



PES Presidency Statement welcoming the Partido Socialista's and Partido Socialista Obrero Español's plan for a new impulse for convergence in Spain and Portugal:

***"PORTUGAL AND SPAIN - 30 YEARS OF ACCESSION TO THE EUROPEAN UNION
A NEW IMPULSE FOR CONVERGENCE IN SPAIN AND PORTUGAL"***

Adopted by the PES Presidency on 28 May 2015

The PES Presidency warmly welcomes the determination of our sister parties in Portugal and Spain to engage in a path of progressive and fair reforms, as outlined in the document titled *"Portugal and Spain – 30 years of accession to the European Union: A New Impulse for Convergence in Spain and Portugal"*, that was put forward by the Portuguese Partido Socialista (PS), and the Spanish Partido Socialista Obrero Español (PSOE).

This document has been prepared by our two sister parties in the run up to their national elections. It identifies some core elements of the national programmes that they want to implement when in power. These priorities take into account their respective national contexts to address their specific issues with targeted responses for Spain and Portugal.

1. Objectives

In the context of the financial and sovereign debt crisis, important asymmetries in Europe were highlighted, in particular in the Eurozone. This imbalance of the Eurozone reduces the potential growth and causes a decline of the cohesion indicators in Europe and undermines the stability of the single currency.

The New Impulse for Convergence aims to identify and overcome obstacles to competitiveness in the economies of Portugal and Spain introducing innovative mechanisms to support and monitor these reform programs.

2. Methodology

The specific programs for Spain and Portugal presented by our sister parties seek to respond to the challenge of relaunching economic growth while maintaining the objective of public finance consolidation (gradual reduction of budgetary deficit on a medium term goal considering the results of the reforms, and a sustainable deleveraging of the economy both in the perspective of public and private debts) and correcting the imbalances of competitiveness between the Eurozone countries (with a perspective to consolidate the single currency through the real convergence of economies).

These specific programs must be complemented by the necessary progressive reforms in the Eurozone Governance and the European Fund for Strategic Investments.

In each specific program, Spain and Portugal identify the objectives to fulfil and the obstacles of competitiveness to be eliminated. These voluntary and tailor made reform programs with national ownership, are subject to an agreement with the European institutions with clear quantitative and qualitative targets with a 3 to 5 year horizon, supported, on a step by step approach, by all available European financial means.

3. Funding to support progressive reforms

These financial means include different instruments, such as Structural and Cohesion Funds and other resources from the EU's Budget 2014/2020, the EFSI, available funding mechanisms offered notably by the European Investment Bank, leveraged by additional resources allocated to these programs, indexed to the achievement of the agreed results, and also the use of the liquidity created by the European Central Bank's strategy and the European Stability Mechanism.

This document comes to reaffirm once again that our two sister parties and our political family as a whole have a clear commitment to a path of responsible, sustainable, and progressive change. The change that the PS, PSOE, and all our other parties can bring is the change that can deliver a better life for all Europeans.

We want Europe to move away from the austerity-only approach. We want to work for a better future by investing in people. By modernising the state. By promoting a greener future, supporting innovation, improving infrastructures, and supporting our SMEs and the real economy. We want to work together on our common commitments, in full respect of national specificities.

The PS and PSOE are historic pillars of our political family. With their initiative they reaffirm that they are at the forefront of our collective fight for a more progressive and fairer Europe. We want to express our strongest support for the two parties in their upcoming elections.

Annexes

Specific Program for Growth, Competitiveness and Employment – Portugal's Reform Plan

Overcoming the competitiveness bottlenecks within the Eurozone – the Portuguese Case

During the last decades Portugal has made much progress in the modernization of its economy. However some important obstacles to the external competitiveness of the Portuguese economy still remain.

To relaunch the sustainable growth of the economy it is necessary to pursue further the reforms conducive to growth: i) correction of the historical deficit of qualifications; ii) modernization of the State; iii) intelligent urban renewal and energy efficiency; iv) business innovation; v) deleveraging of the economic fabric of the country.

Qualifica 2025

A strong focus on the qualification of all women and men is an indispensable tool for competitiveness and social cohesion, making full use of the Youth Guarantee to create a bridge between education and labour market. To this end, four priority strategies are identified:

Ensuring upper secondary education as the basic qualification standard

International institutions consider secondary education to be the basic qualification standard. In order to ensure universal access to that minimum level of education it is first essential to diversify the educational offer. This can be achieved by further developing vocational education and training, without however creating a premature dualization of schooling. Secondly, to boost upper secondary education, it is important to reinforce social support for students in secondary schools through scholarships and grants equivalent to those of other training systems.

Qualifying working age adults

It is essential to find an answer to the deficit in qualifications and skills recognition of the adult population. This requires resuming an adult training program, strongly focused on lifelong learning and the education of the adult population. As part of the qualification deficit stems from a lack of recognition of skills, it is essential to further develop the validation and certification of skills and competences gained throughout life.

Fighting school failure and reducing early school leaving

While the EU has set the objective of reducing early-school leaving to 10 % across member states, the number of early-school leavers has increased in Portugal in the last four years. It is therefore crucial to promote policies and strategies aimed at reducing school dropout rates..

It is essential to implement measures promoting equity in the education system at basic, secondary and higher levels, considering that reducing school-related inequalities is central towards the goals of fighting school failure and reducing early leaving. This can be done for example, by progressively making school handbooks free, , by extending opening hours of schools or by increasing the availability of preschools which are particularly lacking in urban areas).

Modernizing the education system, schools, learning methods and instruments

The rapid change and complexity of contemporary times require permanent improvement and adaptation of learning methods. The information and communication technologies offer a varied array of solutions to this challenge. In this regard, several measures are envisaged: a national program for innovation in learning, the development of a new strategy to promote resources for digital learning, and the establishment of a national platform for the monitoring and analysis of the learning process to support schools and teachers with diagnostic tools.

State XXI

An ambitious program of modernization of the public sector entails the pursuit of policies that promote simple legislation, innovation in service provision, qualification of critical sectors, such as the Justice sector, and greater transparency. This will allow for more rigor and predictability of public actions as well as a better delivery of services guaranteeing that citizens are not left unprotected. This effort is based on five main axes:

Creating an ecosystem for innovation in the public sector

There should be continuous work towards the development of an innovation ecosystem in the public sector. This could be achieved through the creation of incubators for experimentation and carrying out proof-of-concept tests of innovative public sector projects in partnership with different institutions of the public administration, universities, private and third sectors, and also with institutions from other Member States. Furthermore, the possible constitution of a public sector angel fund within the framework of European funds must also be envisaged.

Simplifying legislation and administrative procedures

It is important to simplify procedures and reorganize services in a more integrated way according to “life events”. This can be done for example by resuming the Simplex (Simplification Program) at all levels of government, by providing greater access of public services through electronic channels and mobile devices and by organizing the cross-border cooperation of public services with countries that have special ties with Portugal.

A more decentralized and devolved Public Administration closer to citizens and companies

Reforming government through decentralization and devolution of powers to municipalities and local services is an imperative for a good provision of public services.

Facilitating collaborations and networks inside administration and resource sharing

To promote public sector efficiency and efficacy and introduce an innovative dynamic, it is fundamental that public institutions cooperate among themselves through networking as well as knowledge and means sharing. To facilitate this cooperation it is important to further develop the experiences of shared services by extending them to new fields and sectors and establishing a strategy across the board concerning the use of information and communication technologies, making them available to users in an integrated way.

A more qualified Public Administration

An efficient Public Administration is indispensable to improve the lives of our citizens and promote economic development. An efficient Administration rewards and attracts the best human resources. It is necessary to resume highly qualified staff recruitment for state functions even in a context of rationalization of public resources. Renewal of Public Administration officials can be pursued through diversified modalities and contracts, respecting the principle of equal pay to equal work.

A fair, reliable and trustworthy justice system In a modern and efficient State, a well functioning justice system is an important element for economic development and investors' and companies' confidence. Indeed, efficient procedure, promptness in decisions, as well as legal certainty can have a strong impact on economic activities. While safeguarding the core function of the justice system, it can therefore be beneficial for the economy to ensure a strong focus on the users, a better management skills in the system and a better coordination of competences between public entities, with a strong focus on users. It is important to implement a program that simplifies the judicial system, reduces bureaucracy, promotes the reengineering of court procedures, strengthens the investment in technological means in order to ensure promptness in decisions and puts an end to inefficient routines..

Smart Cities: Urban Renewal and Energy Efficiency

As in most countries in the world, the majority of the population of Portugal lives in cities. It is there that we find the most important potential of development but also forms of extreme poverty and greater social inequalities.

A National Program of Urban Requalification

We need to answer the challenge of revitalizing the historical centres of cities and other urban areas. We also need to fight the deterioration of heritage buildings and monuments as well as cities' general appearance and life standards. It is important to ensure that public funding stimulates the attraction of private capital to these projects of urban renewal, giving special priority to interventions in vacant buildings and energy-efficiency, without leaving behind the most disadvantaged neighbourhoods.

Promoting a more efficient, sustainable and integrated urban mobility

The promotion of sustainable mobility is an environmental, social and economic imperative, particularly in urban areas. Comprehensive sustainable and inclusive mobility plans can lead to the

reduction of carbon emissions as well as help fighting social exclusion, optimizing the management of urban infrastructures and improving quality of life and the general urban environment.

In line with the Europe 2020 strategy, energy efficiency in this sector will be achieved through the promotion of a modal shift from private transport towards more efficient collective public transport, thus reversing recent trends, and also through strengthening sustainable urban mobility. This includes fostering the use of soft modes of transport and new forms of mobility (*e.g.* car sharing, in respect of the existing labour and regulatory laws), greater multimodal integration, and better interface between transport modes, among other priority measures.

Promotion of energy efficiency in cities

The crisis showed the importance of renewing the economy under a new paradigm of sustainability which moves away from the dependence on fossil fuels and non-renewable energy sources. The most affordable energy is the one that is saved.

To this end, an ambitious program must be launched to promote energy efficiency in public lighting, infrastructure, buildings, fleets and public purchases while concentrating and reinforcing already existing measures. At the same time, it is important to stimulate energy-intensive companies in industry to shift energy usage to off-peak periods. The development of smart grids and the dissemination of smart meters to allow a more rational and efficient management of energy consumption for citizens and businesses should also be widely promoted.

Fostering innovation in SMEs

Austerity severely undermined SMEs in Portugal, leading to the deterioration of their profitability and financial situation and, thus, to a strong decline in investment. It is essential that active support is provided to SMEs. To this end several key areas for action are envisaged:

Promoting Business Innovation Contracts

Business Innovation Contracts (CIE) will be used as contractual funding instruments to support investments directed at the production of new products or services. These investments will be based on guidelines and priorities defined in collaboration with the private sector, universities and other stakeholders (market/technology matrix). Investments shall be based on a two-stage process: a first stage, focused on R&D, involving companies and scientific and technological institutions (STI) (by linking part of the STI financing to their capacity of contracting with companies), and a second stage, focused on investments linked to production, marketing and internationalization of the new products or services.

Attracting foreign investment, opening new export channels and strengthening export capacities

In order to grasp the opportunities offered by globalization in terms of attracting inflows of foreign investment and developing new export channels, an integrated and transversal public strategy is required. It should encompass: an action plan to attract structural foreign investments able to function as anchor points for the development of new competitive clusters; an integrated incentive

package directed at foreign investors, covering financial, tax and logistics incentives; a specific information campaign to raise awareness of Portugal's potential as a foreign investment host country; the reform of the existing export support network; extending the role of 'sponsor' of export companies traditionally assigned to the Minister of the Economy, as well as the responsibilities regarding economic diplomacy to all government ministries.

Enhancing SME's management, technological and market skills

The lack of management skills translates into difficulties in setting strategic goals, insufficient abilities to identify opportunities and resistance to innovation. To solve these bottlenecks it is essential to stimulate the transfer of scientific knowledge to enterprises and its conversion into economic value. It is crucial to encourage the requalification of workers and managers, with strong focus on international training of SME managers, and strengthen SMEs information and management systems in areas such as quality, design, marketing or energy efficiency.

Increasing the capacity of SMEs to respond to public procurement

It is key to support SMEs' access to public procurement markets, in order to help them profit from the recovery of public purchasing in Portugal and in the European Union. Among other measures, SMEs will benefit from (1) databases created to gather detailed and updated information on planned and ongoing investments in infrastructures, (2) support in certification or (pre)qualification as suppliers, (3) technical assistance in the organization of consortia and submission of applications.

Supporting companies' deleveraging

The capacity of Portuguese companies to invest is strongly restricted by excessively leveraged balance sheets. The financial autonomy ratio of Portuguese companies is already below 30%, which hinders economic growth. In this sense fundamental actions to invert this tendency are proposed:

Promote capitalization and reinforce the financial autonomy of companies

Through a new Capitalization Fund, the State will allocate public funds towards capital investments or the concession of loans or guarantees with the involvement of financial institutions. Measures to attract foreign investment to this Fund will be of strategic importance.

This Capitalization Fund should favour investments in clusters defined as strategic for the Portuguese economy and, while continuing to provide traditional instruments for capitalization, will include new forms of financing such as quasi-equity instruments.

Reinforce capital market financing for SMEs

Reducing the dependence on bank lending by facilitating access to capital markets, especially through raising equity, debt securities or other hybrid instruments (quasi-equity).

Ensure tax neutrality between equity capital and debt

Currently, expenses related to debt are tax-deductible contrary to what applies to equity capital, with the tax system favouring debt over equity. It is essential to establish a framework of effective tax neutrality between equity capital and debt, applied to new equity capital raised.

Specific Program for Growth, Competitiveness and Employment – application to SPAIN

After eight years of deep economic crisis, Spain seems to be coming out of the recession. Yet, many of the structural problems traditionally affecting the country's competitiveness remain while others have even worsened: high unemployment rates, low productivity, large external and public debts, and increasing inequality among others.

In order to address those challenges, allow Spain to compete in a global world and converge towards EU standards, important structural reforms and investments in key areas are necessary Human Capital

In the medium run, increasing Spain's growth potential and reducing inequality requires lifting labour real productivity, which, in turn, is linked to improvements in the education levels and skills of the workforce.

Education – vocational training

During the last years Spain has made some progress in reducing the school drop-out rate, from 30% to near 22,5% in 2013. The next challenge for the country is to give students opportunities to continue on with their studies, increasing the number of students in vocational training. For this, it is essential to address the lack of vocational training schools, creating 200.000 additional places.

The additional places should be directed towards the economic sectors with the highest potential for economic growth.

Active Labour Policies

Spain has the second highest unemployment rate in the EU after Greece, with about half of the unemployed having been out of work for over a year. Youth unemployment is about 50%. Despite this situation, public expenditure in active labour policies is relatively low and has been cut since 2011 to around 0,45% of GDP.

It is thus essential to step up Active Labour Policies (ALP) to up to 1,5% of GDP as has been demanded by international organizations (OECD, ILO). Higher levels of funding in ALP are necessary to offer the unemployed re-training and guidance suited for their individual needs, in particular for the long-term unemployed (3,5 millions or 62% of the unemployed).

We need a European framework for introducing minimum standards for the implementation of Youth Guarantees both to avoid the misuse of the European funds by Member States and to increase the coverage for young people aged 25-30 and tackle the specific problems of NEET (youth not in

employment, education or training). It is especially important that spending made on the Youth Guarantee is excluded from the deficit targets established in the Stability and Growth Pact.

Science, Technology and Innovation policies

Investment in research, development and innovation (R+D+I) in Spain was 1,24% of GDP, down from the peak of 1,4% achieved in 2010 and far from the EU average and objective of 3%. In addition to low levels of R+D+I the instruments and centers that catalyze and replicate innovation are only accessible for a few big companies, hampering the broader economy's potential growth and development.

Expenditure cuts in public R+D+I during the last few years coupled with low levels of private investment have seriously undermined the capacity of the system and jeopardized the execution of programs that require many years to bear fruit. In addition, a limited replacement rate of staff in public research institutes and delays in the set-up of the State Research Agency, contemplated in the 2011 Law on Science, have further weakened the public R+D+I system.

The current context requires a strong impulse to recover the levels of public investment in R+D+I previous to the crisis, providing long term stability of funding and further efforts to catalyze and attract private funds into the system.

Strategic Fund for Business Innovation

Among the instruments to support innovation and entrepreneurship, the creation of a Strategic Fund for Business Innovation is proposed, which consolidates and enhances existing public funds, and catalyzes additional resources to innovative start-ups and activities, both in traditional and in more technologically-advanced sectors.

The Fund would be open to private capital and would have an investment objective of 5 billion Euros of both public and private capital.

National Network of Centres of Excellence for Industrial Innovation in Spain (EIS)

The proposal is to set up a National Network of Centres of Excellence for Industrial Innovation (EIS) building on existing technology centers, modeled on the Institutes for Manufacturing Innovation (IMI) launched in the US by the Obama Administration.

These Centers will specialize on specific enabling industrial technologies (such as critical materials reprocessing or bonding of composite structures). They will offer facilities comprising "industrial commons" (the R&D, engineering, and manufacturing capabilities needed to turn inventions into competitive, manufacturable commercial products) to accelerate the formation and growth of small- and medium-sized enterprises (SMEs), and will integrate education and workforce training functions into their operations. These Centers will run in partnership between the government, industry, and academia, supported with cost-sharing funding from the central government and other public sources.

Energy

Energy transition

Spain shows some of the highest energy costs across Europe, a fact that affects households and undermines business competitiveness. A full transition to a new energy model is thus needed, which revolves around two key areas: energy efficiency and development of renewable energies. The energy transition should catalyze the energy sector as the engine of innovation, development and job creation, reduce the country's dependence on imported fossil fuels, promote self-sufficiency, strengthen security of supply and combat climate change.

The energy transition should shift the center of gravity from large supply companies to consumers, who will take a much more active role in managing their consumption, and also in the generation of energy. The new energy model should be increasingly decentralized, with more small-scale energy generation and distribution, renewable for the most part, and a great development of energy services geared to more efficiently managed power consumption. This model includes the modernization of distribution networks, the generalization of smart meters and advanced management systems consumption and distributed generation.

A Plan for Energy-efficient Rehabilitation of Public and Private Buildings

This plan would be financed through mixed capital instruments, such as regional agencies for planning and financing of rehabilitation activities, which could issue Project-bonds with public guarantees. The final objective would be to finance projects implemented by private agents : eg . cooperatives for shared energy consumption, energy management companies (eg . ESCO), industrial companies and private owners.

Impulse to digital agenda

The insufficient level of digital skills, uneven coverage and high costs limit the benefits of information technology and communication (ICT) in Spain. Use of broadband lags behind due to the high costs compared to other countries. The Spanish business sector, especially SMEs, show little interest in e-commerce, while its use by households is also well below the EU average. The ICT skills are still insufficient, since 37% of the active population has little or no digital competence.

Access and use by households

The main objective is to achieve a 100% coverage target for broadband (defined as Access above 30 Mbps) by 2018. In that year a minimum coverage of 85% should be met in a way that ensures regional equity (plan to bring ultra-broadband to all educational and health centers).

Ensuring that at least 75% of the population has digital skills by 2019, and to double the number of ICT specialists compared to the current 2.5% of all employed persons.

Digitalization of SMEs

Spanish SMEs make little use of web-based services compared to their EU peers, putting them at a competitive disadvantage. It is thus necessary to make efforts to extend the digitalization in the business sector.

The main objectives would be:

that 50% of SMES use electronic trade by 2019, from current level of 8,1%.

50% of non-financial SMEs have some presence in social networks and use cloud services by 2019, from current level of 20% and 9,3%.

Modernization of Public Administration

An efficient, transparent and accountable public administration is an important factor for, among other things, firm's productivity and growth. Despite some progress in recent years, there is still a long way in Spain in reducing duplicated administrative structures and burdens, increasing transparency on public expenditure and streamlining and rationalizing bureaucratic processes.

E-government

Spain ranks 12th in the UN E-government survey. E-government and innovation can provide significant opportunities to transform public administration into an instrument of sustainable development.

Evaluation of public policies

Spain needs to strengthen its culture of evaluation of public policies, which goes beyond checking formal procedures. In mid 2000, under a socialist government Public Policy Evaluation Agency (AEVAL) was created, and has been operational ever since. However, its formal dependence of Government and lack of resources undermine its effectiveness as an agency for change and improvement.

Introducing a culture of permanent independent evaluation and correction of public policies, could help Spain reinforce and improve the design and implementation of future reforms.

Judicial Reform

The judicial system is fundamental for the cohesion of society. However, in Spain if it is inefficient it can also be an important source of costs for business. Improving its efficiency is an important path for increasing cost-competitiveness and economic performance. Yet, the Spanish judicial system does not rank well internationally in terms of efficiency. For example,

Spain is placed 26 out of a total of 35 legal systems in its ability to resolve disputes before the first instance courts and 21 out of 31 in terms of enforcing contracts.

Promoting mediation arrangements and investing in information and communication technologies, could reduce the backlog and increase the efficiency of the judicial system with important effects in the cost of doing business in Spain.

Infrastructure: Reduce Logistical Costs

Intermodality in transport of goods

To exploit synergies between the different modes of transport, Spain needs to enhance logistical nodes to allow for seamless transit. A specific plan of Logistics Platforms developed jointly between central government and the Autonomous Communities is proposed.

This new plan should aim at:

Facilitate access to the logistical nodes by the various types of transport (mainly between ports and freight rail network)

Promote direct relations between the major load centers, especially between ports and major consumption centers in metropolitan and industrial areas. To do this, establishing the necessary arrangements with the Autonomous Communities, a network of logistics terminals equipped with autonomous management that will provide logistics operators the necessary services for transferring cargo and other value-added services will be defined

Railways

Adaptation of gauge to homogenize with international width standards will be promoted, thus correcting the secular isolation of railways in the Iberian peninsula. A railways long term plan will be designed in order to give certainty to all stakeholders, regarding future investments in railways infrastructure, thus facilitating decision -making by businesses and Railway Operators in key aspects such as acquisition of rolling stock.

Priority will be given to main the corridors identified in the Trans-European Transport Networks, the Mediterranean and the Atlantic Corridor, as well as connections to the northwest peninsula.