



NATIONAL STRATEGIC REFERENCE FRAMEWORK 2007-2013 | PORTUGAL

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**Title**

NATIONAL STRATEGIC REFERENCE FRAMEWORK – PORTUGAL 2007-2013

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## INTRODUCTION

The present document consists of the proposed National Strategic Reference Framework (NSRF), which constitutes the framing for the application of the Community's policy for economic and social cohesion in Portugal for the 2007–2013 period.

A result of the political guidelines defined by the Government and with the Community's strategic guidelines and regulatory determinations in mind, the document was drawn up under the coordination of the NSRF Working Group and benefited from the results of a significant process of interaction with ministerial and regional representatives (which will continue in the aim of establishing the Operational Programmes), of countless meetings with senior figures within the national development process both in the public and private sector and, also, of the relevant framing and preparatory studies for the next programming period for Community structural intervention (specifically those realised through the initiative of the CSF III Observatory with support from the CSF III Management Committee).

Consequently, it is important to note that the conception, elaboration and implementation of the NSRF have called for and will continue to call for a high degree of concentration and articulation of effort on the part of the state, economic, social and institutional partners and civil society.

The strengthening of this inter-linking and the greater and more efficient mobilisation of the public services responsible for the management of structural interventions and of the final beneficiaries of these interventions are core aspects for the effective concretisation of the objectives proposed in this NSRF.

The process of drawing up the document was marked by an initial phase of prospective reflection based on the conviction that the identification of the necessary and desirable development trajectories for Portugal requires the mobilisation of all available skills and public dissemination and debate.

The mobilisation and participation of the most important actors was naturally incorporated into the process of elaborating the NSRF from the very beginning. An institutional device was created for inter-ministerial and inter-regional engagement and to oversee the respective preparation, as well as for that of the Operational Programmes.

Of note during the various stages of the process to draw up the NSRF and the OPs was the active participation of the National Association of Portuguese Municipalities, whose work in defining the architecture of the future programming period, established in the Council of Ministers Resolution No.

25/2006, contributed very significantly to the programming process.

Necessarily important, furthermore, was the involvement and the hearing by Parliament. The NSRF was analysed and discussed by Members of the Assembly of the Republic, specifically within the context of the Permanent Special Committee with responsibility for this matter.

The NSRF also benefited from very close dialogue with the Economic and Social Council (CES), an organ of extreme importance for its role as the effective focal point of economic, social and institutional partnership, and one which is endowed with consultative and conciliatory powers within the field of economic, social and territorial development policy. In the same context, the elaboration of the NSRF benefited from the appraisal performed by the Permanent Committee for Social Dialogue.

During its finalisation, the National Strategic Reference Framework consequently sought to incorporate the multiple contributions of the different actors mentioned above.

These contributions do not however exhaust the list of discussions, participation and interaction concretised, both because they involved many other entities and institutions (namely within the context of the complementarities also developed in this area with the National Action Programme for Growth and Jobs and, also, of those carried out on the initiative of the Regional Coordination and Development Committees, Regional Councils and business associations), and because the process of participation of civil society is dynamic and will continue to be pursued during the public debate on the Operational Programmes.



## EXECUTIVE SUMMARY

The main strategic aim of the National Strategic Reference Framework is the qualification of the Portuguese people through an emphasis on knowledge, science, technology and innovation, as well as the promotion of high and sustained levels of economic and socio-cultural development and territorial qualification within a framework of expanding equal opportunities and increasing the efficiency and quality of public institutions.

The achievement of this main strategic aim, which is indispensable for overcoming the most important constraints on the consolidation of sustained success in the process of economic, social and territorial development in Portugal, is ensured with the support of the Structural Funds and the Cohesion Fund by the concretisation by all the Operational Programmes during the 2007–2013 period of three major Thematic Agendas:

- **The Human Potential Agenda**, which brings together a set of interventions aimed at promoting school and professional qualifications among the Portuguese population and the fostering of employment and social inclusion, alongside the conditions for the enhancement of gender equality and full citizenship.

The main areas of intervention of the Human Potential Agenda are: initial qualifications, adaptability and lifelong learning, management and professional improvement, advanced competitiveness training, support for entrepreneurship and transition to working life, citizenship, social inclusion and development and the promotion of gender equality.

- **The Competitiveness Factors Agenda**, which embraces measures that aim to stimulate the qualification of the productive fabric via innovation, technological development and stimulation of entrepreneurship, as well as the improvement of the various components of the business environment, with an emphasis on the reduction in public administrative costs.

The Competitiveness Factors Agenda encompasses, as its main areas of intervention, incentives for the production of knowledge and technological development, incentives for innovation and renewal of the business model and the pattern of specialization, financial engineering instruments for the financing and risk sharing of innovation, integrated interventions to reduce public administrative costs, collective business development actions, incentives for the development of the information society, supporting networks and infrastructure for regional competitiveness and integrated action for the economic enhancement of the least competitive territories.

- **The Territorial Enhancement Agenda**, which, aiming

at enhancing the attractiveness of the country and its regions and sub-regions with regard to investment and living conditions, embraces infrastructure measures and the provision of essential facilities for the qualification of the territories and the strengthening of economic, social and territorial cohesion.

The main areas of intervention of the Territorial Enhancement Agenda are: the strengthening of international connectivity, accessibilities and mobility, protection and enhancement of the environment, cities and networks policy, infrastructure and facilities for territorial and social cohesion.

The concretisation of these three thematic agendas will be made operational, with regard to the guiding principles of concentration, selectivity, economic viability and financial sustainability, territorial cohesion and enhancement and strategic management and monitoring, by the following Operational Programmes:

- Thematic Operational Programmes for Human Potential, Competitiveness Factors and Territorial Enhancement, co-funded respectively by the European Social Fund, European Regional Development Fund and by the ERDF and Cohesion Fund.
- Continental Regional Operational Programmes – North, Centre, Lisbon, Alentejo and Algarve – co-funded by the European Regional Development Fund.
- Operational Programmes for the Autonomous Regions of the Azores and Madeira, co-funded by the European Regional Development Fund and the European Social Fund.
- Operational Programmes for Territorial Cooperation – Cross-border (*Portugal – Spain and the Mediterranean Basin*), Transnational (*Atlantic Area, South West Europe, Mediterranean and Madeira – Azores – Canaries*), Inter-regional and Inter-regional Cooperation Networks, co-funded by the European Regional Development Fund.
- Technical Assistance Operational Programmes, co-funded by the European Regional Development Fund and the European Social Fund.

In line with the strategic and operational priorities, implementation of the NSRF and the respective Operational Programmes will be made possible by the availability of significant Community funds – around 21.5 billion euros, ensuring a total investment in the order of 44 billion euros in the economy, society and national territory. The application of these funds will be governed by three main guidelines:

- Strengthening of the provisions earmarked for human resource development. The ESF will be increased to around 37% of the whole of the Structural Funds available to continental Portugal (around 35.3% of all the Structural Funds allocated to Portugal), a rise of 10 percentage points compared to the CSF III – corresponding to an amount exceeding 6 billion euros.

- Strengthening of funds directed at promoting the sustained growth of the Portuguese economy, which will receive over 5.5 billion euros, involving the Competitiveness Factors Thematic OP and the Regional OPs; the corresponding interventions, co-funded by the ERDF, will represent around 66% of this Structural Fund (a rise of 12 percentage points on the equivalent amount in the CSF III).

- Strengthening of the financial importance of the Continental Regional Operational Programmes, exclusively co-financed by the ERDF, which will represent 55 percentage points of total ERDF funds available for continental Portugal (a rise of 9 percentage points compared to the equivalent amount in the CSF III). The funds allocated to the Regional OPs for the Continental Convergence regions (North, Centre and Alentejo) will be increased by 10 percentage points in real terms over the equivalent amount in the CSF III.

The governance of the NSRF, whose effectiveness is indispensable for the efficient achievement of the strategic and operational priorities established, is based on the following organisational structure:

- A body responsible for political guidance – the NSRF Ministerial Coordination Committee;
- A technical body responsible for the respective strategic coordination and monitoring;
- Two technical bodies responsible for the financial coordination and monitoring of the Cohesion Fund and Structural Funds (ESF and ERDF) which, alongside the General Inspectorate of Finances, will also have controlling and auditing responsibilities.

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# LIST OF ABBREVIATIONS

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CCDR – Regional Coordination and Development Committee

CF – Cohesion Fund

CIP – Community Initiative Programme

CSF – Community Support Framework

DGDR – Directorate General of Regional Development

DG Employment – Directorate-General for Employment, Social Affairs and Equal Opportunities of the European Commission

DG Regio – Directorate-General for Regional Policy of the European Commission

DPP – Department of Prospective and Planning

EAFRD – European Agricultural Fund for Rural Development

EC – European Commission

EEC – European Economic Community

EES – European Employment Strategy

EFA – Adult Education and Training

EFF – European Fisheries Fund

EFTA – European Free Trade Association

EIB – European Investment Bank

EIF – European Investment Fund

ERDF – European Regional Development Fund

ESF – European Social Fund

EU – European Union

FDI – Foreign Direct Investment

GDP – Gross Domestic Product

GSE – Gross Subvention Equivalent

GVA – Gross Value Added

ICT – Information and Communication Technologies

IFDR – Financial Institute for Regional Development

IGF – General Inspectorate of Finances

IMESF – Institute for the Management of the European Social Fund

INE – Statistics Portugal

INO – New Opportunities Initiative

LTU – Long-term unemployment

LVT – Lisbon and Vale do Tejo

NIS – National Innovation System

NSDS – National Sustainable Development Strategy

NSRF – National Strategic Reference Framework

NUTS – Nomenclature of Territorial Units for Statistics

OECD – Organization for Economic Cooperation and Development

OP – Operational Programme

PARES – Programme for the Widening of the Social Facilities Network

PEAASAR – Strategic Plan for Water Supply and Waste Water Treatment

PERSU – Strategic Plan for Urban Solid Waste

PNACE – National Action Programme for Growth and Jobs

PNAI – National Action Plan for Social Inclusion

PNDES – National Plan for Economic and Social Development

PNE – National Plan for Employment

PNPOT – National Programme for Spatial Planning Policy

PPP – Purchasing Power Parity

PRACE – Restructuring Programme for the State's Central Administration

PRIME – Incentives Programme for the Modernisation of Economic Activities

PRN – National Road Network Plan

PT – Technological Plan

R&D – Research & Development

RDP – Regional Development Plan

SGP – Stability and Growth Programme

SIMPLEX – Administrative and Legislative Simplification Programme

SME – Small and Medium Enterprises

S&T – Science and Technology

TR&D – Technological Research & Development

UNESCO – United Nations Educational, Scientific and Cultural Organization

USA – United States of America



# 01. FRAMING

## 01.1. A NEW ECONOMIC, SOCIAL AND TERRITORIAL DEVELOPMENT PARADIGM

The concretisation of a new model of competitiveness, characterised by qualified and differentiated production, using more advanced and specific resources to respond to increasingly sophisticated global demand (international and domestic) and with greater sales potential, expresses the size of the task faced if the Portuguese economy and society are to confront successfully the challenges presented by the combination of the deepening and enlargement of the European Union, whose consequences in terms of globalisation are exacerbated by the dynamics of the Asian economies.

The public policies adopted by Portugal must, therefore, be closely focused in order to contribute effectively to the structural adjustments that can stimulate the gains in productivity and competitive capacity which, within the framework of social and territorial cohesion, can contribute to the significant improvement of Portugal's international position.

Closer coordination of macroeconomic and structural policies, on the one hand, and regional and sectoral policies, on the other, in order to pursue rigorous efforts at budgetary consolidation and more effective and selective management of structural funds and public investment, aligned to a full and realistic insertion in the Lisbon Strategy – that is, aimed at a profound renewal of the competitive model of the Portuguese economy – necessarily constitute the core of the Portuguese agenda on economic policy in an enlarged Europe.

This agenda also considers that budgetary consolidation constitutes a necessary condition of macroeconomic stability in Portugal, that raising citizens' qualification levels is a necessary condition for a return to a trajectory of sustained growth and the strengthening of equity, and that territorial specialisation, implying the stimulation of the development of diversified dynamics of regional decentralization and clusterization, represents a necessary condition for the achievement of more advanced levels of economic, social and territorial cohesion.

The mere stimulation of renewed growth is insufficient. It is essential that efforts and lasting resources be concentrated on a profound renewal of the competitive factors and the very model of growth of the Portuguese economy in an attempt to readjust its international position based on greater productivity and greater competitiveness in a globalised marketplace.

The mere continuation along the same courses followed on the educational and training front is also insufficient. It is essential that efforts and lasting resources be concentrated

on a significant change in the levels and standards of citizens' qualifications, which, designed to meet the essential increases in productivity and the level of national competitiveness, can ensure companies and workers' abilities to adapt and a greater capacity to respond to social change and the demands for greater quality in the provision of goods and public services.

It is also insufficient to consider the territory and the cities as a mere reference point for social or public infrastructure and facilities policies. It is essential to ensure the full participation of regional and local agents in the promotion of competitiveness, sustained growth and employment by stimulating the deepening of institutional relations and territorially-based complementarities and synergies and empowering the full and efficient use of the endogenous resources available to correct inequalities and increase regional competitiveness and cohesion.

It is within this framework that the structuring guidelines of the NSRF 2007-2013 lie:

- Priority given to the **concentration** on a small number of Operational Programmes, ensured via their thematic structuring and respective financial dimension;
- Guarantee of **selectivity** in the investment and development measures funded, achieved by rigorous criteria for selecting and hierarchically ordering candidatures;
- Maximisation of the **economic feasibility** and **financial sustainability** of actions aimed at satisfying the public interest;
- Pursuit of **territorial cohesion and enhancement**, reinforcing the factors of scientific and technological development and the specific economic, socio-cultural and environmental progress of each region and contributing to sustainable and regionally balanced development.
- Consistent concentration on **strategic management and monitoring** of interventions.

## 01.2. RENEWAL OF REGIONAL POLICY

Conforming to the accepted political view whereby the economic and social cohesion policy is given responsibility for reducing the disparities between regional levels of development, EU regional policy for 2007-2013 emphasises growth, competitiveness and employment.

This renewal of regional policy translates into increased demands and responsibilities for Community structural intervention, which, while regarded as little more than a mere



promoter of regional equity, is asked to intervene pro-actively in the economic development of the regions.

Experience shows that the concretisation of social policies and those policies aimed at improving regional provision of collective infrastructure and facilities has not always had significant results on the growth of regional economies, whose evolution is dependent or influenced by the dynamics (positive and negative) that characterise national economies. Neither has it shown itself sufficient to correct regional inequalities in development.

In a context marked by the deepening of globalization, the interdependence of national economies is becoming ever greater – influencing therefore, in global terms, the economic performance of the regions and naturally determining their necessary involvement in the pursuit of common objectives and priorities, which are shared in supra-national terms.

The specific situation of the poor performance of the European economy and the desire to foster a dynamic of sustained growth based on knowledge and innovation resulted, in this context, in the European Council's definition of ambitious objectives within the framework of the Lisbon Agenda which the Member States have committed themselves to achieving.

The inherent strategic readjustment of Community policies, significantly influencing economic and social cohesion, is wholeheartedly accepted by Portugal, which associates the pursuit of the aims of the Lisbon Agenda with the overcoming of challenges identified by the re-balancing of its public finances and by the implementation of the Technological Plan.

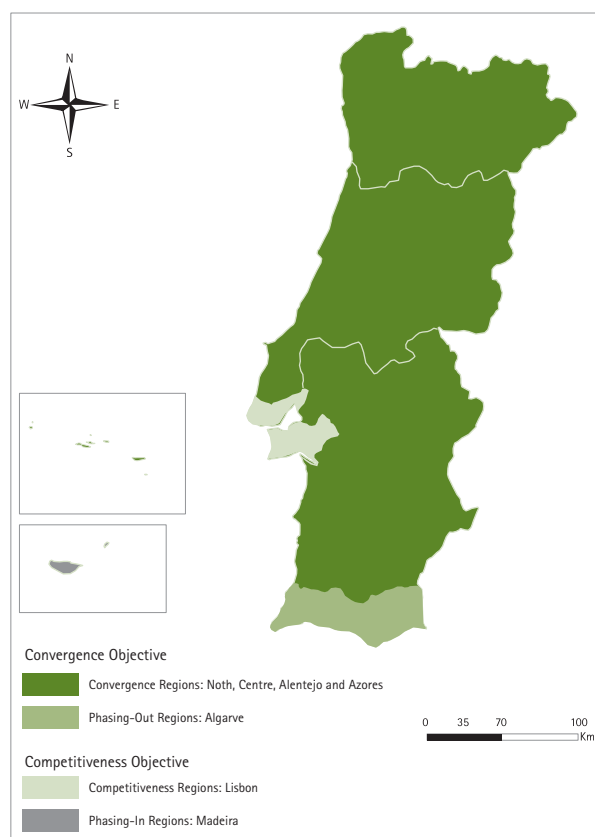
The responsibilities of Portuguese regional policy are, in this context, more complex, and determine the strategic approach adopted here by the NSRF and the development priorities of the respective Operational Programmes.

Portugal has also renewed its regional policy with significant consequences for the enhancement of the territory and its diversified potential. In overcoming the restrictions stemming from an approach that takes the regions as its point of reference, it accepts the growing complexity of territorial dynamics in which the cities and metropolitan areas play central roles in promoting competitiveness and cohesion.

There is therefore a move away from the dichotomy between public policies for national and regional development, in which the former assumes the objectives for competitiveness and the latter those for cohesion, to enshrine the sharing of responsibilities for growth and solidarity in a coherent pursuit of the objectives of national and regional competitiveness and cohesion.

This positioning and this approach determine the allocation of unequivocal priority to the effective integration of territorially-based public and private investment interventions to create favourable conditions for the emergence of agglomeration economies, above all in the least developed territories, and thus to sustain the respective endogenous capability for attracting productive investment and wealth creation – and, consequently, for correcting social inequalities.

#### ELEGIBILITY OF THE PORTUGUESE NUTS II REGIONS FOR COHESION POLICY OBJECTIVES 2007-2013



## 02. PORTUGUESE SITUATION

### 02.1. GLOBAL DYNAMICS

National and EU public policies are conditioned by important transversal dynamics that have a determinant influence on changes in contemporary society and, necessarily, those that have occurred in Portugal over the last twenty years.

The nature and orientation of cohesion policy in Portugal in the 2007–2013 period, which embodies the important aspects of national development strategy within the framework of Community structural support, will essentially therefore be faced with challenges and should benefit from opportunities stemming from globalisation, demographic trends, energy tensions and added environmental demands.

The structural dimension of these major dynamics, plus the length of time it takes for their effects to be felt, also constitute factors that condition the effectiveness of the interventions addressed to them by national public policies.

The consequent need to valorise political action implemented at the supra-national level cannot however diminish the fundamental relevance of national public policies – of which of special note is that aimed at addressing the sustainability of public finances, particularly within the framework of the national reform programme that Portugal is pushing through in joint liaison with the other Member States of the European Union in pursuit of the fundamental objectives of promoting economic and jobs growth.

These objectives provide a fundamental strategic framework for the intervention of the Structural Funds and Cohesion Fund in the 2007–2013 period.

#### GLOBALIZATION

The continued growth in international trade flows and capital movements observed over recent decades, combined with the changes in their pattern in terms of increased diversity and complexity, reveals the importance of globalization for economies and societies and presents crucial challenges and opportunities for Portugal, especially bearing in mind its structural consequences in terms of international competition in those areas corresponding to flows in trade, capital, people and information.

The main effects of this are noticeable at the geo-strategic level (marked by the role played in this context by the North American and European economies and by the increasingly important positions of the Asian and South American economies) and at the sectoral level (with emphasis on price-related competition in more labour-intensive activities, namely lower value added areas that are less demanding in terms of qualifications, as well as competition

in more knowledge-intensive activities that are less location dependent).

Within this framework, and bearing in mind the growing difficulties of competing in international markets in low value-added sectors, intermediate developing economies like Portugal are faced with the challenges imposed by the more developed economies, in which the relative importance of activities based on knowledge and the use of innovative technology is significant, and by the emerging economies, in which rapid rises in the value chains of globalised industries and services can be seen and in which the restrictions stemming from location are progressively less significant and which, consequently, benefit from important new FDI projects and relocations.

In an international context that is increasingly integrated and undergoing rapid change, the positive evolution of the Portuguese economy will depend heavily on the capability to change the structural characteristics of its productive fabric and organisation, stimulating activities that provide transactionable goods and services to reinforce its comparative attractiveness and, also, to encourage the internationalization of activities with strong growth potential on a global scale during the coming years – namely as regards the sustained internalization of knowledge and the capability to innovate in export-oriented sectors.

The role of public policy in transforming these challenges into effective opportunities is of decisive importance. It necessarily implies the focusing of intervention instruments (in particular within the framework of cohesion policy) on actions aimed at strengthening competitiveness factors, such as the qualification of human potential, scientific and technological development, innovation in productive processes, products and forms of organisation, stimulation of the establishment of and participation in networks of companies and knowledge centres, minimization of public administrative costs and the widespread use of information and communication technologies.

#### DEMOGRAPHY

Although characterised by a tendency towards quantitative stabilisation, Portuguese demographics over the last twenty years have registered significant changes which are likely to continue into the future. Especially noticeable are the increase in life expectancy and, consequently, the accentuated aging of the population, the increase in the percentage of women working and the change in patterns of land occupation (associated with urban concentration, the growth of the major cities and the depopulation of the interior).

This trend, which mirrors European demographic dynamics,

also reflects the consequences of recent positive migratory movements, whose origins are particularly associated with the search for work on the part of Portuguese-speaking people and those from central and eastern Europe. These movements have benefited from the progressive liberalisation of people flows and the effective need for labour in low value added industries that are not exposed to international competition.

Alongside this can be seen the temporary and seasonal migration of Portuguese workers in line with the needs of the Portuguese and European labour markets.

These demographic dynamics have significant consequences and represent important challenges to public policy. The most important aspects relate to the sustainability of the system of social security and necessarily translate into greater demands on the provision of health care, social support for children and the aged in the sense of permitting greater conciliation between work, family and private life and, also, as regards the social change associated with longer working lives.

Without downplaying the impacts of these consequences and challenges on the nature and ambition of the interventions supported by structural-related EU financial instruments, nevertheless, of particular importance in this context are those relating to actions aimed at territorial planning – notable of which are those that aim to improve the structuring and increase the economic efficiency of the urban system and, alongside this, intervene positively in the quality of life of cities, particularly as regards the concretisation of processes of integration and social inclusion.

### ENERGY

The growing tensions in the global energy system, revealed particularly by the continuous growth in demand for oil, brought on by the industrialization, urbanization and motorisation of the emerging economies, is associated with the political instability that characterises the regions with the greatest concentration of oil reserves, the consequent volatility of the price of hydrocarbons and the very noticeable rise in the price of petroleum.

The consequences of these dynamics in countries such as Portugal which are heavily dependent on energy imports are of determinant economic and financial importance, necessarily exacerbated by uncertainty as to future developments – though in the safe knowledge that they will have significant implications for public policies that aim to diversify energy production (namely encouraging investment in renewable sources and increased use of coal allied to new combustion technologies and CO2 sequestration) as well as for those that are aimed at improving energy efficiency (whose main fields of intervention include the construction and equipment of

buildings, the acquisition of new vehicles and the alteration of individual and collective behaviour, especially those associated with traffic movements and transportation).

### ENVIRONMENT

Although linked to energy problems within the framework of the competitiveness of the national economy, environmental requirements assume a transversal strategic importance of their own, above all when inserted into the global efforts to prevent and mitigate the consequences of climate change and, particularly, within the context of fulfilling the objectives enshrined in the international agreements aimed at reducing greenhouse gas emissions, which in Portugal tend to be regarded in a restrictive sense.

Constituting a synthesis of diverse challenges, with particular impact on the environmental, energy and transport fields, these conditioning factors are reflected in important aspects of national public policies, which need to be aimed at enhancing the reconciliation of the logic and efficiency of productive activities with the environmental objectives that decisively influence the capacity of the national economy to play a more important role than at current at a European and global level by means of greater incorporation of knowledge and innovation and via a growing positioning in higher value-added segments.

## 02.2. THE PORTUGUESE ECONOMY AND THE SUSTAINABILITY OF PUBLIC FINANCES

### PORTUGUESE ECONOMIC PERFORMANCE

The performance of the Portuguese economy over the period of execution of the Community Support Framework 2000-2006 (CSF III) was due more to a process of structural adjustment – caused by the exhaustion of an extensive model of economic growth and by the deterioration of its respective competitiveness within a context of globalization, whose effects were particularly exacerbated by the enlargement of the Union – than merely to economic recession caused by an exogenous shock induced by the flatter growth of the world economy and the economies of Portugal's main economic partners in particular.

Until 1999, Portugal was above all a *cohesion country*, assisted without major constraints on its structural policy and with some capacity for manoeuvre in its macroeconomic policy. Since then, Portugal has also become, and increasingly so, a *single currency country*, with all that that represents in terms of the loss of autonomy to decide on macroeconomic policy due to the move towards supranational monetary and exchange policies (the narrowing of options and political instruments available to respond to external shocks). The European Union's monetary and exchange policy has assumed a new dimension, driven by the European Central Bank and

dominated by a policy centred on maintaining price stability. The narrowing of the margin for manoeuvre in budgetary and fiscal policies, now subject to a rigorous and harmonising regime imposed by the Stability and Growth Pact, reduces the direct impact of macroeconomic policies on economic growth. In the area of development, the major change felt by the transition from the CSF II to the CSF III has been a clearly more restrictive application of some of the rules governing EU policy on state aid.

In a reversal of the trend observed since it joined the European Economic Community, the convergence of the Portuguese economy ceased during the CSF III. The respective rate of real convergence stagnated from 2000 onwards, and a divergence began to appear in the period between 2003 and 2005 – a change that contrasts markedly with that of other EU countries at similar levels of development. In 2005, the average standard of living in Portugal – measured in per capita GDP at purchasing power parity (PPP) – stood at 71% of the EU25 average, a figure similar to that observed in the mid-1990s.

It should be stressed, however, that the convergence of the Portuguese economy with EU reference levels during the period of execution of the CSF III faced an additional challenge – the rapid nominal convergence of the general level of prices. These rose from around 3/4 of the European average in 2000 to 5/6 in 2006, progressively limiting the extent of the implicit correction in the calculation of per capita GDP at purchasing power parity. The negative performance of the Portuguese economy in convergence terms during this period is therefore not only due to disappointing economic growth, but also to the development of the phenomenon mentioned above, which by itself would have required an additional 1.7% of annual per capita GDP growth just to maintain the relative level with regard to the EU average at the end of the CSF III period.

The positive manifestations of nominal convergence, however, experienced new difficulties resulting, besides adverse external shocks, from political choices and options within the framework of market regulation and, above all, from the weaknesses of the extensive growth model applied since full membership of the European communities. The risks of this model of growth for nominal convergence manifest themselves, on the one hand, in the possibility of divergence in terms of inflation, given the high pressure of internal demand caused by private and public consumption, and, on the other, in terms of interest rates, caused by the possibility of deterioration in the country's rating and the rating of the financial institutions resulting from excessive debt levels. The Portuguese economy faced evident difficulties in controlling inflation and in rebuilding a margin for manoeuvre in budgetary and fiscal policy.

During the period under analysis, it became clear that it was impossible to maintain a sustainable competitive position within the framework of the Economic and Monetary Union with a rate of inflation higher than that of the country's major trading partners and that, given the impossibility of lowering the exchange rate, the consequences were a loss of competitiveness – with the associated costs of lower market share and the inherent reduction in economic activity and loss of jobs. Consequently, the consolidation of low inflation demands an appropriate effort to adjust the Portuguese economy, namely in terms of widening company value chains, raising productivity and dynamically rebalancing the conditions of supply and demand by means of adequate competition rules.

The context of the execution of the CSF III therefore reveals a situation in which economic stagnation, related to structural problems of competitiveness, is associated with the progressive development of problems of social cohesion, resulting not only in the quantitative worsening of the unemployment rate, but also in the deterioration of its qualitative profile, namely the rise in long-term unemployment, contributing, in the European context, to very high levels of income inequality.

This context also reveals progressive difficulties with regard to real convergence, revealed by the destabilization and slowing down of the rate of GDP growth, which, since the second half of 2002, has remained significantly lower than the rate of GDP growth in the euro zone. The Portuguese economy will thus end the period of the CSF III, from the perspective of real convergence, in a situation in which, besides the heavy slowdown in overall gains achieved in the initial phase of full European integration, it occupies a new and weakened position within the enlarged European Union (more distant from Greece and Spain and closer to countries such as Cyprus, Malta, Slovenia, Czech Republic and Hungary). The evolution of the processes to converge national economies in the enlarged European Union reveals the progressive difficulties encountered by the Portuguese economy in making the transition from the cohesion benchmark on a convergence path *assisted* by structural funds to the competitiveness benchmark within the single currency regime (the latter being more demanding and admitting less national autonomy). The difficulties associated with the real convergence of the Portuguese economy in the European Union, which began to manifest themselves at the start of the CSF III period, deepened cumulatively during its execution, revealing competitive difficulties of a structural nature that were particularly vulnerable to the changes wrought by Economic and Monetary Union and enlargement to the east.

The progressive slowdown in the rate of convergence of the Portuguese economy within the European Union coexisted,



however, with the maintenance of a high level of financial transfers within the context of the structural funds. Even bearing in mind that the performance of the Portuguese economy is significantly influenced by other factors, the disparity between access to EU structural funds and the rate of effective convergence with the European economy is a manifestation of the loss of effectiveness of the mechanisms that had previously resulted in positive gains in economic convergence. It is, in short, the manifestation of the insufficiency of the planning exercises, of the strategies pursued, of the projects realized and of the management models adopted to foster the positive growth of the Portuguese economy in an adverse global economic context and one undergoing major structural adjustment as regards the competitiveness factors traditionally mobilised by it.

The Portuguese experience tends to show that while smaller economies can benefit, within the European Union's existing economic regime, from a kind of overall protection in terms of the large nominal variables, such as interest and exchange rates, which give them greater stability, they also face, within the scope of real convergence, an open-ended task with added demands and dimensions in which they essentially depend on their own abilities to create sustained wealth and effective public policies.

The general conclusion reached from the situation witnessed is that the preparation and concretisation of the transition from *cohesion country* to *single currency country* presented the Portuguese economy with major problems, placing in relief the precarious consolidation of the progress initially achieved and the insufficient renewal of the investment and management strategies. The Portuguese economy now needs to face even more demanding challenges in terms of fostering competitiveness and economic growth, in which it is necessary to respond to the pressure of greater international competition, and in terms of the renewal of the models and ways of promoting social and territorial cohesion, in which the logic of specialisation, network and service in the expansion and management of collective infrastructure and facilities needs to be definitively enshrined.

The widening gap in the rate of productivity growth between Portugal and the rest of the European Union, particularly from 2001 onwards, probably constitutes the weakest point in the recent performance of the Portuguese economy and surely the most important in terms of objectives pursued through intervention.

The most worrying aspect of the current state of the Portuguese economy, however, relates to its investment record, both in quantitative and, especially, qualitative terms: indicators relating to the destination of investment reveal no significant

structural changes, neither towards greater investment in the production of transactionable goods and services, or towards international value chain segments of greater strategic interest, nor, finally, towards new wealth-producing processes centred on the idea of a knowledge-based economy.

The downturn in economic activity in the 2000–2005 period as a whole, combined with the strengthening of non-transactionable goods and services, chiefly reflected the strong fall in investment in Portugal. Public investment, which represents around 14% of total investment, registered a shallower slowdown; despite verifying negative growth in real terms during the period in question, the average rate of public investment (public investment as a percentage of GDP) was of the order of 3.4%, higher than the EU25 average (2.4%) and one of the highest of all the respective States Members.

Despite registering a slowdown, public and private consumption clearly grew faster than GDP. The average growth in consumption by resident families was higher than the growth in available income, with consequences for their debt levels.

In this context, there was a rise in the need for external financing, which assumed a significantly high level in comparison with most of the rest of the European Union; this change, from 5.5% of GDP in 1996–2000 to 6.6% of GDP in 2005, was reflected in a worsening of external imbalances.

Given that the level of investment as a percentage of GDP fell in 2005, the rise in the need for financing continued to be explained by the reduction in internal savings, both within the private and public sector, exposing the ease of obtaining financing for the external deficit on international markets within a framework of low interest rates and absence of exchange rate risk.

With Portugal's membership of the Economic and Monetary Union the economy benefited from a sharp fall in interest rates, which stimulated a rise in internal demand, the invigoration of the construction sector and the expansion of credit, particularly mortgage credit. This trajectory revealed that the introduction of the euro led to an important, and positive, change in the expectations of private agents, with enterprises and families increasing their expenditure through a growing resort to debt. The subsequent adjustment of financial imbalances, however, translated into a contraction in private sector expenditure, which, coupled to a restrictive budgetary policy, led to a sharp slowdown in growth in internal demand from 2001.

The Portuguese economy, particularly after the recession in 2003, has only very recently started showing signs of recovery, sustained, above all, by greater GDP growth and

a significantly favourable change in the make-up of the trade balance. Alongside the growth in exports, the brake on construction activity in line with the growth in business volume in manufacturing and services would suggest that positive signs are beginning to emerge of an end to the cycle of structural adjustment in which Portugal has been mired, necessitating serious consideration of the choice of incentives that will allow this turning point to be consolidated.

The progressive slowdown in economic activity resulted in a significant reduction in the investment rate in the first half of the present decade. In 2005, the level of investment stood at 21.6% of GDP (27.1% in 2000), converging towards the average figure for the euro area. In the 2001-2005 period, most of the components of Gross Fixed Capital Formation (GFCF) suffered considerable real reductions, especially as regards the transportation (-7.8%) and construction (-3.8%) sectors. The relative weight of public investment suffered an annual average drop of 1.5 percentage points, falling in 2005 to around 14% of total investment.

As regards the economy's external competitiveness, the rise in internal prices and salaries above the average for industrialised countries, without the compensation of positive productivity differentials, represented an appreciation of the real exchange rate, in other words, a deterioration in the competitiveness of goods and services produced in Portugal.

Analysis of the recent evolution in the external relations of the Portuguese economy reveals a structural tendency in the sense of a persistent and high external deficit, counterbalanced only during periods of downturn in economic growth as a result of the slowdown in imports associated with consumption and investment and, more recently, by the achievement of very significant rates of export growth in the first two quarters of 2006. The balance of unilateral transfers has been progressively insufficient to compensate for the worsening of the deficit in the balance of goods and services and capital account. The main causes for the deterioration in the current account are the following:

- The deterioration of Portugal's competitive trade position (balance of goods and services), which has resulted in the progressive deterioration of the coverage rates and, therefore, in the rise in the trade deficit;
- The increased complexity of the international relations of the Portuguese economy, namely at the level of short-term capital movements and business relations, which has resulted in a slow, but progressive, increase in the capital account deficit;
- The weakening of the surplus from private current transfers

as a function, essentially, of credit (remittances by emigrants) and debit (remittances by immigrants) behaviour.

The deterioration in the trade balance reflects the limited growth registered by exports from 2000 onwards and the continued high levels of growth in imports (despite the slowdown in global demand). The reduced capacity to attract foreign investment, as a dynamic focal point for activities oriented towards external trade, also damaged export performance. Without downplaying this less positive evolution in the export of goods and services, external demand nevertheless constituted a factor for growth in the Portuguese economy during the 2001-2005 period. In effect, despite the slowdown verified in overall economic activity, exports of goods registered significant growth (in particular as regards merchandise, with annual average increases of 2.8%), while exports of services (in particular tourism), which are highly sensitive to the global socio-economic situation, were characterised by more moderate growth (average annual rise of 1.2%).

The structure of national exports continues to show a heavy reliance on labour-intensive and low technology goods (such as textiles, clothing and footwear), resulting in accumulated losses in market share that reached some 8% in 2004 and 2005. This negative trend was also observed in some intermediate technology sectors, such as the automotive and electrical machinery industries (which acquired significant weight within the structure of Portuguese exports following major foreign direct investment projects in the mid-1990s).

The Portuguese economy therefore remained poorly competitive, revealing that the speed at which the portfolio of industries was being readjusted was insufficient to ensure an improvement in its international trade performance. In truth, the trends of evolution of the Portuguese economy in terms of sectors of activity revealed a rise in non-transactionable goods sectors predominantly focused on the internal market (such as construction, real estate, company-oriented and family-support services and educational and health services), heavy investment in infrastructure sectors (telecommunications, audiovisual, gas, electricity, roads, water and the environment), the consolidation of tourism and a slight improvement in higher value added activities in the manufacturing industry.

The trend in inward and outward flows of foreign direct investment underwent profound change, both in terms of disinvestment by multinational companies in Portugal (attracted by larger markets, economies of scale and more favourable employment conditions), and in terms of the fluctuations in the rate and orientation (markets and activities)

of the first wave of international expansion of Portugal's large enterprises polarized by outward investment.

Furthermore, the integration of the Portuguese economy into the great flows of international investment reflects two specific difficulties within this framework. The first corresponds to the drawing of a new map of industrial investment by global companies, in which the south of Europe has lost its competitive advantage – cost. The second corresponds to an entrepreneurial base that is too small in size and conditions (financial, human and organizational) for international investment, which strongly limits its expansion and consolidation in markets with more demanding relative prices. The main characteristic of this trend is the loss of relevance of international investment in the Portuguese economy, within the more general framework of the difficulties facing the southern European economies in relation to the changes in the world economy, in which the economies in transition (European enlargement countries and China, particularly) are broadly preferred.

The context of the period of execution of the CSF III is thus characterised in terms of international investment by a very marked exhaustion of the factors that drove both foreign direct investment in Portugal and the first wave of Portuguese direct investment in foreign markets during the 1990s. This exhaustion placed heavy pressure – in a country where the state and public policy play an important role – on a substantial strategic change that could make the attraction of new foreign direct investment flows feasible based on new competitive factors and on the Portuguese economy's new capacities for international intermediation and that could also stimulate new flows of Portuguese direct investment in foreign markets, based on a broader entrepreneurial base and by more effective supporting conditions and instruments.

The significant downturn in economic activity in the 2001–2005 period and the trajectory of real divergence revealed the structural weaknesses of the Portuguese economy – given that the per capita product differentials compared to the Union as a whole are essentially explained by divergences in economic efficiency. In effect, after a period of catching up with average EU figures in the second half of the 1990s, levels of productivity within the Portuguese economy stagnated in 2001 and 2002 and retreated in subsequent years.

The structure of the Portuguese economy, based predominantly on low wage industries, is also responsible for high levels of income inequality.

Portugal is, at the same time, the EU country with the highest risk of persistent poverty, which especially affects women, children and the old, reflecting a low capacity to ensure corrections by means of social policies that play a decisive role in limiting

the risk of poverty in countries with lower levels of poverty. In countries with higher levels of social cohesion, social transfers ensure a reduction in poverty levels of nearly 9 percentage points, while in Portugal the effect of social transfers reduces the risk of poverty by no more than 4 percentage points. These indicators, alongside those that confirm Portugal as the EU15 country with the highest levels of income inequality, emphasise the importance of public policies that adequately address the fight against poverty and social exclusion.

The employment rate in Portugal, however, has remained higher than the EU15 average. Constituting an essential condition for social integration and the fight against poverty, the positive effects of this have nevertheless been negated by the growing polarisation in the labour market between highly-qualified and low-qualified workers, as well as by the rise in precarious and atypical employment.

While the unemployment rate remained steadily below the average for the euro area during the 2001–2005 period, the respective differentials have witnessed significant reductions in recent years, falling from 3.9 percentage points in 2001 to 1.2 percentage points in 2005. This trend has been marked by the increased impact of long-term unemployment, which, in 2005, rose to 49.9% of total unemployment, of which over 50% are women, representing a worsening of around 10.7 percentage points compared to 2001.

Besides the cyclical effect, the rise in the long-term unemployment rate also indicates increases in structural unemployment, a situation which – as it potentially creates conditions for the heightening of social tensions and an increase in the population at risk of exclusion – particularly affects poorly skilled and qualified older workers.

In that sense, the behaviour of the Portuguese labour market has been conditioned by factors of a cyclical nature and by structural factors. The change in international trade patterns, in particular, requires important adjustments to be made to the productive structure and, therefore, implies a sectoral redistribution of employment in the economy (with potentially significant benefits stemming from the fostering of greater internal competition between companies). In addition, the demographic evolution, still characterised by an increase in the working age population, conditions the supply of work and wage trends. Finally, the new macroeconomic framework resulting from inclusion in the euro area, characterised by lower and more stable inflation rates than in the past, is associated with greater rigidity in the economy's wage evolution.

As regards human potential, despite the undeniable progress made over the last 30 years, Portugal has still failed to raise

the low qualification levels of its human resources – which continue to reveal significant negative differentials relative to most European Union countries, above all as regards those completing secondary education.

Despite major investment to raise qualifications, resulting in expenditure levels in education in line with the EU average (necessary to overcome the historical deficits), the most recent data shows the preponderance in Portugal of workers who have only completed primary education, in contrast to the prevalence of secondary education in the European Union.

Also of note is the country's negative record with regard to school abandonment, in which Portugal is clearly ranked higher than the corresponding European average.

The extension of the average number of years of schooling of younger generations and the progress made in average levels of school qualifications attained constitute the most evident results of the investment made to heavily expand the educational system after 25th April.

However, the lack of importance addressed to vocational education and training, as a result of the emphasis on school studies as a route to entry into higher education, alongside a labour market with little demand for qualifications contributed significantly to creating a dichotomy within the educational system. On the one side those who supported the idea of continuing education in the aim of obtaining a university diploma, while, on the other, those for whom higher educational achievement was forsaken for the attraction of entering the labour market early, a situation affecting young adult males above all.

This participation profile is reflected in the low levels of secondary school qualifications in Portugal in general and of professionalizing study paths in particular when gauged within the EU context. The excessive emphasis of the educational system on the logic of pursuing school studies for entry into higher education, enhanced by the social value attributed to obtaining a university education, has restricted investment in the diversification of school trajectories, which has had the greatest impact at secondary school level, where they have been given peripheral status and demand for them conditioned.

The possibility of promoting the quality of learning and the levels of certification associated with the progressive, though still insufficient, prolonging of schooling relates to the need to consolidate a more diversified framework at the level of educational and training paths, ensuring they are better adapted to the intermediate trajectories of entry into the labour market.

Also of note as regards human potential are the low levels of investment in lifelong learning, with evident consequences for the capacity to modernize Portugal's productive fabric, and the way in which the low levels of basic qualifications are associated with it as an explanatory factor. In effect, the demand for lifelong learning and training "*supplements*" and the effectiveness of adult learning processes reveal a high dependence on the basic qualification levels of each individual. The promotion of a massive "upgrading" of these qualification levels therefore constitutes a priority for the expansion and enhancement of lifelong learning practices in Portugal.

In fact, the gap in basic qualifications has represented a major obstacle to the maximisation of investment in continuous training, with significant effects on the support available within the scope of the third Community Support Framework, severely hampering its capacity to influence positively the strategies for strengthening the productivity and competitiveness of the economy.

As regards higher education, Portugal has a quantitative and qualitative deficit in graduates compared to the European average, above all as regards skills in fundamental areas such as mathematics, science and technology. The rise in average levels of unemployment among the higher qualified population reveals, on the one hand, a difficulty within the prevailing productive structure of absorbing better qualified human resources and, on the other, imbalances between the supply and demand of skills.

#### PUBLIC FINANCES AND THE NATIONAL ACTION PLAN FOR GROWTH AND JOBS

The Portuguese economy, most evidently after 1990, underwent a notable process of nominal convergence, which constituted one of the most marked aspects of the development of the Portuguese economy after becoming a member of the European Community and allowed Portugal to join the group of States Members that make up the euro area.

This positive trajectory witnessed, as we have seen, a significant slowdown at the end of the nineties in which the reduction in the rates of product growth was associated with an imbalance in the public accounts, placing at risk the benefits previously achieved by the performance of the economy as a whole with the respective repercussions on the financial conditions of families, enterprises and the state.

The deterioration of the economic situation brought the structural difficulties in the public finances into sharp relief without however jeopardising macroeconomic stability, an essential factor for competitiveness in an economy integrated into a single monetary and exchange policy area.



This trend was above all marked, from 2001 onwards, by the increase in the public deficit (which corresponded to 6% of GDP in 2005). In turn, public debt rose to 63.9% of GDP in 2005, a figure higher than the reference value and the highest registered since joining the EU. The worsening of the public debt ratio is essentially explained by the deterioration in the primary budget balance, positive adjustments to the needs for financing, the progressive exhaustion of the capacity to amortize the debt through privatizations and the fact that the rate of interest implicit to the public debt was higher than nominal GDP growth.

The aspect that most influenced the development of the deficit was primary current expenditure, of which increases in the items relating to social payments, public administration employees and intermediate consumption stand out. This development in the budget deficit was determinant for the growth of public debt.

The rise in public expenditure related to the social functions performed by the state resulted, however, in progresses in social cohesion, especially induced by the effects of social payments and transfers to the more economically and socially disadvantaged, by the consequences of investments made to broaden coverage and ease of access to health care and by the impacts stemming from the widening of the coverage of the school network and improvement in levels of schooling.

The imbalances in the public accounts influenced the capacity for public investment and consequently impacted on the recent trend in economic and employment competitiveness.

The sustainability of public accounts, an essential conditioning factor in ensuring recovery of high and sustained levels of economic growth, consequently constitutes a fundamental aim of public policy – whose enshrinement in the Stability and Growth Pact (SGP) is achieved through the pursuit of five main lines of action:

- Reform of the public administration;
- Promotion of the long-term sustainability of the social security system;
- Improvement in the quality of current public expenditure and investment;
- Simplification and moralization of the fiscal system and improved efficiency of the fiscal administration;
- Reduction of the state's role in the economy.

These priorities are set out in the National Action Programme

for Growth and Jobs (PNACE) – by which the National Reform Plan is known in Portugal. Constituting a guide for the implementation of a national strategy for reform and modernization conceived within the framework of the references and priorities of the Lisbon Strategy, this is an overall response to the guidelines approved by the European Council, at the macroeconomic, microeconomic and employment levels, to the general recommendations of economic and employment policy for Portugal formulated by the European Commission and to the priorities identified by the European Commission for Portugal within the framework of the PNACE, which include, namely, the sustainability of public accounts and the external deficit, research and development and innovation, competition within the service industry, employment, labour market organisation, and lifelong education and training.

Via the implementation of the policies foreseen in the PNACE, it is hoped that Portugal can contribute positively to a new global role for the EU and, by 2008, to reduce the country's public debt to 2.6% of GDP, increase public investment and create conditions to triple private investment in research and development, and achieve annual GDP growth of 2.4% and overall employment of nearly 70%.

Through the implementation of the PNACE, Portugal hopes to achieve five strategic objectives that constitute an agenda for modernisation:

- To reinforce credibility, by: (i) consolidating the public accounts and reducing the country's public deficit to 2.6% of GDP by 2008; (ii) guaranteeing the sustainability of the social security system and modernizing the health system; (iii) improving governance by restructuring and qualifying the public administration;
- To focus on confidence, by: (i) fostering economic growth and achieving an annual GDP growth rate of 2.4%, returning to a process of real convergence with average European Union income levels; (ii) reorienting the application of public resources by prioritizing growth-inducing and employment-creating investment; (iii) stimulating investment in key sectors by restructuring risk capital, attracting private investment and supporting the modernisation of the business fabric; (iv) improving the effectiveness of the markets by strengthening the regulatory and supervisory function of the state, in particular the regulation of services, ensuring free competition and access to productive "inputs" in more favourable conditions; (v) raising the quality of public services for companies and citizens, creating a more attractive business environment for private initiative, improving the legal context, streamlining the justice system, and simplifying, cutting red tape and reducing paperwork;

- To assume the challenges of competitiveness, by: (i) strengthening the education and qualifications of the Portuguese population from the perspective of lifelong learning, adapting the education and training systems to the need for new skills; (ii) promoting the use and wholesale dissemination of access to information technologies; (iii) increasing the number of researchers, raising investment and the quality of public and private research and development, promoting the incorporation of the results of R&D into productive processes and tripling private investment in research and development; (iv) promoting qualified employment; (v) promoting innovation, entrepreneurialism and internationalisation, reinforcing companies' ability to create value;

- To increase employment and social cohesion, by: (i) promoting the creation of jobs, attracting and retaining as many people as possible in employment and achieving an overall employment rate of 69%; (ii) preventing and combating unemployment, particularly of young people and long-term; (iii) managing the processes of business restructuring and relocation from a preventative perspective and at an early stage, which generally affects women; (iv) promoting high quality work and flexibility with security in the workplace, within a framework of reinforcing dialogue and social harmony, promoting strategic agreement in the area of labour relations and the country's major development options; (v) developing an inclusive labour market and improving social protection and inclusion systems, promoting gender equality, equal opportunities for all, rehabilitation and reinsertion, conciliation between leisure and work, and gender equality and active aging;

- To strengthen territorial and environmental cohesion as factors enhancing competitiveness and sustainable development, by: (i) promoting more sustainable use of natural resources and reducing environmental impacts; (ii) promoting energy efficiency; (iii) improving territorial planning and the efficiency of planning instruments; (iv) promoting a polycentric urban system and the growing integration of the cities and country into supranational areas; (v) improving transport mobility and exploring logistics opportunities.

Within this framework, in which priority is given to the pursuit of an agenda for economic, social and institutional modernization and the reduction in the budget deficit is unquestionable, the development process to be implemented during the 2007–2013 period, with the decisive support of the National Strategic Reference Framework and the respective Thematic and Regional Operational Programmes, must face the challenges stemming from the structural adjustment of the Portuguese economy in order to ensure sufficient capability to respond positively to complex external contexts with high degrees of uncertainty and thus provide a decisive contribution to sustained economic growth.

## STRUCTURAL INDICATORS – EUROPEAN UNION AND PORTUGAL – 1995 – 2000 – 2005

	1995		2000		2005	
	EU25(EU15)	PT	EU25	PT	EU25	PT
<b>General Economic Indicators</b>						
GDP per capita in purchasing power standards (EU25=100)	100	75.1	100	80.5	100	71.3
Labour productivity per person employed (EU25=100)	100	68.6	100	71.9	100	65.5
<b>Emprego</b>						
Employment rate 15-64 years (% of the population of the same age group)						
Total	60.1 (EU15)	63.7	62.4	68.4	63.8	67.5
Women	49.7 (EU15)	54.4	53.6	60.5	56.3	61.7
Men	70.5 (EU15)	73.5	71.2	76.5	71.3	73.4
Employment rate 55-64 years (% of the population of the same age group)						
Total	36.0 (EU15)	46.0	36.6	50.7	42.5	50.5
Women	25.3 (EU15)	32.6	26.9	40.6	33.7	43.7
Men	47.2 (EU15)	61.4	46.9	62.1	51.8	58.1
<b>Innovation and Research</b>						
Youth educational attainment (20-24 years, upper secondary education)						
Total	69.2 (EU15)	39.3*	76.6	43.2	77.5	49.0
Women	71.2 (EU15)	44.8*	79.5	51.8	80.3	57.5
Men	67.3 (EU15)	33.8*	73.7	34.6	74.7	40.8
Gross domestic expenditure on R&D (% of GDP)	1.85	0.54	1.91	0.76	1.85	0.81
<b>Economic Reform</b>						
Comparative price levels (EU25=100)	100	74.9	100	73.4	100	85.2
Business investment – private sector GFCF (% of GDP)	17.0 (EU15)	19.0	18.3	23.3	17.4	18.7
<b>Social Cohesion</b>						
At risk-of-poverty rate after social transfers (% people below the poverty line)						
Total	17.0 (EU15)	23.0	16.0	21.0	16.0 (2004)	21.0 (2004)
Women	18.0 (EU15)	24.0	17.0	22.0	17.0 (2004)	22.0 (2004)
Men	16.0 (EU15)	21.0	15.0	19.0	15.0 (2004)	20.0 (2004)
Long-term unemployment rate (over 12 months, active population)						
Total	4.9 (EU15)	3.1	3.9	1.7	3.9	3.7
Women	6.1 (EU15)	3.2	4.8	2.0	4.5	4.2
Men	4.1 (EU15)	3.3	3.3	1.4	3.5	3.2
Dispersion of regional employment rates (pop.15-64 years, variation coefficient, NUTS 2)						
Total	-	-	13.4	4.3	11.9	3.3
Women	-	-	20.5	8.2	16.9	5.6
Men	-	-	9.9	3.2	9.7	3.1
<b>Environment</b>						
Greenhouse gas emissions (CO2 equivalents, 1990=100)	92.1	118.8	90.7	137.1	92.7 (2004)	141.0 (2004)
Energy intensity of the economy (kilograms of oil equivalents/1000 EUR)	230.4	237.3	208.8	241.5	204.9 (2004)	239.6 (2004)
Volume of freight transport relative to GDP (1995=100)	100.0	100.0	100.4	114.5	104.7	172.6

\* Figures for Portugal are for 1998, so that the break in this statistical series is taken into account.

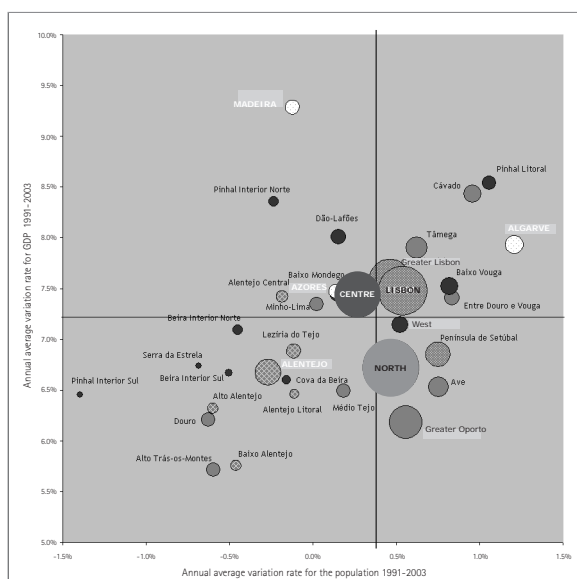
Note: figures in italics are forecasts/estimates

Source: Eurostat – Structural Indicators – Short list

### 02.3. REGIONAL ASYMMETRIES

The development of disparities and the gauging of the convergence between Portuguese regions, in economic and social terms, constitutes a very important aspect of the analysis of the Portuguese situation over the recent past.

#### VARIATION IN POPULATION AND GDP FOR NUTS II AND NUTS III REGIONS FOR THE 1991-2003 PERIOD



Source: based on data supplied by INE – Regional Accounts

In the aim of giving an overview of the relative performance of the different regions in recent years, the graph above presents a simple exercise in association for NUTS II and NUTS III between the annual average variation rate for GDP and the annual average variation rate for the population, both for the 1991-2003 period. The graph allows us to verify that, while the situations represented are highly varied, the “population dimension” effect is crucial: as to be expected, the Lisbon region significantly influenced the performance of the national average, which it exceeded in both variables. Into this quadrant also fits the Algarve region, revealing its respective attractiveness and good economic performance. In contrast, the North shows weaker GDP growth while the respective NUTS III are relatively scattered. The Alentejo, in turn, reveals a degree of uniformity in the performance of its subregions, which lie in the least favourable quadrant (with rates of growth lower than the national average). Registering a favourable performance in terms of GDP growth, but a fall in population terms, are the Centre, Azores (very close to the national average for both variables) and Madeira

(which shows strong GDP growth allied to population decline for the period).

Also within the context of assessing inter-regional convergence are two commonly-used indicators based on an econometric analysis of regional per capita GDP:

- *Sigma* convergence, which attempts to evaluate the income dispersion between regions, gauging whether it tends to increase or diminish over time; this evaluation normally uses a graph to illustrate the variation coefficient (pondered) of income per inhabitant in the various regions;
- *Beta* convergence, which tests the correlation between the level of per capita income in the base year and the average annual rate of growth of the same variable in the period under analysis; in this way, it can be gauged whether the less developed regions are growing more quickly than the more advanced ones and therefore catching up.

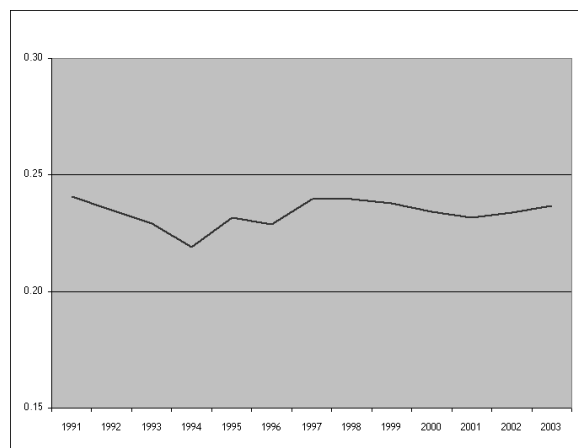
The exercise that the following graph illustrates was carried out for the Portuguese regions (NUTS III) for the 1991-2003 period. It can be verified that the *sigma* convergence indicator used denotes some reduction in the disparity between regions during the first part of the period, with a tendency for stabilisation from 1997 onwards.

The *beta* convergence, on the other hand, indicates the existence of a modest negative correlation between the figures for 1991 and the rate of per capita GDP growth during the period analysed. It can be concluded under these circumstances that the regions with lower levels of per capita GDP in the base year tended to experience stronger growth during the period. Nevertheless, this conclusion should be taken with some reservation, as the value of the R-squared of the regression is very low.

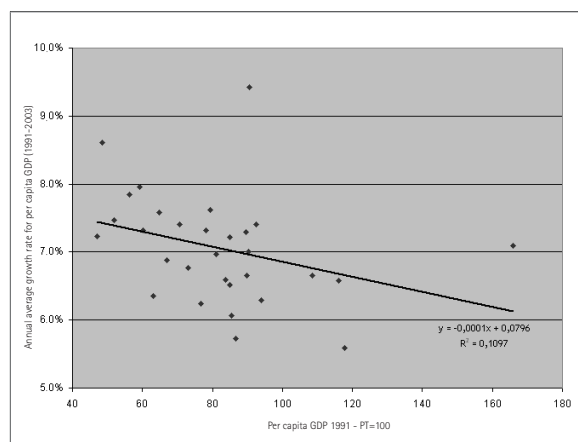
Immediate conclusions, stemming from the exercises presented, would point to the fact that the state of the Portuguese regions as regards correction of disparities – measured via the per capita GDP of the different regions – does not appear to have stabilised, in the sense that no clear trend towards the cementing of inter-regional convergence is evident. The inherent insufficiency of a consolidated process of inter-regional convergence therefore points to the need for continued application of public policies aimed at overcoming inter-regional disparities.



### DISPERSION OF PER CAPITA GDP LEVELS 1991-2003 IN THE NUTS III (SIGMA CONVERGENCE)



### PER CAPITA GDP 1991 AND ANNUAL AVERAGE GROWTH RATE 1991-2003 - NUTS III (BETA CONVERGENCE)



Source: based on data supplied by INE – Regional Accounts

The analysis of the development of the Portuguese regions over the last two decades, on the other hand, unequivocally demonstrates marked progress in the area of social cohesion – showing clearly better results in comparison with progress in competitiveness. The sensibility revealed by Portuguese society and by the expression of public policies in matters of social protection has not been accompanied by a necessary focus on matters of competitiveness, whose insufficient concretization presents a significant threat to the patterns of social cohesion achieved.

The territorial portrait of the country in terms of territorial competitiveness and cohesion shows us a reality that

has progressively distanced itself from the coast/interior and north/south dichotomies in favour of a system increasingly based on agglomerations that do not fit into this territorial pattern, in which new economic and demographic centres emerge that are not consistent with the coast/interior dichotomy and with the changes that have occurred in productive specialisation in the large metropolitan regions in the north and Lisbon. These promising centres are situated along the main transport axes on the central/northern coastline linking Portugal to Spain, allowing them to benefit from the closer relations between the two countries (frequently dependent on non-mercantile services), and/or installed in the broad area of influence of the large metropolitan regions, but are as yet incapable of bringing about visible qualitative sub-regional alterations, whose sustainability in market terms is highly differentiated.

This gradual alteration in the traditional coastal/interior and north/south divide is accompanied by a fundamental change in the traditional qualification attributed to lower development: the persistence of interiority as the basis for development deficits is being replaced, given Portugal's new territorial configuration, by peripheralisation.

Another aspect of particular relevance for the analysis stems from the regional levels of territorial cohesion and competitiveness achieved by the country's two principal centres of economic and social development: the Greater Lisbon and Greater Oporto regions (though the different levels of territorial cohesion and competitiveness that these regions reveal should not be downplayed).

A close look at the main movements of convergence and divergence in the Portuguese regions allows us to conclude that the advances achieved in the area of cohesion, in particular via the generally registered improvements in the provision of facilities and infrastructure, contributed necessarily to the reduction in the needs that were verified in these fields in many regions of the country, but they did not reverse – and neither did they alter, given the nature of the corresponding public policies – the processes of depopulation and consequent weakening of the local and regional economic bases, or contribute in any relevant sense to the attraction of investment and creation of jobs.

Compared to the duality that traditionally characterised the national territory, the current Portuguese territorial landscape is far more complex. An analysis of territorial competitiveness reveals a significant reinforcing of asymmetries between Portuguese regions, with particular emphasis on:

- The fact that the regions which have been the most obvious

winners are the most competitive ones integrated into the Lisbon region (Greater Lisbon, Setúbal Peninsula) or those that have been polarised by it (Alentejo Central);

- The inexistence of emergency processes, even though the positive performance of the coastal regions immediately south of the River Douro (Entre Douro e Vouga and Baixo Vouga) should be highlighted as an important example of the affirmation of a centre of disperse economic and social development;

- The loss of the competitive edge of a huge number of regions encompassing very diverse situations such as Greater Oporto, loss of advantage, Alentejo Litoral, relegation, and a group of regions (Cávado, Tâmega, Baixo Mondego, Pinhal Interior Sul, Beira Interior Sul, Cova da Beira, Lezíria do Tejo, Alto Alentejo, Baixo Alentejo, Algarve, Madeira and the Azores) that has slipped behind to a greater or lesser degree.

Conversely, from a cohesion perspective, there has been a generalised reduction in the asymmetries between Portuguese regions in terms of the provision of public infrastructure and facilities, which can be seen, in a very significant number of cases, in terms of an attempt to close the gap. It should be noted here that:

- The regions which have most obviously benefited, which are either advancing or emerging (Alentejo Central, Algarve,

Baixo Vouga, Beira Interior Sul, Médio Tejo and Pinhal Litoral), correspond to territories which, while revealing highly differentiated dynamics, are at the forefront of the rupture in the country's traditional economic and social development boundaries;

- The regions of Greater Lisbon and Setúbal Peninsula have lost ground, which, despite representing a consequence of the very national convergence of the Portuguese regions from a cohesion perspective, is nevertheless significant;

- The regions which have lost ground include, besides Cávado and Greater Oporto, confirming the size of the challenge for the north of pursuing the aims of social cohesion, and the Azores, two other important regions (Baixo Mondego and Dão-Lafões), drawing attention to the complex challenges of specialisation and balance that are appearing in the Centre region.

An overall view of the evolution of the Portuguese regions in terms of cohesion and competitiveness allows us therefore to conclude that significant asymmetries persist in both fields – in general due to the insufficient concretization of these two crucial aspects or because of a deficit in competitive capacity – which presents substantial challenges in matters of consistency between territorial cohesion and territorial competitiveness, where territory is understood to be the place where these two fields come together.

### *The Autonomous Regions of the Azores and Madeira*

*Portugal's highly diversified regional mosaic, which, compared to the regulatory discipline of the Cohesion Policy for 2007-2013, constitutes one of the country's fundamental characteristics and one of the elements that determines the challenges that arise in the process of economic and social development, is significantly influenced by the Autonomous Regions of the Azores and Madeira.*

*The unique situation of these two regions within the national context is manifestly recognised and expressly revealed by their constitutional status and by the consequent legitimacy, competences and responsibilities of their respective regional organs.*

*The specific situation of the autonomous regions within the European context is formally recognised by the Treaty, which bearing in mind the conditioning structural or limiting factors of the respective dynamics of economic and social development – distance, insularity, size, topography and climate – awards them the status of ultraperipheral regions.*

*Without downplaying recognition of the different trajectories of the economies of the Azores and Madeira, the occurrence and consequences of the aforementioned structural factors and the institutional and political relevance of the aforementioned ultraperipheral status raised justifiable expectations concerning the form their integration would take in the cohesion policy for 2007-2013 – whose mission is aimed at promoting the harmonious development of the Community as a whole, in particular in the sense of attempting to reduce the disparity between the levels of development of the different regions and the backwardness of the most disadvantaged regions and islands, including rural areas.*

*The operational translation of the status of ultraperipheral regions into a specific fund provided by the ERDF, with a relatively small financial element and complex procedural requirements, has dashed those expectations – in a way, what is more, that is exacerbated by the rules established in the framework for the quantitative gauging of the contribution of the Structural Funds to the Lisbon Strategy.*

## 02.4. CHALLENGES FOR COHESION AND COMPETITIVENESS

An examination of Portugal and the Portuguese regions' position relative to the dynamics registered in terms of competitiveness and cohesion reveals the existence of a number of key areas in which insufficient progress has been made – and for the rectification of which the intervention of the public policies concretised within the context of the National Strategic Reference Framework should be consequently focused and, necessarily, Portuguese society mobilised.

Although national in dimension, these key areas are territorially differentiated, and as such the territory must be regarded as a central element in the formulation and concretisation of public policies.

### QUALIFICATIONS AND LABOUR MARKET

The low qualifications of the active population represent one of the main weaknesses of the Portuguese economy and society. The average level of qualifications is one of the most serious obstacles to the development of the country and one of the major reasons for the low and non-convergent level of productivity and the divergent trajectory that Portugal has shown compared to European standards.

Despite the rise in school qualifications over the last decades, as seen the country continues to register the lowest rates of schooling within the EU25 and even within the countries of the OECD.

This situation is clearly shown by the number of people completing primary and secondary education: in 2005, some 73.8% of the population had only finished primary education and only 13.6% secondary education, while within the EU25 as a whole these figures were the other way around (47.6% had completed secondary education and merely 29.1% had only finished primary school). The number of people completing higher education in Portugal represented 12.7% in 2005 (in the majority women) – compared to an average of 22.7% in the EU25.

Furthermore, the significant reduction in the numbers of

children leaving school early registered over the last fifteen years (down from 64% in 1991 to 38.6% in 2005) has not improved Portugal's position within the European context, where it registers figures well above the averages for the EU15 (16.9%) and EU25 (15.7%), influencing the continued deficit in qualifications and low levels of employability.

The deficit in school qualifications thus constitutes the first obstacle to employability and requires investment in basic skills training in those people entering the labour market for the first time and also those who are already active but possess low qualifications, mostly women over the age of 55.

Levels of professional training in Portugal are also clearly lower than in other EU countries. In 2005, only 4.6% of the adult Portuguese population attended any type of lifelong learning course, whereas the average for the EU15 was 11.9% and the EU25 10.8%. According to Eurostat, only 17% of the Portuguese working population took part in continuous training courses in 1999, whereas the average for the EU15 was 40%.

The weakness of this performance assumes greater significance when we consider that it is precisely the older and less qualified workers who are least likely to have access to professional training.

The recognised deficits in schooling and professional qualifications witnessed are a serious constraint on the involvement of society and the employment system in the creation of a knowledge and innovation society. This situation, which is influenced and directly influences the pattern of productive specialisation, has important negative consequences for the organisation, management capacity and efficiency of important segments of the economic fabric.

In truth, labour market dynamics have favoured low skills and have not contributed to the valuing of education as a factor in a person's employability. This deficit in the value given to higher educational levels corresponds to a structural weakness within the Portuguese economy and society and favours the early and low-qualified entry of workers into the labour market.

### EMPLOYMENT RATE – 2010 GOAL AND SITUATION IN PORTUGAL AND THE EU

	EU Goal 2010	Portugal 2005 (2000)	EU Average 2005 (2000)
Employment Rate Total	70	67.5 (68.4)	63.8 (62.4)
Employment Rate Women	60	61.7 (60.5)	56.3 (53.6)
Employment Rate > 55 years	50	50.5 (50.7)	42.5 (36.6)

Source: INE and Eurostat – Employment Rate: Working Pop. (15/64)/Total Pop. (15/64)

These adverse structural characteristics do not however have negative consequences for Portugal's pursuit of the quantitative objectives for employment established in the Lisbon Strategy, as the following table reveals, even though these objectives do not suitably valorise the qualitative or sustainability aspects of employment.

The changes in unemployment and employment rates have, however, been negative. Reflecting the slowdown in economic activity, these stand at 7.6% (compared to 4% in 2000) and 67.5% (compared to 68.4% in 2000), respectively, while a difference of 5.2% exists in employment rates for men and women. The unemployment rate for women was 7.2% in the first half of 2005, while the equivalent figure for men was 5.6%.

The growth in unemployment, falling in particular on those segments of the working population which have greatest difficulties in re-entering the labour market, has also contributed to the negative trend registered in long-term unemployment (LTU), of which over 50% is female.

The breakdown of the unemployment rate according to qualification levels reveals that the most affected are those with the lowest levels of qualifications (around 75% of unemployed in 2004 corresponded to workers with qualifications equivalent to primary level).

The trend in unemployment among older workers, namely over 45, clearly reveals this dynamic: between 2001 and 2004, the unemployment figures for these workers more than doubled (from 51,000 to 103,000) while those over 55 went from around 19,000 to 34,000 in the same period – consequently presenting additional problems relating to professional reinsertion as age is generally associated with low qualifications.

The regional variations in employment reveal the persistence and even worsening of significant territorial asymmetries, based especially on the different characteristics of the productive fabric and the level of workers' qualifications. Affected by the unequal impacts of industrial restructuring and business relocations, the negative trends in employment and unemployment rates in the North region are particularly noticeable.

As regards the sectoral variations in employment, there has been an evident strengthening of the trend towards the tertiarization of the Portuguese economy over recent years. The service sector has been the main source of net job creation, while civil construction and the manufacturing industry – in particular those sectors most exposed to international competition, such as textiles, clothing and footwear, whose

workforce includes a significant volume of women – are chiefly to blame for the net loss of jobs.

The excessive segmentation of the labour market has manifested itself both in terms of a strong polarisation between jobs that are more stable, better paid and which offer better working conditions and those that have the opposite characteristics, and in the existence of a significant volume of informal work – though it must be noted that these dynamics are territorially differentiated. These forms of work are associated directly with the parallel economy, estimated by the OECD to be worth 22% of Portuguese GDP (on average, the size of the non-declared economy amounts to somewhere between 7% and 16% of the EU's GDP). The high level of atypical and precarious employment, with very significant levels of instability and major problems relating to social protection and qualification levels, constitutes an important factor in the malfunctioning of the labour market.

The weaknesses thus revealed by changes within the national labour market can be explained by the structure of the economy: those sectors which are most exposed to international competition, particularly traditional sectors, which are experiencing growing competitive shocks, caused above all by Asian competition, are significantly responsible for the rise in unemployment.

The main trends presented by the evolution of the labour market are, as noted, the combined reflection of an unfavourable economic climate and a business structure with high deficits and vulnerabilities, particularly within the context of the trinomial of 'sustained growth', 'competitiveness' and 'jobs'.

These dynamics have also been associated with wage evolution. Of particular note is the fact that unitary labour costs in Portugal not only rose at a higher rate than in the rest of the EU during the period of economic and employment convergence, but that they also did so in more recent years at a time of divergence from European averages.

The need to improve productivity and competitiveness within the Portuguese economy have consequently established an imperative need for the accelerated qualification of the workforce, particularly based on processes of recognition and validation of skills acquired in school and professional contexts (which allow the consolidation of knowledge acquired and the adaptive evolution of professional careers) alongside a strong stimulation of the qualification of business entities.

This priority has to be accompanied by the initial education

and training of young people, namely by means of combating school failure rates at the different stages of the educational system (in order to prevent early school abandonment and non-qualified entry into the labour market) through a decisive emphasis on advanced training and through an attempt to better adapt the supply of qualified human resources to the needs of the economy.

The strategic importance of these priorities, aimed at the upgrading of qualifications for adults with low educational levels and the promotion of an average level of basic qualifications for young people, led to the launch in 2005 of a broad initiative to raise qualification levels – the New Opportunities Initiative – which plans to implement a massive programme during the period of execution of the NSRF aimed at reversing the pattern of under-qualification that has marked Portuguese society. The intervention strategy proposed by the New Opportunities Initiative, by assuming an extensive approach with regard to investment in human capital, recognises the structural and priority nature of the need to raise qualifications in order to achieve a capacity for wealth creation compatible with the objectives and cohesion desired for Portuguese society.

The constitution of demand dynamics governed by the objectives of certification and the enhancement of professional skills is an essential condition for reaching the objective of mass participation, requiring institutional and political solutions that do not merely reproduce the same educational and training options, but which rather base their principal mechanism of strategic regulation on the needs of individuals and companies. The New Opportunities Initiative will also work in this area, promoting ways of finding new solutions for regulating the network of courses, strategies and funding and quality control mechanisms on offer.

In addition, and within the context of higher education policy, universities have been opened up to new target audiences by means of a new system granting access to students over the age of 23, while the possibility of pursuing post-secondary education in institutes of higher education (via new legislation relating to specialised technology courses) has also been implemented. These measures are aimed at attracting new students into higher education, mobilising society's interest in post-secondary and higher education programmes, and responding directly to the challenge of raising the qualification levels of the population and in such a way as to bridge the gap that still separates Portugal in this area from the more developed European nations.

In this context, a necessary reorganisation and expansion

of the scope of application of the School Social Action for Higher Education scheme, in line with the Bologna model, was promoted which will be complemented by the introduction in Portugal, for the first time, of a system of loan guarantees for students in higher education. These measures will ensure equal access to institutes of higher education and their different levels and areas of study, taking into consideration the direct costs stemming from course attendance, particularly as regards tuition fees.

The response to the problem of early abandonment of the education and training system and the promotion of access to lifelong educational and training opportunities are also crucial areas as regards responding to the promotion of social inclusion, given that the privation of qualifications dictates the reproduction of inequalities and situations of poverty and social exclusion.

The low levels of qualifications within the Portuguese population and the weaknesses of the national labour market present crucial challenges as regards promoting competitiveness and economic growth. The recovery of sustained growth and the rise in levels of social cohesion also require a significant change in the portfolio of economic activities. The consequent change in the pattern of specialisation implies profound and diversified changes to the skills benchmarks and professional profiles, imposing the development of skills in those sectors and professions that present the most advantageous conditions for the creation of new jobs, whether for the qualification of younger generations, or for the retraining of workers from sectors and/or professions in recession.

#### PATTERN OF SPECIALISATION

The Portuguese model of economic development reveals significant problems with regards to sustainability. Dominated, as seen, by low value added activities, with little application of innovation and knowledge, low levels of investment in R&D, in which training and information technologies are relatively poorly disseminated, the model reveals investment options concentrated on non-transactionable and non-mercantile activities based on a pattern of specialisation in which products and processes that are low-technology intensive, poorly organised and use human resources with low levels of qualifications still predominate. These characteristics of the Portuguese economic fabric reveal an extensive model of accumulation and economic growth that took root over decades and outlived the first stages of full European membership.

This model, in which the creation of jobs outweighs gains



STRUCTURE OF GVA AND EMPLOYMENT AND PRODUCTIVITY GROWTH - 1995-2003					
	GVA (structure)		Employment (structure)		Productivity
	1995	2003	1995	2003	1995-2003
Transactionable	24.8	19.6	37.2	32.4	1.9
Non-transactionable	56.0	57.9	46.0	49.6	0.6
- Construction	6.3	6.7	9.3	11.1	- 2.7
- Trade	14.1	13.2	15.7	16.0	0.5
- Personal services	1.9	2.5	2.4	2.8	- 1.2
- Hotels and catering	3.7	4.2	4.6	5.3	- 2.1
- Business-related services	13.6	14.2	4.6	5.7	- 2.0
Non-mercantile	19.2	22.6	16.9	18.0	0.0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>1.2</b>

Source: DPP

in productivity, currently presents evident signs of exhaustion, by virtue of the conditioning factors that today influence the dynamics of internal demand and which, to a large extent, sustained it in the past.

As a consequence of trends in demand, as well as the macroeconomic context of real currency appreciation, private investment has not favoured those sectors most exposed to international competition. It is therefore no surprise that those sectors which saw their importance strengthened within the sectoral employment structure over the last decade consist of non-transactionable activities, with particular mention for construction and, to a smaller degree, trade, family-related services, hospitality and catering and business-related services. With the exception of trade, all of these have registered negative productivity growth.

Besides the effects that this has had on the external accounts, particularly contributing to a deterioration in the balance of trade, the persistence of a process of growth of this sort

currently clashes with the downturn in private consumption and with the containment of public consumption imposed by the need to respect the compromises relating to public debt and the budget deficit assumed within the scope of the Economic and Monetary Union.

While some significant adjustments have been observed in the productive structure of the Portuguese economy over recent years, the speed of this movement has been relatively slow and the change in the pattern of specialisation has not been as intense as necessary, both in light of the competition facing the national economy on a global scale and within an enlarged European Union, and in light of the improvement or maintenance of the standards of living and wellbeing of the Portuguese population.

In the field of transactionable sectors, which represented around 20% of GVA as a whole and around 32% of jobs (in 2003), 63% of GVA and almost 80% of jobs were concentrated in labour-intensive segments.

STRUCTURE OF TRANSACTIONABLE GOODS AND INTERNATIONALISABLE SERVICES - GVA, JOBS AND PRODUCTIVITY GROWTH - 1995-2003					
	GVA (structure)		Employment (structure)		Productivity
	1995	2003	1995	2003	1995-2003
Transactionable	24.8	19.6	37.2	32.4	1.9
- Labour and resource intensive	16.5	12.3	30.1	25.8	0.5
- Capital intensive	5.7	4.2	4.3	3.9	2.1
- Technology intensive	2.1	2.0	2.1	1.9	6.1
- Scale intensive	0.6	1.1	0.8	0.8	14.0
Non-transactionable	56.0	57.9	46.0	49.6	0.6
- Of which, internationalisable services	30.1	32.1	15.0	16.3	1.4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>1.2</b>

Source: DPP

While in these segments progress in the business models used are possible and desirable – for instance, via the conception of more sophisticated business models that provide considerable competitive advantages compared to other manufacturers of the same type of products – the margins for growth in terms of productivity gains are relatively narrow. In the certain knowledge that there are enterprises within the traditional industries that have accumulated skills that can be put to use within the framework of the opportunities provided by a global economy, it is worth considering the significant correlation between the level of technology intensity of a country's productive structures and its respective level of per capita income.

It should also be added that these sectors are particularly exposed to two risk factors: on the one hand, they are threatened by levels of worldwide demand that are stagnant or even in recession; while, on the other, they are subject to strong competition from emerging economies, which base their competitiveness on production costs (labour costs in particular) that are largely incompatible with the social model applicable in the European area.

The difficulties experienced at the level of external competition are examples of this dual risk: the loss of market share (reflecting the problems of competing on price in a more open context) and, also, foreign disinvestment, which is heading out of choice to the emerging Asian economies or the new members of an enlarged Europe (which benefit from the effect of their proximity to the large markets and a better ratio between cost and qualified labour).

All the activities in which Portugal has the most significant comparative advantage fall into the so-called traditional sectors: wooden objects, carpets, knitwear and clothing, leatherwork and footwear, paper, beverages, cement and ceramics. In many of them (and, with particular emphasis, in textiles) the aforementioned difficulties have been verified, with significant impacts on women.

On the contrary, it is in those segments which rely most heavily on technology, such as automotive, electronics and plastics, that the sharpest gains in productivity and international market position have been verified.

However, too narrow a sectoral definition should be avoided. Firstly, within a single sector there can exist very different situations – to the extent that, even in sectors which show little dynamism from the perspective of international demand or technological opportunity, there are enterprises which, in terms of range produced or markets covered, are of manifest interest. Secondly, the concept of 'sector' may not be sufficiently operational bearing in mind the type of multi-

sectoral, vertical and horizontal links that exist. The example of *Autoeuropa* reveals the limitations of this approach, given that while, on the one hand, it has had a positive effect on the productive structure and exports (significantly enlarging the presence of a more skilled sector), on the other it has had a stimulating effect on more traditional segments too, above all where these are integrated in relatively qualified production chains.

In this context, the adoption of a position aimed at altering the profile of activities assumes special importance for public policies, which would act simultaneously to stimulate innovation in more traditional sectors and industries, and to attract investment that could qualify, both directly or indirectly, the productive fabric.

The inherent structural change in public policy calls for action on two distinct, yet inter-related, levels: the promotion and development of new business initiatives that are more knowledge intensive and aimed at activities with greater global demand; and the modernization and strengthening of the depth of knowledge of the existing business actors.

The lack of national industries of an adequate size, competing in high-technology and high-wealth creation sectors in expanding markets, does not stem purely from a productive specialisation that is only remotely focused on these areas. Other factors also come into play: poor management capabilities and the near inexistence of any form of professional management in the majority of Portuguese companies; the scarcity of highly qualified technicians in many professions and of usually better-qualified middle managers; the insufficient level of educational, cultural and technical preparation of owners/managers to perform management responsibilities; the lack of commitment to promoting professional training; the hegemony of small scale alongside the extremely limited number of companies of significant size in both industry and services; the manufacturing of low/medium range products that are unlikely to rise in market value; and, also, the low levels of company R&D.

#### INNOVATION, ENTREPRENEURSHIP AND TECHNOLOGICAL DEVELOPMENT

The celebrated increase in research and development (R&D), in terms of the effects on human resources and stemming from the growth in the relative weight of expenditure on R&D in the GDP, constituted the most striking aspect of the development of the Portuguese economy from the 1990s onwards in the areas of scientific and technological development and innovation.

As a result of the considerable growth in the national

system of science and technology (S&T), made feasible by European integration and promoted above all during the second half of the 1990s, there were some indications of strong real progress in areas such as the publication of scientific papers (which has grown at one of the highest rates in the world, placing the country at the head of the EU25) and the supply of new doctorates (which has grown continuously, reaching over one thousand a year in 2003). In addition, greater pressure began to be exercised in the sense of ensuring better scientific results, particularly in universities and research institutes, as a consequence of the increasing level of qualifications of the teaching body and researchers, their progressive integration into networks for international collaboration and the emergence of sources of funding based on a process of international scientific evaluation of projects and institutions.

Nevertheless, even considering the significant rates of growth in these indicators, Portugal continues to lag behind and to distance itself from the main European nations with the most developed economies. In addition, despite the rapid and recent increase in the number of researchers, the Portuguese system of S&T consisted, in 2002, of only 3.4 researchers per thousand working people – while the average for the European Union stood at 5.3. In 2001, the average expenditure per researcher in Portugal was around a third of that of the average per researcher in the European Union of 25 Member States in all three sectors: business, public and higher education.

In effect, both the persistent scarcity of human and material resources when compared with the international context, and some traits of the institutional framework in force continue, in structural scientific terms, to lag significantly behind, which particularly shows itself in the lack of independence of scientific institutions, their limited openness to the outside and to establishing relationships with other organisations (namely enterprises) and in their resulting dependence on the state.

While the determinant importance of public funding, traditionally directed at supporting R&D carried out by public bodies, on the one hand reveals an insufficient orientation of these activities towards the needs of the productive fabric, it also reflects, on the other, a deficient grasp by companies of the potential possibilities of interacting with suppliers, customers and with technological supporting infrastructure and services.

Within this framework, the very low proportion of R&D undertaken by companies within R&D as a whole is one of the most worrying aspects of the National Innovation System (NIS). Portuguese companies are currently responsible for

only around 1/4 of national R&D, in contrast to an average of 2/3 in the European Union. In 2001, companies investing in R&D in Portugal numbered 568 employing slightly over 2,700 researchers.

In business terms, the growing dualism in Portugal's economic and social structure has been particularly reflected in the evolution of processes of innovation (in the aspects of creation and dispersion/appropriation), with contrary effects on economic growth, competitiveness and employment.

On the one hand, there has been a noticeable creation and development of a number of innovative and internationally competitive companies with high growth potential (particularly in high technology sectors such as biotechnology, biomedical sciences and medical sciences, information and communication technology and new media). The new companies created in these areas use highly qualified human resources as their main productive factor and establish partnerships and collaborative networks with foreign companies, universities and R&D institutions in the aim of recognising new business opportunities based on S&T, developing and commercialising new products and recruiting human resources that are highly qualified in new technologies. In addition, traditional sectors, increasingly exposed to greater international competition, have undergone sustained processes of modernisation and reformulation of business models, as seen in various national companies and business groups.

On the other hand, with the exception of this small number of companies, the vast majority of existing enterprises have yet to reach a stage that demonstrates sufficient capacity to compete on international markets based on dynamic and sophisticated competitiveness factors. One symptom of this situation is the so-called crisis of industrially valorisable patents, with Portuguese companies far from being able to compete and transact on international knowledge markets, which constitutes a reflection of the inexistence of inventions with significant innovative technological content. National companies therefore tend to adapt passively to their business environment.

Similarly, most entrepreneurial activity in Portugal replicates this pattern, characterised by a higher than average density of micro-enterprises and SMEs than in developed countries created above all in low value added service sectors and which, according to the norm, have low survival rates and low growth levels.

To this panorama can be added a high proportion of enterprises created for reasons of necessity, in other words, out of a need for self-employment due to a lack of attractive

professional alternatives. The importance in Portugal of necessity entrepreneurship – typically less innovative and registering lower rates of growth – tends to have effects in the mid to long-term on competitiveness and jobs, which are below the potential seen in other countries. The limited nature of more innovative entrepreneurship, based on opportunity or technology, is especially evident when comparing Portugal with more developed nations that have seen higher economic growth rates than the OECD average over recent years, such as, for instance, Ireland, Norway, Iceland and the USA. These countries are characterised by high rates of new company formation resulting from the identification and exploitation of business opportunities in innovative and creative areas stimulated by a culturally and technologically rich environment.

In the particular case of Portugal, with some notable exceptions naturally, the capacity of most companies (existing and created) to innovate is inferior to that verified in the majority of European countries. As a consequence, the effects of choosing one company over another are lower – and, concomitantly, the induced effects of innovation on economic growth and competitiveness are also lower, less sustainable and occur more slowly.

The model of growth prevalent in Portugal, due to the fact that it does not imply major qualitative progress or a significant transformation in the specialization of activities, has favoured investment centred on physical capital, both in business terms, in which the renewal and modernization of equipment has been more important than investment in the immaterial resources of organisation, innovation and development of human capital, and in terms of infrastructure, in which the respective construction has also been clearly given more significance than its efficient use.

In effect, national productive specialization, based on low technology use and routine production, tends to make the demand for and investment in qualified human capital, above all by enterprises, superfluous. The limited internal skills that stem from this constitute, in turn, one of the main barriers to business innovation, conditioning not only companies' capacities to innovate, but also the intensity and cognitive level of the relationships established with other NIS actors.

Furthermore, the difficulties that national companies and entrepreneurs face in arranging funding for innovation is well known in virtue of the scarcity of risk-sharing mechanisms in the current financial system. This situation is not compensated by other financing mechanisms – and it must be assumed that the experiences with risk capital (irrespective of whether supported by the state) has not been

sufficiently successful and that the manifest limitations of the efforts of companies providing risk capital to promote innovation are exacerbated by a major deficit in the supply of seed capital.

The performance of the Portuguese economy thus remains below the European average (EU25) for most innovation-related indicators, with particular note for business R&D, qualification of human resources and intellectual property. While the characteristics of the business fabric testify to the need to overcome the insufficiencies identified (market strategy, organization and planning, training, innovation and quality) through external solutions such as partnerships, networking and business cooperation centres and regular links to supporting institutions (technology centres, training centres, companies providing advanced business-related services, etc.), the great majority of national companies do not currently develop these types of activities in cooperation with other relevant entities in the National Innovation System – the stimulation of which it is felt should constitute an important component of public policies.

### SOCIAL COHESION

The affirmation of a new competitive paradigm for the Portuguese economy, whose gestation is implicit to the dynamics of structural adjustment that took place during the execution of the current Community Support Framework and whose consolidation it is hoped will be achieved with the NSRF, bears risks of deepening the phenomena of poverty and social exclusion. Equally, the social weaknesses liable to give rise to situations of poverty and exclusion also constrain the rate of migration towards an economic context based on new factors of competitiveness.

It is therefore important that social policies both ensure the removal of factors responsible for creating situations of social exclusion and effectively mitigate the risks of poverty and social exclusion ensuing from the rapid transformation in economic activity. For that purpose, it is important to enhance the development of multidisciplinary and territorialized approaches that take into consideration the coordination and integration of policies promoted by the National Action Plan for Social Inclusion (PNAI) and the National Plan for Equality (PNI).

Issues relating to gender-based violence, particularly domestic violence and trafficking for exploitation, also constitute significant threats to social cohesion – and for which the importance of the National Plan to Combat Violence should consequently be highlighted.

Policies aimed at raising qualifications, above all those directed at the adult population and those that attempt

to prevent the repeated disinvestment in education within the younger population, constitute the main area of action in the prevention of exclusion. In this context, besides the objective of diversifying responses to education and training needs, what stands out is the need to promote integrated approaches which, by acting at the level of minimizing poverty or supporting (re)insertion into the labour market, contribute to making skills acquisition feasible and instrumental.

The reenforcement of instruments supporting insertion into the labour market, encompassing early and individualised approaches and action to remove context constraints complicating insertion into the market, above all for women and the disadvantaged, constitutes a key element in the response to this matter. Solutions aimed at responding to social costs caused by business restructuring are a significant priority, involving the search for solutions within the framework of microeconomic policies. Support for the expansion of jobs and the promotion of entrepreneurship, envisaging the application of microcredit, constitute areas of intervention that will be developed.

The fight against poverty, in its different gender and "generational facets", is an indispensable element in the construction of a more cohesive society. Promoting greater efficiency in the application of social transfers and consolidating the network of social facilities that supports the provision of basic social services constitute inescapable options for the consolidation of a model of social development that is both more competitive and more cohesive.

### TERRITORIAL COHESION

The public development policies implemented in Portugal over recent decades with the structural support of the European Union have ensured, in a generalised fashion, that the country is more cohesive, with an interior that is less stigmatized (even if the trend towards depopulation remains altered).

The efforts towards convergence in living conditions and quality of life is nevertheless faced with new challenges. The modernization of Portuguese society and the progressive exposure of the economy to more intense forms of international competition have created new factors driving asymmetries, which have become exacerbated.

Furthermore, the insufficient valorisation of Portugal's geo-strategic position contributes to the competitive weakness of the Portuguese regions and the whole of the national territory. The overcoming of the country's deficits in international connectivity, which continue to persist, is therefore crucial to ensure that the economic competitiveness and attractiveness of the territories are raised.

The strengthening of the territory's structuring networks – improving the efficiency, efficacy and functionality of transport, telecommunications and energy systems – is of crucial importance for reducing internal administrative costs and the peripheralisation of the country within the European context and for the enhancement of its competitive and geo-strategic position within the global context.

The underdevelopment of infrastructure and systems designed to support the competitiveness, connectivity and international projection of the national economy is particularly worrying within the area of logistics. There is still a verifiable lack of a global system that takes into account the requirements of intermodality within the large logistics chains and can thereby facilitate the territories' insertion into global markets.

The challenges in matters of accessibility and mobility are not merely limited to the deficits in international connectivity. The emphasis on a model of improving transportation quality and raising mobility levels based above all on the expansion of the road network has led to poor transport intermodality, with excessive dependence on roads and the use of private vehicles and the insufficient attractiveness of other modes of transport. This is particularly evident in the urban environment and also in rail links on heavily used inter-urban routes and in freight services between the large traffic-generating centres.

Urban systems have a central role in the process and rate of cohesion and competitiveness of the Portuguese regions, reclaiming the emphasis placed on them in the territorial model proposed for Portugal in the National Programme for Spatial Planning Policy (PNPOT).

In a context in which territorial agglomeration has increased – bearing in mind a significant inequality in population distribution – particularly with the strengthening of urban concentration in areas of lower population density, one of the main obstacles to competitiveness in Portugal continues to be the structuring of the urban system. Furthermore, in many areas, the urban growth verified is more the result of rural depopulation than sustained patterns of regional growth.

In truth, the fact that half of the Portuguese population lives in urban areas (circa 55% in 2001) reflects, above all, the heavy concentration in the Lisbon and Oporto Metropolitan Areas (circa 40% of the population lives in approximately 40% of national territory). In contrast to these agglomerations are the interior and sparsely urbanized areas where the absence of a critical urban mass inhibits economic development and access to advanced services, which even compromise, in some cases, the capacity to reverse the trend towards depopulation.

Assuming the strong ties between urban systems and levels



of territorial competitiveness, the following issues are of significance:

- The insufficient international projection of the main urban agglomerations, complicating Portugal's participation in international flows and networks;
- The absence outside the Lisbon and Oporto Metropolitan Areas of centres with a sufficient population and functional dimension to develop competitiveness and innovation dynamics – there are only three other cities with a population of over 100,000 (Braga, Funchal and Coimbra) and two with around 50,000 (Aveiro and Guimarães);
- The high lack of differentiation between urban centres, implying the dispersion of more qualifying economic infrastructure and tertiary facilities, with losses in scale and atrophy of the relations of specialisation and complementarity that generate greater social and economic profitability;
- The great dependence of the recent dynamism of several urban centres on functions dependent on the state budget and on social demand that is of uncertain sustainability in the mid to long-term.

Given that cities face the main challenges of social cohesion, the major concerns centre on:

- The persistence of critical urban areas from a social, physical and environmental point of view and the degradation of many residential areas, above all on the peripheries and in the historical centres of cities;
- The persistence of poverty and lack of suitable access to housing in important segments of the population, exacerbating intra-urban social disparities;
- Problems relating to the integration of immigrants, exacerbating territorial segregation and social exclusion in urban areas;
- The high level of job vulnerability due to the restructuring of the economy and relocation of businesses.

Given that it is also in cities that the major problems relating to sustainability are felt, the main challenges faced are:

- Unplanned urban expansion and consequent fragmentation and disqualification of the urban fabric and surrounding spaces;
- Energy inefficiency and environmental and economic unsustainability in the construction and transport sector,

above all in the metropolitan areas and in the disperse areas of urban development along the coast due to excessive private car use;

- The deterioration of quality of life and of the urban landscape associated with the scarcity of green spaces, atmospheric pollution and noise as a result of construction development and growing rates of vehicle use.

To these specifically urban challenges must also be added a number of significant territorial problems clearly identified in the preparatory work for the National Programme for Spatial Planning Policy, of which the following stand out:

- Insufficient protection and enhancement of natural resources and inefficient risk management;
- High energy and carbon intensity (low efficiency) of economic activities and mobility models, with poor use of renewable energies, in a context of low relative levels of energy consumption and greenhouse gas emissions;
- Insufficient supporting infrastructure and systems for the competitiveness, connectivity and international projection of the country's economy and absence of an overall logistics system that takes the requirements of the different sectors of activity into account and the insertion of the territories into global markets;
- Inadequate territorial distribution of collective infrastructure and facilities relative to the change in population patterns and social needs;
- Nascent development of territorial cooperation of a supra-municipal nature in the programming and running of collective infrastructure and facilities, particularly those which create solutions for the conciliation of professional, family and personal life;
- Absence of a civic culture and efficient territorial planning practices and inefficient information, planning and territorial management systems.

Despite the persistence of notable regional variations, the significant improvements felt in the country in terms of the coverage of mains water supply, drainage and effluent treatment and waste treatment today places the Portuguese regions as a whole at a stage above the mere satisfaction of the basic needs of connection to the mains network. The investment made to ensure the supply of mains water can be seen in the percentage of the resident population that has access to domestic drinking water: 92% in 2003. Nevertheless, this indicator continues to reveal significant

regional asymmetries and it is of note that while statistics for the Azores, Madeira and Lisbon are above the national average, the North has the lowest figures in the country (83%). In the same year, around 74% of the population had access to wastewater drainage systems and 60% were connected to wastewater treatment systems; the North and Centre regions and the Autonomous Regions of Madeira and the Azores have the lowest figures for these indicators.

In a context of high dependence on the management of water resources in relation to Spain – 64% of continental Portugal is integrated into the hydrographical basins of international rivers – the pressure exerted on this fundamental resource makes it imperative to ensure greater efficiency in its use. It is also important to note that, as regards surface water and subterranean water, Portugal has problems of varying intensity, but significantly generalised, with water quality, and that the remaining inland waters are of a poor quality, due above all to the presence of organic and microbiological matter.

With significant natural heritage, witnessed by the percentage of the country's territory under protected status – around 22% – the decline in biodiversity in Portugal is of worrying proportions. Within the framework of the weaknesses verified as regards nature conservation policy, of particular note is integration with other sectors, namely the compatibility of the development of activities aimed at maintaining ecosystems and the existence of serious gaps in the characterisation and monitoring of some areas, especially as regards marine areas.

With one of the lowest rates of urban solid waste production in the European Union, the significant increase in the capture of this waste in recent years has placed major pressure on the need to achieve better results in terms of reduction, re-use and recycling. In 2004, around 66% of the urban waste produced ended up in sanitary landfills, 20% was incinerated, 7% composted and 7% selectively collected. Despite the progress verified in the treatment and final destination of urban waste, the goals defined at national level for 2005 are still far from being reached, in particular in the areas of composting and recycling (25% composted and 25% selectively collected).

The risks for public health and the environment resulting from a significant percentage of contaminated land in Portugal requires the resolution of the existing liabilities, particularly as regards the environmental regeneration of degraded mining and industrial areas.

Portugal is still vulnerable to various types of natural risks. The

erosion of the Portuguese coastline has worsened over the last century, placing people and property at risk, as well as natural heritage – the stretches of sandy coastline being particularly vulnerable to erosion. In the centre and north of the country, the main areas at risk of coastal erosion are located between the mouth of the River Douro and Nazaré, the Espinho-Ovar and Aveiro–Areão stretches standing out in particular, as well as that from Caminha to the mouth of the Douro. In the south of the country, of note is the stretch between Vilamoura and the mouth of the River Guadiana, where the cliffs have receded and sea breaches have been verified.

Around 35% of continental Portugal is at risk of desertification. The areas most susceptible are located in the Alentejo (particularly the Guadiana basin, due to high soil erodibility and erosivity of precipitation), the Algarve coast, Vale do Douro, Trás-os-Montes and the Raia area in Beira Baixa.

In continental Portugal, flooding also constitutes a natural risk deserving of attention, occurring above all on the alluvial plains of the country's main rivers and, also, in smaller hydrographical basins subject to rapid and sudden flooding.

Drought situations are frequent in continental Portugal, temporary natural phenomena that are distinguished from other catastrophes as they occur more imperceptibly, their advance is verified more slowly, they last for longer periods of time, can extend over far larger surface areas and recovery from them is much slower, at times causing significant socio-economic impacts, particularly on agriculture and cattle farming and, also, on energy production.

Wildfires represent the greatest risk to Portugal's forests and they have led to a high number of personal accidents and significant economic losses. The area affected by wildfires in Portugal every year has been larger than the forest area and this has been an important contributing factor to desertification. The areas most susceptible to fires are mostly located north of the Tagus, in hilly terrain where resinous trees associated with high levels of vegetal cover predominate.

#### GOVERNANCE EFFICIENCY

Portugal has been in step with the generalised movement to reform the state that is currently underway in the vast majority of OECD member countries and which was initiated in response to the great political, social, economic and technological changes witnessed from the 1970s and 80s onwards.

In the Portuguese case, these changes have translated into a growing pressure on the state and public institutions to make significant alterations to their responsibilities and in the way they exercise them – of particular note is the recognition of

the existence of significant negative effects on economic competitiveness and citizens' quality of life and living conditions stemming from the insufficient efficiency of public institutions and organisations.

Having identified and diagnosed the quantitative and qualitative characteristics of the public administration, which include those areas relating to education, health and justice, weaknesses and insufficiencies have been pinpointed that represent structural obstacles to the quality of formulation and effective concretisation of public policies and, consequently, of their potential (and indispensable) contribution to the success of the processes of economic, social and territorial development, as well as for the optimisation of the functioning and efficacy of the respective agents.

In this context, the greatest challenge facing the state and the country's public institutions corresponds essentially to the need to pursue a rapid structural transformation of its model of governance and functioning that will allow it, in its current configuration, to ensure an effective and efficient response to the increasingly complex responsibilities and requests that it has to satisfy.

Notwithstanding recent developments in this field, the organisational and functional structure of most Portuguese public institutions still reveals a series of characteristics that clearly inhibit their adaptation to the emerging concept of the matrix approach to public action – heavily focused on intra- and inter-institutional cooperation in the design and implementation of public policies and complex projects of a transversal nature (very often in areas of atypical intervention for the public sector) and in the flexibility, decentralisation and delegation of responsibilities.

In effect, over recent decades, there has been a significant proliferation of public bodies, with the corresponding atomisation and overlapping of respective responsibilities and competences, while others, sometimes of lesser importance for the provision of services or production of value for the community, have been strengthened. The majority of these bodies, in terms of functions, are characterised by a strong sectoralisation and vulnerability to changes in political direction, which has contributed to the predominance of eminently reactive structures aimed at providing partial short-term approaches, with high levels of organisational rigidity and hierarchisation, little autonomy and capacity to develop cooperative relationships and with a heavy orientation towards fulfilling procedures to the detriment of obtaining results.

Launched in April 2006, the Restructuring Programme for the State's Central Administration (PRACE) consolidates the current guidelines for the process of structural reorganisation

of the state. This began with the recent redefining of the ministerial macrostructures, which resulted in the recent approval of organic laws for the various ministries, and the redefinition of the microstructures of the multiple services and organisms which, taken as a whole, will create a new administrative architecture.

From the perspective of the provision of services and the corresponding simplification and reduction in paperwork for external and internal procedures, the process of modernising the state and the country's public institutions has had frankly positive results over recent years, in a move towards strong real convergence that places Portugal's performance above the European average (EU25), particularly as regards those indicators associated with electronic government and the provision of advanced public services through the use of information and communication technologies (ICT).

However, the concretisation of this type of administrative rationalisation and modernisation remains limited by a series of obstacles associated with the way in which certain segments of the national public administration currently function, which are still characterised by a heavy inward orientation of effort and work within the services themselves, by the perpetuation of adopted working methods, by limited incentives to change, and by the difficulty of implementing and maintaining working mechanisms in the intra- and inter-institutional networks necessary for the implementation and continuity of the actions carried out.

Simultaneously, the pressure on Portugal's public system (and consequently on its modernisation process) continues to grow with regard to the improvement in the quality of services and the dimension of predictability, transparency and simplification of public procedures, which, seen from the perspective of public administrative costs, are increasingly key factors for differentiation and international competitiveness.

Therefore, the expected corresponding overloading of the system in its current form, within the context of the selective reduction of available public resources, necessarily implies an added and effective effort to deepen and accelerate the modernisation process over the next few years at the risk of gradually forsaking the progress (and corresponding European convergence) achieved up till now.

At the programming level, this process of rationalisation and modernisation is especially consolidated in the Administrative and Legislative Simplification Programme (SIMPLEX) launched in March 2006.

In cumulative terms, the move towards the progressive transfer

of public activities and responsibilities to the business, public, private and cooperative sectors, which, while still at an early stage compared to other OECD nations, has been gaining momentum over recent years in Portugal, has contributed to the substantial altering of the type of relationship existing between the Portuguese state and the beneficiaries of public policies and actions, institutionalising new mechanisms of intermediation which until then had still been at an early stage.

In a clear move towards a more competitive environment, alternative forms of providing services and developing public activities based on privatizations, concessions and public-private partnerships, entrepreneurialism, externalisation and respective contract awarding of public activities and services have emerged not only as a response to budgetary restrictions, but also in the aim of contributing to raising the efficiency and quality of the services provided. The consequent emergence of a variety of new structures and forms of public governance, already clearly evident in the area of large infrastructure investments and services of general economic interest such as energy, transportation and health, but also, more recently, at the level of the large national public systems (particularly social security and education), have had a growing impact on the traditional functioning of the state and the Portuguese public institutions. These developments will require a greater degree of responsabilisation and control on the part of the public administration both, at the initial stage, in the conception of the relationship model and respective contract, and, later, in the management, overseeing and monitoring of the contractual relationship established and in the very evaluation of the solution adopted.

In this context, of particular importance are the initiatives that aim at the institution of a concept of sharing common services in the fields of human resource, financial, materials and patrimonial management within the public administration, which it is hoped will contribute not only to the necessary consolidation of public accounts, through the optimisation of resources and the achievement of significant savings, but also to the modernisation and rationalisation of administrative activity, along the lines of that approved by international good practices.

Nevertheless, from a structural point of view, the human capital situation existing within the public administration reveals distinct differences from that in other sectors of the economy. A significant section of the human resources of Portugal's public bodies and institutions reveal weaknesses that must be resolved bearing in mind the reforms that need to be implemented.

In December 2005, public administration employees

represented 13.6% of the working population in Portugal (circa 740,000 people). Of total employees and agents, around 40% have worked for the state for 20 years or more. The central administration in particular has a significantly aging age structure: 47.7% of workers are 45 years of age or older.

Notwithstanding the above national average academic qualifications, the Portuguese public administration still registers a qualification deficit in services of a more administrative nature. In 2005, around 51% of central administration employees and agents had a degree or higher academic qualification, while 28.3% had 9 or fewer years of schooling (those with 4 or less years representing 9.3% of the total). If we exclude employees with higher qualifications attached to the Ministries of Health, Education and Science and Technology and Higher Education, the percentage of graduates, or holders of diplomas of higher education, drops to around 15.9%.

There is also a verifiably low number of employees with training in technology and vocational areas: around 0.5%.

At the end of 2005, open-ended individual work contracts applied to only 4.2% of jobs in the central administration.

The Stability and Growth Pact recommends the "Restructuring of the Administration, Human Resources and Public Services" as one of the main measures to consolidate the budget, identifying in particular a set of initiatives within the field of human resource management.

In effect, the progress in administrative efficiency and rationalisation achieved by increasing and diversifying employees' skills has enabled the attainment of multiplier effects, contributing to an increase in overall productivity, economic competitiveness and the sustainability of public finances.

## 02.5. SWOT ANALYSIS

An analysis of the opportunities and threats faced by the development process, as well as the strengths and weaknesses of the Portuguese situation presented above, is provided below in the following tables.

## OPPORTUNITIES AND THREATS – EXOGENOUS CONDITIONING FACTORS

OPPORTUNITIES	THREATS
Added uncertainties from international political reordering, with repercussions in terms of international trade	
Strengthening of cooperation within the Community of Portuguese-speaking countries and closer ties with Asian countries with historical links to Portugal	Potential negative effects for small open economies without any sizeable political influence on the decision-making process in the main international organisations
Stimulation of the development and exploitation of sources of renewable energy, alternatives to hydrocarbons, namely those which depend on resources of which Portugal is amply supplied	Growing macroeconomic instability in the countries of Latin America with potential repercussions for the internationalisation of the Portuguese economy in those countries
	Pressures on the oil market and price volatility, with consequences for the worsening of the country's foreign trade deficit
	Intermittent difficulties in air transportation and international tourism with negative repercussions on the Portuguese economy in its more specialized tourist regions (the Algarve and Madeira)
Affirmation of the economic globalization process (globalisation of markets, intensification of investment and trade flows, financing of the economy, global organization of the big players) and the emergence of new economic powers	
Consolidation of a mode of organisation within leading companies at the global level that feeds a process of outsourcing to diverse global locations of an increasingly large number of activities	EU markets more open to Asian countries due to international agreements and to the interest of European multinationals in exploring market opportunities, particularly in China
Multiplication of service activities that are relocating on a global scale to regions that offer a combination of natural, environmental and cultural characteristics and the availability of qualified human resources that make them especially attractive	Difficulties with achieving a sustained recovery of EU competitiveness (with consequent difficulties of maintaining high levels of growth) and maintaining the gains in economies of scale for national exporting industries within the European area
Geostrategic potential of the national territory in terms of the establishment of intercontinental linking platforms – maritime and air transportation	Major pressure on the prevailing social models in the European Union, with particular consequences for the more fragile models of the nations of the southern periphery
Intensification of tourism flows resulting from the demand for homes in places with more moderate climates, greater environmental, landscape and cultural quality, better safety conditions and good health services by the affluent sectors of the European population	Strong competition from the large emerging economies as favoured destinations for FDI, with repercussions at the level of foreign disinvestment in Portugal and deferment of investment decisions
Increase in demand for goods and services in the emerging economies	Reduction in the relevance of the distance factor in competitiveness, downgrading the competitive advantage of proximity to the markets of central Europe for certain segments of the Portuguese economy
	Social and environmental dumping by emerging competitors
Deepening of migratory phenomena on a global scale	
Continued immigration of populations with levels of qualifications higher than the Portuguese average that can contribute to facilitating the attraction of certain types of activities	Structural context of low real wages that may be prolonged with the migratory influx of people from economies with very low per capita incomes
Stimulation of immigration of workers with positive repercussions on the demographic structure and on the maintenance of the social security system	Intensification of migratory movements of peoples from pockets of poverty in eastern Europe and Africa with effects on social cohesion in Portugal and provoking new problems of integration
Attraction of R&D researchers and engineers from eastern and central Europe and Asia	
Development of new technologies and new applications for cutting edge technologies	
Incorporation of national R&D centres into global networks of scientific excellence	



OPPORTUNITIES	THREATS
Deepening of the process of economic integration within the European Union area	
Strengthening of new tourism products, particularly in the area of events tourism, placing certain cultural, sports and science/technology facilities on the international map	Additional difficulties in attracting FDI resulting from the existence inside the EU of new States Members offering better conditions in terms of qualified manpower, labour costs and geographical location
Internationalisation and reorganisation of national business groups in the fields of financial services, construction and utilities	Persistence of vulnerability to asymmetric external shocks within the euro zone
Affirmation of Portugal as a hosting nation and supplier of services to European markets in support activities for the middle and high-income third age sector	Potential negative and territorially concentrated impacts of processes of industrial relocation; unemployment in labour-intensive industries affecting manpower in age groups and of low levels of education that makes their reintegration into the labour market difficult
Uncertainties in EU political direction	
	Conflict of roles between the major EU countries with consequent negative effects on the small economies and on the establishment of a solid consensus on cohesion policies
Affirmation of major guidelines of Community policy	
Evolution of the common agricultural policy towards rural development, with positive repercussions on the country's rural areas	Foreseeable reduction in Structural Funds with major repercussions for the country's ultraperipheral regions and for those regions heavily disadvantaged in terms of entrepreneurial capacity
Greater focus on the oceans as a source of new biological and mineral resources, with repercussions at the level of developing national scientific potential and valorising national resources	Reinforcing of centripetal trends in the Community's science and technology policy, in accordance with the criteria of concentration and efficiency and the involvement of private finance
Impacts on Portugal's productive structure from the application of Community directives on food security, environmental criteria and consumer information	Trans-European networks designed in line with the interests of the systems of the EU's major cities, penalising some parts of the national urban system
Greater attention to the issue of vulnerability – in the long term – to the impacts of climate change on a country with an extensive coastline, with repercussions at the level of collective awareness of the value of planning and preservation of natural resources	Possible limitations within the EU area on the main form of transporting Portuguese export goods – by road
Deepening of the process of integration of the Iberian economies	
Enlargement of market opportunities for companies until now more focused on the internal market (potentially interesting for Portuguese industrial and services-oriented SMEs) through access to the Spanish economy	Growing affirmation of Spain as a major European power with effects on the balanced development of trade between Portugal and Spain and the maintenance of national decision-making centres in strategic sectors
Expansion of the areas served by Portugal's main ports to include the western regions of continental Spain	Highly developed logistics capacity in Spain generates potential competition for the logistics infrastructure in Portugal
Completion of the Lisbon-Madrid high speed rail link which will contribute significantly to reinforcing Portugal's connections with the rest of Iberia and Europe	Strong competition from Madrid airport makes it more difficult to establish a competitive intercontinental air transportation platform in Portugal
Reaffirmation of the major conditioning factors and guidelines of national economic policy	
Structural reforms initiated and policies oriented towards competitiveness and growth, with eventual consequences on the improvement of the general attractiveness of the Portuguese economy	Insufficient territorialisation of the agricultural policy in line with the major regional differentiation of the different models of agriculture existing in Portugal

OPPORTUNITIES	THREATS
Investment programmes in water supply, basic sanitation and waste collection and treatment infrastructure, satisfying the expectations for activities and services that pay greater attention to environmental quality	Financial difficulties with completing a fundamental scheme for reinforcing the international links of the Portuguese economy – the high speed rail link
Completion of the investment planned within the National Road Network Plan, with positive effects on the patterns of location of new activities	An excessive focus on major growth in the tourism sector, with negative effects on natural resources and questionable social sustainability
	Continued difficulties in the territorialisation of public policies in the area of socio-economic development
Changes in consumption patterns	
Emergence of ecological consumption and excellence in gastronomy and food security that may present opportunities for certain Portuguese regions of recognised potential	
Growing enhancement of architecture as a factor in urban excellence and cultural affirmation, a trend in which Portuguese society is well placed given the quality and recognised international pedigree of its resources	

## STRENGTHS AND WEAKNESSES – EXISTING PROVISIONS AND ONGOING DYNAMICS

STRENGTHS	WEAKNESSES
Environment and natural heritage	
Great diversity of natural heritage of high conservational value; 22% of the nation's territory is classified as a protected nature conservation area	Insufficient protection and enhancement of natural heritage, frequently associated with a lack of knowledge about the management of protected species and habitats
Climate and quality of landscape sources of attraction for people and activities	Deficient management of natural risks, resulting in the destruction of forests and growing desertification and coastal erosion
General coverage of the population with mains water supply	Insufficient levels of coverage in the area of basic needs, waste water drainage and treatment in particular
Consolidated environmental legislative framework	Manifest difficulties in meeting the goals of the Kyoto Protocol with regard to the reduction in emissions of greenhouse gases
Provision in natural and energy resources	
High potential in renewable energies: especially bio-energy, solar, wind and hydroelectric and provision of port facilities allowing diversified imports of energy-related raw materials	Heavy energy dependency on outside sources, within an economic framework of high energy intensity; vulnerability with regard to energy supplies
Diversity of natural resources favourable to the development of high quality tourism activities	Significant levels of inefficient water resource use; diverse problems with surface and subterranean water quality
Growing collective awareness of the need to encourage rational use of natural resources	Insufficient focus on recycling and enhancement of urban solid waste
Planning, cities and territorial enhancement	
Diverse range of territory, with a strong identity and ties to various regions around the world	Insufficient international insertion of the main agglomerations

STRENGTHS	WEAKNESSES
Main options for the organisation of national territory have been consolidated (PNPOT), allowing coherence between the various territorial management tools	Dynamic of extensive and low quality urban growth, accompanied by the progressive dilapidation and devitalisation of historical areas and the jeopardising of the sustainability of public transport
Historical, natural, cultural and architectural heritage of great value that can lay the basis for economic dynamics and territorial enhancement; and affirmation of UNESCO "Cultural Heritage of Humanity" status as a factor in mobilising public opinion on the issue of territorial qualification	Imbalance in the national urban network and insufficient size and integration of the non-metropolitan urban systems
Length and characteristics of the coastal area as a factor of major geo-strategic and economic value	A mobility model based above all on road transport and, in the urban environment, individual transport, with a negative impact on the general conditions of productivity and on quality of life and the environment
Network of small and medium-sized cities, ensuring good potential levels of access by the whole territory to urban functions, facilities and infrastructure	Changes to productive agricultural and forestry systems leading to the depopulation and abandonment of rural areas
Growing affirmation of a number of medium-sized national cities with positive effects on the structuring of the urban network and the enhancement of the surrounding rural areas	Difficulties in reconciling the preservation and enhancement of the most valuable territorial resources with private and short-term money-making pressures
Provision of infrastructure for connectivity and attractivity	
Generalised coverage of the country with road infrastructure; high rate of concretisation of the National Road Network Plan in terms of major roads, ensuring high levels of accessibility between the country's main urban and industrial concentration areas and with Spain	Delays in the concretisation of the logistics and intermodal support network for the internal distribution system and, partially, for the export/import of the country's productive specialisation
Upward trend in the country's coverage with telecommunications networks and a dynamic enterprise culture in this and similar sectors, including a significant business presence in external markets	Persistent deficits in internal and international connectivity that exacerbate the negative effects of the country's peripheral position in Europe and jeopardise the enhancement of its geostrategic position in the global context
International airport infrastructure in continental Portugal with high specialisation potential and with sustained upward trends in demand; airport structures in Madeira and the Azores adapted to their internationalization	Continued weakness of the conventional rail network on the busiest lines that serve the urban system and the freight-generating centres
Good coverage of continental Portugal in terms of enterprise areas and zones and support facilities for hosting business-related events and product shows, well tuned to the territorial distribution of the main industrial clusters	Poor organisational capacity, business management and financial sustainability of the majority of business parks
Provision of social infrastructure and facilities	
Major increase in the provision of social facilities and infrastructure in the Portuguese regions as a whole, with an influence on patterns of social cohesion	Strong social pressure to maintain high levels of infrastructure building and provision of new facilities, in the absence of network planning and the possibilities offered by the transport system, without due thought for the respective economic and financial sustainability
Territorial competitiveness and regional asymmetries	
Levels of facilities and infrastructure that can ensure minimum conditions for raising the quality of life and competitiveness in most of the territory	Downward demographic trends and population decline in interior regions in contexts of very low population densities
Emergence of new economic and demographic centres outside the metropolitan areas	Generalised deficit of competitive capacity within a framework of the reinforcing of asymmetries between Portuguese regions

STRENGTHS	WEAKNESSES
Atlantic capital potential of the Lisbon agglomeration within the context of the Atlantic regions (one of the few capital cities with a decidedly Atlantic vocation), seconded by Oporto in the context of the peninsular's northeast	Insufficient size of non-metropolitan urban centres, limiting the emergence of agglomeration economies and innovation potential
Relative inter-regional balance in terms of social cohesion, reflected more in the coverage of property and services and less in the intensity and specific patterns of problems of exclusion	Difficulties in affirming the polycentric model of the Oporto Metropolitan Region due to problems of governance and postponement of several infrastructure schemes
Potential for affirmation of subregional urban systems based on the potential for complementarity between neighbouring cities, in particular in the disperse areas of urban development along the coast	Insufficient enhancement of successful experiences, good practices and the potential of the least developed regions, thereby reducing the capacity to attract more creative and innovative actors
Potential for urban affirmation based on tourism platforms in non-metropolitan areas, with particular relevance for Funchal and Faro	Difficulties of organising and structuring the coastal area between the two metropolitan regions of Lisbon and Oporto; difficulties of governing the polycentric urban system characterising this area
Presence of institutions of higher education in medium-sized cities as a driver of qualified and innovative urban economic growth	Great dependence of some urban centres on functions dependent on the state budget and on social demand of uncertain sustainability in the medium to long term
Specialisation and productivity	
Affirmation of several centres of more technology-intensive activities associated with international investment and with catalyst effects on large-scale supplier networks	Deficit of productivity resulting from interaction between the pattern of activities dominant in the country and the position occupied by companies that export from Portugal in the value chains of which they are part
Disseminated effects of improving conditions of quality certification and production rates generated by the process of linkage/subcontracting between important FDI processes and national SMEs	Over-specialisation of production and exports in activities with weak demand and strong cost competition – labour-intensive and low-qualified industrial activities and activities (industry and services) that combine natural resources and low qualifications
	Market orientation of Portuguese exports excessively concentrated on a single macro-region of the world economy – Continental Europe and the euro zone
Business dynamics	
Emergence of a number of innovative and internationally competitive companies in fields of high growth potential (particularly in high technology sectors, such as biotechnology, biomedical and health sciences, information and communication technologies and new media)	General framework of great organisational inefficiency, both internal to companies and resulting from insufficient organisation of business networks
Gradual increase in the number of sustained processes of modernisation and reformulation of business models carried out by companies in traditional sectors increasingly exposed to international competition	Tendency towards a reduction in the capacity to attract international investment for schemes of a structuring nature, both in the industrial area and in higher value-added services and/or services with strong international demand
Processes of internationalisation of the large companies in the industrial sector, infrastructure sectors and financial and distribution sectors	Low levels of creation of new business capacity based on the universities and polytechnics
Affirmation of leading female entrepreneurship linked to the higher qualification levels of women	Predominance of necessity entrepreneurship to the detriment of the creation of new companies associated with the detection and exploitation of business opportunities
	Conditioning factors in access to funding for innovation (bank funding, risk capital, seed capital) on the part of national companies and entrepreneurs
	Low interest among commercial banks in financially supporting projects with high innovation content

STRENGTHS	WEAKNESSES
	Business investment too heavily focused on physical capital (renewal and modernisation of equipment) to the detriment of investment in non-material areas (organisation, innovation and development of human capital), in which Portugal still shows substantial deficits compared to its European counterparts
Trends in innovation, science and technology	
Growth of the National S&T System, with major real progress in fields such as scientific publication and supply of new doctorate students, as well as in its progressive integration into international networks of scientific collaboration	Insufficient capability on the part of companies to incorporate the results of processes of technological innovation
Existence of international standard R&D centres in promising areas – robotics and automation, information and telecommunications technologies, health sciences, biotechnology and pure chemistry, polymers, technological physics, instrumentation and energy	Lack of inter-connection of innovation systems in the Portuguese regions
Existence of several leading higher education centres, particularly in the fields of management, information systems and information and communication technologies, and life sciences	Amount of R&D carried out by/with Portuguese companies significantly lower than that verified for the same area in the majority of other European countries
Existence of leading scientific research teams favourably situated at the heart of international networks constituting powerful factors in the transfer of knowledge relevant at a global level	Low autonomy of institutions within the S&T System and poor relations with other bodies within the National Innovation System (namely companies)
Relevant examples of sector-based technology centres with a tradition of providing technical assistance to industrial clusters	Weakness of the universities-business interface that could create scientific and technological development models able to profit economically from R&D results
Provision of resources for the information and knowledge society	
Level of ICT facilities and connectivity comparable to that in other EU countries, particularly in the educational sector – (virtual campuses, Internet provision in schools, online knowledge libraries, optical fibre networks in universities)	Poor organisational mediation and business strategies able to accelerate the impact of increased use of information and communication technologies on average labour productivity rates and on total factor productivity
Significant progress in terms of the familiarisation of Portuguese society with the use of information and communication technologies; strong propensity for use of information technologies in their multifarious fields of application	Continued low international ranking compared to some cohesion countries and to the more advanced European countries in the information society indicators that reveal more advanced use by companies
Schooling, literacy and advanced training	
Appreciable increase in gross and net school attendance rates above all in secondary education	Low level of schooling of the working-age population, despite significant improvements in overall rates
Level of public expenditure on primary and secondary education that, in relative terms and for all levels of education, corresponds to the EU average	Skills shortages in key areas such as mathematics, sciences and Portuguese language, compromising, from primary and secondary education, the qualifications levels of the future working population
Expansion of the strategies for training and qualifying adults with low levels of school education integrating recognition, validation and certification of non-formal skills and combating the marginalisation of the less educated segments of the population	Continued high early school abandonment rates and low achievement rates



STRENGTHS	WEAKNESSES
Process underway of rationalising and improving higher education – universities and polytechnics – through a restructuring of the educational system and adaptation to the Bologna process	Low ranking in the OECD literacy indicators, suggesting problems within the educational system
Opening higher education to new audiences, by means of a new system of access for those aged over 23, and the development of post-secondary education in institutions of higher education (by means of new legislation for specialised technology courses)	Progressive loss of specificity in higher polytechnic training, with the resulting loss of interaction with the needs of business
	Slow massification of basic information and communication technology knowledge and insufficient stimulation of young people to train in associated areas
	Higher education courses offered by the public and private sectors seriously out of kilter with the demand for skills within business, namely as regards the over-specialisation of undergraduate and postgraduate courses and the reduced relevance of technology training
	Low numbers of engineers and technology specialists being produced, accompanied by a growing disinterest in science by the young
Human capital	
Grants for higher management with advanced academic training who have no links to public institutions, constituting a potential resource for programmes aimed at inserting upper management staff into companies	Low qualification levels among the working population employed in most of the private sector, as well as in certain segments of the public administration
Clear development at the level of supply of intermediate professionalising training paths incorporating considerable amounts of practical training better focused on the needs of business and oriented according to a dual – school and vocational – certification model	The training paradox: despite the evident need by business to invest in the qualifications of its human resources, there is a low propensity on the part of companies to invest in training, resulting from the pattern of specialisation and a lack of capability within upper and middle management to manage human resources effectively
Growing supply of management schools and courses	Inefficient use of resources stemming both from insufficient training of skills that are highly sought after and able to re-qualify young people and adults with low levels of qualifications and the large-scale production of graduates in areas of low demand
(Emerging) supply of services for human resource evaluation and enhancement	Professional training system predominantly dominated by supply
	Inexistence of funding mechanisms adapted for individual training that are able to exercise a degree of competitive pressure and thereby create increased levels of efficiency and more consistent practices of identifying and attracting training needs
Labour market	
Labour market with a strong capacity to adjust to lasting shocks	Greater labour market rigidity in terms of flexible responses to transitory shocks
	Growing segmentation of the labour market, polarized by very contrasting conditions in terms of security, salaries and qualifications

STRENGTHS	WEAKNESSES
	Favourable conditions for the development of social exclusion: low-qualified long-term unemployed; unqualified young people dropping out of education early; existence of a lack of motivation to join the labour market by groups of the population only able to work in low-wage jobs; and the persistence of a significant wage differential between men and women
	In 2005, public administration employees represented 13.4% of the working population (737,774 people). Public sector employment is characterised by low mobility at both the geographic and inter-departmental level
Social cohesion	
Continued persistence of forms of social organisation, even at the urban level, with levels of social and family solidarity still able to provide a natural safety net during continued and periodic exclusion from the labour market	Pension system in need of major reform if it is to be financially sustainable over the medium to long term
Controlled social conflictuality, namely via better integration of certain ethnic communities in urban areas	Lower than expected results for public social redistribution policies given the degree of existing public intervention and very high levels of inequality relative to the European context
Experiences with the integration of public policies aimed at urban territories with exacerbated social problems	Social policies and policies for the integrated regeneration of degraded areas, with high rates of urban poverty and other forms of social exclusion, excessively vulnerable to the state of public accounts and policies of macroeconomic stabilisation
	Forms and expressions of rural poverty seriously penalised by the trend in recent years to emphasise the growth of inland urban centres with the consequent depopulation of rural villages
	Worrying levels of drug dependency in urban and metropolitan areas
	Situations of info-exclusion stemming from low information and communication technology skills in the older working and non-working population
	Forms of social exclusion linked to gender violence, namely domestic violence, trafficking and sexual exploitation
Public administration and institutional resources	
Positive progress in the process of modernising the state and public institutions, placing national performance in this area above the European average, in a clear example of real convergence	Difficulty of introducing reforms in crucial areas of state action, namely health, justice, social security and taxation, and improvements in the coverage and response to the progressive aging of the Portuguese population
Concretisation of a process of structural reforms, framed within a common EU-wide effort, conferring greater internal consensus	Heavy sectoralisation, hierarchisation and organisational rigidity of the public administration, clearly inhibiting its move towards the emerging concept of a matrix approach to public action
	Deficit in processes and instruments at the intermediate regional level that ensure coherence and inter-linkage, in an effective and continued form, between the various levels of state intervention in the territory
	Misalignment between the current skills of public administration employees and the skills necessary to allow the Portuguese state to respond quickly and effectively to the challenges that the transformations underway (and the very process of state reform and modernisation) require

STRENGTHS	WEAKNESSES
	Deficits or inefficiencies in the processes of regulation
	Uncertainties and weaknesses in the technical capacity to manage and oversee public projects under a contract award system
	Weaknesses in the budgetary, financial and patrimonial information systems that make it difficult to oversee the financial and physical execution of ongoing projects/activities, as well as the evaluation of the results of public policies and the verification of the respective costs
	Proliferation of public entities with the corresponding atomization and, inclusively, overlapping of respective responsibilities and competences
	Multiple structural repetitions in the provision of supporting services within the public administration that prevent the achievement of economies of scale and the uniformisation of procedures of public resource management
	Low geographic and professional mobility of public administration employees

## 03. LESSONS FOR THE NEXT PROGRAMMING PERIOD

### 03.1. DEVELOPMENT STRATEGY 2000–2006

The third generation of Community structural assistance, corresponding to the period of execution of the CSF III (2000–2006), is based on a very ambitious development strategy, summarised by the aim formulated in the National Plan for Economic and Social Development of *"making the country Europe's primary Atlantic front, a new centre in Europe's relations with the global economy"*.

This aim, intimately linked to the mobilisation of the country towards the construction of a new model of economic growth *"more suited to the new geo-economic and technological contexts and based on the principles of sustainable development"*, will *"provide the Portuguese with European standards of cultural, economic and social opportunities and living conditions"* and will also ensure *"an active participation in the construction and development of the European Union"*.

The strategic conception defined was based on the formulation of major objectives for public policy intervention, alongside the reaffirmation of inalienable presuppositions underlying government action: the consolidation of the rule of law as a promoter of citizenship; the guarantee of citizens' security; the dignification of the justice system, in order to ensure the cohesion of society and all of its economic, social and cultural systems; and the broadening of market regulatory functions, aimed at safeguarding collective property and the principles of fairness and equal opportunities.

The objectives represented a voluntarist approach to public action aimed not only at the convergence of macroeconomic performance with the European Union, but, essentially, at overcoming, within the framework of a generation, the main Portuguese structural weaknesses.

The Regional Development Plan (RDP) 2000–2006 identified these structural weaknesses: the low productivity of the Portuguese economy, the low level of skills/qualifications of citizens, the low importance of research and development within the economy and society, the continued shortage of infrastructure, the chronic deficit in the balance of trade in goods and services, and the existing internal imbalances with regard to levels of development.

As it was then formulated, the size of the challenge implied the adoption of precise strategic guidelines and an exact linkage between policy instruments that could be mobilised to achieve the development goals.

Recognising the central importance of human potential as a critical factor for the success of the development strategy (the absolute priority of government action), the RDP 2000–2006

recommended a significant rise in investment in the areas of education and training, science and innovation, culture and employment, and social development and health, also ensuring the necessary paradigm shift in the educational and training systems in the sense of focusing on the perspective of lifelong learning and training, more suited to adapting people to technological and social change.

The structural transformation of the economy, in the sense of a progressive drawing of its portfolio of activities and competitiveness factors towards the more advanced economies, constituted a second strategic orientation. The RDP recommended the creation of instruments, concretised by the state and directed at civil society, that aimed to create a favourable framework for business innovation and initiative and to stimulate rises in the value chain, promoting – within the scope of opportunities provided by the market – the modernisation of traditional activities, the consolidation of emerging clusters, the mass and democratic access to information and communication technologies, the consolidation of the scientific and technological system and the strengthening of its role in the dissemination of technology and in the promotion of business innovation.

The priority placed on employment and combating the different forms of social exclusion also assumed fundamental strategic importance, given that significant social effects, stemming simultaneously from globalisation processes and the progressive exposure of the national economy to outside competition and the weaknesses existing in the Portuguese economy and society to confront them, were envisaged.

The territorial dimension of the development strategy assumed an integrated perspective, though based on two major aspects. The *"new vision of the territory"* encompassed, on the one hand, the enhancement of the competitive factors associated with the potential of the country's geo-economic position, well illustrated in the envisaging of the country as the *"primary Atlantic platform of a Europe located at the centre of the global economy"*. It encompassed, on the other hand, a determined focus on territorial enhancement, reconciling the respective territorial planning with the preservation and enhancement of the environment, within a framework of combating intra- and inter-regional asymmetries.

Besides outlining the development strategy and its operational dimensions, the RDP also underlined the importance that should be given to the institutional dimension: *"the development strategy and objectives presented are, necessarily, very demanding as regards the quality and efficacy of the organisations – of the state, of the administration, of*

*companies and of other organisations within civil society – with repercussions, especially, on the imperative for improvement, consistency and efficacy within public management.* Though given only very limited expression in the operational plan, the importance attributed to the institutional dimension was clear in the need identified to promote a new culture of responsibility between public and private agents.

With initial public funding of around 32.8 billion euros (20.535 billion from the Structural Funds), added to which were around 3.3 billion euros corresponding to financing from the Cohesion Fund, the CSF III constituted an extremely important financial instrument for the development strategy defined.

Organised into four Priority Axes, in line with the general objectives of the Regional Development Plan – to raise qualification levels among the Portuguese and promote employment and social cohesion; to alter the productive profile towards the activities of the future; to affirm the value of the country's territory and geo-economic position; and to promote the sustainable development of the regions and national cohesion – the CSF III was structured according to nineteen Operational Programmes (twenty after the reprogramming that took place in 2004), the majority of which correspond directly to the main areas of government action.

The greater importance attributed to the regions in the management of the Structural Funds resulted, on the one hand, in respect for the status of the regional autonomy of the Azores and Madeira and in the configuration of wide spectrum Operational Programmes in these regions; and, on the other, in the strengthening of the scope of intervention of the Continental Regional Operational Programmes (coinciding with the respective NUTS II regions), in agreement with the objective of stimulating the responsabilisation and efficacy of regionally decentralised services.

### 03.2. IMPACTS OF THE CSF III

The financial execution of the CSF III over the programming period, in similarity to preceding programming periods, witnessed generally very high quantitative levels. Up until the end of 2005, commitments reached around 94% of budgetary provision, while the financial execution approached 63% of the amount initially forecast – revealing therefore a ready capacity to absorb the funds available.

To an equal extent, realisation levels gauged via indicators of physical realisation were also high, although – as the mid-term assessment carried out in 2003 and 2005 had the opportunity to stress – with very unequal levels of

efficacy. In a field-by-field analysis, of note were those that contribute to the strategic lines of "*Raising the qualification levels of the Portuguese, promoting employment and social cohesion*" and "*Altering the productive profile towards the activities of the future*". These indicators reveal the generally very successful contribution of public investment directed at strengthening the country's collective infrastructure and facilities and consolidating the supply of socially-oriented services (in education, training and health). They also reveal the significant financial effort directed at productive activity, essentially consolidated in support, both direct and indirect, for the modernisation of companies.

The series of operational programmes that shape the CSF III contributed unequivocally to the development of the country. In terms of impacts, the interventions realised translated noticeably, over the 2000-2006 period, in:

- Added gains in health, with a more accessible and better quality health care system, which contributed to a healthier population with less disease and disability;
- Fundamental gains in education, with very positive contributions in the areas of rising school attendance and qualification levels of the population, the positive enhancement of trainees, both in terms of the quality of training and its application in professional environments, the positive difference in the quality of dual certified training as opposed to initial qualification courses for the respective trainees, and the greater employability provided by the alternating training modality;
- Significant gains in the structuring of new political instruments aimed at the social integration of disadvantaged groups and the devices of adult education and training, encompassing the implementation of new measures and structures; these were, alongside the organisation and enhancement of the vocational education and training system – cemented, at an initial stage, by the enhancement of professional education and the learning system – important fields of systemic impact provided by the application of Structural Funds to the areas of qualification and cohesion;
- Added gains in culture, with more and better infrastructure and more and better initiatives in artistic enhancement and stimulation, which contribute to the clusterization of cultural activities, the invigoration of demand and creation and expansion of audiences and the attractiveness of the territories and quality of life (access to greater cultural satisfaction);
- Relevant gains in the development of the information society, with the increase in basic training in ICT centred on



the young, the rise in access to broadband Internet provision in primary and secondary schools and the increase in levels of connectivity and digital content at universities, the rise in the availability of ICT goods and services adapted for use by the disabled, and the rise in the volume and diversity of public administration services, both central and local, available online to citizens and companies.

- Very significant environmental gains, with the establishment of supporting technical bases for interventions, increased knowledge about the natural and environmental heritage, definition of conditions of use of inland waters, execution of interventions foreseen in the POOC, the cleaning, de-silting and regularisation of water lines, satisfaction of needs verified at the level of supporting infrastructure in coastal areas and interior waters and equipment to monitor environmental parameters, and the increase in information provided on environmental issues;

- Important gains in accessibilities, with the respective improvement in local and regional plans, road and rail, with clear reflections in improvements to the quality of life of the people who directly benefit from this investment, the reduction in travelling times, among others, standing out;

- Gains in the visibility of the gender perspective throughout the CSF III by means of the implementation of positive action and the requirement for transversalisation in all OPs, as well as the action of the Thematic Working Group on Equal Opportunities.

The gains achieved in these areas of the development process are felt throughout the whole country and are also reflected at the regional level.

Even though during the first years of the execution of the CSF III there have been slight increases in regional asymmetries, if measured with the usual indicator (GDP per capita) – which essentially identifies the differentiated incidence of outside shocks on the economic base of each region – the advance achieved in these areas in territorial terms has been important.

This fact explains the persistence of a process of internal convergence in matters of social development, as testified to by studies based on the application of the Human Development Index to the Portuguese regions, even in the context of a more pronounced differentiation of these regions in terms of the competitiveness of their economic base.

However, most of the mid-term evaluation reports indicate that the systemic impacts of the CSF III are still relatively limited, particularly in more immaterial areas, such as

economic competitiveness, innovation and the enhancement of human resources.

This conclusion offers two substantially different explanations for this.

On the one hand, the time delay in the sustained effects of the CSF III on productivity should be borne in mind, as the positive impact, at the level of demand, initially created by the investment in infrastructure is rapidly followed by an intermediate period of loss of competitiveness, instigated by increases in salaries and the relative prices of services which are not compensated for in identical increases in productivity.

It is estimated that the positive effects generated in terms of the increase in the potential product will only have greater impacts on growth and productivity from 2010 onwards. In other words, this perspective translates into a problem of the time it takes to feel the knock-on effects of public investment in the economy, which explains (certainly in part, at least) the current situation of slow growth and stagnant productivity.

On the other hand, consideration should also be given to another perspective that is directly related to the strategic alignment of the interventions (pertinence and relevance of investment options according to their contribution to the major development objectives, and coherence between the various modalities of public action) and with the so-called "*problems of collective action*", particularly acute in periods of crisis or transition of the growth model.

Both the CSF III evaluation and the evaluation of the respective macroeconomic impact warned of the negative consequences resulting from a programming that was excessively oriented towards building infrastructure and less aimed at stimulating investment in non-material areas, namely private investment in innovation, and at accumulating human capital.

This relative concentration on infrastructure, estimated at around 63% of the public expenditure of the CSF III, will have contributed to exacerbating the structural characteristics of the growth model in Portugal which is excessively dependent on the construction sector, conditioning the necessary adjustments in the labour market (by absorbing unqualified labour) and failing to lead to the necessary alteration in the model of structural distribution of resources in the Portuguese economy.

This fact is all the more prejudicial as today the requirements for the structural convergence of the Portuguese economy are recognised, understood as the pursuit of a model of

growth that is structurally more aligned with those that feed the convergence trajectories at the heart of the European Union, with the incorporation of better and more qualified employment and greater application of technical and innovation knowledge. As the mid-term CSF III evaluation notes, *"it is not just a question of recognising today that it is necessary to restart, after an interruption of 5 years, the process of convergence in terms of product and productivity growth, but also to conclude that that is only possible within the context of structural convergence"*.

It should be added that, also in line with the evaluation of the macroeconomic impact of the CSF III, the area of public expenditure that has the most significant effect on the Portuguese economy, both in the short and long term, is investment in human capital (including expenditure on research and development), followed at a great distance by investment in infrastructure and support for private investment.

The weaknesses, in terms of the systemic impact on innovation, are in turn illustrated very clearly by the fact that the considerable improvements observed in the national scientific system – at the level of its internationalisation and international recognition, in the relevant production of human capital with advanced training and in terms of closing the gap on the Community objectives of valorising research and development activities – have not translated, at least to the extent desired, into the transformation and modernisation of economic activity.

Some evaluation studies have recognised the lack of balance in the interventions in the area of R&D-Innovation, which reflect a clear focus on science, R&D institutions and technological infrastructure to the detriment of processes of innovation in companies or the linking of R&D and investment in innovation due to an exaggerated emphasis on the technology-push approach. They also consider that the progress verified in the structural convergence of the national innovation system, in the aim of gradually closing the gap with the characteristics of the more dynamic European partners in terms of technological convergence, is still relatively limited.

Furthermore, the instruments of intervention based on direct investment support have favoured, by their very nature, existing beneficiaries in already established activities and do not sufficiently or adequately stimulate new business initiatives or the diversification of economic activities and the current specialisation profiles.

The weakness of action in the area of promoting start-ups, which depend on the integration of a series of instruments (not only financial incentives, but also access to seed capital,

access to management support services and the definition of business plans and other types of facilities) has also conditioned more significant progress in this area.

Finally, weaknesses in the alignment between direct action to stimulate enterprises and the conditions that affect the respective framework of this action (for instance, in the areas of economic infrastructure and access to the financial markets) were also noted, revealing that there is room to stimulate the creation of competitiveness strategies with greater and closer involvement of both economic agents and public organs working within the business environment.

These considerations stress the need to strengthen the levels of integration, programmatic coherence and strategic alignment of the multiple interventions in the crucial area of promoting innovation as a factor for the increased competitiveness of companies and the national economy.

However, it is not only at the level of the strategic coherence of programming that margins of progress have manifested themselves compared to the CSF III experience. By duly equating the so-called *"problems of collective action"*, namely in the areas of innovation (productive, technological, organizational and market-based) and enhancement of human resources, it will be possible to identify some of the new directions to be followed in the future, both in terms of the programming of policy instruments and their implementation and monitoring.

Activities oriented towards innovation (research and development, market prospecting, gathering of information about new technologies, organisational changes) are expensive. Besides having high direct costs, they also involve opportunity costs – resulting from the diversion of resources that are not immediately used in the productive activity, also viewed negatively due to the factors of uncertainty that are inherent to them. Furthermore, innovative enterprises frequently only benefit partially from their innovations. Within this panorama, if there is insufficient incentive to innovate, company investment decisions can tend to favour activities that steer away from the risks associated with new activities, training costs and uncertain returns. While accepting that there is some logic to these decisions, it is important to note that the general sum of all the individual decisions as a whole produces results which from the collective point of view are inadequate.

As regards human resources, the situation in this reference framework is reasonably well known: the Portuguese economy seems to be largely incapable of absorbing the new qualifications produced, which the evaluation by the National Plan for Employment suggests is mainly due to the

transformation in the processes of labour organisation and the attitude of businesses towards innovation. In this context, the average propensity of companies to adopt new technologies, to incorporate knowledge and ascend value chains and to seek new markets and internationalise is still far from the levels desired.

The major issue that the CSF III evaluation studies raise is, then, to discover why it is that for most Portuguese companies the risks and costs of adjusting and training that innovation involves has not been worthwhile.

A plausible explanation, assuming that companies behave logically when faced with the challenges and opportunities that present themselves, is that the nature of the competitive environment that Portuguese companies face does not reward innovation.

The overly generic character of direct incentives and their sufficient lack of discrimination, associated with a series of other (market and public action) conditioning factors, has translated into an insufficient incentive for change.

In Portugal, however, important situations have been verified in which the transformation of the competitive panorama has forced companies to adopt processes of modernisation, particularly in transactionable sectors that are highly exposed to international competition. The insufficient focus of public action on these sectors, aided by the driving effect that the pressure of highly competitive markets imposes, may have unduly influenced overall investment options, favouring sectors which are relatively protected and have less potential for ascending the value chain.

The translation of this logic in labour market terms might also explain the lack of investment in human resource training in a working environment.

As the mid-term evaluation of the Incentives Programme for the Modernisation of Economic Activities (PRIME) notes, "in the low skills equilibrium characteristic of the Portuguese economy, a system of market-based skills production in which companies and individuals bear the main responsibility for investing in training naturally has serious limitations".

It is therefore important to bear in mind, once again, the fundamental conclusions of the evaluation exercises: the problem with the modernisation of companies is not so much one of means, but rather one of business attitude and culture and above all of the capacity to introduce and disseminate new organisational strategies that involve training and professional certification. From these conclusions stems the need to give greater attention to the aspects of intermediation, pro-active public management

and technical assistance in the processes of change that can contribute to focusing training on the business processes of learning and knowledge accumulation, in which *"good practices need to be given greater visibility and to be held up in recognition, both at the levels of symbolic and material support"*.

In an economic and cultural framework like Portugal's, more radical innovation processes naturally have a smaller presence than in those economies closer to the technological cutting edge. However, they should be no less worthy of attention because of it.

Sporadic innovations by individuals and start-up companies are important, very often leading to the appearance of new activities. Nevertheless, we should not lose sight of the need for a systematic and cross-societal effort consolidated, namely, in significant public investment in support for research and development and scientific activity – with an emphasis on the convergence between the national business and innovation systems.

It is clearly recognised that systematic innovation by existing companies (almost exclusively of medium to large size) is the greatest contributor to economic growth. The experience of the CSF III proves, via its more positive or at least attained results, the importance of the scale effect, associated with the concentration and selectivity of incentives. However, the issue of collective action in this framework is also important, bearing in mind the risk effect in particular. Based on accumulated experience, there are more sophisticated margins of progress in public-private partnerships and consortium-based RD&T projects. Risk-sharing can constitute the stimulation needed for change, without neglecting to add, naturally, that any risk-sharing also implies potential profit-sharing.

### 503.3. LESSONS LEARNT FROM THE CSF III FOR THE NEXT PROGRAMMING PERIOD

The evaluation of the contribution of the CSF III to overcoming structural constraints and promoting higher levels of economic, social and territorial development in the country is a valuable collective learning aid for the new Structural Funds programming cycle.

Above, we have clearly stressed the unequivocal contribution of the Structural Funds to the country's development process. In the following paragraphs, we shall outline those aspects relative to which we foresee important margins for progress compared to recent experience.

Of the considerations systematised in the broad CSF III evaluation process, six considerations of a transversal nature can be identified to which the present programming exercise

should give particular attention, namely:

- Insufficient concentration of funding options in key areas corresponding to the major problems for the nation's development;
- Insufficient strategic alignment of the operational instruments and assisted projects;
- The difficulty in stimulating the innovation potential of agents (public and private) aimed at overcoming the deficits in collective efficiency;
- Insufficient attention given to building the institutional capacity of the public administration, necessary for performing complex functions of strategic management;
- Insufficient focus on the quality of the effects and on the efficiency and sustainability of co-funded operations;
- Under-evaluation of the time factor necessary for producing effects of a systemic nature.

The insufficient concentration of funding options in key areas corresponding to the major problems for the nation's development manifested itself in the dispersion of operational instruments, in the multiplicity of projects – a large part of which of a very small size – and in the huge coverage of the areas of intervention.

The correction of this insufficiency implies an immediate and thorough definition of the strategic priorities, founded on an in-depth knowledge of the structural 'choking points' that lie at the heart of the interruption in the real and structural convergence of the Portuguese economy and the exact identification of the strategic role of public policies by adopting a diagnostic cum action approach.

On the operational level, this requires the significant reduction of the number of operational interventions (programmes and measures).

It also requires the consideration of more refined criteria to hierarchise projects according to their specific contribution to achieving the strategic objectives established. The concern with scale effects and the structuring nature of projects and lines of intervention should correspond to the need to augment the reproductive impact of public expenditure, bearing in mind, namely, the context of the pressing need to consolidate the country's public accounts.

It should be emphasised that in choosing the strategic option of thematic and operational concentration, a favourable climate is

required as a guarantee of its political and social sustainability. It is particularly important to achieve consensus, at the technical and political level, for the major options as regards the balance and linkage between interventions aimed at tackling competitiveness and those aimed at cohesion, particularly those indispensable for enhancing the potential and opportunities of more disadvantaged regions in the areas of infrastructure, production, employment and human and social development.

Insufficient strategic alignment of the operational instruments and assisted projects has translated into less than desirable overall efficiency levels, particularly bearing in mind the more general goals defined for the CSF III. To this are associated the difficulties that the operational dispersion and complexity introduced into the overall coordination and management, as well as into its linkage to other policy instruments whose concretization is not co-funded by Community resources.

Greater programmatic coherence, through systematic gauging of the crossover effects (positive and negative) of the various policy instruments, co-funded and non-co-funded, and more vigorous strategic coordination (at the political and technical levels), constitute some of the desirable courses for overcoming the difficulties felt. Various recent experiences, such as that of public agencies with executive responsibilities in specific thematic areas, constitute examples to be followed.

In this area, emphasis should also be put on the importance attributed to the implementation of ongoing strategic monitoring mechanisms and the consolidation of *rationality centres*, particularly in complex transversal areas. These are understood as spaces where technical knowledge is broadened and disseminated and effective coordination practices stimulated and which could be developed within the context of the governance of the NSRF.

A particularly important aspect in this area is that of the linkage between strategic objectives and funding models. The public-private partnership models, especially, still relatively little used and centred on very specific areas, need to be better framed, avoiding the limited and even perverse logic by which public investment is seen as a mere instigator of future private investment, without any assurances of real strategic alignment.

The difficulty of stimulating the innovation potential of the agents (public and private) aimed at overcoming deficits in collective efficiency manifests itself in different areas.

The consideration of new levels of pro-activity in the management of operational interventions and of the

stimulation of the development of partnerships that consolidate more sophisticated demands for public support must be consequently conciliated with more demanding forms of monitoring and technical assistance for projects and agents. Dissemination of good practices, monitoring systems, evaluation and benchmarking are consequently instruments that must be mobilised to enhance collective learning.

Processes of effective contract awarding are, in this context, particularly relevant – above all if regarded not only as forms of externalisation, decentralisation, rationalisation or simplification of the management of operational interventions, but, essentially, as instruments necessary to overcome the structural difficulties facing the Portuguese economy and society and that ensure inter-institutional agreement and the concretization of innovative approaches that are, necessarily, responsible for the pursuit of objectives and the attainment of results.

Within this framework, the promotion and concretization of territorially-based integrated initiatives (particularly as regards combating exclusion and social development, local and rural development and the strengthening of territorial competitiveness) is a role that could be performed by various entities.

The key issue is, however, that of guaranteeing that these contract awarding processes are not limited to the transfer of operational resources and responsibilities, but that they are essentially focused on the results to be attained.

The insufficient attention given to institutional capacity-building within the public administration, necessary for performing complex functions of strategic management, is manifest in a relative imbalance between the orientation of the investment effort made and its linkage to an overall strategy of administrative reform.

On the one hand, the investment has fallen above all on the training of state employees and agents, and also on administrative modernisation, particularly focused on symbolic projects that have the capacity to motivate.

On the other hand, the methodology used in the operationalisation of the Structural Funds has had a significantly positive effect on Portuguese public management, whose most important reflections relate to pluriannual programming, the concentration of investment and other interventions in major programmes, transparency and partnership in decision-making processes and the overseeing of execution, and, finally, the evaluation of activities supported. However, identified as an aspect worthy of attention is the deficient internalisation

of this experience and the slow generalisation of procedures within public administration action as a whole.

In addition, other areas of public intervention, particularly important in the current phase of consolidation of administrative reform, namely those which are most directly associated with the notion of 'the strategist state', must also be considered. The demands that are placed within this framework on the public administration are very significant in areas such as strategic planning, inter-sectoral coordination, monitoring and evaluation, intermediation and arrangement, negotiation and the production and mobilisation of technical and strategic knowledge, all of which are highly dependent and absorbing of individual skills and organisational changes.

The nature and type of interventions supported by structurally-based Community financial instruments are not those which are potentially the most efficient for the concretisation of this process of transformation – above all conditioned by alterations in individual and collective behaviour, in organisational forms and in the models of organisational functioning.

It is important, however, to ensure the maximisation of the indirect effects stemming from the methodologies of public intervention instigated by Community legislation within public entities and institutions as a whole with responsibilities in the process of economic and social development, particularly witnessed by the pluriannual programming and the evaluation of results attained and effects produced.

Notwithstanding the significant complexity involved, it is recognisably necessary to enshrine these dynamics, namely in the sense of modifying the perspective with which the improvement in the quality of investment expenditure is regarded, moving from more traditional approaches – centred on the certification of the respective formal or budgetary regularity – to approaches enhanced by the gauging of the effective relevance of investment, its economic and financial sustainability, the results that it will bring and the effects that it will have, in particular as regards public expenditure.

The evaluation studies highly recommend that this approach be uppermost during the conception, implementation and monitoring of the interventions to be prepared for the next programming period.

The deficiencies revealed by the rules and regulations applicable to operations co-funded by the CSF III Operational Programmes assume huge relevance in this context – particularly witnessed by their eminently procedural characteristics which, by valorising issues of a formal nature, are unsuited as supporting instruments for the pursuit of the

strategic objectives defined.

In these circumstances, the aforementioned deficiencies stem, on the one hand, from the fact that the necessary clarification between the objectives and the priorities of public policies that these operations pursue and the financial instruments that make their concretisation feasible have frequently not been established.

On the other, these deficiencies also manifest themselves in the exaggerated attention given to the formal requirements of the submission and evaluation process for obtaining co-financing, which are frequently given more importance than the clarification of the objectives and results that proponents hope to achieve and the monitoring of the execution of the operations supported.



# 04.

## DEVELOPMENT OBJECTIVES AND PRIORITIES

### 04.1. STRATEGIC AIM AND PRIORITIES OF THE NSRF

#### STRATEGIC AIM

The main strategic aim of the National Strategic Reference Framework is the qualification of the Portuguese population, through the enhancement of knowledge, science, technology and innovation, as well as the promotion of high and sustained levels of economic and socio-cultural development and territorial qualification, within a framework of valorising equal opportunities and increasing the efficiency and quality of public institutions.

The strategic approach inherent to the pursuit of this aim accepts that Portugal's economic and social development is faced with a significant number of constraints, which are both large and structural in nature.

The overcoming of these constraints, which determines the creation of conditions conducive to growth and employment, corresponds to the essence of the strategic aim assumed and constitutes the fundamental reference point for the actions and investments that will be concretised with the support of the Structural Funds and Cohesion Fund by all the Operational Programmes in the 2007–2013 period.

#### STRUCTURAL CONSTRAINTS

The aforementioned structural constraints conditioning the country's performance assume an important economic dimension that is particularly relevant given the imperative need to modernise the productive structure.

In effect, the Portuguese economic structure is heavily marked by low levels of competitiveness, dynamism and productivity, resulting fundamentally from the still significant influence of traditional activities, an economic structure dominated by companies with low potential for adaptability, innovation and sustainability, the insufficient importance of the production of transactionable goods and services and excessive concentration on the internal market, and weak competition in the non-transactionable goods and services market. These characteristics of the national economic structure largely explain the Portuguese economy's low growth rate over recent years.

As a consequence, the primary objective of the interventions for the next programming period must be to contribute to ensuring high and sustained levels of economic development, enabled by the achievement of higher productivity levels and competitive positions that will allow real convergence with the European Union. The strategic orientation of these interventions should be consistent with the new development paradigm, particularly as regards the concretisation of public

policy instruments specifically aimed at bolstering the endogenization of technological capacities and skills on the part of companies.

The structural constraints that Portugal faces also have an important social dimension. The Portuguese social structure is marked by structural weaknesses, of particular note being the persistence of a poorly qualified social fabric (reducing the capacity for adaptation, flexibility and adherence to training) and a business fabric in which qualification deficits continue to predominate (negatively influencing the adoption of more efficient organisational models and forms of labour organisation, which have little propensity for innovation, qualification and network functioning). As a consequence, the productivity differentials compared to the European average are necessarily reflected in the significantly lower wage levels of Portuguese workers relative to the rest of Europe. These weaknesses coexist, furthermore, with significant manifestations of social exclusion, both in urban and rural environments.

Noting that qualifications levels – without downplaying the important progress achieved – remain lower than the average for the current 25 Member States of the Union, raising them will involve placing special demands on the education and professional training system.

To this must be added the fact that the sectors exposed to the greatest international competition, namely traditional sectors which gained greater weight with Portuguese integration (both of EFTA and, later, the then EEC), are experiencing significant competitive shocks, above all caused by Asian competition, creating situations of rising unemployment that affect poorly-qualified middle-aged workers above all, and whose effects are most particularly felt on women.

Given these factors, interventions aimed at promoting high and sustained levels of social development represent unequivocal priorities for the next programming period. Similar to other interventions included in the NSRF, the concretisation of these priorities will require a highly rigorous, exacting and professional approach, which will be ensured by means of a development model that emphasises non-material factors, namely the qualification and enhancement of human potential, innovation and effective development of a knowledge society. This can only be possible within a framework of social progress, whose most important aspects include, in particular, education, training and their respective systems (with emphasis on initial training, lifelong learning and advanced training), the creation of more and better jobs, equal opportunities (between men and women and also between disadvantaged

groups, age groups and in terms of access to employment), the creation of conditions more conducive to an active and participative citizenship, and combating poverty and social exclusion.

The territorial dimension of the structural constraints affecting the country constitutes another issue that will be addressed. Notwithstanding its small size, Portugal continues to be characterised by important internal differentials in terms of levels of economic and social development which, acquiring particular importance in terms of restrictions on the desired equity to participate in opportunities and to benefit from growth rates, result from a diverse and complex number of factors. Among them stand out, namely, the weaknesses and instability of the model of territorial organisation, the specific dynamics of the forms of territorial structuring of the public administration, the inconsistency of urban policies and territorial planning, the atomisation of local power and the inadequate strategic dimension of public policies relating to collective infrastructure and facilities. Added to this are the low territorial impact of public policies aimed at employment and social cohesion and the lack of recognition of the importance of public environmental policies and public policies aimed at promoting gender equality as a structural factor in social development.

From this perspective, the responsibility of the NSRF and its Operational Programmes in overcoming territorially-related structural constraints is necessarily important in actions relating to collective infrastructure and facilities, prevention and mitigation of natural and technological risks, urban development and regeneration and also employment, social cohesion and the environment.

The NSRF therefore assumes the commitment to ensure a positive and significant contribution to increasing the rationality, coherence and efficacy of pertinent public policies (central, regional and local), particularly as regards the forms of territorial structuring of the public administration and the participation of the municipalities in the management of economic and social development, city policy and territorial planning.

Also of note is the size of the structural constraints affecting the organisation and functioning of public institutions, especially from the perspective of the need for administrative capacity-building. The quantitative and qualitative characteristics of the public administration are well known and reasonably well diagnosed, and there is general recognition that their weaknesses and failings constitute a structural obstacle to formulating and effectively concretising public policies

and, consequently, to their potential and indispensable contribution to the success of the processes of economic, social and territorial development, not to mention the optimisation of the functioning and efficacy of the respective agents.

It is important to note that the rules on organisation and functioning contained in the Structural Funds have made a notable contribution to the modernisation of the administration, especially in those administrative areas and levels that directly benefit from them. These contributions could and should be given greater emphasis within the framework of the next programming period (consolidated in the aims to produce more efficient use of resources and the achievement of objectives; to encourage public-private partnerships at the central, regional and local levels; to bolster cooperation and network functioning, linked to a thematic structuring of interventions; and to increase the scale of municipal operations).

#### STRATEGIC PRIORITIES

Given this, the strategic priorities of the National Strategic Reference Framework are the following:

- To promote the **qualification of the Portuguese population** by developing and stimulating knowledge, science, technology, innovation, education and culture as the main means of developing the country and raising its competitiveness;
- To promote **sustained growth** by means, especially, of the objectives of raising the competitiveness of the territories and of enterprises, the reduction of public administrative costs, including those of the justice administration, the qualification of employment and improvement of productivity and the attraction and stimulation of qualifying business investment;
- To guarantee **social cohesion** by fulfilling, in particular, the aims of increasing employment and strengthening employability and entrepreneurship, improving school and professional qualifications, stimulating cultural dynamics and ensuring social inclusion, namely by developing the inclusive nature of the labour market and promoting equal opportunities for all and gender equality, as well as inclusive citizenship practices, social rehabilitation and reinsertion, conciliation between professional, family and personal lives and the enhancement of health as a productivity factor and measure of social inclusion;
- To ensure the **qualification of the territory and the cities** by attaining, in particular, the goals of ensuring environmental gains, promoting better territorial planning,

stimulating the regional decentralisation of scientific and technological activity, preventing natural and technological risks and also improving the connectivity of the territory and consolidating the strengthening of the urban system, bearing in mind the need to reduce regional development asymmetries;

- To raise the **efficiency of governance** by emphasising, via the transversal interventions of the relevant Operational Programmes, the aims of modernising public institutions and the efficiency and quality of the major social and collective systems, bolstering civil society and regulatory improvements.

#### 04.2. GUIDING PRINCIPLES

The pursuit of the strategic aim defined, the overcoming of the structural constraints identified and the consistent adoption of the priorities assumed mean that the support of the Structural and Cohesion Funds for the 2007-2013 programming period will be concentrated on those actions and investments that truly produce the results and effects desired and necessary for the Portuguese society, territory and economy.

Emphasising this orientation towards results and the efficient use of resources, the NSRF takes the following as its guiding principles:

- The **concentration** of interventions, resources and types of action, pursued through the enshrinement in particular of a small number of Thematic Operational Programmes and of a thematic structuring of the Continental Regional Operational Programmes (which favour the establishment of synergies and complementarities between public policy instruments), as well as the allocation of resources and prioritisation of fields of action directly associated with the strategic priorities aimed at;
- The **selectivity** and **focusing** of investment and development action, concretized through the use of rigorous criteria for selecting and hierarchically ordering candidatures that contribute effectively to the pursuit of the development strategy adopted;
- The **economic feasibility** and **financial sustainability** of action, aimed at satisfying the public interest, via consideration of the respective effects on current and future public expenditure;
- **Cohesion** and **territorial enhancement** that enhance the economic, socio-cultural and environmental factors of each region and their different development potential, contributing

to the sustainable and regionally balanced development of the country;

- **Strategic management and monitoring** of interventions, which ensures the efficient and effective pursuit of the strategic aim and orientation defined and creates an environment in which the selection of candidatures for the Operational Programmes takes particular note of their contributions to the pursuit of the strategic goals and priorities established.

The size and characteristics of the constraints that the country faces require added levels of coherence and consistency between public policies for economic, social and territorial development, irrespective of the origin (national or Community) of the funding of the instruments aimed at overcoming them, thereby minimising the risk of strategic fragmentation or misalignment of public action.

Of particular note within this framework of strategic and operational coherence are the synergies and interactions that must be promoted between the NSRF and other important instruments of conception, programming and funding of public policies that will be concretised in the same period. Within this context, the following stand out: the National Sustainable Development Strategy (NSDS), National Action Plan for Growth and Employment (Lisbon Strategy), National Plan for Employment (PNE), New Opportunities Initiative (INO), Restructuring Programme for the State's Central Administration (PRACE), National Action Plan for Social Inclusion (PNAI), National Plan for Equality (PNI), National Plan for the Integration of People with Disabilities and Incapacities, Technological Plan (PT), Administrative and Legislative Simplification Programme (SIMPLEX) and the National Programme for Spatial Planning Policy (PNPOT).

Also of note are the interactions and complementarities with the Rural Development Programmes and in structural fisheries intervention.

The pursuit of the objectives inherent to overcoming the structural constraints presented should take into account the conditioning factors imposed by the necessary safeguarding of macroeconomic balances. The NSRF and the respective Operational Programmes should thus contribute to promoting the rate and above all conditions of the macroeconomic sustainability of growth and social development.

Confronted with very significant factors of public expenditure rigidity and conditioned by an insufficiently dynamic evolution in fiscal revenue, Portuguese public

finances have revealed manifest difficulties in fulfilling the objectives of the Stability and Growth Pact – with important consequences in terms of available funding for the necessary investment and other public instruments for economic and social intervention. The development priorities should therefore be concretised bearing in mind the restrictions stemming from the necessary effort to rebalance public finances.

### 04.3. STRATEGIC PRIORITIES AND DEVELOPMENT COMMITMENTS

#### QUALIFICATION OF THE PORTUGUESE POPULATION

The strategic priority of 'Promoting the Qualification of the Portuguese Population' is understood both as an indispensable factor for the emergence of a more sustainable model of economic growth, via the increased provision of human capital and scientific and technological knowledge in the Portuguese economy, and as an essential element in social cohesion, via the strengthening of the conditions of employability and adaptability of those entering or remaining in the labour market.

This strategic priority also represents a wellbeing and quality-of-life factor, as scientific knowledge and culture constitute, in themselves, important areas of personal realisation and social development.

Of particular note, within the context of the New Opportunities Initiative, is the objective of making secondary education the general minimum qualification level within the Portuguese population. This specifically involves reinforcing the number of vocational qualification courses on offer within the education and training systems in the aim that half of all students at secondary level are enrolled on vocational programmes. It also means boosting the qualification levels of the adult population through the development of the Skills Validation, Recognition and Certification System (RVCC) and the concentration of professional training resources on courses that promote school and professional advancement.

The inherent strategic sub-priorities set out major objectives to be achieved as regards raising the average level of school, cultural and professional qualifications within the population and the adult population in particular, making pre-school education universal and raising the benchmark for the minimum school leaving age, bolstering advanced scientific training within the Portuguese population, raising levels of employability, in particular of young people transferring from the educational system to the labour market, instilling a generalised culture and practice of lifelong learning, and responsabilising and socially valorising scientific knowledge and culture.

In addition, there will be a reform of the pattern of specialisation of higher education, the broadening of the recruitment base and the modernisation of institutions – reforms which, being strategic and structuring in character, will require great national effort in their conception and concretisation and constitute a significant opportunity for institutes of higher education and for the more dynamic segments of their communities.

#### SUSTAINED GROWTH

The strategic priority of 'Promoting Sustained Growth' aims to respond to the major challenge of returning the Portuguese economy to a trajectory of real convergence.

This will be achieved by means of consistent gains in productivity which, under current conditions, is a major contributing factor to the positive evolution of both the pattern of specialisation of the Portuguese economy and the business models and areas of sectors and activities with a strong presence in the Portuguese business fabric, both in the sense of ascending the value chains.

Another contributing factor are gains in collective efficiency, which affect total factor productivity, namely in terms of the state and public administration's relationship with enterprises and the reduction in public administrative costs, in terms of the efficacy of justice and the efficiency of regulatory mechanisms that affect the level of provision, quality and cost of utilities, as well as in terms of the efficiency of the major transport systems for people and goods.

The respective strategic sub-priorities, which are deeply inter-connected, represent major objectives to be achieved as regards: bolstering business competitiveness, particularly aimed at those companies which are exposed to international competition and trade in the global marketplace; promoting business innovation through the creation of new products and new qualified and competitive productive activities and via the introduction of productive processes that permit the more efficient use of resources and technology intensity; attracting qualifying investment, both from the perspective of improving the specialisation or export profile and from the point of view of the potential for technology transfer or other structuring effects on the business fabric; fostering qualified entrepreneurship (namely that of women); increasing the efficiency of the capital markets and the promotion of funding systems that bolster innovation; strengthening the science and technology system and the economic and social enhancement of national R&D efforts; strengthening clusterisation in key areas of the economic fabric and networks of business interaction and cooperation; intensifying companies' cognitive and technology intensity;

and stimulating the enhancement of business behaviour with efficient management of natural resources and of social responsibility in mind.

### SOCIAL COHESION

The strategic priority of 'Ensuring Social Cohesion' recognises the central role played by employment as an integrating element in social life, as well as the need to promote active policies that aim to minimise the diverse manifestations of poverty and processes of exclusion, which implies paying special attention to more vulnerable social groups in particular. The promotion of qualifications is assumed as a core element of inclusion strategies, as it is fundamental for raising levels of employability and civic participation that allow citizens the ability to exercise their rights and duties fully. It also recognises the central importance of fostering equal opportunities for both men and women.

The strategic sub-priorities that it incorporates set out the major objectives to be achieved in the areas of: maintaining high levels of employment and reducing unemployment, namely long-term; providing qualified employment; equal opportunities; gender equality; valorising health as a factor in raising productivity and social inclusion; and minimising the effects of processes of social exclusion, promoting active strategies of inclusion for disadvantaged groups, integrating disabled people and furthering socio-cultural development.

### QUALIFICATION OF THE CITIES AND THE TERRITORY

The strategic priority of 'Ensuring the Qualification of the Cities and the Territory' also breaks down into multifaceted sub-priorities in the environmental, territorial planning and urban development fields.

By applying the principles of concentration and selectivity to this area as well, the respective sub-priorities focus on the main aspects of environmentally sustainable development, summarised in objectives defined in terms of environmental gains within the scope of the preservation and enhancement of nature and biodiversity, of the control of air quality and the minimisation of the effects of emissions of atmospheric pollutants, of the protection and sustainable use of water resources, of the promotion of renewable energies and of the prevention and mitigation of natural and technological risks.

The promotion of territorial planning must aim at the improvement of the efficiency of territorial systems, in which the priorities relate to transport and logistics systems and telecommunications systems – factors essential for improving the country's connectivity (national and international) – water supply, drainage and wastewater treatment systems,

waste material enhancement plants, energy systems and the defence and enhancement of coastal areas.

The strengthening of the urban system must focus on the implementation of an overall model of urban structuring of the territory that valorises interaction and complementarity based on qualified cities – in physical, economic, socio-cultural and environmental terms – and on sustainable dynamics that are well integrated into the important European-wide processes and trends, adjusted to the concrete needs of citizens, conducive to the experience of full and close citizenship and that act as stimuli on the respective regions and rural areas that fall within their spheres of influence.

The strengthening of the urban system and the inherent social and economic qualification of the cities necessarily involves the implementation of an integrated programme of modernisation of the secondary school network, as well as the improvement of the network of facilities fundamental for the conciliation of professional, private and family life and for the victims of gender violence, as well as for the integration of disadvantaged groups.

### GOVERNANCE EFFICIENCY

The fifth and last strategic priority of 'Increasing Governance Efficiency' aims to achieve higher degrees of efficiency in public governance, which has been identified as having had a negative impact on national competitiveness, both due to inefficiencies in terms of satisfying the needs of people and companies and to the lack of expansion of individual and collective opportunities.

This strategic priority focuses, selectively, on the modernisation of the public administration, on electronic administration and, necessarily, on the organisational models of the central administrations – devolved and decentralised – and also on the efficiency of the major social and collective systems, within the scope of which the educational, health and social protection systems assume particular importance, as well as those systems relating to justice, public security and fiscal administration.

It also addresses, within the field of organisational models, the development and implementation of budgetary reform, at the programme and pluriannual level, and the institution of concepts of common service sharing in the fields of human resource, financial, material and patrimonial management of the public administration.

It also encompasses improvements in regulation, especially aimed at the *ex ante* and *ex post* simplification of the legislative process and administrative procedures, in order to increase the efficacy and efficiency of regulations, reduce

public administrative costs for enterprises and improve people's lives, as well as strengthen civil society by providing support for social initiatives and by simplifying and increasing the efficiency of civic participation mechanisms, in the sense of establishing closer links between citizens and institutions. Within this context, it is also intended to stimulate the development of alternative structures for conflict resolution, thereby taking a significant number of processes **out of the sphere of the courts, with positive** implications for the swiftness and costs of resolution and with benefits for business competitiveness and social harmony.



# 05.

## OPERATIONAL ORGANISATION OF THE NSRF

### 05.1. FRAMING

The development strategy presented, the strategic aim assumed and the development priorities established demonstrate that the responsibilities of the NSRF and the respective Operational Programmes for the 2007-2013 period are significantly ambitious and exigent.

This ambition and exigency naturally stem from the fundamental characteristics of the Portuguese economic, social and territorial situation and, in particular, from the imperative need to overcome the structural constraints – economic, social, territorial and institutional in nature – considered indispensable for returning to a trajectory of convergence with European patterns and conducive to consistent and sustained growth of the economy and employment.

The experience gained during earlier programming cycles show, furthermore, that the formulation of strategic objectives does not provide a sufficient guarantee that the desired and necessary results and impacts will be produced and are therefore heavily dependent on the model of operational organisation adopted (as well as the respective modalities of governance).

It is important therefore, also as regards the operational organisation of the NSRF, to introduce substantial modifications relative to earlier models adopted, namely in the interest of ensuring the best conditions for the effective and efficient pursuit of the fixed objectives.

These significant alterations have already been demonstrated through the enshrining of the fundamental orientation, of which the achievement of the objectives of the development strategy and, in particular, the concretisation of the priorities of raising the qualifications of the Portuguese population, sustained growth, social cohesion, qualification of the territory and the cities and efficient governance constitute development commitments of all the Operational Programmes, in accordance, naturally, with their specific characteristics and typologies of intervention.

The important modifications mentioned above stem, furthermore, from the guiding principles established, particularly as regards the concentration of interventions into a small number of Operational Programmes and the selectivity and focusing of development investments and actions.

### 05.2. THEMATIC OPERATIONAL AGENDAS

The enshrining of these guidelines and principles in the operational organisation of the NSRF is concretised by the

establishment of the Thematic Operational Agendas.

The logic behind the establishment of Thematic Operational Agendas is, fundamentally, that of focusing the Operational Programmes on the objectives and priorities of Portuguese development, both as regards those with responsibilities relating to the continental territory and those connected to regional actions.

In this way, it is sought to bolster the coherence and complementarity of the interventions of the Thematic OPs and Regional OPs.

The Thematic Operational Agendas address three essential areas of intervention: human potential, economic competitiveness factors and territorial enhancement.

These agendas therefore establish a common logic between the interventions funded by the Thematic OPs and by the Regional OPs, but without blurring the clear demarcation between respective intervention typologies.

In line with this logic, it has been decided that the structuring of the Operational Programmes into Priority Axes – also conceived according to the objectives and priorities they are designed to fulfil – should also reflect a highly thematic approach.

Bearing in mind the above, the Thematic Operational Agendas are the following:

- Operational Agenda for **Human Potential**, which brings together interventions aimed at raising the school and professional qualifications of the Portuguese people and the fostering of employment and social inclusion, as well as the conditions for the valorising of gender equality and full citizenship;
- Operational Agenda for **Competitiveness Factors**, which encompasses interventions that aim to stimulate the qualification of the productive fabric, through innovation, technological development and stimulation of entrepreneurship, as well as improve the various elements of the business environment, with emphasis on the reduction of public administrative costs;
- Operational Agenda for **Territorial Enhancement**, which, aimed at providing the country and its regions and sub-regions with more attractive conditions for productive investment and living conditions, encompasses infrastructure interventions and those which provide essential facilities for the qualification of the territories and the bolstering of economic, social and territorial cohesion.

### OPERATIONAL AGENDA FOR HUMAN POTENTIAL

The Thematic Operational Agenda for Human Potential has four main objectives. Firstly, to overcome the structural deficit in qualifications within the Portuguese population. To that end, it establishes secondary school level as the minimum qualification benchmark, focusing its attention on educational and training strategies for youths and adults. Expanding the availability of professionalizing paths for initial youth training and the supply of flexible training courses that allow adults to acquire certified skills are core options of this strategy.

Secondly, to promote scientific knowledge, innovation and the modernisation of the productive fabric and the public administration, aligned with the priority of transforming the Portuguese productive model based on bolstering higher value-added activities. The broadening of post-graduate qualifications, namely in the areas of science and technology, as well as support for critical training for organisational change and the integrated approaches of training processes are the central tools of this line of intervention.

Thirdly, to stimulate the creation and quality of employment, emphasising the promotion of entrepreneurship – namely within the unemployed – and transition support mechanisms that help young people into the labour market.

The fourth strategic objective relates to the promotion of equal opportunities, distinguishing the development of integrated and territorially-based strategies for the promotion of the social insertion of people prone to social exclusion. This area also addresses the integration of gender equality as a factor in social cohesion.

The priorities laid out above will be concretised by means of the following seven major areas of intervention:

- **Initial Qualifications:** one of the two pillars of the New Opportunities Initiative, its objective is to establish the completion of 12 years of schooling as the minimum benchmark for all young people and to ensure that dual certification vocational courses represent half of all the places available on educational and training courses leading to completion of secondary level.

Achievement of this objective will involve the diversification and expansion of vocational-style educational and training courses providing young people with dual school and professional certification, facilitating both qualified insertion into the labour market as well as the continuation of studies. Included in this priority are vocational courses, apprenticeship courses, educational and training courses, specialised art education courses and specialised technology courses.

- **Adaptability and Lifelong Learning:** the second pillar of the New Opportunities Initiative, its central objective is to raise qualification levels within the adult population, develop critical skills for economic and business modernisation and promote the adaptability of workers. It encompasses the development of certified school and professional skills for adults who failed to complete 9 years of schooling or secondary school or who, if they possess a school qualification, do not have a professional qualification. Currently, adaptability training in Portugal must be seen as a reinforcement of basic qualifications, with the creation of levels of minimum skills that allow for the acquisition of skills critical for professional life, adaptation to change and the desire to participate in lifelong learning.

Promoting the qualification and employability of workers with little schooling requires the development of training strategies based on a principle of flexibility and of adjustment to individual skills-acquisition needs. Emphasis on recognition of learning through experience constitutes a strategic option for concretising this objective as it allows increased access to training and greater relevance for and impact on individuals and organisations. Also fundamental to this is the provision of professionalizing education and training aimed at adults with little formal school education (AET courses), based on vocational training and short modular courses offering certification of school and professional skills.

Bearing in mind that a significant number of central administration employees have only 9 or fewer years of schooling, this issue is also taken into consideration by this area of the Operational Agenda for Human Potential in the aim of strengthening capabilities and creating the conditions for professional enhancement.

- **Management and Professional Improvement:** this brings together a series of measures aimed at stimulating the innovation, management and product modernisation capabilities of companies and other organisations as a fundamental condition for improving competitiveness and promoting employment quality.

As a whole, the interventions included in this priority essentially respond to the objectives of supporting the adjustment of the Portuguese productive structure, bolstering companies' presence in high value-added activities and their overall productivity levels, and the reform of the public administration, imposing greater value on professional training as a supporting element in the qualification of management practices and organisational change.

An important focus area within this agenda priority is the development of training aimed at responding to the needs

### ***Reform of the Vocational Training System***

*In the area of vocational training, Portugal faces two major and intimately related challenges.*

*The first, which is quantitative in nature, is the urgent need to ensure a significant increase in individuals with access to both initial and lifelong training.*

*The second, qualitative in nature, is the need to ensure the relevance and quality of investment in training, that is, to increase efficacy and credibility in the application of resources intended for these policies.*

*Over the last thirty years, Portugal has made a significant effort to close the gap between it and the more developed nations, particularly as regards levels of schooling. But an additional effort still needs to be made: some 3.5 million active workers have never finished secondary education; around 485,000 young people between the ages of 18 and 24 are working without having completed this benchmark level of schooling.*

*The New Opportunities Initiative is an ambitious response to this major challenge of rapidly raising the qualification levels of the Portuguese people and making 12 years of schooling the benchmark level. Turning this ambition into reality involves a dual strategy: the raising of secondary school completion rates among young people, with a major attempt to combat early abandonment and an emphasis on the strengthening of professionalizing paths; and the persistent improvement of the qualification levels of the adult population by combining adult education with the generalised introduction of skills recognition, validation and certification processes.*

*It is essential to recognise today that increasing financial resources is not the only answer to qualification deficits. Portugal not only needs to do more, it also needs to do better by overcoming the deficiencies detected in the relevance of the type of training provided, as regards satisfying the modernisation needs of companies and personal development.*

*In the Portuguese context, the concept of training for adaptability must be significantly seen as a strengthening of basic qualifications, which signifies the creation of minimum cognitive levels that allow individual adaptation to change and the acquisition of new skills, crucial to competitiveness and innovation and also employment and cohesion. But it must also be seen as a strengthening of certified continuous training that can valorise an individual's professional career.*

*Furthermore, increasing the relevance of vocational training in the modernising of business implies a serious effort to structure and regulate the supply of training, stimulating the production and demand for qualifications and skills critical to the competitiveness of companies and the economy.*

*The reform agenda for professional training is therefore based on this dual benchmark: training funded by public resources must allow school and professional advancement and contribute to the modernisation of enterprises and other economic organisations.*

*This agenda implies a deep-reaching institutional reform of the professional certification system and also of public funding models that favour the concentration of resources in devices that promote certified school and professional skills acquisition, that favour direct support for demand (individual or company) and that introduce more thorough evaluation and selectivity procedures.*

*An effective vocational training certification system is indispensable for organising the demand and supply of training, allowing the market to establish the value of training investment.*

*The reform agenda for professional training also implies a heavy emphasis on the quality of training, permanently developing the skills of training bodies and their human resources, and on the introduction of new mechanisms for stimulating training demand.*

for specialised skills in enterprises attempting to establish themselves in segments aligned with the objectives of innovation, higher value-added transactionable production and expansion into international markets.

A second aspect relates to the promotion of training strategies oriented towards support for organisational development and the adoption of training organisation models conducive to the involvement of active SME and micro-enterprise employees with low qualifications. The development of integrated training and consultancy actions constitutes a priority for ensuring added inter-linkage between the processes of developing the skills of active employees and the processes of modernising companies and organisations. The reduction in disparities between men and women in the workplace is an area in which results associated with these policy tools can be achieved.

On a final point, also included here is support for the development of strategic training for management and innovation in the public administration, in areas in which institutions do not have internal training capacities and there is no possibility of obtaining it from other administration bodies, and the training of trainers.

• **Advanced Competitiveness Training:** this is the area of intervention that aims to overcome the nation's scientific and technological deficit as an essential condition for economic and social progress, via an emphasis on knowledge and scientific and technical skills. Research and innovation are crucial if the Portuguese economy is to become more competitive, productive and to develop a knowledge-based economy. The need to qualify the Portuguese population and to stimulate technological innovation and modernisation, by implementing policies that accelerate the current process of change to the pattern of specialisation in the Portuguese economy in the sense of the production of differentiated goods and services, based on R&D and increasingly focused on external markets, is indispensable.

Assumed as specific intervention objectives are the strengthening of the advanced training of human resources in science and technology, in research and innovation, aimed at the creation of a solid qualification base, the consolidation of institutions, the creation of scientific employment, the inter-linkage between higher training and scientific work, the insertion of researchers in enterprises and the strengthening of scientific leaderships.

To concretise these objectives, support will be provided to actions establishing programmes and grants for Masters, PhD and post-PhD studies, the integration of research, the

development of visiting professorships and insertion in Portugal of researchers resident overseas, the promotion of scientific employment and scientific and technological culture, and programmes to support the broadening of the social basis of higher education and international mobility.

• **Support for Entrepreneurship and Transition to Working Life:** this includes different instruments that aim to promote the levels, quality and mobility of both public and private employment by fostering an entrepreneurial spirit, supporting the integration of the unemployed into the labour market, supporting young people's transition to working life and stimulating mobility. This policy area also encompasses the objective of promoting equality between men and women in terms of access to the labour market.

Identifying entrepreneurship as a fundamental feature of active employment policies, support is envisaged for locally-based business initiatives aimed specifically at the unemployed, young people looking for their first job and active workers at risk of unemployment.

Encompassing support for locally-based business initiatives and, also, initiatives in the fields of business-based innovation, these instruments – which could benefit from the JEREMIE initiative, developed by the DG Regio in partnership with the European Investment Bank Group – will be aimed specifically at the unemployed, young people looking for their first job and active workers at risk of unemployment.

Support for the transition to working life aims to create conditions to enhance the employability of the unemployed and young people looking for their first job, encouraging contact with the labour market. In addition, it hopes to contribute to boosting the quality of employment and business innovation by supporting the insertion of qualified young people into enterprises.

• **Citizenship, Inclusion and Social Development:** this brings together a number of tools that aim to contribute to the concretisation of the National Action Plan for Social Inclusion (PNAI), the national strategic reference plan for policies designed to combat poverty and social exclusion.

The specific objectives of these tools are the social inclusion of disadvantaged and socially excluded groups, the strengthening of citizenship education and training, affirming its relevance as a factor in full social integration and the promotion of a culture of prevention and security, the assimilation, integration and employability of immigrants, improvements in health care for vulnerable social groups, the quality of life of people with disabilities and incapacities

and the development of the service network and social facilities.

The priorities relating to the social integration of disadvantaged groups envisage the development of territorially-based integrated strategies, the promotion of specific training programmes oriented towards ensuring the development of basic and professional skills in people at risk of exclusion from the labour market, including responses to the specific needs of the immigrant population, and the development of programmes promoting educational success that have a preventative effect on the factors causing children to drop out of school, ensuring a territorial approach to identifying responses aimed at fighting the root causes of early school abandonment.

The priorities of rehabilitation include programmes aimed at the professional side (bearing in mind the facilitating of the socio-professional integration of disabled people), the qualifications and education side (aimed at consolidating

and developing the access of students with special needs to educational establishments, developing the progressive improvement of the technical resources and instruments necessary for effective inclusive education) and the access to information side (intended, based on integrated action plans and innovative-style pilot initiatives, to respond to the needs of permanently disabled people).

• **The Promotion of Gender Equality:** this includes actions aimed at disseminating a culture of equality by integrating gender issues into education and training strategies, providing equal access to and participation in the labour market, conciliating professional and family life, prioritising the creation of parity for the harmonisation of professional and family responsibilities, preventing gender violence, including domestic violence and human trafficking, and promoting efficiency within the public policy instruments responsible for encouraging gender equality and the capacity-building of those actors important for its achievement.

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

*Government policy guidelines and the consequent strategic and operational options assumed by the NSRF (naturally conditioned by Community legislation) mean that the priority of raising the efficiency of governance is pursued and concretised via various Operational Programmes – namely the Competitiveness Factors and Human Potential Thematic OPs, the Continental Regional OPs and the Autonomous Regions of the Azores and Madeira OPs.*

*The inherent dispersion of the intervention tools, which does not translate in nor should be understood as signifying the lesser importance of the objectives defined, is necessarily subject to permanent and engaged political orientation and monitoring, namely within the framework of the regions encompassed by the Convergence objective.*

*It is important to take into account, in strategic and transversal terms, that the fundamental objectives to be pursued within the scope of the NSRF as regards the modernisation and reform of the public administration are the following:*

- *To ensure the necessary reduction in public administrative costs to support increased economic competitiveness and to improve the business environment in which productive agents operate;*
- *To raise the effectiveness and efficiency of administrative activity by means of interventions, namely integrated and above all integrated into regional, sub-regional and local development dynamics, in order to improve the conditions and performance of interaction with economic agents and citizens;*
- *To promote horizontal and vertical mobility within the public administration, above all when associated with decentralising powers to local administration;*
- *To ensure the effective raising of professional qualifications and recognition of skills acquired by public employees and agents of the central, regional and local administration;*
- *To develop strategic training for management and innovation in the public administration.*

### OPERATIONAL AGENDA FOR ECONOMIC COMPETITIVENESS FACTORS

The Thematic Operational Agenda for the Strengthening of Economic Competitiveness Factors essentially includes incentives for innovation and scientific and technological development, incentives for business modernisation and internationalisation and the attraction of qualifying foreign direct investment, support for the promotion of the information and knowledge society and the reduction of public administrative costs, including those relating to the administration of justice, as well as the promotion of the efficiency and quality of public institutions.

The concretisation of these priorities is based on the following major areas of intervention:

- **Incentives for the Production of Knowledge and Technological Development:** these include different instruments to stimulate the National Scientific and Technological System aimed at strengthening the development of its intrinsic capacities and the promotion of the dissemination of knowledge and innovation throughout the economy and society.

Of note, as specific objectives, are the intensification of R&D effort, in particular by enterprises, and the creation of new knowledge in the aim of raising the economy's productivity and competitiveness and, in particular, of boosting links between enterprises and knowledge centres, accelerating the spread, transfer and use of technology, as well as companies' incorporation of R&D knowledge and results. To achieve these objectives, science policy will be integrated with enterprise policy, placing greater focus on demand and the aspects of dissemination, demonstration and cooperation/collaboration (national and international).

In this area of action, two major intervention typologies will be used:

- Incentives schemes for business R&D through the development of R&D projects by companies in an individual or collective capacity or in consortium with other entities within the National Scientific and Technological System, through the creation of R&D centres in enterprises and the development of technological demonstration projects and activities, and through the development of participation in European R&D programmes;
- Support for entities within the National Scientific and Technological System through the development of R&D projects by establishments of higher education, the state and private non-profit institutions in priority areas for the Portuguese economic and competitive development, through

the stimulation of the respective participation in European R&D programmes and through the support of projects and activities designed to disseminate and disperse new knowledge into the business fabric.

- **Incentives for Innovation and Renewal of the Business Model and Pattern of Specialisation:** representing the main plank of the enterprise incentive schemes within the NSRF, these involve a vast number of structural-type adjustments notable among which are qualification, differentiation, diversification and innovation in the production of transactionable goods and services, within the framework of broader productive processes and value chains that generate greater added value.

Assumed as specific objectives of intervention are the promotion of innovation within the business fabric, especially by increasing the production of new transactionable goods and services, by strengthening the focus of Portuguese companies on international markets, repositioning them in the more competitive and differentiated segments, by stimulating qualified entrepreneurship and large-scale structuring investment in new areas with growth potential, and by promoting productivity through the qualification of SMEs, reinforcing the internalisation of dynamic competitiveness factors.

These specific objectives also valorise the promotion and development of interventions sustained on concepts of collective efficiency and the promotion of agglomeration economies.

Two major types of priorities have been defined for adoption within the framework of enterprise incentive schemes:

- The strengthening of an economy based on knowledge and innovation, applicable to all sectoral or regional aggregates considered eligible, including incentives for the in-country production of new goods and services and the upgrading of current production through the transfer and application of knowledge or organisational innovation, as well as the expansion of production capabilities in technology sectors or sectors with dynamic international demand, incentives for productive investment projects that are heavily innovation-reliant and structuring, catalysts for demonstration and drag effects on the economic fabric, the encouragement of qualified entrepreneurship (which may receive support from the JEREMIE initiative, developed by the DG Regio in partnership with the European Investment Bank Group) as an instrument for innovation and the regeneration of sectoral, regional and urban economic fabrics and the favouring of the use by SMEs of competitiveness factors of a dynamic and non-material nature (organisation and management,



conception, development and engineering of products and processes, presence in the digital economy, energy efficiency, certification of quality systems, the environment, safety, health, social responsibility, fashion and design, internationalisation and insertion and qualification of human resources);

- The concretisation of strategies of development or sustained re-qualification based on concepts of collective efficiency through the promotion of the development at the national or territorial level of centres of competitiveness and technology (support for business investment located/inserted in strategies of development or international affirmation of areas of economic activity with particular growth potential), of the development of other sectoral approaches and activities related and organised in clusters or other strategies that enhance agglomeration economies, and of the creation of regional dynamics that generate new centres of development, namely around anchor projects or projects to re-qualify/restructure existing economic activities and to invigorate and renew urban economies through the relocation/reordering and revitalisation of economic activity in urban centres.

• **Financial Engineering Instruments for Innovation Funding and Risk-Sharing:** this is aimed at boosting the dissemination of alternative funding instruments (of which risk capital and seed capital are examples) that offer better conditions to support business investment projects that are heavily innovation-based, to ensure more effective financing by means of public policies and to concretise the national and Community objective of reducing and qualifying the more traditional incentive schemes for productive investment.

It is felt, in effect, that projects which focus on the initial stages in the lifecycle of a heavily innovation-based company or product face obstacles in obtaining the necessary and adequate financing to fund development, which the corresponding public policies should try to minimise by intervening in particular in the financing of activities related to the internationalisation of companies, as well as the facilitating of access by SMEs to credit.

The intervention instruments thus included consequently aim to assist companies in developing their growth, consolidation and internationalisation strategies within a framework in which the financial environment helps to strengthen the development of these strategies. The specific intervention objectives consist in particular of bolstering the incorporation of risk capital in the creation and development of companies, the consolidation of the mutual guarantee system, the widening of the spectrum of intervention of the guarantee concession mechanism, the encouragement of the use of

new instruments aimed at reinforcing SME funding and the support for an integrated approach to innovation funding (capital and debt).

The aforementioned intervention typologies also include competitive microfinance.

• **Integrated Interventions to Reduce Public Administrative Costs:** these are essentially aimed at pursuing the objectives of improving the quality of services provided by the public system and from the perspective of predictability, transparency and simplification of public procedures, aimed at achieving collective efficiency gains.

These measures stem from the belief that public administrative costs are increasingly key factors in international differentiation and competitiveness, given that they affect the total factor productivity in terms of the relations between the state and public administration and companies and the efficiency of market regulatory mechanisms.

The intervention typologies included are the following:

- Simplification, re-engineering and dematerialisation of central, regional and local public administration processes;
- Promotion of the network administration and of the development of central, regional and local e-government;
- Qualification of the attendance given by central and regional public services when interfacing with companies and citizens, including the development of institutional solutions of concentrating public services at the sub-regional and municipal level and of facilitating corresponding access in areas with scattered communities and low population density;
- Improvement of the capacity of public institutions and the capacity of service providers of general economic interest (attentive to the specific conditions of their eligibility) to monitor management of the territory, infrastructure and collective facilities.

• **Collective Business Development Actions:** these bring together a set of tools that provide companies with indirect support in the form of interventions that are structuring and sustained in character. These initiatives envisage the involvement of various protagonists in promoting qualified demand in areas with market and coordination deficiencies and are based on the dynamics and potential that already exist within the business community, thereby generating new business opportunities for SMEs within the framework of the strategic priorities of collective purpose competitiveness.

The specific aims of this priority consist of the favouring and acceleration of changes to the economy's profile of specialisation through the development of strategies for the creation of new growth centres, the improved supply of services to companies, through the strengthening and capacity-building of the specialised collective infrastructure and facilities and orienting their activities towards the needs of SMEs, and the promotion of networks and other forms of business partnerships and cooperation between companies, professional R&TD organisations, professional training institutions and associations engaged in promoting gender equality as a preferred instrument for stimulating agglomeration economies.

From the perspective of reducing market deficiencies, the aforementioned collective actions aim to achieve social gains and positive externalities within the framework of the dissemination of knowledge, the reduction in imperfect information and business coordination and cooperation.

- **Incentives for the Development of the Information Society:** these are aimed namely at boosting the creation and dissemination of new online content and services, the generalised use of the Internet and the promotion of 'Digital Regions'. The promotion of the information society is primarily aimed at the regional enhancement of web-based activities via the enhancement and application of the respective skills to create economic value, improve living conditions and support the promotion of the competitiveness of companies and their sustained development. In structural terms, the development of the information society involves applying tools adapted to foster the generalised use of information and communication technologies at the heart of an economy and society that increasingly aspires to be more knowledge-based and in a culture of proximity, participation and responsibility.

- In the field of **Support Networks and Infrastructure for Regional Competitiveness**, priority is given to the creation

and improvement of conditions that it is hoped will be effective to conducting and facilitating productive activity.

Included here, on the one hand, are the Urban Networks for Competitiveness and Innovation which aim to bolster the creation of shared strategies of innovation and international repositioning of cities. These can involve cooperation strategies and structures, common action to attract factors of creativity, innovation and internationalisation, projects to strengthen the qualification of the functions of cities or investments, material and non-material, that are of major structuring potential.

The interventions included here comprise, namely, the creation of Business Innovation Areas (business centres, technology parks, incubators, and science and technology parks), the establishment and widening of the regional logistics network, the dissemination of broadband (consolidation of academic-scientific networks and promotion of universal access networks in remote or disadvantaged areas), socio-cultural facility networks, as well as the promotion of new energy infrastructure in areas where market deficiencies exist, in which demand remains low (autonomous natural gas units and access to the national grid for cogeneration power plants or renewable energy sources).

- **Promotion of Integrated Actions for the Economic Enhancement of the Least Competitive Territories**, namely those of low density, supported by collective efficiency strategies and implemented in a context of close inter-institutional partnership.

The last type of integrated intervention in this agenda refers to **Innovative Actions**, which are aimed at developing pilot projects for the realisation of innovative actions in public policy matters, constituting laboratories for learning and testing new ideas that can provide better conditions for the concretisation of the competitiveness objectives of the NSRF.

### *Reform of the Enterprise Investment Incentives Scheme*

*The reform of the enterprise incentives schemes pursued within the scope of the NSRF takes into consideration Community framings on this matter, both in the sense of objectifying them as instruments of direct financial support for business investment, with the aim of promoting their sustained competitiveness within the context of a global market, and as regards the adoption of the general principle of "less help, better help" that leads to the lowering of the maximum rates permitted and the reduction in the regions eligible for regional assistance, to the assumption of a more conducive attitude towards investments associated with the Lisbon Strategy and, also, to the simplification of procedures.*

*Consequently, the Regional Aid Map for the 2007-13 period will not cover the whole of the national territory (leaving out part of the Lisbon NUTS II Region) and most of the maximum rates (expressed in GSE) permitted until now for non-SMEs will see reductions of between 15-29 percentage points.*

Furthermore, it is notable that the results evaluation for the incentives schemes applied in Portugal in the CSF III advise a reduction in the extent and intensity of aid given and, simultaneously, its focus on priorities fixed according to the objectives of sustained competitiveness and stimulation of a knowledge-based economy.

Nevertheless, most Portuguese regions, in particular those of the Convergence objective, are still faced with a number of conditions that impose administrative and operating costs that negatively affect the capability of companies operating in these territories to compete in open and competitive markets. For that very reason, and because Community policy permits it, state investment aid will continue to be justified during the next programming period – though after substantial reorientation of its objectives and application of greater selectivity.

Five major strategic options have therefore been established:

- Diminishing of the importance and budgetary weight of the incentives schemes within the context of the competitiveness factors priority by means of a support strategy based preferentially on other instruments, namely financial engineering and the development of collective actions;
- Reduction in the intensity of regional aid in line with Community rules;
- Orientation and focusing of incentives, heavily reducing the extent of intervention both in terms of the total number of projects supported and limiting the type of investments supported to those that justify public funding;
- Focus on support for SMEs, which will be the priority target of the incentives schemes, without however neglecting the importance of the function of attracting the structuring investment (foreign and national) indispensable for strengthening the knowledge and innovation base;
- Simplification of the management model, in the aim of increasing the speed and quality of decision making, both at the analysis stage and during the period of overseeing execution and evaluating investment results.

In line with these strategic options, the enterprise investment incentives schemes will emphasise investment aimed at strengthening the transactionable productive base of the Portuguese economy, according to two major types of priorities:

- Those which include horizontal priorities related to critical competitiveness factors within the context of a knowledge and innovation-based economy that incorporates: (i) the development of R&TD activities by companies, stimulating consortium-based cooperation with institutions within the science and technology system and other European firms and entities; (ii) investment in innovation (in-country production of new goods and services or significant upgrading of current production by means of transferring and applying knowledge or organisational innovations, expansion of production capabilities in technology content sectors or sectors with dynamic international demand and larger structural investments and with international mobility); (iii) fostering of qualified entrepreneurship as a tool for innovation and regeneration of sectoral, regional and urban economic fabrics; (iv) also within the context of increasing entrepreneurship, support for women entrepreneurs as a structuring element for their participation in active working life, as well as initiatives, of economic importance, conducive to the concretisation of equality between men and women; and, (v) favouring of the use by SMEs of competitiveness factors of an immaterial nature (organisation and management, conception, development and engineering of products and processes, presence in the digital economy, energy efficiency, certification of quality systems, the environment, safety, health, social responsibility and the enhancement of the conciliation between professional, family and personal life, fashion and design, internationalisation and insertion and qualification of human resources);
- Those that stem from exploiting synergies resulting from “collective efficiency strategies” laid out by public policies in the aim of achieving proximity and agglomeration economies at the national, sectoral, regional, local and urban levels that encompass: (i) promotion of Competitiveness and Technology Centres (business investment support located/inserted in development strategies or strategies of international affirmation of areas of economic activity with growth potential); (ii) development of other sectoral approaches or activities related and organised in clusters or other strategies that enhance agglomeration economies; (iii) creation of regional dynamics that generate new centres of development, namely around anchor projects or projects that re-qualify/restructure existing economic activities; and, (iv) invigoration of urban economic renewal through the relocation/reordering of

*economic activities and revitalisation of economic activity in urban centres.*

*Reflecting the concern with introducing strong selectivity into the incentives schemes based on the priority given to the development of a knowledge and innovation-based economy, three major horizontally-applied incentives schemes will be created: Research & Development IS (enterprises), Innovation IS (business productive investment) and SME Qualification IS (SME dynamic factors).*

*The basic criterion for the division of responsibilities between the Competitiveness Factors Thematic OP and the Continental Regional OPs corresponds to the nature of the policy underlying each line of intervention: policies which need national coordination or for which Community policies exist should be included in the Thematic OP; policies which predominantly impact on the regions or cities should be preferably included in the Regional OPs.*

*The operationalisation of this principle is ensured by the financial framework of the incentives aimed at large and medium-sized enterprises in the Competitiveness Factors Thematic OP, while those enshrined for small and micro-enterprises will be the responsibility of the Continental Regional OPs – though without affecting the system of centralised submission of candidatures via a single electronic reception point and the awarding of the technical responsibilities for analysing and elaborating proposed decisions for the Management Authorities to the pertinent institutions of the Ministry for Economy and Innovation and the Ministry for the Environment, Spatial Planning and Regional Development.*

*As regards strategies for collective efficiency, the division of responsibilities means that: (i) the strategies for national and international affirmation of new centres of development are covered by the Thematic OP; (ii) support for clusters or other sectoral aggregates will be provided by the Thematic OP (articulated with the OPs for the regions where these have a significant presence); (iii) incentives for regional or urban development and re-qualification strategies are the remit of the respective regional OP.*

*The Autonomous Regions of the Azores and Madeira will develop and ensure the operationalisation of specific incentive and support systems for business investment.*

### **Competitiveness and Technology Centres**

*The Competitiveness and Technology Centres, the result of an inter-ministerial accord driven by the efforts of the Office of the Coordinator for the Technological Plan, are an instrument aimed at stimulating the creation of innovation and technology networks and fit into the more general objectives of the Lisbon Strategy, the PNACE and the Technological Plan, namely as regards support for economic growth and the creation of employment through raising competitiveness.*

*They aim to promote partnerships at the international level that have a territorial concentration with at least one focal point among private entities and public institutions, with the mandatory inclusion of enterprises, universities and other centres of R&TD and establishments of education and training.*

*The Competitiveness and Technology Centres therefore constitute collaboration platforms for the development of innovative businesses that link enterprise capabilities with scientific and technological knowledge.*

*A Competitiveness Centre is therefore a place where public and private actors can come together to form partnerships to promote projects and activities which they have chosen and structured and which are then examined and accepted by the National Innovation System.*

*Its objectives are organised into fields of competitiveness, based on economic areas or value chains that compete for common end markets, with links and support in knowledge areas aligned with their concrete goals. They have the following general objectives:*

- *To improve the competitiveness of the Portuguese economy through the use of technology and innovation;*
- *To affirm those economic activities with innovation potential at the international level;*
- *To raise the visibility and attractiveness of Portugal as a destination for technology and innovation-based foreign direct investment;*

- To promote economic growth and qualified employment.

*Promoted and stimulated by the partners, the selective evaluation of candidatures for "Competitiveness and Technology Centre" status – indispensable if the requirements of admissibility for funding by the NSRF Operational Programmes are to be fulfilled – will be based on indicators that objectify assessment of the goals of competitiveness and excellence in linkage with the stimulating and mobilising partners and with the projects and activities proposed, which include namely: improvements to the position of enterprises in higher international value-added chains, namely by means of increasing exports and increasing gross added value in companies associated with the centre; the induced attraction of foreign direct investment, namely of anchor companies; private expenditure on business R&D; the number of PhD graduates recruited every year by the companies and R&D institutions associated with the centre, as well as new researchers inserted in company R&D departments; annual participation in projects run by the R&D Framework Programme and the EU's Competitiveness and Innovation Programme; and new researchers inserted in company R&D departments.*

### **Connecting Portugal for Mobilisation towards the Information Society**

*Generalised access to the Internet and to information and communication technologies (ICT) is a critical factor for the modernisation and development of Portuguese society. It implies the broad social appropriation of these technologies, their diffusion in the various sectors of activity, the fight against info-exclusion, the use of new products and services, the development of research capabilities and training in emerging fields, and a more competitive national telecommunications market. In this context, the 'Connecting Portugal' initiative started a new political drive to mobilise the Portuguese people towards establishing an information society in Portugal, a drive which simultaneously responds to the challenges thrown down by the European Commission's "i2010 – A European Information Society for growth and employment" initiative, which directs public and private efforts towards consolidating or strengthening ongoing initiatives, filling in gaps and promoting innovation and the creation of new products and services in order to:*

- *Promote a modern citizenry for whom information and communication technologies are normal tools of access to information, education, cooperative work and public discussion;*
- *Guarantee the competitiveness of the national telecommunications market, in particular as regards the costs for citizens and companies and the generalised availability of high quality advanced services, ensuring the existence of real competition at the level of European best practices;*
- *Ensure the transparency of the public administration in every area of its actions and the simplicity and efficiency of its relations with citizens and firms;*
- *Promote the growing use of information and communications technologies within the business fabric, assisting companies to modernise as an indispensable condition for their international competitiveness and for territorial cohesion, as well as ensure the development of new technology companies, namely in software;*
- *Bolster scientific and technological development by promoting research and development through international collaboration.*

### **Portugal Logistics**

*Logistics are today a crucial instrument in the competitiveness of the transport and distribution industries, influencing the quality and efficiency of these services to an extraordinary extent and consequently the final prices of goods.*

*On a global scale, the reordering of productive systems is being accompanied by the construction of new multimodal logistics chains which, as a result of Portugal's advantageous geographic position vis-à-vis transcontinental sea and air routes, creates conditions that allow the periphery effect that characterises Portugal's commercial relations with Continental Europe to be overcome.*

*The priority given to this initiative therefore is essentially based on exploiting the following opportunities:*

- *Portugal's geographically peripheral position in Europe could be counterbalanced by its centrality vis-à-vis east-west and north-south sea and air routes. Another associated advantage is the decongested state of Portugal's sea and land fronts and air space*

relative to the logistics hubs in northern Europe;

- The development of a potent and balanced network of logistics platforms will make Portugal attractive to the new logistics and transport chains, which are increasingly extensive and complex and in which the level of dedicated information and communications technologies is decisive to their competitiveness. Simultaneously, their interlinkage with Iberian and European networks will be decisive for Portugal's integration into larger macro-regions, a decisive factor in increasing competitiveness.

At the heart of the "Portugal Logistics" Plan, concluded in May 2006, is the creation of a national network of 11 multimodal logistics platforms and 2 air freight centres in conjunction with processes that foster the territorial reorganisation of activities that generate movements of goods, promote intermodality by reinforcing the cheapest and most environmentally sustainable means of transport, and promote technological innovation in the running of similar services.

In this way, the National Network of Logistics Platforms will create logistics focal points strategically located near the main consumption and production centres, borders and port and rail infrastructure and networks, bringing together the necessary conditions to increase the amount of freight moved, thereby creating more wealth and competitiveness and organising transport in a more logical and sustainable manner.

The definition of the National Network of Logistics Platforms, one of the components of the "Portugal Logistics" initiative, implies the multifunctional integration of nodes, both in terms of physical and information flows.

For this purpose, a new type of infrastructure – "the Single Logistics Window" – is under development that is especially designed to raise the competitiveness of the infrastructure network – the platforms and the main breaking points in the transport chains. The aim of this new technological platform is to harmonise, organise and prepare the flows of information between the various agents in the logistics community, as well as sea, port and logistics platform agents.

"Portugal Logistics" will have a major impact on the physical movement of goods at all levels and in all aspects of the logistics chains, contributing to a new cluster and the revitalisation of others in the industrial and commercial sphere.

### **Programme for the Economic Enhancement of Endogenous Resources (PROVERE)**

The Programme for the Economic Enhancement of Endogenous Resources (PROVERE) is an initiative intended to promote sub-regional competitiveness and which aims to give economic value to unique territorial assets, which could be natural resources, historical and cultural heritage, traditional or other types of wisdom, around which it makes sense to construct a mid- and long-term development strategy.

This public policy instrument is intended to promote highly-innovative integrated actions to commercially valorise endogenous and unique territorial resources that can contribute decisively to the raising of the competitiveness of the economic base of the territories covered, to the sustained creation of employment and, in this way, to their social sustainability.

It is intended that the main development actors (firms, municipalities, research centres, development associations and other organisations of civil society) organise themselves into a network in the context of a development strategy centred on the commercial enhancement of a distinct and unique resource from a specific territory and that they develop a plan of action that clearly identifies what support (financial, administrative and legislative) they need to pursue the strategy successfully.

Bearing in mind that the creation of a successful integrated development plan is a complex and expensive process (not just in terms of the analysis of the economic and financial viability of investment projects, but above all as regards the structuring of the institutional model of development and governance of integrated action), it is anticipated that financial support could be provided.

However, the funding of the creation of the integrated action plan is no guarantee of the funding of its respective implementation. Basing financial support on a clear rationale of selectivity, the choice of which action plans to support will be decided on a competition basis, and the juries will be made up not only of public administration agents and independent national and international figures but also representatives from the Management Authorities of the pertinent Operational Programmes.



### OPERATIONAL AGENDA FOR TERRITORIAL ENHANCEMENT

The Thematic Operational Agenda for Territorial Enhancement essentially comprises four main aspects of public policy intervention:

- Strengthening of international connectivity, accessibilities and mobility;
- Protection and enhancement of the environment;
- Cities policy;
- Networks, infrastructures and facilities for territorial and social cohesion.

Within the framework of territorial enhancement, the range of interventions foreseen for the next cycle of Community structural support have an integrated perspective and are aimed at the concretisation of the following fundamental objectives: the overcoming of the deficits in international connectivity and national mobility and accessibility, consolidation of the networks, infrastructure and facilities important for the linkage and enhancement of economic activities and territorial cohesion; the increased provision of networks and infrastructure in the environmental field; the increase in the levels of safeguarding and valorising of natural resources; and the strengthening of the prevention, management and monitoring of natural and technological risks.

The interventions to be concretised in the field of **Strengthening International Connectivity, Accessibilities and Mobility** assume, bearing in mind the deficits in international and inter-regional connectivity, the objectives of improving the conditions of mobility of people and the competitiveness of the country's economic activities in the global context and that of the regions within the national framework that are indispensable for valorising Portugal's geo-strategic position.

Unequivocal priorities in this context are Portugal's incorporation into the Trans-European High-Speed Rail Network, with particular benefits for the improvement in links between Lisbon and Madrid and on the Lisbon-Oporto main line, as well as the significant increases in connectivity that will be provided between the large metropolitan areas and important national cities. The inherent improvements in rail accessibility constitute important factors in territorial enhancement, leading to significant gains in competitiveness for companies and broadening the areas of influence of the respective markets, strengthening the capacity to attract high added-value structuring investment that encourages spill-over effects into the economic fabric.

Within the scope of interventions aimed at overcoming the deficits in international connectivity, those projects that enhance freight traffic will also be emphasised – namely Priority Project No. 16 (the Sines-Badajoz Rail Freight Corridor) – which will have very important impacts in terms of invigorating the Port of Sines through the significant enlargement of the respective hinterland, as well as those relating to the concretisation of motorways of the sea, which will boost the transport of freight by sea at competitive costs and levels of service, contributing to the competitiveness of the national maritime and ports system and, also, its respective interlinking in integrated and efficient logistics chains.

This set of interventions also includes support for the construction of the new Lisbon airport, which is of unequivocal importance for the internationalisation of the economy and for ensuring a viable rise in passenger flow, allowing the constraints stemming from the current Lisbon airport infrastructure to be overcome and providing a solution to demands for increased traffic.

The development of transport systems supporting Portugal's international connectivity will also benefit from interventions aimed at bolstering the levels of inter-regional accessibility and mobility, namely the conclusion of the main road links (major and complementary roads) that can contribute significantly to raising levels of intra- and inter-regional accessibility and mobility (the upgrading of the IP4 to motorway standard on the Vila Real-Bragança stretch is of note here).

As regards accessibilities and mobility, also of note are the interventions aimed at overcoming the main constraints in the regional, metropolitan and urban transport systems.

In this context, the poor inter-modality of the transport system, with its excessive dependence on roads and the use of light passenger vehicles and the insufficient development of other modes of transport, coexists on the other hand with levels of mobility in some regions that are lower than desired. It is therefore essential to act selectively to qualify and modernise the rail network, namely by developing light rail systems, as well as in the interventions essential for the promotion – namely in the urban environment – of greater use of public transport, interventions aimed at the development and modal integration of collective transport networks standing out here.

At the regional and metropolitan level, also of note are the necessary interventions to complete road networks and to improve traffic circulation and safety conditions in heavily congested areas (with focus on the completion of the Lisbon Regional Inner Ring Road (CRIL) and Setúbal Peninsula Regional Inner Ring Road (CRIPS)).

The interventions referred to at the level of improving national, inter-regional and inter-urban accessibilities, of reversing the mobility profile associated with individual transport – with unequivocal gains in productivity and reduction in social and environmental externalities – and of promoting the capillary structure of the territory contribute decisively to the consolidation of the networks, infrastructure and facilities important for the linkage, enhancement and cohesion of the territory.

Also added to the interventions in this field are those aimed at public infrastructure and facilities, which ensure territorial enhancement in places whose development potential is heavily dependent on the availability of water resources, on its conciliation with natural values and the landscape and, also, on its efficient use in economic activities and in the satisfying of collective needs. Standing out as particularly important in this context is the additional support provided to that of the EAFRD in the completion of the Alqueva Multi-Purpose Undertaking.

Of enormous importance within the framework of the Thematic Operational Agenda for Territorial Enhancement are the interventions relating to the **Protection and Enhancement of the Environment** in the broad sense.

To improve the provision of networks and infrastructure in the environmental domain, a fundamental contribution will be made by the interventions in the field of the urban water cycle and the enhancement of urban solid waste.

The supply of water and the retrieval, treatment and rejection of waste water constitute basic services of vital importance for improving the living conditions of people and regional economic competitiveness. Consequently, in the Community structural interventions programming cycle for 2007-2013, the central objectives are established as: increasing the coverage and quality of the public domestic water systems and improving the extension of the waste water drainage networks – namely through support for the completion and expansion of the “high” and “verticalised” systems as well as pursuing the completion of the “low” systems, with particular focus on investment aimed at linking these two aspects of the urban water cycle and the achievement of the environmental objectives established.

The interventions recommended in matters of structuring networks and infrastructure in the environmental domain will also be applied in the waste field, specifically as regards the qualification of urban solid waste management and comparable systems. This will contribute to the increase in recycling and enhancement of specific waste flows and also

to the application of the principles of waste management hierarchy through the reduction, re-use, recycling and other forms of waste enhancement, while also foreseeing the possibility of supporting complementary interventions in this field.

A second set of interventions is aimed at increasing levels of safeguarding and valorising natural resources.

Portugal's significant wealth in natural heritage finds expression in those areas of its territory that deserve special protection status. The safeguarding and enhancement of natural heritage and natural resources will constitute a focus of intervention – to be concretised in liaison with the Rural Development Programme co-funded by the EAFRD. Of note in this context will be the interventions aimed at the sustainable management and use of natural resources, the management of species and habitats, and the promotion of eco-efficiency and the enhancement of the coast.

The safeguarding and enhancement of natural resources is particularly relevant within the framework of actions to boost the **prevention, management and monitoring of natural and technological risks**.

A third set of interventions that will thus be encompassed within the framework of the protection and enhancement of the environment relate to the prevention, management and monitoring of natural and technological risks. Portugal's vulnerability to diverse types of natural risks, with particular mention for coastal erosion, whose worsening represents a very worrying situation, placing both people and property at risk and natural heritage, is one of the intervention priorities in this field. Desertification, which affects a considerable percentage of the continental territory, as well as flooding, also constitute natural risks that deserve attention within the framework of the programming of the structural interventions. Also a priority for this type of intervention is the prevention of wildfires and the risks to public health and the environment from contaminated land, which in Portugal involves the resolution of existing liabilities, namely as regards the environmental rehabilitation of degraded mining and industrial areas.

Furthermore, it should be stressed that the existence of a comprehensive and integrated system of prevention, warning and management of natural and technological risks and the repair of the damage associated with them constitutes one of the essential aspects of territorial enhancement and a priority for territorial planning and sustainable development policy.

This system must guarantee a transversal approach

that takes into account the multiplicity of natural and technological risks and threats and the consequences that – either directly or indirectly – can potentially stem from them.

By ensuring the necessary activities and means of prevention, warning and risk management and the repair of the damage associated with them, this system will contribute to increasing the safety indices, thereby constituting a factor for economic and social development and cohesion with clearly positive effects in terms of competitiveness and quality of life.

The central function of the system will be to increase the country's ability to prevent and manage risks, centred generally on the following objectives:

- To guarantee the conditions, means and resources necessary and adequate for the centralised and permanent treatment of data and information relevant for the identification, evaluation, prevention, warning, management and correction of the diverse situations of vulnerability and risk;
- To ensure the conditions for the centralised and integrated programming and planning of the means and actions of prevention, warning, risk management and repair of associated damage;
- To make the rational and coordinated use of means, equipment and resources viable, ensuring the capacity to respond rapidly, efficiently and effectively, coherently and in integrated fashion and with recourse to innovative and technological means;
- To create conditions for the adequate protection of facilities of structural importance in situations of natural or technological risk;
- To promote the inter-communication and inter-operability of public and private means and entities involved in the prevention, warning, risk management and repair of associated damage, orienting their respective participation according to the speed and quality of reaction to risk situations;
- To valorise and include the adequate participation of civil society, bolstering its respective involvement from the perspective of a permanent approach to risk prevention and minimisation of its respective effects.

The objectives of the Thematic Operational Agenda for Territorial Enhancement prioritise, furthermore, a coherent and diversified set of interventions aimed at pursuing the

**Cities Policy**, which, seen from a long-term perspective and on various geographic levels, is oriented according to four specific objectives:

- To qualify and revitalise the distinct spaces that comprise each city, aimed at a functioning which is wholly inclusive, cohesive, adjusted to the concrete needs of people, sustainable and which mobilizes citizens and the experience of a full and participatory citizenship. Contributing above all to attaining this objective will be integrated re-qualification and reinsertion actions in critical and peripheral neighbourhoods, actions to regenerate and re-functionalise areas which have been abandoned or become obsolete and integrated actions to economically enhance areas of notable urban value (historical centres, shopping areas and areas of major potential for constituting new centres);
- To strengthen and differentiate the human, institutional, cultural and economic capital of each city, in the sense of increasing the range of individual and collective opportunities and, thereby, strengthening the regional, national and international role of urban agglomerations. The support for strategies of international affirmation, the creation of urban facilities and differentiating infrastructure in terms of insertion into national and international networks, the structuring of urban networks for shared enhancement of resources, potential and knowledge and large-scale cooperation with other European cities fall into this strategic objective of the cities policy;
- To qualify and intensify the integration of cities into their regions in order to promote more sustainable relationships of complementarity between urban and rural spaces and to provide the whole of each city/region with greater development potential. The idea here is, namely, to structure agglomerations, chiefly in existing areas of disperse urbanisation and to prevent further sprawl, to gain urban mass through proximity cooperation, to foster complementarities and agglomeration economies and to rationalise and qualify the facilities and services that a city provides to its region;
- To innovate to find solutions for urban problems, seeking solutions that are oriented, in physical terms, towards efficiency and the re-use of infrastructure and facilities to the detriment of new construction, and, in technical terms, to the exploitation of the opportunities that new technologies offer. And, in organisational terms, to the capacity-building of communities and the development of new associative dynamics and new forms of public-private partnerships.

The concretisation of these objectives within the scope of the NSRF, which correspond to the assumption of the cities

as a key reference point for the territorial integration of competitiveness and cohesion, will be achieved essentially via intervention typologies aimed at the structuring urban centres in the territorial model defined in the National Programme for Spatial Planning Policy (PNPOT) and concretised and developed by the Regional Spatial Planning Schemes (PROT).

Besides the Urban Networks for Competitiveness and Innovation, addressed within the framework of the Thematic Operational Agenda for Competitiveness Factors, the Thematic Operational Agenda for Territorial Enhancement includes the following typologies:

- Innovative Solutions for Urban Problems, which will support the development of pilot projects and demonstration projects namely in the following fields: provision of proximity services that generate integrated solutions for the conciliation of professional, family and private life; urban mobility; safety and the combat of criminality; the management of public spaces and buildings; eco-innovations in the fields of construction and housing; energy efficiency; waste treatment and enhancement; air quality management; urban governance;
- Partnerships for Urban Regeneration, aimed at supporting integrated urban regeneration operations (that can mobilise support from the JESSICA initiative, developed by the DG Regio in partnership with the European Investment Bank Group) in vulnerable urban areas from a social and urbanistic point of view, urban and historical centres and urban peripheries needing urbanistic and environmental qualification, revitalisation of heritage and strengthening of socio-cultural services, economic activities and urban spaces that constitute a strategic opportunity for urban development;
- City-Region Partnerships, whose objectives are to frame and give coherence to material investments aimed both at cooperation between neighbouring urban centres and cooperation between urban centres and surrounding rural areas. This type of intervention is directed at bolstering the structuring of supra-municipal urban systems that are polycentric in character and that have sufficient scale to make new urban functions and agglomeration economies viable and the preparation of inter-municipal strategies for territorial development, the development of cooperation structures and operational structures for facilities coordination, the creation of inter-municipal management services and facilities, qualification of areas linking centres (networks of green spaces and ecological structures) and the concretisation of actions and events to promote the territory.

Finally, the priorities of the Thematic Operational Agenda for Territorial Enhancement also contemplate interventions in the

#### **area of Infrastructure and Facility Networks for Social and Territorial Cohesion.**

Notwithstanding the improvements verified in terms of general access to collective infrastructure and facilities within the country, there still remain, and in some cases significantly so, imbalances and inadequate levels of functioning (specifically regional) in the organisation of the provision of these public assets.

Besides including interventions in the fields of transport infrastructure and facilities in particular, special attention should be given to those that will be carried out in the aim of overcoming historical deficits and particular maladjustments with regard to demographic trends and the current requirements for educational facilities and which are fundamental to ensure, in a coherent, systemic and effective form, the achievement of the objectives of the NSRF on the enhancement of human potential. These will involve significant investment to widen the national pre-school network, the physical upgrading of the schools network for the 1<sup>st</sup> cycle of basic education (both included in the Continental Regional Operational Programmes) and the implementation of the Integrated Secondary School Modernisation Programme (which will be carried out through the Territorial Enhancement Thematic Operational Programme).

It should also be noted, furthermore, that despite the progress made in the health field, very differentiated situations remain in which important needs persist that specifically justify interventions relating to the upgrading of emergency services, restructuring of primary health care and improvements to access to consultations and surgery.

Also of note, within the context of these intervention typologies, is the investment to be made in the cultural field – particularly relating to the safeguarding and enhancement of national cultural heritage and the networks of cultural facilities – and those relating to social welfare facilities, which are crucial for the achievement of the NSRF objectives on social inclusion.

### **Schools Network**

*Portugal faces a national challenge in the area of education that entails overcoming the country's educational backwardness compared to European standards and, specifically, getting all children and young people into school, providing them with a motivating, demanding and gratifying environment.*

*Within this context, it is of fundamental importance to provide pupils, teachers and agents within the educational system with school installations and facilities that are functional, comfortable, safe, salubrious and suited to integration and adaptation to the dynamic process of introducing new technologies.*

*Over recent decades, there has been a noticeable decline in the state of repair of many teaching establishments, notwithstanding the maintenance work carried out to deal with specific necessities. These circumstances have given rise to major disparities in the quality of existing facilities, which is reflected in the educational results achieved by pupils.*

*It is therefore fundamental to implement innovative, comprehensive and systematic solutions that can reverse this decline in the state of educational establishments by creating conditions which, on the one hand, can lead to an effective upgrading of school buildings and, on the other, can promote their modernisation based on the needs imposed by the latest pedagogical standards and models, namely as regards the design and layout of spaces and facilities.*

*The new challenges of modern society, in which qualifications and knowledge represent the main drivers of development, in turn demand a strong focus on the rationalisation of the schools network in order to contribute to fostering the educational success of the young.*

*Improving school success and adapting the educational system to address the time availability and needs of families requires the rationalisation and expansion of the pre-school network. By 2015, the objective is to ensure that there is sufficient installed capacity in pre-school education for all children aged 3–5, correcting the need currently verified, above all in the cities.*

*As regards the schools network for the 1st cycle of basic education, the intervention aims to guarantee that by 2015 all children of 1st cycle age have access to the full school curriculum and on a full-time basis in conditions that permit qualified and qualifying learning opportunities. Rationalisation of the network of 1st cycle basic education schools, in terms of territorial distribution, size and equipment, signifies the provision of educational facilities that are large enough and sufficiently well-equipped to ensure educational success.*

*The Secondary School Modernisation Programme aims, in turn, to provide the school network with more appropriate conditions for the provision of quality education and which are consistent with the demanding standards that are associated with this critical level of schooling.*

*In the aim of ensuring a more rational approach to public investment, based on the interlinkage and complementarity of efforts at the national and municipal levels, new investment management procedures have been adopted. The Municipal Education Maps – whose goal is to identify educational buildings and facilities and their respective geographic location at the municipal level, as well as pre-school, basic and secondary school provision – subsequently now constitute not only the point of reference for the planning of the school networks, but also a tool for supporting decisions on co-financing.*

*For the purposes of municipal access to Structural Fund financing, therefore, it is an essential condition that the education maps, for which the municipalities are responsible and which are drawn up in close collaboration with the Ministry for Education, are formally approved and ratified in the aim of ensuring that the schools network (pre-school, basic and secondary) is adequate so that educational provision at the municipal level closely corresponds to real demand.*

### 05.3. LINKAGES BETWEEN THE THEMATIC OPERATIONAL AGENDAS OF THE NSRF AND THE OPERATIONAL PROGRAMMES

As referred to above, the establishment of the Thematic Operational Agendas fundamentally signifies that the Operational Programmes are placed at the service of the objectives and priorities of Portuguese development, both as regards those that assume responsibilities that tend to relate to the continental territory, and as regards those that relate to actions within the regional context.

This approach, which aims to strengthen the coherence and complementarity of the interventions of the Thematic and Regional OPs, is more clearly illustrated by the summarised explanation of the corresponding linkages shown in the three tables on the following pages.

It should be borne in mind, on the one hand, when analysing these tables, that the linkages shown between the Thematic Operational Agendas (and corresponding Operational Priorities) and the Thematic Operational Programmes stem directly from the strategic coherence of the NSRF and the consequences that were subsequently assumed in terms of operational coherence.

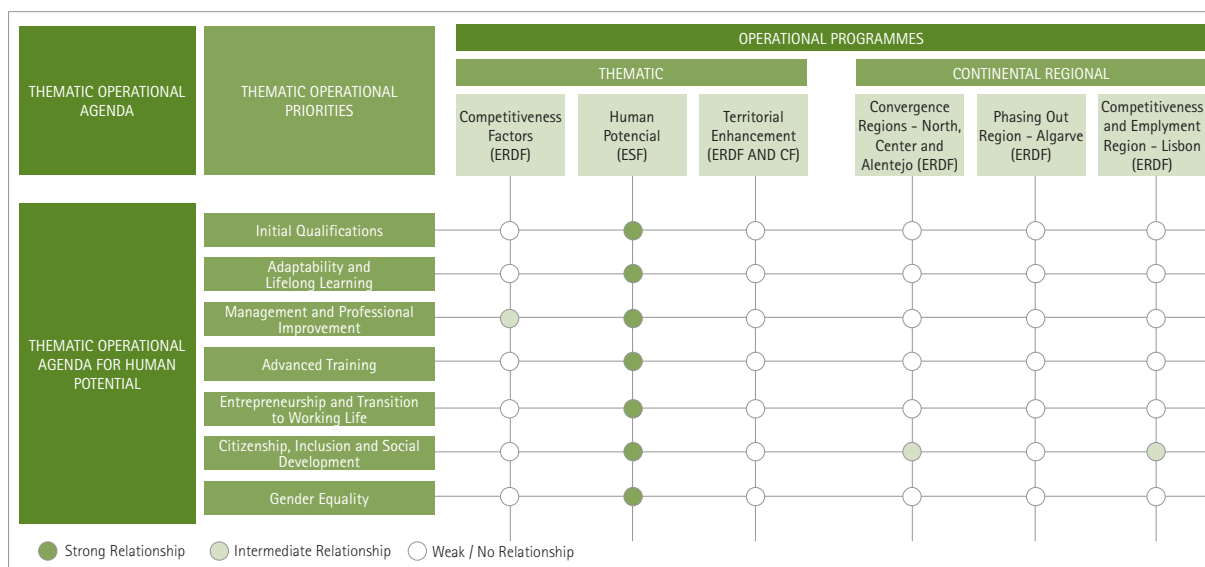
It should also be taken into consideration, on the other, that, as regards the corresponding linkages with the Regional Operational Programmes (in continental Portugal), the

inherent division of responsibilities, to be specified in the Operational Programmes, will be the result of consideration of the following principles:

- Principle of subsidiarity, according to which the responsibilities for public governance are assumed by the lowest level of the administrative structure, which must ensure the desired results and impacts are produced efficiently and effectively;
- Principle of localisation of benefits, according to which the responsibilities for public governance must be localised in the public institutions that correspond at the territorial level to where the respective benefits – i.e., the desired results and impacts – will be felt and have effective relevance.

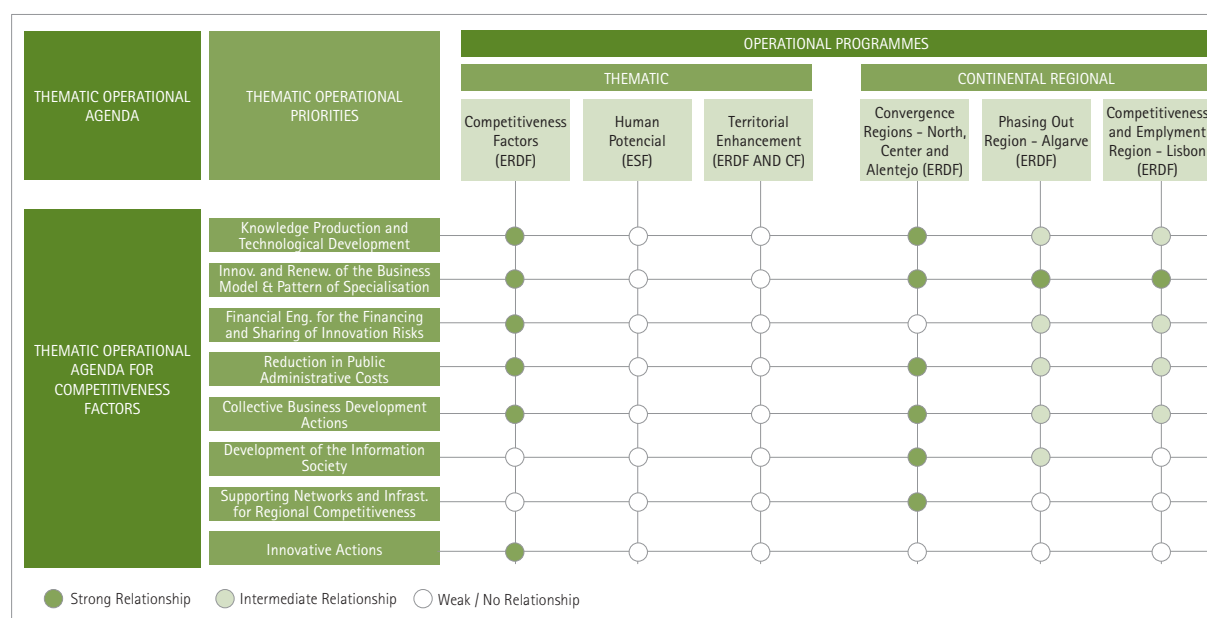
The application of these two principles naturally bear in mind the consequences of government decisions taken opportunely on the size of the financial resources allocated to each of the priority themes of the NSRF – Human Potential, Competitiveness Factors and Territorial Enhancement – and each of the thematic and/or regional typologies of the Operational Programmes responsible for ensuring their respective concretisation, the relevant Community restrictions on regional financing (of particular influence on the interventions to be realised in the Lisbon and Algarve NUTS II in continental Portugal), as well as the typologies of regional eligibilities of the Structural Funds and Cohesion Fund.

### INTERACTION BETWEEN THE THEMATIC OPERATIONAL AGENDA FOR HUMAN POTENTIAL AND THE THEMATIC AND CONTINENTAL REGIONAL OPERATIONAL PROGRAMMES

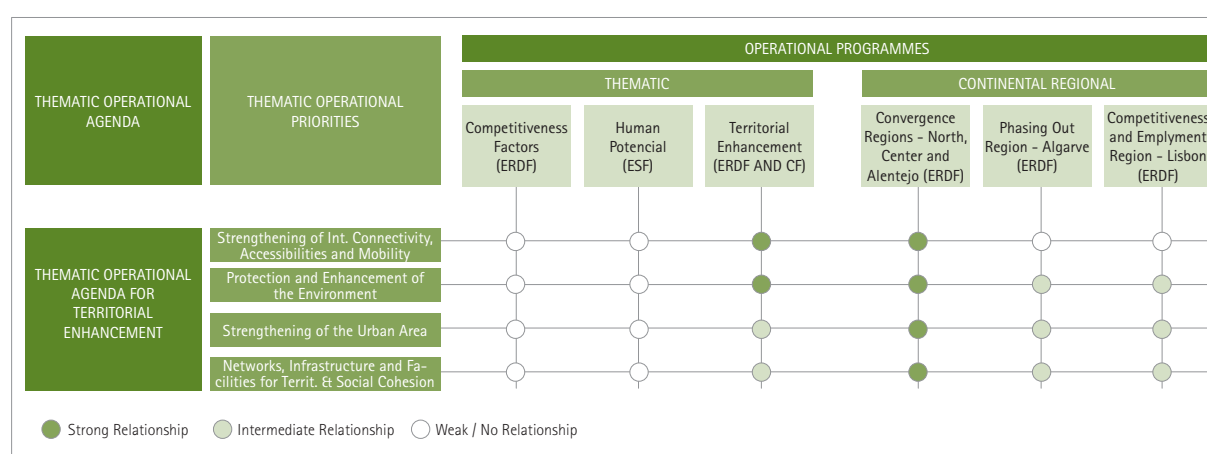




### INTERACTION BETWEEN THE THEMATIC OPERATIONAL AGENDA FOR COMPETITIVENESS FACTORS AND THE THEMATIC AND CONTINENTAL REGIONAL OPERATIONAL PROGRAMMES



### INTERACTION BETWEEN THE THEMATIC OPERATIONAL AGENDA FOR TERRITORIAL ENHANCEMENT AND THE THEMATIC AND CONTINENTAL REGIONAL OPERATIONAL PROGRAMMES



As a result of the constitutional status of the Autonomous Regions of the Azores and Madeira, the priorities of the respective Operational programmes correspond to the strategic guidelines and relate to the development priorities defined by the respective regional governments.

On a final note, it should be stressed that the linkages illustrated in the tables above do not anticipate the structuring of the Thematic and Regional Operational Programmes into Priority Axes.

#### 05.4. COHERENCE BETWEEN THE THEMATIC OPERATIONAL AGENDAS OF THE NSRF AND COMMUNITY STRATEGIC GUIDELINES FOR COHESION

The European Council has established a close link between the future period of structural programming and the priorities of the Lisbon Strategy, determining that the 2007-2013 financial perspectives "shall endow the Union with the appropriate means to concretise its policies in general and, specifically, those policies that contribute to the realisation of the priorities established in the Lisbon Strategy".

As determined by the European Council, and consolidated in the Community Regulations governing the Structural Funds and the Cohesion Fund and in the Community Strategic Guidelines for Cohesion, cohesion policy has been reoriented in order to enhance its contribution to overcoming the challenges of growth, competitiveness and employment. In line with the Integrated Guidelines for Growth and Jobs in the renewed Lisbon Agenda, the Community Strategic Guidelines for Cohesion clearly state that programmes supported by the cohesion policy must endeavour to focus resources on the following three priorities:

- To strengthen the attractiveness of the Member States, regions and cities, by improving accessibility, ensuring adequate quality and levels of services and preserving the environment;
- To stimulate innovation, entrepreneurial spirit and the growth of the knowledge-based economy, by promoting the

capacity for research and innovation, including the latest information and communication technologies;

- To create more and better jobs, by attracting more people into the labour market or into entrepreneurial activity, improving the adaptability of workers and enterprises and increasing investment in human capital.

The indispensable reforms introduced as regards the typology of Community structural interventions required for the effective pursuit of national priorities in the next 2007-2013 programming cycle converge substantially with the objectives enshrined in the renewed Lisbon Agenda. It should be reiterated, however, that the national priorities will be carried out within a context of continued attention to the fundamental aim of cohesion policy established in the Treaty: "In order to promote its overall harmonious development ... the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least-favoured regions and islands including rural areas."

The gauging of the contribution of the NSRF to the priorities of the European Union as regards the promotion of competitiveness and creation of jobs is presented in the following tables, which attempt to clarify and modulate the interaction between the Thematic Operational Agendas of the NSRF and its respective thematic operational priorities and the Community Strategic Guidelines on Economic, Social and Territorial Cohesion, 2007-2013 (established by Council Decision of 6<sup>th</sup> October 2006).

#### INTERACTION BETWEEN THE THEMATIC OPERATIONAL AGENDA FOR HUMAN POTENTIAL AND THE COMMUNITY STRATEGIC GUIDELINES ON COHESION

THEMATIC OPERATIONAL AGENDA	THEMATIC OPERATIONAL PRIORITIES	COMMUNITY STRATEGIC PRIORITIES AND GUIDELINES											
		1. To improve the Attractiveness of the Member States, Regions and Cities			2. To improve Knowledge and innovation for Growth				3. To Create More and Better Jobs				
		Transport Infrastructure	Synergies Between the Envir. and Growth	Sustainability of Energy Sources	Invest. in R&D	Innov. & Entre-pren. Spirit	Inform. Society	Access to Financ.	Increasing the Labour Market	Adapt.	Human Capital	Admin. Capac.	Health. Working Pop.
THEMATIC OPERATIONAL AGENDA FOR HUMAN POTENTIAL	Initial Qualifications	○	○	○	○	●	●	○	●	●	●	○	○
	Adaptability and Lifelong Learning	○	○	○	○	●	●	○	●	●	●	●	○
	Management and Professional Improvement	○	○	○	○	●	●	○	●	●	●	●	○
	Advanced Training	○	○	○	●	●	●	○	●	○	●	○	○
	Entrepreneurship and Transition to Working Life	○	○	○	○	●	●	○	●	●	●	○	○
	Citizenship, Inclusion and Social Development	○	○	○	○	●	●	○	●	●	●	○	○
	Gender Equality	○	○	○	○	●	●	○	●	○	●	○	○

● Strong Relationship    ● Intermediate Relationship    ○ Weak / No Relationship

### INTERACTION BETWEEN THE THEMATIC OPERATIONAL AGENDA FOR COMPETITIVENESS FACTORS AND THE COMMUNITY STRATEGIC GUIDELINES ON COHESION

THEMATIC OPERATIONAL AGENDA	THEMATIC OPERATIONAL PRIORITIES	COMMUNITY STRATEGIC PRIORITIES AND GUIDELINES											
		1. To improve the Attractiveness of the Member States, Regions and Cities			2. To improve Knowledge and innovation for Growth				3. To Create More and Better Jobs				
		Transport Infrastruc-ture	Synergies Between the Envir. and Growth	Sustain-ability of Energy Sources	Invest. in R&TD	Innov. & Entre-pren. Spirit	Inform. Society	Access to Financ.	Increas-ing the Labour Market	Adapt.	Human Capital	Admin. Capac.	Health Working Pop.
THEMATIC OPERATIONAL AGENDA FOR COMPETITIVENESS FACTORS	Knowledge Production and Technological Development	○	●	○	●	○	○	○	○	○	○	○	○
	Innov. and Renew. of the Business Model & Pattern of Specialisation	○	○	●	●	●	○	○	○	●	○	○	○
	Financial Eng. for the Financing and Sharing of Innovation Risks	○	○	○	○	●	○	●	○	○	○	○	○
	Reduction in Public Administrative Costs	○	○	○	○	○	●	○	○	○	○	●	○
	Collective Business Development Actions	○	○	○	○	●	○	○	○	●	○	○	○
	Development of the Information Society	○	○	○	○	○	●	○	○	○	○	○	○
	Supporting Networks and Infrast. for Regional Competitiveness	●	○	○	○	●	○	○	○	○	○	○	○
	Innovative Actions	○	○	○	○	●	○	○	○	○	○	○	○
● Strong Relationship    ○ Intermediate Relationship    ○ Weak / No Relationship													

### INTERACTION BETWEEN THE THEMATIC OPERATIONAL AGENDA FOR TERRITORIAL ENHANCEMENT AND THE COMMUNITY STRATEGIC GUIDELINES ON COHESION

THEMATIC OPERATIONAL AGENDA		THEMATIC OPERATIONAL PRIORITIES	COMMUNITY STRATEGIC PRIORITIES AND GUIDELINES											
			1. To improve the Attractiveness of the Member States, Regions and Cities			2. To improve Knowledge and innovation for Growth				3. To Create More and Better Jobs				
			Transport Infrastructure	Synergies Between the Envir. and Growth	Sustainability of Energy Sources	Invest. in R&TD	Innov. & Entre-pren. Spirit	Inform. Society	Access to Financ.	Increasing the Labour Market	Adapt.	Human Capital	Admin. Capac.	Health Working Pop.
THEMATIC OPERATIONAL AGENDA FOR TERRITORIAL ENHANCEMENT	Strengthening of Int. Connectivity, Accessibilities and Mobility	●	○	○	○	○	○	○	○	○	○	○	○	
	Protection and Enhancement of the Environment	○	●	●	●	○	○	○	○	○	○	○	○	
	Strengthening of the Urban Area	○	●	○	○	○	●	○	○	○	●	●	●	
	Networks, Infrastructure and Facilities for Territ. & Social Cohesion	●	○	●	○	○	●	○	●	●	○	○	●	

● Strong Relationship

● Intermediate Relationship

○ Weak / No Relationship

#### 05.5. COHERENCE BETWEEN THE OPERATIONAL AGENDAS OF THE NSRF AND THE NATIONAL ACTION PROGRAMME FOR GROWTH AND JOBS

The gauging of the coherence between the Community Strategic Guidelines on Economic, Social and Territorial Cohesion and the Thematic Operational Agendas of the NSRF presented in the preceding paragraphs is complemented by

an equivalent exercise in the following tables, though in this case aimed at evaluating the respective coherence with the actions and objectives established in the National Action Programme for Growth and Jobs 2005-2008 (PNACE).

The PNACE, which is responsible for orientating the concretisation of the national strategy for reform and modernisation, conceived within the framework of the

reference points and priorities of the renewed Lisbon Strategy, incorporates the various programmes and action plans that relate to the areas of growth and employment, of which the Stability and Growth Programme on the macroeconomic side, the Technological Plan on the competitiveness and qualifications side, and the National Plan for Employment on the jobs side are of particular note.

Assuming as its vision "To return Portugal to the centre of the development process at the European Union and global level, promoting growth and jobs by improving the qualification of people, enterprises, institutions, territories, scientific development and the strengthening of attractiveness, social cohesion and environmental quality", Portugal hopes that through implementation of the PNACE it can achieve five strategic objectives that constitute an agenda for modernisation:

- To bolster credibility by: (i) consolidating the public accounts and reducing the country's public deficit to 2.6% of GDP by 2008; (ii) ensuring the sustainability of the social

protection system and modernising the health system; (iii) improving governance by restructuring and qualifying the public administration;

- To focus on establishing confidence by: (i) fostering economic growth and achieving annual GDP growth of 2.4%, returning to a process of real convergence with average European Union levels of earnings; (ii) reorienting the application of public resources to give priority to investment that stimulates growth and creates jobs; (iii) stimulating investment in key sectors, restructuring risk capital, attracting private investment and supporting the modernisation of the business fabric; (iv) improving the effectiveness of the markets, bolstering the state's regulatory and monitoring role, in particular the regulation of services, ensuring free market conditions and access to productive 'inputs' under more favourable conditions; (v) increasing the quality of public services for companies and citizens, creating a more attractive business environment for private initiative, improving the legal context, speeding up the justice system, simplifying and cutting red tape and paperwork;

#### INTERACTION BETWEEN THE THEMATIC OPERATIONAL AGENDA FOR HUMAN POTENTIAL AND THE NATIONAL ACTION PROGRAMME FOR GROWTH AND JOBS

NATIONAL ACTION PROGRAMME FOR GROWTH AND JOBS		THEMATIC OPERATIONAL AGENDA FOR HUMAN POTENTIAL						
		Initial Qualifications	Adaptability and Lifelong Learning	Manag. and Professional Improvement	Advanced Training	Entrepreneurship and Transition to Working Life	Citizenship, Inclusion and Social Development	Gender Equality
MACROECONOMIC DOMAIN	Growth, Public Accounts and External Deficit	●	●	●	●	●	●	●
	Reorienting the Application of Public Resources (Growth and Jobs)	○	○	○	○	○	○	○
	Equity and Sustainability of Social Protection	○	○	○	○	○	●	○
	De-Bureaucratisation and Free Competition	○	○	○	○	○	○	○
	Promoting Strategic Coordination	○	○	○	○	○	○	○
	Returning to Real Convergence with the EU	○	○	○	●	●	●	○
MICROECONOMIC DOMAIN	De-Bureaucratisation and Business Culture	○	○	●	○	●	●	○
	Increasing Investment in R&D	○	○	○	●	○	○	○
	Promoting Innovation and Access to ICT	●	●	●	●	○	●	●
	Improving Market Efficiency	○	○	○	○	○	○	○
	Sustainable Use of Natural Resources	○	○	○	○	○	○	○
	Social, Territorial and Environmental Cohesion	●	●	●	○	●	●	●
QUALIFICATION, EMPLOYMENT AND SOCIAL COHESION	Education and Qualification of the Portuguese People	●	●	●	●	○	●	●
	Creation and Retention of Employment	●	●	○	○	●	●	●
	Preventing Business Relocation	○	●	●	○	●	●	○
	Flexibility with Job Security	●	●	●	●	●	●	○
	Modernising the Social Protection System	○	○	○	○	○	○	●
	Equal Opportunities	●	●	●	○	●	●	●

● Strong Relationship    ● Intermediate Relationship    ○ Weak / No Relationship

# INTERACTION BETWEEN THE THEMATIC OPERATIONAL AGENDA FOR COMPETITIVENESS FACTORS AND THE NATIONAL ACTION PROGRAMME FOR GROWTH AND JOBS

NATIONAL ACTION PROGRAMME FOR GROWTH AND JOBS		THEMATIC OPERATIONAL AGENDA FOR COMPETITIVENESS FACTORS							
		Knowledge Production and Technological Development	Innov. and Renew. Business Model & Pattern of Specialisation	Financial Eng. for the Financing and Sharing of Innov. Risks	Reduction in Public Administrative Costs	Collective Business Development Actions	Development of the Information Society	Supporting Networks and Infrast. for Reg. Competitiveness	Innovative Actions
MACROECONOMIC DOMAIN	Growth, Public Accounts and External Deficit	●	●	●	●	●	○	●	○
	Reorienting the Application of Public Resources (Growth and Jobs)	●	○	●	●	○	○	○	○
	Equity and Sustainability of Social Protection	○	○	○	○	○	○	○	○
	De-Bureaucratisation and Free Competition	○	○	○	●	○	○	○	○
	Promoting Strategic Coordination	○	○	○	○	○	○	○	●
	Returning to Real Convergence with the EU	●	●	●	●	○	○	○	○
MICROECONOMIC DOMAIN	De-Bureaucratisation and Business Culture	○	○	●	●	○	○	○	●
	Increasing Investment in R&D	●	●	○	○	○	○	○	○
	Promoting Innovation and Access to ICT	○	●	●	●	○	●	●	○
	Improving Market Efficiency	○	○	○	●	○	○	○	○
	Sustainable Use of Natural Resources	○	●	○	○	○	○	●	●
	Social, Territorial and Environmental Cohesion	○	●	○	○	○	○	●	○
QUALIFICATION, EMPLOYMENT AND SOCIAL COHESION	Education and Qualification of the Portuguese People	●	○	○	○	○	●	○	●
	Creation and Retention of Employment	○	●	○	○	●	○	●	○
	Preventing Business Relocation	○	●	○	●	●	○	○	○
	Flexibility with Job Security	○	○	○	●	○	○	○	○
	Modernising the Social Protection System	○	○	○	○	○	○	○	○
	Equal Opportunities	○	○	○	○	○	●	○	○
		● Strong Relationship	● Intermediate Relationship	○ Weak / No Relationship					

● Strong Relationship    ● Intermediate Relationship    ○ Weak / No Relationship

• To assume the challenges of competitiveness by: (i) improving the education and qualifications of the Portuguese population from a lifelong learning perspective, adapting the education and training systems to the needs of creating new skills; (ii) promoting the use and dissemination of access to information technologies in an inclusive sense; (iii) raising the number of researchers, increasing investment in and the quality of public and private R&D, promoting the incorporation of R&D results into productive processes and tripling private investment in R&D; (iv) promoting qualified employment; (v) promoting innovation, entrepreneurship and internationalisation, bolstering the capacity to create value within companies;

• To strengthen employment and social cohesion by: (i) promoting the creation of jobs, attracting and retaining the highest number of people in employment and attaining an overall employment rate of 69%; (ii) preventing and fighting unemployment, namely of young people and long term; (iii) managing the processes of business restructuring and relocation from a preventative perspective and at an early stage; (iv) promoting the quality of work and flexibility with security in the workplace, within a framework of strengthening

dialogue and social harmony, promoting strategic harmony in labour relations and the major development options adopted by the country; (v) developing the inclusive nature of the labour market and improving the social protection and inclusion systems, promoting equal opportunities for all, gender equality, rehabilitation and reinsertion, conciliation between professional, family and personal life and active aging;

• To bolster territorial and environmental cohesion as competitiveness and sustainable development factors by: (i) promoting more sustainable use of natural resources and reducing environmental impacts; (ii) promoting energy efficiency; (iii) improving territorial planning and the efficiency of planning instruments; (iv) promoting a polycentric urban system and the growing integration of the cities and the country into supra-national areas; (v) improving transport mobility and exploring logistics opportunities.

The five objectives of the PNACE translate into three major areas of intervention, subdivided into eighteen priorities, whose coherence with the operational agendas of the NSRF is set out in the tables shown.

## INTERACTION BETWEEN THE THEMATIC OPERATIONAL AGENDA FOR TERRITORIAL ENHANCEMENT AND THE NATIONAL ACTION PROGRAMME FOR GROWTH AND JOBS



### 05.6. COMMUNITY REGULATORY DETERMINATIONS RELEVANT FOR THE ORGANISATION OF THE OPERATIONAL PROGRAMMES

The Community Regulations for the Structural Funds and the Cohesion Fund applicable in the 2007-2013 period introduce some very significant changes relative to earlier programming periods with important consequences for the organisation of the Operational Programmes.

Fundamentally oriented by the joint desire on the part of Community institutions and Member States to introduce a high degree of simplification into the rules governing cohesion policy, the pertinent consequences of these regulations are particularly evident in the introduction of the single-fund and single-objective programming rules and by the convergence between the Structural Funds and the Cohesion Fund in matters of pluriannual programming.

The single-fund programming rule establishes that each Operational Programme can only receive financial support from one Structural Fund (without prejudice to either the

adoption of the mechanism of flexibility corresponding to the possibility of either of the Structural Funds co-financing development investment and actions framed within the intervention typology of the other Structural Fund, up to a limit of 10% of the financing allocated per Priority Axis, or to the exceptional possibility of agreement between the Commission and the Member State concerned relating to coverage by an Operational Programme from more than one of the cohesion policy Objectives).

The convergence between the Structural Funds and the Cohesion Fund in matters of pluriannual programming has raised the need for joint programming by the European Regional Development Fund and the Cohesion Fund with regard to Operational Programmes with national territorial coverage (in which each Priority Axis is only financed by a single Community fund).

It should be stressed, however, that although the aforementioned Community regulations maintain the rationality of structural intervention according to cohesion policy Objective, they introduce important simplifications into the structuring of these Objectives – which have been reduced



to only three: Convergence, Regional Competitiveness and Employment and European Territorial Cooperation.

This model of structuring the cohesion policy Objectives and the fixed regulations for the integration of each European NUTS II region in each of the two first Objectives should be analysed in the context of the relative situation of the Portuguese NUTS II regions compared to the statistical criteria established.

It should be especially borne in mind that the combination of the regulatory discipline mentioned and the evolution of the national regional situation determines that highly significant differentiations between regions be imposed in Portugal for the first time, above all relevant in terms of the intensity of Community structural funding and, also, as regards the typologies of interventions eligible for co-financing by the Structural Funds.

We are therefore faced with the following situation:

The North, Centre and Alentejo NUTS II regions, as well as the Autonomous Region of the Azores, are included in the Convergence objective;

The Algarve NUTS II region is included in the transitional regime of the Convergence objective, designated 'Statistical Phasing-out';

The Lisbon NUTS II region is included in the Regional Competitiveness and Employment Objective;

The Autonomous Region of the Madeira is included in the transitional regime of the Regional Competitiveness and Employment Objective, designated 'Phasing-in'.

This enormous diversity in the framing of the Portuguese NUTS II regions in the Objectives of the cohesion policy – which, furthermore, correspond to all the typologies established by Community regulations – has natural consequences for funding and the nature of the Regional Operational Programmes.

Nevertheless, this diversity has, relative to the aforementioned single-objective programming rule, another very important effect: the Thematic Operational Programmes have a territorial coverage limited by Community rules to regions included in the Convergence objective (except obviously where national eligibility for Cohesion Fund intervention applies). This territorial limitation is added to the national decision, agreed with the Regional Government of the Azores, to restrict the coverage of the Thematic OPs to the continental territory (though it should be stressed that Community regulatory discipline prevents the eventual possibility of incorporating interventions concretised in the Autonomous Region of Madeira into the Thematic Operational Programmes anyway).

The following situations should also be noted:

- Given the exceptional existing possibilities and bearing in mind (i) the enshrinement of the strategic priority relating to the qualification of the Portuguese people, (ii) the establishment of the guiding principle relating to the concentration of interventions and (iii) the fact that the priorities and typologies of intervention are significantly similar for the continental territory as a whole, a single Continental Thematic Operational Programme co-financed by the European Social Fund has been adopted (which will incorporate Priority Axes to frame development investment and actions to be carried out in the Lisbon and Algarve regions with rigid financial allocations);
- Also bearing in mind the guiding principle on the concentration of interventions and the single-fund programming rule as well, the Continental Regional Operational Programmes will be solely co-financed by the European Regional Development Fund.

## 05.7. OPERATIONAL PROGRAMMES

In line with the above, the Thematic Operational Programmes for the 2007–2013 period are the following:

- **Competitiveness Factors** Thematic Operational Programme – supported by the ERDF;
- **Human Potential** Thematic Operational Programme – co-financed by the ESF;
- **Territorial Enhancement** Thematic Operational Programme whose Community financing will be provided by the ERDF and Cohesion Fund.

The Continental Regional Operational Programmes, subject to Community co-financing through the ERDF, are territorially structured in line with the NUTS II and are consequently the following:

- Regional Operational Programme **North**;
- Regional Operational Programme **Centre**;
- Regional Operational Programme **Lisbon**;
- Regional Operational Programme **Alentejo**;
- Regional Operational Programme **Algarve**.

Two Operational Programmes will be created in each of the Autonomous Regions, supported by the ERDF and ESF, corresponding to the following:

- Regional Operational Programme **Azores** – ERDF;
- Regional Operational Programme **Azores** – ESF;
- Regional Operational Programme **Madeira** – ERDF;
- Regional Operational Programme **Madeira** – ESF.

Two Operational Programmes for Technical Assistance to the NSRF have also been created whose Community financing will be provided by the ERDF and ESF, respectively.

#### 05.8. TARGETS FOR THE EXECUTION OF EXPENDITURE WITHIN THE FRAMEWORK OF THE LISBON STRATEGY (EARMARKING)

The execution of the Lisbon Agenda, which the development strategy and priorities of the NSRF clearly aim at, should be concretised via the guarantee of compliance with the minimum targets for expenditure set out in Article 9(3) of Regulation (EC) No. 1083/2006 of 11th July.

These minimum targets relate to the expenditure included in the categories of actions established in Annex IV of the above Regulation and correspond to 60% of the whole of the Operational Programmes included in the Convergence objective (including that relative to the transitional phasing-out regime) and to 75% of the whole of the Operational Programmes included in the Regional Competitiveness and Employment Objective (including that relating to the transitional phasing-in regime).

These targets will be established indicatively in each of the Operational Programmes and quantified in the corresponding Annual Execution Reports.

Taking into account the regulatory provisions applicable and, in particular, the determination that compliance with the aforementioned discipline should be assessed based on the average execution over the 2007-2013 period per Objective, a specific mechanism for annual monitoring within the scope of the NSRF will be created whose reports will be submitted to the European Commission. The respective evaluation will be incorporated, in monitoring and pluriannual summary terms, into the reports to be presented, under the terms of Article 29 of the same Regulation, in 2009 and 2012. The final assessment of compliance with this discipline will take place when all of the Operational Programmes of the NSRF have been concluded.

It should be highlighted, however, that paragraph two of the aforementioned Article 9(3) of Regulation No. 1083/2006 stipulates that *"With a view to ensuring that specific national circumstances, including the priorities identified in the national reform programme of each Member State concerned, are taken into account, the Commission and that Member State may decide to complement in an appropriate manner the list of categories of Annex IV."*

Within this regulatory framing, taking into account the strategic priorities of the NSRF and the priorities in the National Action Plan for Growth and Jobs (PNACE), the

Portuguese authorities consider it necessary to complement the list of categories of actions established in Annex IV of Regulation No. 1083/2006 with the following:

- Category 44 – Management of household and industrial waste, 45 – Management and distribution of water (*drinking water*) and 46 – Water treatment (*waste water*);
- Category 53 – Risk prevention (including the drafting and execution of plans and measures intended to prevent and manage natural and technological risks);
- Category 61 – Integrated projects for urban and rural regeneration;
- Category 75 – Education infrastructure.

These typologies correspond to sets of interventions that will be subject to priority financial support by Operational Programmes in the aim, respectively, of concluding significant investments carried out during previous programming periods within the scope of the Strategic Plan for Water Supply and Waste Water Treatment (PEAASAR). These are indispensable to ensure the generalised provision of reasonable standards of water supply and waste water sanitation, afford effective conditions for the prevention and management of natural and technological risks, concretise interventions aimed at the economic, social and physical rehabilitation of especially fragile urban and rural areas and where diversified situations of exclusion are manifest, and ensure suitable conditions, in terms of the rationalisation and modernisation of the national network of educational infrastructure and facilities, to guarantee the achievement of the objectives established for raising the qualifications of the Portuguese people.

The aforementioned typologies are specifically recognised as PNACE priorities:

- Categories 44, 45 and 46 correspond to Measure 14 of the PNACE;
- Category 53 is included in Measure 4 of the PNACE;
- Category 61 embodies the guidelines defined in Measure 2 of the PNACE;
- Category 75 is referred to in Measure 1 of the PNACE. It should also be stressed that the interventions to be concretised constitute conditioning factors for the achievement of Measures 2, 4 and 7.

The tables presented on the following pages specify the relevant expenditure categories for each of the Objectives and Transitional Regimes within the scope of the execution of the Operational Programmes of the NSRF.

## CATEGORIES OF EXPENDITURE – RELEVANCE FOR EARMARKING

CODE	PRIORITY THEMES	EARMARKING			
		NR	CONV.	COMP.	PH. OUT & PH. IN

## Research and Technological Development (R&amp;TD), Innovation and Entrepreneurship

1	R&TD activities in research centres				
2	R&TD infrastructure ( <i>including physical plant, instrumentation and high-speed computer networks linking research centres</i> ) and centres of competence in a specific technology				
3	Technology transfer and improvement of cooperation networks between small and medium-sized businesses (SMEs), between these and other businesses and universities, post-secondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles ( <i>scientific and technological parks, technopoles, etc.</i> )				
4	Assistance to R&TD, particularly in SMEs ( <i>including access to R&amp;TD services in research centres</i> )				
5	Advanced support services for firms and groups of firms				
6	Assistance to SMEs for the promoting environmentally-friendly products and production processes ( <i>introduction of effective environment managing system, adoption and use of pollution prevention technologies, integration of clean technologies into firm production</i> )				
7	Investment in firms directly linked to research and innovation ( <i>innovative technologies, establishment of new firms by universities, existing R&amp;TD centres and firms, etc.</i> )				
8	Other investment in enterprises				
9	Other measures to stimulate research and innovation and entrepreneurship in SMEs				

## Information Society

10	Telephone infrastructures ( <i>including broadband networks</i> )				
11	Information and communication technologies ( <i>access, security, interoperability, risk- prevention, research, innovation, e-content, etc.</i> )				
12	Information and communication technologies (TEN-ICT)				
13	Services and applications for the citizen ( <i>e-health, e-government, e-learning, e-inclusion, etc.</i> )				
14	Services and applications for SMEs ( <i>e-commerce, education and training, networking, etc.</i> )				
15	Other measures for improving access to and efficient use of ICT by SMEs				

## Transport

16	Railways				
17	Railways (TEN-T)				
18	Mobile rail assets				
19	Mobile rail assets (TEN-T)				
20	Motorways				
21	Motorways (TEN-T)				
22	National roads				
23	Regional/local roads				

NR - Non- Relevant | CONV. - Relevant Convergence Objective | COMP. - Relevant Regional Competitiveness and Employment Objective  
 PH. OUT & PH. IN - Relevant Phasing Out and Phasing In Transitional Regimes

	Categories of Expenditure foreseen in the regulations		Additional Categories of Relevant Expenditure, justified by the PNACE in regulatory terms
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CODE	PRIORITY THEMES	EARMARKING			
		NR	CONV.	COMP.	PH. OUT & PH. IN
24	Cycle tracks				
25	Urban transport				
26	Multimodal transport				
27	Multimodal transport (TEN-T)				
28	Intelligent transport systems				
29	Airports				
30	Ports				
31	Inland waterways (regional and local)				
32	Inland waterways (TEN-T)				

### Energy

33	Electricity				
34	Electricity (TEN-E)				
35	Natural gas				
36	Natural gas (TEN-E)				
37	Petroleum products				
38	Petroleum products (TEN-E)				
39	Renewable energy: wind				
40	Renewable energy: solar				
41	Renewable energy: biomass				
42	Renewable energy: hydroelectric, geothermal and other				
43	Energy efficiency, co-generation, energy management				

### Environmental Protection and Risk Prevention

44	Management of household and industrial waste				
45	Management and distribution of water ( <i>drinking water</i> )				
46	Water treatment ( <i>waste water</i> )				
47	Air quality				
48	Integrated prevention and pollution control				
49	Mitigation and adaptation to climate change				
50	Rehabilitation of industrial sites and contaminated land				
51	Promotion of the biodiversity and nature protection ( <i>including Natura 2000</i> )				
52	Promotion of clean urban transport				
53	Risk prevention ( <i>including the drafting and implementation of plans and measures to prevent and manage natural and technological risks</i> )				



NR - Non- Relevant | CONV. - Relevant Convergence Objective | COMP. - Relevant Regional Competitiveness and Employment Objective

PH. OUT & PH. IN - Relevant Phasing Out and Phasing In Transitional Regimes

	Categories of Expenditure foreseen in the regulations		Additional Categories of Relevant Expenditure, justified by the PNACE in regulatory terms
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CODE	PRIORITY THEMES	EARMARKING			
		NR	CONV.	COMP.	PH. OUT & PH. IN
54	Other measures to preserve the environment and prevent risks				
<b>Tourism</b>					
55	Promotion of natural assets				
56	Protection and development of natural heritage				
57	Other assistance to improve tourist services				
<b>Culture</b>					
58	Protection and preservation of the cultural heritage				
59	Development of cultural infrastructure				
60	Other assistance to improve cultural services				
<b>Urban and Rural Regeneration</b>					
61	Integrated projects for urban and rural regeneration				
<b>Increasing the Adaptability of Workers and Firms, Enterprises and Entrepreneurs</b>					
62	Development of life-long learning systems and strategies in firms; training and services for employees to set up their adaptability to change; promoting entrepreneurship and innovation				
63	Design and dissemination of innovative and more productive ways of organising work				
64	Development of specific services for employment, training and support in connection with restructuring of sectors and firms, and development of systems to anticipating economic changes and future requirements in terms of jobs and skills				
<b>Improving Access to Employment and Sustainability</b>					
65	Modernisation and strengthening of labour market institutions				
66	Implementing active and preventative measures on the labour market				
67	Measures encouraging active ageing and prolonging working lives				
68	Support for self-employment and business start-up				
69	Measures to improve access to employment and increase sustainable participation and progress of women in employment, to reduce gender-based segregation in the labour market and to reconcile work and private life, such as facilitating access to childcare for dependent persons				
70	Specific action to increase participation of migrants in employment and thereby strengthen their social integration				
<b>Improving the Social Inclusion of the Less-favoured Persons</b>					
71	Pathway to integration and re-entry into employment for disadvantaged people; combating discrimination in accessing and progressing in the labour market and promoting acceptance of diversity at the workplace				

NR - Non- Relevant | CONV. - Relevant Convergence Objective | COMP. - Relevant Regional Competitiveness and Employment Objective  
 PH. OUT & PH. IN - Relevant Phasing Out and Phasing In Transitional Regimes

 Categories of Expenditure foreseen in the regulations  Additional Categories of Relevant Expenditure, justified by the PNACE in regulatory terms

CODE	PRIORITY THEMES	EARMARKING			
		NR	CONV.	COMP.	PH. OUT & PH. IN

#### Improving Human Capital

72	Design, introduction and implementation of reforms in education and training systems in order to develop employability, improving the labour market relevance of initial and vocational education and training, updating skills of training personnel with a view to innovation and a knowledge-based economy				
73	Measures to increase participation in education and training throughout the life-cycle, including through action to achieve a reduction in early school leaving, gender-based segregation of subjects and increased access to and quality of initial vocational and tertiary education and training				
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses'				

#### Investment in Social Infrastructure

75	Education infrastructure				
76	Health infrastructure				
77	Childcare infrastructure				
78	Housing infrastructure				
79	Other social infrastructure				

#### Mobilisation for Reforms in the Fields of Employment and Inclusion

80	Promoting partnerships, pacts and initiatives through the networking of relevant stakeholders				
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#### Strengthening Institutional Capacity at National, Regional and Local Level

81	Mechanisms for improving good policy and programme design, monitoring and evaluation at the national, regional and local level, capacity building in the delivery of policies and programmes				
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#### Reduction of Additional Costs hindering the Outermost Regions Development

82	Compensation of any additional costs due to accessibility deficit and territorial fragmentation				
83	Specific actions addressed to compensate additional costs due to size market factors				
84	Support to compensate additional costs due to climate conditions and relief difficulties				

#### Technical Assistance

85	Preparation, implementation, monitoring and inspection				
86	Evaluation and studies, information and communication				

NR - Non- Relevant | CONV. - Relevant Convergence Objective | COMP. - Relevant Regional Competitiveness and Employment Objective

PH. OUT & PH. IN - Relevant Phasing Out and Phasing In Transitional Regimes

	Categories of Expenditure foreseen in the regulations		Additional Categories of Relevant Expenditure, justified by the PNACE in regulatory terms
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## 05.9. FINANCIAL PROGRAMMING

Bearing in mind the pertinent decisions of the European Council and the corresponding Community regulatory provisions, as well as the relevant deliberation of the Council of Ministers, the financial programming for the 2007-2013 period as it relates to Community funding is presented in the following tables.

It should be stressed that the aforementioned deliberation of the Council of Ministers openly assumes a strategic reorientation of the application of Community structural funds, which, by focusing on the overcoming of the main structural challenges faced by Portugal, will contribute to raising the qualifications of the Portuguese people and to the promotion of competitiveness factors which, by reducing public administrative costs, will ensure the promotion of the sustained growth of the economy and the enhancement of the territory, indispensable in order to promote the raising of the quality of life within a framework of sustainability.

In parallel, this deliberation translates the relevance that the Council of Ministers attributes to bolstering the territorialised application of Community structural resources — namely via their mobilisation by Regional Operational Programmes — as well as to the pertinence of development strategies which, supported on territorial specificities and diversities, contribute to national development priorities.

This deliberation finally enshrines the support of the NSRF and respective Operational Programmes in concretising the government's main strategic and operational instruments, of note of which, for their transversality, are the National Sustainable Development Strategy, National Action Programme for Growth and Jobs, National Plan for Employment, Restructuring Programme for the State's Central Administration, National Plan for Equality, Technological Plan, the SIMPLEX programme and the National Programme for Spatial Planning Policy.

According to these political priorities, the deliberation of the Council of Ministers on the application of Community structural funds for the 2007-2013 period translates into the establishment of the following three main guidelines:

- To bolster financing intended for the qualification of human resources

The European Social Fund will be increased to 37% of all financial provisions allocated to the structural funds as a whole (ESF and ERDF) in continental Portugal (35.3% of the respective provisions allocated to Portugal), up 10 percentage

points on the amount available in the Community Support Framework 2000-2006 (CSF III).

Interventions co-financed by the ESF in education, training, employment, social cohesion, science and culture will therefore benefit from 1.3 billion euros more than in the previous programming period, rising from 4.7 billion to 6 billion euros (at 2004 prices).

- To bolster financing intended to foster the sustained growth of the Portuguese economy

The interventions of the European Regional Development Fund aimed at promoting the sustained growth of the Portuguese economy will receive funding of at least 5.5 billion euros, 3.1 billion euros of which will be allocated to the Competitiveness Factors Thematic Operational Programme and at least 2.4 billion euros to the Regional Operational Programmes for actions to promote competitiveness in the respective territories (at current prices).

Under these terms, competitiveness factor-related interventions co-financed by the ERDF will be allocated 66% of the provisions of this structural fund consigned to the Thematic Operational Programmes, a rise of 12 percentage points over the equivalent figure in the CSF III.

- To bolster the financial relevance of the Continental Regional Operational Programmes

The Continental Regional Operational Programmes (exclusively co-financed by the ERDF) will rise to 55% of total ERDF financing for continental Portugal, up 9 percentage points on the equivalent figure in the CSF III.

The financial allocations for the Regional OPs for the continental Convergence regions (North, Centre and Alentejo) will rise 10% in real terms relative to the equivalent figure in the CSF III.

Within the framework of close inter-linkage between NSRF and EAFRD financing, indicative consideration was given to access by the beneficiaries in the Algarve and Madeira regions to EAFRD financing of 225 million euros and 175 million euros (at current prices), respectively, bearing in mind their specific eligibilities.

## INDICATIVE ANNUAL FINANCIAL ALLOCATION PER FUND AND OPERATIONAL PROGRAMME – CONVERGENCE OBJECTIVE

OPERATIONAL PROGRAMME	FUND	Community Contribution (euros – current prices)									
		TOTAL	2007	2008	2009	2010	2011	2012	2013		
Thematic OP Competitiveness Factors	ERDF	3.103.789.011	417.496.731	425.846.666	434.363.599	443.050.871	451.911.888	460.950.126	470.169.130		
	ERDF + CF	4.658.544.223	626.629.896	639.162.494	651.945.744	664.984.659	678.284.351	691.850.039	705.687.040		
Thematic OP Territorial Enhancement	ERDF	1.598.578.698	215.027.948	219.328.507	223.715.077	228.189.378	232.753.165	237.408.229	242.156.394		
	CF	3.059.965.525	411.601.948	419.833.987	428.230.667	436.795.281	445.531.186	454.441.810	463.530.646		
Regional OP North	ERDF	2.711.645.133	364.748.691	372.043.665	379.484.538	387.074.229	394.815.714	402.712.028	410.766.268		
Regional OP Centre	ERDF	1.701.633.124	228.890.000	233.467.800	238.137.156	242.899.899	247.757.897	252.713.056	257.767.316		
Regional OP Alentejo	ERDF	868.933.978	116.882.009	119.219.649	121.604.042	124.036.123	126.516.846	129.047.183	131.628.126		
Regional OP Azores	ERDF	900.748.216	121.161.405	123.584.632	126.056.325	128.577.452	131.149.001	133.771.981	136.447.420		
	Special allocation	65.600.833	8.824.096	9.000.578	9.180.590	9.364.202	9.551.486	9.742.515	9.937.366		
Thematic OP Human Potential	ESF	5.834.519.232	784.812.594	800.508.847	816.519.024	832.849.404	849.506.392	866.496.520	883.826.451		
Regional OP Azores	ESF	190.000.000	25.557.272	26.068.417	26.589.795	27.121.581	27.664.013	28.217.293	28.781.639		
Technical Assistance OP	ERDF	80.642.957	10.847.442	11.064.391	11.285.679	11.511.392	11.741.620	11.976.452	12.215.981		
Technical Assistance OP	ESF	76.802.154	10.330.808	10.537.424	10.748.173	10.963.137	11.182.399	11.406.046	11.634.167		
TOTAL NSRF Funds 2007-2013 – Convergence		20.192.858.861	2.716.180.944	2.770.504.563	2.825.914.655	2.882.432.949	2.940.081.607	2.998.883.239	3.058.860.904		
Total ERDF		11.031.571.950	1.483.878.322	1.513.555.888	1.543.827.006	1.574.703.546	1.606.197.617	1.638.321.570	1.671.088.001		
Total CF		3.059.965.525	411.601.948	419.833.987	428.230.667	436.795.281	445.531.186	454.441.810	463.530.646		
Total ESF		6.101.321.386	820.700.674	837.114.688	853.856.982	870.934.122	888.352.804	906.119.859	924.242.257		
EAERD*		3.648.094.672	526.583.178	524.461.484	510.402.325	517.645.174	523.315.964	523.361.803	522.324.744		
EFF*		223.943.059	30.519.983	30.998.886	31.484.737	31.977.622	32.477.628	32.984.845	33.499.358		

\* Includes Algarve region

## INDICATIVE ANNUAL FINANCIAL ALLOCATION PER FUND AND OPERATIONAL PROGRAMME – TRANSITIONAL SUPPORT FOR THE CONVERGENCE OBJECTIVE (PHASING-OUT)

OPERATIONAL PROGRAMME	FUND	Community Contribution (euros – current prices)							
		TOTAL	2007	2008	2009	2010	2011	2012	2013
Regional OP Algarve	ERDF	174.952.016	42.760.156	37.246.284	31.494.752	25.498.262	19.249.314	12.740.209	5.963.039
Thematic OP Human Potential	ESF	102.749.597	25.113.107	21.874.802	18.496.918	14.975.170	11.305.153	7.482.344	3.502.103
Technical Assistance OP	ERDF	1.322.056	323.125	281.457	237.996	192.682	145.461	96.274	45.061
Technical Assistance OP	ESF	776.445	189.771	165.301	139.775	113.163	85.429	56.542	26.464
<b>TOTAL NSRF Funds 2007–2013 – Transitional support of the Convergence objective</b>		<b>279.800.114</b>	<b>68.386.159</b>	<b>59.567.844</b>	<b>50.369.441</b>	<b>40.779.277</b>	<b>30.785.357</b>	<b>20.375.369</b>	<b>9.536.667</b>
Total ERDF		176.274.072	43.083.281	37.527.741	31.732.748	25.690.944	19.394.775	12.836.483	6.008.100
Total ESF		103.526.042	25.302.878	22.040.103	18.636.693	15.088.333	11.390.582	7.538.886	3.528.567

EAFRD*									
EFF**									

\* EAFRD not subject to phasing-out

\*\* In the case of EFF, the Algarve is included in the Convergence objective

## INDICATIVE ANNUAL FINANCIAL ALLOCATION PER FUND AND OPERATIONAL PROGRAMME – REGIONAL COMPETITIVENESS AND EMPLOYMENT OBJECTIVE

OPERATIONAL PROGRAMME	FUND	Community Contribution (euros – current prices)							
		TOTAL	2007	2008	2009	2010	2011	2012	2013
Regional OP Lisbon	ERDF	306.689.171	41.253.361	42.078.428	42.919.996	43.778.396	44.653.963	45.547.043	46.457.984
Thematic OP Human Potential	ESF	180.119.036	24.228.164	24.712.727	25.206.982	25.711.121	26.225.344	26.749.851	27.284.847
Technical Assistance OP	ERDF	2.317.550	311.738	317.973	324.332	330.819	337.436	344.184	351.068
Technical Assistance OP	ESF	1.361.101	183.084	186.746	190.481	194.291	198.176	202.140	206.183
<b>TOTAL NSRF Funds 2007–2013 – Regional Competitiveness and Employment</b>		<b>490.486.858</b>	<b>65.976.347</b>	<b>67.295.874</b>	<b>68.641.791</b>	<b>70.014.627</b>	<b>71.414.919</b>	<b>72.843.218</b>	<b>74.300.082</b>
Total ERDF		309.006.721	41.565.099	42.396.401	43.244.328	44.109.215	44.991.399	45.891.227	46.809.052
Total ESF		181.480.137	24.411.248	24.899.473	25.397.463	25.905.412	26.423.520	26.951.991	27.491.030

EAFRD	94.442.381	8.886.464	11.293.907	14.594.830	14.801.937	14.964.092	14.965.403	14.935.748
EFF	12.556.000	1.688.945	1.722.724	1.757.178	1.792.323	1.828.169	1.864.733	1.901.928

## INDICATIVE ANNUAL FINANCIAL ALLOCATION PER FUND AND OPERATIONAL PROGRAMME – TRANSITIONAL SUPPORT FOR THE REGIONAL COMPETITIVENESS AND EMPLOYMENT OBJECTIVE (PHASING-IN)

OPERATIONAL PROGRAMME	FUND	Community Contribution (euros – current prices)							
		TOTAL	2007	2008	2009	2010	2011	2012	2013
Regional OP Madeira	ERDF	<b>254.224.328</b>	66.119.657	56.867.201	47.218.198	37.160.488	26.681.584	15.768.658	4.408.542
	Special Allocation	<b>66.324.676</b>	8.921.462	9.099.891	9.281.889	9.467.527	9.656.877	9.850.015	10.047.015
Regional OP Madeira	ESF	<b>125.000.000</b>	32.510.489	27.961.133	23.216.798	18.271.505	13.119.114	7.753.317	2.167.644
Technical Assistance OP	ERDF	<b>1.805.375</b>	469.549	403.843	335.320	263.895	189.479	111.982	31.307
Technical Assistance OP	ESF	<b>1.060.300</b>	275.767	237.177	196.934	154.986	111.282	65.767	18.387
<b>TOTAL NSRF Funds 2007–2013 – Transitional support of the Regional Competitiveness and Employment Objective</b>		<b>448.414.679</b>	<b>108.296.924</b>	<b>94.569.245</b>	<b>80.249.139</b>	<b>65.318.401</b>	<b>49.758.336</b>	<b>33.549.739</b>	<b>16.672.895</b>
Total ERDF		<b>322.354.379</b>	75.510.668	66.370.935	56.835.407	46.891.910	36.527.940	25.730.655	14.486.864
Total ESF		<b>126.060.300</b>	32.786.256	28.198.310	23.413.732	18.426.491	13.230.396	7.819.084	2.186.031
EAFRD		<b>175.000.000</b>	25.039.134	25.051.654	24.548.604	24.896.960	25.169.706	25.171.910	25.122.032
EFF		<b>9.986.190</b>	1.343.249	1.370.114	1.397.515	1.425.466	1.453.976	1.483.055	1.512.815

## INDICATIVE ANNUAL FINANCIAL ALLOCATION PER FUND AND OPERATIONAL PROGRAMME – EUROPEAN TERRITORIAL COOPERATION OBJECTIVE

OPERATIONAL PROGRAMME	FUND	Community Contribution (euros – current prices)							
		TOTAL	2007	2008	2009	2010	2011	2012	2013
Portugal–Spain Cross-border Cooperation OP	ERDF	<b>60.222.493</b>	7.771.402	7.960.941	8.231.584	8.572.937	8.924.651	9.225.719	9.535.259
Mediterranean Sea Basin Cross-border Cooperation OP	ERDF	<b>663.351</b>	53.379	91.200	99.686	101.680	103.714	105.788	107.904
Atlantic Area Transnational Cooperation OP	ERDF	<b>16.168.600</b>	2.086.475	2.137.362	2.210.025	2.301.672	2.396.100	2.476.931	2.560.036
Southwest Europe Transnational Cooperation OP	ERDF	<b>7.506.849</b>	968.720	992.347	1.026.083	1.068.633	1.112.475	1.150.003	1.188.588
Mediterranean Transnational Cooperation OP	ERDF	<b>4.042.151</b>	521.619	534.341	552.506	575.418	599.025	619.233	640.009
Macaronesia Transnational Cooperation OP	ERDF	<b>10.394.099</b>	1.341.305	1.374.018	1.420.730	1.479.646	1.540.350	1.592.312	1.645.737
<b>TOTAL NSRF Funds 2007–2013 – European Territorial Cooperation</b>		<b>98.997.543</b>	<b>12.742.900</b>	<b>13.090.209</b>	<b>13.540.614</b>	<b>14.099.986</b>	<b>14.676.315</b>	<b>15.169.986</b>	<b>15.677.533</b>
Total ERDF		<b>98.997.543</b>	12.742.900	13.090.209	13.540.614	14.099.986	14.676.315	15.169.986	15.677.533

## INDICATIVE ANNUAL FINANCIAL ALLOCATION PER FUND AND OPERATIONAL PROGRAMME – TECHNICAL ASSISTANCE TO THE NSRF

OPERATIONAL PROGRAMME	FUND	Community Contribution (euros – current prices)							
		TOTAL	2007	2008	2009	2010	2011	2012	2013
Technical Assistance OP	ERDF	<b>86.087.938</b>	11.951.854	12.067.664	12.183.327	12.298.788	12.413.996	12.528.892	12.643.417
Technical Assistance OP	ESF	<b>80.000.000</b>	10.979.430	11.126.648	11.275.363	11.425.577	11.577.286	11.730.945	11.885.201
<b>TOTAL NSRF Funds 2007–2013 – Technical Assistance NSRF</b>		<b>166.087.938</b>	<b>22.931.284</b>	<b>23.194.312</b>	<b>23.458.690</b>	<b>23.724.365</b>	<b>23.991.282</b>	<b>24.259.387</b>	<b>24.528.618</b>
Total ERDF		<b>86.087.938</b>	11.951.854	12.067.664	12.183.327	12.298.788	12.413.996	12.528.892	12.643.417
Total ESF		<b>80.000.000</b>	10.979.430	11.126.648	11.275.363	11.425.577	11.577.286	11.730.945	11.885.201

## INDICATIVE ANNUAL FINANCIAL ALLOCATION PER FUND AND OPERATIONAL PROGRAMME – TOTAL

OPERATIONAL PROGRAMME	Community Contribution (euros – current prices)							
	TOTAL	2007	2008	2009	2010	2011	2012	2013
<b>TOTAL NSRF Funds 2007–2013 – Total</b>	<b>21.510.558.055</b>	<b>2.971.583.274</b>	<b>3.005.027.735</b>	<b>3.038.715.640</b>	<b>3.072.645.240</b>	<b>3.106.716.534</b>	<b>3.140.821.551</b>	<b>3.175.048.081</b>
Total ERDF	<b>11.938.204.665</b>	1.656.780.270	1.672.941.174	1.689.180.103	1.705.495.601	1.721.788.046	1.737.949.921	1.754.069.550
Total CF	<b>3.059.965.525</b>	411.601.948	419.833.987	428.230.667	436.795.281	445.531.186	454.441.810	463.530.646
Total ESF	<b>6.512.387.865</b>	903.201.056	912.252.574	921.304.870	930.354.358	939.397.302	948.429.820	957.447.885
EAFRD*	<b>3.929.325.028</b>	560.567.716	562.516.301	551.549.715	559.348.027	565.453.718	565.503.072	564.386.480
EFF*	<b>246.485.249</b>	33.552.177	34.091.724	34.639.430	35.195.411	35.759.773	36.332.633	36.914.101

\* The figures presented correspond to the total programming for EAFRD, including the National Rural Network (11,787,975 euros), and the EFF, which cannot be totally broken down according to objectives and transitional regimes at this stage of the programming.



#### 05.10. EX ANTE VERIFICATION OF ADDITIONALITY

Under the terms of Article 15(1) of Regulation (EC) No. 1083/2006 of 11th July, the additionality principle imposes the requirement that *"Contributions from the Structural Funds shall not replace public or equivalent structural expenditure by a Member State"*.

It should therefore be taken into account, in accordance with the respective paragraphs 2 and 3, that:

- This principle applies exclusively, in the 2007-2013 programming period, to regions included in the Convergence objective (given that paragraph 2 of this article determines that *"For regions covered by the Convergence objective, the Commission and the Member State shall determine the level of public or equivalent structural expenditure which the Member State shall maintain in all the regions concerned during the programming period"*);
- Also according to the same paragraph, *"The level of expenditure by a Member State shall be one of the items covered by the decision of the Commission on the national strategic reference framework referred to in Article 28(3)," and that, "The methodological paper of the Commission ... shall provide guidance"*;
- Paragraph 3 of the same Article of the General Regulation determines in turn that, *"As a general rule, the level of the expenditure referred to in paragraph 2 shall be at least equal to the amount of the average annual expenditure in real terms attained during the previous programming period."* It then goes on to stress the following: *"Furthermore, the level of expenditure shall be determined with reference to the general macroeconomic conditions in which the financing is carried out and taking into account certain specific or exceptional economic situations, such as privatisations as well as an exceptional level of public or equivalent structural expenditure by the Member State during the previous programming period."*

The following table verifies *ex ante* compliance with the additionality principle for the 2007-2013 period.

Bearing in mind the aforementioned Community regulatory determinations and, specifically, that stated in Article 15(3) of Regulation (EC) No. 1083/2006 of 11th July, the mid-term and *ex post* verification of additionality will take into consideration the evolution of the general macroeconomic conditions and the specific or exceptional economic situations verified in Portugal.

#### 05.11. DIVISION OF RESPONSIBILITIES BETWEEN THE STRUCTURAL FUNDS, THE EAFRD AND THE EFF

The general principle of demarcating the responsibilities for funding between the Structural Funds (European Regional Development Fund (ERDF) and European Social Fund (ESF)), the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF) corresponds to the notion that, within the framework of the specific eligibilities of the ERDF and the ESF, the Structural Funds are responsible for funding related to the provision of public property and services – understood to mean those whose benefits are indivisibly enjoyed by the general population, irrespective of whether any particular individual wishes or not to enjoy them.

It should be noted that this general principle of demarcating funding responsibilities may be adapted to suit the Autonomous Regions of the Azores and Madeira in view of their specific characteristics.

Given their characteristics, public properties and services constitute a good example of positive externalities as they involve an involuntary imposition of benefits and therefore constitute a response adapted to counter market inefficiencies.

In that sense, the funding of interventions aimed at the provision of non-public property and services constitutes the unequivocal responsibility of the EAFRD and EFF.

Complementing this definition of funding responsibilities and, in particular, in those situations in which an additional clarification of the concept of property and services is justified, it is assumed that the funding of interventions within agricultural and fishery holdings is the specific responsibility of the EAFRD and EFF.

Also bearing in mind the need to precisely establish the aforementioned demarcation of responsibilities, the following specific situations are highlighted:

- It is the responsibility of the EAFRD to support the maintenance of the agro-forestry systems in all Rede Natura classified areas, namely through the Integrated Territorial Interventions (ITI). In those Rede Natura territories that are not yet subject to an ITI, this support will be implemented in the form of positive differentiation as compensation until they are.
- Interventions relating to rural tourism and nature tourism are financeable by the EAFRD. Under the conditions defined in the Rural Development Programme, therefore, the following

## NATIONAL STRATEGIC REFERENCE FRAMEWORK 2007-2013 | PORTUGAL

FINANCIAL TABLE WITH THE AVERAGE ANNUAL FORECAST FOR 2007-2013 AND WITH A SUMMARY STATEMENT OF AVERAGE PUBLIC OR EQUIVALENT STRUCTURAL EXPENDITURE IN THE CONVERGENCE OBJECTIVE REGIONS IN 2000-2005 (EUROS AT 2006 PRICES)

AVERAGE ANNUAL FORECAST IN THE NSRF 2007–2013 (EX ANTE)										ANNUAL AVERAGE 2000–2005				
	Total	Of which public companies (b)	National Strategic Reference Framework (NSRF)		Outside NSRF (a)	Total	Total	Of which public companies	Community Support Framework (CSF)		Outside NSRF	Total		
	National + EU	National + EU	EU	National	National	National	National + EU	National + EU	EU	National	National	National		
1	2 = 4+5+6	3	4	5	6	7 = 5+6–2–4	8 = 10+11+12	9	10	11	12	13 = 11+12+8–10		
Basic infrastructure	2.906.664.992	1.005.410.456	503.233.174	297.283.105	2.106.148.713	2.403.431.818	2.790.923.028	942.289.930	634.514.624	499.099.053	1.657.309.350	2.156.408.403		
– Transport	2.042.183.196	760.885.816	243.457.802	161.601.255	1.637.124.139	1.798.725.394	1.695.247.999	692.126.883	376.642.474	354.347.445	964.258.080	1.318.605.525		
– Telecommunications and information society	225.409.282	2.363.956	80.326.501	36.518.962	108.563.819	145.082.781	264.686.169	56.944.623	49.164.857	27.396.993	188.124.318	215.521.312		
– Energy	68.681.498	7.028.995	24.814.839	14.714.776	29.151.883	43.866.659	250.519.746	73.545.099	40.937.285	55.735.097	153.847.364	209.582.461		
– Environment and water	405.245.519	194.644.578	110.721.612	66.932.939	227.590.968	294.523.907	435.928.315	119.673.326	103.976.347	39.513.805	292.438.164	331.951.969		
– Health (c)	165.145.496	40.487.112	43.912.419	17.515.173	103.717.904	121.233.078	144.540.799	0	63.793.662	22.105.713	58.641.423	80.747.137		
Human Resources	1.807.653.442		978.993.710	429.012.601	399.647.131	828.659.732	1.519.149.745	410.669	749.521.196	399.968.725	369.659.823	769.628.548		
– Education	766.459.960		446.793.112	193.619.252	126.047.596	319.666.848	570.324.008	144.715	250.704.136	119.668.138	199.951.734	319.619.872		
– Training	802.021.969		384.757.985	172.974.018	244.289.965	417.263.983	739.890.441	107.467	373.653.996	215.451.344	150.785.100	366.236.445		
– R&D	239.171.513		147.442.613	62.419.331	29.309.570	91.728.901	208.935.295	158.486	125.163.064	64.849.243	18.922.988	83.772.231		
Productive environment	835.038.668		542.669.710	146.390.098	145.978.860	292.368.958	745.626.231	4.721.951	456.792.686	229.976.922	58.856.623	288.833.544		
– Industry	432.210.859		332.250.866	57.075.510	42.884.483	99.959.993	142.944.231	2.377.288	90.129.169	41.038.692	11.776.347	52.815.039		
– Services	184.411.489		114.756.262	51.858.372	17.796.855	69.655.227	399.419.422	17.719	249.366.623	132.267.501	17.785.298	150.052.799		
– Tourism	218.416.320		95.662.583	37.456.216	85.297.522	122.753.738	203.262.600	2.326.944	117.296.894	56.670.729	29.294.977	85.965.706		
Other (d)	700.354.419		278.931.822	124.193.625	297.228.972	421.422.597	899.289.388	26.654.907	216.483.213	120.532.403	562.273.772	682.806.174		
Total	6.249.711.521	1.005.410.456	2.303.828.416	996.879.430	2.949.003.675	3.945.883.105	5.954.988.390	974.077.457	2.057.311.720	1.249.577.103	2.648.099.567	3.897.676.670		

(a) Includes national contribution to the Cohesion Fund financing

(b) AdP, ANA, APS-SINES, CTT, EDIA, ENATUR, ESTRADAS DE PORTUGAL, HOSPITAIS E.P.E., METRO DE LISBOA, METRO DO MONDEGO, METRO DO PORTO, NAER, RAVE, REFER and REN

(c) In the health sub-field, expenditure by EPE hospitals is classified within the public administration subsector in the 2000-2005 period, while for the 2007-2013 period it has been included in the public companies subsector

(d) Includes technical assistance, other social infrastructure and mechanisms for improving the design, monitoring and evaluation of integrated policies and programmes and projects for urban and rural regeneration

Source: Management Authorities for the OPs, DGAL, DGO, DPP, GT NSRF, IEPF, EPs, RAA and RAM

are financeable:

- Within the scope of rural tourism, hospitality services provided within the modalities of tourism-related housing, agri-tourism, rural holiday homes, village tourism and also rural tourist complexes and rural camp sites;

- Within the scope of nature tourism, accommodation establishments, activities and services and tourism and environmental animation realized and provided in areas included in the national network of protected areas; nature tourism consists of hospitality services, nature houses (shelters, retreats, reception centres) and rural holiday homes and complexes and also environmental animation activities (animation, environmental interpretation and nature sports). The responsibilities of the EAFRD encompass the funding of agricultural and agro-industrial effluents both as regards interventions carried out on farms and relative to interface interventions that connect to the public systems of effluent treatment, including recovery and pre-treatment of effluents.

The responsibilities of the EAFRD include the funding of micro-enterprises in rural areas.

The EAFRD will finance nationwide support for the agro-food industries in the activities mentioned in Annex I to the Treaty; in the case of forestry management, this support is limited to micro-enterprises and semi-finished materials.

The responsibilities of the EFF do not encompass R&TD-related fisheries interventions or the corresponding research facilities that might be supported by the ERDF under the terms of the provisions relating to the funding of R&D by the NSRF.



## 06. GOVERNANCE

### 06. GOVERNANCE

The formulation of the development strategy that the NSRF and the respective Operational Programmes will carry through to achieve the priorities established, is not, as already highlighted, sufficient in itself to return the Portuguese economy to a trajectory of sustained growth leading to the creation of jobs and social cohesion.

The quality of the development strategy must be closely associated with the respective operational organisation – corresponding to the conception of the intervention instruments to be implemented – and, necessarily, to the model of governance adopted, which we shall present below.

The presentation of the model of governance for the next period of programming for Community structural intervention is not limited, however, to a description of the organisational mechanisms and of the monitoring, management, evaluation and control procedures that will be implemented. It also comprises the lessons learnt from the experience of the previous Community Support Frameworks (particularly the CSF III), the summary of the determinations of Community regulations and the identification of the duly established political guidelines.

#### 06.1. LESSONS LEARNT FROM THE CSF III EVALUATION

The evaluation of the Community Support Framework 2000–2006 closely examined the problematic issue of its governance. Notwithstanding the important alterations stemming from the more significant complexity of Portugal's international situation and the added dimension of the economic, social, territorial and institutional constraints that need to be overcome, this evaluation should be revisited as a relevant reflection on the definition of the model of governance to be implemented in the next programming period.

The evaluation stresses that *"the interpretation of the evolution of the organisational models for the organic management and oversight structures of the three Community Support Frameworks in Portugal unequivocally reveals the existence of continuity characterised by the perfecting and sophistication of the architectures in the sense of providing, on the one hand, models better adapted to the new realities and, on the other, extracting the maximum benefit possible from the experience capital already acquired"*.

Attributing particular relevance to what is designated as the *"regionally devolved model of management"*, which *"constituted the expression of a desire for change in the management of Community funds, while also representing*

*a step towards the reform of the administration, namely as regards the rationalisation of the devolved administration"*, the evaluation notes that *"the implementation of this model was below the initially forecast expectations, given that there was no real devolution of sectoral decision-making to the regional level which weakened the work of the CCDRs as sectoral management and mutual coordination structures in the regional context, and that the existence of the logic of the regional approach was immediately weakened by the inclusion in the Axis III of distinctly national fields of action that did not correspond in any way to the list of central administration entities that had been subject to regional devolution"*. It concludes that the *"gains in regional decision-making capacity were unequivocally conditioned both by deficits in the devolution of decision-making powers and by interference, at the local level, in the pursuit of a regionally structured vision of investment"*.

The evaluation of the CSF III noted, however, that this *"management model could have positive repercussions in the next programming period"*. The CCDRs and the devolved services *"that were shown to be mature enough for inter-institutional coordination today have gained experience capital through their involvement in regional development processes, supported by Structural Funds, capable of justifying their greater independence in the next programming period, and have also been positive in the sense of raising the levels of information, visibility and transparency of sectoral intervention in the regions"*.

Furthermore, the evaluation argued that *"there are conditions for attaining a higher degree of territoriality in the conception and programming of sectoral investments, with major gains in the selectivity of the investments and an increase in the leverage effect, via the creation of synergies, that are only possible via the concentration and intensification of investment at the territorial and thematic levels"*.

Examining in this context the experience acquired – particularly in the Lisbon and Vale do Tejo region – with sub-regional contract awarding, it was felt that the lessons learnt from experience reveal that *"the contract award process has a fortifying effect at the supra-municipal level, contributes to raising the levels of supra-municipal strategic planning and creates conditions that favour more effective and efficient management of Community funds"*.

It considered that the impact of Community guidelines was positive, demonstrating by means of two examples – the influence of the European Employment Strategy (EES) and of the guidelines of the Lisbon Strategy – the *"differentiated effect that the external coherence of the programming of the CSF III with Community policy strategic guidelines can produce*

*in terms of public policy innovation.*

*The consolidated character of the EES in terms of its role in Community programming and its translation into a mechanism of policy coordination at the national internal level via the action executed by the PNE is largely responsible for the systemic impact of the PNE, creating conditions for the quantified coordination of policies, included among which are education, training and employment policy. In this case, the existence of a reference framework at the Community level, defined within a framework of open coordination with the Member States, creates conditions for sustained policy innovation at the national level. Despite the difficulties shown in adapting national strategy to European strategy in a context in which the labour market functioned asymmetrically and in counter-cycle with the broadly structural dimension of unemployment in the EU, the systemic impact is unequivocal, given that the national public policy system had to adapt to ideas that are mainstream in more modern and advanced administrations but which were not in Portugal".*

It was also considered that "the example of the Lisbon Strategy demonstrates, on the contrary, how the absence of a consolidated framework of Community strategic guidelines, resulting at the national level in binding policy coordination documents, has not yet succeeded in producing the same systemic impact in terms of innovation policy". It concludes that "the compatibility of guiding documents such as the PNACE (of which the PNE is an integral part), the Technological Plan and the NSRF will be of strategic importance here so that, in similarity to the relations between the EES and PNE, the Lisbon Strategy can result in the coordination of policies at the national level and thereby contribute to a systemic impact in terms of innovation policies".

## 06.2. NEW COMMUNITY REGULATIONS

Benefiting from the evaluation of past experiences and resulting necessarily from the dynamics and guidelines stemming from the evolution of the geo-strategic context and European policies, as well as the stated desire of the European Council, the Community structural regulations for the 2007-2013 period introduce significant innovations into the conditioning factors that they impose on the model of governance of the Structural Funds and the Cohesion Fund.

These innovations, which are above all laid down in Council Regulation (CE) No. 1083/2006 of 11th July 2006 establishing general provisions for the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), while bearing the provisions of the Treaty in mind

as regards economic and social cohesion, place priority on the contribution of cohesion policy to growth, competitiveness and jobs, alongside the integration of Community priorities on sustainable development, bearing in mind the increase in economic, social and territorial disparities in the EU since enlargement.

This position, enshrined in the Council of the European Union's establishment of Community strategic guidelines on economic, social and territorial cohesion, is endowed with policy effectiveness via provisions on the strategic monitoring of cohesion within the framework of each Member State's annual execution reports for their respective national reform plans, the national reports for programmes co-financed by the Funds (to be presented by the end of 2009 and 2012), the Commission's annual reports to be submitted to the Spring European Council and the cohesion reports.

Reducing the Structural Funds to the ERDF and the ESF and ensuring the respective strategic and operational convergence with the CF concentrates support into three Objectives (Convergence, Regional Competitiveness and Employment and European Territorial Cooperation), ensures coherence between the cohesion policy and other European policies (in particular those relating to rural development and fisheries) and significantly valorises sustainable urban development and the contribution of the cities to regional development.

It also determines, in pursuing the objective of simplifying Community structural intervention, that programming and financial management are only carried out via the Operational Programmes and respective Priority Axes, which (without prejudice to flexibility mechanisms) are now single-fund and single-objective – thereby eliminating the previous requirements for programming and execution, which, taking the Community Support Frameworks and Programming Complements as programming tools, were carried through on a measure by measure basis.

The more strategic and, consequently, less operationally detailed character of the programming instruments should not however be understood as an incentive for less rigour in the programming process; on the contrary, the inherent transfer of operational responsibilities to the Member States imposes added demands on the establishment by national authorities of the reference points and requirements of the Operational Programmes, specifically as regards national regulation of the interventions to be carried through.

Finally, it should be noted that the enhancement of a more strategic approach for the cohesion policy and the significant



simplification introduced into its respective operationalisation have brought important alterations to the purpose and responsibilities of the Commission's different services – whose functions will henceforth have a more strategic and less managerial dimension and character.

### 06.3. POLITICAL GUIDELINES FOR GOVERNANCE

By means of Resolution No. 25/2006 of 10th March, the Council of Ministers defined a set of extremely important guidelines for the governance of the NSRF and the respective Operational Programmes, the conception of which is aimed at the pursuit of the objectives of political consistency, efficacy, professionalisation and simplicity.

As regards the overall governance of the NSRF, the following will be created:

- A body responsible for political guidance – the NSRF Ministerial Coordination Committee – presided over by the minister responsible for regional development and comprised by the Coordinating Ministers for the Thematic and Regional Operational Programmes, the Coordinating Minister for the programming instruments for rural development and fisheries and by the Minister of Finance. Its meetings may also be attended by other relevant ministers depending on the material, the Coordinator for the Technological Plan and the President of the National Association of Portuguese Municipalities. The representatives of the Regional Governments for the Azores and Madeira shall attend the respective meetings whenever matters of relevant interest are discussed which, due to their nature, may have implications for the Autonomous Regions;
- A technical body responsible for the respective strategic coordination and monitoring (which ensures that interventions are consistent in fulfilling the development strategy defined and in achieving the goals established, and ensures linkage with the programming instruments that are established within the scope of the EAFRD and the EFF);
- Technical bodies for the financial coordination and monitoring of the Cohesion Fund and Structural Funds (ESF and ERDF), which hold the powers attributed by Community regulations to the certifying and paying authorities.

These technical bodies for strategic and financial coordination and monitoring report to the NSRF Ministerial Coordination Committee, without prejudice to the authorities to which they are subject as enshrined in the Government's organic law.

The abovementioned Resolution of the Council of Ministers further determines that the control responsibilities

defined in the Community regulations will be exercised by the General Inspectorate of Finances (as the sole Audit Authority for all OPs) and, within the operations auditing framework, by the technical bodies responsible for the financial coordination, management and monitoring of the Cohesion Fund and each of the Structural Funds (IFDR, IP and IMESF, IP, via Segregated Auditing Structures), without prejudice to the internal control measures implemented by the management bodies of the Thematic and Regional Operational Programmes.

The governance structure for the Thematic Operational Programmes, under the terms of the same Resolution, consists of bodies responsible for political guidance, management and monitoring that are governed by the following provisions:

- The body responsible for the political guidance of each Thematic OP is the Ministerial Coordination Committee and is composed of ministers with relevant governmental responsibilities within the scope of the respective OP and coordinated by one of them;
- The management body of each Thematic OP will be professionalised and will ensure the exercise of the powers of the managing authorities;
- The management body of each Thematic OP shall answer to the body responsible for the political guidance of the respective OP and report to the overall technical strategic and financial coordination and monitoring bodies of the NSRF;
- The monitoring body of each of the Thematic OPs shall ensure the participation of the municipalities, the economic and social partners and relevant institutional entities by reason of transversality and shall be responsible for the exercise of the powers defined in the Community regulations for the monitoring committees.

The provisions relating to the governance of the Continental Regional Operational Programmes are the following:

- The governance structure of the Regional OPs in continental Portugal includes bodies responsible for political guidance, strategic advisory bodies, management bodies and an monitoring body;
- The body responsible for the political guidance of the Regional OPs is the Ministerial Coordination Committee and is composed of ministers with the relevant governmental responsibilities and coordinated by one of them;
- The Ministerial Coordination Committee referred to in the preceding paragraph may meet in plenary session to deal with

relevant matters for all the Regional OPs or in smaller sessions to address specific subjects relating to a region or a small number of regions;

- The strategic advisory body of each of the Continental Regional OPs is made up of the members of Government responsible for regional development and local administration, by the President of the CCDD as well as by a representative from the institutions of higher education, a representative from the business associations, a representative from the trade unions and a representative from each of the associations of municipalities organised by NUTS III, except when necessary to make up the minimum number of three;

- The strategic advisory body for each of the Continental Regional OPs reports, through the member of Government responsible for regional development, to the Ministerial Coordination Committee for the corresponding OP;

- The management body for each of the Regional OPs shall exercise the managing authority powers defined by the Community Regulations;

- The management body is a technical structure administered by a Steering Committee consisting of the President of the respective CCDD who directs through two non-executive committee members designated by joint decree of the ministers with the most relevant governmental responsibilities within the scope of each Regional OP, and through two non-executive members designated by all the municipalities that comprise the corresponding NUTS II region; during the course of the period of execution of the Regional OPs, the government may decide to attribute executive functions to one of the committee members indicated by the ministers and one of the committee members indicated by the municipalities, if the volume or the complexity of the work to be carried out so justifies;

- The management body for each Regional OP answers to the bodies responsible for the political guidance of the respective OP and reports to the technical bodies responsible for the strategic and financial coordination and monitoring of the NSRF;

- In accordance with the subsidiarity principle, the regulations drawn up for the management body will determine the nature of the decisions of the Steering Committee, which require ministerial ratification;

- The monitoring body of each of the Continental Regional OPs assures the participation of the municipalities, the economic and social partners and the relevant institutional entities by reason of transversality and shall be responsible for

exercising the powers of the monitoring committees defined by Community Regulations;

- The decentralised or joint execution of integrated actions may be contractualised with the associations of relevant NUTS III organised municipalities, the corresponding contracts of execution of which should foresee mechanisms that prevent the atomisation of investment projects and effectively guarantee the supra-municipal interest of such actions during their execution.

The provisions relating to the governance of the Regional Operational Programmes in the Autonomous Regions should also be highlighted:

- The governance model for OPs that exclusively apply to the Autonomous Regions of the Azores and Madeira consist of political and strategic guidance bodies and management and monitoring bodies;

- The Regional Governments of the Azores and Madeira shall define the composition and the powers of the bodies of the OPs for the respective regions, as well as ensure the adequate participation of the municipalities and of the social partners, and shall designate the respective representatives for the NSRF Ministerial Coordination Committee;

- The management body of each of the Regional OPs of the Autonomous Regions of the Azores and Madeira shall be professionalised and shall exercise the powers of the managing authorities defined in the Community Regulations;

- The management body of each Regional OP of the Autonomous Regions of the Azores and Madeira shall answer to the respective Regional Governments and report to the political and technical bodies responsible for overall governance of the NSRF;

- The monitoring body of each of the Regional OPs of the Autonomous Regions of the Azores and Madeira shall ensure the participation of the economic and social partners and be responsible for the exercise of the powers of the monitoring committees defined by the Community Regulations.

The specific definition of the management modalities and procedures of the OPs shall ensure the prevention of eventual conflicts of interest.

#### 06.4. GOVERNANCE MODEL FOR THE NSRF AND OPERATIONAL PROGRAMMES

##### GUIDING PRINCIPLES

The model of governance for the National Strategic Reference

Framework and the Operational Programmes, which is necessarily consistent with the applicable provisions of the Community regulations and coherent with the guidelines defined by the government, emphasises the established guiding principles:

- Of political consistency, in the sense that the operations supported in the 2007–2013 period should assure that the governmental priorities and guidelines are carried through, in pursuit of the development strategy adopted by the NSRF;
- Of effectiveness and professionalisation, implying that the concretisation of the powers attributed to the different bodies involved and, especially, to those which have management responsibilities are exercised in strict respect for the applicable norms and regulations, observing the rules of efficiency that determine the more rational and appropriate use of public resources and, also, the ethical values inherent to the exercise of public functions, and favour the contribution of supported operations to the production of positive results and effects on the strategic priorities of the NSRF;
- Of simplification, which, bearing in mind that the governance of development strategies which attempt to affect complex phenomena is inevitably influenced by procedural demands, is especially important as regards the relationship between the management bodies and beneficiaries (potential or real) of the operations supported; the principle of simplicity thus translates into the demand for constant reflection on the justification for the procedural requirements adopted, namely as regards the demands placed on candidates for financial support and on the beneficiaries of the operations approved and, consequently, the correction of any eventual unnecessary complexities;
- Of proportionality, which, of particular relevance in the context of the regulatory tools and procedural norms applicable to the management of operations to be carried through by the Operational programmes of the NSRF, determines that – as regards the national and Community legal framework – the demands defined are modulated according to the size of the financial support provided.

#### OVERALL GOVERNANCE

It is important to note that the guidelines established by the Council of Ministers for the model of governance also enshrine, alongside the governance of the Operational Programmes, provisions relating to the overall governance of the NSRF.

The rationality of these determinations is the result, on the one hand, of the responsibilities attributed to the NSRF to overcome the structural economic, social, territorial and institutional constraints necessary for returning to

a trajectory of convergence. From this stems the need to ensure organisational instruments for political guidance (the NSRF Ministerial Coordination Committee) and for technical strategic monitoring (the responsibility of the body designated the NSRF Observatory).

Of note, on the other hand, are the demands of the new Community regulations regarding national responsibilities for strategic monitoring of cohesion policy, which is linked to the monitoring of the execution of the national reform plans – embodied in Portugal by the National Action Programme for Growth and Jobs (PNACE). Fulfilment of these demands in the context of the NSRF will be the work of the bodies responsible for political guidance and strategic monitoring referred to above.

The important attributions stemming from these Community regulatory provisions are associated meanwhile with the recommendations resulting from the experience acquired in previous programming periods – especially relevant within the framework of the transversal coherence functions of the operations supported. Besides the political responsibilities that fall to the NSRF Ministerial Coordination Committee in this context, these will be implemented at the technical level – also as regards certification of expenditure and centralisation of interaction and communication with the services of the European Commission – by the Financial Institute for Regional Development (IFDR), in matters relating to the interventions of the European Regional Development Fund and the Cohesion Fund, and by the Institute for the Management of the European Social Fund (IMESF), within the framework of the responsibilities inherent to the national management of the European Social Fund.

Finally, of note are the added responsibilities in the Community regulations as regards audit and control functions which, associated with the appraisal of the experience of the CSF III, have led to the concentration of the corresponding powers in the General Inspectorate of Finances and in the technical bodies responsible for coordination, management and financial monitoring of the Cohesion Fund and of each of the Structural Funds (IFDR and IMESF), without prejudice to the activities of internal control for which the management bodies of the Thematic and Regional Operational Programmes are responsible.

The effectiveness of the overall governance of the NSRF will be supported by the respective Technical Coordination Committee, which will bring together, at quarterly intervals, the heads of the NSRF Observatory, Financial Institute for Regional Development, Institute for the Management of the European Social Fund and General Inspectorate of Finances (and may also involve, depending on the matter concerned, the managers of the Operational Programmes).

### THEMATIC RATIONALITY CENTRES

The strengthening of interaction that occurred during the process of drawing up the NSRF, namely with sectoral and regional interlocutors, and the thematic nature of the strategic priorities established led to the unequivocal enhancement of the principle of transversality within the framework of the operationalisation of national public policies, namely as regards the significant aspects subject to Community structural support.

Given that there is no reason to assume, as the CSF experience demonstrates, that the alignment of the operations supported by the Operational Programmes with these strategic priorities will naturally result in benefits, it is necessary to foresee the establishment of thematic rationality centres in a small number of central fields of national public policy action.

These thematic rationality centres, which the technical entities especially responsible for the public policies eventually selected are charged with stimulating and organising, involve the heads of technical bodies responsible for the governance of the NSRF and the Operational Programmes and other entities and figures deemed relevant.

The functions attributed to the thematic rationality centres will particularly include the analysis of the execution of the Operational Programmes from the perspective of each of the relevant public policies, the development of initiatives aimed at mobilising qualified demand, participation in the evaluation of the results achieved and of the effects produced within the framework of the corresponding themes, and the dispersion of best practices. It may also, in relevant and duly justified situations, involve the issuing of opinions on applications for Operational Programme financing, based on the perspective of the priorities of the public policies whose achievement they aim to support.

The thematic rationality centres will be set up by the NSRF Ministerial Coordination Committee.

### REGIONAL DYNAMICS OBSERVATION CENTRES

The complexity and diversity of the challenges facing the Portuguese regions and their development processes determines the need for technical activities that are aimed specifically at analysing and producing relevant information to aid decision-making.

The functions attributed to the regional dynamics observation centres will include, namely, the monitoring of the execution and effects of public policies in the respective regions, in particular those that are subject to Community co-financing, and the development of initiatives aimed at strategic analysis and reflection.

The stimulation of the regional dynamics observation centres in continental Portugal will fall, within the scope of their specific powers, to the respective CCDRs, under the guidance of the Ministerial Coordination Committee for the Operational Programme for the respective region and in close connection with the strategic advisory body of the same Operational Programme.

### POLITICAL GUIDANCE, MANAGEMENT, CERTIFICATION, AUDITING AND MONITORING OF THE OPERATIONAL PROGRAMMES

The model of operational governance defined by the Council of Ministers for the Thematic and Regional Operational Programmes (both for continental Portugal and the Autonomous Regions) comprises political guidance, management, certification, auditing and monitoring bodies.

It should be mentioned here, in the context of the overall governance of the NSRF, and in considerations that also apply to the governance of the Operational programmes, that the creation of bodies responsible for political direction aims to ensure the establishment of organisational instruments that can provide the political consistency indispensable to overcome the structural economic, social, territorial and institutional constraints and thus necessary for the recovery of a trajectory of economic convergence conducive to the sustained creation of employment. To this can be added here the fact that all of the Operational Programmes for the 2007-2013 period share the same guidance framework and seek to implement, in accordance with their specificities and potential, the same strategic priorities.

The creation of the technical bodies mentioned, responsible for the exercise of management and monitoring functions, consistent furthermore with the relevant determinations of the Community structural regulations, would have represented an element of continuity with the CSF III if the relevant innovations adopted had not been duly enhanced as regards the defined attributes of effectiveness, professionalisation and simplicity, and also as regards the establishment of the Monitoring Committees in the essential role of ensuring the participation of the municipalities and the economic and social partners (including transversal areas, such as gender equality).

It is therefore important to stress the establishment of a clear distinction between the duties of the management and the monitoring bodies in the Thematic and Regional Operational Programmes, framed by the applicable Community Regulations: the former are responsible for the professional management of the respective OPs; the latter for institutional, economic and social participation.

Furthermore, it should also be taken into account in this

context that the model of governance adopted by the Council of Ministers specifies that the management body for the Continental Regional Operational Programmes must contain a Directive Committee whose chairman (a position occupied by each of the presidents of the Regional Coordination and Development Committees (CCDR)) is the manager of each of the OPs and given executive responsibilities. The composition of this body consequently reflects the desire to alter the model used for the management committees of the Regional OPs in the CSF III, both because it institutes the model of a single management body for the set of Priority Axes of each Operational Programme (indispensable for ensuring their overall efficiency), and because the complexity of the composition of this body is aimed at ensuring regional coherence between operations whose initiative will be assumed by entities belonging (either directly or indirectly) to the central administration, by municipalities and respective associations and also by economic, social or territorial agents of a private or associative nature.

The transversality of the Thematic Operational Programmes also determines that the respective managing authorities are responsible for exercising management powers (in the sense of those defined by the Community regulations) for each OP as a whole. This same transversality, taking the experience of the CSF III into account, will be ensured by mission structures which, though adapted to the specific nature of the respective Operational Programmes, will be directed by a manager.

The Managing Authorities for the Operational Programmes will be assisted by Technical Support Structures.

It is also important to highlight that the responsibilities defined in the Community regulations for the Certifying Authorities of the Operational Programmes will be exercised by the Financial Institute for Regional Development (IFDR, IP), as regards the OPs co-financed by the ERDF and CF, and by the Institute for the Management of the European Social Fund (IMESF, IP), as regards the OPs co-financed by the ESF.

The General Inspectorate of Finances will be the Audit Authority for all the Operational Programmes.

It should be noted that the Managing, Certifying and Audit Authorities shall act in accordance with that stated in Title VI, Chapter I of Regulation (CE) No. 1083/2006 and, in particular, Articles 58 (General principles of the management and control systems), 59 (Designation of authorities), 60 (Functions of the managing authority), 61 (Functions of the certifying authority) and 62 (Functions of the audit authority).

#### STRATEGIC ADVICE

The political guidelines on the model of governance embodied

in the Resolution of the Council of Ministers No. 25/2006 of 10th March establish strategic advisory bodies for each of the Continental Regional OPs. These are composed of members of the government with responsibility for regional development and local administration, the president of the CCDR and a representative from institutions of higher education, a representative from the business associations, a representative from the trade unions and a representative from each of the NUTS III organised municipal associations, except where necessary to make up the minimum number of three.

The creation of these bodies, which constitutes an innovation compared to the previous CSFs, aims – in the context of the aforementioned desire to clearly define the duties of the governance bodies of the NSRF and OPs – to embody the need for strategic regional coordination with the direct involvement of those responsible for political guidance, of the Managing Authorities of the Regional OPs and of the representatives of the institutional fabric of each region (headed by knowledge institutions and business, trade union and municipal associations).

Although not endowed with management powers, the strategic advisory bodies of the Continental Regional Operational Programmes will be able to pass judgment on the regional execution of the NSRF, monitor the execution of the Regional OPs and issue recommendations on the actions of the managing authorities of the latter. In effect, the strategic advisory bodies are particularly equipped, via monitoring of the execution of the Regional OPs, to pass judgment on the appropriateness of the operations supported in the aim of fully harnessing the development potential of each region.

#### CONTRACT AWARDING

The strategic design of the NSRF, the significant concentration and inherent reduction in the number of Thematic Operational Programmes and the thematic structuring of the Priority Axes of the Regional Operational Programmes will have relevant consequences for the awarding of contracts for the execution of aspects of the programming – which will consequently be delegated, namely to entities of the central administration and to the associations of municipalities.

The importance of this management modality and the relevant Community regulatory determinations, also taking into account the experience gained from previous CSFs, imply that the following discipline for contract awarding be defined:

- In the sense of ensuring objectivity, clarity, responsibility



and transparency, all forms of contract awarding within the scope of the NSRF will be subject to a written contract between the parties;

- As a necessary condition for the strategic and operational coherence of the NSRF and the OPs and, above all, orientation towards attaining results, any form of contract awarding will imply the prior establishment of the types of operations that are subject to delegation, of the inherent development strategy that justifies this management modality, of the quantified objectives to be attained and the specifying of the consequences of eventual non-fulfilment and, also, of the responsibilities formally assumed by the contracting entities in compliance with the applicable national and Community norms and provisions;

- In the aim of ensuring respect for the applicable Community regulatory norms, namely as regards the financial responsibility of the Managing Authorities and the monitoring and rendering of accounts for the execution of the NSRF and the OPs, the contents of each contract award will respect the operations included in a single Operational Programme and the report, and specifically the reports on the execution of the contracted responsibilities will be structured in accordance with the corresponding Priority Axes.

Bearing in mind the particular significance of contract awarding in the sub-regional context, it is also important, as regards the Continental Regional OPs, to set out the following guidelines:

- Contracts for the decentralised or partnership-based execution of integrated actions can be awarded to the relevant associations of NUTS III municipalities and the corresponding execution contracts should foresee mechanisms that prevent the atomisation of investment projects and effectively guarantee the supra-municipal interests of such actions for as long as they remain valid;

- An indispensable condition for contract awarding, which naturally aims to promote the devolution of management activities and stimulate the consolidation of stable and homogenous sub-regional entities based on the NUTS III, is the presentation and subsequent formal acceptance by the competent Managing Authority, as the contracting entity, of a proposed development plan that foresees inter-articulated supra-municipal interventions;

- The proposed development plan should include a solid strategic justification and the identification of investment projects that are consistent (integrated actions) and that unequivocally aim to carry through the strategy of the aforementioned plan;

- The strategic advisory body of the respective Operational Programme should assess the development plan as a requirement for award of the contract;

- The Regional Coordination and Development Committee (CCDR) responsible for carrying out the Regional Territorial Planning Scheme (PROT) where the NUTS III sub-regional units subject to the award of contract are located should issue a favourable opinion on the coherence between the development plan and respective investment projects and the PROT (or PNPOT guidelines relevant to the region concerned until its approval), as a requirement for award of contract;

- Delegation through award of contract presupposes prior approval of the development plan on the part of the Managing Authority of the Regional OP concerned and does not negate – in spite of the delegation of powers to approve financing on the part of the contracting management bodies set out in the corresponding contracts – the need for final approval, by that same Managing Authority, of the investment projects that comprise it; the approval of the investment projects by the Managing Authorities can only occur once the latter have demonstrated candidatures with the formal requirements defined in the regulations;

- Project candidatures should, preferably, be submitted jointly with the proposed development plan, as only then can the parties thoroughly quantify what financial resources will be necessary to provide technical assistance to the projects that will be executed within the development plan. Recognising however that in practice it is not always feasible to submit all project candidatures with the proposed development plan, it is accepted that, in those cases where it is not possible for the Managing Authority to assess and approve all of the investment projects that make up the development plan at the time it is agreed between the parties, the contract may foresee a temporary financial reserve in the OP concerned. This reserve will provide financing for those investment projects that are approved later and the tasks of technical assistance that are inherent to them (the contract should establish a reasonable period of time within which the association of municipalities must formalise the candidatures missing at the time the development plan was approved).

It should be noted that the discipline and guidelines established on contract awarding do not naturally prohibit the submission of candidatures by municipal or supra-municipal bodies from financial support from the Continental Regional Operational Programmes, irrespective of the forms of contract award, or their limitation to a specific territorial area.



## 06.5. EVALUATION

The Community structural regulations for the 2007–2013 period (in particular Council Regulation (CE) No. 1083/2006 of 11th July 2006) introduce significant alterations into the programming discipline of the previous CSFs.

Determining that *"Evaluations shall aim to improve the quality, effectiveness and consistency of the assistance from the Funds and the strategy and implementation of operational programmes with respect to the specific structural problems affecting the Member States and regions concerned, while taking account of the objective of sustainable development and of the relevant Community legislation concerning environmental impact and strategic environmental assessment,"* it specifies that they *"may be of a strategic nature in order to examine the evolution of a programme or group of programmes in relation to Community and national priorities, or of an operational nature in order to support the monitoring of an operational programme"*.

These norms also stipulate that *"Evaluations shall be carried out before, during and after the programming period"*.

They thus refer to the obligation to carry out an *ex ante* evaluation of the Operational Programmes, which is the responsibility of the Member State concerned, *"under the responsibility of the authority responsible for the preparation of the programming documents"* – in order *"to optimise the allocation of budgetary resources under operational programmes and improve programming quality"*. This evaluation should also *"identify and appraise the disparities, gaps and potential for development, the goals to be achieved, the results expected, the quantified targets, the coherence, if necessary, of the strategy proposed for the region, the Community value-added, the extent to which the Community's priorities have been taken into account, the lessons drawn from previous programming and the quality of the procedures for implementation, monitoring, evaluation and financial management."*

They also refer to the obligatory realisation of the *ex post* evaluation, which is the responsibility of the European Commission *"in close cooperation with the Member State and managing authorities"* – whose purpose is to identify *"the factors contributing to the success or failure of the implementation of operational programmes and identify good practice"*.

As regards the evaluations to be performed during the period of implementation, the regulatory norms determine that the

Member States *"carry out evaluations linked to the monitoring of operational programmes in particular where that monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of operational programmes"*, and the respective results shall *"be sent to the monitoring committee for the operational programme and to the Commission"*.

In this context, the evaluations to be performed during the period of implementation of the NSRF will be strategic and operational in nature.

The evaluations of a strategic nature, whose purpose is to *"examine the evolution of a programme or group of programmes in relation to Community and national priorities"*, will be focused on the strategic development priorities pursued by the NSRF and the Operational Programmes – the qualification of the Portuguese population, sustained growth, social cohesion, qualification of the cities and the territory and governance efficiency.

The evaluations of an operational nature aim to support *"the monitoring of operational programmes in particular where that monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of operational programmes"*.

The strategic and operational evaluations will be performed by experts or by bodies, internal or external, that are functionally independent from the Managing, Certifying and Audit Authorities.

The strategic and operational evaluations will be published, submitted to the Monitoring Committees for the relevant Operational Programmes and presented to the European Commission.

In accordance with Article 48 (1) of the General Regulation, an evaluation plan shall be drawn up comprising the strategic and operational evaluations to be carried out for the NSRF and Operational Programmes. Responsibility for drawing up this plan shall belong to the NSRF Observatory in close collaboration with the Managing Authorities of the Operational Programmes.

The evaluation plan for the NSRF shall include an indicative list of the evaluation exercises forecast for the 2007–2013 period, their type and likely date and a description of the mechanisms to be used for coordination and linkage between the various evaluation levels, between the evaluation exercises, and the system of strategic, financial and operational monitoring of the NSRF, Funds and Operational programmes implemented.

## 06.6. COMMUNICATION AND INFORMATION

The new cycle of structural interventions, marked by significant changes in strategic and operational matters, presents new challenges to communication and information.

It is understood that the successful achievement of the objectives established will also contribute to recognition by the general public and, especially, by potential beneficiaries, of the importance of structural support – national and Community – for the economic, social and territorial development of the country and its regions, and therefore the communication and information strategy constitutes a tool of fundamental importance for the governance of the NSRF and the Operational Programmes.

A communication strategy will consequently be developed and carried through based on the objective of improving the way in which communication with the public is pursued by means, namely, of the use of a language that is more easily understandable and more closely related to their daily experiences. Via an emphasis on the Internet and media and interaction with citizens and beneficiaries, this will focus on proactive communication and thus ensure the mobilisation of partners, increased transparency, easier access to information and the optimised use of information technologies – in the sense of increasing and improving the perception and participation by citizens in the intervention process of the Structural Funds and the Cohesion Fund.

This strategy covers three levels of formulation and implementation: Overall Communication Strategy of the NSRF, for which the respective strategic monitoring body of the NSRF is responsible and which will include transversal guidelines for the remaining levels of implementation; Communication Plans for each Fund, which the respective Certifying Authorities will be responsible for drawing up and carrying through; and Communication Plans for the Operational Programmes, for which the corresponding Managing Authorities will be responsible.

The strategic objective of communication, to be pursued in coherence with the aforementioned levels of responsibilities, will be centred on *"Showing what we do ... especially in terms of results ... with Community and national financing ... within the scope of the NSRF strategy"*.

Within this framework, the following operational objectives are assumed:

- To guarantee the coherence of communication, avoiding

dispersion and discontinuity and ensuring practices of overall coherence that namely imply the systemic presence of the "NSRF" image and, naturally, the rigorous compliance with the applicable national and Community regulatory norms;

- To ensure that the information on the NSRF, Funds and Operational Programmes is clear and accessible to all those potentially interested, respecting the principle of equal opportunities so that, adapted to all the relevant audiences, it ensures the conditions to mobilise their participation;

- To guarantee the enhancement and the visibility of the results and effects attained and the resources mobilised.

In these circumstances, the communication tools and methodologies to be used for the implementation of the communication strategy at the different levels of intervention consist of the respective Communication Plans (NSRF, Community Funds and Operational Programmes), which will present the necessary specifications in conformity with the respective specific objectives of communication, messaging and target audience.

To guarantee the effective coordination of the communication and information strategy of the NSRF, an informal network between the different heads will be organised, in which, namely, the exchange of experiences and good practices will be made possible, as well as the monitoring of the results of the application of the various Communication Plans.

## 06.7. SUMMARY OF THE GOVERNANCE MODEL

The following table summarises and illustrates the typology of functions of the governance bodies of the NSRF and Thematic and Regional Operational Programmes (the specific nature of the Autonomous Regions of the Azores and Madeira OPs is not however referred to).

### SUMMARY OF THE GOVERNANCE MODEL

TYPOLOGY OF FUNCTIONS OF THE GOVERNANCE BODIES	NSRF	OP
Political Guidance	Ministerial Coordination Committees	
Overall Technical Coordination	Technical Coordination Committee	
Strategic Monitoring	NSRF Observatory, Thematic Rationality Centres and Regional Dynamics Observation Centres	
Financial Monitoring	Financial Institute for Regional Development and Institute for the Management of the European Social Fund	
Certification	Financial Institute for Regional Development and Institute for the Management of the European Social Fund	
Auditing and Control	General Inspectorate of Finances, Segregated Audit Structures of the Financial Institute for Regional Development and the Institute for the Management of the European Social Fund	
Strategic Advice		Strategic Advisory Bodies
Management		Managing Authorities
Internal Control		Managing Authorities
Evaluation		Managing Authorities
Economic, Social and Institutional Participation		Monitoring Committees



# 07.

## EUROPEAN TERRITORIAL COOPERATION

### 07.1. FRAMING

In the aim of enhancing the possibilities enshrined in the Community structural regulations that define European Territorial Cooperation as a key intervention tool for achieving the cohesion policy objectives and for the process of European integration, Portugal has made this Objective an integral part of the NSRF 2007–2013.

This approach is innovative, both in the Community context – given that the Cooperation Programmes have changed from Community Initiatives, governed outside the Community Support Frameworks, to Operational Programmes subject to the same rules as other interventions – and in the national context – which emphasises territorial cooperation as a decisive element of regional policy, mobilising mainstream resources to complement and maximise European funding. European Territorial Cooperation is intended to bolster the joint interventions of Member States in integrated actions aimed at territorial development in line with the EU's strategic priorities.

The various territories considered for cross-border and transnational cooperation consist, respectively, of cross-border sub-areas and macro-regions, which will benefit through material and non-material cooperation, increased integration and economic and social cohesion in strategically important fields.

Cooperation at the inter-regional level is designed to promote synergies between the main regional, national and Community actors in cohesion policy in order to capitalise on good practices in the management of structural interventions in Europe and thereby increase their effectiveness in carrying through the Lisbon and Gothenburg Agendas.

The impact of Territorial Cooperation in 2007–2013 is felt in Portugal in terms of reduced Community financing and therefore of the search for new synergies between different public interventions.

In this context, the guidelines established in Portugal foster Cooperation coherence with the guiding principles and the strategic priorities of the NSRF and stimulate interlinking and complementarities with other Operational Programmes. Portuguese involvement in European Territorial Cooperation will thus have an innovative character, both in terms of the external participation of national partners and in the programming and governance of the corresponding OPs.

### 07.2. GUIDING PRINCIPLES

The guiding principles of European Territorial Cooperation

defined by Portugal (which were duly enshrined at the Portuguese-Spanish Meeting on Cross-border Cooperation held in Vila Viçosa on 13th January 2006) have contributed to the structuring principles of the NSRF, namely as regards concentration, selectivity and economic viability.

The application of the principle of concentration translates into the establishment of a small number of thematic priorities for each Operational Programme; in this context, the thematic priorities acquire an added relevance in each OP, given that they should promote greater linkage between the strategic priorities defined for cohesion policy and their linkage to the Lisbon and Gothenburg Agendas and the specific vocation of each cooperation area.

The enshrinement of the principle of selectivity corresponds to an emphasis on two types of Territorial Cooperation intervention:

- In the context of material initiatives, the realisation of small infrastructure projects and facilities.
- In the context of non-material initiatives, the creation and animation of networks, exchange of experiences and preparation of material investments (studies and projects in particular) with financing obtained from other framings.

The application of the principle of economic viability is reflected in the conditioning factors imposed on operations co-financed by the Territorial Cooperation Programmes. Financial support for material initiatives is therefore conditioned by the requirement for the future sustainability of a project. Non-material initiatives, namely studies carried out prior to the realisation of infrastructure projects and facilities, should also bear financial sustainability and its consequences in mind. The animation of events and networks should also demonstrate a capacity to outlive the period of structural financing.

The specificity of the cooperation interventions also determines the establishment of a set of distinct guiding principles that frame the interventions of this Objective:

- The Territorial Cooperation Operational Programmes will aim to ensure an increase in the scale of intervention – they must create the necessary conditions, in terms of critical mass, to produce effective and significant results and impacts on the economies, living standards of the populations covered and visibility and recognition of cooperation;
- Taking into account that cooperation interventions

obligatorily involve partners from more than one Member State, it is indispensable that the programmes respect the principle of co-responsibility – which takes the form of the clear and precise demarcation of the responsibilities of each Member State in defining the different cooperation instruments, by agreement of the parties;

In view of the complexity inherent in the management of cooperation interventions, and assuming the need to optimise resources, the European Territorial Cooperation programmes should also be governed by the principle of simplifying structures and procedures.

### 07.3. OBJECTIVES AND PRIORITIES

To achieve the guiding principles set forth, which aim at increasing the effectiveness and visibility of the interventions carried through, priority has been given, and has subsequently been concretised, to the objective of improving and raising the significance of Portugal's participation and involvement in the management of those European Territorial Cooperation OPs in which it participates.

In this context, of note is the hosting in Portugal of all the management structures for the Atlantic Area 2007–2013 OP, via the election of the Regional Coordination and Development Committee North as the Managing Authority for this programme and the Financial Institute for Regional Development as the Certifying Authority; also notable is the choice of Oporto as home to the Joint Technical Secretariat as support for the managing and monitoring of the OP.

In the Madeira–Azores–Canaries 2007–2013 Operational Programme, Portuguese responsibilities in certification and payment, in the coordination of the Joint Technical Secretariat and also in the bolstering of the management functions of the regional interlocutors have been reinforced.

In the Transborder Cooperation OP, there has also been a strengthening of the certification and audit functions stemming from Community provisions and, consequently, greater importance for the responsibilities of the Portuguese authorities.

Given both the socio-economic and financial circumstances and the priorities presented, also established as an objective for Territorial Cooperation in Portugal was the stimulation of the development of linkages, synergies and complementarities between various interventions within the scope of the NSRF 2007–2013 – aimed at compensating the significant reduction in the respective Community financial

resources and fulfilling the institutional and socio-economic dynamics created.

Of particular note in this context are the INTERREG II and III-A Cross-border Cooperation Community Initiative Programmes (CIP), which in the past were of supreme national and Community importance as they covered the entire Portuguese–Spanish border. The level of development of many of the border regions is significantly below the European average, and their frailties are particularly evident in terms of accessibilities, communications and socio-economic growth. As known, these difficulties are exacerbated by the peripheral status of cross-border regions relative to the economic and politico-administrative decision-making centres – though it should be stressed that earlier INTERREG cross-border cooperation programmes significantly helped in the creation of joint initiatives and solutions for these problems.

It is important to stress that Community regulations stimulate the integration of programmatic cooperation measures and/or contents in the Convergence objectives and Regional Competitiveness and Employment OPs, co-funded by the ERDF and ESF, in order to create strategic and operational complementarities, catalysts for already established local and regional dynamics, and boost regional development initiatives.

This regulatory framing also creates conditions for the fostering of relations between Portuguese regions and their European counterparts that had not been addressed by the Community cross-border and transnational cooperation discipline existing between 2000 and 2006. The protagonists of regional development benefit, furthermore, from the possibility of animating interventions on themes that until now have not been considered for territorial cooperation – of which regional economic integration, employment and cross-border and transnational training actions are examples.

It is also important here to mention the European Commission initiative “*Regions for Economic Change (RfEC)*” and above all its “*Fast Track*” aspect aimed at the rapid and effective attainment of results through the concretisation of the Lisbon and Gothenburg goals by the Convergence Objective and “*Competitiveness*” structural interventions, within the context of earmarking. By providing financial resources via the Interregional Cooperation OP and the URBACT for the funding of strategic networks and actions for disseminating and transferring good practices and know-how, involving the heads of structural interventions, the European Commission hopes to create a further instrument for the proactive and strategic management of so-called



'mainstream' interventions in regional policy, the OPs of the NSRF in short.

This initiative, based on the voluntary participation of the managers responsible for the interventions, creates a further opportunity for inter-linkage and for seeking synergies between the "European Territorial Cooperation" interventions and the other NSRF interventions.

It is also hoped that European Territorial Cooperation will carry through the objective of European and national regional policy of achieving the harmonious and integrated development of EU territories.

In this context, Portuguese participation in the Cooperation OPs will be framed by the guidelines of the National Programme for Territorial Planning Policy (PNPOT), whose strategic objective is that of bolstering *"Portugal's territorial competitiveness and its integration into the Iberian, European and global areas"*.

In the aim of enshrining thematic concentration in Territorial Cooperation and consequently of improving strategic convergence with the other OPs in the 2007-2013 period, a pluri-thematic approach will be implemented between the Operational Cooperation Programmes in the three areas addressed (cross-border, transnational and inter-regional), and coherence promoted between the priorities of the participation of a single Portuguese region in various cooperation areas – it is consequently indispensable that each region carefully gauges and establishes the priorities to be pursued in this framing.

In this context, the following tables summarise the thematic concentration recommended for Portugal's participation in the *European Territorial Cooperation* Objective in the 2007-2013 period, linked to the purpose of each aspect and area of cooperation and with the regional eligibilities of the Portuguese territory.

#### PORTUGUESE PARTICIPATION IN THE EUROPEAN TERRITORIAL COOPERATION OBJECTIVE IN THE 2007-2013 PERIOD

CROSS-BORDER COOPERATION	OP	Geographic Eligibility	National Thematic Priorities for Cooperation	Community Priorities and Objectives
	Portugal – Spain	NUTS III borders with Spain	Accessibilities; territorial planning; environment, natural resources and risk prevention and patrimony; fostering of competitiveness, promotion of jobs and socio-economic and institutional integration	Development of cross-border economic, socio-cultural and environmental activities through joint strategies for sustainable territorial development.
	Mediterranean Basin / Instrument of the European Neighbourhood Policy	Algarve NUTS III	Natural and cultural resources, patrimony and institutional strengthening	

TRANSNATIONAL COOPERATION	OP	Geographic Eligibility	National Thematic Priorities for Cooperation	Community Priorities and Objectives
	Atlantic Area	North, Centre, Lisbon, Alentejo, Algarve	Maritime issues and Maritimity; development of the coastline and Atlantic cities; maritime security	Establishment and development of transnational cooperation through the financing of networks and actions conducive to integrated territorial development.
	South West European Area	North, Centre, Lisbon, Alentejo, Algarve	International connectivity of the Iberian Peninsula; prevention of natural risks	
	Madeira – Azores – Canaries Area	Azores, Madeira	Issues connected to insularity; business innovation and technological development; cooperation with third countries	
	Mediterranean Area	Alentejo, Algarve	Polycentrism and urban-rural link; cultural, patrimonial and natural identity of the Mediterranean	

INTER-REGIONAL COOPERATION	OP	Geographic Eligibility	National Thematic Priorities for Cooperation	Community Priorities and Objectives
	Inter-regional Cooperation	Whole national territory	Participation in the cooperation between Member States and Regions within the scope of the thematic and regional interventions for Innovation and the Environment (" <i>Regions for Economic Change</i> " initiative and its " <i>Fast Track</i> " option)	Strengthening of the efficacy of regional policy within the scope of the realisation of the Objectives of the Lisbon and Gothenburg Agendas.
	Networks OP (INTERACT, URBACT, ESPON)	Whole national territory	Creation, animation and participation in networks and communities	

#### 07.4. TERRITORIAL COOPERATION OPERATIONAL PROGRAMMES

Under the terms and as a consequence of Community regulatory discipline, Portugal will benefit from the following Territorial Cooperation Operational Programmes:

- *Portugal–Spain* Cross-border Cooperation OP, whose Portuguese geographic eligibility corresponds to the NUTS III located along the internal land border with Spain;
- *Mediterranean Sea Basin* Cross-border Cooperation OP, which, permitting Portugal's participation in the cross-border programme of the European Neighbourhood Policy instrument with the countries of the Mediterranean Basin, has territorial eligibility corresponding to the Algarve NUTS II and permits cooperation projects with Morocco;
- *Atlantic Area* Transnational Cooperation OP, whose territorial coverage corresponds to the entire continental territory of Portugal, the Atlantic coastal regions of Spain, the United Kingdom and France and all of Ireland;
- *South West Europe* Transnational Cooperation OP, which includes the entire continental territory of Portugal and Spain and NUTS II of the French Pyrenees;
- *Mediterranean* Transnational Cooperation OP, which includes the Alentejo and Algarve NUTS II as eligible Portuguese regions and the Mediterranean coastal regions of Spain and France, as well as all of Italy, Greece, Cyprus, Malta and Slovenia;
- *Madeira–Azores–Canaries* Transnational Cooperation OP, which covers the territory of the archipelagos;

- Inter-regional Cooperation OP, framed within the European Commission's "*Regions for Economic Change*" initiative and which applies to the entire territory of the European Union;

INTERACT, URBACT and ESPON Inter-regional Cooperation Networks Programmes – dedicated, respectively, to the quality of the management of the European Territorial Cooperation programmes, to urban development and to the drawing up of studies in the areas of planning and territorial organisation.

#### 07.5. GOVERNANCE OF THE TERRITORIAL COOPERATION OPERATIONAL PROGRAMMES

The specific details of the model of governance of the Territorial Cooperation Operational Programmes are the following:

- Each Cooperation OP will have a model of governance applicable to the Member States and Regions participating in it. Coherence will be ensured by the application of Community norms, notwithstanding the particularities resulting from the specific dynamics of each Cooperation Area.
- The model of governance for each Cooperation OP obligatorily includes common bodies for management and guidance and strategic and financial monitoring.
- The management bodies for each Cooperation OP comprise the Single Managing Authority, Single Certifying Authority, Single Audit Authority and the Joint Technical Secretariat.
- The management bodies are designated by the participating Member States as a whole and their functions are exercised by a public entity from one of the Member States. The location and constitution of the Joint Technical Secretariats, which are also independent support bodies of an international

nature for the management of the OPs, are also decided by the Member States.

- The body responsible for guidance and strategic and financial monitoring is the Monitoring Committee for each OP and is made up of Member States and social partners.

- Besides these bodies, the Member States have the freedom to create other bodies that support the management and monitoring of the Cooperation Programmes and ensure their visibility and representativity in the territory (intermediate management structures, regional interlocutors, antennas, national contact points, etc.).

- The composition and powers of the Cooperation OP bodies are defined by the participating Member States. The Portuguese representatives ensure participation and co-decision-making in the forums indicated for each OP and also the appropriate participation and linkage of the regional heads and social partners.

The bodies in which Portugal will formally assume added responsibilities or which are located in the country are indicated in the following table:

#### GOVERNANCE OF THE TERRITORIAL COOPERATION PROGRAMMES - PORTUGAL

MANAGEMENT STRUCTURE	OPERATIONAL PROGRAMME
Single Managing Authority	Atlantic Area
Single Certifying Authority	Atlantic Area
	Portugal-Spain Cross-border Cooperation
	Madeira – Azores – Canaries
Audit Authority	Atlantic Area
Joint Technical Secretariat	Atlantic Area

It is also important to highlight the following guidelines for Portuguese participation in the Cooperation Operational Programmes:

- Hosting of the strategic, regulatory, technical and

governance guidelines of Community and national origin, namely the provisions of the NSRF, by the "European Territorial Cooperation" Objective interventions managed or located on national territory.

- Central and uniform supervision and monitoring of the country's participation in the European Territorial Cooperation Operational Programmes, in the aspects of coordination and strategic technical monitoring, financial coordination and monitoring and in the exercise of the management functions of the interventions in national territory.

- Dialogue with the bodies responsible for the political guidance and strategic and financial monitoring of the NSRF and appropriate participation in the NSRF governance forums provided;

- Linkage with the heads of the "Convergence" and "Competitiveness" objective interventions in the sense of ensuring the dialogue, coordination and stimulation of the regional and sectoral links necessary for coherence and the use of the resources placed at Portugal's disposal to support the objectives outlined for territorial cooperation effectively and to foster synergies with other public policy instruments, fields and issues;

- Existence of maximum and uniform representativity and dialogue with the bodies responsible for the guidance and management of the Cooperation OPs and with the European Commission, and also between these Operational Programmes and the national entities at the sectoral and regional level.

The management bodies whose functions are exercised formally by Portuguese authorities or under direct guidance and in national territory, whether in the Cooperation OPs in which Portugal has added political and managerial responsibilities or the entities that will eventually have overall internal coordination responsibilities, will answer to the respective political entities and will report to the political and technical bodies responsible for the overall governance of the NSRF.





**ANNEXES**





# ANNEX I

## MODERNISATION OF THE PUBLIC ADMINISTRATION

### INTRODUCTORY NOTE

Historically, the excessive weight of administrative costs, very often disproportionate in relation to the risks involved, has not only inhibited national competitiveness, but has also led to less efficient public governance, both in terms of implementing public policies and the associated regulatory framing, and in terms of the provision of public services to citizens and enterprises and the managing of large collective systems.

The ongoing reform of the Portuguese public administration, in all of its various facets (regulatory, organisational, procedural/technological, human), is an attempt to overcome this problem.

However, though totally aligned and articulated with the strategic priorities of the National Strategic Reference Framework (NSRF), specifically with the priority of "Increasing Governance Efficiency", the public actions planned for implementation within the national reform process are not limited purely to those aspects covered by the NSRF, and neither do they stem exclusively from it.

Indeed, bearing in mind the principles of concentration and selectivity that mark them out, the operations associated with the public administration provided for within the scope of the NSRF are naturally a subset of a pre-existing and more comprehensive national strategic approach, both as regards operations and inclusively as regards its model of governance and financing – the relevant role of the state budget being of particular note here, especially relative to investment in the Lisbon Region. This should not however make the eligibility of operations, specifically operations of a non-material and transversal character, designed to modernise the central administration in Lisbon impossible, bearing in mind their application and/or their proven positive externalities on the entire national territory and, more specifically, on the Convergence Regions.

Furthermore, this strategy does not always depend on investment. Very often it translates into the rationalising of structures and procedures, the elimination of excesses, or the simple elimination of regulation.

Thus, notwithstanding its extreme importance in this area, the NSRF is not *per se* the only source of coherence available, namely as regards strategy, structures and governance model, to carry through the operations foreseen in the public administration dimension of the various Operational Programmes.

### THE STRATEGY AND MODEL OF GOVERNANCE ASSOCIATED WITH THE PUBLIC ADMINISTRATION DIMENSION (WITHIN THE SCOPE OF THE NSRF)

Within the scope of the NSRF and OP, the public administration dimension "focuses, selectively, on the modernisation of the public administration, on electronic administration and, necessarily, on the organisational models of the central, devolved and decentralised administrations and also on the efficiency of the major social and collective systems, within the scope of which the educational, health and social protection systems assume particular importance, as well as those systems relating to justice, public security and fiscal administration.

*It also addresses, within the field of organisational models, the development and implementation of budgetary reform, at the programme and pluriannual level, and the institution of concepts of common service sharing in the fields of human resource, financial, material and patrimonial management of the public administration.*

*It also encompasses improvements in regulation, especially aimed at the ex ante and ex post simplification of the legislative process and administrative procedures, in order to increase the effectiveness and efficiency of regulations, reduce public administrative costs for enterprises and improve people's lives, as well as strengthen civil society by providing support for social initiatives and by simplifying and increasing the efficiency of civic participation mechanisms, in the sense of establishing closer links between citizens and institutions. Within this context, it is also intended to stimulate the development of alternative structures for conflict resolution, thereby taking a significant number of processes out of the sphere of the courts, with positive implications for the swiftness and costs of resolution and with benefits for business competitiveness and social harmony."*

Notwithstanding its subordination to one single strategy within the organisation of the NSRF, the option was taken to divide the different operations relating to the *modernisation dimension of the public administration* among the various OPs:

- Modernisation of the public administration<sup>1</sup> (where it relates to operations directly associated with the central

1. Understood in the broad sense, from the perspective of reducing administrative costs and improving national competitiveness by increasing the efficiency of public administration, incorporating the following aspects: regulatory (legislative and administrative simplification), alterations to the organisation of procedures (reengineering of processes, dematerialisation), alterations to the way in which services are provided (improved public attendance) and electronic administration (integration, network administration).

administration, including actions carried out by the central administration whose effects have repercussions on local administration, bearing in mind the ongoing process of decentralisation in particular), incorporated into the Competitiveness Factors OP;

- Modernisation of the public administration (where it relates to operations directly associated with local administration or devolved central administration), incorporated into the respective Regional OPs;
- Qualification of the public administration, both central and local administration, incorporated into the Human Potential OP.

In its **strategic aspect**, intra-OP coherence of the *administrative modernisation dimension* is ensured via:

**1. The existence of a common strategic framing**, which is concretised annually in the government's key policy options, in the transversal modernisation programme SIMPLEX and in the public administration reform programme, which, from a perspective heavily oriented towards action, establish the priority areas of intervention based on a set of guiding principles that ensure the coherence of the operations.

**2. Interlinkage between the ESF component and the ERDF component.** Notwithstanding the different focus of other actions developed and financed exclusively at the national level, from the perspective of modernising the public administration, the NSRF operations aimed at qualifying the human resources of the public administration are especially concentrated on creating the structural conditions that can improve competitiveness and productivity and overcome the negative factors affecting greater efficiency within the administration and the large collective systems.

There is consequently, and on the one hand, a clear convergence with the priorities of the Competitiveness Agenda. Within the field of administrative modernisation, therefore, and in spite of the possibility of using the mechanism foreseen in Article 34(2) of Regulation 1083/2006, the capacity-building operations of the public administration carried out via the Human Potential OP are essentially aimed at integrated actions to modernise public services, linking training to strategies considered instrumental, and should therefore be linked with modernisation processes developed within the scope of the Competitiveness Factors OP and the Regional OPs. This approach fulfils a dual function: to ensure the existence of the qualified human resources necessary for the development, continuity and sustainability of the modernisation interventions developed within the scope of the NSRF; and to ensure that training operations are suited to the strategic

objectives defined for administrative modernisation.

On the other hand, it should also be highlighted, within the scope of operations aimed at addressing the public administration, that the same principle of associating the training component with concrete projects for the improvement of governance efficiency is also applicable to those areas of exclusive ESF intervention (Human Potential OP) that are associated with the ongoing programme of reform of the public administration and the modernisation and qualification of local administration. The purpose of these operations is to assist the reorganisation of services and bodies, the training of managers and, above all, the formation of tools for human resource and financial management. Included here, among other actions, is the development of shared services for human resource, financial and patrimonial management.

**3. The option to directly and transversally associate information and communication technologies (ICT)** – electronic administration, in its dual aspects of dematerialisation and integration – with the procedural, organisational and regulatory alterations to be developed within the scope of supported interventions for administrative modernisation. This logic of association aims to ensure an *integrated approach* between the different areas of action (back-office, front-office and supporting networks/infrastructure), oriented towards achieving concrete results. The use of ERDF resources (and not ESF) to support interventions in the field of public administration modernisation derives from this option, namely the prevalence of ERDF eligibilities in its three areas of action.

**4. The definition of common operationalisation rules** (in the case of the NSRF, via the development of single regulations applicable to the same operation typologies irrespective of their scale of intervention – Thematic OP or Regional OP). The logic of the common approach aims to avoid the atomisation of co-financed operations, while ensuring the coherence of the strategic option to devolve operationalisation to the territorial level, promoting proximity between investment and final users and the accommodation of regional specificities without losing the logic of the whole.

The common strategic guidance underlying the use of funds from the NSRF for administrative modernisation, whatever their source and the territorial level at which they are managed, will be duly guaranteed in the governance model by linkage between those which are directly responsible for each of the aspects of the public policies concerned and by their operationalisation. For that purpose, the recently created transversal agencies will make a significant contribution, in particular the Agency for Administrative Modernisation – for

its role in operational direction and the promotion of inter-service liaison in operations that are ongoing and that will be carried out in this area of action (irrespective of the funding sources) – and also public procurement agencies and human resource management agencies, as examples of shared services that contribute decisively to the rationalisation of state resources.

This type of structure and organisational model follow on from what was considered good governance practice in the CSF III mid-term evaluation.

It should be particularly noted that the Agency for Administrative Modernisation will be especially responsible for the stimulation and functioning of the Thematic Rationality Centre that will be set up within the scope of administrative modernisation. This will have very important functions relating to the coherence and inter-linkage of interventions, which, in this aspect, will be carried through with the support

of the Structural Funds in the 2007–2013 period.

It is also important to highlight that the Agency for Administrative Modernisation operates under the political guidance of the Minister for the Presidency and the Secretary of State for Administrative Modernisation – thereby ensuring, at the highest governmental level, the importance and transversality of this essential aspect of public policy.

It must also be noted that the Ministry of Finance and Public Administration and the bodies it is responsible for, under the political guidance of the Minister of State and Finance, in connection with the Agency for Administrative Modernisation and, at the political level, with the Minister for the Presidency and the Secretary of State for Administrative Modernisation, will also be given important responsibilities in ensuring the coherence and harmonisation of the interventions that, from the perspective of the reform of the public administration, will be carried through with the support of the structural funds.

## ANNEX II

### DEVELOPMENT GOALS

The European Commission's comments on Portugal's draft NSRF are particularly incisive as regards the absence of quantified development goals to be achieved by 2013.

1. These comments are presented in the NSRF assessment document thus:

a) In Chapter 3 (Strategy Analysis), point 1 (Objectives of the NSRF): "A clear overall set of strategic goals/targets is not established. For example: on the human capital front it would be important to understand what the NSRF intends to deliver and what impacts are expected (e.g. goals for education attainment levels, early school-drop-out rates, pre-school enrolment, reduction of poverty and social exclusion levels, etc.); in areas covered by the "Territorial Development" agenda, it would be important to clarify the main targets, like population covered by water supply and waste water treatment, or the missing links to be completed in transport infrastructure."

b) In Chapter 7 (Conclusions), point 2 (Main Omissions in the NSRF): "Strategy: The translation of the "Strategic Priorities" into the "Thematic Agendas" and then into the "Operational Programmes" could be improved. Some priorities, (e.g. Governance efficiency) are not coherently followed through. Furthermore, a clear set of strategic targets (and baselines) should be established for the main domains of intervention,

*in particular for human capital (in coherence with those in the NRP), and for territorial development (environment and transport)."*

c) In the letter sent to the national authorities on the aforementioned comments: "Specifically as regards the NSRF, the most critical points requiring immediate attention are identified in point 7.2 of the enclosed document. By way of an example, we would like to highlight the following issues: ... The translation of the strategy into operational goals for each of the intervention areas could frankly be improved, both as regards the waning of the national strategy compared to the diversity of the situation confronting each region, and the contribution of the NSRF to the objectives of the National Reform Plan."

2. Given the unequivocal fact that the NSRF does not present quantified goals for the strategic objectives pursued, it is important to bear in mind why the Portuguese authorities adopted this programming methodology.

a) It should be noted that the Community regulations and, in particular, Council Regulation (CE) No. 1083/2006 of 11th July 2006 do not refer to this detail in their description of the contents of the national strategic reference frameworks.

The lack of any regulatory determination on this matter is

especially significant as it is not the result of an omission but an expression of the desire of the European Council – given that the regulation proposed by the European Commission explicitly contained this provision:

*"Article 18 – Cadre de référence stratégique national*

*(...)*

*Chaque cadre de référence stratégique national comporte une description synthétique de la stratégie de l'État membre et de sa traduction opérationnelle.*

*(1) Le volet stratégique précise, pour les objectifs Convergence et Compétitivité régionale et emploi, la stratégie retenue indiquant la cohérence des choix opérés avec les orientations stratégiques de l'Union sur la base d'une analyse des disparités, des retards et des potentialités de développement. Elle spécifie: (a) les priorités thématiques et territoriales, y compris pour la revitalisation urbaine et la diversification des économies rurales. Pour en assurer le suivi, les principaux objectifs sont quantifiés et des indicateurs de résultat et d'impact sont indiqués en nombre limité.*

*(...)»*

The fact that the European Council chose not to adopt the Commission's proposal has a clear political dimension and also has relevant consequences in terms of the contents of the NSRF – which translate into the fact that there is no obligation to include quantified goals.

b) It should be borne in mind, furthermore, that the programming methodologies for economic and social development are naturally evolutionary and are not bound to uniform approaches.

Although there has been an evolution in the sense of additional demands for quantification via realisation and result indicators, as much from the scientific and academic point of view as from the programming perspective, it is equally clear from these dynamics that the aforementioned enhancement of specific quantified targets should essentially be carried through either (i) by quantifying the major objectives of public development policies, or (ii) by quantifying the expected and desired results directly associated with carrying through the instruments of public development policies.

The methodological approach adopted by the Portuguese authorities in the programming of Community structural intervention for the 2007-2013 period converges with the second of these alternatives, which we also consider to be the idea implicit in the pertinent Community regulation and the

European Commission's relevant technical guidelines.

Consequently, the national authorities have favoured specifying and quantifying realisation and result indicators associated with the specific objectives of action stemming from the structural interventions and not the general objectives of public policies.

The aforementioned investment in realisation and result indicators associated with the specific action objectives naturally and exclusively includes the Operational Programmes.

It should be noted, additionally, that the Portuguese authorities have already had the opportunity to recognise that the realisation and result indicators associated with the specific objectives of the Operational Programmes need to be improved and are currently developing, in close cooperation with the services of the European Commission, the activities and coordination necessary for the introduction of these improvements.

c) We should also take into consideration that the National Strategic Reference Framework and the Operational Programmes have the fundamental responsibility to support the concretisation of national public policies that are particularly relevant within the context of the Community Strategic Guidelines for Cohesion and the objectives and strategic guidelines of the NSRF (which, it is important to note, have met with the general agreement of the European Commission).

Under these circumstances, the Portuguese authorities agreed to provide the European Commission with additional information on national public policy goals which, assumed within the framework of the normative or political documents approved by the Portuguese government, are especially relevant in the contexts mentioned.

The additional information is presented in the table enclosed – though it should be highlighted, as a consequence of and in coherence with the preceding considerations, that the development goals assumed within the scope of the NSRF are quantified by the realisation and result indicators of the Operational Programmes.

DEVELOPMENT GOALS			
INDICATORS	Starting Point Value (year)	2010	PROGRAMMING DOCUMENT
<b>1. Promoting the Qualification of the Portuguese Population</b>			
• % of young people up to the age of 18 in education or vocational training		100% (2009)	NSDS
• % of secondary school pupils on technology and vocational courses		50%	INO/PNACE 2005–2008
• % of secondary school pupils on technology and vocational courses		650 000	INO/PNACE 2005–2008
• No. of workers qualified via the dual route of skills recognition and dual certification training (school and vocational)		1 000 000	INO/PNACE 2005–2008
• Early school abandonment rate in the 18–24 age group	38,6% (2005)	25% (2009)	INO
• Rate of participation in lifelong learning by population aged 25–64	4,6% (2005)	12,5%	PNACE 2005–2008/PT
• Rate of population with a higher educational diploma (% of 25–64 age group)	12,5% (2004)	15%	PNACE 2005–2008/PT
• No. of S&T diplomas per thousand people (aged 20–29)	8,2 <sup>o</sup> / <sub>oo</sub> (2003)	12 <sup>o</sup> / <sub>oo</sub>	PNACE 2005–2008/PT
• No. of PhDs awarded annually in Portugal and abroad		1 500	PNACE 2005–2008
• No. of new PhDs in S&T per thousand people (aged 25–34)	0,3 <sup>o</sup> / <sub>oo</sub> (2001)	0,45 <sup>o</sup> / <sub>oo</sub>	PNACE 2005–2008/PT
• Percentage of families with broadband Internet connection	26% (2005)	50%	PT
• Percentage of workers using computers with Internet connection at work	19% (2004)	40%	PNACE 2005–2008/PT
• Regular users of the Internet as a percentage of the population	28% (2005)	60%	PNACE 2005–2008/PT
• No. of students per computer in schools	11 (2005)	5	PNACE 2005–2008/PT
<b>2. Promoting Sustained Growth</b>			
• Change in public administration accounts	–6,0% (2005)	–0,4%	PEC 2005–2009 & 2006–2010
• Reduction in expenditure – restructuring of the central administration, human resources and public services – efficiency gains (% of GDP)	0,26% (2007)	0,49%	PEC 2006–2010
• Consolidated public sector debt (% of GDP)	67,4% (2006)	62,2%	PEC 2006–2010
• Exports of goods and services as % of GDP		7,2%	PEC 2006–2010
• GVA in medium and high technology industries compared to industrial GVA	3,39% (2003)	6,2%	PT
• GVA in high technology services compared to GVA in services	4,1% (2003)	6%	PT
• Enterprises created in medium/high and high tech sectors as % of total no. of enterprises created	3,4% (2004)	12,5%	PT
• Exports of high tech goods as % of total exports	7,4% (2003)	11,4%	NSDS
• Employment rate in medium and high-tech industries as % of total employment	3,17% (2003)	4,7%	NSDS/PT
• Employment rate in high-tech services as % of total employment	1,45% (2003)	1,8%	PT

DEVELOPMENT GOALS			
INDICATORS	Starting Point Value (year)	2010	PROGRAMMING DOCUMENT
• R&D expenditure by private business as % of GDP	0,26% (2003)	0,8%	PNACE 2005-2008/PT
• Public investment in R&D as % of GDP	0,52% (2003)	1%	PNACE 2005-2008/PT
• R&D researchers (ITS) per thousand active workers	3,6 <sup>o</sup> / <sub>oo</sub> (2004)	6 <sup>o</sup> / <sub>oo</sub>	NSDS/PT
• Total R&D personnel (ITS) per thousand active workers	4,7 <sup>o</sup> / <sub>oo</sub> (2003)	7,5 <sup>o</sup> / <sub>oo</sub>	NSDS/PT
• Investment in risk capital as % of GDP	0,12% (2004)	0,15%	NSDS/PT
• Patents registered at EPO per million inhabitants	4,3 (2002)	12	PNACE 2005-2008/PT
• Community trademarks registered per million inhabitants	47,8 (2004)	50	PT
<b>3. Ensuring Social Cohesion</b>			
• Total employment rate	67,5% (2005)	70%	PNACE 2005-2008
• Female employment rate	61,7% (2005)	63% (2008)	PNACE 2005-2008
• Employment rate for 55-64 population	50,5% (2005)	(+) 50%	PNACE 2005-2008
• Annual percentage of long-term unemployed participating in an active employability measure		25%	PNACE 2005-2008
• Annual no. of professional internships for qualified young people		25 000 (2009)	PNACE 2005-2008
• No. of people with difficulties entering the labour market involved in professional training and integration actions	19 250 (2005)	153 000 (2008)	PNAI 2006-2008
• No. of people receiving old-age benefits		300 000 (2009)	NSDS
• Children aged 3-5 in pre-school education		90%	PNACE 2005-2008
• Increase in no. of creche places by 37,000		50% (2009)	PNACE 2005-2008/ PARES
• Increase in no. of places in old people's homes	8,2% (2006)	10% (2009)	PARES
• Increase in home support services for people with disabilities		30% (2009)	PARES
• More places in social facilities for the aged		19 000 (2009)	PARES
• Increase in levels of integration in occupational activity centres for disabled people		10% (2009)	PARES
• More places in social facilities for the disabled		1 850 (2009)	PNAI 2006-2008
• No. of doctors per 1000 people	3,3 (2004)	3,5	NSDS
• Public health expenditure as % of GDP		7%	NSDS
• No. of disabled in training, qualification and technical support actions for professional integration	13 000 (2005)	46 000 (2008)	PNAI 2006-2008
• No. of immigrants in training, qualification and technical support actions	10 700 (2005)	38 500 (2008)	PNAI 2006-2008

DEVELOPMENT GOALS			
INDICATORS	Starting Point Value (year)	2010	PROGRAMMING DOCUMENT
<b>4. Ensuring the Qualification of the Territory and Cities</b>			
• Growth in rail passenger kilometres		+ 10% (2015)	STRATEGIC GUIDELINES FOR THE RAIL SECTOR
• Growth in rail freight (tonne-kilometres)		+ 70% (2015)	STRATEGIC GUIDELINES FOR THE RAIL SECTOR
• No. of regional network structuring programmes		15 (2009)	NSDS
• Total population served by public water supply systems	92% (2003)	95%	PEAASAR II 2007-2013
• Total population served by public drainage and urban waste water treatment systems	60,4% (2003)	90%	PEAASAR II 2007-2013
• Volume of recycled urban solid waste		25%	PERSU II 2007-2016
• BUW permissible in landfills as % of total BUW (in weight) produced in 1995 (Mg of BUW)	2.252.720 (1995)	50% (35% em 2015)	PERSU II 2007-2016
• Quantity of organically valorised BUW (1000 tonnes / year)	198 (2005)	722 (940 em 2015)	PERSU II 2007-2016
• No. of urban residential buildings rehabilitated in the Lisbon and Oporto metropolitan areas		20 000 (2009)	NSDS
• Restructured urban networks: cities policy		12 (2013)	NSDS
• No. of integrated urban regeneration operations: cities policy		100 (2013)	NSDS
• No. of thematic networks for the enhancement of patrimony and common resources		10	NSDS
• Reduction in average annual area of forest lost to fire		100 000 ha (2012)	NSDS
• Average annual area of forest lost to fire as % of whole		0,8% (2018)	NSDS
• Percentage of road accidents with victims (in reference to figures for 2001)	3 634 (2001)	75% (2015)	NSDS
• Reduction in urban solid waste production (in tonnes)	4.490.000 (2005)	225 000	NSDS
• Electricity produced from renewable energy sources (hydro, wind and photovoltaic especially)		39%	NSDS
<b>5. Increasing Governance Efficiency</b>			
• % of basic public services totally online	60% (2005)	100%	PNACE 2005-2008/PT
• No. of appointments and diagnostic exams made between health institutions electronically		5%	NSDS
• No. of appointments made electronically		80%	NSDS
• Reduction in school failure rates in basic and secondary education		50% (2009)	NSDS
• Reduction in use of hospital emergency services		25%	PNACE 2005-2008



## ANNEX III

### INVOLVEMENT OF PARTNERS IN THE PREPARATION OF THE NSRF

1. The European Commission's comments on the NSRF 2007–2013 note, in Chapter I (Preparation of the NSRF), point 1 (National NSRF preparation process and timetable) that while, in accordance with the information available, "several seminars and public auditions were organized both at regional and national level, and a significant number of CES members (including some regional associations of municipalities) sent their contributions by the means of a formal opinion" and that "The CES as such issued two written reports on the NSRF (dated 26/10/2006 on the draft NSRF; dated 14/02/2007 on the first official version). Both these reports endorse the choice of strategic priorities, but deplore the low involvement of social partners and civil society at the stage of NSRF and OPs preparation. Some concerns are also voiced by the CES, namely on the required political leadership and coordination (several Ministers "share" the various OPs), and on the implementation mechanisms and institutions that need to be defined accurately", these contributions and their respective consideration are not evident in the NSRF.

This assessment is formulated specifically in the following terms:

*"The NSRF mentions that several inputs from the above mentioned stakeholders have been taken into account in the submitted NSRF. However, no evidence to support this statement has been submitted. Therefore, we cannot assess the practical added value, and the level of involvement of the social partners and civil society, in the process of policy design".*

2. It needs to be stressed that the process of preparing public policies and instruments for their respective operationalisation is necessarily complex and eminently interactive.

These interactions, carried through at the political and technical levels with the involvement of public institutions and between these public institutions and the economic, social and institutional partners, are diverse in form and content and explicitly and implicitly influence the formulation of public policies and the nature and content of the instruments that operationalise them.

It is our belief, in this context, that any attempt to systematically order the results of the process of interaction and involvement of the economic, social and institutional partners in the preparation of the NSRF and the Operational programmes, which could result from the interpretation of the European Commission's comments on this matter, is effectively impossible.

It is important to mention, furthermore, that neither is it feasible to record all the actions and modalities which the aforementioned economic, social and institutional partners were involved in during preparation of the NSRF and Operational Programmes, which were naturally carried through by public initiative and by the partners themselves.

Nevertheless, within the framework of the presentation and debate of the NSRF and Operational Programmes, those actions that were considered to be of greatest importance and which occurred on the initiative or with the involvement of the Minister for Environment, Spatial Planning and Regional Development, the Secretary of State for Regional Development and the Coordinator of the NSRF Working Group were noted and their respective details are presented systematically in the table below.

#### SUMMARISED INFORMATION ON THE MOST IMPORTANT MEETINGS, SEMINARS AND CONFERENCES HELD TO PRESENT AND DEBATE THE NSRF AND OPS

DATE	PROMOTER		LOCATION	TITLE
06 Dec 05	CPAEIDR	Parliamentary Committee on Economic, Innovation and Regional Development Affairs	Vila Nova de Foz Côa	Regional, rural and territorial organisation development
12 Jan 06	CULT	Urban Community of Lezíria do Tejo	Évora	Meeting with the CULT about the NSRF
13 Jan 06	MAOTDR	Ministry for Environment, Spatial Planning and Regional Development	Vila Viçosa	Meeting between the Portuguese and Spanish authorities on cross-border cooperation
17 Feb 06	IMESF	Institute for the Management of the European Social Fund	Vimeiro	Seminar on the preparation of the next programming period
17 Feb 06	AR	Assembly of the Republic (Plenary)	Lisbon	Question & answer session with the government on sectoral issues – MAOTDR
20 Feb 06	SEDES	Association for Economic and Social Development	Lisbon	Dinner on the structural interventions cycle 2007–2013

DATE	PROMOTER		LOCATION	TITLE
23 Feb 06	AMNA	Association of Municipalities of Northern Alentejo	Portalegre	Opening session for the seminar "NSRF 2007-2013: What opportunities? What strategy? The sustainable development of northern Alentejo as an objective"
7 Mar 06	AR	Assembly of the Republic (Plenary)	Lisbon	Parliamentary hearing on the NSRF
14 Mar 06	CCDR LVT	Regional Coordination and Development Committee (Lisbon and Vale do Tejo)	Lisbon	Meeting of the Regional Council - Lisbon and Vale do Tejo on the NSRF
28 Mar 06	CCDR Alentejo	Regional Coordination and Development Committee (Alentejo)	Évora	Meeting of the Regional Council - Alentejo on the NSRF
29 Mar 06	CPCS	Permanent Committee for Social Dialogue	Lisbon	NSRF
29 / 30 March 2006	CSF Observatory		Lisbon	National conference entitled "What priorities for Portugal?", organised by the CSF III Observatory with the support of the CSF III Managing Committee, intended to present the results of the 16 Thematic and Prospective Studies drawn up by universities within the scope of preparing the NSRF and OP.
31 Mar 06	CCDR Algarve	Regional Coordination and Development Committee (Algarve)	Faro	Meeting of the Regional Council - Algarve on the NSRF
7 Apr 06	ANMP	National Association of Portuguese Municipalities		Meeting on the NSRF
11 Apr 06	CCDR Centre	Regional Coordination and Development Committee (Centre)	Coimbra	Meeting of the Regional Council - Centre on the NSRF
11 Apr 06	CCDR North	Regional Coordination and Development Committee (North)	Oporto	Meeting of the Regional Council - North on the NSRF
18 Apr 06	Jacques Delors Information Centre		Lisbon	Meeting on the Lisbon Strategy and NSRF
21 Apr 06	VALIMAR	Urban Community	Viana do Castelo	Meeting with VALIMAR on the NSRF
28 Apr 06	MAOTDR	Ministry for Environment, Spatial Planning and Regional Development	Lisbon	Seminar "20 Years of Cohesion Policy"
8 May 06	ANMP	National Association of Portuguese Municipalities	Lisbon	Meeting on the NSRF
15 May 06	ADERAM	Autonomous Region of Madeira Development Association	Funchal	Second World Forum on Regional Economic Development
18 May 06	CIP	Federation of Portuguese Industry	Lisbon	Meeting on the NSRF with the board of the Federation of Portuguese Industry
30 May 06	AIP	Portuguese Industrial Association	Lisbon	Meeting with the AIP and its regional associates on the NSRF
31 May 06	AR – 6th CPAEIDR	Assembly of the Republic – 6th Parliamentary Committee on Economic, Innovation and Regional Development Affairs	Lisbon	Debate on the NSRF
1 Jun 06	CCDR North	Regional Coordination and Development Committee (North)	Oporto	Regional hearing (North) – Regional Development Strategy

DATE	PROMOTER		LOCATION	TITLE
2 Jun 06	ANMP	National Association of Portuguese Municipalities	Lisbon	Meeting on the NSRF
6 Jun 06	CCDR Centre	Regional Coordination and Development Committee (Centre)	Coimbra	The economy and competitiveness of the Portuguese regions
6 Jun 06	AIP and COM	Portuguese Industrial Association and European Commission	Leiria	Closing session of "Europe: an opportunity for Portuguese SMEs"
7 Jun 06	CCDR Alentejo	Regional Coordination and Development Committee (Alentejo)	Évora	Regional hearing (Alentejo) – Regional Development Strategy
20 Jun 06	CCDR LVT	Regional Coordination and Development Committee (Lisbon and Vale do Tejo)	Lisbon	Regional hearing (Lisbon and Vale do Tejo) – Regional Development Strategy
23 Jun 06	ADRAL	Regional Development Agency for the Alentejo	Redondo	Seminar on the NSRF
30 Jun 06	CCAA	Conference of the Cities of the Atlantic Arc	Figueira da Foz	From policy to practice: converting strategic success into benefits for citizens
5 Jul 06	CCDR Centre	Regional Coordination and Development Committee (Centre)	Coimbra	Regional hearing (Centre) – Regional Development Strategy
11 Jul 06	CCDR Algarve	Regional Coordination and Development Committee (Algarve)	Faro	Regional hearing (Algarve) – Regional Development Strategy
12 Jul 06	AR	Assembly of the Republic (Plenary)	Lisbon	Debate: "The State of the Nation"
16 Jul 06	ANMP	National Association of Portuguese Municipalities	Lisbon	Meeting on the NSRF
19 Jul 06	CCDR Centre	Regional Coordination and Development Committee (Centre)	Coimbra	Presentation of the study "Strategic enhancement of the logistics system, transport and mobility – regional economic perspective"
7 Sep 06	AR - CP	Assembly of the Republic – Permanent Committee	Lisbon	Hearing on the NSRF
15 Sep 06	ADRAT	Association for the Development of the Alto Tâmega Region	Chaves	Closing session of the 5th European Mountain Convention
16 Sep 06	APDR	Portuguese Association for Regional Development	Viseu	Closing session of the 12th APDR Congress
19 Sep 06	AR – CPPLAOT 7th	Assembly of the Republic – 7th Parliamentary Committee on Local Power, Environment and Spatial Planning	Lisbon	Debate on the NSRF
22 Sep 06	ADR	Regional Development Agency for Trás-os-Montes and Alto Douro	Macedo Cavaleiros	Sustainable agriculture in regional development
28 Sep 06	CCDR Alentejo, Algarve and UCN	Regional Coordination and Development Committees (Algarve and Alentejo) and the INTERREG III National Coordination Unit	Mértola	Workshop for the MED Programme
29 Sep 06	ADLEI	Leiria Local Development Association	Leiria	Debate on the NSRF
10 Oct 06	Água e Ambiente	"Água e Ambiente" newspaper	Lisbon	Environment: A Strategic Sector for the Portuguese Economy

DATE	PROMOTER		LOCATION	TITLE
11 Oct 06	ATAM	Association of Municipal Administrative Employees	Angra do Heroísmo	XXVI National Colóquio of the ATAM
13 Oct 06	AR	Assembly of the Republic (Plenary)	Lisbon	Debate on the NSRF
13 Oct 06	Planicôa	Local and Regional Rural Planning and Development Cooperative	Guarda	Opening session of the conference on alternative strategies for the development of the central Iberian 'raia'
19 Oct 06	CES	Economic and Social Council	Lisbon	Hearing on the NSRF by the Permanent Specialised Committee on Regional Development and Spatial Planning
30 Oct 06	AECOPS	Southern Construction and Public Works Industry Association	Tavira	Portugal-Spain Cross-border Cooperation
2 Nov 06	ACIF	Funchal Trade and Industry Association	Funchal	Enterprising Regions
2 Nov 06	AMAL	Association of Algarve Municipalities	Faro	Meeting with AMAL on the NSRF
3 Nov 06	CCDR North and UCN	Regional Coordination and Development Committee (North) and INTERREG III National Coordination Unit	Oporto	Interreg III-C seminar
6 Nov 06	CPCS	Permanent Committee for Social Dialogue	Lisbon	Debate on the NSRF and OP
9 Nov 06	Uniminho		Valença	Presentation of the Uniminho Strategic Plan
10 Nov 06	Universidade do Minho - EEG	University of Minho - School of Economics and Management	Braga	The NSRF and economic development
15 Nov 06	GAB SEDR	Office of the Secretary of State for Regional Development	Lisbon	Meeting on the NSRF with the ANMP
16 Nov 06	ANADER	National Association of Regional Development Agencies	Óbidos	1st National Meeting of Regional Development Agencies
16 Nov 06	APOCEEP	Portuguese Association of the European Centre of Enterprises with Public Participation and/or of General Economic Interest	Lisbon	PPP for quality services and infrastructure development: contracting, risk transfer and financing
16 Nov 06	European Commission Representation in Portugal		Lisbon	Session on the NSRF at the National Meeting of European Information
23 Nov 06	CIEJD	Jacques Delors European Information Centre	Lisbon	European Union Structural Funds and the NSRF 2007-2013
28 Nov 06	IFDEP	Institute for the Fostering and Development of Entrepreneurship in Portugal	Coimbra	The importance of entrepreneurship for regional development
12 Dec 06	AR - CAE	Assembly of the Republic - European Affairs Committee	Lisbon	Debate on the execution of the CSF III
15 Dec 06	GAB SEDR / GT CTE 2007-2013	Office of the Secretary of State for Regional Development / Working Group for Cooperation 2007-2013	Alandroal	Seminar: "European Territorial Cooperation in Portugal's NSRF 2007-2013"

DATE	PROMOTER		LOCATION	TITLE
20 Dec 06	NSRF WG	NSRF Working Group	Alcochete	Joint meeting of all teams involved in the <i>ex ante</i> evaluation and strategic environmental evaluation of the NSRF and its Operational Programmes
20 Dec 06	PIC Interreg III A	Community Initiative Programme Interreg III A	Portalegre	Interreg Fórum Seminar
16 Jan 07	Government		Lisbon	Public presentation of the NSRF
17 Jan 07	E-Value		Sines	Closing of the Energy and Regional Development Workshop
25 Jan 07	NSRF WG	NSRF Working Group	Lisbon	Presentation of the NSRF to the Confederation of Portuguese Industry
1 Feb 07	AR	Assembly of the Republic (Plenary)	Lisbon	Operational Programmes of the NSRF
2 Feb 07	MEI	Ministry for Economy and Innovation	Lisbon	Competitiveness Agenda in the NSRF
7 Feb 07	CCDR Centre	Regional Coordination and Development Committee (Centre)	Leiria	Public session on the OP
7 Feb 07	CCDR Centre	Regional Coordination and Development Committee (Centre)	Coimbra	Meeting of the Regional Council (Centre) on the OPs
8 Feb 07	CCDR Alentejo	Regional Coordination and Development Committee (Alentejo)	Ponte de Sôr	Public session on the OP
8 Feb 07	CCDR North	Regional Coordination and Development Committee (North)	Oporto	The new Structural Funds Cycle and the North Region
9 Feb 07	MAOTDR	Minister for Environment, Spatial Planning and Regional Development	Lisbon	Meeting with the board of the National Association of Portuguese Municipalities
9 Feb 07	Atlantic Axis	Atlantic Axis of the Iberian Northwest	Vila Nova de Gaia	General Meeting of the Atlantic Axis of the Iberian Northwest
12 Feb 07	CCDR Algarve	Regional Coordination and Development Committee (Algarve)	Faro	Public session on the OP
12 Feb 07	CCDR LVT	Regional Coordination and Development Committee (Lisbon and Vale do Tejo)	Montijo	Public session on the OP
14 Feb 07	NSRF WG	NSRF Working Group	Lisbon	Workshop for the public presentation and debate on the Strategic Environmental Evaluations of the Operational Programmes co-financed by the ERDF and Cohesion Fund
15 Feb 07	GAB MAOTDR	Office of the Minister for Environment, Spatial Planning and Regional Development	Lisbon	Meeting with the boards of the Portuguese Industrial Association and Portuguese Business Association
21 Feb 07	MEI	Ministry for Economy and Innovation	Lisbon	Presentation of the Competitiveness Factors OP to the regional and sectoral business associations
7 Mar 07	AEPF	Paços de Ferreira Business Association	Paços de Ferreira	Managing Business Hosting Areas in Vale do Sousa
10 Mar 07	PS Évora Federation	PS Évora Federation	Estremoz	Public 'clear-the-air' session and debate on the NSRF in the regional context

DATE	PROMOTER		LOCATION	TITLE
14 Mar 07	AEP	Portuguese Business Association	Oporto	Portugal and the Cohesion Policy 2007–2013
15 Mar 07	EA	Atlantic Axis of the Iberian Northwest	Santiago de Compostela, Spain	Community Funds 2007–2013
16 Mar 07	EIB	European Investment Bank	Lisbon	Presentation of the NSRF at a conference held to commemorate 20 years of the EIB in Portugal
21 Mar 07	APG	Portuguese Geography Association	Lisbon	Session on the NSRF at the annual meeting of the Portuguese Geography
22 Mar 07	AC Braga	Braga Trade Association	Braga	NSRF 2007–2013 and Portuguese competitiveness
22 Mar 07	DGADR	Directorate General for Agriculture and Rural Development	Aveiro	Session on the Cohesion Policy 2007–2013
23 Mar 07	AM Vale do Ave	Association of Municipalities of the Vale do Ave	Guimarães	Public presentation of the action plan 2007–2013 for the Ave NUTS III municipalities
26 Mar 07	MAOTDR	Ministry for Environment, Spatial Planning and Regional Development	Bragança	Presentation of the Portugal–Spain Cross-border Cooperation Operational Programme 2007–2013
27 Mar 07	NERBA	Bragança Business Nucleus	Bragança	Debate on the NSRF
27 Mar 07	FAET	Federation of Business Associations from Trás-os-Montes and Alto Douro	Bragança	Debate on the NSRF
28 Mar 07	UTAD	University of Trás-os-Montes and Alto Douro	Lamego	Debate on the NSRF
3 Apr 07	AIMRD	Iberian Association of the Duero Riverside Municipalities	Oporto	Annual General Meeting of the Iberian Association of the Duero Riverside Municipalities. "Duero a Cima/Duero Arriba – 2007/2013 Overall Development and Territorial Cohesion in the Duero/Duero"
11 Apr 07	NERSANT	Santarém Region Business Nucleus	Torres Novas	NSRF and business investment incentives

## ANNEX IV

### EX ANTE EVALUATION OF COMPLIANCE WITH THE ADDITIONALITY PRINCIPLE

The issues raised in the Commission document (DG ECFIN) are understandable, bearing in mind that various alterations have been verified vis-a-vis the evaluation relating to the CSF III (more restricted thematic scope, more limited territorial scope, different set of public enterprises and new classification nomenclature for expenditure).

Though mentioned, the impacts of these alterations were not specified in the report submitted, as it was

not explicitly requested in the European Commission Working Document ("*Working Document 3 – Commission Methodological Paper – Guidelines on the Calculation of Public or Equivalent Structural Spending for the Purpose of Additionality, October 2006*"). The document presented here aims to supply additional information relating to those impacts, the justification for the deflators used and the content of the expenditure typology included under "Other".

The material contained in this document should not therefore be regarded as an update to the report already submitted.

### 1. Changes to national financing between the *ex ante* evaluation 2007–2013 and the final evaluation 2000–2004

Bearing in mind that stated in the aforementioned European Commission Working Document, various changes were made to national financing for the 2000–2004 period relative to the Additionality Principle Evaluation Report, CSF III, Final Evaluation, of July 2005<sup>1</sup>. This essentially reflected the changes made to the thematic scope of eligible expenditure, the redefinition of the group of

<sup>1</sup> This report will be referred to in the rest of this Annex as the Final Evaluation Report 2000–2004.

public enterprises included and alterations to the regions deemed Convergence objective. In addition, the figures for 2004 are now definitive, while those contained in the final evaluation report for the 2000–2004 period were provisional<sup>2</sup>.

For the country as a whole, the final average adjusted figure for the 2000–2004 period at constant 2006 prices was **5,412,814,278 euros**, compared to **6,547,252,467 euros** as stated in the Final Evaluation Report 2000–2004.

**a) Changes to the size of national financing due to alterations to the thematic scope of eligible expenditure and the redefinition of the group of public companies ("the size of increase/decrease of national eligible spending due to the changes in eligibility–exclusion of agricultural and fisheries expenditure")**

<sup>2</sup> See page 1 of the report.

1. Total National Financing				
National Total				
Current Prices				
Euros				
	Figures for the ex ante evaluation report 2007-2013 (a)	Figures for the final evaluation report 2000-2004 (a)	Absolute difference	
2000	4,121,090,140	5,005,892,077	-884,801,938	
2001	5,396,380,722	6,609,334,723	-1,212,954,001	
2002	5,167,305,538	6,366,183,977	-1,198,878,439	
2003	4,846,701,287	5,866,360,883	-1,019,659,596	
2004	4,903,615,944	5,690,369,901	-786,753,957	
2005	4,960,394,571	-	-	
Average 2000-2004	4,887,018,726	5,907,628,312	-1,020,609,586	
Average 2000-2005	4,899,248,034	-	-	
(a) Adjusted in line with the change to the scope of eligible expenditure. For 2004, includes substitution of provisional figures for definitive figures (+ 97,256,432 euros)				
2. Total National Financing				
National Total				
Constant 2006 prices				
Euros				
	Figures for the ex ante evaluation report 2007-2013 (a)	Figures for the final evaluation report 2000-2004 (a)	Absolute difference	
2000	4,891,816,138	5,942,093,674	-1,050,277,536	
2001	6,179,076,536	7,567,958,453	-1,388,881,918	
2002	5,692,259,865	7,012,934,163	-1,320,674,299	
2003	5,199,196,824	6,293,015,201	-1,093,818,377	
2004	5,101,722,028	5,920,260,845	-818,538,817	
2005	5,059,602,463	-	-	
Average 2000-2004	5,412,814,278	6,547,252,467	-1,134,438,189	
Average 2000-2005	5,353,945,642	-	-	
(a) Adjusted in line with the change to the scope of eligible expenditure. For 2004, includes substitution of provisional figures for definitive figures (+ 101,185,592 euros)				



a1.) Due to the change in the thematic scope of eligible expenditure, in the Final Evaluation Report 2000-2004, the amounts for the following spending were excluded:

1. "Agriculture and rural development";<sup>3</sup>
2. "Fisheries".
3. EAGGF and FIFG Community funds.

The exclusion of these *categories and the structural funds* mentioned had the following impact on total national expenditure:

3. Reduction in expenditure from national financing due to exclusion of the Agriculture and Rural Development category, Fisheries category and the EAGGF and FIFG Structural Funds (a)						
Euros	2000	2001	2002	2003	2004	Avg. 2000-2004
Current Prices	-280,204,643	-287,111,679	-361,798,339	-293,237,080	-606,787,082	-365,827,765
Constant 2006 prices	-332,608,496	-328,754,610	-398,553,975	-314,563,907	-631,301,280	<b>-401,156,454</b>
(a) Non-additional to the public companies effect so as to avoid duplication						

It can be seen therefore that the exclusion of this type of expenditure led to a reduction in total national financing by **-401,156,454 euros** in average terms for the 2000-2004 period at constant 2006 prices. It should be noted that this effect cannot be added to the public enterprise effect so as to avoid accounting duplication.

a2.) Furthermore, the *group of public companies* included in the *ex ante* evaluation report 2007-2013 was altered compared to the Final Report 2000-2004, bearing in mind the important changes to the state companies sector and the profound alterations to the statutory status of various entities within the public administration. Public companies that were privatised (Brisa – Autoestradas de Portugal, S.A., EDP – Electricidade de Portugal S.A. and Gás de Portugal S.G.P.S) were therefore excluded, while other public companies were included and the Instituto de Estradas de Portugal and several hospitals pertaining to the central administration were reclassified as public companies, as illustrated below.

The change in the group of public enterprises included saw total national expenditure in average terms for the 2000-2004 period at constant 2006 prices fall by **-834,429,935 euros**, as the following table shows:

<sup>3</sup> Spending on agriculture and rural development financed by the ERDF is included. This spending was reclassified as basic infrastructure/environment and water.

5. Reduction in expenditure from national financing due to the change in the group of public companies included (a)						
Euros	2000	2001	2002	2003	2004	Avg. 2000-2004
Current Prices	-645,991,918	-992,860,957	-894,427,627	-751,306,624	-471,904,117	-751,298,249
Constant 2006 Prices	-766,805,283	-1,136,866,385	-985,293,872	-805,948,373	-477,235,763	<b>-834,429,935</b>
(a) Non-additional to the effect of excluding categories and structural funds so as to avoid duplication						

The reduction in the size of national financing associated to public companies reflects:

- The reduction in the 'Transport' category due to the privatisation of Brisa. The inclusion of new public companies responsible for important rail and airport infrastructure projects did not offset the effect as the expenditure on them during the period was essentially related to studies and evaluations;

- The reduction of expenditure in the 'Energy' category associated with the exclusion of EDP and GDP. EDP's exclusion corresponded to REN- Electricidade's inclusion.

#### b) Changes to national financing due to the redefinition of regions considered Convergence objective ("*the size of increase/decrease of national eligible spending due to the change in coverage of Convergence – former Obj.1 – areas*")

In the previous Community Support Frameworks, all of the national territory was classified as Objective 1. However, in the 2007-2013 period, only the North, Centre, Alentejo, Algarve and Azores NUTS II regions are considered Convergence objective regions. There has therefore been a change in the territorial criterion for verifying the additionality principle. It should be noted that for the final evaluation 2000-2004, no regionalised data was collected, so there are no figures for regions available for comparison with those now collected.

Therefore, for the *ex ante* evaluation in the context of the NSRF, regionalised data collection for the 2000-2005 period was obtained via a new enquiry carried out with the different entities.

As mentioned, the figure for national financing included in the Final Report 2000-2004 (average annual figures

6. National Financing per type of region Current Prices Euros						
	Convergence Obj. R.	Convergence Obj. Phasing Out R.	Competitiveness and Employment Obj. R.	Competitiveness and Employment Obj. Phasing In R.	National Total	Total for Convergence Objective Regions
	(1)	(2)	(3)	(4)	(5) = (1)+(2)+(3)+(4)	(6) = (1)+(2)
2000	2,530,829,315	169,885,943	1,339,746,907	80,627,974	4,121,090,140	2,700,715,258
2001	3,414,593,238	307,215,576	1,564,600,205	109,971,703	5,396,380,722	3,721,808,814
2002	3,531,035,104	230,391,769	1,291,252,221	114,626,445	5,167,305,538	3,761,426,872
2003	3,377,641,003	226,690,050	1,114,791,661	127,578,573	4,846,701,287	3,604,331,053
2004	3,569,354,159	214,153,932	990,905,459	129,202,394	4,903,615,944	3,783,508,091
2005	3,674,459,508	219,899,264	952,282,445	113,753,353	4,960,394,571	3,894,358,772
Average 2000-2004	3,284,690,564	229,667,454	1,260,259,291	112,401,418	4,887,018,726	3,514,358,018
Average 2000-2005	3,349,652,054	228,039,422	1,208,929,817	112,626,740	4,899,248,034	3,577,691,477

7. National Financing per type of region Constant 2006 Prices Euros						
	Convergence Obj. R.	Convergence Obj. Phasing Out R.	Competitiveness and Employment Obj. R.	Competitiveness and Employment Obj. Phasing In R.	National Total	Total for Convergence Objective Regions
	(1)	(2)	(3)	(4)	(5) = (1)+(2)+(3)+(4)	(6) = (1)+(2)
2000	3,004,144,842	201,658,001	1,590,306,283	95,707,013	4,891,816,138	3,205,802,842
2001	3,909,848,850	351,774,393	1,791,531,197	125,922,096	6,179,076,536	4,261,623,243
2002	3,889,758,260	253,797,614	1,422,432,473	126,271,517	5,692,259,865	4,143,555,874
2003	3,623,293,315	243,176,981	1,195,869,298	136,857,229	5,199,196,824	3,866,470,297
2004	3,713,556,067	222,805,751	1,030,938,040	134,422,170	5,101,722,028	3,936,361,818
2005	3,747,948,698	224,297,249	971,328,094	116,028,420	5,059,602,463	3,972,245,948
Average 2000-2004	3,628,120,267	254,642,548	1,406,215,458	123,836,005	<b>5,412,814,278</b>	<b>3,882,762,815</b>
Average 2000-2005	3,648,091,672	249,584,998	1,333,734,231	122,534,741	5,353,945,642	<b>3,897,676,670</b>

at constant 2006 prices) amounted to **6,547,252,467 euros** and refers to the whole of the national territory (see Table 2). The figure included for the national territory here is **5,412,814,278 euros**, as agriculture and rural development, fisheries and EAGGF and FIG expenditure has been excluded and the changes to public companies included has been taken into consideration.

The change in regional scope had the following impact on the *ex ante* evaluation: the sum of **5,412,814,278 euros** fell to **3,882,762,815 euros** in average terms for the 2000-2004 period when only Convergence objective regions are considered. In the 2000-2005 period, this sum rises to **3,897,676,670 euros**, the figure which, therefore, should be considered for the purposes of evaluation of compliance with the additionality principle (see page 25 of the Report on the *ex ante* Evaluation of Compliance with the Additionality Principle 2007-2013).

## 2. Deflators used in the *ex ante* evaluation 2007-2013 ("the GDP deflators used")

As explained in the methodology annex to the *ex ante* evaluation report (page 35), the GDP deflators used were the official GDP

8. Implicit price index			
Year	GDP <sup>(1)</sup>	NSRF <sup>(2)</sup>	Annual Variation Rate %
	Index 2006=100	Index 2006=100	
2000	84.2446		3.0
2001	87.3331		3.7
2002	90.7778		3.9
2003	93.2202		2.7
2004	96.1169		3.1
2005	98.0392		2.0
2006		100.0000	2.0
2007		102.0000	2.0
2008		104.0400	2.0
2009		106.1208	2.0
2010		108.2432	2.0
2011		110.4081	2.0
2012		112.6162	2.0
2013		114.8686	2.0

(1) Preliminary INE Annual National Accounts from December 2006 (definitive figures up to 2003)

(2) - Variation rates implicit in the Community Decisions on EU Financial Allocations used (2%) (source: Coordination of the NSRF WG).

deflators for the 2000-2004 period provided by Statistics Portugal (INE). For the 2005-2013 period, the deflator implicit in the EU financial appropriations (variation rates of 2%)<sup>4</sup> was used.

The source of the deflator used in the 2007-2013 period is Council Regulation (CE) No.º 1083/2006 of 11th July 2006, which establishes general provisions for the European Regional Development Fund, the European Social Fund and the Cohesion Fund and which revokes Chapter V, Article 18 of Regulation (CE) No. 1260/1999 where it determines that, for the purposes of programming and subsequent inclusion in the General Budget of the European Union, the resources available for authorisation through the funds for the 2007-2013 period are indexed to an annual rate of 2%.

It should be added that the amounts set out in the financial framework were fixed at 2004 prices, and the implicit deflator for the years 2005 and 2006 is also 2%. In this context, and taking into account the as yet preliminary nature of the official GDP deflator for 2005 and the non-availability of the

<sup>4</sup> The estimated execution figures for 2014 and 2015 were also deflated by 2%.

deflator for 2006, it was decided to ensure the consistency of the deflators to be used for 2005 and 2006 with those adopted for the 2007-2013 period.

### 3) Breakdown of the "Other" category (*"the breakdown for the "other" category, as this takes up 17% of total national eligible expenditure"*)

The "Other" category includes the priority themes "Mechanisms for improving the design, monitoring and evaluation of policies and programmes" (theme 81), "Technical Assistance" (themes 85 and 86), "Integrated projects for urban and rural regeneration" (theme 61), and "Other social infrastructure" (theme 79), and can be broken down as per the following table:

As the priority themes "Integrated projects for urban and rural regeneration" and "Other social infrastructure" are not directly contained within the remaining additional categories, it was considered that the best alternative was to include these expenditure typologies under the "Other" category.

9. National Financing, Breakdown of the Category "Other"						
Constant 2006 Prices						
	Total for the Convergence Objective Regions			Total for the Convergence Objective Regions		
	Average Figure 2000-2005			Average Figure 2007-2013		
	Total Financing	Internal Contribution	Outside NSRF	Total Financing	Internal Contribution	Outside NSRF
Mechanisms for improving the design, monitoring and evaluation of policies and programmes	9,797,520	1,810,423	7,987,097	36,256,970	27,381,021	8,875,949
Technical Assistance	10,466,157	8,466,967	1,999,190	26,341,524	26,308,800	32,725
Integrated projects for urban and rural regeneration	124,267,688	67,474,904	56,792,784	243,893,090	38,602,008	205,291,081
Other social infrastructure	538,274,809	42,780,109	495,494,700	114,931,013	31,901,796	83,029,217
<b>Total</b>	<b>682,806,174</b>	<b>120,532,403</b>	<b>562,273,772</b>	<b>421,422,597</b>	<b>124,193,625</b>	<b>297,228,972</b>

## ANNEX V

### RULES FOR DETERMINING EXPENDITURE ELIGIBILITY ACCORDING TO THE LOCATION AND QUANTIFICATION OF SPILL-OVER EFFECTS

1. Community regulations relating to cohesion policy for the 2007-2013 period, particularly Council Regulation (CE) No. 1083/2006 of 11th July 2006, have introduced significant alterations into the previous legal discipline relating to the expenditure eligibility rules of the Structural Funds and the Cohesion Fund, namely in Article 56(4) where it states: *"The rules on the eligibility of expenditure shall be laid down at national level subject to the exceptions provided for in the specific Regulations for each Fund. They shall cover the entirety of the expenditure declared under the operational programme"*.

Although this norm, which delegates normative powers to the Member States, contrasts with the situation in force during the 2000-2006 period, in which the same eligibility rules were laid down by Community Regulation and approved by the Commission, the European Commission systematically demonstrated that there was a need to include in the NSRF the discipline to be applied within the framework of expenditure eligibility according to location.

2. It is important to stress, furthermore, that as a result of the political negotiations within the European Council to establish the financial allocations of the cohesion policy,

greater importance has been attached in the 2007-2013 period to the territorial dimension of the spending allocated to each Member State, demonstrated by the respective rigid compartmentalisation in line with NUTS II typologies into "convergence regions" and "regional competitiveness and employment regions" (and in the "phasing in" and "phasing out" transitional regimes).

The inherent territorial rigidity of the Community financial allocations of the cohesion policy is particularly exacerbated in Portugal, where not only do the four NUTS II typologies established by the European Council (and in the mentioned Regulation 1083/2006) coexist – North, Centre, Alentejo and Azores NUTS II are "convergence" regions, Lisbon NUTS II is a "regional competitiveness and employment" region, Algarve NUTS II is a "phasing out" region and Madeira NUTS II is a "phasing in" region – but Cohesion Fund assistance also applies, with national territorial eligibility.

Portugal's situation is mirrored only by Spain, as shown in the table below (page 143).

3. In this context, we note that the Community regulatory provisions establishing a rigid direct relationship between the territorial typologies of the NUTS II ("objectives" as the Regulations designate them) and the financial allocations are the following:

- "An operational programme shall cover only one of the three objectives referred to in Article 3, save as otherwise agreed between the Commission and the Member State" (Article 32(1));
- "a priority axis may receive assistance from only one Fund and one objective at a time" (Article 54(3));
- "In the Member States receiving support from the Cohesion Fund, the ERDF and the Cohesion Fund shall jointly provide assistance for operational programmes on transport infrastructure and the environment, including for major projects" (Article 34(3)).

Respecting the regulatory discipline and benefiting from its reduced flexibility in this matter, Portugal adopted Operational Programmes with the following territorial restrictions:

- Relative to the "convergence" regions in continental Portugal: Competitiveness Factors Thematic OP;
- Relative to the "convergence" regions in continental Portugal for ERDF financing and the whole of national territory for Cohesion Fund financing: Territorial Enhancement Thematic OP;

- Relative to the "convergence" regions in continental Portugal and the "regional competitiveness and employment" and "phasing out" regions: Human Potential Thematic OP;

- Relative to a "convergence" region: North, Centre, Alentejo and Azores Regional OPs;

- Relative to a "regional competitiveness and employment" region: Lisbon Regional OP;

- Relative to a "phasing out" region: Algarve Regional OP;

- Relative to a "phasing in" region: Madeira Regional OP;

- Relative to the whole of the Portuguese regions: Technical Assistance OP.

4. Nevertheless, we should point out that the NSRF explicitly states that the territorial restrictions imposed not only reduce the possibilities of carrying through national public development policies, with structural-type Community financial support, but that they are especially onerous for national economic, social and territorial development dynamics by significantly jeopardising the chances of benefiting from the territorial spill-over effects from investments in the Lisbon region.

We are pleased to note that this concern (re-emphasised in later contacts with the Commission) was taken on board and is shared by the services of the European Commission, which, in their appraisal of the NSRF, state the following: "*Considering that investments in the region of Lisbon have always had a strong spill-over effect to the benefit of all other regions, this significant reduction of Community resources will require a particular attention to avoid serious repercussions at national level. The NSRF could be improved by addressing this issue.*"

In contacts with the Commission, the exceptional nature of this situation, recognised as being of particular relevance for Portugal, was put forward, whose explanation stems from the fact that Portugal is one of the few Member States where capital city phenomena are especially significant.

5. Given these circumstances and within this framing, below are presented the rules established by the European Commission and the Portuguese authorities for determining the eligibility of expenditure according to location, bearing in mind spill-over effects, and for regional imputation of expenditure on the technical assistance operations.

#### 6. General Rule on Territorial Eligibility of Expenditure

Expenditure relating to operations co-financed by the

Structural Funds and the Cohesion Fund are eligible to Operational Programmes if it is carried out in the NUTS II covered by each of these OPs.

This general criterion of territorial eligibility of expenditure is operationalised, as a rule, in accordance with the location of the investment.

In the case of investments of a material nature (in which the location of the investment is clearly identifiable), its application is immediate.

In the case of investments of a non-material nature, the operationalisation of the territorial eligibility criterion is assessed according to the location of the beneficiary entity – defined based on the location of its headquarters or the location of the branch (or establishment) responsible for executing the operation.

Exceptions to the general rule on territorial eligibility of expenditure are those relating to:

- a) Operations with important spill-over effects in the domains and ways set out in points 7 and 8;
- b) Operations relating to Technical Assistance for Structural Fund interventions, under the terms laid out in point 9.

**7. Exceptions** to the general rule on territorial eligibility of expenditure are those relating to operations carried through in the Lisbon NUTS II<sup>5</sup>, but whose effects spill over into the remaining regions of continental Portugal and are considered of major relevance to the development of the "Convergence" objective regions in continental Portugal.

To that end, the following investment typologies are taken into consideration:

#### **A. Competitiveness Factors Thematic OP**

##### **A.1. Axis 1 – Knowledge and Technological Development**

A.1.1. Investment typology: "Support for R&TD consortia of enterprises and entities from the Scientific and Technological System"

##### **A.2. Axis 3 – Innovation Financing and Risk Sharing**

A.2.1. Investment typology: "Support Fund for Innovation Financing"

##### **A.3. Axis 4 – Efficient and High Quality Public Administration**

<sup>5</sup> Or, in pertinent situations, in the Algarve NUTS II.

A.3.1. Investment typology: "Dematerialisation, simplification and re-engineering of processes"

A.3.2. Investment typology: "Improving the government-public interface"

A.3.3. Investment typology: "Electronic administration (integration, network administration)"

#### **B. Human Potential Thematic OP**

##### **B.1. Axis 3 – Management and Professional Improvement**

B.1.1. Investment typology: "Strategic training for management and innovation in the public administration"

It is important to bear in mind that these intervention typologies represent exceptional cases, duly justified in terms of the nature of the operations and of the multiplying effect that they have on regions distinct from those where the investment is made.

These typologies represent, as a whole, only a small percentage of the financial appropriation of the Structural Funds in programming terms.

The guidelines presented in the following paragraphs, established by the European Commission in partnership with the Portuguese authorities, may be subject, in the pertinent situations, to additional specifications within the scope of each Thematic Operational Programme.

#### **8. Specific methodologies for determining expenditure eligibility in exceptional cases (determination of spill-over effects)**

#### **A. Competitiveness Factors Thematic OP**

##### **Axis 1 – Knowledge and Technological Development**

General reasoning:

In an intermediate developed country like Portugal, public aid for investment in R&D – carried out both by public and private entities – is of crucial importance for fostering business and territorial competitiveness. This policy action is an incentive to the production of public goods and aims to overcome various types of market failings, particularly evident in regions where the business fabric is under-developed from a technology perspective, has low levels of investment in human capital and there is lesser propensity for cooperation between enterprises and between enterprises and the scientific system.

The largescale concentration of resources for the production of technological knowledge in the capital region coexists with the relative dispersion of the agents that constitute the potential users of its economic benefits, which creates a territorial system in which the outflows of spill-over effects from investment in that region to all the others is of major importance.

Specific methodology:

• **A.1.1. Investment typology: "Support for R&TD consortia of enterprises and entities from the Scientific and Technological System"**

Consideration of spill-over effects in the "convergence" regions in continental Portugal conditioned (i) by the financial participation of one or more enterprises in the operation carried out by the R&TD consortium of enterprises and entities from the Scientific and Technological System and (ii) by the location of the company/companies involved in the R&TD consortium – defined by the location of their headquarters or by the location of the branch (or establishment) responsible for the financial participation in the operation – in any one of the "convergence" regions in continental Portugal (North, Centre and Alentejo).

Consequently, the only factors conditioning the territorial eligibility of expenditure within the scope of "support for R&TD consortia" that are relevant for financing by the Competitiveness Factors OP are those mentioned in points (i) and (ii) of the preceding paragraph, which are independent of the responsibilities of the members of the consortium and the procedures that are established between the beneficiary and the remaining entities making up the R&TD consortium.

If the two aforementioned conditions are met, the expenditure of the R&TD consortia is eligible in territorial terms for support from the Competitiveness Factors OP up to the limit corresponding to two times the financial participation of the company/companies involved in the R&TD consortium, so long as the limit does not exceed 100% of the operation's eligible expenditure.

The fulfilment of the conditions of territorial eligibility referred to in the preceding paragraphs does not affect verification of the remaining relevant and pertinent selection criteria applicable within the context of this OP.

**Axis 3 – Innovation Financing and Risk Sharing**

General reasoning:

The financing of small and medium enterprises is one of the

areas where the need for public policy intervention is most acutely felt, particularly in the context of the funding of innovation-based investment projects.

Despite the financial markets having attained a considerable degree of sophistication, projects related to the initial stages of a company or product's lifecycle that are heavily innovation-reliant continue to face major obstacles in obtaining necessary and adequate means of financing for their development, which the European Commission and European Investment Bank, in launching an important initiative in this area, have recognised.

In truth, the traditional evaluation mechanisms used to obtain bank financing for innovative projects in general either inhibit entrepreneurs' access to funds or provide it under conditions that are unsuited to their development profile.

These difficulties particularly affect enterprises and the possibilities of turning enterprising initiatives into real business schemes in the territories furthest from the decision-making centres of the financial institutions, where the negative factors noted combine, in a cumulative process, with factors of a cultural nature that inhibit the use of more sophisticated and responsibility-inducing financing tools.

Specific methodology:

• **A.2.1. Investment typology: "Support Fund for Innovation Financing"**

Consideration of spill-over effects in the "convergence" regions in continental Portugal conditioned by the location of the institution responsible for setting up and operating the Support Fund for Innovation Financing in any of the continental "convergence" regions (North, Centre and Alentejo).

Consequently, the only factor conditioning the territorial eligibility of expenditure within the scope of the "support fund for innovation financing" that is relevant for financing by the Competitiveness Factors OP is that relating to the location of the institution responsible for the respective setting up and operation, whose verification is independent of the location of the applications and enterprises that receive support from this fund.

If the aforementioned condition is met, the entire expenditure of setting up the support fund for innovation financing is eligible in territorial terms to support from the Competitiveness Factors OP, notwithstanding the verification of the other relevant and pertinent selection criteria applicable in the context of this OP.



#### Axis 4 – Efficient and High Quality Public Administration

General reasoning:

The effects of the process of modernising the state's central administration – understood in the broad sense and aimed at reducing administrative costs and improving national competitiveness by increasing the efficiency of the administration – extend to the national territory as a whole due to the very nature of the entities (the central administration) and the service they provide (aimed at all citizens and/or all economic agents).

As a result of the major concentration of public administration services in the capital region, it is natural that a significant part of the investments to be realised should be concentrated there, in this case the territorial relationship between where the investments are located and where their effects are produced being particularly unbalanced.

The specific methodology common to all the typologies of the Efficient and High Quality Public Administration Priority Axis is:

- **A.2.1. Investment typology: "Dematerialisation, simplification and re-engineering of processes"**
- **A.2.2. Investment typology: "Improving the government–public interface"**
- **A.2.3. Investment typology: "Electronic administration (integration, network administration)"**

a) Evaluation of the spill-over effects in the "convergence" regions in continental Portugal according to the concentration of the resident population in these regions.

b) Quantification of spill-over effects:

– Concentration of the resident population in the North, Centre and Alentejo NUTS II within the framework of the resident population of continental Portugal: 68.5% (4th Cohesion Report, Eurostat, 2004).

c) Quantification of expenditure realised in the Lisbon NUTS II region eligible for Competitiveness Factors Thematic OP support:

– For every 1,000 euros of investment in projects to modernise the public administration located in the Lisbon NUTS II, 685 euros may be eligible for co-financing through the "Efficient and High Quality Public Administration" Axis of the Competitiveness Factors OP;

– The amount non-eligible for support through the "Efficient and High Quality Public Administration" Axis of the Competitiveness Factors OP will be financed through national funds.

d) The application of the specific methodology presented above bears in mind that the activities relating to the qualification and training of human resources associated with the investment typologies mentioned are not eligible for funding by the "Efficient and High Quality Public Administration" Axis of the Competitiveness Factors OP, with the exception of situations that relate to integrated projects.

#### B. Human Potential Thematic OP

##### B.1. Axis 3 – Management and Professional Improvement

General reasoning:

Priority Axis 3 of the Human Potential Operational Programme includes support for the development of strategic and specialised training for management and innovation in the public administration in domains in which the institutions lack internal training capacities and it is not possible to source them from other bodies within the administration through the respective resources, whose interventions are distinctly complementary to those carried through within the scope of Axis 4 of the Competitiveness Factors OP (Efficient and High Quality Public Administration).

While noting, consequently, that the objectives pursued focus particularly on reducing administrative costs and improving national competitiveness by raising the efficiency of the administration, it is especially important that, notwithstanding the significant concentration of the human resources of the public administration in the Lisbon Region, the effects of the actions to be carried through necessarily have consequences for the national territory as a whole stemming from the nature of the entities and the services they provide (aimed at all citizens and/or all economic agents).

This concentration of public administration services in the capital region determines that a significant part of the investments to be realised should be concentrated there, in this case the territorial relationship between where the investments are located and where their effects are produced being particularly unbalanced.

Specific methodology:

- **B.1.1. Investment typology: "Strategic training for management and innovation in the public administration"**

a) Evaluation of the spill-over effects in the "convergence"



regions in continental Portugal according to the concentration of the resident population in these regions.

b) Quantification of spill-over effects:

- Concentration of the resident population in the North, Centre and Alentejo NUTS II within the framework of the resident population of continental Portugal: 68.5% (4th Cohesion Report, Eurostat, 2004).

c) Quantification of expenditure realised in the Lisbon NUTS II region eligible for support from the Human Potential Thematic OP:

- For every 1,000 euros of investment in strategic training actions for management and innovation in the public administration located in the Lisbon NUTS II, 685 euros may be eligible for co-financing through the "Management and Professional Improvement" Axis of the Competitiveness Factors OP;

- The amount non-eligible through the "Management and Professional Improvement" Axis of the Human Potential OP will be financed by the respective "Lisbon" (whose resident population corresponds to 27.5% of the continental population) and "Algarve" (whose resident population corresponds to 4.0% of the continental population) Axes and/or by national funds.

### 9. Regional imputation of expenditure on Technical Assistance operations

Expenditure on Technical Assistance operations for structural-type Community Fund interventions is not subject to the criterion of territorial eligibility. The respective eligibility is thus defined exclusively according to the objective of the expenditure and is independent of the location where it is to be realised.

As we are dealing, as a rule, with expenditure relating to operations with spill-over effects in the territory covered by the respective Operational Programme, the principle of imputing the expenditure of technical assistance in proportion to the appropriation per Objective and Transitional Regime of the Structural Funds is adopted, bearing in mind the following factors of marginal adjustment:

- As regards the ERDF, this imputation takes into consideration the regional specificities and, in particular, the special allocation for the Ultrapерipheral Regions within the framework of the Regional Competitiveness and Employment Objective regions, which should not be considered in terms of Technical Assistance;

- As regards the ESF, these regional specificities are additional, on the one hand, to the consequences of the existence of limited resources for the Regional Competitiveness and Employment Objective and Phasing Out regions, which must be concentrated on activities aimed at increasing the respective competitiveness; and, on the other, to the importance given to administrative modernisation in the Convergence Objective regions, which is also supported by Technical Assistance.

In these circumstances, the following regional imputation key is applied to the ERDF and ESF Technical Assistance Operational Programmes:

ERDF NSRF Technical Assistance OP		
Convergence objective	North, Centre, Alentejo and Azores NUTS II	93,7%
Phasing out	Algarve NUTS II	1,5%
Competitiveness objective	Lisbon NUTS II	2,7%
Phasing in	Madeira NUTS II	2,1%

ERDF NSRF Technical Assistance OP		
Convergence objective	North, Centre, Alentejo and Azores NUTS II	96,0%
Phasing out	Algarve NUTS II	1,0%
Competitiveness objective	Lisbon NUTS II	1,7%
Phasing in	Madeira NUTS II	1,3%

In the case of the Technical Assistance Axes of the Territorial Enhancement and Competitiveness Factors Operational Programmes, the regional imputation is 100% in the Convergence objective regions.

As regards the Human Potential Operational Programme – whose pluri-objective character implies the break down of the Technical Assistance into three Axes – the regional imputation of Technical Assistance expenditure is directly proportional to the corresponding financial appropriations in each of the pertinent Priority Axes (Axis 8 – Algarve, Axis 9 – Lisbon and Axis 10 – Technical Assistance).

## ANNEX – TERRITORIAL TYPOLOGIES FOR THE MEMBER STATES

MEMBER STATES	TERRITORIAL TYPOLOGIES					
	CONV.	PH. OUT	COMP.	PH. IN	CF	TYP.
Germany						3
Austria						2
Belgium						2
Bulgaria						2
Cyprus						2
Denmark						1
Slovakia						3
Slovenia						2
Spain						5
Estonia						2
Finland						2
France						2
Greece						4
Hungary						3
Ireland						2
Italy						4
Latvia						2
Lithuania						2
Luxembourg						1
Malta						2
Netherlands						1
Poland						2
Portugal						5
United Kingdom						4
Czech Republic						3
Romania						2
Sweden						1

CONV. - Convergence Objective

PH. OUT - Phasing Out

COMP. - Competitiveness and Employment Objective

PH. IN - Phasing In

CF - Cohesion Fund

TYP. - Number of Typologies

