Portuguese Regional Policy within EU Regional Policy

Duarte Rodrigues
Vice-President
Bogota, 3rd May 2016
## Council Recommendation on Effective Public Investment across Levels of Government

### Pillar 1
**Co-ordinate across governments and policy areas**
- Invest using an integrated strategy tailored to different places
- Adopt effective co-ordination instruments across levels of government
- Co-ordinate across SNGs to invest at the relevant scale

### Pillar 2
**Strengthen capacities and promote policy learning across levels of government**
- Assess upfront long term impacts and risks
- Encourage stakeholder involvement throughout investment cycle
- Mobilise private actors and financing institutions
- Reinforce the expertise of public officials & institutions
- Focus on results and promote learning

### Pillar 3
**Ensure sound framework conditions at all levels of government**
- Develop a fiscal framework adapted to the objectives pursued
- Require sound, transparent financial management
- Promote transparency and strategic use of procurement
- Strive for quality and consistency in regulatory systems across levels of government

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*Source: OECD*
Structure of presentation:

1. The EU Regional Policy framework

2. EU regional policy in Portugal
   - Funding and impacts
   - Beyond the funding
   - Focus on governance
The EU Regional Policy Framework
Chronology of EU Regional/Cohesion Policy

- 1968 - DG for Regional Policy of the European Commission was created.
- 1975 - creation of the European Regional Development Fund (ERDF).
- 1988 - to adapt to the arrival of Greece (1981), Spain and Portugal (1986), the Structural Funds were integrated into an overarching cohesion policy, introducing key principles: i) focusing on the poorest and most backward regions; ii) multi-annual programming; iii) strategic orientation of investments; iv) involvement of regional and local partners. **Budget (1988-1992):** ECU 64 billion.
- 1994-99 - the resources for the structural and cohesion funds were doubled, to equal a third of the EU budget. **Budget (1994-1999):** ECU 168 billion.
- 2000 - *Lisbon Strategy* shifted the EU's priorities towards growth, jobs and innovation. The priorities of cohesion policy were shifted to reflect this.
- 2004 - 10 new countries joined (increasing the EU's population by 20%, but its GDP by only 5%). **Budget (2000-2006):** €213 billion for the 15 existing members; €22 billion for the new member countries (2004-06).
- 2007-2013 - **Budget (2007-2013):** €347 billion (of which 25% has been earmarked for research and innovation, and 30% for environmental infrastructure and measures to combat climate change)
2014 - 2020

• More strategic focus and targeting resources at growth and jobs (Europe 2020, CSF, PA, Thematic concentration)

• Results orientation (sound intervention logic, performance framework)

• Link to wider economic environment and reform processes (taking account CSR and NRP) and conditionalities (macro-economic and ex ante);

• 32.5% of the EU budget (43% in 5 ESIF);

• New territorial instruments (CLLD, ITI, SUD);

3 categories of regions

<table>
<thead>
<tr>
<th>Color</th>
<th>Description</th>
<th>GDP/capita (EU27=100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>🟡</td>
<td>Less developed regions</td>
<td>&lt; 75 % of mean UE</td>
</tr>
<tr>
<td>🟠</td>
<td>Transition regions</td>
<td>75-90 %</td>
</tr>
<tr>
<td>🟢</td>
<td>More developed regions</td>
<td>&gt; 90 %</td>
</tr>
</tbody>
</table>
Allocation of funds 2014-2020

Funding for regional and cohesion policy in 2014-2020 amounts to €351.8 bn.

Source: DG REGIO
Allocation of funds 2014-2020

Allocations by type of regions and objectives

Financial allocations 2014-2020 by type of Region (M€, current prices)

- Cohesion Fund: 63,400
- Less Developed Regions: 182,172
- Transition Regions: 35,381
- More Developed Regions: 54,350
- Outermost and northern sparsely populated regions: 1,555
- European Territorial Cooperation: 9,623
- Youth Employment Initiative (additional allocation): 3,211

Source: DG REGIO
The implementation of the funds

<table>
<thead>
<tr>
<th>Level</th>
<th>Strategies/Programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>• European Strategies - principles and priorities of cohesion policy (e.g. EU 2020)</td>
</tr>
<tr>
<td>MS</td>
<td>• National Strategies (e.g. NRP)</td>
</tr>
<tr>
<td>Reg.</td>
<td>• Thematic Operational Programmes</td>
</tr>
<tr>
<td></td>
<td>• Regional Operational Programmes</td>
</tr>
<tr>
<td>SubReg.</td>
<td>• Territorial Strategies (ITI, CLLD, etc.)</td>
</tr>
</tbody>
</table>
European Semester

- Based in 2 articulated/complemented areas: economic & budgetary

**Support growth & Investment**
- November 2015 Annual Growth Survey
- April 2016 NRP and Stability program submission
- May 2016 COM proposal on Country Specific Recommendations (CSR)
- June/July 2016 EU Council adoption of CSR by MS

**Macroeconomic policy & Fiscal consolidation**

**Exante conditionalities**
- Administrative capacity

**European Semester Specific recommendations by country**

**Structural Reforms**
- Europe 2020 Strategy
Alignment of Portugal 2020 with Europe 2020 strategy and NRP strategic pillars

Priorities Europe 2020

- Smart Growth
  - Strengthening innovation in the economy
  - Capitalize companies
  - Modernising the State
- Inclusive Growth
  - Enhance the Portuguese population skills
  - Cohesion and social equality
- Sustainable Growth
  - Valuing the territory

Strategic pillars NRP

- Strengthening competitiveness and internationalization of the Portuguese economy
- Rationalization, modernization and enablement of Public Administration
- Strengthening the Portuguese population skills
- Encourage the creation and the employment sustainability
- Strengthening the integration of people at risk of poverty and combating social exclusion
- Strengthening the transition to an economy with low carbon emissions
- Addressing climate change and improving the environment

Strategic objectives Portugal 2020

Thematic domain Portugal 2020

- Competitiveness and Internationalization
- Human Capital
- Social Inclusion and Employment
- Sustainable and Efficient Use of Resources

Source: Cohesion and Development Agency
## Portugal targets in the context of Europe 2020 Strategy: 2015 state of play

<table>
<thead>
<tr>
<th>NRP Strategic pillar</th>
<th>Indicator</th>
<th>2015</th>
<th>Target Portugal 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening innovation in the Portuguese economy</td>
<td>Gross domestic expenditure on R&amp;D (% of GDP)</td>
<td>1,29%* (2014)</td>
<td>2,7%</td>
</tr>
<tr>
<td>Strengthening the Portuguese population skills</td>
<td>Early leavers from education and training, total (% of population aged 18-24)</td>
<td>13,7%</td>
<td>10,0%</td>
</tr>
<tr>
<td></td>
<td>Tertiary educational attainment, total (% of population aged 30-34)</td>
<td>31,9%</td>
<td>40,0%</td>
</tr>
<tr>
<td>Valuing the territory</td>
<td>Greenhouse gas emissions (non-ETS emissions; compared to 2005)</td>
<td>-21% (2014)</td>
<td>1,0%</td>
</tr>
<tr>
<td></td>
<td>Share of renewable energy in gross final energy consumption (%)</td>
<td>27% (2014)</td>
<td>31,0%</td>
</tr>
<tr>
<td></td>
<td>Savings in primary energy consumption (Mtoe)</td>
<td>20,4 Mtoe (2014)</td>
<td>22,5 Mtoe [a]</td>
</tr>
<tr>
<td>Cohesion and equality</td>
<td>Employment rate age group 20-64, total (% of population)</td>
<td>69,1%</td>
<td>75,0%</td>
</tr>
<tr>
<td></td>
<td>People at risk of poverty or social exclusion (thousand people; compared to 2008)</td>
<td>+14 thousand *</td>
<td>-200 thousand</td>
</tr>
</tbody>
</table>

(*) provisional data  
[a] Target revised by European Comission on May 13, 2015
EU regional policy in Portugal
Funding and impacts
The Cohesion Policy in Portugal
QCA I, QCA II, QCA III, NSRF and PT2020

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<tbody>
<tr>
<td>Total Investment</td>
<td>18.059</td>
<td>30.127</td>
<td>40.326</td>
<td>28.730 (*)</td>
<td>27.302 (**)</td>
</tr>
<tr>
<td>European Funds</td>
<td>6.958</td>
<td>16.970</td>
<td>23.834</td>
<td>25.231</td>
<td>25.632</td>
</tr>
<tr>
<td>ESF</td>
<td>2.028</td>
<td>3.149</td>
<td>4.721</td>
<td>6.853</td>
<td>7.543</td>
</tr>
<tr>
<td>EAGGF/FEOGA-OFEADER/EAFDR</td>
<td>1.173</td>
<td>1.894</td>
<td>2.283</td>
<td>3.574</td>
<td>4.058</td>
</tr>
<tr>
<td>IFOP /FEP/EMFF</td>
<td>0</td>
<td>213</td>
<td>235</td>
<td>246</td>
<td>392</td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>0</td>
<td>2.601</td>
<td>3.299</td>
<td>3.060</td>
<td>2.862</td>
</tr>
<tr>
<td>National Counterpart</td>
<td>11.101</td>
<td>13.157</td>
<td>16.492</td>
<td>7.318 (*)</td>
<td>6.120 (**)</td>
</tr>
<tr>
<td>Private</td>
<td>4.443</td>
<td>6.641</td>
<td>9.400</td>
<td>2.815</td>
<td>2.844</td>
</tr>
</tbody>
</table>

(*) NSRF  
(**) ERDF/ESF/CF
Cohesion Funds in Portugal

Fonte: Sistema Monitorização AD&C
### Important Macroeconomic Impacts

<table>
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<tr>
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<tbody>
<tr>
<td><strong>Difference in p.p. between scenarios with and without EU Funds – CSFIII and NSRF (Public expenditure)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GDP market prices (pr.2000)</strong></td>
<td>2,4</td>
<td>2,0</td>
<td>3,2</td>
<td>1,7</td>
<td>2,0</td>
</tr>
<tr>
<td><strong>Potential GDP (base, pr.2000)</strong></td>
<td>3,6</td>
<td>3,5</td>
<td>3,8</td>
<td>1,4</td>
<td>2,4</td>
</tr>
<tr>
<td><strong>GDP per capita ppp</strong></td>
<td>2,4</td>
<td>2,0</td>
<td>3,3</td>
<td>1,8</td>
<td>2,1</td>
</tr>
<tr>
<td><strong>VAB tradeable sector (pr.2000)</strong></td>
<td>3,9</td>
<td>3,4</td>
<td>5,1</td>
<td>2,9</td>
<td>3,3</td>
</tr>
<tr>
<td><strong>VAB non tradeable sector (pr.2000)</strong></td>
<td>2,4</td>
<td>2,6</td>
<td>2,0</td>
<td>0,4</td>
<td>1,3</td>
</tr>
<tr>
<td><strong>Private Consumption (pr.2000)</strong></td>
<td>0,9</td>
<td>0,9</td>
<td>1,0</td>
<td>0,4</td>
<td>0,6</td>
</tr>
<tr>
<td><strong>GFCF (pr.2000)</strong></td>
<td>9,0</td>
<td>10,4</td>
<td>5,6</td>
<td>-0,2</td>
<td>3,8</td>
</tr>
<tr>
<td><strong>of which: Infrastructures</strong></td>
<td>56,0</td>
<td>67,2</td>
<td>29,5</td>
<td>1,8</td>
<td>25,4</td>
</tr>
<tr>
<td><strong>Productive investment</strong></td>
<td>1,6</td>
<td>2,4</td>
<td>-0,4</td>
<td>-1,1</td>
<td>0,1</td>
</tr>
<tr>
<td><strong>Multiplier effect on GDP (by the end of period)</strong>*</td>
<td>0,78</td>
<td>0,64</td>
<td>0,78</td>
<td>1,28</td>
<td>1,28</td>
</tr>
</tbody>
</table>

* Quociente entre a soma dos valores atuais acumulados (de 1989 até ao fim do período) do PIB atribuível ao QCA+QREN e da despesa pública executada (QCA+QREN), a preços de 2000 (utilizando uma taxa de desconto de 3%).

NSRF Results

The Portuguese economy specialization pattern

Portuguese International Trade in goods and services

- Intensidade Exportadora (Exp/GDP)

Balance of goods and services 1995 - 2014

- External balance of services
- External balance of goods and services
- External balance of goods

Source: INE
NSRF Results
The Portuguese economy specialization pattern

Share of sector in GBCF for Portuguese Economy in 2013 and in NSRF incentive schemes approvals until December 2014

Fonte: INE/Sistema de Monitorização do AD&C
NSRF Results
Employment and Social inclusion

Portuguese Labour Market Context

Source: INE

% ESF beneficiaries unemployed

Relevance of NSRF for supporting Internships (IEFP)

Source: INE
NSRF Results
Territorial Enhancement

Water Supply and Wastewater treatment in Portugal and the NSRF Support

Population served by water supply and wastewater systems in Portugal

Source: ERSAR
NSRF Results

Education

Source: Eurostat
Most recently... internal convergence with EU divergence

GDP per inhabitant PPS (EU28 = 100)

Source: Eurostat

Portugal
Norte
Centro
A.M. Lisboa
A.M. Lisboa
Açores
R.A. Madeira

Source: Eurostat/INE
Most recently... internal convergence with EU divergence

GDP per inhabitant dispersion by NUTS II and III

Source: Eurostat
Regional Contribution to the GDP growth (current prices)

Regional Contribution to the national GDP growth

Source: INE - National Statistics
Competitiveness & Cohesion
ISDR 2013

Competitiveness

Cohesion

Fonte: National Statistics
EU regional policy in Portugal

Beyond the funding
Relevant impacts on quality of governance

- Improving strategic planning and operational programming skills;
- Multilevel governance;
- Multi-annual investment budget (7 year);
- The policy evaluation culture;
- Partnership approach;
An informed regional policy cycle

INFORMATION
- Countries/Regions comparison
- Trends

KNOWLEDGE
- Regional economic structure
- Agglomerations and geographic concentration
- Persistence of inequalities
- Social and environmental performance
- Analytical characteristics of different types of regions

Policy awareness

POLICY TOOLBOX
Strategy for design, delivery, monitoring and assess policies

Policy measures:
- Conditions / Institutions
- Causality diagrams
- Results (outputs, outcomes)

Evaluation of policy practices

Improved results (better lives)

- Improve capacity
- Build a common reference to identify policy objectives
- Spur civic engagement

Source: OECD
Intervention Logic of public policies and its evaluation dimensions

Indicators throughout the policy cycle: challenges

• Identify how the policy outcomes are related to the final results
• Align the objectives of different sectors and different levels of governments/stakeholders
• Identify the right scale of analysis

POLICY TOOLBOX
Strategy for design, delivery, monitoring and assess policies

Need to produce/use new relevant information at the right territorial scale

Source: OECD
Developing indicators beyond the “high-level” results, throughout the policy cycle

- **Policy inputs**: (resources to education; institutional organisation of the sector)
- **Policy outputs**: (institutional or territorial reform; number of teachers; trainings)
- **Policy outcomes**: (supported students that are retained the following year; students participating in school activities)

Promote quality and efficiency of education (improve OECD PISA results)

EU Cohesion Policy to focus on measuring and explicit the contribution to

Source: OECD
Relevant cooperation with National Statistics Office (NSO)

• Context and result indicators for monitoring regional policy are available in NSO web portal;

• More robust regional information

• Access to microdata for counterfactual evaluation
EU regional policy in Portugal
Focus on Governance
Portuguese institutional setup

Central Government

Ministry 1
Ministry 2
Ministry 3
Ministry responsible for Regional Development (Planning)

Regional Department 1
Regional Department 2
Regional Department 3

Commissions for Coordination and Regional Development (CCRD) (5 planning regions)

Regional Governments (Azores e Madeira)

Regional

Mainland

Autonomous Regions

Local

Municipalities (278) and Municipalities Associations (23)

Split of territorial scale

Direct dependency

Cooperation Relations
Main governance instruments: Portugal 2020 (2014-)

Scale of management:
- EU
- National
- Regional
- Subregional
- Local

Scale of main effects/impacts:
- Local
- Subregional
- Regional
- National
- UE

Ministry of Regional Policy:
- Ministry for Planning and Infrastructure (2015-)

Financial Instruments (OP):
- CIM CONTRACTS - ITI
- PROVERE
- LEADER - CLLD
- SUD

Other governance Instruments

Scale of main effects/impacts:
Portugal 2020 Territorial Approach

Regional Strategy NUTS II

Territorial Development Strategy NUTS III

- **CLLD**
  - PT2020: 441M€
  - Call: 303 M€

- **ITI**
  - Call: 1.046M€

- **Sustainable Urban Development**
  - Call: 797 M€

RIS 3 Strategy

Portugal 2020 budget planned for RIS3 – 7,8 bilion €
(37% of Portugal 2020 – Cohesion Policy Funds)
(43% of RIS3 Budget)
Portugal 2020 Territorial Approach

Territorial Development Strategy

**CLLD – Community-Led Local Development**
- Implemented through Local Development Strategies (LDS)
- Territories of EAFRD and EMFF LAG (complemented by urban territories relevant to the urban-rural and urban-coastal integration)
- Urban Disadvantages Territories integrated in the Metropolitan Areas of Lisboa and Porto and urban centres as defined in the territorial plans (PNPOT/PROT)

**ITI – Integrated territorial investment**
- Implemented through Pacts for the Territorial Cohesion and Development
- Each NUTS III of Portugal mainland

**AIDUS – Integrated Sustainable Urban Development Actions**
- Metropolitan Areas of Lisboa and Porto and urban centres as defined in the territorial plans (PNPOT/PROT)
RIS3 Regional Thematic Priorities

**North Priorities**
- Culture, design and fashion
- Advanced manufacturing systems
- Mobility and environment industries
- Agri-environmental systems and food
- Life and health sciences
- Symbolic capital, technology and tourism services
- Human capital and specialized services
- Sea Resources and economy

**Centro Priorities**
- Sustainable industrial solutions
- Valorization of natural endogenous resources
- Technologies for quality of life
- Territorial innovation
- Agriculture
- Forest
- Sea
- Tourism
- ICT
- Materials
- Biotechnology
- Health and wellbeing

**Alentejo Priorities**
- Food and forest
- Economy of minerals, natural and environmental resources
- Heritage, cultural and creative industries and tourism services
- Key enabling technologies, energy and smart mobility
- Specialized technologies and services of the social economy

**Lisbon Priorities**
- Tourism and Hospitality
- Mobility and Transport
- Creative and Cultural Industries
- Research, Technologies and Health Services
- Knowledge, Prospecting and Exploitation of Marine Resources

**Algarve Priorities**
- Tourism
- Sea
- Agrifood, agro-transformation, forest and green biotechnology
- ICT and creative industries
- Renewable energy
- Health, wellbeing and life sciences
Major trends on regional governance...

Devolution to regional and subregional level

- **More relevance of regional OP** (50% of ERDF and ESF in Portugal 2020)
- **More participation of subregional entities at management level** (ITI and SUD account around 10% ERDF and ESF in Portugal 2020)
- **More relevance of local integrated approaches** (LEADER/CLLD and Urban Policy) (5,3% in PT2020)

Capacity building of local and subregional stakeholders - the relevance of strategic planning
Lessons learnt …

The need of persistent policies:
• Results takes time;
• Relevance of credibility, mainly in a “repeated game” of partnerships and contracts between levels of government;

The need to be selective

The need to evaluate the results
(material/immaterial, short and long term)

The complexity to find the right balance between Focus (results, contribution to upper objectives – NRP, EUROPA 2020) and Flexibility (territorial synergies).
Balance between Focus & Flexibility

**FOCUS**
- EU2020 Thematic Objectives
- Investment Priorities (defined at EU level)
- Common Indicators

**FLEXIBILITY**
- Needs, potentialities and national and regional specificities
- Specific Objectives defined at national and regional level
- Programme specific Indicators

Programme

Actions

Source: EC
Thank You

Gracias

Obrigado

http://www.adcoesao.pt/

https://www.portugal2020.pt/Portal2020

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