

**REPORT** *for*

# SUSTAINABLE GROWTH

*A post-troika strategy for Portugal*

## EXECUTIVE SUMMARY

*Coordination*

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The *Plataforma para o Crescimento Sustentável* (PCS) [Platform for Sustainable Growth – PCS], set up in October 2011, is a non-profit making, independent association with no party affiliation. The aim of the PCS is to make a contribution towards asserting a sustainable development model in Portugal, in the process encouraging ample public participation and working in coordination with R&D centres, national and international think tanks.

PCS is organised into 6 work groups (Knowledge, Well-being, Sustainability, Competitiveness, Global Challenges and Citizenship, and Democracy and Freedom) and into 27 sub-areas, in which around 400 members take part.

PCS has set up partnerships with the following think tanks and foundations: BRUEGEL (Belgium), Centre for European Policy Studies – CEPS (Belgium), ASTRID (Italy), REFORM (United Kingdom), REPUBLICA (United Kingdom), Centre for European Studies – CES (Belgium), ENTORNO (Spain), Konrad Adenauer Foundation (Germany), FLAD (Portugal) and Fundação Millennium (Portugal). The directors and other senior staff of these institutes are on the Advisory Board of the PCS.

# Free the potential of growth of Portugal

## REPORT FOR SUSTAINABLE GROWTH: WHAT IT IS AND WHAT IT IS NOT

In October 2011, the time when we were set up as a civic association, we were clear as to our nature and our purpose.

We are patriots. We love Portugal and we believe in the Portuguese. We take pride in our history. But we do not want to live in the past, nor just as a result of the past. What motivates us is the capacity to change the future.

We want a country that is open and active in the world. The national sphere is not sufficient to embrace global challenges, or even national challenges.

We believe in multilateralism and in adopting global public goods. We see globalisation as an opportunity, and the need to regulate it to serve sustainable development, should be a priority on our national and international agenda.

We are reformists and we want to assume risk. Major crises demand audacity and boldness. We are not resigned to the crisis and we know that it can only be overcome with structural reforms and by changing behaviour and attitudes.

We believe that achieving great things does not depend only on the possibility of doing them; it depends on the determination to do them.

We believe in the undeniable value of freedom and dignity of every individual.

We believe in the value of communities. We accept the subjective combination of both.

We arise out of the conviction that **budgetary consolidation, although a necessary condition, is not the only condition for growth.** We need a new development strategy and not just an economic and financial bailout. There are two main reasons for this: first, because there are other structural problems, that have been with us for decades, besides indebtedness and budget deficits that have held us back from sustainable financial, social, economic and environmental growth. Second, because a growth strategy in Portugal cannot be divorced from major international debates and trends in terms of demography, consumption of natural resources, volatility in the price of raw materials and technological innovation.

A year ago, as part of a framework of significant participation, and in coordination with other think tanks and considerable international involvement, we assumed responsibility for helping to find a civic answer to the pressing need for an integrated vision of a development model for Portugal, that would transcend the Memorandum of Understanding signed between Portugal and the International Monetary Fund (IMF), the European Commission (EC) and the European Central Bank (ECB).

**This Report is not** the result of an academic exercise aiming to outline a scientific approach to sustainable growth; it is not a catalogue of measures taken from an existing or latent party programme; it is not a menu of bi- or multi-party agreements; it is not the product of the work of some consultancy company; it is not the wish list of some pressure group; it is not a montage of relatively original ideas prepared by a dilettante group or by a group of “Young Turks”.

**This Report is proof of the responsibility** of an independent, non-profit making association, with no party affiliation, made up of citizens who feel they must be up to the mark in dealing with times that are so difficult for Portugal and for the Portuguese.

For over a year we have heard dozens of national and international experts, we have held hundreds of meetings, produced thousands of pages on diagnosis and recommendations, and we did benefit from the incalculable generosity of the voluntary work of more than 400 members of the PCS. We have come up with this 300-page summary, which identifies **27 strategic challenges and 511 recommendations that we consider to be important to foster Portugal’s growth potential.**

We are aware that not all the 400 members of the PCS may agree with all the recommendations presented and we are also aware that some recommendations may give rise to controversy. Despite this, we feel that all the recommendations merit discussion.

The Report we now publish is a starting point. It is not the end of the line. It is not a perfect piece of work, but that was never the intention.

It is our post-troika view and we are interested in making it clearer, benefitting from the contribution of all.

In publishing this Report for Sustainable Growth we are beginning a debate that will be open and decentralised, and that will address the 511 recommendations we have prepared. This public discussion will inspire us to improve our proposals.

We are all invited to take part.

## WHERE WERE WE, WHERE ARE WE, WHERE DO WE WANT TO BE?

In April 2011 Portugal was confronted, for the third time in the country's history, by the need to ask for foreign help to avoid bankruptcy.

Long years of the wrong political options and an **out-dated development strategy** led to: the loss of a competitive economy; a mediocre level of growth (an average of 0.6% between 2000 and 2010) accompanied by a growing gap between this level and the European average; an exponential increase in public spending (between 2000 and 2010, public spending rose from 43% to 51% of GDP, social spending rose from 25.4% to 31.2% of GDP, pensions increased 4.5% but revenue from taxation remained at 34% of GDP); the systematic practice of off-budget spending (in public companies and in the PPP); the growth of structural unemployment, together with growing social inequality, obvious from the considerable imbalance in the distribution of wealth and the rise in the number of citizens becoming dependent on public funds and the consequent spread of cases of endemic poverty.

This **model of unsustainable development** led to a prolonged period of foreign deficits, to cover excess spending, giving rise to excessive indebtedness abroad, to loss of confidence on the part of foreign markets and, subsequently, to the incapacity to obtain foreign funding. In 2010 our public debt rose to around 100% of GDP (in 2005, it was around 62% of GDP).

The request for a bail-out became inevitable. The current Government has assumed the aim **of respecting the foreign commitment assumed with the European Union and the International Monetary Fund**, involving financial stabilisation, consolidation of public accounts and the implementation of an agenda for structural reforms, in an attempt to make our position credible to our international partners and markets, and to conclude as soon as possible the Memorandum of Understanding, fully recovering our financial sovereignty and restoring the right to make entirely free choices.

The fact is that the effort of budgetary consolidation has involved major sacrifices from citizens. It is also a fact that the risks associated with meeting the adjustment programme remain high, due to the deterioration of the foreign context as the sovereign debt crisis spreads to more EU member states and the trend towards recession continues in Europe, as well as to the macroeconomic consequences of the increase in national unemployment. But it is no less true that some results achieved are highly positive, making the sacrifices demanded of the Portuguese seemingly worthwhile: regular positive assessments made by the troika on compliance with the Adjustment Programme, and Portugal's position becoming credible to markets, creditors and international institutions; reduction in the primary deficit and public spending at an unrivalled pace compared to the past three decades; significant increase in exports and a trade balance that is almost stable; a regular fall in sovereign debt rates and less risk of failing to comply.

This is the short-term strategy. And it is the best strategy in the short term.

But more is required.

We cannot delude ourselves as to the scale of our problems, something this Platform has always underscored. The deficit and indebtedness, in themselves very serious, are only part of the Portuguese problem.

When we face the **other deficits and other debts** – low productivity, third highest school drop-out rate in the EU, high energy dependence and energy intensity, serious dependence on imported food, low levels of private investment in research and development, low skills among our young people in literature, mathematics and the sciences, intolerable levels of social inequality, social immobility and poverty, the slowness of the justice system, complicated land planning regulations – it is easy to see that we are facing a challenge on a larger scale than that deduced from debates that focus on the urgency of the present.

It is time to accept that **our problem is structural**, that it is not just the lack of foreign funding and that it will not be solved without a radical change to our development strategy: a green, intelligent, competitive and inclusive development strategy, that requires new strategic options and an ambitious framework of reforms able to transcend both the time span of a government and the political and cultural inheritance of the past.

We have to prepare a **post-troika vision** that releases Portugal's growth potential. Within the troika framework, that is, current compliance with the Memorandum of Understanding, our strategy has been based, on the one hand, on budgetary consolidation - by eliminating excesses in public administration, making cuts in intermediary consumption, increasing taxation and the privatization programme – and, on the other hand, on structural reforms that have aimed to create the conditions for more competitiveness, democratization and internationalization of the national economy.

In the post-troika context there is a need for **a new strategy**.

**Firstly, affirming budget responsibility** around three new guidelines: defining not only the limits of the budget deficit, but also limits to spending; implementing a tax reform that will encourage growth, increasing taxes on pollution and on the destruction of natural resources and reducing taxes on labour and on company profits; implementing a state reform, not only redefining the functions to be attributed to the public sector but also modernizing Public Administration.



**Secondly, moving towards a strategy for growth and employment based on an agenda for structural change and for targeted investments to be made** in three areas: knowledge and entrepreneurial skills; climate change and the green economy; and industrial policy. Although it is true that it was not for lack of spending over the past decade that Portugal continued to show signs that its development model was not sustainable, it is no less true that there can be no growth without investment. The essential question lies in the selectivity, of sectors and projects, and in the returns on these investments, for spending to generate wealth and not simply loss and waste.

**Thirdly, taking advantage of talents, infrastructure, natural resources, history and geopolitical positioning to compete and win on a global scale, within the context of a networking economy and not an economy of scale, so as to overcome new global threats** – the climate crisis, the food crisis, the demographic crisis, the loss of biodiversity, terrorism and cyber security – and to make the most of new opportunities such as: the green economy and the energy revolution, the economy of health and biotechnology, the digital economy and new materials. We must turn Portugal into a country able to attract talent, investment and projects.

**Fourthly, actively contributing to reshaping the European project**, taking it far deeper: politically, economically and financially; so as to confront the biggest post-war European crisis in a structured and not merely sporadic way, a crisis that involves debt, unemployment, recession and, no less serious, a crisis of confidence.

Budget consolidation in the present is a necessary condition for growth in that it is instrumental in releasing resources for the economy. But it is not a condition sufficient for growth. This can only be achieved with a post-troika vision that faces all of our structural problems, and not just those of a budgetary and financial nature; that gives more freedom to citizens and less importance to the State; that reconfigures the social market economy, giving a modern interpretation of equity and equality of opportunity; that makes the most of the potential of the global competition we enjoy; and that demands of Europe a political leadership able to find, for our day and age, an instrument with the political dimension (obviously adapted to different financial resources) of the post-war Marshall Plan. But we will only achieve this if we all strive together, within a framework of more participative democracy and better political representation.

## TAKING DEMOCRACY FURTHER

The dissatisfaction the Portuguese feel for their democracy has to be addressed. Power should emerge from rights and merit, and can only be exercised with transparency. During this period of economic crisis, and a crisis of national and European identity, it is fundamental to encourage civic participation and to ensure transparent, open debate on political choices, avoiding this dissatisfaction resulting from taking an anti-democratic turn. Regenerating the Portuguese political system involves not only the much spoken of and rarely implemented review of electoral systems, but also greater civic participation. It is, in fact, in the wider context of stronger citizenship, that we should move towards strengthening democracy, raising the confidence of citizens in institutions and in the actual political system.

To participate is to become part of a society and take part in its development, applying the principles that whoever participates should be heard, should be informed and should receive a return on the results of the contribution made. And this is valid for the relationship between citizens and the bodies and agents of the political system (national, local and European), civic organisations and movements, public services and with their spokespersons in the labour world.

The time has come to take democracy further.

Strengthening democracy and civic participation should include:

- Developing new mechanisms for civic participation and more direct involvement of citizens in defining and applying public policies. To this end, it is important to give citizens **the right to be heard in referenda on major strategic options and to extend the citizens' right to petition** for legislative initiatives;
- Reinforcing the relationship between political representatives and the electorate by reforming representation mechanisms, in **revising the electoral system, providing one-representative districts and the preferential vote** in the national district; considering the possibility of the electronic vote; and **counting blank votes** in presidential elections and in referenda;
- Ensuring political and administrative decentralisation and greater citizen involvement in local government, by widening the experience of **local participative budgets**, giving them a truly decision-making dimension;

- **Extending the responsibilities and influence of intermediary institutions**, of NGOs, the social economy sector and voluntary organizations that are ready to provide many public services with greater quality and efficiency than the State;
- Improving access to information and **citizen participation in assessing public policies and improving the scientific basis for strategic options**, involving the scientific community through a specific permanent Commission within the *Assembleia da República* (Portuguese Parliament) to give cost-benefit analyses of legislative initiatives and promoting public debate on strategic decisions;
- Providing greater transparency and scrutiny in exercising public office, assuming a **determined attack on corruption** and on any fraudulent act committed in exercising these offices;
- Improving the conditions for **frankness, transparency and recognition of merit in political parties**, based on mechanisms that generate internal competition, with primary elections to choose candidates, using exclusively public funding and with control and judicial approval of funding and of the accounts of the respective internal campaigns;
- Facilitating access for all – institutions, citizens, journalists and researchers – **to the documents of public administration and the organs of power** and to all relevant statistics, and reinforcing the role of citizens' councils that monitor the development of certain public services.

## MORE FREEDOM FOR CITIZENS AND LESS STATE INFLUENCE

Portuguese society must be released from the yoke of the Portuguese State. The State already consumes half of the nation's wealth. In the past decade, from 2000 to 2010, public spending rose from 43% to 51% of GDP, social spending grew almost 5% (from 25.4% to 30.2% of GDP), pensions rose 4.5%, but revenue from taxation remained at 34% of GDP. Three out of every four euros of public spending go on salaries, pensions and benefits. That is, around 70% of the population lives directly or indirectly from State spending. This dependence is not only a budget problem but also a poor relationship between State, citizens and institutions.

Society existed before the State, and the State cannot determine the whole of social life. The dignity of the human being demands that the State be contained in the personal sphere.

It is not for the State to impose a model of society and individual development but to ensure the right of each individual to be free to pursue their aims using the approaches they think most adequate for this.

The people should not be at the service of the State, but the State should be at the service of the people.

We want a State that attaches value to creativity, initiative and innovation in society.

Excessive State intervention goes against the initiative, autonomy and vitality of society, often giving rise to forms of dependence that become chronic. A reduction in the scope and presence of the State, indispensable to reduce public spending and to allow for financial sustainability, should be accompanied by a modernization that guarantees more efficiency and adequate protection for social justice and healthy competition.

We must not only eliminate the waste and inefficiency of public administration but also eliminate unjustified state-aid protectionism and redesign the functions of the State, bearing in mind the European and national macroeconomic framework, demographic and social trends.

In fact the role of the State in Portuguese society is not something rooted in what has gone before and therefore unchangeable.

Apart from the role of **sovereignty**, the State should meet three intermediary, fundamental objectives for sustainable development: **fair access to living conditions**, including individual development; **free and democratic functioning** of institutions; **a fully competitive market** and one that is independently regulated.

What functions should we today, on behalf of citizen freedom and the efficient use of resources, attribute to the State, knowing that immobility or indifference will always give rise, in the present or in the future, to an increase in taxation? As well as the essential tasks of sovereignty (security, defence, justice, foreign involvement and territorial planning), the tasks of public service in the strategic sectors, particularly in dealing with market failures and the non-exclusive provision of merit goods, and the tasks of regulating and controlling the remaining sectors, should be reserved for the State.

Being neither the owner of the economy nor its controller, the State errs in dealing with it by doing either too much or too little: it consumes too much wealth, it does not create stability in the domestic life of the country or foresee what is to come so that it can swiftly settle any conflict; it does not conceive of companies as the clients of Public Administration; it is a debtor and does not pay as it should; it is a creditor and arbitrarily does not reclaim what it is owed and because it decides arbitrarily on how to stimulate economic activity; it does not use an effective economic diplomacy and it has understood neither the true constraints preventing national industry from modernising our economy, nor the real factors in attracting quality foreign investment.

Consequently, we claim that the review of State functions should include:

→ Ensuring **less State presence as an economic agent in the entrepreneurial sphere and increasing regulatory effectiveness and efficiency in promoting competition** and in the arbitration of private interests. The role of the State in economic development cannot be overlooked, particularly in the priority allocation of financial resources to strategic sectors; but this can only be done according to strict, transparent criteria.

It is, therefore, fundamental to create the conditions for the economy to develop as an open space, that recognises entrepreneurship, merit, labour and talent;

→ In addressing social policies, particularly Education and Health, **moving gradually from a State that monopolises the provision of inflexible services, to a State promoting complementary services, closer to and better adapted to individual needs**, offering individuals freedom of choice and allowing for healthy complementarity and competition among different service providers (public and private), ensuring that no individual is prevented from accessing quality services due to economic reasons;

→ **Extending the responsibilities and influence of intermediary institutions**, companies in the “tertiary sector”, voluntary organisations and Non-Governmental Organisations (NGOs), that are suited to providing many public services, offering better quality and efficiency than the State. The State should not have the monopoly of the Social sphere.

But it is not enough to redefine the functions of the State.

There is an urgent need to **modernise Public Administration** and establish good management practices at the service of citizens. This sector is so relevant that no agenda for change or structural reform can be taken seriously, by any government, if modernisation does not begin right here.

Apart from examples of good civil servants and good public institutions, usually ill-compensated for their merit, there are endless examples of inefficiency, lack of transparency and bureaucracy, which prejudice the State, companies, citizens and democracy itself. It is becoming urgent to execute a true programme for State reform, that guides Public Administration towards the citizen; that reduces costs; that reviews the organisational model and promotes good management practices; that develops a culture of excellence. Implementation of this programme requires a clear view of the future model, the capacity to mobilise civil servants, the use of better change management tools, the scope to act across the board and a high degree of energy combined with perseverance on the part of the leaders involved.

State reform can and should be a mobilising programme for society, one that develops the self-esteem of civil servants, that reconciles citizens with the State and that demonstrates the solid capacity to reinvent the Portuguese and their state.

We must carry out **reform of the governance model for Public Administration based on 5 steps:**

- Definition of the objectives and priorities to be achieved in the public sector during a single governmental term of office;
- Mobilisation of the whole Civil Service around these priorities, establishing contracts, with binding objectives, to be achieved by each leader;
- Grant autonomy, in the management of operations, so that these objectives can be achieved;
- Ample public scrutiny of the results achieved and the budgetary performance of each State institution;
- Annual assessment, that is fair and demanding, of the performance of staff and leaders, giving this assessment significant weight in individual remuneration.

This view should not be confused, in terms of State functions and the State's management model, with any other alternative for the minimum State. The role of the State is fundamental in guaranteeing the freedom and full integrity of its citizens and in its dedication to rule of law. And, in particular, it is fundamental in fully respecting equality of opportunity as well as one of the most solemn promises of the modern democratic regime: that of social mobility. This is one option for a new vision of the State: a smaller State, but far wiser, transparent and effective.

## ENSURE FISCAL RESPONSIBILITY AND IMPLEMENT A TAXATION POLICY ALIGNED WITH GROWTH AND INNOVATION

The reasons for the macroeconomic imbalance from which the Portuguese economy is suffering are well documented: the explosion of credit available to the economy, particularly foreign credit, with the accompanying exaggerated leverage of financial institutions; the inability of budget policy to correct these imbalances, even, on the contrary, having been pro-cyclical; the ever more exaggerated use of off-budget mechanisms to massage the budget (in dealing with public companies and the PPP), masking the scale of the budget problem and accentuating the accumulation of public debt over recent years.

The lack of sustainability in our development model, crystallised over decades, regardless of wrong political decisions, aggravated by the world situation, has brought about a long period of foreign deficits, to cover excess spending, giving rise to excessive indebtedness abroad, a loss of confidence on the part of foreign markets and, consequently, the inability to obtain foreign funding. In 2010, our public debt reached around 100% of GDP (in 2005 it was around 62% of GDP).

Bailout became inevitable. In the past 18 months, in complying with the Memorandum of Understanding, our strategy for budgetary consolidation and the reduction of indebtedness has been based on reducing wasteful spending in Public Administration, making cuts to intermediary spending in State Departments, increasing taxation and applying a programme of privatizations of State enterprises. This strategy has been adequate, and has had positive results, but, right now, further pursuit of the same has been compromised.

The increase in taxation was inevitable but cannot be repeated. The increase in tax has reached levels that not only limit the capacity to bring in additional returns, but will also have a recessive effect on the economy, with negative impacts on employment, social spending and the consolidation of the budget.

Furthermore, despite good results in reducing public spending (in 2011 and 2012 reflecting a reduction of more than 10 000 million euros of public spending and a 6% reduction in the primary structural deficit), we can no longer concentrate our attention on revenue cuts alone but must also concentrate on excessive benefits, on eliminating wasteful spending and reducing intermediary consumption.

Finally, the privatization programme, and its effect on reducing indebtedness, which is praiseworthy, is drawing to a close. The potential for financial returns with the next round of privatizations is less than what has already been achieved.

Therefore, we shall have to move on to a new phase in budget consolidation.

**A more structural consolidation and one more in tune with sustainable growth**, based on three new guidelines: redefining State functions and modernizing the Civil Service; defining not only the traditional limits of the budget deficit, but also limits to spending (similar to the strategy adopted, for example, in Sweden and in the United States); tax reform to promote sustainable growth, recognising the value of the labour of individuals and the capacity of companies to create wealth, and penalizing unsustainable environmental performance, in this way contributing to a reorientation of consumer and producer behaviour with technological innovation and environmental protection.

To this end, we defend a strategy of budget responsibility that includes:

→ **Establishing a horizon for budget responsibility in the medium and long term that**

**includes:** cutting the spending-to-GDP ratio to below 40%; reducing public debt-to-GDP to below 60%; maintaining the structural deficit at around 0.5% of GDP as determined by the European Treaty on Stability, Coordination and Governance; reduce the ratio of Deposit Credit to a more balanced figure and close to 100%; gradually eliminating the use of indebtedness by State Enterprises;

→ **Introducing not just goals relative to budget deficit, but limits, in real terms, fixed for the whole term in office, on all items of public sector spending that do not depend on the economic cycle.** These spending limits will mean that the limits laid down in the structural deficit within the framework of the new European Treaty on Stability, Coordination and Governance will be achieved more effectively;

→ **Prohibiting State Enterprises from becoming indebted through banking or by issuing bonds**, covering its deficits through State subsidies with an immediate repercussion on the State Budget. In the case of State Enterprises, should a public service be provided, this should be covered directly by the State Budget. In the case of Investment Spending, recourse to indebtedness through banking debt or the issue of bonds will have to be done in such a way that these can be accounted for as Direct State Debt and duly justified in terms of covering interest costs;

→ **Pursuing an integral payment strategy for Portuguese debt** based on meeting budget objectives and the schedule fixed in the MoU monitored by the troika, continuing to explore the possibility of making some adjustments, in a framework of flexibility that is higher the greater our credibility, assessed by the determination to honour commitments;



- **Bringing about fiscal reform** that, in tune with responsible re-evaluation of the State's functions, moves towards: (i) **simplifying** the fiscal system and repositioning balanced levels of tax rates; (ii) promoting sustainable growth by **increasing environmental taxes** that discourage harming natural resources, compensated, within a framework of fiscal neutrality, by **a reduction in the traditional taxation on income for individuals and companies**; (iii) significantly **promoting entrepreneurial investment**, from foreign and domestic sources, including a new standard of transparency, collaboration, legal certainty, discipline and efficiency between the Fiscal Administration and tax payers, as well as a new view of the tax on income system, with a view to **strongly encouraging re-investment** of business profits not distributed;
- **Replacing the possible extension to 2014 of the 3.5% surcharge on Individual Income Tax applied in 2013 by introducing a carbon tax of €9.00 per ton of CO<sub>2</sub>**, discouraging national greenhouse gas emissions and inducing more sustainable production and consumption standards. This new tax approach recognises the work of citizens and the ability of companies to create wealth and, in penalizing unsustainable environmental behaviour, contributes to reshaping consumer and producer attitudes towards technological innovation and environmental protection.
- Streamlining the system so as to **reduce the number of hours required to meet fiscal obligations** and consolidating the **simplified tax regime** for smaller scale taxpayers.
- Assuming an **integrated view in combatting corruption and tax fraud**, attaching an entirely new dimension by introducing preventative obligations and instruments for control.

## PRIORITY ON KNOWLEDGE AND CULTURE

There is nothing more important in fully adopting the most solemn promises made by the modern democratic regime – such as equality of opportunity and social mobility – than Education. But at a time when global competition rests on projects based on qualification, research and innovation, Education and, in the widest sense, Knowledge, assume not only this preponderant role for the individual through equality of opportunity, but also for the competitiveness of organizations and the State.

Portugal, although having made significant progress in recent decades with training, education and research, has not yet overcome the structural problems that prevent us from embracing social cohesion and growth, not for lack of investment but because of errors made in public policy, organisation and management. The figures are proof of this: there is a direct link between the results of studies done by the OECD, which assess the skills of school pupils in mathematics, reading and the sciences, and the growth rate of countries. The same type of link is demonstrated between average length of schooling and economic growth. The fact that Portugal has the third largest school drop-out rate in the EU, very low requirement standards in teaching, disappointing results in the skills of mathematics, Portuguese and the sciences and, lastly, private investment in Research & Development (R&D) of only 0.7% of GDP, all explain why the past decade can be seen almost as a lost decade in terms of economic growth and social cohesion.

There is an urgent need to invest in demanding, wide-reaching and inclusive qualifications, for all Portuguese, in getting results from the public investment that has been made in science and education, in increasing private investment in R&D and in efficient access to international and Community sources of direct funding.

The objective of education systems should be to provide equality of opportunity for students and the capacity to shape creative, competent, confident future generations. For this to happen we think it is fundamental:

- To establish a **new approach on how schools can be autonomous and shoulder responsibility**, rooted in the definition of their own educational projects, adapted to the schools' communities, in freedom of choice for families and in the competition of educational projects, within a national system for education and training that includes public, private and cooperative schools. The competencies of the Ministry of Education should be limited to guaranteeing a basic curricular uniformity, educational inspection and the regulation, supervision and assessment of the whole system;
- To give school groupings the **power to procure and contract their own human resources and fund these groupings** based on transparent criteria that, among other things, reward the good results of educational projects – recognising the effort to improve school results in facing the specific difficulties of each educational community – and that bear in mind the number of classes, with a view to helping families make the right choice of school.

The same reformist trend in strategic guidelines and in the organization model will have to be implemented in the area of science. It is true that in Portugal we already have some examples of excellence. We have scientists of the highest calibre and of international renown, institutions considered for the excellence of their research and some very successful university-company partnerships that have given rise to innovation and increased competitiveness. But we need to do more in the field of R&D and, above all, we must do better.

It is not enough to show a possible increase in public funding.

What is truly important are the results achieved with this funding. It is important that each euro invested in education and science goes to increase the competencies of our students and researchers, as well as the capacity to publish more scientific articles, to register more patents, to sign new contracts for the transfer of knowledge, to create new products and technologically adept companies.

For this to take place, it is essential to:

- Adopt a **funding model for the scientific system that is more centred on the demand for science** made by producers, instead of the current model based essentially on supply, and, by assessment, attribute the **status of belonging to the national scientific and technological system** to entrepreneurial R&D units;
- **Reorganise and streamline the higher education network** in Portugal through merging, eliminating and associating institutions, by assessing these institutions and introducing a new model of funding to help define the different missions of institutions providing higher education, within a framework of competition and cooperation built into the system, and creating the critical mass indispensable for the internationalisation of higher education.

But it is not just by investing in education and science that a strategy for the economic and social improvement of our human capital will emerge. Economic growth and the true development of society can only be achieved fully and made to last if accompanied by effective cultural development.

The State cannot exercise a policy for taste, but it should bring in public policies that promote the presence and plurality of culture and access to it as a social asset, and recognised as a basic social asset.

Apart from being the inalienable right of every citizen, culture is of economic value and it does have growth potential. Culture has an impact in a wide variety of fields, namely, tourism, architecture, social inclusion, the local economy and in the export of goods and services, without forgetting the decisive contribution it makes in promoting the value and prestige of Portugal in the world. To this end, it is important, for example:

→ To support the development of **clusters of cultural and creative industries, benefiting from the heritage, talents, competencies and infrastructure that exist** in many regions in the country, and invest in the international promotion of culture and Portuguese contemporary artistic creation;

→ **Restore** and make full use of all heritage listed as **national heritage**.

One aspect of this strategy includes channelling 1% of State spending on public works contracts to a fund for heritage restoration.

Lastly, we have to view the Portuguese language as one of the main assets with the potential to strengthen universality, Portugal's prestige and capacity to have an influence internationally, as well as the competitiveness of the Portuguese economy in the world. The Portuguese language is currently ready to become a language of importance and of international use, a condition enjoyed by very few languages: the countries in which the official language is Portuguese are already relevant in demographic scale, and the trend is towards further growth; some of the countries have a potential for economic growth that places them on a level with the economic powers that are regionally, and even globally, important; the global influence of Portuguese can only be compared with the English language because, contrary to Spanish, it is present on all continents.

For this reason it is important to adopt a strategy with which **to assert Portuguese as a global language and an official working language in international institutions**, developing specific programmes geared to the growth of Portuguese, which include, among other measures, training programmes for teachers of Portuguese abroad, Portuguese language courses for the managerial staff of foreign companies and introductory and on-going training for translators and interpreters.

## TAKE ADVANTAGE OF THE GREEN ECONOMY AND LEAD THE WAY IN TACKLING CLIMATE CHANGE

Major risks and major opportunities come together in addressing the environment and natural resources.

We have the 11<sup>th</sup> biggest Exclusive Economic Zone and we are one of the countries in the world with the biggest *per capita* consumption of fish, but we have to import 62% of what we consume and the ocean economy accounts for only 2% of our GDP.

We have highly beneficial renewable energy resources – wind, sun and water – and we are one of the biggest European producers of electricity from renewable sources, but we have a high-energy dependence on foreign sources (around 80%), mainly oil, and a very high-energy intensity for transport in GDP. We are one of the richest European countries in biodiversity (20% of national territory is incorporated as Nature Reserve) but, socially and economically, communities living in protected areas continue to gain no benefit from the protection of this wealth.

Portuguese forests have enormous economic potential (almost 2% of GDP) but over the past decade we have been unable to prevent forest fires from destroying 15.000 km<sup>2</sup>, with losses in the order of 3.000 million euros.

We have taken tremendous strides in installing infrastructure to deal with solid wastes, water supply and drainage, but one million Portuguese still live without sanitation and the water sector today is running into the serious problem of economic and financial sustainability, with significant price differences between the regions in the interior and on the coast.

We have a great deal of land for planning, but we are witnessing the desertification of the interior of the country, the destruction of the coast, the deterioration of the quality of life in the cities, as well as the unacceptable phenomena of corruption, that find a fertile seed bed in the labyrinth of tortuous, inconsistent rules and regulations.

In agriculture, environment, energy and ocean we have natural resources of value, any number of scientific institutes, specialists and companies recognised internationally, and we invest heavily in infrastructure, but we have not yet managed to turn this sector into a driving force for creating jobs and national exports. We must turn the page. There is a pressing need to solve the environmental problems that affect the quality of life of the Portuguese and inter-generational solidarity. But the time has also come to benefit fully from the unique conditions we enjoy in this area, to be able to compete on a global scale and to generate economic and social returns by making efficient use of natural resources.

The growing relevance of the green economy must be recognised. The environment and management of natural resources are growth factors today. Whoever can produce a cleaner approach by innovating will win through in the new green economy.

Above all, we will have to give a response worthy of our responsibilities for one of the biggest problems facing this and future generations: climate change.

Tackling climate change is urgent, it is possible and it pays off. We have before us a challenge as big and as stimulating as that of truly changing economies. Rather than an excuse for putting it off, the economic and financial crisis should be seen as one more reason to hasten the attack against climate change. For this technological revolution (leading to a low carbon economy) to occur, we must also determine, in Portugal, ambitious goals and instruments for reducing greenhouse gas emissions post-2012, within a framework of equal effort made by all sectors and including cost efficiency.

Energy policy needs leadership, strategy and reform. We must invest in more energy efficiency in regard to consumption (in homes, offices, industries and transport) and in more production from renewable sources within a framework that is more efficient, more coherent and more competitive. We must also make the energy market more competitive, throughout the Iberian Peninsula and Europe, with a pricing policy that is more rational and a fiscal policy that is more consistent.

This new attitude, consuming better and producing cleaner, can only bring benefits: tackling climate change; reducing energy dependence on foreign markets, particularly oil; and, lastly, generating new business opportunities and encouraging technological innovation and advanced research.

Investing in eco-efficiency, in clean technologies and in the best use of endogenous natural resources – energy, biodiversity, water, ocean and forest – is not only an essential requirement for the quality of life of communities, for the protection of resources and inter-generational solidarity, but also an opportunity for economic growth by creating new companies and jobs on new world markets with higher growth.

To this end, we feel it is important:

- **To reduce the trade deficit in the agri-forestry sector by 75%** – investing in the replacement of imports by domestic production and in the internationalisation of the forest, wine, cork and fruit and vegetables – and, in the next 10 years, limit the area destroyed by fire to a third of that destroyed over the past decade;
- **Improve services provided by eco-systems**, integrating their value in the calculation of GDP, paying for these services – through the fiscal approach, transfers to local councils or biodiversity credit systems – and defining a sustainable economic and financial management model for parks and nature reserves;
- Based on a wide-reaching agreement in the Portuguese Parliament, adopt a medium and long term view of reducing the carbon output of development, aiming to reduce greenhouse gas emissions *per capita* to **6,5tCO<sub>2</sub>eq by 2020** and **2tCO<sub>2</sub>eq by 2050** and establish a **“Carbon Budget”**, assigning direct responsibilities to each Ministry for the emission reduction goals of their respective sector;

- **Reduce energy dependence** to 73% and **reduce energy intensity in GDP**, bringing it to the EU average by 2020, pursuing the use of renewable energies and assuming priority for improving the energy efficiency of consumption, by the general use of a system for the attribution and **transaction of clean certificates throughout the national economy**;
- **Include all territorial planning options in the municipal master plan**, consolidating all legislation on territorial planning, including schemes that have an impact on soil use;
- **Create “free urban zones” so that through a significant reduction in fiscal charges**, owners will be able and encouraged to take action for urban restoration;
- **Reorganise the different administrative authorities for the ocean economy**, creating a **Unique Ocean Office**, to channel licencing procedures to a single public entity that will handle relations between applicants and other entities involved;
- **Define a funding model for public transport**, to deal with running transport and new investments, that benefits from recognising CO<sub>2</sub> emissions avoided in comparison with private transport (by allocating a part of revenue from the auction of CO<sub>2</sub> allowances or revenue from the carbon tax), from returns on urban tolls (that must be set up) and from parking, and from taxation on private transport (fuel, motor registration and road tolls).

## THE TRILOGY OF INTELLIGENT GROWTH: INVESTMENT, INNOVATION AND INDUSTRIAL POLICY

Investment is a key factor in any strategy that aims at growth and employment. But let us not delude ourselves. For more than a decade, Portugal benefitted from access to ample funding at an advantageous cost, but this tremendous availability of resources not only increased our foreign debt but also failed to lead to economic growth and more jobs. Quite the contrary, over the past 10 years we have witnessed the mediocre performance of our economy, the structural growth of unemployment and the incapacity to overcome our structural problems.

Above all, the strategy for sustainable growth should include targeted investment.

Making the necessary **investment selectivity depends on a new industrial policy**, that identifies priority sectors, in which we can make the most of our comparative advantages and, therefore, grow faster.

When everything becomes a priority, nothing is a priority. An open approach and competition must be encouraged in all sectors. But there is also a need, a fact unfortunately forgotten for many years, to ensure that Portugal boosts its comparative advantages and improves its competitive advantages as part of industrial policy. We have to adopt strategic approaches, giving priority to activities that are more sustainable, productive and competitive.

In industrial policy there is no denying the indispensable need for an open, competitive economy. Let us not confuse companies with sectors. The State should not choose winners, distorting competition. But the State, particularly in our current situation, must have a strategic sense and allocate resources, today scarcer, giving priority to strategic sectors. The challenge involves designing and coordinating industrial policies that encourage growth in a competitive environment.

As claimed by Philippe Aghion in discussions with us, some reasons justify identifying certain strategic options that affect certain sectors: competition with some of the emerging countries, such as China, India and Brazil, that have gained from sector-based industrial policies; the fact that a lack of choice has led some governments (including the Portuguese government) to promote investment in the non-negotiable asset sectors, to the detriment of exports and reduction of imports; and, lastly, the need for some environmental concerns, such as climate change and biodiversity, to be enshrined in industrial policy.



Consequently, in the case of Portugal, we need to:

→ Define and coordinate industrial policies that promote, strategically, both in structural reforms and in investment, sectors with greater potential for growth and jobs, and competition on a global scale, as is the case with **energy, biotechnology and the life sciences, tourism, new materials, the economy of the sea, agriculture, forests, design and the creative industries** – in all of which we have comparative advantages, apart from the traditional sectors in which today we compete successfully. Portugal should gain from the fact that in these areas it has invested in scientific and technological equipment, qualifying human resources and installing infrastructure, as well as having the advantage of natural resources and geostrategic position.

The second dimension of the strategy to adopt for investment, lies precisely in **the role of innovation and entrepreneurship** in their capacity to maximise the creation of wealth, to break with what has gone before and forge a lasting structure in which **investment brings returns**.

It is not sufficient to have competencies in the globalised world; encouraging and developing a spirit of entrepreneurship is indispensable as is creating an institutional environment closer to the idea of risk and individual initiative. Only those able to embrace change, looking for opportunities, taking risks and innovating, will be competitive globally.

The State has to learn how to improve and discriminate to achieve the capacity to innovate and drive enterprise, encouraging through recognition of merit and promoting an entrepreneurial culture and individual initiative.

Therefore, rather than trying to find an anchor company, it is fundamental for us, based on a culture of innovation and entrepreneurship, to be able to:

- **Generate hundreds of start-ups that function in the same eco-system** – that is, in a relationship of proximity and complicity – with large companies, with major universities and with the financial system. For the start-up to be a success it is more important to be able to benefit from network economies rather economies of scale.
- Consider **entrepreneurship as a transversal competence** to be used throughout life, either within an organisation or in self-employment, and promote its development in education and training.
- Encourage investment in start-up, for example, by raising **tax deductibles from the capital inputs of companies to 25%** for the first 3 years of their existence.

The third dimension on the investment strategy is related to **the origin of the investment**.

Here, there is a need to:

- Increase the capacity of public investment in the fields of knowledge, the green economy and industrial policy using the **reinforcement of the EU budget**; that is, at a time when we are facing the worst post-war crisis we need a new programme for European economic aid inspired by the ambition of the Marshall Plan;
- Ensure **the coordination of public and private funding instruments** to create and develop business projects (tax incentives, support for R&D, SME-Growth lines, capitals market and venture capital), generating critical mass in the capacity to analyse and fund innovative projects.
- **Attract foreign investment**, not only for new projects, but also by foreign capital inputs to Portuguese companies, pursuing the course of economic diplomacy and drawing advantage from negotiating **instruments that, in current tax law, already help attract foreign investment in highly beneficial conditions**, as was the case with Autoeuropa, as well as professionals in value-added activities;
- **Step up private investment**, developing **innovative mechanisms for matching funds** to help the growth of new technologically-based companies, rewarding companies, through public funding, for their capacity to attract the greater share of funding from the private sector, and **integrating the Portuguese venture capital industry in international platforms**, so as to guarantee the funding of projects with high growth potential and significant economic impact.

## ASSUME OUR RESPONSIBILITIES IN SEEKING EQUALITY, COHESION AND JOBS

Portugal is at a true social crossroads. It is affected by the dual demographic trap of a low birth rate – up to 2015 Portugal will have the second lowest fertility rate of all countries in the world, with 1.3 children per woman – and an ageing population; but added to that should be the rise in unemployment, with structural dimensions, the rise in poverty (around 20% of the population live on the poverty threshold) and growing social inequality.

In the current economic and financial situation, our capacity to allocate additional financial resources that will help confront the causes and mitigate the consequences of these social problems is limited. But in this difficulty we cannot look for a pretext to cease assuming responsibility for actively promoting social inclusion and equality of opportunity, dignifying individuals and labour and providing the social buffers necessary to face the current crisis and all the new risks arising from globalisation.

Equality is a condition indispensable to cohesion and therefore to the sustainability of Portugal, regardless of the level of economic development to which we manage to rise.

Reforming the Public Sector, gradually moving ahead in the Education and Health sectors towards a non-monopolising State, as mentioned in another section of this Executive Summary, is part of the answer. However, there are other answers to be found in social innovation that should be channelled towards checking the current demographic trend, to ensure equality of opportunity, to help those most in need and to create jobs.

Firstly, **the role of the family must be strengthened**, recognising it as the prime context for social cohesion and diversity – bearing in mind changes in the life style of families, in the composition of families and in the daily reorganisation of family life – and **encouraging more births**. Family policies are not sufficient to change the decision of a couple in terms of parenthood, but they may affect that decision. Of the many recommendations made in this Report, stress is laid on the need to promote responsible flexible working hours and the opening times of services (education, family support, culture and leisure promotion), in harmony with working, personal and family life, assuming the central role of the family.

Secondly, **responsibilities must be extended and more influence allowed to intermediary institutions**, companies in the third sector, voluntary organisations and Non-Governmental Organisations (NGOs), which are prepared to provide public services that are of better quality and more efficiently delivered than the State can provide. We must take advantage of the installed capacity, material, human and economic, of the social economy institutions in the planning and development of public social systems and create the conditions for those institutions to be able to develop economic activities that will guarantee their financial sustainability.

Thirdly, developing **an inclusive health system that is financially sustainable is fundamental, within a framework of greater freedom of choice and competition**. This includes redesigning the financial model of the National Health Service, replacing the current book-keeping model, centred on the payment of services, by using a model centred on results and gains for health, ensuring the universality of access through a pricing policy that encourages competition among providers, regardless of whether they are public, private or social, demonstratively a true tool for efficient health care.

Basically, **the user's freedom to choose the care provider** should act as a driving force to competition and good performance, protecting the constitutional principle of providing care under the responsibility of the State, but not providing this care exclusively through public operators, in this way guaranteeing the total separation between funding and provision, a fundamental ingredient in improving competition. In view of increased life expectancy and the consequent increase in non-transmissible diseases, the National Health Service should promote the transfer of acute care **to care in the community and in the home**, preparing health systems to respond to the challenge of multi-morbidity.

On the other hand, the time has come to make the personal **clinical file** available to the person concerned, including basic information on incidents associated with health management or chronic disease, the same being available and accessible to the medical community or hospital units where the patient is under care.

Fourthly, the conditions must be created for **increasing jobs, within a context of greater diversity and flexibility** for contracting schemes and training.

The rigidity of the labour market is not the only reason for high levels of unemployment in Portugal. But this labour rigidity, that ranks us in the 110th position of the World Economic Forum list for competitiveness, harms the economy and companies and, consequently, jobs. Job security was the aim, but this has been turned into rigidity, uncertainty and unemployment.

Furthermore, we are witnessing a true segmentation of the labour market: although in Portugal there is a variety of contracting schemes – the open-ended contract, the fixed term contract or the temporary contract, the short term contract, the intermittent contract, temporary work as well as independent work, there is a strong leaning towards open-ended contracting, with more benefits, for the older population, and fixed term contracting, with fewer benefits, for the younger population. The cost of compensation contributes towards labour rigidity and promotes the vicious circle of fixed term labour contracts, whose expiry and training costs compensate for the possibility of an eventual costly termination of a permanent job.

It is, therefore, fundamental to **reduce the cost of compensating for the termination of an open-ended contract**, bringing the Portuguese legal framework for this closer to the more flexible regimes applied in Europe, bringing about an increase in the number of open-ended contracts and, in this way, protecting workers more from labour instability and giving them access to more benefits.

Furthermore, **quotas should be established, providing these are sensible and flexible, for fixed term and temporary work contracts**, limiting the number of workers under this regime.

To address training, more should be done to build a **scheme for dual training**, with supply centred on students and companies, coordinating classroom, laboratory and on-site learning. Similarly, training modules should be developed within the work context and credits awarded for training periods in companies as part of school curricula, so as to increase the percentage of young people covered by dual certification schemes.

## CONTRIBUTING TO RE-FOUNDING THE EUROPEAN POLITICAL PROJECT

The world needs a global answer, Europe needs new political drive and we must all take part in designing these answers.

From its history, vocation and conviction, Portugal is ready to assume her condition as a **European and Atlantic** country, playing a pivotal role in the dialogue between industrialised and developing countries. We must fully assume our Atlantic and universalistic vocation. Assuming the role that, in this context, can and should fall to Portugal includes fully assuming our condition as a Member State of the European Union (EU), actively contributing to furthering the building of Europe.

In fact, the success of solving our crisis depends not only on decisions taken in Lisbon but, increasingly, on the sense of urgency to solve the European crisis. The EU has to live up to its responsibilities and cannot be indifferent to its major post-war crisis.

The realistic view of the Community institutions and the Governments of the Member States, in recent months coming up with **prompt solutions to the Euro crisis**, has been a determining factor for the feasibility of the European political and economic project. Only irresponsibility or ideological Manichaeism explains the fact that some underestimate the urgency of the European political response. But the short-term contingency does not, however, dispense with the definition of structuring answers achievable in the medium and long term.

We are facing a European crisis of debt, unemployment, recession and, no less serious, a crisis of confidence. This crisis requires boldness, a strategic sense and leadership. The time has come to reshape Europe around an unprecedented project to carry the **political, economic and financial dimensions even further.**

The problems must be understood before rushing into short reach decisions. We are facing the biggest European crisis since the post-war period due to: incomplete economic integration (integration is only monetary); excessive focussing on public finances, having long forgotten about the consequences of private debt; the lack of a binding nature and effectiveness in several European strategies for growth and employment; the absence of efficient institutional mechanisms (despite successive Treaties, adequate institutional governance has not yet been found); a Stability and Growth Pact that is too geared to balancing the budget, overlooking the importance of policies for promoting growth and employment; the mitigated status of the European Central Bank (ECB).

Faced by these problems, we need a structural, long-reaching response and not only incomplete, contingency answers, no matter how essential they may have been for managing the Euro crisis in recent months.

Europe cannot avoid an authentic reshaping, reflected in the reinforcement of financial governance, strengthening economic governance and a more deeply worked political approach. This new vision for the EU, applicable within the framework of a new European Treaty, should also include:

- Reinforcing the powers of the European Commission, as well as its democratic legitimacy. Here, in the short term and in the current political and institutional framework, the choice of its President should fall to the candidate previously put forward by the political party with most votes in the elections for the European Parliament. In time a change could be made to the Treaties to enshrine **the election of the President of the European Commission by direct vote**;
- Increasing the Budget of the European Union so that its resources, today limited to around 1% of the Gross National Income of the EU, are increased to 1.24%, in 2014, 1.8% by 2020 and 2% from 2020. This increase in budgetary allocation, a legacy of the spirit of the **Plano Marshall**, should be allocated in its totality to driving growth and employment in the EU, investing in knowledge and entrepreneurship, in the green economy and in a new industrial policy;
- Ensuring adequate mechanisms for supervision and European coordination of national budgetary policies and establishing the **coordinated management of the banking system** with a view to combatting the vicious circle between the sovereign debt crisis of some countries, such as Portugal, and the crisis in the banking system;
- Moving towards **regulating existing rating agencies** and the eventual creation of a European credit rating agency and, in time, preparing the introduction of European collectivising debt instruments for the sovereign debt of States (Eurobonds) in association with setting up a European treasury and reinforce the role of the ECB;
- **Reforming the Stability and Growth Pact** so that in continuing a concern to avoid irresponsible budgetary policies and maintain price stability, it is equally concerned with the importance of returns on investment in areas that are factors of growth, such as education, science and entrepreneurship, the environment and industrial policy.

## CONCLUSION

There is no point in drawing a veil over reality, creating facile illusions that detract us from our sense of the future or conjuring up defeatist thoughts that prevent us fighting back with hope.

Portugal has reached a true crossroads, from which we will not move on without competence, persistence and public mobilisation. But this is not the first time in 870 years of history that we have been called upon to undertake a difficult course.

This crisis cannot be overcome without our first having a clear idea of the scale of our difficulties – there are other structural problems, that have accompanied us for decades, apart from indebtedness and budget deficits, and that have prevented us from growing on a sustainable basis.

However, the non-conformity of the diagnosis and the reforming approach in the answers cannot be operated from a “scorched earth” perspective, forgetting the notable economic and social progress Portugal has made over recent decades.

The real issue is, therefore, to know what the new strategy should be for a country with enormous potential to grow and win: through infrastructure, talent, institutions, natural resources, geostrategic position, together with a noble History and the importance of the Portuguese language and culture – winning, in fact, in meeting the objectives of a society that is fairer and more prosperous.

In this Report we assume our responsibility, as a civic movement, and we make our contribution towards a strategy that will allow us to release Portugal’s potential for growth. We believe (but we are ready and interested in being confronted by other visions of sustainable growth) that responding to the problems of a squeeze on the budget, demographic changes, the deterioration of natural resources, social exclusion and the lack of equality – depends essentially on our capacity to:

- **Strengthen democracy and civic involvement**, reinforcing citizen confidence in institutions and in the actual political system, promoting transparent, open debates on political choices, avoiding dissatisfaction drifting into anti-democratic tendencies;
- **Assert budget responsibility** based on a definition of public spending limits, implementing fiscal reform more in harmony with growth and modernisation and redefining the functions of the State;
- **Move towards a strategy of structural change and selective investment that brings returns** in areas that are true growth levers – knowledge, entrepreneurship, green economy and industrial policy;



- **Turn Portugal into a country of international attraction for talent**, investment and projects, competing and achieving within the context of a network economy and not an economy of scale, confronting new threats and global opportunities;
- **Contribute actively towards reshaping the European project**, courageously and structurally, not timidly and partially, confronting the biggest European crisis since the post-war period – a crisis of debt, unemployment, recession and, no less serious, a crisis of confidence – through carrying political, economic and financial aspects much further.

Today, as yesterday, we worked to come up with an answer that lives up to our responsibilities.

At the end of the day we will have to be able to answer before our children and our grandchildren, to the moral question: *at a demanding time in Portuguese history, with the information, talent and conditions available, did this generation do what it should have done or, on the other hand, did it, out of cowardice, incompetence or egoism, end up by evading the issue, procrastinating or failing to solve the major problems, compromising the freedom of future generations?*

This is a time for clear choices, in which everyone is under an obligation to submit their proposals. The Manichaeism of those who want to win or lose alone, the negligent indifference of those who prefer to live in the shadow of the troika – this one or others – or the self-interest of those who hope that others will pick up the fight for them, can have no place at such demanding times.

We will make it.

We believe that for Portugal, and the Portuguese, the best is yet to come.



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