European Added Value from EU Funds in Portugal

Duarte Rodrigues
Vice-president

Krakow, 14th April, 2016
Regional competitiveness

- **Boosting competitiveness requires more investments in innovation, entrepreneurship, education, digital and physical networks and more exports & FDI**
2 top priorities of EU funds in PT
(priority themes of regulation)

% of fund in the main intervention areas of NSRF

**PROGRAMMING**

- Improving human capital: 24.0%
- Research and technological development (R&TD), innovation and entrepreneurship: 21.8%
- Investment in social infrastructure: 13.4%
- Environmental protection and risk prevention: 10.6%
- Transport: 8.6%
- Urban and rural regeneration: 4.2%

**IMPLEMENTATION**

- NSRF (Feb. 2016):
  - Improving human capital: 23.8%
  - Research and technological development (R&TD), innovation and entrepreneurship: 22.2%
  - Investment in social infrastructure: 18.0%
  - Environmental protection and risk prevention: 14.5%
  - Transport: 11.6%
  - Urban and rural regeneration: 7.7%

- CSF III+ CF(2000-2006):
  - Improving human capital: 14.1%
  - Research and technological development (R&TD), innovation and entrepreneurship: 8.7%
  - Investment in social infrastructure: 14.5%
  - Environmental protection and risk prevention: 13.5%
  - Transport: 7.7%
  - Urban and rural regeneration: 4.3%
2 top priorities of EU funds in PT

% of Cohesion Funds by domain in 2014-2020 (Portugal vs EU 28)

<table>
<thead>
<tr>
<th>Domain</th>
<th>Portugal</th>
<th>EU 28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitiveness and Internationalization</td>
<td>36%</td>
<td>27%</td>
</tr>
<tr>
<td>Sustainability and Efficient use of Resources</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>Social Inclusion and Employment</td>
<td>4%</td>
<td>18%</td>
</tr>
<tr>
<td>Transports</td>
<td>21%</td>
<td>10%</td>
</tr>
<tr>
<td>Professional training in Firms</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Human Capital</td>
<td>10%</td>
<td>13%</td>
</tr>
</tbody>
</table>

LESS DEV. (EE, LT, LV, BG, HR, CZ, PL, SK, RO) 32%
LESS/ MORE (GR, PT, HU, IT, SI) 28%
Most TRANSITION (BE, DE, ES, MT) 32%
MORE DEV. (DK, FR, AT, FI, UK, IE, LU, NL, SE, CY) 32%
Qualification of young people
The structural problem

Source: Eurostat
Main policy instruments and Outputs

**Vocational Education:**
Lower secondary: 3rd cycle - 7th to 9th grades, 12-14 years old (ISCED 2)
- Education and Training Courses (CEF) (238,000 students – 2007/2014)
- Artistic courses

Upper Secondary: 10th to 12th grades, 15-17 years old (ISCED 3)
- Professional Courses (includes Artistic Courses) (542,000 students – 2007/2014)
- Apprenticeship System (dual system) (99,000 students – 2007/2014)

Post-secondary education: (ISCED 4)
- Technological Specialization Courses (CET) (16,000 students – 2007/2014)

**Measures to promote educational success:**
Priority Intervention in Education Territories (TEIP) *(aims to promote educational success among children living in particularly under-privileged territories)*
(139 contracts - 2007/2014)

**Education infrastructure (Requalification):**

Source: Eurostat
Results

National Statistics:

Reduction of early school leavers 36.5% 13.7%

Improving schooling rate (secondary education) – ISCED 3 60% 74%*

Improving Young people aged 20-24 with at least upper secondary educational attainment level 53.6% 75.9%

Students at ISCED level 3 vocational as % of all students at ISCED level 3 37.7% 44.7%

(2014)

Conclusion from 2 Contrafactual Evaluations:

Lower secondary (Differences CEF vs. Regular)

Conclusion rate +65.7 p.p. 64.3 p.p.

Upper Secondary (Differences Professional Courses vs. Regular)

Conclusion rate 36.3 p.p.
Drop out rate -1.2 p.p.
Promoting innovation
The structural problem
Innovation Scoreboard 2007

Note: performance relative to the EU where the EU=100
The structural problem:
Global Competitiveness Index

Source: World Economic Forum - Global Competitiveness Report
Link between R&D and economic specialization pattern

The R&D expenditures are in line with the specialization profile of the economy

Source: Eurostat
Main policy instruments and Outputs

- Support schemes for business R&D investment (1,991 projects – 2007/2014)
- Support for R&D and innovation infrastructures (S&T parks and incubators) (247 projects – 2007/2014)
- R&D and Innovation vouchers (3,388 projects – 2007/2014)
- Support start-ups firms in high and medium-high knowledge-intensive technology (910 – 2007/2014)
- Support for knowledge-based entrepreneurs (271 projects – 2007/06.2015)
- Support for TTOs in universities (4 projects – 2007/2014)
- (Support for) risk capital funds (273 projects – 2007/2014)
- Training and counseling for SMEs (6,673 projects – 2007/2014)
- Support for hiring R&D personnel (2,911 projects – 2007/2014)
- Support for clusters (98 projects – 2007/2014)

The relevance of articulation between Innovation and tradable orientation - Being innovative is a requisite for being a player in global markets, as the presence in global markets allow to get update on the innovation drivers (knowledge)
The focus of policy instruments

Investment driven by the continent incentives by type (EUR million)

<table>
<thead>
<tr>
<th>Category</th>
<th>Investment (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other innovation projects</td>
<td></td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td></td>
</tr>
<tr>
<td>Expanding production</td>
<td></td>
</tr>
<tr>
<td>Adoption of new processes or methods</td>
<td></td>
</tr>
<tr>
<td>Production of new goods and services</td>
<td></td>
</tr>
<tr>
<td>&quot;SMEs qualification&quot;</td>
<td></td>
</tr>
<tr>
<td>&quot;SMEs internationalisation&quot;</td>
<td></td>
</tr>
</tbody>
</table>

Weight of sectors in total GFCF of the economy in 2013 and in the approval of the NRFS Incentive Systems, June 2015

- Enterprises GFCF 2007-2013
- Incentive systems - induced full investment
- High and medium-high technology industries
- Low and medium-low technology industries
- Others (primary sector, tourism, construction, utilities)
- Weak knowledge-intensive services
- Strong knowledge-intensive services

Source: NRFS monitorization system
Persistent negative balance of the current and capital account shows a net borrowing of the economy by 2013.

In recent years the share of exports in GDP has been increasing.
The European Added Value... beyond the Treaty Objective

- Close link with EU long term goals – Europa 2020 strategy
- Key Drivers of Portuguese and EU growth and jobs (the enlargement of single market)
- Relevant spill over in EU economy (e.g. migration of high qualified people)
- Delivering results in the proper timing (medium and long term results in a persistent policy)
- Tailor made to territorial needs (subsidiarity and place based approach)
- MLG – strengthen principles of partnership and participation, leverage effects on institutional capacity and contributes to the citizen’s perception on the EU
FIM

END