

INTERNATIONAL BEST PRACTICE FACTSHEETS ON POLICY  
INSTRUMENTS THAT PROMOTE ENABLING ENVIRONMENTS  
FOR GREEN AND CIRCULAR BUSINESSES

# Public Funding for Circular Economy Projects

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## BEST PRACTICE FACTSHEET

Small-scale, impact-driven projects in the start-up phase often experience difficulties in developing a robust economic business case while access to (philanthropic) funds or sponsorship is limited. Public (non-reimbursable) subsidies are therefore crucial for projects that do not have sufficient capital themselves to invest or cannot obtain loans due to their maturity stage and risk level.

Fundo Ambiental (Environmental Fund) is the main public funding program in Portugal for environmental projects. It also aims to promote the creation and development of circular initiatives by different public and private actors, contributing to the circular economy and carbon-neutrality goals established by the Portuguese government.

## OBJECTIVES



Fundo Ambiental aims to support environmental policies that promote the sustainable development goals, and which contribute to national and international targets and commitments related to climate change (mitigation and adaptation), circular economy, water management, waste, biodiversity and nature conservation. Also, environmental education and awareness-raising projects are funded as well as research & development on environmental issues. Ultimately, projects funded by Fundo Ambiental contribute to prevention and repair of environmental damage.

## BACKGROUND



The previous Portuguese government (2015-2019) committed to achieving a carbon-neutral Portugal by 2050. This goal is expressed in the [Roadmap for Carbon Neutrality](#), an official document that aims to guide public policy to achieve a set of targets and goals. Within this document, circular economy is one of the fundamental concepts that guides the actions proposed. Thus, in 2017, the government also established an [Action Plan for Circular Economy](#) and the “[Fundo Ambiental](#)” (the Environmental Fund). This Fund consolidated four separate environmental funds in a single

instrument which increased its financial capacity, concentrating national subsidies for sustainability projects on a single platform. Each year, a variety of calls for proposals are launched, some of which support circular start-ups to develop their business.

Fundo Ambiental is an autonomous fund managed by the Ministry of Environment and Energy Transition financed through several environmental taxes and fees originating from the “[Reforma Fiscalidade Verde](#)”, or Green Taxation Reform. This document unveils the overall program (measures, incentives, assessment of impacts) reviewed in 2014 and in the new version the goal is to promote more environmental-friendly behaviours which lead to a lower tax burden for companies and citizens. Since its beginning, the FA has increased its financial capability allowing it to fund more projects and business focused mostly on positive environmental impacts.



## IMPLEMENTATION



Since 2017, Fundo Ambiental has advertised several calls each year for different areas of intervention and for various entities (public and/or private, profit and non-profit). The projects or initiatives must be implemented within the same calendar year and Fundo Ambiental requires reports about the implementation and results of each project. After this phase, Fundo Ambiental publishes an evaluation report about the projects and results of the previous edition.

The first edition of Fundo Ambiental, in 2017, financed projects in several areas such as electric mobility, education, support to waste management entities, living labs for decarbonisation and launched a specific call to support the transition to a Circular Economy. This call focused on improvement of the efficiency and productivity of the resources used through the value chain, creation of collaborative movement through the value chain between different stakeholders, projects to promote Portuguese companies to international markets, and development of environmental education and awareness raising about circular economy as a concept and its strategies. The 2018 edition had a general call for Circular Economy, with the following specific themes:

### Rethinking Plastics in the Economy – Design, Use, Regenerate (DURE)

Call opened specifically for companies to redesign products or to propose

<sup>1</sup> Oikum

<sup>2</sup> Uni Loop is part of Book in Loop

solutions which incorporate circular economy principles into the plastic value chain, especially disposable plastic. The main results of this call included an awareness campaign “Less Plastic, More Environment” (over 100 news were released in the media and more than 240 entities were part of the campaign), the creation of a new brand (Oikum<sup>1</sup>) with new products for restaurants and hotels with a more sustainable design and a study with 15 companies to create individual solutions, ideas and synergies between industries to incorporate their own waste back into production.

### Supporting the transition to a Circular Economy - Phase II

This call focused on solutions to increase energy efficiency, innovation on new patterns of production and consumption and to foster investment on circular solutions. Some of the main results were the creation of four digital applications, including an online platform for college students to trade their schoolbooks (Uni Loop<sup>2</sup>) and the creation of a labelling system for the agri-food sector addressing water and energy efficiency and the circularity of resource use.

### JUNTA<sup>r</sup> – Circular Economy in Parishes:

This call promoted parishes as the main driver to support and implement circular economy strategies into services for their populations along

<sup>3</sup> Campo de Ourique

<sup>4</sup> Escalabardo

with local partners. There were many projects related to the creation of online platforms or physical spaces to share equipment and tools (PECCO<sup>3</sup>), projects related to community composting mechanisms to share the final product (fertilizer) and the creation of mechanisms to reuse plastic waste and transform it into urban furniture.

### Supporting the Circular Economy in the construction sector

Two main results were achieved, the first was the creation of platforms to support and guide construction and demolition companies on how to perform a selective deconstruction and second, the successful application of selective waste management in two different buildings, which account for a rate of 96% of materials recycled, recovered or reused.

### Support the Circular Economy in Public Procurement

This call was opened to municipalities and its main results were the formulation of three guides about circular public procurement and the implementation of training actions and workshops about circular economy and green procurement for several municipalities.

Finally, the 2019 call had two specific funding opportunities to foster the creation and/or development of circular projects and businesses.

### Circular Economy in Parishes: JUNTA<sup>r</sup> +

This call is a continuation of the previous edition and, for example, one new brand was created and (Escalabardo<sup>4</sup>) and its business model is based on gathering and reusing textile leftovers to create new products.

### CIRCULAR: Startups

This program helped to create an acceleration program for circular startups. The acceleration program supported 10 startups (micro companies, SMEs, non-profit organizations) to develop and scale-up already identified business opportunities within the circular economy or established companies that want to develop/ scale up business opportunities within the circular economy or adjust their product, service or business model to a more circular one.

The program received 10 eligible proposals and one applicant won 100% of the funding available: 150,000.00. The winner of this program started the **CIRCULAR 4 GOOD Accelerator** which targeted Circular SMEs or startups with a proof of concept. In this program, 25 SMEs and startups participated in training sessions that provided technical information and know-how on Circular Economy approaches, but also success stories, as well as information on market developments and investment. Following the training in Portugal, 10 companies were selected to participate in a week of immersion at the Boston hub of CleanTech.

## RESULTS



Fundo Ambiental has been an important instrument to fund various circular initiatives and projects in Portugal, enabling practical implementation of circular strategies in practise, also on a local scale and through stakeholder collaboration.

Fundo Ambiental has been improving and increasing its capability to fund more initiatives by a variety of stakeholders in key environmental areas. The financial capacity of Fundo Ambiental has been enhanced each year and relies on several stable sources of income. Table 1 summarizes the main results from the three completed editions of Fundo Ambiental<sup>5</sup> and demonstrates the yearly increase in the budget and numbers of projects executed by Fundo Ambiental, a testament to a strong continuity and reinforcement of its action.

|      | PROJECTS RECEIVED | PROJECTS APPROVED | BUDGET ALLOCATED |
|------|-------------------|-------------------|------------------|
| 2017 | 1682              | 1201              | 500 000 00 €     |
| 2018 | 2269              | 1659              | 614 178 41 €     |
| 2019 | Not available     | Not available     | 1 414 421 80 €   |

Table 1 Overview of the numbers of project proposals received, approved and financed for the 2017 – 2019 editions of Fundo Ambiental

Specific details about the available budget between 2017 and 2019 are set forth in Table 2, along with an indication of the initiatives that were allocated financial resources.

|      | CALLS  | BUDGET AVAILABLE | BUDGET ALLOCATED |
|------|--|------------------|------------------|
| 2017 | Transition to a Circular Economy                           | 1 000 000 00 €   | 500 000 00 €     |
| 2018 | Rethinking plastics in the Economy                         | 1 000 000 00 €   | 614 178 41 €     |
|      | Supporting the transition to a Circular Economy Phase II   | 2 000 000 00 €   | 1 414 421 80 €   |
|      | JUNTAr - Circular Economy in Parishes                      | 1 000 000 00 €   | 745 318 25 €     |
|      | Supporting the Circular Economy in the construction sector | 500 000 00 €     | 148 000 00 €     |
|      | Support the Circular Economy in Public Procurement         | 500 000 00 €     | 226 296 60 €     |
| 2019 | Circular Economy in Parishes: JUNTAr+                      | 1 000 000 00 €   | Not available    |
|      | CIRCULAR: Startups   | 150 000 00 €     | 150 000 00 €     |

Table 2: Overview of the financing between 2017 and 2019 and the initiatives that received funding

<sup>5</sup> Source: [Portugal.gov](http://Portugal.gov).

## SUCCESS FACTORS



Fundo Ambiental calls always explicitly refer to the existing policy framework, to make sure they are aligned with and contribute to national policy objectives.

Fundo Ambiental is financed through different sources as a result of a Green Taxation reform which directs taxes from polluting activities and sectors to fund environmental actions. In 2019, Fundo Ambiental was funded through a combination of revenues from auctions from the EU Emissions Trading System, aviation licenses, taxes from fossil fuels + CO2 fee, carbon taxes, waste management fees, environmental offenses and other taxes.

Importantly, Fundo Ambiental demonstrates financial transparency by publicly reporting on its budgets and the amounts awarded to the various initiatives responding to the calls.

The calls are relatively easy to access for green and circular initiatives (through the website), although both the application and implementation deadlines are often very short. However, the impact monitoring may be overly complicated for educational and awareness-raising projects.

## CONSIDERATIONS FOR THE MEDITERRANEAN



The model of Fundo Ambiental is relatively easy to replicate in other countries, though with certain adjustments and improvements.

To be able to establish a public fund like Fundo Ambiental, it is important to have a well-functioning green taxation scheme defined and executed by the government, based on the 'polluter pays' principle.

Of course, a public funding program has to be managed professionally. In contrast to Fundo Ambiental, calls should be launched early during the year, giving applications enough time to prepare proposals and implement projects during the rest of the year. Most importantly, the program should be transparent and unbiased, not favouring specific organisations with ties to the government.

Furthermore, the program would have more impact if the responsible department at the government agency actively follows the results of the selected projects and provides active support where needed to improve their performance. Knowledge exchange between projects and stakeholders, e.g. with respect to best practices, would also strengthen the implementation.

## REFERENCES

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