

Cohesion Policy post 2020: Portugal Norte Region View

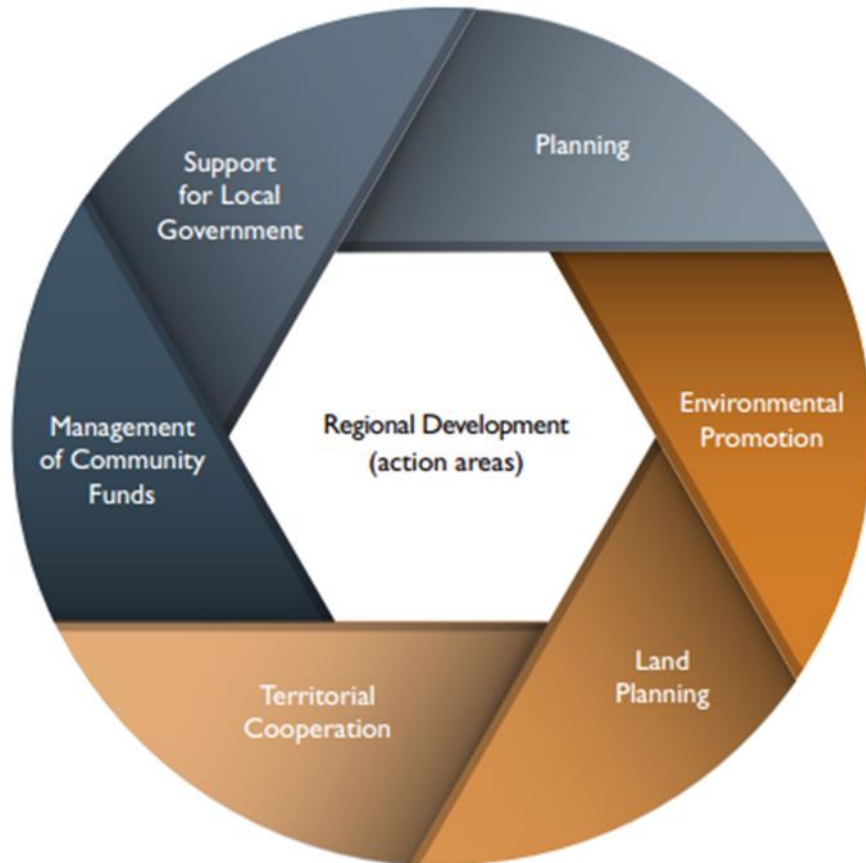


Ester Silva | Norte Regional Coordination and Development Commission
11 October 2017



CCDR-Norte is a decentralised body of central government

Intervention areas

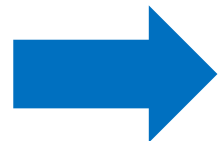


- The **Norte Regional Coordination and Development Commission (CCDR-N)** is a regional development agency created in **1969**
- The main goal is to promote the **integrated and sustainable development of Norte Region**, promoting the competitiveness and cohesion of its territory
- A prominent attribution relates to the **management of structural funds (EFDR and ESF)** since Portugal's accession to the EU (1986)

How Cohesion Policy post 2020 will respond to the EU challenges?

The context:

- Political uncertainty
- Disappointing economic record: persistent low labour productivity growth; weakening of EU economic competitiveness on a global scene
- The productivity gap between the frontier regions of Europe and the bottom ones increased markedly.



Need to boost growth and resume convergence

PRESENTATION OVERVIEW

- 1. Main challenges faced by Norte**
- 2. Is cohesion policy suitable for resuming convergence and promoting growth?**
- 3. The future of cohesion policy**



1. Main challenges faced by Norte

Norte is one of the 7 Portuguese NUTS II regions...

*Location & basic figures**

- 21.3 thousand km²
- 3.6 million inhabitants
- 64.612 M€ GDP PPP
- 115k students in higher education
- 143 km of atlantic coastline
- 4 UNESCO World Heritage Sites
- 41% of Portuguese exports
- 32% of Portuguese companies
- 30% of Portuguese GDP



* Sources: Eurostat [area, population (2011) and GDP (2015) figures]; Statistics Portugal [students (2015/16) and coastline figures]; UNESCO [world heritage sites (2016)]

... with a high RTD potential ...

- 1.235 RTD units (1st region in Portugal)
- 3 public universities, several private universities, 4 public polytechnic institutes
- 7.000 students graduating annually in the fields of sciences and engineering
- 166% growth in R&D FTE employment (2003-2011)
- Renowned research centres in fields such as life sciences, nanotechnologies, textile, ICT, new materials and automotive sector
- Growing attractiveness for world-class R&D institutes
- Regional stakeholders active in international cooperation (H2020, Interreg, RIS3T, Vanguard, etc.)

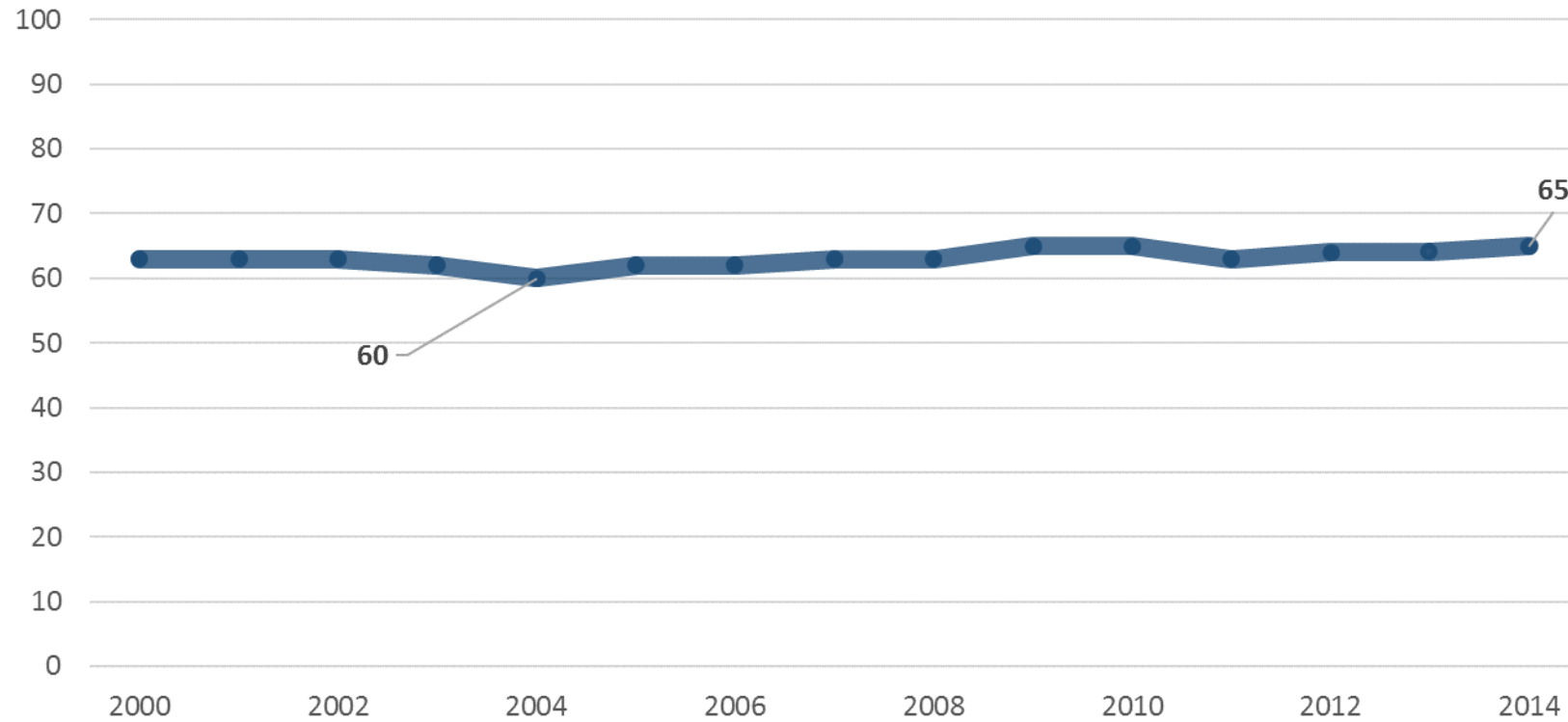


...but with bleak demographic prospects ...

- Between 2006 and 2016 the region lost more than **135 thousand inhabitants** (strong reduction in the use of human resources)
- Demographic Projections: from 2033 the **oldest region** in Portugal
- The number of residents of less than 15 years is expected to be halved within 50 years

... and still a lagging territory...

GDP per capita in PPS in Norte 2000-2014 (EU28=100)



* Source: Eurostat

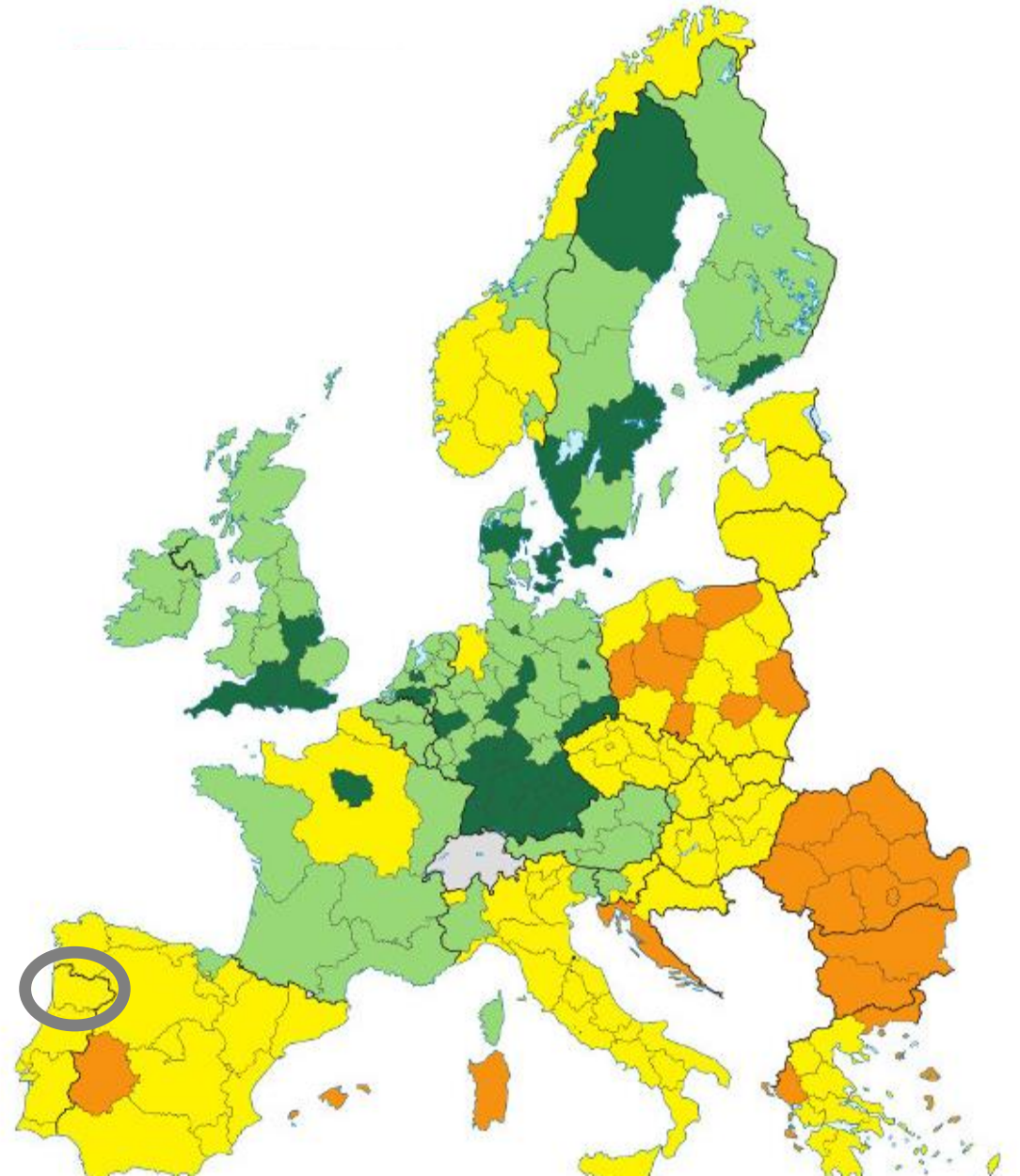
Factors inhibiting stronger convergence

- Difficulties in dealing with **growing competition from abroad**, following the liberalization of world trade and EU's enlargement to the East;
- Difficulties in moving from a sustained economic competitiveness model-price to one based on **qualification and innovation**;
- **Low level of qualifications** of the workforce and high level of unemployment, especially **youth unemployment**;
- **Excessive financial leverage** and fragmentation of firms;
- **Lack of management skills and innovation**;

A region with considerable innovation challenges...

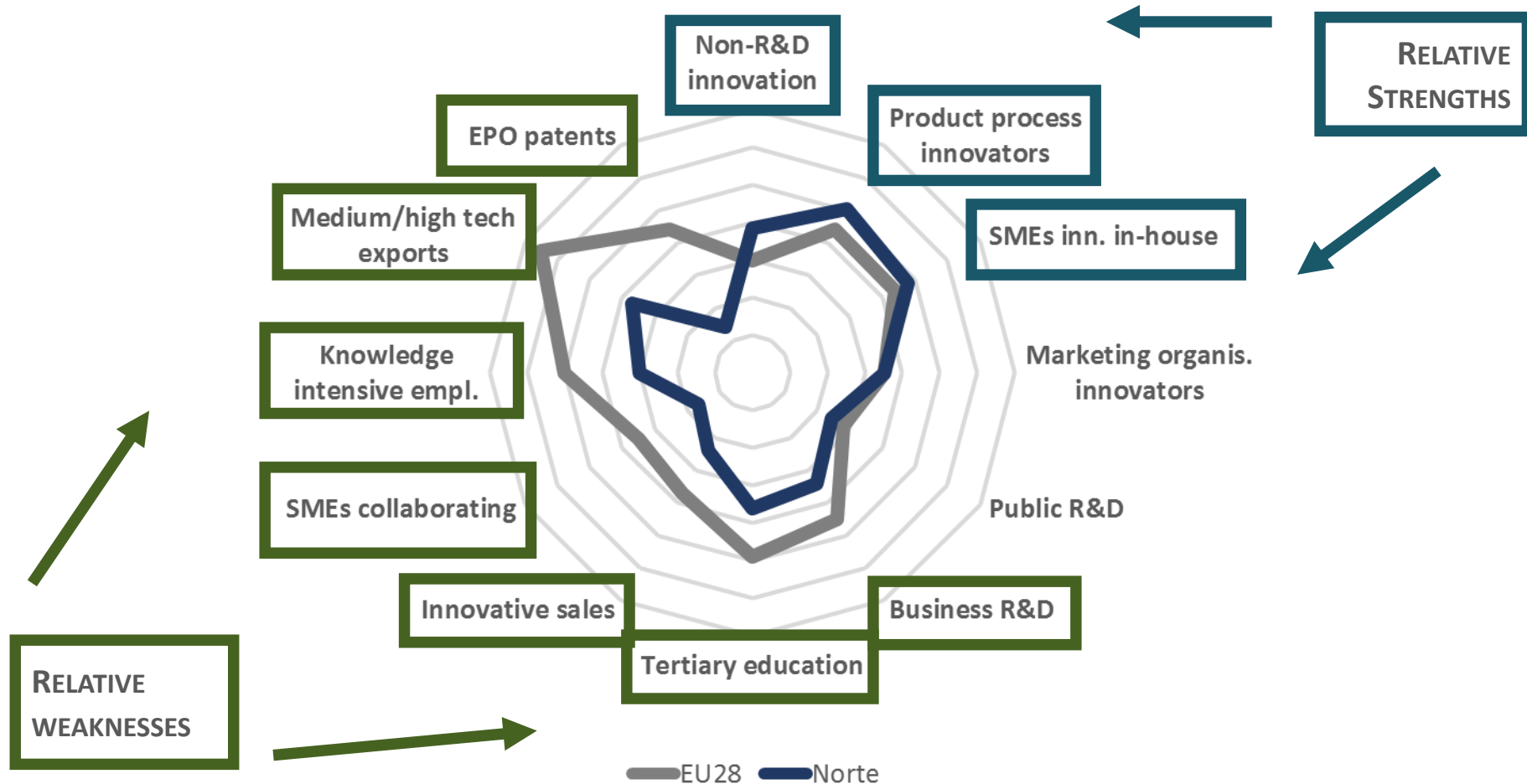
Regional innovation scoreboard 2016:

-  *Innovation leaders (36 regions)*
-  *Strong innovators (65 regions)*
-  *Moderate innovators (83 regions)*
-  *Modest innovators (30 regions)*



... that need to be addressed by public policy.

Norte's relative strengths and weaknesses



* Adapted from: European Commission (Regional Innovation Scoreboard)



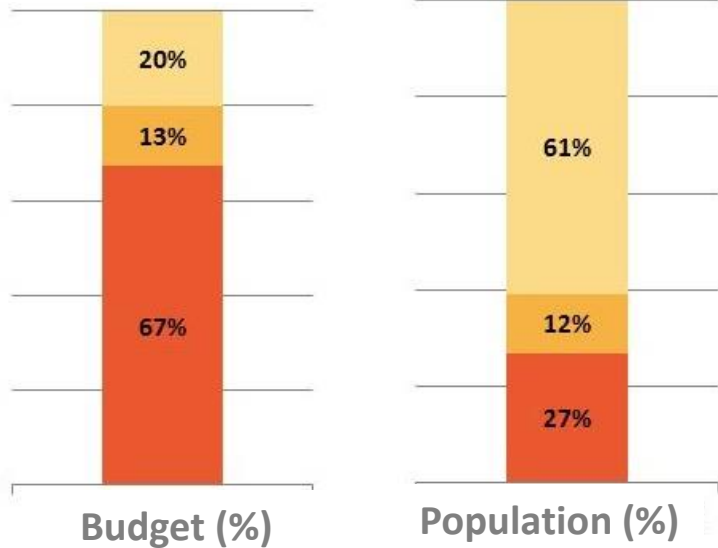
3. Is cohesion policy suitable for resuming convergence and promoting growth?




Cohesion policy as we know it

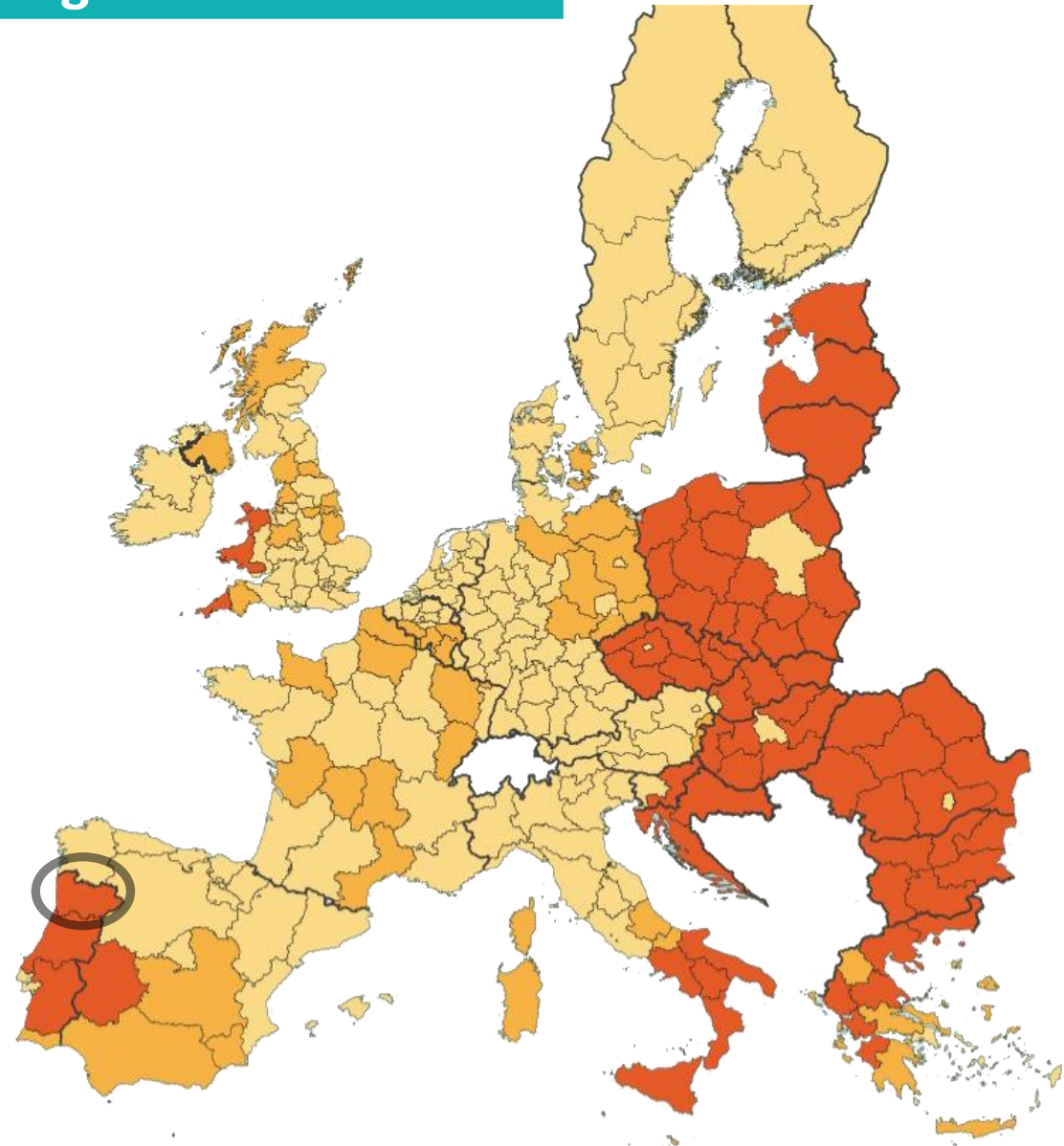
- The main European investment policy which implements European objectives at all levels of government and which takes into account **territorial specificities** in the EU.
 - Reduce the **disparities** that exist between EU regions, promoting a balanced and sustainable pattern of territorial development.
- Cohesion policy supports all European regions but is **targeted at regions where GDP per capita is less than 75 % of the EU-28 average.**

A policy directed to EU's less developed regions...

Cohesion policy 2014-2020: categories of regions*



-  *Less developed regions*
-  *Transition regions*
-  *More developed regions*



* Source: European Commission (2014), "Structural Funds 2014-2020 (ERDF and ESF) eligibility"

Norte and the cohesion policy

Norte has a **very good record in the execution of cohesion policy**:

- Globally positive results and impacts (change in the pattern of specialization; increase in average level of qualification; good coverage of network equipment and public services, reduction of the effects of the crisis);
- High levels of absorption of funds;
- High level of compliance with community rules.

BUT:

- Significant convergence stopped after the accession to the Euro.
- The slight improvement in productivity hasn't been able to offset the strong reduction in the use of human resources.

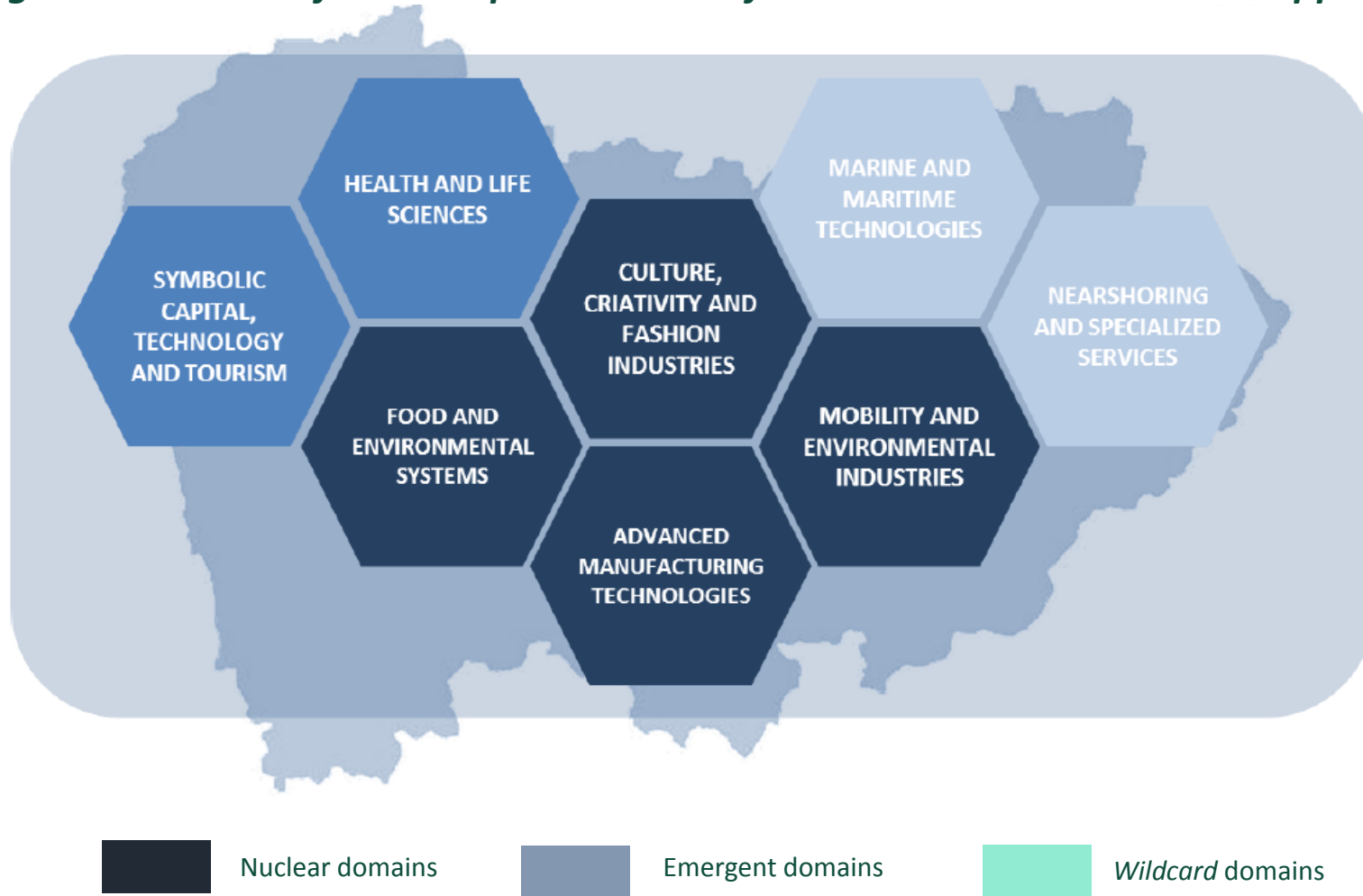
Cohesion policy 2014-2020: main strengths

A policy backed by a strategy

- Definition of objectives in line with thematic priorities with **Europe 2020**;
- Link between cohesion policy and broader **economic reforms**
- A common strategic and regulatory framework for all ESI Funds
- **Results-orientated approach** with more transparent controls, the introduction of specific preconditions and measurable targets
- Development of '**smart specialisation strategies**'
- Greater potential leverage of spending through more use of **financial instruments**;
- Encouragement for **integrated, localised, bottom-up development**.
- An increased importance of **place-based approaches**

Norte 2020 supports projects in line with strategic plans such as RIS3...

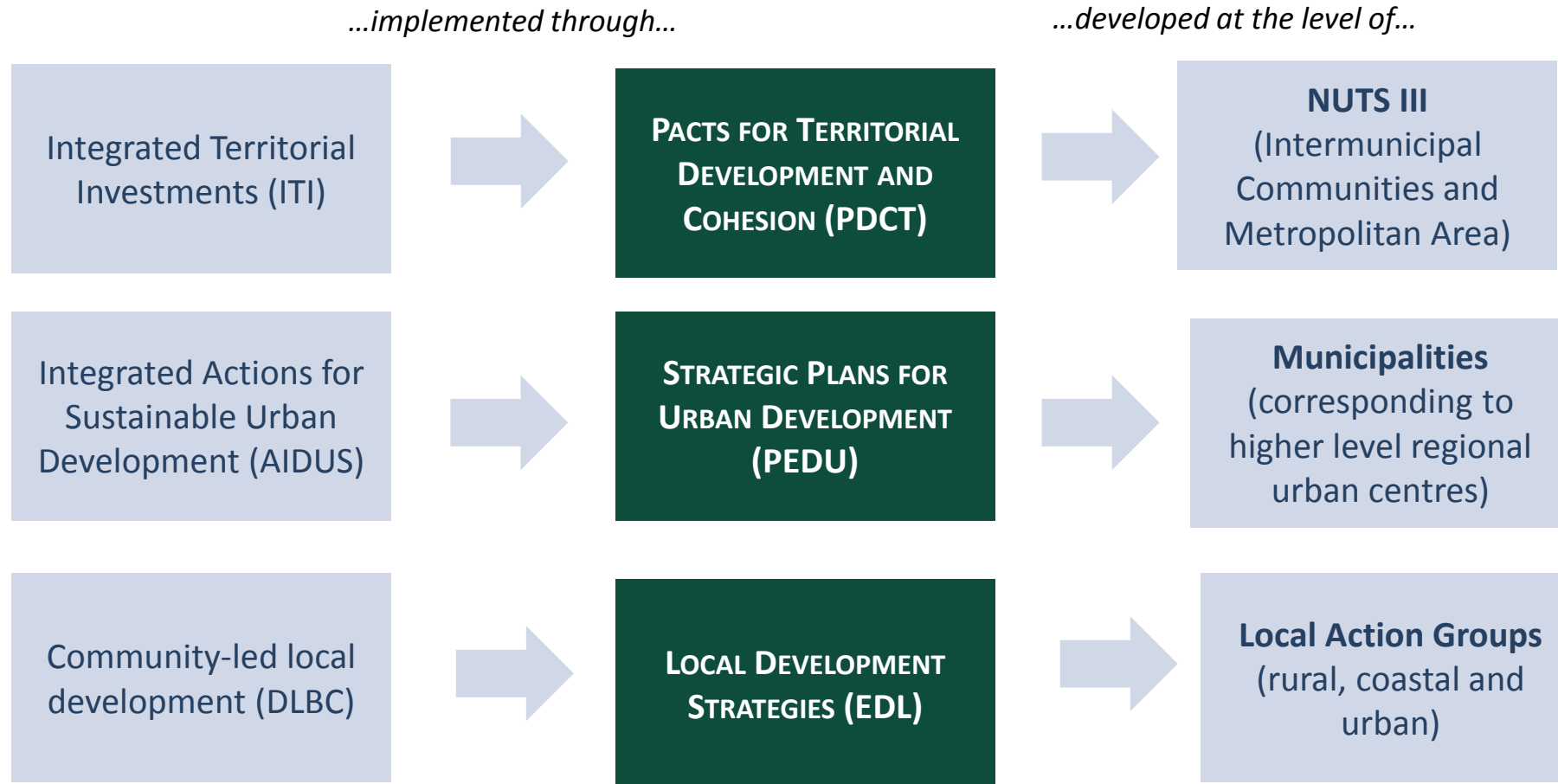
*Regional domains of “smart specialisation” for research and innovation support**



* Source: CCDR-Norte, Norte 2020 - Regional Strategy for Smart Specialisation, available at <http://www.norte2020.pt/documentos/documentos-fundamentais>

An increased importance of place-based approaches...

Overview of Norte 2020 sub-regional territorial delivery mechanisms*



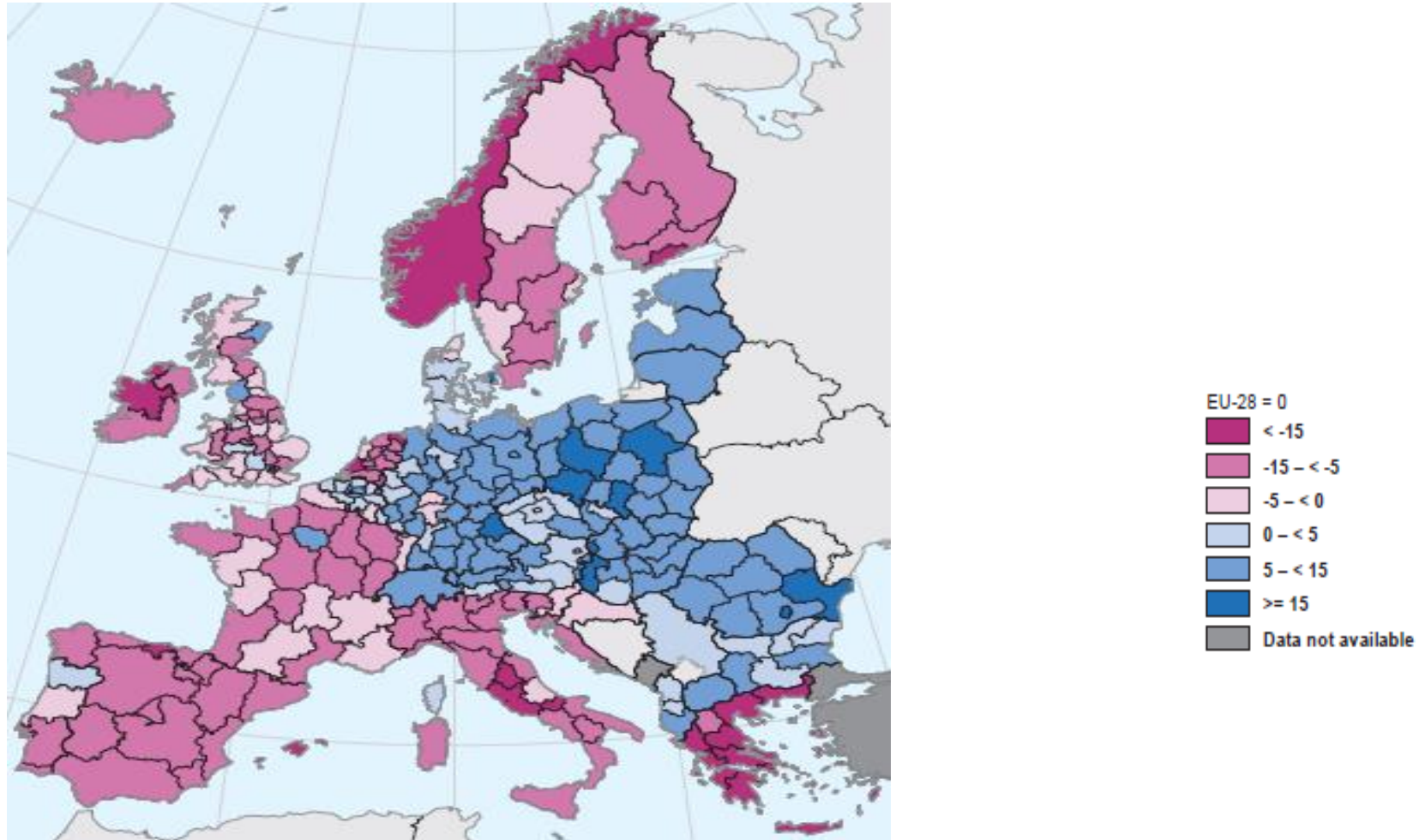
* This information does not exempt the consultation of the approved version of ROP Norte 2014-2020, available at <http://www.norte2020.pt/>.

Cohesion policy 2014-2020: a preliminary assessment of its impact

- Cohesion Policy has played a role in supporting the region in its **structural adaptation path**, fostering the shift from a productive model based on price to one based on innovation.
- It has done so by supporting investments in **human capital**, specialization **diversification, innovation, competitiveness and internationalisation**.
- It has provided incentives for innovation, use of digital technologies, **infrastructure coverage and environment friendly practices**.

Norte and the cohesion policy

Change of GDP per inhabitant in PPS in relation to the EU-28 average by NUTS 2 regions, 2007-2015



Source: Eurostat regional Yearbook, 2017



4. The future of cohesion policy

ELEMENTS TO BE MAINTAINED/REINFORCED IN THE NEXT PROGRAMMING PERIOD

- **Results orientation:** orientation to outcomes, conditionality, true partnership
- **Prioritize innovation, strengthen structural transformation,** as a means to accomplish both competitiveness and cohesion.
- **Priority for funding given to those regions whose development is lagging behind the EU average;**
- Stronger concentration on fewer priorities
- Further implementation of the concept of smart specialisation

Norte's position

- **Integrated approach:** cohesion policy must have a **clear territorial dimension** and be implemented by national and sub-national authorities (**multi-level governance**), strengthening the role of regional authorities that are closer to the territories;
- Align national reform programs with operational programs
- **Territorial approach:** territorial instruments should be applied in a wider manner (ITI and CLLD) in order to promote a stronger involvement of local and regional authorities.
- Increase integration between operational programmes and macro regional action strategies
- Improve **communication**
- Strengthen the link between cohesion policy and the **European Semester**

In a nutshell:

- The success of the European growth model depends on its ability to reduce the increasing productivity gap between 'frontier regions' and other parts of the EU
- Problems cannot be solved by just transferring funds (mere financial redistribution between member states)
- COHESION POLICY IS THUS OF THE UTMOST IMPORTANCE !

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