

Portugal: can it pick up the pace in the digital race?

The COVID-19 pandemic has reinforced the importance of digitalisation in our lives. Thanks to this technological innovation, more than 22% of the employed population in Portugal was able to switch to teleworking in Q2 2020, young people were able to attend classes remotely, we were able to order food from our favourite restaurants and watch films and series on streaming platforms, doctors and patients could stay in touch through remote appointments, and citizens could access public services digitally. In short, digitalisation allowed the economy and society to avoid coming to a complete stop during the lockdown. Not only did this help to soften the economic and social blow of the pandemic, but it has also underscored the importance of making further progress in this sphere. In this context, it is important to look at Portugal to assess where it is in this process and what challenges it faces in dealing with this «digital race».

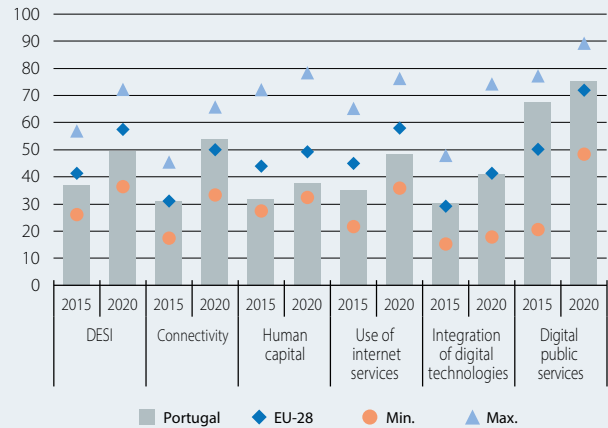
Digitalisation: where we are now...

To analyse Portugal’s current situation, we will use the Digital Economy and Society Index (DESI) developed by the European Commission, which assesses the position of 28 EU countries (still including the UK) across five spheres: connectivity, human capital, the use of internet services, the integration of digital technology by enterprises and digital public services.

According to the 2020 DESI, which uses 2019 data, Portugal ranks 19th, placing it below the EU average. In fact, the gap has been widening over the past four years. Compared to 2015, Portugal is among the countries that made the least progress, a sign that it is falling behind in the digital transition race.

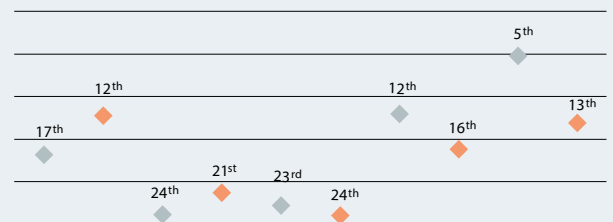
However, not all the signs are negative. Portugal stands out favourably in two spheres: connectivity and digital public services. That said, this is a relative position reached by very different means. With regard to connectivity, Portugal has climbed five positions compared to 2015. However, this result hides significant discrepancies. On the one hand, the country fares rather well in terms of fixed broadband access of at least 100 Mbps (2nd) and fixed high-speed internet coverage (7th). On the other hand, it is at the bottom of the table in terms of the number of mobile data subscriptions per 100 people, as well as in the broadband price index. It also scores poorly in the index that measures countries’ readiness for 5G (8.3% of the available spectrum in 2020, compared to 21% across the EU as a whole). On the other hand, with regard to the second sphere, that of digital public services, Portugal fell considerably from the 5th position it held in 2015. However, as was the case with connectivity, the situation is somewhat varied. On the

Portugal: DESI indicator and its components (Level)



Source: CaixaBank Research, based on data from the European Commission.

Portugal: rank in various spheres of the DESI (Rank among 28 countries)



Source: CaixaBank Research, based on data from the European Commission.

one hand, it scores poorly in digital public services available to businesses (19th), but ranks 2nd in administrative procedures that can be carried out online.

More alarming still is the position it holds in terms of human capital and the use of the internet, despite progress compared to 2015, especially in the latter category. Portugal is one of the lowest-ranked countries when it comes to human capital. In fact, the DESI reveals that 26% of the Portuguese population in 2019 possessed no digital skills (9% in the EU as a whole) and that 52% had only basic digital skills (58% on average in the EU). In turn, ICT specialists represented only 2.4% of total employment in 2019, which would place Portugal 25th in the ranking.

With regard to the use of internet services in the personal sphere, 22% of the Portuguese population had never used the internet in 2019, more than twice as much as in the EU as a whole. While Portuguese users rank highly

in use of the internet to access news and social media, the percentage who use it for remote banking or shopping is comparatively lower.

The picture regarding the integration of digital technology by companies is not terribly flattering either: Portugal fell to 16th position in 2020, down four from 2015. The country certainly performs well in terms of SME turnover from e-commerce, but it has one of the worst results with regard to the use of social networks, where only 16% of businesses have a presence, compared to 25% in the EU. It has also registered a decline in the percentage of SMEs selling their products online, from 18% in 2019 to 16% in 2020, placing it below the EU average (18%). In fact, SMEs are less active in the field of digitalisation than large corporations: they are typically concentrated in more traditional sectors, which have less ability to innovate and in which the obstacles are accentuated by the low digital literacy levels of the owners, managers and employees, as well as the difficulty in obtaining financing for more risky projects.¹

... and where we are heading

In recent years, the country has made progress with several initiatives in the digital sphere. As an example, in the field of connectivity there has been a major focus on fibre optic internet, which has been extended across more remote areas. In terms of human capital, through the INCoDe.2030 programme, for instance, the country has prioritised digital inclusion for the most vulnerable, as well as education and qualification, specialisation and research. As for initiatives to promote digitalisation in enterprises, through the Indústria 4.0 strategy the country is improving employee qualifications and facilitating the digital transition in more than 20,000 businesses. Portugal also made progress in boosting the presence of SMEs in e-commerce and digital services, for instance through the ComércioDigital.t programme. In the field of digital public services, key initiatives include SIMPLEX, the creation of the ePortugal website (which groups together services for both citizens and businesses) and PEM Móvel (which allows medical prescriptions to be sent using smartphones). However, Portugal is lagging behind in the availability of the 5G network, which will serve as the foundation for a profound digital transition. In fact, the country has already failed to meet one European objective (to have at least one city with a commercial offer of 5G in 2020) and is one of three countries with no such 5G commercial offer.

What about the role of the National Recovery and Resilience Plan (known as RRP) in the digital transition in Portugal? Portugal will allocate 15% of RRP funds to

the digital transition, i.e. 2,460 million euros. This amount will be divided into five components: 4.0 enterprises (650 million euros), quality of public finances (406 million), economic justice and business environment (267 million), more efficient general government administrations (578 million) and digital schooling (559 million). The investments are divided into promoting the digital transition in enterprises, improving the population's digital skills, making Public Administration more digital and simpler by reducing bureaucracy, promoting information sharing among various bodies and creating conditions for teleworking in the public service as well as mechanisms for monitoring the public accounts.

We saw in the DESI analysis that one of Portugal's greatest Achilles' heels was digital education. In contrast, the portion of RRP funds allocated to this category will be around 5% of the total, and much of this investment is destined for the Public Administration. Despite the undeniable benefits of more efficient, digital and less bureaucratic public services, a more decisive commitment to the population's digital skills would also be important; indeed, there is little point in making important digital services available to citizens and businesses if they do not have the ability to use them properly. In this digital race which the country is facing, it is important not to leave anyone behind. In short, the RRP will be a step forward in terms of digitalisation, but with a little more intent (i.e. addressing more emphatically those areas which the DESI detects as being weaker) it could represent a much more ambitious leap forward.

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1. European Commission (2019). «The digitalisation of small and medium-sized enterprises in Portugal: Models for financing digital projects».