains in market share, benefitting from the forecast growth in global demand and reflecting, in particular, the competitive gains associated with the development of unit labour costs, policies to support exports and reduction of context costs. The growth in exports, coupled with the forecast reduction in imports by 1.1%, should be reflected in a greater reduction of the trade deficit in 2011 (-5.3% as opposed to -7.3% in 2010).

**Gross fixed capital formation** is expected to fall 4.2% (-4.8% last year) as a result of more stringent conditions for private sector financing and also given the less optimistic outlook for entrepreneurs with regard to the evolution of the economy. This contraction will also contribute to the reduction of public investment forecast for 2011.

It is also hoped that the **financing needs of the economy** will be reduced, benefitting from the reduction in the trade deficit, which will more than offset the expected deterioration in primary income deficit.

**Inflation** in 2011 will increase to 2.7%, reflecting the inflationary pressures mentioned above, as well as the increase in VAT which took place in July 2010 and January 2011.

A contraction of 0.6% in total employment in the **labour market** is envisaged for 2011, and also an increase in the unemployment rate to 11.2%, with hope for a more favourable pattern from 2012 onwards.

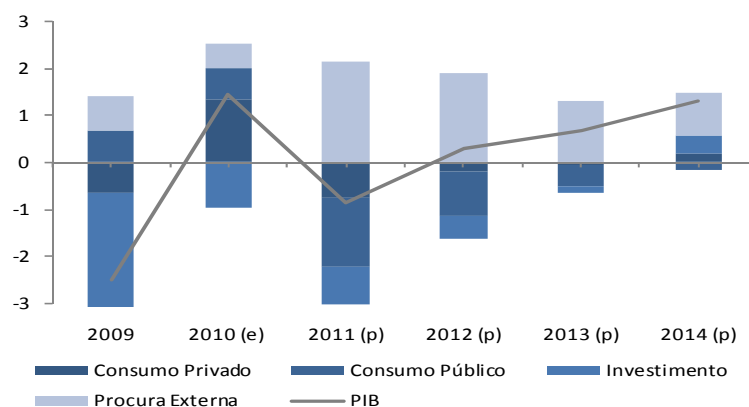
The framework for fiscal consolidation and the gradual correction of macroeconomic imbalances envisaged within the time frame provided for in the Stability and Growth Programme (SGP) will result in a significant improvement in the budget balance and a deleveraging of the private sector. These two factors mean that exports will continue to be the main engine for growth for the Portuguese economy in the 2012-2014 period. As such, it is forecast that GDP will show a growth in real terms of 0.3%, 0.7% and 1.3% in 2012, 2013 and 2014, respectively.

**Private consumption** is expected to continue to fall due to the expected adjustment which will be made by households. The growth in **public consumption**, given the established goals of fiscal restraint, is expected to remain negative throughout the projected time frame, but show a recovery trend. Inflation is also expected to stabilise around 2%.

The better performance of the economy, also associated to structural reforms in the labour market, should generate increases in **employment** over the 2012-2014 period, accompanied by a reduction in the unemployment rate.

Finally, the external **financing needs** of the Portuguese economy should continue to fall, largely due to an improvement in the trade deficit in goods and the process of on-going fiscal consolidation.

**Chart 2.3 Contributions to the change in GDP (percentage points)**



Key: (e) estimated, (f) forecast.

Sources: INE (Portuguese Statistical Institute) and the Ministry of Finance and Public Administration.

(Translation: Change 2011 (p) to 2011 (e), 2012 (p) to 2012 (e), 2013 (p) to 2013 (e), 2014 (p) to 2011 (4), Private Consumption Public Consumption Investment External Demand GDP)

## 3 – CONSTRAINTS AND STRUCTURAL RESPONSES

The definition of a growth strategy for the medium and long term requires the clear identification of existing constraints and weaknesses as well as the challenges to which public policy should respond in order to promote sustained growth and create employment which will enable existing imbalances to be corrected and greater cohesion in the Portuguese economy and Portuguese companies.

### 3.1. National constraints

As a result of natural circumstances, structural weaknesses, the impact of adverse shocks that have affected the Portuguese economy in a significant manner since the mid-1990s and the impacts of the more recent economic and financial crisis, the Portuguese economy is facing major challenges. It is essential to overcome these in order to increase its growth potential, and provide the necessary conditions to improve the population's living conditions.

Many of these constraints interact and reinforce each other, creating vicious cycles that it is crucial to break, so that a path of sustained growth is possible.

#### Natural factors

With regard to natural factors, while on the one hand Portugal offers a prime location to serve as Europe's Atlantic port, on the other it is in a remote location in relation to Central Europe, which is its primary market.

Lacking efficient, logistical connections and cargo capacity, Portugal thus has an important weakness that limits the competitiveness of Portuguese firms not only to penetrate those markets but also to participate more fully in the supply chains of production units located there.

#### Structural weaknesses

In addition, there have been certain structural weaknesses in the Portuguese economy for decades, which have limited the competitiveness of Portuguese companies. As mentioned above, many of these weaknesses are mutually reinforcing and require an integrated response to overcome them.

Among those of note are the low level of productivity in the economy, a productive fabric which contains a large number of small companies, low educational levels and skills in the workforce and the business class, the level and quality of entrepreneurship and the reduced level of competition in certain markets, which do not lead to innovation practices.

The business environment, marked by considerable bureaucracy in specific areas, low administrative efficiency and high levels of informality, also constitutes a limitation to greater competitiveness from the productive fabric.

The Portuguese economy is still marked by a high level of energy dependence, a low recovery capacity and making use of indigenous resources.

The competitiveness base of the Portuguese economy can also benefit from more balanced regional development and stronger inclusion of groups at risk of exclusion.

#### Various shocks

Moreover, the Portuguese economy has probably been the economy which has been subject to more, mostly adverse, shocks since the mid-1990s. These shocks have created new challenges in an economy with significant structural weaknesses.

Among the major shocks we can identify the eastern enlargement of the European Union, with consequences in terms of the diversion of Foreign Direct Investment and Trade to the new Member

States, which have benefited from being closer to the centre of Europe, lower wages and a more skilled labour force and thus having a competitive advantage in many of the usual areas of expertise of the Portuguese economy.

The late 1990s and especially the start of the new millennium also witnessed the increasing participation of China, India and other players in the world economy, who also competed in the usual areas of expertise of the Portuguese economy.

In addition, Portugal has been part of the Eurozone from the outset. The adoption of the euro and participation in a Monetary Union with low interest rates and low inflation created a new situation and new incentives for the Portuguese economy which brought both considerable advantages and also created a new framework for economic policy and fresh challenges. The adoption of the euro meant that the exchange rate instrument was lost as a tool for maintaining nominal competitiveness. Access to finance at low rates also had significant wealth effects that led to strong growth in domestic demand, the emergence of business opportunities with high incomes in non-tradable sectors, and shifting investment from the tradable sector which led to a reduction in savings and increasing indebtedness.

### **Economic and financial crisis and sovereign debt**

The financial and economic crisis and sovereign debts and the actions taken to prevent the collapse of economies and financial systems have also had major impacts on the situation of the Portuguese economy.

On the one hand, despite its good situation in terms of the sustainability of public finances, mainly due to the reforms already introduced within the public and private social security systems and a debt burden similar to the average in the euro area, the crisis and the actions taken to counter its effects led to a high level of public debt in 2009; this inverted the previous consolidation trend which had continued since 2005, and created increased demand to bring forward the process of budgetary consolidation from 2010 onwards.

However, the crisis led to uncertainties about the possibility of pursuing the path of gradual correction of existing structural imbalances in the Portuguese economy, which had been observed since 2004/2005. This uncertainty required a more rapid and abrupt correction of some of these imbalances, giving rise to tensions in the financial markets.

Given these constraints, the challenges for which public policy must provide an answer are clear. These challenges are to ensure the consolidation of public finances and promote economic growth, job creation and the correction of macroeconomic imbalances.

### **3.2. Structural responses**

In light of the existing challenges and constraints, it is necessary to define how public policies will address these constraints.

Indeed the answers are clear. They begin by assuming **ambitious agendas for structural correction of the imbalance of public accounts and structural change in the Portuguese economy**, generating economic growth and the correction of other existing macroeconomic imbalances.

This agenda is completely in line with the priority areas identified in the Annual Review of Growth, drawn up by the European Commission.

These challenges have different time frames, requiring the adoption of **policies with differentiated time frames of application** and should also produce results at different times. The agenda for the consolidation of public accounts is a short and medium term one, which must be brought forward as

much as possible and also produce results in the shortest possible time. The **agenda for growth**, in turn, **is a long-term agenda** involving policies, the results of which often only materialize within a much longer time frame.

Despite these different times, the situation requires that public policies pursue both agendas simultaneously, generating **economic growth, the correction of other existing macroeconomic imbalances and promoting greater social and regional cohesion in the country.**

### 3.2.1. The consolidation of public accounts

The Stability Programme, presented in conjunction with this National Reform Programme, presents the medium-term strategy for the consolidation of public accounts that will achieve a deficit level of 2% of GDP by 2013.

The imbalance caused by the international crisis put the deficit at 9.3% of GDP in 2009, after having fallen to below 3% in the two preceding years. The measures taken in 2010 allowed the deficit to go down by more than 2 points. For 2011, Portugal has set the target for public deficit at 4.6% of GDP.

Following a deficit of 9.3%, Portugal has defined a very demanding path to reduce its public administration deficit, taking steps in the 2010 and 2011 budgets and in the 2011-2013 Stability Programme to ensure that the deficit reaches a level of 2% of GDP in 2013 and that the weight of public debt as part of GDP is stabilised in 2012, to assure a decrease in this indicator from that year.

The consolidation of public finances is a key factor in strengthening investor confidence in the economy. Thus, the primary objective of budgetary policy is, in the coming years, **to reduce the deficit to levels that ensure the sustainability of the servicing of public debt.**

In the current context of the international financial crisis, it becomes more urgent to make changes to the budgetary framework, and contribute to the enhancement and improvement of the system and to restoring the necessary budgetary balances to which all European States are committed.

**The new budget framework law** is a national commitment to the sustainability of public finances.

It is proposed that, irrespective of their nature and form, entities which have been included in each subsector within the framework of the European System of National and Regional Accounts, are to be considered as integrated into the public administrative sector, as autonomous services and funds in their respective sub-sectors for central, regional and local administration and for social security.

The entire Budget comes under the scope of the principles of fiscal stability, mutual solidarity and budgetary transparency, and also has a ruling on the joint budget balance of Public Administration, establishing a minimum limit in terms of its value, consistent with the commitments undertaken by Portugal within the European framework and seeking the sustainability of national public finances. Furthermore, in terms of budget rules, it establishes an expenditure rule, implemented through a multiyear budget framework, setting limits on Central Government expenditure.

Limits for Central Government expenditure financed by general revenue have also been specified, consistent with the objectives laid out in the SGP, which sets forth the expenditure rule.

In terms of budget planning, it is proposed that the entire Budget should necessarily be structured in terms of programmes. This will thus create a **management framework oriented to the objectives and evaluation of performance, improving the efficiency and effectiveness of central government.**

In short, the intention is to improve the process of drawing up the State Budget, by imposing and giving visibility to the multi-annual budget restriction on the public sector, increasing the budget management capacity of public decision-makers, and also reinforcing the role of the Portuguese Parliament in specifying expenditure limits and checking the outcome of the use of public funds.

**The convergence of the social security system for civil servants with the reformulated social security system** is another major area of reform. The convergence process for the civil service system includes the increase in the retirement age from 60 to 65 years of age, which is still in progress, with an increase of 6 months per year. In 2011, the retirement age for civil servants, after having risen another 6 months, will be 63 years of age. The system is thus converging to meet the conditions within the framework of the comprehensive reform of the social security system started in 2007; according to a recent IMF study, this has meant that Portugal is considered the OECD country with the second lowest growth in pension spending until 2030.

Another structural element in reforming the welfare system for civil servants relates to the establishing of the employer's contribution to the **General Pension Scheme (Caixa Geral de Aposentações)**. This recently implemented measure has a double advantage: firstly, it strengthens the financial sustainability of the system and, secondly, it can increase the transparency and accuracy of personnel costs in each public body, allowing their comparability with the private sector, contributing to a better rationalisation and an environment for better management of public resources by being objective and result-orientated.

During the year 2011 a **system for tracking and monitoring publicly initiated investment projects** will be implemented, through the creation of the **Authority for the Monitoring of Public Private Partnerships**, under the remit of the Ministry of Finance and Public Administration. This will permit activities oriented towards the development of technical projects which are financially sustainable and fiscally grounded, based on a suitable consideration of costs and benefits and aimed at promoting transparent and efficient management, capable of maximising the quality of services rendered to citizens and good use of public resources. It is also intended to assess their relevance with regard to the **expected impacts on productivity, long-term economic growth, their contribution to strengthening the competitiveness and internationalisation of the Portuguese economy and improving the social and regional cohesion of the country.**

The set of extraordinary **measures for State Owned Enterprises** will continue to be implemented, as defined under the Stability and Growth Programme for 2010-2013 (SGP) with a view to increasing efficiency and transparency, and generating lower costs for the State, particularly the establishing of limits on indebtedness, extending the Principle of Centralised Cash Management throughout the SOE, extending public service contracting, broadening the definition of aims and guidelines for the compulsory application and management of the Principles of Good Government.

Additionally, and for the current year, a goal has been established under the Cost Reduction Programme to **reduce operating costs by 15%** overall for the sector, based on measures revising the remuneration policy, optimisation of management structures and other cost reductions, thus envisaging a savings volume of around 1 billion euros.

### **3.2.2.A long-term agenda to promote structural change in the Portuguese economy, economic growth and redressing imbalances**

In parallel with the agenda of consolidating public accounts, the Government will continue its **structural reform agenda**, taking measures to promote economic growth and the correction of existing weaknesses in the Portuguese economy.

Recent years have already seen the implementation of a thorough reform agenda, focused on overcoming vulnerabilities in the Portuguese economy. This agenda has brought together actions in key areas to increase the potential growth of the Portuguese economy and in this way promote the creation of employment and improve the living standards of the Portuguese people. Some **areas** of note **where important action has been carried out** and where **improvements** are already visible include:

- The most ambitious agenda promoting the **improvement of the educational qualifications and skills** of the Portuguese population ever carried out in Portugal, to obtain visible results in terms of reducing the rate of early school leavers; of educational outcomes measured by indicators such as the PISA tests, increase in compulsory schooling; increase in the levels of young people within secondary and tertiary education, enabling values equal to the average for the OECD to be attained for the first time in the history of Portugal;
- Improvement in **R&D and Innovation indicators and change in the competitive profile of the Portuguese economy**, with large increases in spending on Research and Development, particularly by businesses (R&D expenditure has more than doubled in the last five years, moving from 0.81% of GDP in 2005 to 1.71% in 2009, while it was only 0.4% at the end of the 1980s); with important advances in indicators showing innovation, the increase in the importance of medium and high technology exports or the trebling of the volume of exports of services integrated within the technological payments balance;
- Improved flexibility and adaptability of the labour market with a **thorough review of labour law** as reflected, for example, in an marked improvement in the indicator for labour market flexibility established by the OECD;
- **Reducing energy dependence**, contributing to the correction of external imbalances, most notably that in 2010 the production of electricity from renewable sources accounted for approximately 53% of energy consumed, allowing for a significant reduction in imports;
- Comprehensive **reform and modernisation of public administration**, good examples of which are leadership in terms of *egovernance*, reduction of public employment and the restructuring of public administration;
- Improving the **business environment** with significant reductions in administrative costs and bureaucracy that have allowed Portugal to be the leader in rankings of reforms in areas such as the ease of starting a business.
- Also the integrated management of transport was part of a course of action designated **Portugal Logístico** with significant effects on the improvement of ports in particular, with the approval in 2010 of the 2010-2020 Strategic Plan for Transport, with measures to continue into the next decade.

Despite the progress achieved, challenges remain and the Government remains committed to **strengthening the agenda to promote long-term growth**.

The agenda for promoting growth involves **three main areas of action**:

- Determined and integrated action to overcome structural weaknesses and **promote productivity growth**;
- Correction of other factors structurally affecting the **external balance of the Portuguese economy**;
- **Promoting adaptability** to facilitate structural adjustment.

### **3.2.2.1. Determined and integrated action to overcome structural weaknesses and promote productivity growth**

Only productivity growth can ensure a sustainable improvement of Portugal's competitive position.

Nominal adjustments in competitiveness indicators may allow some compensation in the short term, but are ineffective or even damaging to the required movement to correct the structure and specialisation of production in the Portuguese economy, that is indeed critical to increase its growth potential.

To foster **sustainable growth of productivity** and to make this structural adjustment of the economy possible, it is necessary to continue to make efforts in recovering the existing structural lag in **four key areas**, namely improvement of the business fabric, improvement of sectors with high value incorporation and taking advantage of endogenous resources, the skills of the Portuguese workforce, and research, development and innovation.

With regard to **improving the business fabric**, policies will be pursued focused on raising the value chain, increasing competitiveness and promoting collective efficiency, namely:

- Continuing a policy of **attracting foreign investment** to modernise business with a strong national incorporation;
- Improving the connection of SMEs to **Competitiveness Centres and Clusters**;
- Promoting collective efficiency dynamics in the **internationalisation of SMEs**, particularly through support for export consortia;
- Supporting the modernisation of industries that produce **tradable goods** for the export market;
- Stimulating public procurement policies that encourage technology transfer and the innovation of processes and products;
- Broadening the social and regional competitiveness base of the Portuguese economy, promoting the development of less developed regions with important endogenous potential, as well as an increased and more efficient mobilisation of the different segments of the workforce.
- Furthering the integrated management of the transport sector by improving its institutional regulation and rationality, in conjunction with policies on land use, environment, energy and economy, as envisaged in the **2010-2020 Strategic Transport Plan**. This plan, the implementation of which is scheduled for April 2011, identifies specific measures to strengthen Portugal's integration within European and global transportation chains, good connections between urban centres and improvement in urban mobility, and the sustainability of the sector and the promotion of energy efficiency and reduction in the environmental impact.

**The pledge in the valorisation of sectors with high value incorporation and utilisation of indigenous resources** is essential in times of great competition in which each country has to leverage its natural resources for economic recovery. In Portugal these resources can be grouped into **four basic areas** - forest and agro-industry, tourism, energy and the sea.

On this basis, **clusters** can be developed in which the country has gained competitive advantages that may be enhanced through increasing the internationalisation of networks, such as in technological services, information technology, aeronautics, automobiles, sustainable construction, health, education and the creative industries, habitat, mobility, food, machines and tools and fashion.

The strategy of sustainable development and enhancing the productivity and competitiveness of each of these clusters includes reinforced networking and its connection to one of the support pillars identified as **key endogenous resources**, that is, to the attractiveness of tourism and agro-industrial sector in Portugal, and its forests, as a potential producer of clean energy and to the maritime economy.

Regarding the **skills of the Portuguese workforce**, recent OECD studies estimate that productivity would increase by 14% by simply correcting the differential of educational qualifications of the workforce.

Thus, the following **areas of action** are central to a long-term strategy of promoting economic growth :



- Strengthening the path of **recovery of the educational qualifications and skills of the population;**
- **Greater commitment to R&D and Innovation** to change the competitive profile of the Portuguese economy.

Within the framework of the National Reform Programme, Portugal has set itself ambitious targets for 2020 in both areas.

As regards expenditure on Research and Development, the aim is to achieve a level of 2.7 - 3.3% of GDP.

Regarding educational qualifications, the aims are to reduce the dropout rate to 10% and increase the percentage of the population aged between 30 and 34 years who completed tertiary education to 40%.

Reaching these goals will allow Portugal to **obtain values equal to the EU average in these indicators** for the first time, thus overcoming a structural lag in key areas for its development.

The analysis of the areas of action to be pursued to achieve these objectives is detailed in the subsequent sections of this Programme.

### **3.2.2.2. Correction of other factors that affect the competitiveness and external balance of the Portuguese economy**

Besides the increase in productivity, a set of other actions can contribute very significantly, and more rapidly, to the competitiveness of the Portuguese economy and to the correction of the existing imbalances. These are the following:

- reduction of **energy dependence**;
- reinforcing the **internationalisation agenda**;
- increase in **saving and reduction of indebtedness** of all the domestic sectors.

#### ***Reduction of energy dependence***

Portugal's considerable energy dependence is a great weakness in its economy, inasmuch as it makes the country very vulnerable to price fluctuations of energy products on the international markets. These fluctuations have substantial impacts in the Portuguese balance of trade, generating significant deficits and financing requirements.

In order to obviate that dependence, the Government adopted the National Energy Strategy in 2005, with ambitious targets in terms of the use of renewable energies, aimed at **making better use of endogenous resources and reducing the imports of fossil fuels**.

This strategy was strengthened in March 2010, with the adoption of the **New National Energy Strategy 2020 (Re.New.Able)**, in which even more ambitious targets were set. Portugal already features amongst those countries of the world with best absolute results and relative progress in the realisation of a policy promoting renewable energies. **In 2009, the energy produced from endogenous and renewable sources represented 45% of the electricity consumed in Portugal.** The same occurred with 24.1% of all energy. **During 2010, imports in the order of 800 million euros were avoided,** and the incorporation in the consumption of energy produced from renewable and endogenous sources was 53%.

The Portuguese targets to produce 60% of all its electricity requirements and 31% of the primary energy from endogenous and renewable resources in 2020 are amongst the most ambitious in Europe and world. Portugal is clearly placing great store in the new energies, and particularly in renewable energies and in energy efficiency, with results that today position the country as a global reference in the sector. That pledge has taken the form of concrete programmes promoting the different technologies, associating the tenders for power attribution with parameters of innovation, creation of opportunities for industry, regional development and connection to national and international research networks.

In this field, the **Government will proceed with the implementation of its National Energy Strategy, and maintain its efforts to liberalise the energy product markets.**

The Government will continue to promote the liberalisation of prices of energy products, gradually eliminating the regulated tariffs in electricity and gas. The provision of a universal service at reasonable prices for more vulnerable consumers will be ensured. Elimination of the regulated tariffs will take place gradually, through the satisfying of certain conditions related to the degree of effective competition in the relevant market, and taking into account the volatility of the tariffs in a system that is very sensitive to the variation of hydraulicity. With the formulation of the required conditions, the remaining regulated tariffs will be eliminated by the end of 2012. A chronogram with the actions envisaged in this area will be presented by the end of April 2011. During the transitory period, the Government will strive to ensure that no significant difference exists between the liberalised market price and the regulated tariff, and that no cross subsidies exists among the different market segments. The Government will thoroughly examine the concept of the vulnerable consumer by the end of 2011 and put in place the appropriate protection mechanisms.

The Government **will also conclude the transposition of the directives of the Third Energy Package;** given the advanced legislation already existing in Portugal, only a few adjustments need to be made to this, one of which will be to introduce the attribution of sanctioning powers to the regulator.

The model for the development and financing of energy production based on renewable sources or co-generation (Special Regime Production), was based on the Feed-In Tariff (FIT) model, with the additional costs being reflected in the access tariffs and affecting the tariffs paid by all consumers. The legislation approved in 2010 for co-generation, which represents about half of the additional costs of the Special Production Regime, already envisages the existence of an alternative regime to FIT, with the possibility of the producers selling the energy directly in the market. The application of legislation similar to the case of the renewables, as well as other alterations relative to the consideration of surcharges in the access tariffs, will be assessed and implemented in an integrated manner with other alterations in the electricity system.

The Government will also carry out a **revision of the tax system** related to the various forms of energy, in order to guarantee that it brings about a rational use of energy, encouraging both energy efficiency and emissions reduction. The present tax system in the transport sector, which represents 38% of energy consumption, already encourages the rational use of energy, with taxes levied on fuels and vehicles with higher emissions. The revision of the tax system will take into account the specificities of the Portuguese energy system.

At the same time, while recognising that the access to energy at accessible prices is important both for consumers and for the competitiveness of companies, the Portuguese industrial policy **will strengthen eco innovation and the efficiency of resources in production and consumption,** as well as

complementary measures in the areas of residues and of raw materials and base products. This action includes impact monitoring and assessment, so that the results may be considered in the computation of national objectives for sustainable growth.

### ***Boosting the agenda for internationalisation***

Boosting the internationalisation of the Portuguese economy is necessary to strengthen growth, because only by supporting the production of tradable goods and exports can sustained growth be guaranteed, and the structural correction of the historical external imbalance take place. For this to occur, it is fundamental to have companies that are capable of competing in the global markets. **Exporting more, exporting better and to more countries are the pillars of the policy to boost internationalisation.** The diversification of the markets and the capacity to penetrate those markets that show strong growth is crucial to this process. The public policies must continue playing their role in promoting increasing internationalisation.

The Competitiveness and Employment Initiative, approved in December, includes as one of its five objectives, the improvement of the economy's competitiveness and the support for exports, with a view to creating conditions for entrepreneurs to export more. Among the fifty measures included in the initiative are those supporting SMEs that place store in investment and job creation, through the strengthening of the fiscal incentive for internationalisation and the support for commercial credit insurance. Also envisaged is the launch of the SIMPLEX Exports, which will reduce charges. The public policies in this field will continue to be focused on rebalancing **incentives in favour of the tradable sector, on improving the external image of Portuguese products**, fostering the image of a modern and innovative Portugal, and also the improvement of the networks and logistics of access to the principal markets.

### ***Increased savings and reduction of indebtedness of all the domestic sectors***

The differential between savings and investment verified in Portugal has been reflected in the growing need for external financing of the economy, since the mid 1990s. The economic and financial crisis, and the budgetary consolidation measures adopted, have contributed towards the gradual deleveraging of the Portuguese economy, resulting in a recent increase in the savings rate, as well as in the diminishing current trade balance in 2010. The Government is seeking to bring about more impetus in the **recovery of savings in the private sector** and to reduce leverage, implementing **measures** to simplify and facilitate saving, to promote financial education and literacy, to provide incentives for the budgetary discipline of families and the prudent management of indebtedness, namely by widening the perimeter of supervision to credit brokers, by revising the tax deduction regime inherent to interest and repayments for new home loan contracts, and by strengthening the prudential macro and micro supervision in respect of the granting of credit by banking institutions, implementing the measures described in the SGP.

#### **3.2.2.3. Promoting adaptability to facilitate structural adjustment**

The implementation of an agenda of growth and structural transformation is associated with intense movements of adjustment and of "turbulence"; the adjustment would become more efficient and cost effective if the conditions of adaptability were to be strengthened.

In that regard, it is important to promote an **improved business environment and an entrepreneurial spirit**, and to **improve the conditions for the adaptability and restructuring of the Portuguese economy**.

In the field of **improved business environment and promoting entrepreneurship**, the Government must proceed with its agenda to **reduce bureaucracy, improve regulation and strengthen competition**. That agenda will involve specific actions in areas that enhance administrative simplification, promote efficiency in and effectiveness of the legal system, and modernise and optimise the public administration.

In the field of **improving the conditions of the adaptability and restructuring** of the Portuguese economy, the Government will proceed with the implementation of the measures to improve the **flexibility of the labour market**, and will develop a reform geared to stimulating the **rental market and urban rehabilitation**, thus improving the conditions for mobility in the economy.

***Improvement of the business environment and promoting entrepreneurship: less bureaucracy and improved regulation***

The reform of the public administration and the movement for administrative simplification and modernisation, given impetus by the SIMPLEX Programme, have proved that it is possible to improve the response capacity of the public administration and its contribution towards satisfying the needs of both citizens and companies, leading to greater stimulation of the economy and the business environment.

The Government intends to carry on the work launched in recent years with greater ambition by **examining in depth the State's effort to modernise and improve the public services**, thus serving the interests of citizens and the competitiveness of the Portuguese economy.

With that aim, it will continue to focus its action on **reducing context costs**, carrying on its work towards simplification, thus eliminating former procedures, licences and conditions that were a burden to companies and prejudiced job creation.

It was recently decided to take the following actions: the creation of a **SIMPLEX Exports** programme through the reduction of administrative charges for exporting companies; the launching of the **"ZERO tax for innovation"** programme so as to exempt companies with innovative potential set up by new entrepreneurs from payment of any charge, fees or administrative contribution during two years, excluding tax and social security obligations; the installation of **new "Entrepreneur Counters"**, allowing entrepreneurs to deal with all the formalities relating to the start up and operation of their business in one location, thus avoiding unnecessary travel; and the launch of the **"ZERO Licensing"** programme, aimed at reducing administrative charges for companies by eliminating permits and other prior conditions for anyone wanting to open and run a business, replacing them by increased supervision and mechanisms holding promoters responsible.

***Promotion of competition***

With a view to ensuring the correct functioning of the markets, the Government will continue to foster competition. Measures will be taken to **increase the speed and efficacy of the application of competition rules**, thus providing incentives for a better functioning of the markets.

During 2011, a **specialised court** will be set up to deal with competition matters. Parallel to this, **the structure of competition law** will be **simplified** so that regulatory and administrative offences are clearly separated. Efforts will also be made to **rationalise the conditions that determine the opening of inquiries**, allowing the Competition Authority to make a substantive judgment on the merit of the indictments; this will bring significant gains in efficiency and concentrate means in the infringements of competition law that most affect the economy. The Government will further promote the **elimination of the market share criteria** as an element that imposes the obligation of prior notification of a concentration operation, with the advantage of giving companies the safeguard of having to determine only what volume of business is in question – objective criterion – thus immediately harmonising the Portuguese legislation with the applicable European Union legislation. Lastly, the Government seeks to ensure **greater clarity and legal safeguard** in the subsidiary application of the Penal Procedural Law to regulatory offence proceedings by restrictive competition practices, and of Administrative and Administrative Procedural Law to proceedings for appraisal of the control of concentrations.

### ***Services Sector***

The Government will continue to promote improved market operations in the services sector; this will significantly impact the activities covered, improve the functioning of the services, promote integration of the markets and stimulate competition and competitiveness in the tradable goods sector.

The **consolidation of the implementation of the Services Directive** encouraging the dematerialisation of administrative procedures, the strengthening of consumers' rights and the administrative cooperation amongst the administration bodies, above all will foster a comprehensive and in-depth regulatory reform that will facilitate business and service activities.

The **reform of the licensing regimes** or authorisation of services activities resulting from the implementation of the Services Directive reduces the number of cases in which administrative authorisation is required and, where this remains, limits it to only essential requirements.

**Other alterations** consist of the establishment of the principle of tacit concession, elimination of the quantitative, territorial and temporary limits applicable to the authorisations granted, formal requirements or of the provider's equity capital, minimum number of workers and obligatory tariffs.

The implementation of the ZERO Licensing initiative, the facilitation and simplification of access to regulated professions, or alterations in the legal frameworks in sectors like construction or tourism are among the measures which will strengthen competition in these sectors.

### ***Promotion of the efficiency and effectiveness of the legal system***

There is broad consensus on the importance of the contribution of Justice in protecting the basic rights of citizens and companies, and in furthering Portugal's economic development and competitiveness. The country has reached internationally recognised levels of excellence in the creation of electronic services in the area of registrations and in the elimination of context costs and bureaucratic barriers, thus improving the favourable environment for companies. However, dysfunctions remain in some clearly identified areas, such as pending executive and tax proceedings, or problems in criminal investigation and in the domain of bankruptcies and leasing; these require in depth intervention in

order to preserve the image of the institutions, protect the rights of citizens and companies and defend our economy and the capacity to attract foreign investments. The economic crisis has accentuated the need for a justice system that combats factors of inefficiency and corresponds to the expectations of those facing increased difficulties, by guaranteeing timely decisions with the necessary authority and credibility.

To that end, on 17 February the Council of Ministers determined clear and scheduled priorities for the **adoption of measures seeking to improve the system's operational efficiency**.

Consequently, the in-depth **reorganisation of the courts** is already underway, with new models of court management; **alternative models for the settling of legal disputes** (in the tax domain) have already been established and are being implemented, leading to **procedural simplification and better organisation** (already in place in the penal domain and in the final approval phase in the civil area); improvements will also be made to other judicial means relevant to strengthening competitiveness; and **new means of information** are to be launched for citizens and for the transparency of justice.

The application of the new **judicial organisation model** to the districts of Lisbon and Cova da Beira (reducing the number of jurisdictions there from 231 to 39) will have an extremely positive impact. The new model, already applied successfully in the districts of Baixo Vouga, Northwest Lisbon and Alentejo Litoral, will allow the existing material and human resources to be optimised, concentrating services and giving an adequate response to legal disputes pending, and will resolve human resources management problems quickly and amenably.

In order to **further simplification**, the regime of experimental civil procedure will be applied in the new districts; in an economic formula, the institution of national courts of specialised jurisdiction (in partnership with the municipality of Santarém), will take full charge in matters of intellectual property and regulation, supervision and competition.

This supply of quality and increasingly specialised justice will not only lead to fewer disputes in the commercial courts, but also to quicker and more adequate resolution of legal disputes that cause obstacles to the country's economic development and competitiveness.

The laws and structures in the domain of **bankruptcies** and the laws of **administrative litigation** will also be improved, combating procedural delays.

The investment in **implementing the digital agenda of the Justice sector** and the **improved training** of its professionals is essential to the modernisation process underway. The Government included the courts amongst the priority beneficiaries for the expansion of the new generation networks, so as to provide high security broadband and advanced IT applications (such as CITIUS PLUS, the Application for the Management of Crime Investigation and the Public Ministry Information System). The reform of the recruitment system and initial and permanent training of judges and magistrates of the Public Ministry is being programmed, so that the innovations will be applied already in 2012, to support the management of the change.

Besides the optimisation of the management of existing resources, a new Fund for the Modernisation of Justice is already in the regulation and activation phase; this aims to guarantee the financial sustainability of the necessary reforms.

### ***Modernisation and optimisation of the Public Administration***

The reform of the Public Administration contributes towards large savings in resources, an added value of the Administration's human resources and increased effectiveness of the Public Administration, improving decision-making and reducing the economy's context costs. In that regard, the Portuguese Government should:

- within the context of the supply of shared services in the scope of human resources management, put a **centralized system of staff recruitment** into operation, as from 2012, for the general careers in the State's Central Administration;
- stimulate **collective contracting in the State**, furthering the unprecedented cycle of general and specific professional agreements, as well as collective accords of public employer entities; these began in 2009, and already in 2011 are translated into numerous accords, embracing hundreds of thousands of civil servants, consolidating grounded solutions of human resources management, namely through contractual instruments incorporating flexibility, adaptability and telecommuting;
- encourage **workers mobility**, intra- and inter-service, in the civil service either voluntarily or by obligation, making transversal instruments available in Public Administrations, from 2011, for the publicising of job offers by the Administration, and availability by the worker to exercise functions in a regime of internal mobility between the services and bodies;
- Implement the **2011-2013 Action Plan for the professional training** of all workers in public functions in Portugal, in accordance with the Council of Ministers' Resolution nr 89/2010, aligning the training supply in the State with the strategic axes of initial training, training for quality attendance of the public, refresher courses for managers, training in the context of recognition of performance excellence and also training for administrative modernisation and innovation.

### ***Improved adjustment conditions for the labour market***

A **labour legislation reform was implemented in 2009**, resulting from an accord with the social partners. It aims to: i) promote collective bargaining, at both sector and company levels; and ii) encourage internal adaptability in the company through the flexibilisation of internal mobility, the organisation of working hours and wage bargaining. In addition, various procedures, notably collective dismissal, were also made more flexible. The changes introduced led to a **reduction in the inflexibility of the labour market verified in the OECD**.

With a view to increasing the economy's competitive capacity and promoting greater flexibility of the labour market and job creation, on 22 March 2011 the **Government and the Social Partners started negotiations on Social Contract aiming an agreement about** adjustments in the labour law. The three main areas in question are: the setting up of a **new regime of compensation for the termination of the work contract**, applicable to new work contracts signed after this regime comes into force, with a view to progressively reducing the compensation for dismissal from the current 30 days, to 10 days per year of service, with 10 additional days paid from a fund financed by employers' contributions, making up a total of 20 days of compensation for dismissal. The minimum threshold of 3 months' compensation will also be eliminated and a **maximum of 12 months for the compensations** will be introduced; the new rules will also be applied to fixed term contracts, bearing in mind the lessons learnt from the current crisis. Finally, lay-off procedures will be simplified considerably, as will measures to promote a growing decentralisation of collective bargaining to the company level.

The Government also introduced **important changes in the regime of unemployment benefits**, increasing the incentives to accept job offers and restricting the maximum duration and substitution rates associated with these payments.

With the aim of continuing to improve the way the labor market works in Portugal and its adaptability, the Government will promote the implementation of the measures now approved. In parallel, the Government will continue **through social dialogue to assess the impacts of the measures already taken**, as well as those that are currently being implemented, continuing to promote the adjustments that prove necessary for a better functioning of the market. In particular, it will proceed with:

- the assessment, as from July 2011, of the **unemployment benefit system**, with the aim of increasing the employability of the beneficiaries and improving the system's sustainability;
- an assessment of the **economic situation**, in May and September 2011, when deciding on the revision of the minimum wage. There are no commitments for additional increases in the future, and any decision will also be dependent upon the economic situation and the impact of the minimum wage on the functioning of the regional and sector labour market;
- the assessment of the **current reform of compensations for dismissal** at 2011 year end, including its impact on the segmentation of the labour market. The Government also recognises the relevance of the compensations for existing contracts, and will assess the impact of the reform of those compensations applicable to existing contracts negotiated by mutual agreement between workers and employers, and set up a joint consultation of the social partners on this matter;
- within the context of collective bargaining, the stimulation of **increased flexibilisation of the organisation of working hours**, namely with regard the increased payment for overtime and the reference period to determine the work average;
- within the context of reform of the **justice system** underway, the **optimisation of all procedures**, particularly those regarding individual and collective dismissal, with the aim of strengthening the mandatory application of the alterations introduced in the Labour Code;
- the assessment of the **impact on the competitiveness** of the sectors and companies when collective work contracts are extended.

### ***Reforms in the rental market and promotion of urban rehabilitation***

The construction sector carries a significant weight in the Portuguese economy, and is responsible for a very relevant part of investment and employment. The long tradition of the construction industry is shown today in an accumulation of national technical capacities of great value; this mobilises countless activities and industrial clusters with a multiplying effect which are strongly geared to exports both upstream and downstream of the production chain.

But Portugal is one of the European countries in which the restoration work on residential buildings carries least weight in the total production from construction. The country has not been able to reverse this trend and generate dynamics that can respond to the degradation of the urban centres; this has very significant implications in the quality of life of residents and visitors alike, in the attraction of cities and in the sustainability of urban development itself.

The Government has followed the crisis experienced in the construction sector with concern, a crisis which has worsened as a result of the current economic situation. Parallel to the effort of budgetary consolidation - necessary to ensure financing conditions for the Portuguese economy - conditions



should be created for a more rapid recovery of economic growth and employment. The construction sector could make a fundamental contribution to this.

Thus, the Government believes that the **stimulation of the construction sector should be directed towards a new paradigm**, i.e. that of **urban restoration and conservation and upgrading of buildings and urban spaces**. In this regard, urban restoration needs to be positively differentiated from new construction through a set of incentives, namely financial and tax incentives, and a drastic reduction in context costs.

Simultaneously, and given the present context of the heavy burden of home loans in the total indebtedness of families, the Government believes it opportune to give a **new impulse to the rental market**, strengthening confidence in putting properties up for rent. This will stimulate the increased **supply of and solutions for family dwellings** which also contributes towards better conditions of job mobility.

In order to promote urban rehabilitation and to stimulate the rental market, **measures are adopted in three areas**. Firstly, the **simplification of procedures** to carry out the restoration of urban buildings, with less bureaucracy to obtain permits for these works, and thus a reduction of context costs. Secondly, **increasing mechanisms to ensure that the owners have the necessary means to react to non-compliance of a rental contract**, with the rapid resolution of the problem, in order to stimulate the rental market and increase the offer of properties for rent. Finally, **financial and tax incentives for urban rehabilitation**.

## 4 –SMART GROWTH

### 4.1 Objective: R&D and Innovation

#### 4.1.1 R&D Objective: a *Commitment to Science for 2020*

**Aim in 2020:** Intensity in R&D (GERD /GDP) between 2.7% and 3.3%, of which 1.0% to 1.2% in the public sector and 1.7% to 2.1% in the private sector.

**Intermediate aim, in 2014:** to reach the European average of 1.9% in terms of R&D Intensity (GERD /GDP).

Portugal finally emerged in the last few years as a country that has overcome its chronic scientific delay. The public and private R&D expense has been rising consistently, reaching 1.71% of the GDP in 2009 (vis-à-vis only 0.81% in 2005, and 0.68% in 2001.) This investment has been followed and made possible thanks to the significant increase in the number of researchers: in 2009 they represented 8.2 per thousand of the active population (compared with only 3.8‰ in 2005, and 3.3‰ in 2001), a figure that was already above the European average, although with levels still below those for more developed countries and regions of the same size. In brief, in just 4 years both the intensity in R&D and the percentage of researchers in the active population more than doubled. These were by far the greatest increases verified in EU countries. It is within this context that the increase in R&D intensity should continue to contribute towards the rise in productivity and to the change in the structure of Portuguese exports, already representing valuable capital for the modernisation of our economy.

Reaching the proposed target **depends upon:**

- Perseverance of public policies investing in scientific and technological development and in innovation in Portugal;
- Continuing to give budgetary priority to development in scientific research and business innovation in a context of demanding budgetary consolidation;
- Continuity and reinforcement of structural funds (ESF) to support scientific training and employment and to obtain better social conditions for young researchers and in this way also encouraging technology-based entrepreneurship founded on knowledge;
- Availability of European policy tools to attract and establish researchers and highly qualified workers from outside the EU, to capacitate research centres and top quality scientific networks, and launch technology-based companies;
- The capacity for the continued expansion of the more innovative entrepreneurial sector.

Meanwhile, the State Budget Law for 2011 approved by Parliament in November 2010 relaunched the R&D fiscal support system in companies (SIFIDE II, 2011-2014) with special emphasis on expenses incurred contracting doctorates, guaranteeing one of the most attractive fiscal support systems for companies in the European area.

It is now evident that the growth dynamics of scientific capacities, as well as scientific production, technological development and the link between universities and companies, and its relevance and national and international recognition, is one of the main assets for the future of the country today. The growth potential is still significant, both in the public and private systems and in companies in particular, and so the "**Commitment to Science 2020**" Programme is proposed, which includes the

three main action groups so as to strengthen the investment in people, institutions, and internationalisation.

## Action Lines: People, Institutions, Internationalisation

### 1. People: training, attracting and employing more researchers

There were more than 93 000 of researchers in 2009 (about 46 000 in full-time equivalent, FTE), compared with approximately 38 000 in 2005 (21 000 FTE). At the same time, the total number of people in R&D exceeded the one hundred thousand people threshold in 2009, which means this indicator more than doubled between 2005 and 2009. This growth was more evident in the private sector, where the number of researchers in companies tripled to about 18 000 in 2009. However, it is clear that there is a major potential for growth in the highly qualified human resources field. In fact:

- The potential for an increase and establishment of human resources in R&D persists in every region of the country, notably in the centre and north, as about half the number of researchers work in the Lisbon and Tagus Valley region (45%), 27% in the North region, and 19% in the Centre.
- Even considering the Lisbon region, only about 3% of the total employed population works in R&D activities, whereas in many European regions this number is approximately 5%, including regions in Austria (Vienna), the Czech Republic (Prague), the United Kingdom (Inner London), Slovakia (Bratislavský kraj), Norway (Oslo og Akershus) and Denmark (Hovedstaden), and about 4% in many other regions, including the United Kingdom (Buckinghamshire and Oxfordshire), in Finland (Etelä-Suomi, Pohjois-Suomi), Germany (Stuttgart, Oberbayern), Norway (Trondelag), Belgium (Brussels), or Sweden (Stockholm);
- Despite the increase in the number of new PhD degrees to about 1600 per year in 2009 (52% of which go to women), this number is still relatively low compared to other countries. Whilst there are about 3 new doctorates for every 10 000 inhabitants of the active Portuguese population every year, there are currently twice as many in Switzerland, Slovakia, Sweden and Finland.

Therefore, the action line considered is based on the following principles and initiatives so as to encourage the concentration of researchers in Portugal with reference to the best European levels:

- **Attract more European funds**, whether from the EU's R&D Framework-Programme, or from the NSRF itself, and also by mobilising private funds for S&T in partnership with public institutions. A joint programme with the European Commission will be in effect in Portugal as of 2011 to attract scientists from outside the European Union to Portugal;
- **Increase the excellence of doctoral programmes**, in close cooperation with other countries, strengthening the strategic partnerships developed in the last few years with American Universities and encouraging institutional cooperation in Europe and Brazil, namely through joint PhD degree and advanced training programmes;
- Encourage and systematise the **contracting of researchers with PhDs**;
- Encourage the **promotion of a Scientific Culture**, based on action by the National Agency for Scientific and Technological Culture (Living Science).

### 2. Institutions: strengthen the position of institutions and their link with companies

The increase in the number of human resources in R&D has made it possible to double the average size of research units and centres in Portugal between 1996 and 2007, to reach an average of 23 PhD researchers per unit and an average of 58 doctorates per Associate Laboratory. Furthermore, scientific employment was encouraged by means of a programme launched in 2007 which meant that over 1200

PhD researchers were contracted on a competitive basis for five year periods (41% of whom are foreigners). This evolution was accompanied by a 25% increase in the number of technicians providing support to R&D activities in institutions between 2007 and 2008, when it reached about 5,000 FTEs. Strengthening scientific institutions and promoting their position in society, including their link with the business sector, means that the following **initiatives** must be taken:

- In 2011-2014, prepare a **programme to train new generations of technicians, including the rehabilitation and safety of laboratories and the development of sustainable buildings** capable of responding to the new technical, energy, and environmental demands, as well as **reorganisation of research institutions** and **creation of R&D consortia**. Within the scope of this programme, the safety conditions in scientific laboratories will also be improved;
- Development of **instruments to enable access to scientific information**, and encourage the **expansion of the national new generation communication network** providing support to academic and scientific activities and services associated to the **availability of online contents**, monitoring and stimulation of the **Internet network**, and other **info-inclusion** measures and instruments, creating mechanisms for greater coordination of the policy instruments in this area and greater participation and cooperation of public and private actors;
- Boost the **collaboration among scientific institutions, universities and companies**, following the progress made in the last few years, particularly persisting in investments to galvanize R&D consortia in areas of national and international relevance, including energy and transport, non-energy raw materials (including the integrated and sustainable extraction and exploration technologies, and also technologies in areas such as recycling, replacement of materials, and resource efficiency), product engineering, oil exploitation, information and communication technologies, bioengineering, and also agricultural production, namely via the renewal and strengthening of current international partnerships (MIT, Carnegie Mellon University, Harvard University, and Texas University in Austin), and promotion of new partnerships;
- **Promotion of the “ICT Portugal” network** by motivating R&D activities in strategic areas for the information and communication technology sectors in Portugal, fostering development and international dissemination of knowledge based services of greater added-value, namely by bolstering the strategic cooperation between Portuguese groups and Carnegie Mellon University;
- **Promotion of the Portugal Nano Network** and its international affirmation by stimulating R&D activities in nanoscience and nanotechnologies in collaboration with companies, strengthening both the national and international position of the International Iberian Nanotechnology Laboratory (INL), as well as the collaboration efforts already initiated with MIT;
- Launch a **programme boosting Maritime Science and Technologies**, focused on areas that provide greater scientific opportunities and economic impact – biotechnology, living resources, coast line, geology, energy, climate – and, in a first phase, on the scientific activity in Deep Sea Waters;
- Launch of an **inspirational programme to strengthen stem cell research and in clinical therapies** based on regenerative medicine, alongside the current modernisation process of its respective legislation, encouraging multidisciplinary and multi-institutional based R&D consortia, including the interaction among R&D centres, hospitals, and scientific companies;
- Continued **consolidation and reinforcement of the R&D fiscal support system in companies**, particularly in the case of expenses incurred by contracting PhDs;
- Continued investment in **international training of transfer and technology trading technicians** at universities and research and development laboratories, experts in developing close relationships between the scientific community and companies, so as to promote the transfer processes of the results of scientific research to the market, as well as the scientific research activities jointly carried out by laboratories and the business sector;

- Development of the current **investment system in R&D associated to major projects**.

### **3. Internationalisation: Increasing support for the insertion of researchers and scientific institutions in international knowledge production and dissemination networks.**

National scientific production was up 71% between 2005 and 2009, when measured in terms of publications in scientific journals of international reference. However, the number of publications per million inhabitants in Portugal (703 publications) is still low compared to more developed European countries (1831 articles in Sweden, 1777 in Denmark, 1578 in Finland, and 1537 in the Netherlands). At the same time, the number of Portuguese patents published in the European registry has more than doubled since 2005 (86 patents in 2008), whereas the number of patents registered in the United States was more than triple between 2005 and 2008 (27 patents in 2008). Also, the number of national patents submitted by universities and research centres has almost trebled since 2005, with 139 patents submitted in 2008 (only 55 in 2005).

This is the context in which an action line must be established to strengthen the support given to introducing researchers and scientific institutions in international knowledge production and dissemination networks, boosting the Portuguese participation in the EU's Framework Programme, but also the strategic collaboration with major North American institutions. Cooperation should also be encouraged within the scope of the Community of Portuguese Language countries, with Mediterranean countries of North Africa, Gulf countries, and emerging countries (China, India, Brazil, and South Africa):

- Intensify the **international cooperation efforts between companies and universities**, both within the scope of increasing Portuguese participation in the EU's Framework Programme, as well as renewing and strengthening current international partnerships (MIT, Carnegie Mellon University, Harvard University, and Texas University in Austin), including beginning new partnerships focusing on thematic lines in close collaboration with the private sector and companies with international connection, facilitating:
  - a) Scientific excellence and employability of doctorate researchers in Portugal;
  - b) Thematic S&T networks aimed at increasing companies' capacity to export and access emerging markets;
  - c) The development of internationally relevant demonstration units and projects (test beds) involving local actors and companies on the Continent and in the Autonomous Regions of the Azores and Madeira;
- Promote and encourage **professionalisation and internationalisation of the transfer and commercialisation network of technology offices, and support for entrepreneurship** (namely via the "University Technology Enterprise Network", UTEN);
- Boost **scientific and technological cooperation with the USA** by strengthening current partnerships as a way of showing the Atlantic competitive differentiation of our position in the EU;
- Promote the increase in **scientific and technological cooperation among Portuguese speaking countries** by fostering scientific activities with the Community of Portuguese Speaking Countries (CPLP), aiming at mutually strengthening qualifications, institutions, and scientific capacities, and the international affirmation of the scientific and technological capacities of the Portuguese speaking area. It is within this scope that the Global Science Programme must be envisaged. The tenders and assessment of this Programme have already taken place in 2010, and its final approval from the UNESCO Centre for advanced training in Science in the CPLP is expected in 2011;

- Promote **scientific and technological cooperation with Mediterranean countries** in northern Africa, as well as with **emerging countries** (India, Brazil and South Africa);
- Encourage the **participation of Portuguese institutions in international scientific infrastructures**.

#### 4.1.2 Innovation Target: A National Agenda

Although no target has been defined at European level, Portugal believes it is important to set a national target for innovation, continuing the efforts made in this domain. Therefore, the **national target** established is as follows:

**Target for 2020:** Move from the group of “moderate innovators” to the “follower-the-leader” group, exceeding the European average in the IUS – Innovation Union Scoreboard.

**Target for 2014:** reach the IUS European average.

The **evolution in Portugal in terms of Innovation and R&D** has been noteworthy in recent years. This has been possible thanks to the efforts made by companies, by those promoting Innovation, by the institutions of the National Technological and Scientific System, and the impact of measures and public incentives which have resulted from the priorities of the Technological Plan.

According to the **European Innovation Scoreboard 2010** (EIS 2010), Portugal is up again in the innovation ranking, moving from 16<sup>th</sup> to 15<sup>th</sup> position within the context of EU27. Portugal grew more than any other country in the “moderate innovator” group, and now it not only leads the group, but it is also the country that grew most in the European Union. Portugal was the EU27 country which made the most progress in terms of Innovation during a 5-year period, at a rate almost 10 times above the European Union average. Portugal was also the European country which advanced most in indicators on company expense in R&D, in the percentage of 20 to 24 year-olds to have finished secondary school, and in the percentage of innovating companies collaborating with other companies. The growth in business R&D has the necessary conditions to remain sustainable because it is based on a great expansion in the number of companies with R&D activities, which rose from about two hundred companies to approximately two thousand between 1995 and 2009.

Despite this good performance, efforts must continue so that the even more ambitious targets can be reached; the current National Reforms Programme is the framework required to set a Portuguese target for the “Innovation” objective until 2020.

### Action Lines

Reaching the established targets means that in the coming years, and despite the difficult budgetary context, there must be continued investment in Innovation and Knowledge, contributing towards increasing the competitiveness and well-being, namely by developing **two strong action line**:

- Implementation of the “**Digital Agenda 2015**” – an initiative within the scope of the Technological Plan, aimed at encouraging the Digital Economy, focusing on five priority areas of intervention – New Generation Networks, Better Governance, Education par Excellence, Proximity Health, and Intelligent Mobility;
- Optimisation of the “**Innovation Portugal 2020**” initiative aimed at increasing the existing knowledge base and stimulating innovative initiatives that generate value and are export-oriented.

**1. Digital Agenda 2015 – a public search agenda used to improve the services provided and create new products and solutions for the global market.**

The Digital Agenda 2015 (approved by the Council of Ministers Resolution nr. 91/2010, dated 19<sup>th</sup> November), in line with the Emblematic Initiative at European level, aims at investing in **improving the services provided** to people and economic agents using the New Generation Networks and supporting companies and business consortia to **internationalise and export** the goods and services developed.

Until 2012, Portuguese society should invest approximately **2.5 billion euros** in developing added value services and in creating an infrastructure that can increase the user's interconnection bandwidth nationwide. Operators will be investing **approximately 1100 million** in fibre infrastructures installed in the market; **600 million** will be invested by the various market agents to develop services and contents, and **750 million** in developing and modernising networks. **The rural networks programme**, the only one with direct public funding, **will mobilise 200 million Euros, including 106 million in public share**, to ensure universal and equal access.

This wager is focused on the development of **26 measures<sup>2</sup>** that enable **five priority areas of intervention**:

**New Generation Networks (NGN)** – Installation of a telecommunications network on a national level, with high transmission and bandwidth capacity, that will encourage the creation of high added value services for citizens and companies, and also contribute towards reducing carbon emissions and promoting national equality and unity both socially and economically. **Target: Reach 100% coverage nationwide in terms of land NGNs until the end of 2012 and mobile until the end of 2015.**

**Better Governance** – Guarantee that citizens and companies have access to better public services, complementing the already high threshold of services available online, as well as identifying and encouraging solutions with an impact on Portuguese society and with high export potential. **Target: Ensure that Portugal remains an example in terms of availability and sophistication of online public services, increasing the use of such services by 50% and doubling exports resulting from internationalising the solutions developed, by 2015.**

**Excellence in Education** – Create platforms that motivate the different actors in the educational community to implement practices that encourage the use of ICT tools in a learning and teaching environment, and that motivate the contents market within the context of the area where Portuguese is the official language. **Target: Consolidate Portugal's position as a country of reference in providing and using the NGN-EICT as tools to improve the teaching—learning processes.**

**Proximity Health** – Develop and implement intelligent platforms that optimise proximity health care services, generating solutions capable of being exported to other markets. **Target: A basic record of each citizen's health data will have been created by the end of 2012, and accessible online. By the end of 2015, complete records will be available and prepared to be integrated in the European context.**

**Smart Mobility** – Develop mobile technological solutions and solutions that support intelligent mobility and energy optimisation, with a strong national technological incorporation, based on the national information technology skills, on the smart grids, and on the knowledge of technologies associated to electrical mobility, generating "exporting clusters" that will work very closely together with the competitive centres and already existing industrial clusters. **Target: Place Portugal as a country of reference within the development of sustainable**

<sup>2</sup> See in [http://www.portugal.gov.pt/pt/GC18/Documentos/MEID/Agenda\\_Digital\\_2015\\_Brochura.pdf](http://www.portugal.gov.pt/pt/GC18/Documentos/MEID/Agenda_Digital_2015_Brochura.pdf)

**mobility, developing an industrial cluster and producer / exporter services with sustainable solutions.**

## **2. “Innovation Portugal 2020” – an agenda mobilising civil society and focusing on the public policies promoting innovation.**

With a view to **boosting the country’s capacity to Innovate**, making use of the results achieved in recent years and the technological basis and accumulated knowledge, encouraged by the implementation of the Technological Plan, the aim is to stimulate Portuguese society towards a **new impetus in realising innovative initiatives and practices** which will create wealth, growth, employment and exportations, materialised by an **Agenda for Innovation**.

Six theme meetings took place with the civil society during January and February, 2011, involving about 300 participants from society and a public consultation process<sup>3</sup>. This project, implemented by **COTEC Portugal (Business Association for Innovation) and by the Innovation Agency (AdI)**, led to a proposal with **three priority areas** in terms of innovation policy, brought about by strengthening some current activities and developing new initiatives (initiatives up to 2013 benefit from NSRF support for R&D and Innovation, namely from the Enterprise Incentives System) to speed up the process of placing new products and services on the market<sup>4</sup>.

### **2.1. Make the financial and fiscal framework more appealing to innovation and encourage the introduction of own capital in companies, by:**

- **SIFIDE II**, continuing and reinforcing the Tax Incentive System for R&D for 2011-2015, starting also to benefit SMEs operating for less than two years, and continuing to support companies contracting doctorates (approved in the 2011 State Budget);
- **Zero Rate for Innovation** - a measure directed at innovative SMEs and start ups investing in research and development, so that these companies are exempt from paying charges and fees due for services by the State’s direct and indirect central administration such as, for example, those due when registering the company or when requesting authorisation and setting up of a factory (approved in the Council of Ministers on 10th March, 2011);
- **Support funding and capitalisation of companies:**
  - Resolution of more immediate liquidity constraints so as to withstand the rise in investment in production, economic and structural modernisation. Actively support the change to the funding model of a major part of Portuguese companies - excessively based on bank credit/resorting to foreign capital – promoting initiatives to boost own capital, namely by accessing the capital market and the various instruments of private risk capital (measure within the scope of the “Competitiveness and Employment” initiatives);
  - Increase the opportunities created by the mechanisms of public and private risk capital, attracting more investments with a high innovation potential<sup>5</sup>, integrating the Portuguese economy more fully into the funding circuits per risk capital and similar

<sup>3</sup> Public consultation process for “Inovação Portugal 2020”: <http://cotecportugal.pt/?audicaopublica=1&Itemid=387>.

<sup>4</sup> The measures listed are a first set of initiatives to begin in the short term, whereby “Inovação Portugal 2020” must be seen as an agenda open to new initiatives throughout the coming years.

<sup>5</sup> Support for 23 applications for Risk Capital Funds and Business Angels (Innovation and Internationalisation, Corporate Venture Capital, Early Stage and Pre-Seed), under analysis in COMPETE/POFC; this total €222m, corresponding to a €114m incentive.



instruments on an international scale. The aim is also to take advantage of the investment potentials found in the Portuguese Diaspora<sup>6</sup>;

- Analyse and try to correct the provisions in the Portuguese tax system that may penalise the investment made by entrepreneurs/shareholders in their companies;
- Increase the role played by the incentive systems for companies, in particular SMEs, providing a springboard for private investment, focused on innovation and on promoting exports.

## 2.2. Accelerate the production and integration of innovative products in global markets:

- **SME Innovation Portugal**, aimed at annually rewarding the SME with the most innovative products and services, favouring solutions oriented at global markets;
- **PatentInova** – mechanism supporting SMEs for the international **registration and trade** of patents;
- **Innovation Areas**: aimed at accelerating the arrival on the market of Innovation and Entrepreneurial R&D, disseminating Portuguese technology and the solutions oriented towards the global markets (e.g. by attending main events/national and international fairs, or in public places with international visibility). This initiative also aims to bring Portugal's concrete R&D results closer to the major world buyers of high tech products and potential specialised investors, also on a global scale.
- **SIMPLEX exports**: measure aimed at simplifying procedures and reducing bureaucracy for exporting companies (measured within the scope of the "Competitiveness and Employment" initiatives);
- Renewal of support given to external promotion, to innovation and to increasing qualifications of qualified staff – **INOV-Export** (measured within the scope of the "Competitiveness and Employment" initiatives);
- Strengthening of the **competitiveness clusters and centres** policy aimed at increasing the articulation between companies and bodies of the SNCT, in a logic to create territorial dynamics and develop knowledge centres and innovative solutions for the global markets;
- Investment in **eco-innovation**, as an area susceptible to creating new products and new jobs, and generating innovation in traditional sectors. Encourage the search for eco-efficient services and products through an **ecological public procurement** policy, namely by **reviewing the current Ecological Public Procurement Strategy** and the implementation of the Digital Agenda measures;
- Stimulate greater development and internationalisation of the **cultural and creative industries**, orientated towards production, distribution and consumption of high added value goods and services that result in synergies and complementarities with strong competitive, innovative and internationalisation potential.

## 2.3. Reinforce the entrepreneurial capacity, the creation of technologically based companies, the experimental teaching component and school / company interaction:

- **Zero Licensing**: measure aimed at reducing the bureaucratic load associated to the economic activity and administrative expenses for companies. The aim is to simplify

<sup>6</sup> For example, through the entrepreneurial award **Prémio Empreendedorismo Inovador da Diáspora Portuguesa**: <http://www.cotecportugal.pt/diaspora/>.

the regime to install and modify various economic activities by eliminating licenses, authorisations, validations, authentications, certifications, communications, records and other permissive acts, replacing them with greater supervision of those activities and heavier sanctions (already approved by the Council of Ministers);

- **Reduction of the minimum share capital** to establish a company. The share capital can now be defined freely by the partners (the limit is 1 euro), replacing the current obligation that the share capital be a minimum of 5000 euros (already approved by the Council of Ministers);
- Encourage **Open Innovation**, both in Public Administration and in companies, for example, through initiatives such as the expansion of the **FabLabs** network - process through which citizens, companies, researchers and public institutions work together (by "co-creating") to innovate faster and more effectively;
- Encourage **companies' participation**, namely associated to research bodies, in global R&D programmes, particularly those promoted and co-financed by the European Union;
- Improve the articulation of the **Incubator Network** in Portugal. Aimed at creating synergies and raising the levels of efficiency, and developing a more favourable setting for the creation and development of companies with a technological base, promoting differentiating territorial dynamics that also generate wealth.
- **Entrepreneur Desk**, "one stop shop" for support mechanisms for entrepreneurs, namely with regard to the start up of companies, financing, internationalisation and qualified employment incentives (measure within the scope of the "Competitiveness and Employment" initiatives);
- Give greater encouragement to an **entrepreneurial culture in the education system**. The aim is to intensify the **experimental component** in basic and secondary education, promoting greater articulation between schools, companies and other local bodies, taking advantage of experiences of programmes such as the "**Think Industry**" (by RECET) or "**The Company**" (by Junior Achievement Portugal), also increasing the efficiency of mechanisms to encourage entrepreneurship in higher education;
- Foster **innovation in the social area**, stimulating the development of platforms that foster cooperation, good practices and learning among social innovators, entrepreneurs, NGOs and policy decision-makers, as well as a better context for entrepreneurship in the social area.

#### 4.1.3 Summary Table: R&D and Innovation Objective

Action Lines	Main measures	Time line /Execution indicators	Budget impact
<b>R&amp;D – COMMITMENT TO SCIENCE FOR 2020</b>			
<b>People:</b> Training, attracting and employing more researchers, encouraging the concentration of researchers in Portugal	<ol style="list-style-type: none"> <li>1. Increase the attraction of European funds</li> <li>2. Raise the excellence of PhD courses offered, with close international links</li> <li>3. Encourage and systematise the hiring of PhD researchers;</li> <li>4. Reinforce the stimulus for scientific experimentation in schools, and the dissemination of scientific culture in society in general through the <i>Living Science</i> Network</li> </ol>	<ul style="list-style-type: none"> <li>• Increase the number of people employed in R&amp;D-related activities by 30%</li> <li>• Increase employment of PhDs in companies by 20%</li> <li>• Double the number of highly qualified foreign workers and scientists established in Portugal</li> </ul>	Maintain the annual increase of funding for S&T activities
<b>Institutions:</b> Strengthening and promoting	<ol style="list-style-type: none"> <li>1. Strengthen the institutional assessment mechanisms so as to increase the system's</li> </ol>	<ul style="list-style-type: none"> <li>• Double the ratio of technicians per researcher</li> </ul>	

scientific institutions and their position in society, including their connection with the business sector, reinforcing R&D activities in companies:	<p>efficiency</p> <p>2. Adopt reorganisation methods, stimulating the concentration of critical masses, fostering R&amp;D consortia</p> <p>3. Encourage training of new generations of technicians, particularly those oriented to safety in laboratories</p>	<ul style="list-style-type: none"> <li>• Double the total number of researchers in companies</li> </ul>	
<b>Internationalisation:</b> Strengthen support given to introducing researchers and scientific institutions in international networks of knowledge production and dissemination.	<p>1. Strengthen international partnerships and networks in Europe and in the USA, orientated towards S&amp;T theme networks that encourage scientific excellence and employability of PhD researchers in Portugal</p> <p>2. Promote S&amp;T theme networks aimed at increasing companies' capacity to export and access emerging markets;</p> <p>3. Encourage the reinforcement of the scientific and technological cooperation between Portuguese speaking countries</p> <p>4. Promote scientific and technological cooperation with other regions in the world, namely in Asia, Latin America, and also Mediterranean countries in northern Africa and in the Gulf.</p>	<ul style="list-style-type: none"> <li>• Double the national scientific production internationally acknowledged;</li> <li>• Strengthen S&amp;T theme networks aimed at increasing companies' capacity to export and access emerging markets;</li> </ul>	
<b>INNOVATION</b>			
<b>Digital Agenda 2015</b>			
<b>New Generation Networks (NGN)</b>	<p>1. New Generation Broadband for all;</p> <p>2. Services based on the NGNs for development the economy and society;</p> <p>3. Platforms to support companies;</p> <p>4. Development of industrial network EICT and NGN industrial skills for internationalisation</p>	<p><b>End of 2012:</b> 100% national coverage in terms of land NGN.</p> <p><b>End of 2015: 100% national coverage in terms of mobile NGN.</b></p>	<p>1100 million will be invested by operators in fibre infrastructures installed on the market</p>
<b>Better Governance</b>	<p>1. Public Multi-Channel Tailored Services;</p> <p>2. My Company on the Internet;</p> <p>3. Zero Licensing;</p> <p>4. Open Administration;</p> <p>5. Participative Budget;</p> <p>6. My accounts and my schedule</p>	<p><b>End of 2015:</b> increase the use of online public services by 50%, doubling exports resulting from the internationalisation of the solutions developed.</p>	<p>600 million will be invested by the various market agents on the development of services and contents</p>
<b>Excellence in Education</b>	<p>1. Student, Teacher, and Guardian Areas;</p> <p>2. Virtual Learning Platform;</p> <p>3. Virtual exercise portfolios;</p> <p>4. Portuguese Language CyberSchool;</p> <p>5. Online Enrolment and Certificates;</p> <p>6. Virtual Mathematics Tutor</p>	<p><b>End of 2015:</b> Consolidate Portugal's position as a country of reference in providing and using the NGN-EICT as tools to improve the teaching—learning processes.</p>	<p>750 million in development and modernisation of networks.</p>
<b>Proximity Health</b>	<p>1. New Generation Health Network;</p> <p>2. Electronic Health Record (RSE);</p> <p>3. Online Access to Health Services;</p> <p>4. Tele-Health Services for the Elderly Citizen and/or with Chronic Disease;</p> <p>5. Paper-free Clinical and Administrative Processes at Hospitals;</p> <p>6. Dematerialisation of the Prescription of Medication and MCDTx;</p> <p>7. Transmission of Advanced Clinical Emergency Information from the Intervention Site</p>	<p><b>End of 2012:</b> creation of a basic record of each citizen's health data accessible online.</p> <p><b>End of 2015:</b> information available through complete records and prepared for integration in the European context.</p>	<p>The rural networks programme, the only one with direct public funding, will mobilize 200 million Euros, including 106 million in public shares to ensure universal and equal access.</p>
<b>Smart Mobility</b>	<p>1. Total Portugal Pass;</p> <p>2. Infrastructure to support Intelligent Mobility;</p> <p>3. Mobi.E platform for the dissemination of electrical vehicles</p>	<p><b>End of 2015:</b> Place Portugal as a country of reference within the development of sustainable mobility, developing an industrial cluster and producer / exporter services with sustainable solutions.</p>	
<b>Innovation Portugal 2020</b>			

<p><b>Make the financial and fiscal framework more appealing to innovation and encourage the introduction of own capital in companies</b></p>	<p>1.SIFIDE II 2011-2015; 2. Zero Rate for Innovation; 3. Support company capitalisation and funding</p>	<p><b>SIFIDE II:</b> - In force until 2015. - It is estimated that it may benefit approximately 2000 companies/year. <b>Zero Rate:</b> - In force until July 2014; - 1000 Companies per year. - It is estimated that these companies may save approximately €3m in total</p>	<p>Support within the NSRF and the State Budget</p>
<p><b>Accelerate the production and integration of innovative products on global markets</b></p>	<p>1. SME Innovation Portugal; 2. PatentInova; 3. Innovation Areas; 4. SIMPLEX exports; 5. INOV-Export ; 6. Reinforcement of the clusters' policy and competitiveness centres; 7. Pledge in eco-innovation; 8. Development and internationalisation of cultural and creative industries</p>	<p>To be defined</p>	
<p><b>Boost entrepreneurial capacity, the creation of technologically based companies, the experimental teaching component and the school / company interaction</b></p>	<p>1. Zero Licensing; 2.Reduction of minimum share capital to start company; 3. Encourage Open Innovation; 4.Stimulate Internationalisation of Portuguese R&amp;D; 5.Improve the articulation of the Incubator Network in Portugal; 6.Entrepreneur Desk; 7. Increase the stimulation for an entrepreneurial culture in the teaching system; 8. Foster greater innovation in the social field.</p>	<p>To be defined</p>	

## 4.2 Objective Education: A National Endeavour

**More and better education** is the underlying purpose of this objective, attainable by reducing drop out rates within the educational and vocational training systems and by increasing the number of graduates in higher education.

### 4.2.1 Target - Reduction of drop out rate from the Educational and Vocational Training System

**2020 Target:** 10% drop out rate from the educational and vocational training systems

**2014 Target:** 15% (mid-term evaluation)

**Target scheduling until 2014:** 2011 – 27%; 2012 – 23%; 2013 – 19%

The accomplishment of the non-higher education component in this objective is based on a set of **reforms underway** that aim to increase Portuguese students' **basic competences**, ensure **12 years of compulsory education** and strengthen the role and **autonomy of schools**. Over the last decades, Portugal has made a very significant effort to recover from the educational and vocational training weaknesses of the Portuguese population.

The reduction of drop out rates within the educational and vocational training systems, the significant increase in the number of youths attending secondary level vocational training courses, the increment of the adult, especially female, population involved in processes for the recognition, validation and development of competences, are examples of objectives that were clearly met by means of public policy intervention over the last 6 years. Despite **very significant improvements** through the public

policies of education and vocational training, some constraints still remain, among which we underline the drop out rate in the educational and vocational training systems which is still higher than that of the European Union (in Portugal the rate is 31.2% vis-à-vis 14.4% for EU27).

The qualification structure of the employed population has altered very significantly in recent years. At present, there are more employed people with secondary and higher education than employed people with qualifications up to the 1<sup>st</sup> cycle of basic education; this was not the case in 2006. Although in recent years, public education and vocational training policies have resulted in very significant improvements, some **constraints** still remain in these areas:

- The drop out rate in the educational and vocational training systems remains higher than the European Union rate (31.2% in Portugal vis-à-vis 14.4% for EU27);
- The relative weight of workers with school qualifications up to basic education is still above the European Union average (63% of the employed population – aged 20 to 64 years - in Portugal had school qualifications only up to basic education compared with 21% in the EU27 in the 2<sup>nd</sup> half of 2010).

Progress has been made in the last decade, mostly in the last 6 years, through a set of policies to improve public schooling – diversification of supply at secondary level, implementation of projects to prevent and correct low achievement and drop out situations in schools, rationalisation of the school network that improves pupils' integration throughout the various education cycles. It is therefore expected that the 2020 target will be reached.

Accordingly, the Government proposes the **continuation of measures**, the results of which were visible in the reduction of the drop out rate from 35.4% to 31.2% in just two years, **namely**:

- **Education Programme 2015.** Aimed at improving 3 basic indicators of educational quality: the results in the Portuguese and Mathematics national exams; the repetition rate; and the drop out rate, and it seeks to commit each school cluster to quantifying its contribution so that the national targets for 2015 are achieved;
- **Extend compulsory education up to the age of 18.** This measure aims to establish secondary education as the minimum level of qualification for the Portuguese population. Pupils enrolled in the 7<sup>th</sup> grade this school year are required to remain at school up to the age of 18. The pupils from low income families can have access to grants. It is expected that in the 2013/2014 school year, the completion rate of secondary education will be 87.5%, which means we will be able to meet the 2020 target;
- **The New Opportunities Initiative.** Its various intervention axes, focusing on training supplies for youths and adults are central to the policy of extending compulsory education and recovery from the qualification deficit. This initiative has **diversified the educational supply** for youths, especially in secondary education, through strengthening not only **vocational training** but also the **education and vocational training supply** in Basic Education. At this moment, the target of 50% of the pupils enrolled in secondary education attending vocational training has almost been achieved. Within this initiative, the **reorganisation of the educational and training guidance services** is underway. The proposal for its reorganisation will be presented in 2011 and it is expected that the new services will be implemented in the 2011/2012 school year. We intend to improve the quality of the educational and training guidance by integrating approaches and resources and doing away with current weaknesses. This reorganisation aims to reach all the population involved in the New Opportunities Initiative, and is therefore a **lifelong guidance service**;
- **The reorganisation and rationalisation of the school network.** This is based on Portugal's unparalleled effort to upgrade and modernise the school park; it is structured in two axes: the closing of small schools and the creation of new management units by aggregating the existing ones. These measures foster educational achievement and greater efficiency in the allocation of resources, at the administrative and logistic level and also in human resources.

**The target scheduling** we propose results from the forecast of continued results and impacts on the system of the New Opportunities Initiative measures in the supply of both vocational training and adult education. It also results from the foreseeable impact of the extension of compulsory education up to the age of 18, the effects of which will be fully felt from the 2013/2014 school year. For that reason, the mid-term target for 2014 of a 15% drop out rate is expected.

## Action lines

### 1. Education Programme 2015

- Implemented in the school year 2010/2011, the Education Programme 2015 is a mid-term initiative (until 2015), which is based on **schools' and educational communities' commitment to their contribution towards achieving the national objectives** for improving the pupils' basic competences and the extension of compulsory education. It is about asking schools to focus their work on the achievement of quantifiable results according to **three basic indicators** that contribute towards reducing early school-leaving and improving basic competences: results in the Portuguese and Mathematics national exams, repetition and drop out rates. For that purpose, the Ministry of Education defined national targets for 2015, handed back schools' calculations of their starting point to them and, according to these indicators, asked them to programme their activity until 2015; the aim is that schools reach targets they themselves defined for each indicator. It was a question of making the schools' educational projects and their multiannual plans focus on the achievement of these objectives.

This programme provides the **guideline for the schools' work**, identifying a group of general procedures they should consider when planning their activity, notably: integrating the development of basic skills as priorities of their educational project; proposing annual targets for the progress of the school cluster's results; selecting target-focused pedagogical activities and organisational forms; monitoring results; involving teachers, families and communities; taking the national targets and the information provided by the Ministry of Education as a development reference.

This is a quantitative referential for the Portuguese educational system which enables the schools to monitor their results; it allows municipalities to monitor the results of their schools and enables the Ministry of Education to evaluate the evolution of the system and verify its convergence with the international targets, namely in the scope of EF2020 (Strategic Framework for European Cooperation in Education and Training).

The **Programme's quantified objectives** are:

- To increase positive classifications in the Portuguese and Mathematics national exams by 4 percentage points, in comparison with the results in the 2009/2010 school year;
- To reduce repetition rates to 2% in the 1st cycle, to 5% in the 2nd cycle; to 10 % in the 3rd cycle and to 10% in the secondary, in 2015;
- To reduce drop out rates at the age of 14 to < 1%; at the age of 15 to < 2% and at the age of 16 to < 4%, in 2015.

Its **main measures** are:

- To define national targets and for each cluster and school for 3 basic indicators;
- To involve educational communities (schools, teachers, parents and municipalities) in the accomplishment of the targets;

- To evaluate and monitor school results.

Its **execution Indicators** are:

- % of schools that defined targets;
- Annual target accomplishment rates per school, cluster, municipality and at national level.

This Programme's time frame is 2015.

The programme does not impact the budget.

## 2. The New Opportunities Initiative

This Initiative, launched in 2005, is now entering its **2nd programming period** and has four strategic objectives, one of which – **“consolidating and extending the supply and demand for vocational paths for youths”** – makes a decisive contribution towards the achievement of the target to reduce early school-leaving within the education and vocational training system.

The New Opportunities Initiative offers young people an increasingly diversified supply that includes training courses, educational and vocational courses for youths, specialised artistic education courses, hospitality and tourism courses and apprenticeship system, among others. Its objectives are to increase the secondary schooling rate of youths; to increase the number of pupils attending vocational courses in secondary education and to reduce the rate of early school-leaving in the education and vocational training system.

The accomplishment of these objectives also depends on the ability of the New Opportunities Initiative to guarantee the maintenance and/or growth of enrolment levels and this also results from a better regulation of the supply network, at both territorial and curricular levels, as well as an understanding of the skills acquired and their match with labour market requirements.

Accordingly, the **National Qualifications Catalogue** regulates the supply of dual certification and promotes the articulation between the qualification supply and the labour market: This instrument, which now includes supplies for youth, aims to increase the number of enrolments and to serve as an important instrument for the guidance of lifelong learning.

The **objectives of the Initiative mobilised for PNR** are:

- To ensure an 80% schooling rate for youths up to the age of 18 from 2012/2013;
- To have 12 000 more youths attending training courses or other vocational courses in secondary education by 2012/2013 than in 2010-2011;
- To reduce the rate of early school-leaving from the education system to 10%, with a decrease of 5 points in the next 4 years.

The **main measures** taken are:

- Diversification of training supply for youths;
- Planning of the network with the formation of local networks for the qualification and the creation of Reference Promoters for specific training areas;
- Creation of a single lifelong guidance system, capable of ensuring support for the transition between school and the labour market;
- Inclusion of dual certification supplies for youths in the National Qualification Catalogue.

**Execution indicators:**

- % of dual certification supplies on entering secondary education;
- Number of youths attending training and vocational offers in secondary education;
- Number of reference promoters formed;
- Number of youths accompanied by the lifelong learning guidance system.

The time horizon of the defined objectives is 2015.

This financial input is largely guaranteed by the NSRF allocation under POPH (Operational Programme for Human Potential).

**3. The reorganisation and rationalisation of the school network**

The reorganisation and rationalisation of the school network, initiated in 2005, strives to provide the conditions to meet the aim of pre-school education for all 5 year olds and to extend compulsory education up to the age of 18, as well as to reduce the rates of early school-leaving within the educational and vocational system. The objective of the reorganisation of the network is not only to improve effectiveness but also efficiency associated with reducing and optimising the costs of running the educational system.

The two **measures** associated with the planning of the school network are:

- The closing of small schools (with less than 21 pupils) and the **creation of school centres**; this means schools have suitable conditions and size to foster achievement and combat school drop out by guaranteeing equal access to quality educational spaces that provide facilities not only for full-time schooling but also educational contexts that favour pupils' socialisation and teachers' professional development;
- The **reorganisation of school clusters** and non-cluster schools, with the aim of creating management units with all the education levels. This measure enables a better articulation between cycles and education levels and the development of integrated educational projects, which is essential to the reduction of the current non-achievement and drop out levels, especially in the transitions between cycles.

**Objectives:**

- Reduction of 400 schools in 2011;
- Inclusion of 200 school centres in the school park in 2011/2012 the school year.

**Execution indicators:**

- Number of small schools closed;
- Number of school clusters per school year;
- Reduction rate of the number of management units per school year.

Two of these three action guidelines have already been established **evaluation, monitoring and participation mechanisms**.

The **Education Programme 2015** contains mechanisms to monitor schools' results and participation. The whole programme is based on targets that are monitored through the Ministry of Education's information system and are revised annually. From 2012 on, the Programme also foresees the involvement of municipalities which will be able to monitor the results in their local area. From the point of view of implementation methodology, the Ministry of Education suggested that the targets



defined by each school be discussed by its management bodies and also that the educational community, namely the parents, be involved in the strategies adopted to achieve the expected results per school.

The **New Opportunities Initiative** has strong evaluation, monitoring and participation mechanisms. Two external evaluations are underway. One is centred on the youth axis, especially the evaluation of training, and the other focuses on the adult axis, especially the evaluation of the RVCC (Recognition, Validation and Certification of Competences) mechanisms. On the other hand, the Ministry of Education has an information system for the management of the system and its supplies and also to monitor execution; culminating in a monthly report. Lastly, the Initiative has a Monitoring Committee in which all social partners and MTSS and ME entities participate and is a participation forum par excellence.

The **school network** was **reorganised and rationalised** on the basis of a series of studies on the school network. With regard monitoring, it should be mentioned that the Ministry of Education has a specific information system for that purpose, which follows the schools' lifecycle and which receives its information from the Regional Directions for Education. The whole reorganisation process of the school network is articulated and negotiated with the respective Municipalities and with the Portuguese National Association of Municipalities.

#### **4.2.2 Target – Higher Education: a *Contract of Confidence* for the Future of Portugal**

**Target in 2020:** to reach 40% Higher education graduates (or equivalent, including level 5 EQF), in the 30-34 age group.

**Mid-term target, in 2014:** to qualify an additional 100 000 working people, reaching 30% Higher Education graduates (or equivalent, including level 5 EQF), in the 30-34 age group.

**Portugal currently has a renewed framework** for Higher Education, which is more diversified and open to new strata of society, enjoying additional credibility in the Portuguese society and among relevant international partners. Among other aspects, we highlight the following:

- The higher education recruitment base was substantially extended: the 20-year-old population enrolled in higher education increased 19% between 2005 and 2009, reaching 37%; these figures are in line with the European average.
- The number of adults (over 23s) enrolled for the first time in higher education increased more than 11 times, reaching 10 003 new enrolments in 2009 (only 900 enrolments in 2005);
- the number of students enrolled in technological specialisation courses (CETs) offered by Higher Education institutions increased about 21 times, reaching 6214 enrolments in 2009 (vis-à-vis only 294 in 2004);
- The number of higher education graduates increased about 20% between 2005 and 2009, reaching a total of 59 202 new certificates in all study cycles in that year (vis-à-vis 49 184 in 2005);
- The supply of after-work-hours training increased significantly between 2009 and 2010 to about 5870 places distributed across 180 courses (about 1600 places and 45 courses more than in 2009);
- In 2010, 1661 new students entered the Medicine degree course in higher education, i.e. 40% more than in 2004 (when 1185 new students enrolled).

The broadening of the higher education recruitment base was accompanied by a **stronger and more specialised scientific base**, central to the Bologna Process itself, and increasing proximity between the university and scientific systems; this is quantified, among others aspects, by:

- About 1600 new PhDs per year completed and recognised by Portuguese universities (about half in the areas of science and technology) in 2009;
- The growing qualification of the faculty, with PhDs reaching about 68% in public universities by the end of 2009, 39% in private universities and 19% in public and private polytechnic institutes.

It was within the framework both of higher education's ongoing renovation and credibility in Portugal, and acknowledged budgetary contention and control that the Government and the higher education institutions assumed a **Contract of Confidence** aimed at increasing the higher qualification levels in the Portuguese society and the quality of training, as well as of the international relevance of our institutions.

It is also to be noted that this framework increases significantly the exposure of higher education institutions to inter-institutional competition nationally and internationally. Therefore, autonomy, and university autonomy in particular, cannot be seen as an exception within the public administration framework but as essential to fulfilling the mission of these institutions correctly in light of the scope, diversity and specificity of their teaching and research activities.

Portugal still needs to **continue its commitment to increasing the advanced qualifications** of the population in order to participate competitively in the knowledge-based economy.

Higher Education graduates (in the 30-34 age group) totalled 11% in 2000 and 22% in 2008. The simple projection of current higher education students in the 20-24 age group and of those who have already graduated in that same age group, assuming the same school achievement levels (in 10 years time) as now, points towards about 30% graduates in 2020 in this age group (30-34 years), which totals roughly 600 000 people. Reaching the 40% graduate target therefore requires little more than 60 000 individuals aged between 20 and 24 years who are not currently in higher education and have no qualifications of that level.

The **sustainability of this target** is explained, among other factors, by:

- The fact that compulsory education will be extended to the 12th grade, covering all secondary education pupils from the 2014/2015 school year;
- The Contract of Confidence with Higher Education established in 2010, which foresees the qualification of 100 000 working people until 2014;
- The growth potential of level 5 (CET) advanced training in Portugal;
- The growth potential of Distance Learning in Portugal;
- The steady fall in non-achievement levels in higher education;
- The expected flux of new groups of young adults with secondary training acquired later in life (New Opportunities Programme);
- The work of the Agency for the Evaluation and Accreditation of Higher Education guaranteeing course quality.

The achievement of this target for advanced training **depends**, among other factors, on:

- The persistence of public policies focused on advanced training of the working population;
- The continuity of the budgetary priority for the development of Higher Education, within a context of strict budgetary consolidation;

- The continuity and strengthening of structural funds (especially ESF) to support the school Social Work instruments in higher education, taking the extension of the system to more underprivileged sections of society into account.

Three main action lines are thus proposed, associated with the increase in the population's qualifications, the restructuring of the training supply and fostering the employability of young graduates respectively, as described in the following paragraphs and table.

## Action Lines

### 1. Qualifying the population by extending the higher education recruitment base

The Government signed a Contract of Confidence with Higher Education in January 2010 aiming to increase higher qualification levels in the Portuguese society. The objectives set in this Contract are to: develop the binary system, strengthen the institutions, guarantee training supply diversity, invest in school social assistance, improve quality and the mechanisms of evaluation and accreditation as well as renovate and strengthen the Pledge with Science.

The **Development Programmes** also point towards the increase in the number of students enrolled in distance learning and in CETs (level 5 EQF or ISCED 4), the strengthening of training employability, educational achievement, as well as the international partnerships and cooperation, simultaneously with the strengthening of the scientific and technologic capability, including:

- **Generalisation of level 5 EQF training supply** through a threefold increase in the number of students enrolled in this training supplied by polytechnic higher education (i.e. to create 10 000 new vacancies until 2014);
- **Extension of the distance learning supply network**, within higher education, aiming to enrol four times the number of students in higher education distance learning courses (i.e. a 30 000 increase);
- Creating **conditions to attract and welcome graduates to professional master's degrees**, especially conceived for that purpose, creating opportunities for 30 000 new students in the next four years.

The broadening of the higher education social base has been accompanied by an ongoing strengthening of support to students, mostly through Social Assistance, aiming at guaranteeing Higher Education access and attendance for all students, namely those on low incomes. It was within this context that, in August 2010, the revision of regulations for the attribution of grants to higher education students was concluded, as agreed with higher education institutions and students' associations.

### 2. Restructuring training supply and boosting the efficiency of institutions

In the Development Programmes signed in 2010, Universities and Polytechnic Institutes took collective responsibility for continuing the rapid restructuring of the network and training supply at national and regional level so as to foster quality and the efficient use of public resources. Accordingly, the Government guaranteed the directors of all the public Higher Education institutions to maintain full availability of the institutions' budget on the date the Contract of Confidence was signed and also the use of revenues generated by the institutions within the priority framework of the policies undertaken.

When the Agency for the Accreditation of Higher Education came into full operation, the submission of accreditation processes of the courses underway was accompanied by an unparalleled reduction of about 900 courses vis-à-vis 5200 formerly registered in the Directorate General of Higher Education. The process included a considerable reorganisation of supply by the higher education institutions themselves. Reference should be made to the fact that public higher education was responsible for 68% of this decrease. We also highlight that an effective increase in students accompanied the reduction in the number of courses and the reorganisation of higher education.

The pledge in raising qualifications is being made within a strict budgetary framework and higher education institutions have already shown their willingness to implement extraordinary austerity measures and optimisation of resources, notably to:

- Strengthen self-regulation mechanisms so as to increase the system's efficiency by: 1) reducing the number of curricular units in the courses; 2) defining criteria for closing or merging courses due to weak demand;
- Adopt measures to rationalise the faculty's structure;
- Continue the effort to reduce communication costs by adopting low-cost technologies;
- Reorganise training supply.

### **3. Stimulating employability by mobilising employers, institutions and youths to plan for the future**

Higher Education in Portugal has prevailed within a framework of growing **social awareness**, notably to:

- Support students' participation in working life by providing conditions that enable them to simultaneously pursue their studies;
- Improve the conditions to develop the supply of part-time work offered to students in the institutions they attend, providing conditions that enable them to simultaneously pursue their studies;
- Support the graduates' insertion in the labour market.

In recent years, a clear framework was also established that systematises procedures to be used by the institutions to gather and give information on graduates' employment as well as on their professional paths. Simultaneously, and in collaboration with the Institute of Employment and Vocational Training, six-monthly reports have been published since 2007 on people with advanced training enrolled in job centres, including disaggregated information per course and higher training education establishment. An important indicator is thus made available, providing students and their families with information on the employability of the different higher education courses.

It is necessary to prepare the future, mobilise younger generations, create alliances between employers and higher education institutions and foster a framework of intra-generational confidence to promote the population's qualification and social and economic development in Portugal. It is a question of arousing the vitality of future prospects that youths represent and the key place that learning and knowledge hold in that future, in a frame of institutional co-responsibility between employers, institutions and the youths. It is about building bridges, networking, spotting opportunities, calling for new initiatives.

Also, **in the scope of the Contract of Confidence** with all the public higher education institutions in 2010, the institutions made the commitment to:

- Guarantee the creation of employment and entrepreneurship support offices;

- Guarantee a coordinated supply of specialised training in information technology and information systems, targeting graduates with any type of training, prioritising job seekers, creating opportunities for 30 000 more new students in four years.

This National Reform Programme also establishes the creation of a **Permanent Forum for the Employability of Young Graduates**, promoting systematic meetings between employers, institutions and youths in order to stimulate debate and the coordination of measures aiming to:

- Match the training supply with the demands and ongoing changes in labour markets, fostering employers' involvement in planning the training supplied by higher education institutions;
- Stimulate curricular work placements and the contact between youths and labour markets throughout higher education, facilitating the youths' gradual insertion in the labour market;
- Promote mechanisms supporting companies' offer of sustainable employment for young graduates.

#### 4.2.3 Objective Education Summary Table

Action Lines/Objectives	Main measures	Execution indicators	Budget impact
<b>Reduction of drop out rate from the Educational and Vocational Training System</b>			
<b>Education Programme 2015/</b> Reduction of drop out rate from the Educational and Vocational Training System	<ol style="list-style-type: none"> <li>1. Define national targets per cluster and school for 3 basic indicators of educational quality</li> <li>2. Involve educational communities in the accomplishment of the targets</li> <li>3. Evaluate and monitor the schools' results</li> </ol>	2015: - Number of schools that defined targets - Annual target accomplishment rate per school, cluster, municipality and at national level	Does not impact the budget
<b>Opportunities Initiative – youth axis/</b> Reduction of drop out rate from the Educational and Vocational Training System	<ol style="list-style-type: none"> <li>1. Diversify dual certification supplies for youths</li> <li>2. Creation of local networks for the Qualification and Reference Promoters</li> <li>3. Creation of a single lifelong guidance system</li> <li>4. Inclusion of dual certification supplies for youths in the National Qualifications Catalogue.</li> </ol>	2013: - % of dual certification supplies on entering secondary education; - Number of youths attending training and vocational supplies in secondary education; - Number of reference promoters formed; - Number of youths accompanied by the lifelong learning guidance system;	QREN support until 2013
<b>Reorganisation and rationalisation of the school network/</b> Reduction of drop out rate from the Educational and Vocational Training System	<ol style="list-style-type: none"> <li>1. Closing of small 1st cycle schools with less than 21 students</li> <li>2. Inclusion of new school centres in the school park</li> <li>3. Reorganisation of school clusters and non-cluster schools</li> </ol>	2012: - Number of schools with less than 21 students closed per school year; - Number of school clusters integrated per school year - Number of new school centres per school year; - Reduction rate of the number of management units per school year - Reduction rate of the number of schools per school year	NSRF support until 2013
<b>Higher Education: a Contract of Confidence for the Future of Portugal</b>			
<b>Qualify:</b> • Extend the social base of higher education recruitment	<ol style="list-style-type: none"> <li>1. Generalise level 5 training supply (i.e. ISCED 4 or Technological Specialisation Courses)</li> <li>2. Extend distance learning supply network</li> <li>3. Foster Professional master's degrees</li> <li>4. Strengthen mechanisms of ongoing optimisation of social support to students</li> </ol>	Qualify an additional 100 000 working people until 2014 and reach 40% of graduates in the 30-34 age group Three times the number of students enrolled in CETs Four times the number of students enrolled in long distance higher education courses	Stability of the National Budget's appropriations for higher education as established in the Contract of Confidence with Higher Education
<b>Restructure supply and strengthen efficiency:</b> • Optimise resources and the supply	<ol style="list-style-type: none"> <li>1. Strengthen self-regulation mechanisms to increase the system's efficiency</li> <li>2. Adopt measures to rationalise the faculty's structure</li> <li>3. Share services</li> <li>4. Reduce communication and energy costs</li> </ol>	Reduce the number of curricular units Reorganise the supply Strengthen the evaluation and accreditation processes	
<b>Employ:</b> • Support the young graduates' insertion in the labour market	<ol style="list-style-type: none"> <li>1. Systematise procedures to gather and give information on graduates' employment and the employability of the different higher education courses</li> <li>2. Foster a network of offices supporting employment and entrepreneurship</li> <li>3. Create a Permanent Forum for the Employability of Young Graduates</li> </ol>	Foster the employability of young graduates	

## 5 – SUSTAINABLE GROWTH

Intelligent, green and inclusive development as the basis of sustainable growth is the vision underlying Europe Strategy 2020, which has been implemented with determination by Portugal, whose pledge in renewable energy and energy efficiency contributes towards furthering investment, employment, value creation, the reduction of the current account balance deficit and the improvement of the competitive base. Moreover, Portugal makes a significant contribution towards the goals of cutting emissions and reducing global warming.

The implementation of the goals of the energy and climate package forms part of the sustainable growth strategy and has been achieved by a strong involvement of the Portuguese society and by attracting private, national and international investment for the development of expertise and production capacities in Portugal.

To frame and encourage this dynamic, the government approved the development of various instruments to pursue the defined objectives, such as the National Energy Strategy (ENE 2020), the National Action Plan for Renewable Energy (PNAER) and the National Action Plan for Energy Efficiency (PNAEE), in the area of Energy, the National Low Carbon Guide (RNBC), the National Climate Change Plan (PNAC) and the Low Carbon Sector Plans (PSBC) in the area of emissions and the National Land Use Planning Policy Programme (PNPOT).

Portugal has already taken the first steps towards the decarbonisation of its economy under the EU Climate and Energy Package, seeking to exploit the economic potential inherent in the development of a green economy.

The articulation of existing and currently planned instruments will be integrated coherently so as to reinforce them and create synergies. From the perspective of the overall objective of sustainable growth, the coherence of the integration of national measures in this area also points to a move towards greater efficiency in the consumption of energy and of non-energy raw materials, through technological and non-technological eco innovation in all the relevant sectors, including energy, transport, industry, tourism, forestry, agriculture, commerce and services.

### 5.1 Energy and Climate Objectives

#### 5.1.1. Emissions reduction target

Portugal undertook the **goal of** limiting the increase in its emission outside the EU greenhouse gas emission allowance trading scheme by **+1% by 2020** (base year: 2005).

To achieve this, starting in 2013, a linear trajectory of annual GHG emission will be established that may not be exceeded. These annual emission values will be determined at the end of December 2012 through the National Programme for Climate Change 2020 (PNAC).

#### Action Lines

The Portuguese Government established, through Council of Ministers Resolution nr. 93/2010, of 26 November, the development of a new regulatory framework for post-2010 climate policy in Portugal. This Resolution's mandate includes:

- The preparation of the **National Low Carbon Guide**, taking into account the European Low Carbon Guideline, prepared by the Commission, and its lessons for national climate policy in the short and medium term;
- The preparation of the **National Climate Change Plan - 2020**, listing the measures for emission reduction aimed at attaining, at least, the targets stipulated by the Effort Sharing Decision and preparing higher targets for the country, to be defined by community institutions;
- The preparation of **Low Carbon Sector Plans**, stipulating the contribution by the different ministries and departments (including related enterprises) towards the reduction of their indirect emissions.

### 1. National Low Carbon Guide 2020/2050

The National Low Carbon Guide (RNBC) is similar to the recent European exercise, in that it examines cost effective trajectories for the reduction of emissions in the different time frames under discussion. The intention is that it be **completed in December 2011**. The Guide will provide strategic guidelines in relation to the different sectors, which will be reflected in the measures proposed by the sectors for the reduction of emissions in the 2020 time frame, particularly in those sectors covered by the Emissions Trading Directive.

As a long term planning instrument, there are no concrete performance indicators to report. It is, however, expected that the Guide will provide strategic orientation in relation to:

- Long term energy infrastructure planning, emphasising the flexibility of the response to energy restriction situations;
- Quantified objectives for renewable energies and investment in renewable energies;
- Contributions to the introduction of new means of transport and the construction of support infrastructure; introduction of electric and hybrid vehicles;
- Quantified objectives regarding the analysis and exploration and the potential for carbon capture and sequestration.

### 2. National Climate Change Programme (PNAC) - 2020

PNAC - 2020 will constitute Portugal's European 2020 mitigation strategy for the sectors not included in the Emissions Trade, including the European target; this could potentially be surpassed if considered cost efficient. PNAC 2020 will be completed by December 2012.

The most prominent sectors are:

- Residential and services;
- Transport;
- Waste;
- Sectors connected to land use (agriculture and forestry);
- Industrial processes.

In a similar fashion to the RNBC, the Sector Plan will contain:

- Quantified and indicative objectives for emission at the sector level;
- Transversal measures to promote energy efficiency and encourage the reduction of emissions;
- Cost-benefit analyses of the transversal measures;
- Specific sector measures with large reduction potential, accompanied by a cost-benefit-analysis.

### 3. Low Carbon Sector Plans

The different governmental departments are obliged to draw up Low Carbon Sector Plans in order to quantify emission reduction objectives in the direct spheres in which they act (including enterprises

under their remit). These objectives will be monitored according to a single protocol for inventorying, monitoring and reporting emissions. The ongoing work will allow the Portuguese State to make a more precise emissions inventory. This programme will be in line with and implemented in strict accordance with the Programme of Energy Efficiency in Public Administration (ECO.AP) and will seek synergies with the National Action Plan for Energy Efficiency, the National Strategy for Ecological Public Acquisitions, the National Programme for the Efficient Use of Water, the Strategic Plan for Solid Urban Waste, The Simplex Programme, inter alia.

The Sector Plans will be **completed by December 2012**.

#### 4. The National Land Use Planning Policy Programme(PNPOT)

Approved by Parliament in July 2007, until 2025 this will indicate inefficiencies in mobility systems, the energy and carbon intensity and the external energy dependency, among our main territorial deficits, which should be corrected by concrete measures in the land use management instruments, particularly in the implementation of the **Land Use Planning Plans** (PROTs).

An example of the priority given to land use planning in the reduction of emissions and in the promotion of competitiveness is that **urban rehabilitation and the boosting of the rental market** were highlighted by the Government as priorities in the framework of the Competitiveness and Employment Initiative approved by the Resolution of the Council of Ministers nr. 101-B/2010, of 27 December, and measures in three areas have already been adopted: a) promoting the financing of urban rehabilitation operations; b) simplifying the administrative procedures in the framework of the control of operations and of the urban rehabilitation works; and c) boosting urban rental.

##### 5.1.2 Renewable Energies Target

Portugal undertook to reach, **by 2020**, the target of **31%** of energy derived from renewable sources in the final gross energy consumption and a share of 10% of energy derived from renewable sources in the final energy consumption in the transport sector.

The forecast is that, **by 2014**, an overall share of **23.1%** (average for the past 10 years; in 2010 Portugal exceeded 25%) will have been reached.

### Action Lines

In order to fulfil the pledges made in the context of the European policies to combat climate change, Portugal committed itself to ambitious targets for the promotion of renewable energy sources. In April 2010 it adopted a new **National Strategy for Energy 2020**, named ENE 2020, approved by Resolution of the Council of Ministers nr.29/2010, of 15 April, which established a vision for the renewable energy sector, encompassing the diversification of endogenous renewable energy sources, investing in more mature renewable technologies, with lower costs (water, wind), promoting the development of an industrial line inducing economic growth and employment and that can make a more immediate contribution to the electricity generating system, but also in research and development, investing in projects demonstrating new technologies with the potential for value creation in the national economy and to contribute towards the reduction of external dependence and the increased security of supply.

#### 1. National Action Plan for Renewable Energy (PNAER 2020)

In July 2010, Portugal presented the **National Action Plan for Renewable Energy** (PNAER), which is based on ENE 2020, and sets the national objectives for the share of energy from renewable sources used in the transport, electricity, heating and cooling sectors in 2020, and defines the respective



penetration trajectories in accordance with the pace of implementation of the measures and actions planned for each of the energy sources.

**Objectives and measures planned for each type of energy (PNAER 2020):**

**Hydro Energy:** By 2020 there should be an increase in power to 9548 MW. To this end, the National Plan for High Potential Hydroelectric Dams (PNBEPH) was launched in 2007, aiming to enable Portugal to better explore its hydro potential. The implementation of the PNBEPH, as well as the increase in the new reversible installed capacity (pumping), will reduce the limitation of wind power in low demand periods, allowing the installation of new capacity. This increase in hydro capacity, in addition to allowing the integration of new wind generation, also brings about a set of gains in the management of watersheds that makes it attractive. At the mini-hydro level, the objective is to take full advantage of the potential identified, to establish a strategic analysis and licensing plan, with the view to licensing 250MW; this process began at the end of 2010 with the assignment, through a tender process, of the right to the implementation and exploitation of approximately 150 MW.

**Wind energy:** It is expected that by 2012 an additional 2000 MW will be installed, resulting from the capacity allocated in the previous two years through tender procedures and from the exploration potential of the equipment in existing parks. In order to attain the target of 6875 MW in 2020 set in PNAER, the new capacity will be developed on the basis of tender processes. The growth rate of installed capacity will particularly take into account the evolution of the demand for electricity, the penetration of electric vehicles, the capacity to transfer consumption from peak to low periods and also the technical viability and the costs of offshore wind technology, as well as the environmental impact associated with the different types of technology.

**Solar energy:** Positioned as the technology with the greatest development potential for the next decade, various programmes for the development of solar energy are planned, including photovoltaic concentration and solar thermoelectric, setting a goal of 1500 MW installed capacity by 2020.

In an initial phase, the development of solar energy covers the installation of decentralised and smaller units with a greater impact in job creation and that contribute towards reducing losses in distribution networks. Projects demonstrating new solar technologies are also being developed with the aim of identifying technologies with the greatest potential for commercial development.

The success associated with the introduction of microgeneration and the enormous impact that it has on society and on industry justifies the establishment of more ambitious goals for this segment; 250 MW of microgeneration units are expected to be installed by 2020. In 2011 a minigeneration programme was introduced, aimed at projects with power up to 250 kW, envisaging the installation of 500 MW by 2020. A new model for the promotion of solar thermal energy will also be defined, using the potential and the low cost associated with the available technologies.

**Biomass:** Measures creating conditions for the effective installation of already allocated capacity of 250 MW in dedicated plants were approved, integrating flexibility mechanisms in the execution of the projects. Measures will be implemented to foster the production of forestry biomass, ensuring the satisfaction of consumption needs, notably access to public support, promotion of energy crops as well as residual biomass from agricultural and agro-industrial activity for energy production. The use of biomass for residential heating will be encouraged through more efficient equipment and with low particulate emissions. The Biomass for Energy Centre will be promoted by the creation of a research, certification, and global coordination centre for the biomass sector.

**Biogas and waste:** The use of the power of waste-derived fuels (WDF) will be given an impetus, particularly the exploration of the potential of Biogas, expected to reach 150 MW in 2020, namely landfill Biogas and that from the anaerobic digestion of waste and effluent. The biomethane potential and its integration into the natural gas network will also be investigated.

**Biofuels:** The policies and measures in the framework of the European directives will be followed and implemented, namely, at the level of best practice, the definition of criteria for sustaining and ensuring the maintenance of the highest quality standards in the operation of the vehicle fleet. There are plans to promote the use of endogenous resources for the production of biofuels, increasing the liaison with national agriculture, in respect of the priority attributed to safeguarding food production and security, and the solutions for using second generation biofuels.

**Geothermal:** In the expectation of an increase in the importance in the national energy mix, providing up to 75 MW of installed power by 2020, innovative projects in the continental territory will be supported. Pilot projects will take place for research into and evaluation of the potential of high enthalpy geothermal energy, for electricity production, and low enthalpy geothermal energy, for harnessing the energy associated with aquifers or geological formation.

Using geothermal energy for the production of electricity will be most relevant in the Azores, where the existence of this resource allows its economically advantageous exploitation.

**Wave energy:** A concession for the exploitation of a pilot zone for the production of sea wave electrical energy was approved in June 2010, with the aim of reaching 250 MW installed potential by 2020. The concession was granted to an already existing company that will be responsible for the construction of infra-structure by 2012.

### 5.1.3 Energy Efficiency Target

ENE 2020 presents the promotion of energy efficiency as one of its main axes, and sets the development of an industrial cluster as one of its objectives associated with the promotion of energy efficiency, leading to the creation of value, employment and innovative services.

Action in the energy efficiency area should be transversal and comprehensive. It must go beyond the **Transport, Industry, Services and Residential areas and the State sector**, and also encompass **land use planning** which has a global vision of the organisation of society and how all the areas interact.

In line with the objective set for the EU, Portugal's National Energy Strategy 2020 (ENE 2020) undertook to **improve its energy efficiency by 20%**. The **2015** target set in the PNAEE is 9.8%.

More specifically, by 2020, Portugal aims to use 6 Mtoe less primary energy relative to BAU (Business As Usual) primary energy consumption of 30 Mtoe without energy efficiency; this means reaching **24 Mtoe primary energy consumption in 2020**, after energy efficiency measures.

## Action Lines

Portugal intends to reach this national target by implementing the measures established by the current **PNAEE (2008/2015)**, which will be revised and strengthened, introducing new measures that take into account the energy efficiency targets defined by 2020 – PNAEE 2020.

### 1. National Action Plan for Energy Efficiency (PNAEE)

In 2008, Portugal adopted the National Action Plan for Energy Efficiency (PNAEE 2008/2015), which established a set of measures that will contribute to a 9.8% reduction in final consumption by 2015, i.e. a year ahead of the EU target; these measures will be applicable to the transport, residential, services, industrial and State sectors, where behaviour, taxation, incentives and financing are transversal action areas. The review of the PNAEE will expand its time horizon and introduce new

measures, reinforcing the objectives of the existing measures, essential to achieving the 2020 target.

The following **measures, already in progress**, are highlighted:

**MOBI.E:** Promotes electric mobility by creating a network of electric vehicles at the national level, accessible anywhere in the country and compatible with all makes of vehicles, open to all operators. By 2012 a pilot network including 25 municipalities will be developed.

This programme will provide incentives for the substitution of vehicles with internal combustion engines for vehicles with more efficient electric engines that are not directly dependent on petrol consumption. In the future, these vehicles will operate in conjunction with smart grids as a store of renewable energy produced at night, and inserted into the grid in the peak demand period.

The Mobi.E programme is the basis for the development of sustainable mobility in Portugal and for the internationalisation of the industrial cluster connected to it; it allows the development of capacities in the area of engineering and the production of batteries, components and the integration of vehicles, as well as the development of energy infrastructures, with the creation of advanced and intelligent charging and grid management systems. It will also allow new business models to be developed, where the users are simultaneously energy consumers and producers, fostering the use of renewable energies without additional costs.

**Smart grids:** Promote and support intelligent electricity grids, fundamental to the successful introduction of electric vehicles and improved energy efficiency; they allow integrated and more efficient monitoring, control and management of the production, distribution, storage and consumption of energy by many parties.

**Research projects** on monitoring and managing consumption are in progress, involving Portuguese companies and universities. It is envisaged that the majority of national consumers will be covered by intelligent grids by 2020.

**Smart Cities:** The support of pilot projects for the development of smart cities. In the city of Évora a project is underway involving the integrated management of decentralised energy production, intelligent charging of electric vehicles and intelligent consumption management, using intelligent meters; Guimarães is the pilot city for the implementation of new public lighting systems.

**Energy Efficiency Fund (FEE):** Set up in 2010, the FEE is a fundamental instrument for financing the national targets for energy efficiency set in the PNAEE; for example, it supports the acquisition of equipment with better energy performance or equipment that promotes more rational energy use by citizens and companies, among others.

**Transport:** In the transport sector the key measures are related to the scrapping of vehicles, the consolidation of green taxation and the implementation of a more efficient transport system from an energy and environmental perspective. An effort will be made to encourage measures that develop new transport solutions and to foster modal transfer in passenger transport, promoting a shift from individual to collective transport, with efficient and connected networks and services. At the freight transport level, measures will be taken to optimise the transport chains promoting the increased use of sea and rail transport.

**Buildings (residential and services):** The penetration of the production of renewable energy by solar thermal and microgeneration will be increased. Energy certification will continue to be a key instrument in improving buildings' energy performance. Urban rehabilitation constitutes a priority and is reflected in recently approved legislation. Sustainable construction improving dwellings' thermal comfort will be encouraged.

**Industry and Agriculture:** In the industry and agriculture sectors, intelligent energy use and high efficiency cogeneration will be promoted so as to reduce primary energy use.

**State:** The ECO.AP Programme was approved; this aims at energy efficiency interventions in all public buildings by 2013, using Energy Efficiency Contracts where appropriate. Legislation was approved that governs the energy efficiency contracts and allows their use in public measures. Initiatives will be taken to further reduce consumption at facilities and by fleets of vehicles and to foster the promotion and use of more efficient public lighting.

#### 5.1.4 Summary Table of Energy and Climate Objectives

Action Lines	Description /objectives	Main Measures	Time Line and Implementation Indicators	Budget Impact
National Low Carbon Guide 2020/2050	Guide outlining cost efficient trajectories for emission reduction	-	Completion in December 2012	Without direct budget impact
National Climate Change Plan 2020	List of general and specific measures for attaining the targets stipulated by the Effort Sharing Decision	-	Completion in December 2012	Without direct budget impact
Low Carbon Sector Plans	Reduce emissions of the facilities and equipment of the Central State Administration and companies under their remit	-	Completion in December 2012	Without direct budget impact
National Land Use Planning Policy Programme (PNPOT)	Contribute towards the reduction of emissions and energy efficiency	Land Use Planning Plans (PROTs) Measures for Urban Rehabilitation and Rental	2025 By 2020	Without direct budget impact Financial support of 1,700 million Euros available, progressively, through different financial supports, through EU funds, of credit lines with subsidised interest rates guaranteed by the State.
National Action Plan for Renewable Energy 2020 (applying ENE 2020 with regard to renewable energies).	<ul style="list-style-type: none"> <li>- Develop and diversify the national energy mix</li> <li>- Promote the development of an industrial line leading to economic growth and employment</li> <li>- Promote research and development in the renewable energies sector</li> <li>- Contribute towards reduction in external dependency</li> <li>- Contribute towards increased security of supply</li> </ul>	Hydro Energy	End of 2020: increase of 9548MW in installed potential.	The total investment exceeds 19000 million Euros. It will allow a gross added value of 3800 million Euros and create more than 100 000 jobs. The development of renewable capacity for electricity production has no State Budget impact, as the investments made by private parties and the remuneration of projects are guaranteed by special arrangement tariffs that are reflected in the electricity tariffs. The tariffs are set according to the maturity of technologies and the national interest in their development. The use of NSRF funds is not indicated, given that the tariffs reflect the total cost of the investments.
		Wind energy	End of 2015: installed capacity superior to 6000 MW. End of 2020: installed capacity of 6875 MW.	
		Solar Energy	End of 2020: - Installed solar thermoelectric– photovoltaic potential of 1500 MW. - Installation of 250 MW microgeneration units. - Installation of 500MW of minigeneration.	
		Biomass	By 2020: - Achieve installation of 250 MW potential in dedicated plants; - Achieve 952 MW installed capacity.	
		Biogas and waste	By 2020: achieve 150MW, particularly by the exploitation of potential associated with biogas.	
		Geothermal	By 2020: achieve 75 MW installed potential.	

		Waves	By 2020: achieve 250 MW installed potential.	
National Action Plan for Energy Efficiency2020	Promote energy efficiency measures and establish an associated industrial cluster	<ol style="list-style-type: none"> <li>1. MOBi.E: Create a charging network for electric vehicles;</li> <li>2. Smart grids: Promote and support intelligent electrical grids;</li> <li>3. Smart cities: Support pilot experiments</li> <li>4. Energy Efficiency Fund (FEE)</li> <li>5. Measures in the Transport sector</li> <li>6. Buildings</li> <li>7. Industry and Agriculture</li> <li>8. ECO_AP</li> </ol>	PNAEE Implementation rate by 2015.	<p>Estimated investment of around 13 000 million Euros, divided between smart grids (1000 million Euros), MOBi.E (3000 million Euros) and energy efficiency (9000 million Euros).</p> <p>The investments are mainly supported by private operators and partly by public funds independent of the State Budget through the Energy Efficiency Fund and Portuguese Carbon Fund. A small part will also be supported by SNRF, for some of the measures that comprise the PNAEE (such as the installation of thermal solar collectors and energy efficiency measures in SME).</p> <p>In terms of employment, this will represent the creation of around 21 000 direct and indirect jobs by 2020, divided between the areas of energy efficiency (12 000), MOBi.E (6 000) and smart grids (3 000).</p>

## 6 – INCLUSIVE GROWTH

### 6.1 Increase Employment objective

Over the last decade, Portugal has registered a steady upward trend in the activity rate, with an increase of about 3 percentage points (p.p.) between 2000 and 2008.

In 2009 and 2010, the labour market finally reflected the effects of the economic and financial crisis that began in 2008 and the employment rate retracted 2.6 p.p. over the two years. Unemployment in Portugal has suffered in particular from these effects: the unemployment rate reached 9.5% in 2009 (up 1.9 p.p. on 2008) and 10.8% in 2010 (up 1.3 p.p.); the young (15-24 years) were affected most with an unemployment rate of 20.0% in 2009 (3.6 p.p. higher than 2008), and 22.5% in 2010 (+2.4 p.p.). The rise in the long-term unemployment rate between 2008 and 2009 (up 0.6 p.p.) and its increase in 2010 (up 1.5 p.p.) must also be highlighted.

#### 6.1.1 Employment Target

**The national target for the employment rate of the population between 20 and 64 years in 2020 is 75%.**

Given that at the start of the preceding decade the employment rate in Portugal was 6.5 p.p. higher than the EU27 average and that until 2008 Portugal managed to systematically maintain a 73% employment rate for this age group, it must be noted that this rate has remained above the European Union (EU27) average even at 70.5% in 2010<sup>7</sup>.

In 2009 and 2010, the labour market reflected the effects of the economic and financial crisis that began in 2008 and the employment rate retracted 2.5 p.p. over those two years. Nevertheless, it is possible to foresee an employment rate (20-64) of **71% in 2014 and 75% in 2020**; in relation to 2010, this represents the creation of over 276 000 jobs, and also an unemployment rate of about 6% at the end of the decade (with job creation of approx. 0.8 a year from 2014).

### Action Lines

In order to achieve the target of raising the employment rate for people aged 20 to 64 years to 75% in 2020, the Portuguese government is investing in two major strategic fields: **improving competitiveness and social cohesion and assuring more sustainable and better jobs**. This will be developed and implemented within a framework of social dialogue and in a context of cooperation between the Government and social partners.

#### 1. Improving competitiveness and social cohesion

Qualifying youths and adults for and in the labour market continues to be a strategic priority for improved productivity and national competitiveness, innovation and entrepreneurship, contributing also to more active citizenship.

<sup>7</sup> Also true for women and older workers.

The following pledges in the development of the **National Qualifications System** remain:

- Strengthening the **dual certification of young people**. The creation of a qualifying placement programme for young people who have completed general secondary education will contribute to the achievement of this objective;
- Improving school training and dual certification for the adult population;
- **Professional certification** system linked to qualifications, including recognition, validation and certification of skills.

In this context, the aggregated programmatic intervention will be strengthened in the **New Opportunities Initiative**. This initiative aims to extend the minimum schooling referential for youths and adults to the 12th grade, as mentioned in the education objective.

The **general targets for the 2011-2014 period** are as follows:

**General result target:**

The increase in the average years of schooling among the population aged 15 to 64 years which stood at 7.89 years in 2010. This indicator covers training targeting all the Portuguese population and includes youths and adults. For this new period, it is estimated that the average schooling of the Portuguese population will increase in two years.

**Average Years of Schooling of Population (15-64)**

2010	2011	2012	2013	2014
7.89	8.39	8.89	9.39	9.89

**Targets for Youth:**

1. Assure a schooling rate of 87.5% in young people up to 18 (effort indicator) as of the 2013/2014 school year;
2. An additional 16 000 students in vocational courses or other secondary level vocational courses vis-à-vis 2010/2011 figures (effort indicator);
3. 8% increase in the number of students attending dual certification courses in sectors linked to new qualifications for areas of new employment growth (efficiency indicator);
4. Reduce school dropout rate to 15%, maintaining an annual decrease of 4 percentage points over the next four years (outcome indicator);
5. Increase the employment rate of young people 6 months after completing a secondary level dual certification course to 70% (impact indicator).

The first two targets are a continuation from the 2006-2010 cycle goals, while the rest are new and express a deliberate intention to assess the impacts of the measures included in the Youth Initiative.

From a **time perspective**, the targets may be defined as follows:

**Targets for youth from 2010/2011 to 2013/2014**

	2009/2010 (or latest available data)	2010/2011	2011/2012	2012/2013	2013/2014
1	65-4% *	70%	75%	80%	87,5%
2	150 000	154 000	158 000	162 000	166 000
3	Zero base	2%	4%	6%	8%
4	31,6%	27%	23%	19%	15%
5	Zero base	40%	50%	60%	70%

\* 2007/2008 School Year

## Targets for Adults:

The New Opportunities Initiative strives to continue playing the leading role in the rehabilitation of certified qualifications of Portuguese adults who dropped out or interrupted their school path.

The **main targets guiding** the adult axis of the Initiative are:

1. Certify 760 000 Portuguese, with the following distribution (outcome indicator):
  - 280 000 with basic school certification;
  - 200 000 with secondary school certification;
  - 280 000 with dual certification courses;
2. Achieve an average 175 certified training hours per trainee or more (effort indicator);
3. Raise the participation rate in life-long learning activities in order to reach the European average in 2015 (outcome indicator);
4. Reduce the respondents in level 1 in the PIAAC scale from 50% to 25% and increase those in level 5 to 15% (impact indicator).

From a **time perspective**, the targets for the 2011/2014 period are defined as follows:

**Targets for adults from 2010/2011 to 2013/2014**

	2009 (or latest available data)	2011	2012	2013	2014
1					
	Zero base **	70 000	140 000	210 000	280 000
	Zero base **	50 000	100 000	150 000	200 000
	Zero base **	70 000	140 000	210 000	280 000
2	Zero base **	50	100	150	175
3	6.5% *	10%	11.5%	12.5%	13.5%
4	47%/10% ***	n.a.	25%/15%	n.a.	n.a.

\* Estimated increase of 1% per year over the EU average value in 2008 which stood at 9.5%

\*\* Calculated on a zero basis from the results achieved in these four indicators by 31 December 2010

\*\*\* These are approximate figures for the Portuguese population distribution of IALS (1998), respectively at level 1 and level 4 proficiency in literacy skills

**Training for competitiveness and innovation** is a priority action, achieved through helping entrepreneurs and workers understand the strategic importance of training, retraining and refresher courses where the response accompanies the dimension of the pledge made in the more material components of the investment. This includes **training for entrepreneurs** as a permanent response to the modernisation and innovation of SMEs and increasing the **training for company employees** linked to company modernisation and organisational development processes, with priority given to SMEs.

The **“Training-Action” intervention for SMEs** will continue as an instrument to improve business management procedures and develop the skills of their directors, managers and employees. A component directed exclusively to SME start-ups will be added to the existing programme to provide them with management skills that enhance their future sustainability.

Proactive steps will be taken to anticipate the development of new skills and competencies through the **identification of the 100 strategic jobs** for economic development. Professional profiles that are required or emerging in the labour market will be identified, and then training will be provided in order to retrain the unemployed. Efforts will also be made to realign the training of qualified people with the needs of the labour market.



## 2. More Sustainable and Better Jobs

Promoting youth and adult insertion in the labour market and the fight against segmentation requires proactive intervention among the unemployed and workers at risk of unemployment, in the short, medium and long term. Thus, considering the number and characteristics of the unemployed registered in the Public Employment System (PES), as well as the situation of the relevant section of national productive fabric, the short term pledges continue to be:

- Extending the system for the activation and inclusion of youths in the labour market;
- Implementing active employment measures to increase the adult population's employability, with emphasis on the long-term unemployed, women and other vulnerable groups.

**For younger public**, the intervention in **Professional Placements**<sup>8</sup> and **INOV Placements** level will be intensified (targeting 50 000 in 2011, of which 40 000 are from the higher education). These programmes have boosted innovation strategies and strengthened business competitiveness through the professional integration of young graduates in strategic areas for the innovation and modernisation of the productive structure. The **social protection for interns** must also be increased so as to assure them the same social security coverage as employed workers.

**For adults**, the pledge is in **retraining the unemployed for strategic jobs**, supported by the alignment of the vocational training system with the requalification and retraining needs of the unemployed.

We also emphasise the investment in **qualifying the unemployed with low and very low skills** in the New Opportunities Initiative training modality; this will be continued and also include specific programmes to develop basic skills.

Given the need to integrate the groups most removed from the labour market, action taken in the **social employment market** is especially important; this is done through measures to increase the involvement of unemployment benefit (**target of 50 000 CIS in 2011**) or Social Insertion income (SII) beneficiaries in socially necessary labour.

**Support measures for hiring and job creation** will be implemented, either through micro credit mechanisms or through credit lines that support business creation and employment in an attempt to meet the current and long term challenges of maintaining and developing employment opportunities, as well as supporting the creation of self employment and promoting entrepreneurship, thus complementing the measures boosting the dynamics of productive activity.

Emphasis will be given to developing the potential of the new economically strategic sectors, notably through the promotion of **green jobs** and work in sectors that are typically labour intensive (**proximity services**) which not only improve the population's living conditions but also provide greater sustainability and a better balance between work and private and family life.

In the scope of the **entrepreneurship** incentive, a national micro credit programme and a credit line for handicraft activities will be set up, and a micro-enterprise network will be formed to support export activities.

**Reintegration processes into the labour market** will be made more effective and demanding; the situations in which unemployment benefits can be claimed and job offers rejected will be limited and the system for accumulating salary with unemployment benefits will be more flexible, thus encouraging autonomy and a faster return to the labour market;

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<sup>8</sup> These aim to offer a work placement in a real work environment young people with higher or intermediate qualifying education. This will facilitate and promote their integration into working life and allow greater articulation between the exit from education/training and contact with the working world.

**The rationalisation of active employment policy measures.** This will enhance the effectiveness of interventions aimed at creating and improving the quality of jobs by grouping them in large intervention areas, with special emphasis on work placements, employment insertion contracts or self-employment programmes. Measures that create conditions to accompany the unemployed people in job interviews and promote sector agreements between PES and business associations to recruit unemployed and also the rationalisation of the training centres' network will also be strengthened.

With the **2009 Labour Code**, the legislative framework of labour relations underwent profound changes; new forms of flexibility and security were introduced for employees and employers that enhance adaptability, employment, balance between work, private and family life and social cohesion for the benefit of both businesses and workers.

The Government has promoted a negotiation process with social partners, based on social dialogue, to implement a package of measures aimed predominantly at introducing more flexible active employment policies that are better adapted to current and future challenges, as well as reforms responding to the need to **improve the way the labour market operates**. This led to an agreement between the Government and social partners which was signed on 22<sup>nd</sup> March 2011.

In the scope of these measures, more specifically with regard collective bargaining, the Government and social partners agreed on measures to allow for the negotiation and development of some matters by bodies representing workers at the company level contemplated in a collective regulation instrument signed at sector level. It will consider the specificities of the sector concerned, the circumstances of each company and the needs and interests of their employees and establish a new model of compensation in the event of the termination of the work contract; it will increase the guarantee of payment of this compensation to employees by establishing a funding mechanism that will ensure their partial payment.

As an alternative to the termination of work contracts, these measures also aim to speed up the legislation on reducing and suspending the work contracts in a crisis situation.

In the framework of social dialogue, an approach will continue to be stimulated relating to real wage evolution that takes productivity factors and conditions of the labour market into consideration.

The labour inspection activities will be strengthened to **improve the quality of jobs and decent work**; this will include combating undeclared work and the fight to stop illegal work contracts. A mechanism will also be created to monitor the evolution of precarious employment as well as the prohibition of unpaid work placements.

Four main lines are foreseen orienting the fight to stop undeclared work and illegal precarious contracts. Improvements to the system for data collection, processing and dissemination regarding statistical systems of the administrative sources reporting on the company's social activity, especially with reference to the type of work contracts and the characterisation of outsourcing services. Boosting and improving support for the exchange of information between labour inspection and social security systems that can identify risk areas of failure notify social security on the recruitment of an employee and of false independent work; this will direct information and supervision activities appropriately and assist the subsequent monitoring of the detected situations. The development and involvement of social partners in information and awareness raising activities that help social actors integrate employees in accordance with contract law. The definition of at least 25000 companies or establishments, as the annual target for each inspection systems, where such situations of undeclared or illegal precarious contracts can be expected.

Portugal aims to continue the main lines of the national strategy for health and occupational safety as part of the community strategy; the time horizon for this is 2012, when national and community

strategies will be evaluated and redefined. The annual target set in this domain is to monitor health and safety in at least 21,000 companies.

### 6.1.2 Summary Table of Employment Objective

Action Line	Description /objectives	Main measures	Time line and execution indicators	Budget Impact			
Qualify for competitiveness and social cohesion	<ul style="list-style-type: none"> <li>- Increase dual certification for youths;</li> <li>- Increase school training and dual qualification for adults;</li> <li>- Professional certification system linked to qualifications, including the recognition, validation and certification of skills</li> </ul>	New opportunities initiatives	<b>2013/2014:</b> Raise average schooling to 9.89 years, i.e. 2 years more than the average schooling in 2009/2010.	Based on NSRF until 2013			
			<b>2013/2014:</b> assure a schooling rate of 87.5% of youths up to 18 years.				
			<b>2013/2014:</b> 16 000 more students attending vocational or other professional courses than in 2009/2010.				
			<b>2013/2014:</b> Raise number of students attending dual certification courses by 8% (base year is 2009/2010).				
			<b>2013/2014:</b> Reduce drop out rate to 15%.				
			<b>2013/2014:</b> Raise employability rate of youth 6 months after completing secondary level dual certification course to 70%.				
			<b>2013/2014:</b> 760 000 more Portuguese qualified than in 2009/2010				
			<b>2013/2014:</b> 175 hours or more in certified training per trainee				
Increase intervention in the training of workforce in companies associated to modernisation and organisational development processes	Further improve companies' management processes and skills of their directors. Managers and workers	Training programme for business innovation, modernisation and restructuring	<ul style="list-style-type: none"> <li>- Programming 2007-2013: 40 470 (average annual coverage for regions in convergence process, Algarve and Lisbon)</li> <li>- Proposal 2014-2020: 49 970 (average annual coverage for regions in convergence process, Algarve and Lisbon)</li> </ul>	€170m/year (€120m structural funds)			
		“Action Training” Programme for SME	<ul style="list-style-type: none"> <li>- Programming 2007-2013: 4670 (average annual coverage for regions in convergence process and Algarve)</li> <li>- Proposal 2014-2020 – 6.200 (average annual coverage for regions in convergence process and Algarve)</li> </ul>				
		Training for Entrepreneurs Initiative	4000 entrepreneurs/year				
Assuring more sustainable and better jobs	Promoting youth insertion in labour market	Work placements and INOV placements	2011: 50 000, of which 40 000 come from higher education.		€20m		
		Graduate requalification Programme	Retraining 5000 young unemployed graduates through a partnership programme between PES, higher education institutions and companies			€9.5m	
	Aligning vocational training system with requalification and retraining needs of unemployed	Identification of future professions for strategic sectors	Number of professions to be identified: 100		€13m		
		Retraining of unemployed for strategic professions	Professional retraining of 20 000 unemployed, oriented to 100 strategic professions included in the National Qualifications Catalogue				€57m (€40m structural)
		Improved interface with education and training system, employers and job seekers	Signing of protocols with employer associations and trade unions where there is the greatest mis-match between job supply and demand				
	Qualify unemployed with low and very low qualifications	Basic Skills Programme for 10 000 SII beneficiaries					
Foster job creation and entrepreneurship	Support for hiring and job creations	Covering 11 500 persons/year					

				funds)
	Promote employability of disadvantages groups	Employment-Insertion Contracts (CEI and CEI+)	Covering 50 000 beneficiaries of unemployment benefit and 12 000 SII beneficiaries	

## 6.2 Fighting Poverty and Social Inequalities

In a context of strict budgetary constraint, notably between 2005 and 2007, the Government has always been allocating an increasing proportion of public resources to the State's social function. This pledge in the state's social function had clearly defined objectives: i) furthering public Social Security and assuring its sustainability; ii) reducing inequalities and fighting poverty, notably among the elderly; iii) supporting families, particularly those on low incomes; iv) fostering a higher birth rate and improving the conciliation between private and professional lives, paying special attention to the different vulnerabilities due to the poverty facing men and women.

Official INE statistics confirm the decisive importance resulting from these social policies: the risk of poverty in Portugal was reduced (from 20.4% in 2004 to 17.9% in 2009) as were social inequalities (the income of the richest 20% was 7 times higher than that of the poorest 20% in 2004 but this fell to 6 times higher in 2009).

### 6.2.1 Poverty Reduction Target

The national target is to reduce the number of poor by at least **200 thousand people by 2020**. This reduction will take place **in phases over the reference period**, due to budgetary constraints and the resulting obligation to contain expenditure in Portugal until 2013; a **very marked reduction** is expected from **2013**.

The 200 thousand target will be phased in three cycles of the National Reform Programme (i) 2010-2013; ii) 2014-2016; iii) 2017-2020); the first phase aims to cut the number of people in poverty by around 50 thousand, and the other two cycles will each see cuts of 75 thousand. Portugal does not consider the phasing of the reduction of poverty to be justified on the grounds of the redistribution of resources but due to the national effort being made to prioritise budgetary consolidation.

### Action Lines

The pledge made is to foster inclusion and the reduction of poverty and social inequalities by acting in the qualification processes and boosting employability.

There are three main objectives: i) **Fighting inequalities and furthering social justice**, ii) **Promoting a new intergenerational contract**, iii) **Guaranteeing a coherent network of social minimums, fostering social inclusion**.

#### 1. Fighting inequalities and furthering social justice

- Promoting an incomes policy that contributes to the reduction of inequalities through collective bargaining;

- Promoting measures that have an impact on reducing the poverty levels of workers and child poverty, namely targeting working families with children so as to lower the risk of poverty among people who work and declare their incomes to the state and with dependent children;
- Preventing and reducing the poverty of particularly vulnerable groups, notably the disabled, through developing conditions for them to have an active working life and improve the income guaranteed by social protection;
- Pledging in programmes that combat current territorial inequalities e.g. Local Social Development Contracts (CLDS), maintaining the Insertion Agreements for Beneficiaries of the Social Insertion Income, the contracting of interventions in the scope of the Comfortable Housing for the Elderly Programme (PCHI);
- Fostering measures that mitigate territorial inequalities, notably through broadening proximity networks both in the area of the disabled e.g. the network of Information and Mediation Services for the Disabled (SIM-PD) and their families; and in the area of children at risk e.g. Commissions for Child and Youth Protection (CPCJ). It is noted that the expansion of the CPCJ network throughout Portugal embodies the subsidiarity principle associated to the integrated intervention in this domain.

## 2. Promoting a new intergenerational contract

- Raising the single parent family allowance, concentrating resources in these segments where there is a greater risk of child poverty; maintaining the increases in family allowances and pre-natal support as a form of positive discrimination of poorer and larger families; with a view to combating one of the main causes of social exclusion and inter-generational reproduction of poverty situation, pursue measures in the education system, notably those targeting the fight against school drop out and underachievement;
- Pursue measures boosting the social protection of the elderly notably through the allocation of the Solidarity Complement for the Elderly, the extension of a diversified Social Facilities Network through the opening of Old People's Homes and also Day Centres and increasing considerably the home support and the development of the National Network of Integrated Continued Care with a view to completing the network's national coverage (with the creation of 23 027 places with an investment of around 860 million euros)<sup>9</sup>;
- In order to guarantee the timely intervention in situations considered risks, the continued development of the **A Citizen is Born Project**<sup>10</sup> in all health establishments;
- Consolidating the social protection of trainees and evaluating the eligibility rules for unemployment benefits, in particular those of young adults;
- Improving the mechanisms for the conciliation of the personal, family and professional lives of young couples by extending the network of crèches and raising the awareness of Social Partners and Companies of the need to adopt measures for the flexibilisation of working hours.

<sup>9</sup> Source: UMCCI (2010)

<sup>10</sup> The Citizen is Born Project is a cooperation instrument established between the Solidarity and Social Security, Justice and Health Sectors with the aim of creating mechanisms that assure the immediate registration of children after their birth, in three simultaneous dimensions – birth, health service and social security registration.

### 3. Guaranteeing a coherent network of social minimums, fostering social inclusion

- Improving the contributory and social efficiency of the public social security system. Making it fairer and more universal, and boosting measures that combat fraud and evasion of contributions as well as the payment of undue subsidies;
- Furthering efficiency measures for social expenditure, guaranteeing more social protection for those who need it;
- Preventing and reducing the poverty of particularly vulnerable groups, notably:
  - The disabled, furthering the conditions to enter professional life through the training of 7000 people a year and the placing of 700 people a year in insertion work placements or employment insertion contracts, support for the adaptation to work posts and the elimination of architectural barriers and the support of placement and post-placement monitoring of 1200 people a year, involving an annual investment of roughly €55m;
  - Unsubsidised unemployed, with the aim of involving 150 000 unsubsidised unemployed in active employment measures;
  - Beneficiaries of the SII (Social Insertion Income), promoting their placement in work posts or in socially necessary work, in the involvement in education and vocational training actions and in basic skill training programmes, involving around 115 000 beneficiaries;
- With the aim of bringing the supply of jobs in line with the needs of the labour market, the retraining of 20 000 unemployed, 5000 of whom young graduates, for 100 strategic professions which currently are required in the labour market or are expected to be needed in the future;
- Fostering the reinsertion of the homeless through personalised monitoring and the drawing up of individual reinsertion plans.

#### 6.2.2. Summary table of the Fighting Poverty and Social Inequalities Objective

Action Line	Description/ objectives	Main measures	Time line and execution indicators	Budget impact
Combating inequalities and furthering social justice	Promoting inclusion and the reduction of poverty and social inequalities through	Promoting an incomes policy that contributes to the reduction of inequalities through collective bargaining;		n.a.
		Promoting measures that have an impact on reducing the poverty levels of workers and child poverty;	>2013 cover roughly 34 600 families	€66.6
		Preventing and reducing the poverty of particularly vulnerable groups, notably the disabled,	> 2013 cover roughly 78 000 families	€136m
		Local Social Development Contracts (CLDS)	57 new Contracts in 2011	€25.3m
		Agreements for Beneficiaries of the Social Insertion Income	100% of beneficiaries covered by Agreements	
		Comfortable Housing for the Elderly Programme (PCHI)		
		Information and Mediation Services for the Disabled (SIM-PD)	2011-2013 500 new interventions	€2m
			50% increase in the number of SIM-PD,	

	qualification processes and the furthering of employability	Expansion of Child and Youth Protection Committee throughout Portugal	by 2013 100% coverage of national territory by 2013	
Promoting a new intergenerational contract	Prevent and reduce poverty of particularly vulnerable groups, notably:	Raising the single parent family allowance, concentrating resources in these segments where there is a greater risk of child poverty;		n.a.
		Maintaining higher family allowances and pre-natal support		n.a.
		Pursuing measures targeting the fight against early school leaving and underachievement at school;		n.a.
		Solidarity Complement for the Elderly		n.a.
		Broadening of Social Facilities Network	2011 -2014 Conclusion of PARES and POPH New places: OP Homes 10 213 CDIa 6910 SAD 8091	n.a. €198.1m
		National network of Integrated Continued Care	Completion of network's national coverage (with the creation of 23 027 places)	Investment of roughly 860 million euros
		Continue the Citizen is Born Project	Extension of private establishments in national health care provision network	n.a.
		Consolidating social protection of trainees	50 000	€36m
		Extension of crèche network and raising awareness of Social Partners and Companies to the need to adopt measures for the flexibilisation of working hours.	2011-2013 Conclusion PARES 18 414 new places 34.9% coverage rate	€125.7m
Guaranteeing a coherent network of social minimums, fostering active inclusion		Furthering the measures to combat contributory fraud and evasion		
		Improving efficiency measures of social expenditures		
		The disabled	Training for 7000 people a year, placement of 700 people/year in insertion work placement or employment insertion contracts, 170 work post adaptation courses and the elimination of architectural barriers, per year	Annual investment of around €55m

		Unsubsidised Unemployed	Involving 150 000 unsubsidised unemployed in active employment measures	
		SII Beneficiaries	Roughly 115 000 beneficiaries	
		Bringing supply in line with the demand in labour market	Retraining of 20 000 unemployed (5000 of whom are young graduates)	
		Reinsertion of the homeless		
Fostering Equal Opportunities and Fighting Discrimination	Conciliating work, family and private lives	Adoption of measures promoting a more balanced distribution in the organisation of work hours Matching timetables of social facilities with working hours Foster the use of parents' rights (maternity and paternity) through the provision of more information Increase of social support for single parents		
	Active ageing and inter-generational solidarity	Life long learning measures, notably those included in the New Opportunities Initiative Prolonging professional lives through incentives for the employment of older people Discouragement of early retirement from labour market Fostering of gradual transfer to inactivity		
	The Disabled and Impaired	Implementing the ENDEF - National Strategy for the Disabled 2011-2013	2011-2013	n.a.
	Integrating Immigrants	Continued implementation of the Immigrant Integration Plan 2010-2013	2010-2013	

### 6.3 Transversal contributions to employment and fighting poverty

Portugal 2020 –National Reform Programme affirms **equal opportunities and the fight against discrimination** as a transversal factor of competitiveness, social cohesion and development through a joint approach of good governance and the implementation of specific measures and actions that make equality transversal to all national policies and particularly in relation to the inclusion of citizens in society and in the labour market.

**Women** are a very specific public due to the unequal conditions they experience, notably in terms of their insertion in the labour market, working conditions, remuneration, representation in decision making, among others.

Therefore, **social support policies for the family and birth** are powerful factors for cohesion, equal opportunities and economic and social development. The furthering of these policies will remain a priority, through (i) the adoption of measures promoting a more balanced distribution in the organisation of working hours; (ii) bringing the timetables of social facilities in line with working hours; (iii) encouraging parents to make use of their parental rights (maternity and paternity) through the provision of more information; and (iv) increasing social assistance for single parents.

Portugal has met and exceeded the European target for the **network of social services and facilities** aimed at early infancy. The increase in the number of places and the number of crèches with extended timetables remains one of the great objectives, giving needy and middle class families greater priority, continuing the commitment made in various funding programmes. The pledge in a part time monthly crèche payment format to compensate parents who choose part time work is a measure aimed at increasing the birth rate and the conciliation between work and family life.



The practices in relation to **active ageing**, throughout each person's working life will remain in force; the main actions will be through lifelong learning measures, notably those included in the New Opportunities Initiative, in the prolonging of professional activity through incentives for hiring older people, and discouraging early retirement from the labour market, fostering the gradual transfer to inactivity (e.g. the recent reform aimed at the sustainability of the social security system).

The policies for the **disabled and impaired** will be pursued by the continuation of special conditions to ease their social inclusion, with measures focussing on a broad range of responses. Social inclusion will be a priority objective to be achieved through the strengthening of the users' community relations in occupational responses and through measures fostering labour insertion.

The Plan for the **Integration of Immigrants** 2010-2013, approved by Council of Ministers Resolution (RCM) nr. 74/2010, 17 September, will also continue to be implemented; this contemplates a set of 90 measures under the remit of 13 Ministries and involves the execution of 27 of the measures described therein covering two specific domains: first, the area of Work, Employment and Vocational Training and second, the Solidarity and Social Security domain.

## 7 – IMPLEMENTATION, MONITORING AND EVALUATION

Portugal 2020 - National Reform Programme is a strategic action programme that allows focus to be placed on measures and incentives and the implementation of reforms, thus making the defined objectives and targets viable.

The following tables specify the overall coherence of the programme, and clearly demonstrate the relation between the reforms and action lines and between these and the objectives.

### Overview: PNR Reforms and Objectives

Macro Objectives	Stability		Growth		
	Budgetary Consolidation	Reduction of Deficit	Intelligent Growth	Sustainable Growth	Inclusive Growth
Structural reponses	Downward trend of public debt ratio in GDP from 2013	4.6% (2011) 3% (2012) 2% (2013)	40% of GDP in exports (2020)	- 31% of consumed electricity produced by endogenous and renewable sources, - 20% increase in EE - 20% reduction in GEE	- 75% employment rate for population aged between 20 and 64 years - Phased reduction of poverty levels with the aim of 200 thousand fewer people living in poverty by 2020
Modernisation and optimisation of Public Administration					
Improved business environment and fostering of entrepreneurship					
Reducing energy dependence					
Promoting efficiency and effectiveness of justice system					
Boosting Internationalisation Agenda					
Improving adjustment conditions of the labour market					
Reform in the rental market and the promotion of urban rehabilitation					
Improving School Qualifications and the population's Qualifications					
Improving the R&D and Innovation Systems					
Increasing Savings and reducing Indebtedness in all domestic sectors					
Functioning of the markets and promotion of competition					

## Contribution of Objectives and Action Lines to Structural Reforms

		Reforms										Action Line Targets		
Objective / Action Lines		Modernisation and optimisation of Public Administration	Improved business environment and fostering of entrepreneurship	Reducing energy dependence	Promoting the efficiency and effectiveness of the justice system	Boosting the internationalisation Agenda	Improving the adjustment conditions of the labour market	Reform in the rental market and the promotion of urban rehabilitation	Improving School Qualifications and the Population's qualifications	Boosting the R&D and Innovation Systems	Increasing savings and reducing indebtedness	Functioning of the markets and promoting competition	2014	2020
4.1	<b>Objective: R&amp;D and Innovation</b>												Reach European average for intensity in R&D (GERD/GDP) of 1.9%.	Intensity in R&D (GERD/GDP) between 2.7% and 3.3%, 1.0% to 1.2% of which in the public sector and 1.7% to 2.1% in the private sector.
4.2	<b>Objective: More and better Education</b>												- Reduction of drop out rate from school system to 15% (in 2015) - Increase graduates between 30 and 34 years of age to 30%	- Reduction of drop out rate from school system to 10% - Increase graduates between 30 and 34 years of age to 40%
														- limit the growth of emissions

5.1	<b>Objectives: energy climate</b>												23.1% of energy from renewable sources in the final gross energy consumption	outside European Trading of Emissions Licences by+1% until 2020 (base year: 2005). - 31% energy from renewable sources in the final gross energy consumption - 10% energy from renewable sources in the final energy consumption in transport sector
6.1	<b>Objective: Increasing employment</b>												71% employment rate for population aged between 20 and 64 years	75% employment rate for population aged between 20 and 64 years
6.2	<b>Objective: Fighting Poverty and Social Inequalities</b>												At least 50 thousand fewer people living in poverty situation by 2014.	At least 200 thousand fewer people living in poverty by 2020.

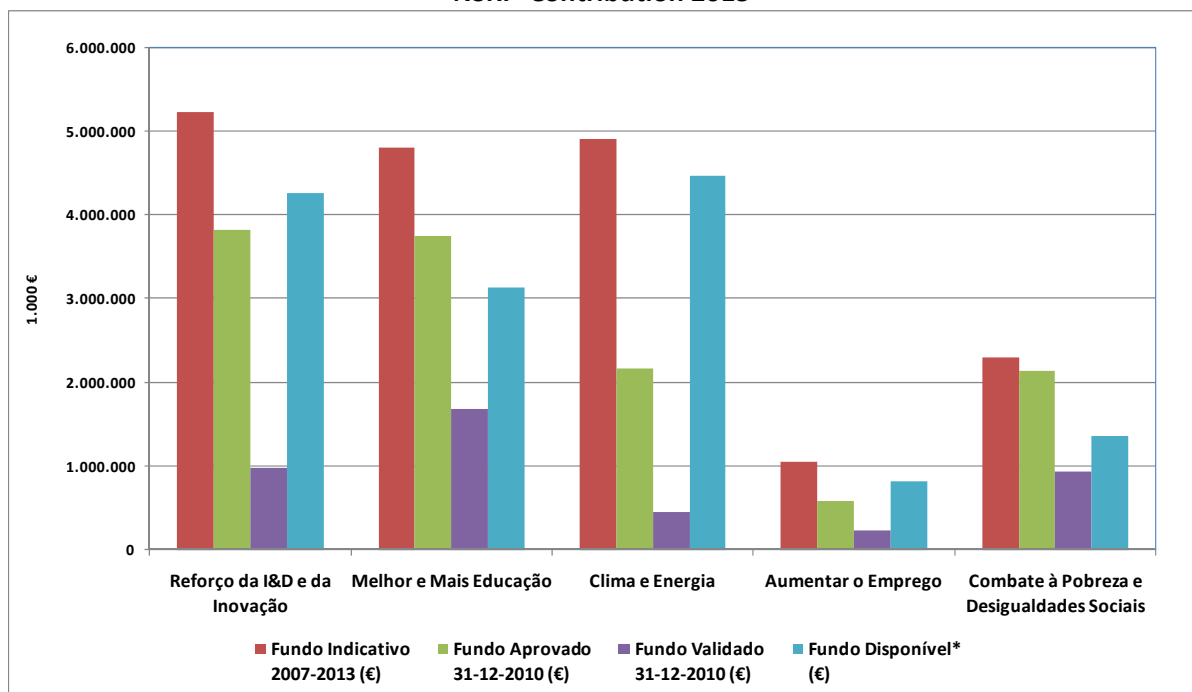
The drawing up of Portugal 2020 - National Reform Programme mobilised Portuguese society, particularly **territorial and sector dynamics**. As a result of the shared work, strategic territorial documents were prepared by the Regional Governments of Madeira and Azores (Madeira 2020 and Azores 2020) and by the Regional Coordination Committees of Lisbon and Tagus Valley and the North (Lisbon 2020 and North 2020). The Ministry of Defence prepared a specific contribution in the framework of the interconnections between the defence policies and the valorisation of qualifications and scientific research.

CIP (Portugal’s Business Confederation) wrote the document “Guidelines for the National Reform Programme”, COTEC (Business Association for Innovation) in conjunction with AdI (Innovation Agency) wrote the first draft of the Portugal Innovation Agenda and in the context of the negotiations underway for the Tripartite Agreement for Competitiveness and Employment, the government and the social partners are working together on the field of competitiveness and employment. All these processes and many contributions received from civil society through documents or interventions in public sessions confer this programme with a high level of appropriation which the implementation, monitoring and evaluation process will strive to maintain and develop.

The Portugal 2020 –National Reform Programme is also closely articulated with the allocation of the **National Strategic Reference Framework (NSRF)**. The verification of costs based on expense categories relevant to earmarking reveals the NSRF’s close alignment with the PNR guidelines.

85% of community funds (ERDF, Cohesions Fund and European Social Fund) that were foreseen and 89% of those effectively approved by 31 December 2010 are encompassed in expense categories that contribute to the PNR guidelines, reaching a forecast of around 18.3 thousand million euros by 2013 and, more than 12.4 thousand million for approvals, with approximately 14 thousand million euros of foreseen amounts still available (see graph).

**NSRF Contribution 2013**



Boosting R&D and Innovation poverty and social inequalities  
Indicative Fund

More and better educations  
Approved Fund

Climate and Energy  
Validated Fund

Increasing employment  
Available Fund

Fighting

\* Available Fund=Indicative Fund –Validated Fund

Foreseen community fund, approved, validated and available in relation to forecast, per domain/objective of PNR thematic coordination (dada until 31 December 2010)

Portugal 2020–National Reform Programme will be permanently **monitored** per action line and target in the framework of the Europe Strategy Coordination Network 2020.

In the terms set out by the European Council, every year an updated version will be drawn up of the evaluation, monitoring and updating of the Portugal 2020 – National Reform Programme; this will involve consultations with institutions and participation from civil society through public debate. A **mid-term evaluation** is foreseen **in 2014** based on an external evaluation of results, in light of the intermediate targets set for that date, and enabling the 2015 programme to serve as the opening of a new cycle in the implementation of the Europe Strategy 2020 in Portugal.

