

## Portugal

### *Key facts and issues*

Portugal is a unitary country with a population of 10.4 million. Portugal is the 6th most centralised country in the OECD with regards to public spending, as subnational governments are responsible for only 11.8% of public expenditures. Portugal is the 9th most urbanised country in the OECD, with 53% of the population living in predominantly urban areas. Administrative fragmentation is below average in Portugal, with on average only 3 municipalities per 100 000 inhabitants.

Portugal's GDP per capita, at almost USD 29 200, is 71% of the OECD average. However, the gap among regions is sizeable. The gap between the 20% top and 20% bottom regions is the 10th largest in the OECD. Between 2008 and 2013, the GDP per capita gap was reduced by almost 10 percentage points, the 2nd largest decline in the OECD. This was due to poorer regions declining slower than richer regions. Portugal suffers from high unemployment: all its regions have a higher unemployment rate than the OECD average. Youth unemployment has narrowed at the fastest rate in the OECD between 2008 and 2013, especially in the bottom 20% regions, but it remains the 4th highest in the OECD. Productivity performance between 2000 and 2013 was characterised by strong catching-up dynamics in Portuguese regions due to labour shedding. Lisbon, the productivity frontier, was outpaced by most Portuguese regions. No region is falling behind.

### **Portugal: regional, urban and rural development policies**

Policy Area	Enabling Document, Strategy, or Framework	Strategic Objectives and Means	Lead Ministry, Agency or Committee
Regional	<a href="#">Partnership Agreement with the EU (2014-2020)</a>	Curbing inter- and intra-regional disparities, enhancing competitiveness of all regions and providing access to public services through clusters, fiscal incentives for businesses to innovate and targeted workforce training programmes	Secretary of State in the Ministry of Infrastructure and Development
Urban	<a href="#">Partnership Agreement with the EU (2014-2020)</a>	Sustainability and economic development through the EU framework, top budget line is dedicated to the systems of cities	Ministry of Environment, Spatial Planning and Energy
Rural	<a href="#">Partnership Agreement with the EU (2014-2020)</a>	Growth of the agroforestry sector, efficient management of resources, creation of conditions for the economic and social enhancement of the countryside	Ministry of Agriculture and the Sea

### *General policy approach*

Most regional policy approaches are directly related to the use of EU Structural Funds. Regional, urban and rural priorities are therefore set forth in Portugal's Partnership Agreement with the EU. It contains 11 thematic and 7 regional operational programmes. The Regional Co-ordination and Development Commissions (CCDRs) help to implement these programmes in their coverage area. The latest territorial approaches include integrated territorial investments (ITI), strategic plans for urban development (SPUD), and Community-Led Local Development (CLLD). These territorial instruments also promote urban-rural linkages and support networks for collective services. Urban areas are receiving dedicated funds through the ERDF and national funds, with the priority being the system of cities. Portugal has also issued a Sustainable Cities 2020 approach. The National Spatial Policy Programme (2007) addresses 24 territorial and spatial planning challenges. Rural Development Programmes exist for the mainland, the Azores and Madeira.

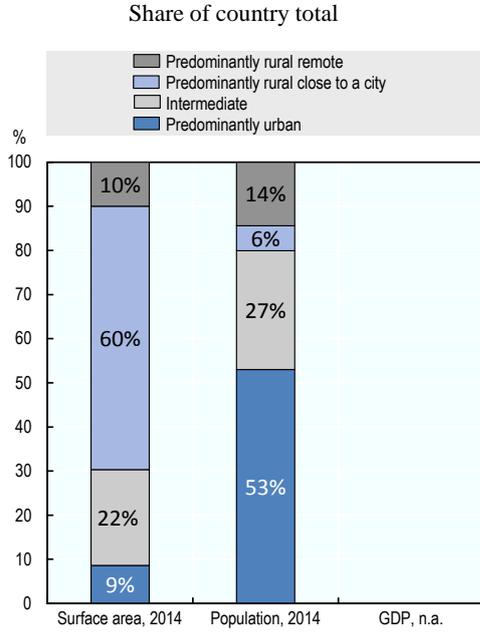
### Recent policy changes

- The Agency for Development and Cohesion was created in 2013, with responsibility for co-ordinating EU structural and investment funds and regional policy. The agency is responsible for the design of proposals for regional development policies and its co-ordination with other policies as well as for the co-ordination process of monitoring regional dynamics (ensured by the Regional Co-ordination and Development Commissions).
- The “*Programa Aproximar*”, creates a new paradigm of public service networks. The existing network of “citizen's shops” (one-stop shop for public services) is complemented by local kiosks and mobile units to reach low-density areas. Online public services are also promoted. The “*Programa Capacitar*” promotes capacity building of local and sub-regional stakeholders, and is focused on strategic planning for competitiveness and territorial cohesion.
- The current government is considering several governance reforms for 2017: 1) strengthening the metropolitan areas of Lisbon and Porto, notably with elected presidents for the metropolitan areas, 2) the Presidents of the CCDR may transition from being appointed by the central government to being elected by the mayors in the region covered, and 3) continuing to reinforce the mechanisms for supra-municipal co-operation. The government has also announced that municipalities will receive part of the value-added tax collected in their territories.
- More funds and investments are available for cities, via ERDF and national additions. Sustainable Cities 2030 offers 8 guiding principles and 52 strategic guidelines.
- A new Land Act was passed in April 2014. Among others, it covers issues concerning the right to transform land that has not been developed. In 2014, Portugal also amended its Spatial Planning Act through the Land Policy, Spatial and Urban Development Act.

### Portugal: Main regional, urban and rural development policy tools

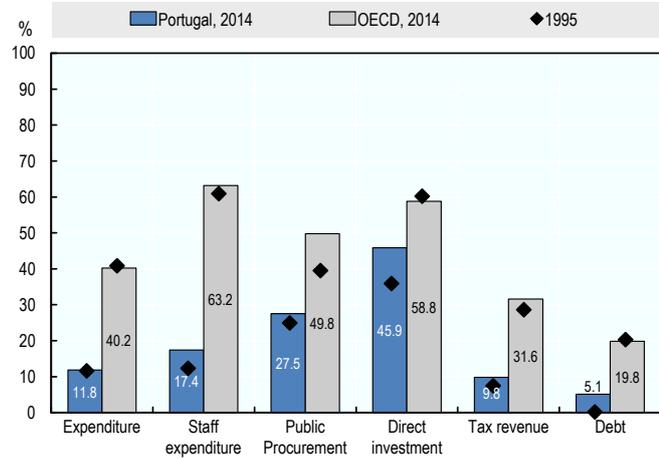
Policy Instrument	✓	Examples
Transport Infrastructure investments and systems of cities	✓	Strategic Plan for Transport and Infrastructures - PETI3+ for the 2014-2020 horizon Urban: Strategic Plans for Urban Development (SPUD) within regional Operational programmes Integrated Territorial Investments (ITI) for systems of cities
Other Infrastructure investments	✓	Investment plans in the area of environment and the networks of collective services
Service delivery (subsidies for public services)	✓	Urban: ITI, SPUD, Community-led local development (CLLD)
Business development/ innovation support	✓	Fiscal incentives. Several measures to promote business development within the scope of Portugal 2020 (the Partnership Agreement for 2014-2020), such as measures to promote R&D and innovation process, knowledge transfer, internationalisation process, entrepreneurship
Urban renewal	✓	SPUD
Urban form and land use	✓	Rural: <a href="#">Rural Development Program 2014-2020</a>
Sustainability policies	✓	Rural: <a href="#">Rural Development Program 2014-2020</a>
Rural-urban linkages		
Clusters/technology platforms/ centres of expertise	✓	Clusters policy as well as Regional RIS3
Special economic zones		
Rural landscape preservation	✓	Rural: <a href="#">Rural development program 2014-2020</a>
Skills/training programmes	✓	A wide range of training programmes in order to improve or generate new skills in different targets (e.g.: youth, unemployed people, etc.)
Capacity building for subnational governments	✓	To promote local development under new competencies, the government also initiated a programme to enhance capacity at the sub-national level ( <a href="#">Capacitar</a> ). It focuses on municipal leaders, elected officials, managers and workers, and combines different sorts of training and knowledge sharing. In particular, the Municipal Transparency Portal has created a repository of data and best practices for local governments, in line with experiences in other OECD countries. Urban: ITI

### Land, population and economy in rural and urban regions



### Subnational government role in public finance

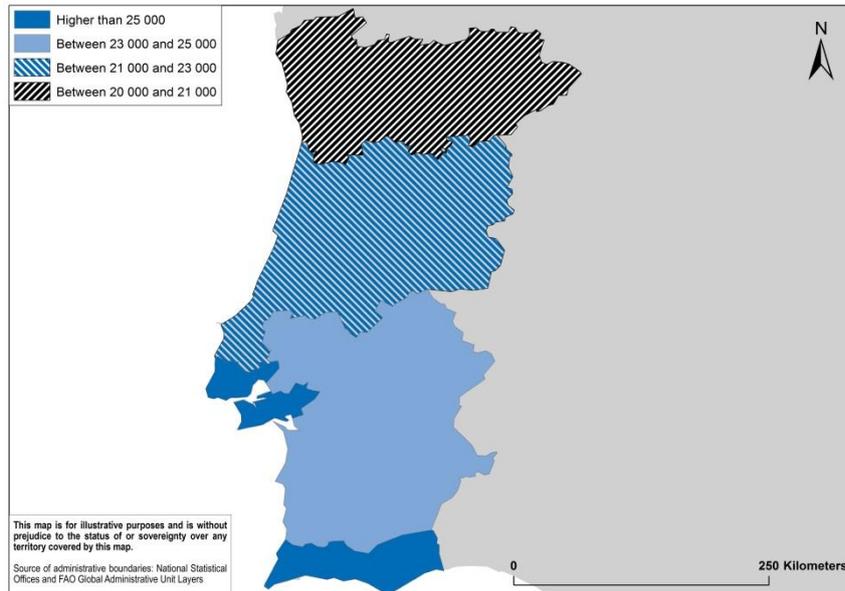
Share of general government



### Number of subnational governments

Municipal level	Intermediary level	Regional or state level	Total
308		2	310

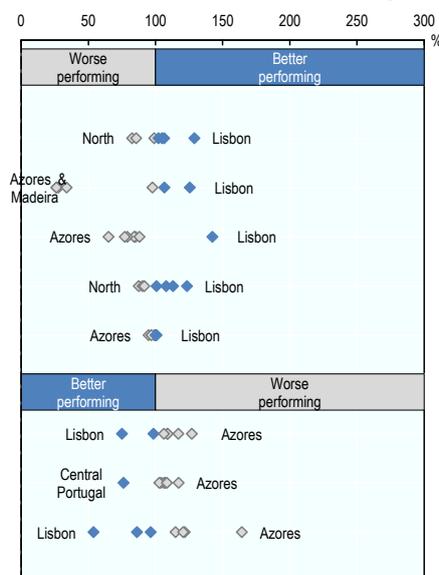
### Regional differences in GDP per capita levels, 2013



Note: GDP per capita in constant prices and constant USD PPP (base year 2010).

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### Inter-regional disparities (as a % of the country average)



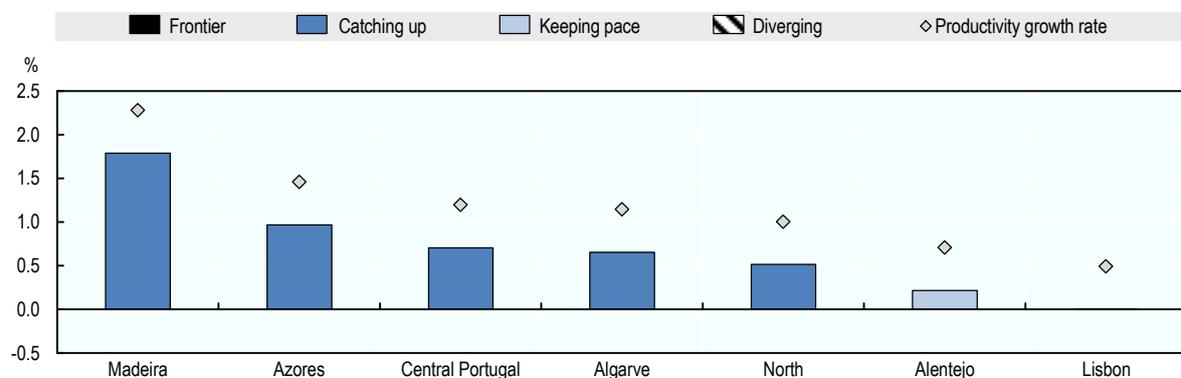
Variable	Min.	Max.	Country Avg.	OECD Avg.	Disparities up or down since 2001
GDP per worker (2013)	49 087	76 493	59 303	74 520	down
R&D expenditure as a % of GDP (2013)	0.35	1.67	1.33	2.4	down
Share of labour force with tertiary education	14.9	32.6	22.9	32.3	down
Disposable household income (2011)	22 705	32 000	25 921	34 866	down (2005)
Life expectancy (2013)	76.7	81.3	80.8	80	up
Share of workforce with only primary education	39.6	67	52.7	25.2	up
Unemployment rate	10.6	16.3	13.9	7.3	down
Gender gap in participation rate	-4.7	-14.3	-8.7	-15.9	down

Note: Each diamond represents a TL2 region. Unless specified, all data are for 2014. Disparity is measured as the difference between the top and bottom region in the country.

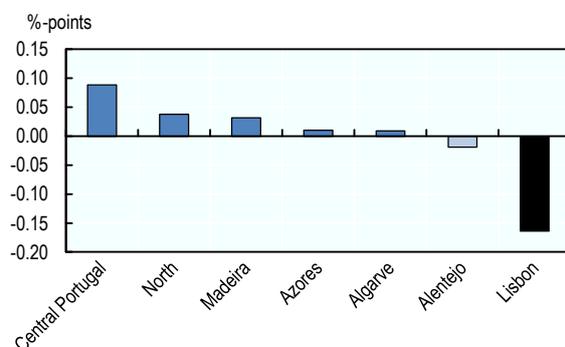
### Productivity and catching-up trends among regions

Average annual labour productivity (GDP per worker) growth rate [diamonds] and deviation from the growth rate of the country's productivity frontier [bars], 2000-2013

See country page notes for classification of regions

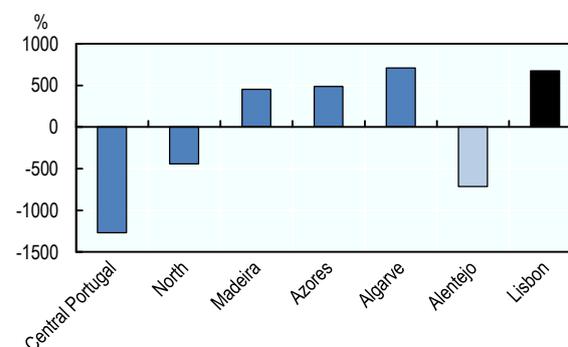


Contribution to labour productivity growth, 2000-13



Note: Difference between national labour productivity growth as calculated with and without the indicated region.

Percentage contribution to national GDP growth, 2000-13



Note: The contribution is the product of a region's GDP growth rate by its initial share of GDP.

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## Country page notes

### Main indicators

OECD average	represents the weighted average of OECD country/region values for the given year or closest year available.
OECD Regional Well-being framework	considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction).
Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker)	is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015.
Subnational government role in public finance	is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).
Gini index (regional income inequality)	The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity.
R&D expenditure	is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors.
Household disposable income and poverty rate	is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median.
Participation rate, unemployment rate, youth unemployment and NEETs	The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds).
Primary and tertiary education	Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over.
Elderly	are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64).
Air pollution	is the 1km <sup>2</sup> grid cell population weighted average of satellite-based estimates of small particulate matter (PM <sub>2.5</sub> ).
Life expectancy	measures the number of years a newborn can expect to live, if death rates in each age group remain constant.

### Typology of regions with respect to productivity

Frontier	is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment.
Catching-up regions, diverging regions and regions keeping pace	is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band.

### Typologies of regions with respect to population or other functions

Regions (TL2 and TL3)	are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population.
TL3 typology (urban, intermediate, rural)	TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories.
Metropolitan area	is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows.

Further details and information: OECD (2016) *OECD Regions at a Glance 2016*, [http://dx.doi.org/10.1787/reg\\_glance-2016-en](http://dx.doi.org/10.1787/reg_glance-2016-en).