

# EX-POST EVALUATION OF OBJECTIVE 1, 1994-1999

- NATIONAL REPORT -

PORTUGAL



**QCAII**  
**1994-1999**

*JANUARY 2003*



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## 1. EXECUTIVE SUMMARY

This chapter aims to present the most relevant issues and the main conclusions of the ex-post evaluation study of the Portuguese Community Support Framework (CSF) 1994-1999. This study, developed by CIDEC - Centro Interdisciplinar de Estudos Económicos, was part of the overall Ex-post Evaluation of Objective 1 1994-1999, lead by ECOTEC, Research and Consulting, Ltd.

The analysis was based on the "Methodological Guide" prepared by ECOTEC in a close collaboration with the European Commission.

The study covers the following evaluation domains:

- ✓ **Appropriateness of strategies** - assessment of the appropriateness and coherence of strategies adopted and implemented in the CSF 1994-1999 and in its programmes.

The analysis covered all the CSF Programmes. At this level CIDEC interviewed all the Programme Managers and analysed all the Programmes documentation (namely Programming Documents, Approval and Reprogramming Decisions, Minutes of the Monitoring Units meetings, Execution Annual Reports).

- ✓ **Effectiveness** - analysis of the achievements of the objectives set out in the Programming Documents.

The effectiveness assessment was based upon a sample of Operational Programmes that covered 60%-70% of the overall CSF expenditure. The Programmes selected as case-studies were: Basis of Knowledge and Innovation Operational Programme, Vocational Training and Employment Operational Programme, Development Support Infrastructures Operational Programme, Economic Fabric Modernisation Operational Programme, Operational Programme for North Region, Operational Programme for Alentejo Region and Operational Programme for Madeira Region.

- ✓ **Efficiency** - analysis of large projects implementation

Ten large projects were selected for this analysis (8 funded by the ERDF and 2 by the Cohesion Fund). The projects were inserted in different areas such as transports, telecommunications, environment and hydraulic infrastructures, multifunction equipment's, tourism and logistics infrastructures for commerce.

- ✓ **Impact** - assessment of the effects of the Structural Funds application in Portugal. This assessment was based on the conclusions of the macro-economic model (HERMIM) application to Portugal and on the estimated results from the Departamento de Prospectiva e Planeamento (Department of Prospective and Planning).

- ✓ **Management and Implementation Systems** - analysis of the contribution of the adopted management and implementation systems to the effectiveness of Structural Funds.

This analysis was based on the following case-studies: Operational Intervention for Support the Human Resource Training and Management (in Vocational Training and Employment

Operational Programme), Operational Intervention for Transports (in Development Support Infrastructures Operational Programme), Operational Intervention for Industry (in Economic Fabric Modernisation Operational Programme) and Operational Programme for Madeira Region.

### *Appropriateness of strategies*

In 1993-1994, Portugal faced an important set of constraints to its economic and social development. The main weaknesses were:

- ✓ The slowdown of the real GDP growth with interruption of the process of convergence with the EU average;
- ✓ The decrease of the employment level and the increase of the unemployment rate;
- ✓ The important disparities between regions, between the coastal and the interior zones and between the cities and the countryside as far as concerned the socio-economic development;
- ✓ The low levels of education attained by the Portuguese population and the under qualification of workforce;
- ✓ The insufficiency of infrastructures and facilities – namely in what concerns transport and accessibility – aggravated by the peripheral situation in the European context;
- ✓ The fragility of the economic fabric.

The reduction of these weaknesses was the main goal of the Portuguese CSF 1994-1999<sup>1</sup>, which was characterised by strong internal coherence.

In general, the strategies were maintained almost without changes during the programming period (1994-1999) and only a few adjustments were made in the initial policy-mix.

In fact, the few changes registered within the CSF were essentially related to adjustments to the initial financial programming mainly due to (small) differences among Priorities/Operational Programmes in what concerns the absorption of Structural Funds. The other adjustments to the initial policy-mix were made in order to increase the feasibility and the coherence of the interventions (e.g. the measures concerning the Multi-Purpose Enterprise of the Alqueva were taken from the Promotion of the Regional Development Potential Operational Programme – PPDR and became an autonomous integrated development programme – PEDIZA) or to incorporate some innovative and mainstreaming policies in middle of the programming period (e.g. the creation of a pilot measure related with the Knowledge Society within the scope of the Telecommunications Operational Intervention).

As far the regional spread of funds is concerned, the CSF 1994-1999 allocated more financial resources per inhabitant to the less developed regions (Azores, Alentejo, Algarve and Madeira) regarding the “promotion of the internal economic and social cohesion”.

The CSF Operational Programmes were, in general, the most important instruments of sectoral policies in Portugal during the 1994-1999 period.

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<sup>1</sup> With an overall revised expenditure of EUR 26296 million co-financed by the Structural Funds and the FIFG in EUR 14512 million.

It should be emphasised that the integration of two sectoral Operational Interventions in the same Operational Programme did not improve the appropriateness of strategies initially defined.

In spite of the pertinence of the priorities<sup>2</sup> defined for the regional Operational Programmes of the Mainland Portugal, it is harder to conclude on the appropriateness of these Programmes. The reason for this difficulty is based on the fact that the strategic aims initially defined for each Regional Programme were too ambitious taking in account the Programmes format and financial resources available.

### ***Effectiveness***

The assessment of CSF effectiveness was a complex task due to the quality of the available information.

One of the main constraints was the fact that in most of the cases the Programmes objectives were not quantified at the beginning of the programming period, which made difficult the accurate assessment of the effectiveness of Structural Funds application. Even in those programmes that had precisely quantified objectives, this quantification was not based on a rigorous process.

Furthermore the fact that the Information System did not have results and impact indicators made the performance appraisal of the Programmes difficult.

Where goals (physical indicators previously defined) existed, it can be said that the Programmes attained generally their aims, and some programmes exceeded them. For example in the Vocational Training Programme (whether with a horizontal or sectoral nature) the number of beneficiaries of the different measures was bigger than initially predicted.

One of the main effects of the CSF execution was the creation of a set of infrastructures to support development, namely:

- ✓ Improvement of the external accessibility through the conclusion of some important main roads that connect the national roadway network to the trans-European one;
- ✓ Improvement of the internal accessibility (reduction of the traffic jam in both metropolitan areas of Lisbon and Oporto and improvement of the regional and local roadway network);
- ✓ The infrastructure of areas for the development of the economic fabric;
- ✓ Improvement of the environmental standards and of the environmental attendance levels, through the construction of a set of municipal and inter-municipal systems, such as water supply and water treatment systems, solid waste treatment systems;
- ✓ Improvement of the living standards of the population through the construction of a set of social and cultural facilities.

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<sup>2</sup> Namely, environment/basic sanitation, accessibility and transport, social facilities, infrastructures to support the economic activities and urban renewal.

It is also important to highlight the CSF contribution to SME development especially through direct aid to modernisation, through changes on dynamic competitive factors (quality, qualified human resources, environment, organisation improvement, etc.) and through business partnership development, among other aspects.

Some of the less successful effects of the CSF execution were related to the reduced effectiveness of measures designed to support venture capital (risk capital) development, to the weak relationship between the scientific community and the business sector - especially those most directly linked with R&D activities - and to the reduced innovative character of the vocational training for SME, among others.

Although the physical goals established for the Regional Operational Programmes were, in most cases, attained, it is important to note that the financial allocation was insufficient to meet the needs of the global objectives that were established (as referred to above, these objectives were too much ambitious).

The overall effectiveness of the CSF was not promoted by a great articulation among Operational Programmes and/or Operational Interventions. That is, synergies within this context could have been profitability maximised.

From the CIDEC point of view, the main factors that contributed to the effectiveness of the Structural Funds in 1994-1999 period were:

- the strong political commitment at the level of the programmes execution;
- the programmes flexibility and their capacity to adjust to the needs resulting from the socio-economic evolution and to the execution rates observed;
- the possibility of management with "overbooking" in some programmes in order to avoid significant deviations in their execution; and
- the possibility of working in partnership with civil agents.

### ***Efficiency***

Generally, the execution of the large projects selected was efficient. The deviations in terms of the initially agreed budget, agreed timetable and result / output were not very significant (the less efficient projects were *Lisbon Wholesaler Market – MARL* and *Alqueva Dam Construction and Complementary Actions*).

From the CIDEC point of view the main factors that contributed to an efficient Structural Funds application in the projects were:

- The strong political commitment with the execution of some projects, specially with those directly connected with EXPO'98 and with those with a structural character for the regional development;
- The possibility to apply penalties to the contractors when the agreed timetable is not fulfilled;
- The implementation of the project in spite the amount of the community support to the project;
- The strong follow-up and control of the projects during its execution (financial control, works quality control and timetable control);
- The elaboration, in a few projects, of all technical and environmental studies in time (before the beginning of the works).

However, this last factor can also be seen as a critical aspect of some project's implementation. This means that it is necessary to put an initial effort in the projects planning activities.

Most of the selected projects present unit costs that are not possible to compare with projects in different areas. The specific characteristics of projects such as *Installation of the Railway Deck in the Bridge "25 de Abril"* and *Multifunction Pavilion* made difficult that comparison.

### ***Impact***

A recent working paper from Department of Prospective and Planning – DPP reveals the importance of the net effects associated with the Portuguese CSF 1994-1999 execution. In fact, its expenditure contributed to the growth of the different components of aggregate demand for goods and services: for instance, 7.7% of the average gross private domestic investment during the 1994-2000 period was related with the CSF execution.

During the 1994-1999 period, the average annual growth of the Portuguese real GDP was 3.4%, that is, 0.9 percentage points beyond the figure for the EU countries. The DPP estimated that the contribution of the CSF to this growth was 0.42 percentage points.

The “real convergence between the Portuguese and European economies” was one of the strategic objectives of the CSF 1994-1999. It was expected a 6% convergence of the Portuguese GDP per head with the Community average. Also, it was initially expected that half of this would be induced directly by the Structural Funds. In fact, that target was surpassed in 0.8 percentage points.

CIDEC considers that the CSF also contributed to “the promotion of the internal economic and social cohesion”. However, it should be emphasised that the difference between the maximum and the minimum values of GDP per head per NUTS II region evolved in an unfavourable way from 1993 to 1999 and that the social disparities among these regions increased during the 1995-1999 period.

Finally, DPP estimated that 1.6% of the 1999's employment was directly related with the CSF execution, that is, about 77 thousand new jobs were created and maintained until 1999. This estimate is not far below the initial target defined by the CSF (100 thousand new jobs). Note that about 30% of the CSF employment creation was in Construction activities (non-permanent jobs).

### ***Management and implementation system***

In general, it can be said that the institutional arrangements defined for the management, monitoring and evaluation of the CSF and its programmes were adequate. However some problems existed that influenced the maximisation of the expected effects (such as the lack of an adequate Information System, the coexistence of different rules and procedures for each Structural Fund, among others).

The participation of social partners would have given an important increasing value for the transparency of programmes.

In general, the management arrangements revealed capacity to implement the Programmes. However, some difficulties existed concerning the possibility to maximise the synergies among Programmes and projects (it would be necessary to improve on information flows).

Some difficulty existed in relation to monitoring activities. These were induced by Technical Support Teams, which were more involved with the control functions (first level control). This made difficult to improve the quality and the effectiveness of projects.

Although we did not witness important changes (with the exception of implementation rules for the ESF), the capacity for management and implementation improved during the period 1994-1999 as a consequence of the previous experience.

The project promoters in general, considered the project appraisal system rigorous and clear.

One of the problems related to the financial systems of CSF 1994-1999 was connected with the existence of different rules for each Structural Fund. This made the multifund programmes management more difficult with consequences at the effectiveness level.

The CSF monitoring was centred basically on areas like the physical and financial execution of the Programmes and not on the adjustment of strategies to the observed evolution during 1994-1999 period.

The global monitoring process was, in a certain way, made difficult by the lack of an Information System that could give results and impact information. The Information System only allowed to analyse information on each programme individually (projects and physical and financial indicators for each programme). It was not possible to analyse the contribution of each programme to the CSF objectives or to analyse the synergies between programmes, which made the monitoring activities difficult. Another fact that contributed for these difficulties was the lack of statistical information, both regional and sectoral, able to allow an adequate diagnosis of the initial situation.

We must also point out that there was no systematic monitoring for large transversal areas of the CSF (such as SME's, Environment or Education).

## *Synthesis*

One of the main conclusions of the evaluation study is that the overall CSF for the period 1994-1999 presented **good execution levels**. The Structural Funds absorption was very positive, with only small differences between the Operational Programmes.

The main reason for this good performance was the flexibility of **the management and implementation system of the Programmes**, which allowed the different Operational Programme and Operational Intervention to adapt, in a easy and quick way, to the changes which occurred in the socio-economic context of the programmes (for example, the ability to create new actions, closing other actions and even changing the conditions of support for the projects). This adaptability raised the effectiveness of the Structural Funds intervention and, specially maximised its effect.

The **impact** of the CSF execution was important for the development of Portugal and its regions (specially the less developed regions).

The overall CSF expenditure (about 7.7% of the gross private domestic investment in Portugal during the 1994-2000 period was directly due to CSF) was crucial to restart the process of convergence of the national GDP to the Community average (the GDP average growth rate in Portugal was 0.9 percentage points higher than the one observed in EU).

It was also estimated that the CSF was responsible for the creation and maintenance of 77 thousand new jobs until 1999, directly induced by the CSF 1994-1999 investments (that is, about 29.5% of the employment creation between 1994 and 1999).

The observed effects themselves also suggest the overall **appropriateness of CSF strategies** as well as their capacity to give answers to the needs and challenges of development that Portugal faced during the 90s.

Typically the CSF reprogramming did not result from changes to the initial strategies. Instead it resulted from accidental (small) deviations between the expected and the actual levels of fund absorption and also from exogenous factors - such as the 1997's storms – facts that reveal the appropriateness of the initially made options.

**Other key strengths** of the CSF 1994-1999 implementation should be pointed out:

- ✓ **Internal coherence:** CSF is a coherent and internally consistent framework that epitomises a programming exercise on which concerted efforts from various sectors of economic activity gave their contribution;
- ✓ **Support from the European Commission:** the European Commission participation in the CSF development, namely through, the meetings of the Monitoring Committees, allowed an easier implementation of the Programmes. That close involvement contributed namely, to find the more appropriated ways to implement the strategies;
- ✓ **Strong political commitment:** within the scope of the most strategic priorities (such as Education), the national interest was never left out in view of conjuncture matters related with the political cycle (such as the change of government in October 1995). Furthermore at the level of the Operational Programmes that had shown execution difficulties at the beginning, some quick and firm changes were made (namely, in its management and implementation system). These were crucial for its final effectiveness. The adaptation of the Programmes to guidelines that raised in the meantime – such as the EES or the construction of a Knowledge Society – was also committed;
- ✓ **Implementation of the control “function”:** the minimum requirements concerning the control activities were surpassed and Portugal made important efforts to correspond to the delegation of competencies from EU in this scope.

The **main weaknesses** concerning the implementation of CSF 1994-1999 were:

- ✓ **Existence of non-quantified objectives:** although the Programme's goals had been established in the “Technical Documents”, and the objectives had also been identified previously – both were not quantified, which made harder the evaluation of both the execution's and contribution's of each measure for the objectives of the Programme;
- ✓ **Reduced participation of the Social Partners:** Social Partners participation in CSF management and monitoring was only translated into an “observers” role, through which their opinions / reports were gathered. However, the majority of these partners say that reports were required very late in the process and so there was for them a small possibility to produce real effects on the

execution of CSF. A greater and more active participation of the Social Partners would amount into a higher transparency of processes within CSF's management and monitoring systems;

- ✓ Existence of different rules for the functioning of each Fund: one of the problems associated with the financial systems is that each Fund had different rules – for instance, rules of rendering accounts or different periods for the presentation (closure) of accounts. This brought problems, specially for the management of the Programmes co-financed by more than one Structural Fund;
- ✓ Reduced exploitation of synergies: despite not being possible to infer the existence of synergies among different Programmes and among different Structural Funds by the Information System, it is normally accepted by the key stakeholders that these type of synergies were very little exploited within the CSF 1994-1999;
- ✓ Reduced capacity of adaptation to regional and local needs: one of the objectives of the CSF 1994-1999 was the “promotion of the internal economic and social cohesion”. In order to deliver this objective, the sectoral Operational Programmes of national scope were the main instruments of regional policy – contrary to what happens in the current CSF 2000-2006, where this role is taken by the Regional Operational Programmes. The importance of the sectoral policies is dual: on the one hand, they contribute very positively to the internal coherence of the CSF 1994-1999, and on the other hand they keep it away from the key issues at regional and local levels.

## Recommendations

The recommendations can be split in two groups: (1) recommendations with a more specific scope and (2) recommendations with a more general character.

The former recommendations might be implemented during the **actual programming period**:

- ✓ Changes concerning the Information System for the Structural Funds' management, namely the creation of a single Information System for all funds with impact and results indicators<sup>3</sup>;
- ✓ Reinforcement of the monitoring functions, efforts should be made in order to separate project control functions from project promoters monitoring (this last function with a more pedagogic character) or by resort to “contracting” (already created and established in the current CSF);
- ✓ Impact analysis through post-project monitoring, that is, the creation of a post-project monitoring system that allows the real impact evaluation of projects' execution and, simultaneously, the correction of the actions at the level of the CSF Programmes, if necessary.

The second group of recommendations have a more political character. From CIDEC's point of view, they can be considered in a **later programming period**:

- ✓ Compatibility between management decentralisation and policies' flexibility, that is, the creation of decentralised sectoral components in the Regional Programmes (such as the CSF 2000-2006 experience) should not be translated into a reduction of flexibility of the economic and social policies;
- ✓ Major participation of the execution entities into the Programmes planning, to improve the appropriateness of the programmes to the needs and to the ability of execution of these entities;
- ✓ Better articulation between Community structural intervention and some Common Policies, such as the Common Agricultural and Fisheries Policies – namely as far as concerned the decision periods and “timings”;

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<sup>3</sup> Which is already been developing in the actual CSF.

- ✓ Foment of the management structures' "political unattachment", in order to increase the Programmes' appropriateness and effectiveness, it is important to create conditions for the existence of higher stability of the leadership of the management structure (managers) in a way that that they not depend as much on the political alterations that may happen;
- ✓ Create the conditions that make possible the implementation of a "management by objectives" system, also in order to increase the programmes' effectiveness.



## SUMÁRIO EXECUTIVO

O presente capítulo tem como objectivo apresentar os aspectos mais relevantes e as principais conclusões que resultam do estudo de avaliação ex-post do Quadro Comunitário de Apoio para Portugal 1994-1999 (QCA II), realizado pelo CIDEC – Centro Interdisciplinar de Estudos Económicos, integrado no estudo global – “*Ex-post Evaluation of Objective 1, 1994-1999*”, liderado pela ECOTEC, Research and Consulting, Ltd.

A análise efectuada teve como base o Guia Metodológico elaborado pela ECOTEC em estreita colaboração com a Comissão Europeia.

O estudo subdividiu-se nos seguintes domínios de avaliação:

- ✓ **Adequabilidade das estratégias** – análise da adequabilidade e da coerência das estratégias adoptadas e implementadas no âmbito do QCA II e dos seus diferentes programas.

A avaliação abrangeu a análise das estratégias adoptadas em todos os Programas do QCA II. Para tal, o CIDEC realizou entrevistas com os gestores de todos os Programas e Intervenções Operacionais do QCA II, tendo igualmente analisado toda a documentação associada aos Programas (documentos de programação, decisões de aprovação e reprogramação dos programas, actas das unidades de acompanhamento, relatórios de execução anuais, entre outros).

- ✓ **Eficácia** – análise da concretização dos objectivos definidos inicialmente, tendo em conta os resultados obtidos em cada um dos programas.

A avaliação da eficácia baseou-se numa amostra de Programas Operacionais que cobriam entre 60 a 70% do total da despesa do QCA II. Os Programas seleccionados como estudos de caso para Portugal foram: Bases do Conhecimento e da Inovação, Formação Profissional e Emprego, Infra-estruturas de Apoio ao Desenvolvimento, Modernização do Tecido Económico, Programa Operacional da Região Norte, Programa Operacional da Região Alentejo e Programa Operacional Plurifundos da Região Autónoma da Madeira.

- ✓ **Eficiência** – análise da eficiência da implementação de grandes projectos co-financiados pelos Fundos Estruturais e pelo Fundo de Coesão.

Para a avaliação da eficiência foram seleccionados 10 grandes projectos (8 financiados pelo FEDER e 2 pelo Fundo de Coesão) em domínios como os transportes, as telecomunicações, as infra-estruturas ambientais / hidráulicas, equipamentos multifuncionais, turismo e as infra-estruturas logísticas para o comércio.

- ✓ **Impacte** – avaliação do impacte da aplicação dos Fundos Estruturais em Portugal, baseado nas conclusões da aplicação do modelo de impacte macro-económico HERMIN, bem como nos resultados estimados pelo Departamento de Prospectiva e Planeamento (DPP).

- ✓ **Sistemas de Gestão e Implementação** – análise do contributo dos sistemas de gestão e de implementação adoptados para a eficácia da utilização dos Fundos Estruturais

A análise dos Sistemas de Gestão e Implementação baseou-se no estudo dos seguintes casos: o programa PESSOA do Programa Operacional Formação Profissional e Emprego, a Intervenção Operacional dos Transportes (Infra-estruturas de Apoio ao Desenvolvimento), o PEDIP II (Modernização do Tecido Económico) e o Programa Operacional Plurifundos da Região Autónoma da Madeira.

### *Adequabilidade das estratégias*

Em 1993-94, Portugal debatia-se com um conjunto importante de constrangimentos para o seu desenvolvimento económico e social. As principais debilidades centravam-se, entre outras:

- ✓ No abrandamento do crescimento real da economia portuguesa com interrupção do processo de convergência face à média europeia;
- ✓ Na diminuição dos volumes de emprego e no aumento da taxa de desemprego;
- ✓ Nas disparidades regionais acentuadas (região para região, litoral / interior, meio urbano / meio rural);
- ✓ Nos baixos níveis de educação e qualificação dos recursos humanos;
- ✓ Nas graves insuficiências de carácter infra-estrutural, nomeadamente no domínio dos transportes e das ligações às redes trans-Europeias, o que acentuava ainda mais o carácter periférico de Portugal;
- ✓ Na fragilidade dos sectores produtivos nacionais.

O Quadro Comunitário de Apoio 1994-1999<sup>4</sup> pretendeu dar resposta às principais debilidades com que se defrontava a economia portuguesa, revelando uma forte coerência interna.

De facto, durante o período de programação não se verificaram, de uma forma geral, alterações substanciais nas estratégias definidas inicialmente, apenas alguns ajustamentos pontuais no “policy mix” inicial.

Os pequenos ajustamentos efectuados (essencialmente no âmbito da programação financeira) reflectem a maior ou menor capacidade de absorção dos Fundos Estruturais por parte dos principais intervenientes. É de realçar, igualmente, outros ajustamentos efectuados no sentido de dar uma maior coerência e viabilidade à intervenção de alguns Programas (como, por exemplo, a autonomização das infra-estruturas associadas ao Empreendimento de Fins Múltiplos de Alqueva num programa integrado de desenvolvimento – PEDIZA) ou, por exemplo, a criação, a meio do período de programação, de medidas inovadoras e prioritárias como a Sociedade de Informação integrada na IO Telecomunicações.

A afectação regional do investimento do QCA II revelou uma preocupação acrescida com as regiões menos desenvolvidas, tendo sido nestas (Açores, Alentejo, Algarve e Madeira) que se verificou uma capitação superior do investimento apoiado pelos Fundos Estruturais, tendo presente a promoção da coesão económica e social interna.

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<sup>4</sup> Com um valor global de investimento de 26296 MEUROS e co-financiamento comunitário 14512 MEUROS.

Em termos globais pode afirmar-se que o QCA II foi o principal instrumento das diferentes políticas sectoriais no período 1994-1999.

O facto de se ter optado no QCA II por integrar várias IO no mesmo Programa Operacional não se traduziu, na prática, num acréscimo de adequabilidade das estratégias definidas à partida.

No que diz respeito aos Programas Operacionais Regionais do Continente, embora se considere que as prioridades estabelecidas tenham sido as mais apropriadas<sup>5</sup>, o facto de se terem definido objectivos para estes Programas que extravasam o seu âmbito de actuação e o facto da sua dotação financeira ser reduzida coloca, de alguma forma, em causa a sua adequabilidade.

### ***Eficácia***

A análise da eficácia dos programas revelou-se uma tarefa complexa, condicionada pela qualidade da informação disponível.

Um dos maiores constrangimentos impostos a esta análise diz respeito ao facto dos objectivos dos Programas não terem sido, de uma forma geral, quantificados no início do período de programação, dificultando desta forma, a análise rigorosa da eficácia da aplicação dos Fundos Estruturais. Mesmo nos Programas nos quais se verificou a quantificação de alguns objectivos, constatou-se que essa quantificação não foi, por vezes, um processo rigoroso e sistematizado.

O facto de não terem sido previstos no Sistema de Informação indicadores de resultados e de impacto, dificulta igualmente a avaliação do desempenho dos Programas.

No caso dos programas que apresentaram metas quantificadas constata-se que, de uma forma geral, os objectivos foram alcançados e muitos deles largamente ultrapassados. Refira-se, como exemplo, o caso da formação profissional (quer de carácter horizontal, quer sectorial), na qual o número de beneficiários abrangidos pelas diferentes medidas foi claramente superior ao inicialmente previsto.

Um dos efeitos mais significativos do QCA II foi a promoção de um conjunto de infra-estruturas de apoio ao desenvolvimento, nomeadamente:

- ✓ a melhoria das acessibilidades externas, através da conclusão de importantes eixos rodoviários de ligação às redes trans-Europeias;
- ✓ a melhoria das acessibilidades internas (descongestionamento das áreas metropolitanas, desenvolvimento das redes rodoviárias locais e regionais);
- ✓ a infra-estruturação de espaços para o desenvolvimento de actividades económicas;
- ✓ a melhoria dos padrões e dos níveis de atendimento ambiental, através da construção de sistemas municipais e intermunicipais de abastecimento e tratamento de água e de tratamento de resíduos sólidos, entre outros;
- ✓ a melhoria dos padrões de vida da população, através da construção de um conjunto de equipamentos socioculturais.

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<sup>5</sup> Em particular, ambiente/saneamento básico, acessibilidades e transportes, equipamentos sociais, infra-estruturas.

De realçar, igualmente, o contributo do QCA II para o desenvolvimento das PME, através: dos apoios directos à sua modernização e à valorização dos factores dinâmicos de competitividade (qualidade, recursos humanos qualificados, ambiente, melhoria organizacional, etc.), do desenvolvimento do associativismo empresarial, entre outros.

Alguns dos efeitos menos conseguidos pela execução do QCA II, prendem-se, por exemplo, com a reduzida eficácia das medidas destinadas a desenvolver o capital de risco, com a fraca ligação entre a comunidade científica e o sector empresarial - em especial o mais direccionado para as actividades I&D- e com o reduzido carácter inovador da formação profissional dirigida às PME, entre outros.

No caso dos Programas Operacionais Regionais, embora as metas físicas estabelecidas tenham, de uma forma geral, sido ultrapassadas constatou-se que a sua dotação financeira, foi claramente insuficiente tendo em conta os objectivos que se pretendiam alcançar que tal como já referido eram demasiado ambiciosas.

A fraca articulação existente entre os diferentes PO / IO (em parte condicionada pela inexistência de um Sistema de Informação comum a todos os Fundos Estruturais) não permitiu aproveitar convenientemente as complementaridades existentes entre eles e potenciar os efeitos de sinergia que permitiriam maximizar a eficácia global dos Programas.

Os principais factores que contribuíram, do ponto de vista do CIDEC, para uma maior eficácia na aplicação dos Fundos Estruturais no período 1994-1999 foram:

- O forte empenhamento político na execução dos Programas por parte das autoridades nacionais e regionais;
- A flexibilidade e capacidade de ajustamento dos Programas às necessidades decorrentes da evolução sócio-económica e aos ritmos de execução verificados;
- A gestão em “overbooking” de alguns Programas por forma a evitar deslizes significativos na sua execução;
- O desenvolvimento do trabalho em parceria com os agentes dinamizadores da sociedade civil.

### ***Eficiência***

Os grandes projectos seleccionados para a análise da eficiência revelam, de uma forma geral, que a sua implementação se revelou eficiente. Os desvios verificados em termos financeiros, nos “outputs” / resultados e na calendarização dos trabalhos não foram, globalmente, muito significativos (os projectos menos eficientes foram a construção do MARL e a barragem de Alqueva).

Os factores que, do ponto de vista do CIDEC, mais contribuíram para uma aplicação eficiente dos Fundos Estruturais nos projectos em causa, foram:

- O empenhamento político das entidades nacionais e regionais para a concretização de alguns dos projectos, em especial, os directamente relacionados com a realização da EXPO'98 e projectos de carácter estruturante para o desenvolvimento regional;
- A possibilidade de aplicar penalidades aos empreiteiros das obras nos casos de não cumprimento dos prazos definidos;
- A decisão de implementar os projectos independentemente do montante de apoio comunitário a atribuir ao projecto;

- O acompanhamento e controlo efectuado aos projectos durante a sua execução (controlo financeiro, controlo de qualidade dos trabalhos, controlo dos prazos de execução);
- A realização atempada dos projectos técnicos e ambientais em alguns casos.

Contudo, este último factor constituiu um aspecto crítico na implementação de alguns dos projectos, o que evidencia a necessidade de se realizar um esforço inicial nas questões ligadas ao planeamento dos projectos.

A maioria dos projectos seleccionados apresenta custos unitários de difícil comparabilidade com outros projectos nas mesmas áreas. As características particulares de projectos como a instalação do comboio na Ponte 25 de Abril ou o Pavilhão Multiusos torna inviável essa comparação.

### ***Impacte***

A implementação do QCA II induziu, segundo um estudo recente produzido pelo Departamento de Planeamento e Prospectiva – DPP, um crescimento significativo e adicional (“net effects”) das componentes da procura agregada. Estima-se, por exemplo, que 7.7% do investimento privado realizado no período de 1994-2000 esteja directamente relacionado com o QCA II.

No período 1994-1999, o PIB real apresentou uma taxa de crescimento média de 3.4%, ou seja, 0.9 pontos percentuais superior à média comunitária. De acordo com os resultados obtidos pelo DPP, a contribuição do QCA II para esta taxa de crescimento média cifrou-se em 0.42 pontos percentuais.

A convergência real entre a economia portuguesa e as suas congéneres europeias, constituía um dos objectivos estratégicos do QCA II tendo-se estabelecido como meta uma convergência entre o PIB per capita nacional e comunitário na ordem dos 6%, sendo que metade desse crescimento seria induzido directamente pelos Fundos Estruturais. Verificou-se que a meta fixada para este objectivo foi ultrapassada em 0.8 pontos percentuais, devendo ter sido mais de metade dessa convergência induzida pelo QCA II (dado o contributo do QCA II para o crescimento do PIB referido anteriormente).

O CIDEC considera que o QCA II poderá ter contribuído, igualmente, para a promoção da coesão económica e social em Portugal, embora, a disparidade entre a região mais rica e a mais pobre se tenha acentuado neste período, existindo igualmente evidencia do aumento das disparidades sociais entre regiões.

O impacto do QCA II ao nível do emprego foi também significativo. O DPP estimou que 1.6% do volume de emprego em 1999 estava directamente relacionado com a execução do QCA II, ou seja, aproximadamente 77 mil postos de trabalho foram criados e mantidos até 1999. Contudo, uma significativa parte (30%) dos postos de trabalho criados tiveram uma natureza não permanente (ligados a actividades de construção).

### ***Sistema de Gestão e Implementação***

Em termos globais, consideram-se que os arranjos institucionais definidos para a gestão, acompanhamento e avaliação do QCA II e dos seus Programas foram adequados, embora se

reconheçam alguns problemas que condicionaram a maximização dos efeitos esperados (como, por exemplo, a inexistência de um adequado Sistema de Informação, a coexistência de regras e procedimentos diferenciados para cada Fundo Estrutural, entre outras).

A presença dos parceiros sociais teria constituído no período 1994-1999, do ponto de vista do CIDEC, uma mais valia importante no que diz respeito à transparência dos Programas.

De uma forma geral, as estruturas criadas para a gestão dos Programas, revelaram capacidade de implementação das intervenções sem grandes perturbações. Contudo, depararam-se com algumas dificuldades no sentido de explorar as potenciais sinergias entre intervenções e projectos (necessário uma maior articulação de informação, nomeadamente entre os diferentes Fundos Estruturais).

Houve, contudo, alguma dificuldade no desenvolvimento dos trabalhos de acompanhamento real dos projectos, consideradas pelo CIDEC essenciais para uma maior eficácia das intervenções, uma vez que, os recursos humanos associados às equipas técnicas e de apoio à gestão eram grandemente absorvidas por tarefas de análise e de controlo de 1.º nível dos projectos.

Embora sem alterações de fundo (excluindo as regras de funcionamento do FSE), a gestão dos PO e IO, fruto da experiência e aprendizagem acumulada, foi melhorando ao longo do período de programação.

De uma forma geral, o processo de candidatura dos projectos aos diferentes programas foi rigoroso e claro para os promotores.

No que diz respeito aos mecanismos financeiros, um dos principais problemas que se colocaram à gestão dos programas, dizia respeito à existência de regras diferentes para cada um dos Fundos Estruturais, o que tornava a gestão dos programas multifundos mais complexa e, por isso, menos eficaz e eficiente.

O acompanhamento do QCA II e dos seu Programas esteve centrado essencialmente em questões como a execução financeira e física dos Programas e não tanto em aspectos como, por exemplo, o ajustamento das estratégias à evolução registada no período 1994-1999.

O real acompanhamento dos programas e do QCA como um todo foi dificultado, em parte, devido, por um lado, a um Sistema de Informação incapaz de fornecer informação sobre os resultados e impacto das intervenções, centrado no próprio programa e intervenção não estabelecendo uma cadeia de contributos para os objectivos do QCA e, por outro lado, à inexistência de informação estatística sectorial ou regional capaz de diagnosticar convenientemente a situação de partida.

No âmbito do acompanhamento do QCA II e dos seus Programas é ainda de salientar a inexistência de um acompanhamento mais sistemático de áreas transversais ao QCA II (tais como, por exemplo, PME, educação ou ambiente).

## *Síntese*

Uma das principais conclusões que se evidencia neste estudo prende-se com os ***elevados níveis de execução*** alcançados pelo QCA II. Embora se tenham verificado, ao nível dos Programas

Operacionais situações ligeiramente distintas, pode afirmar-se que, em termos globais, os níveis e os ritmos de absorção dos Fundos Estruturais apresentaram um bom desempenho.

A performance conseguida no período 1994-1999, deveu-se essencialmente à flexibilidade dos *sistemas de gestão e implementação dos Programas*, com capacidade de, em tempo útil, adaptar os PO e IO ao contexto e às necessidades decorrentes da evolução sócio-económica ao qual os Programas estavam associados (por exemplo, capacidade de criação de novas acções, encerramento de outras ou alteração dos apoios previstos). Esta adaptabilidade permitiu aumentar a eficácia da intervenção dos Fundos Estruturais e maximizar os efeitos obtidos.

Os *efeitos* induzidos pela execução do QCA II foram fundamentais para o desenvolvimento de Portugal e das suas regiões (em especial as que apresentavam um menor índice de desenvolvimento).

De facto, o investimento realizado no âmbito do QCA II (cerca de 7.7% da FBCF em Portugal no período 1994-2000 foi directamente induzida pelo QCA II) foi fundamental para relançar o processo de convergência do PIB nacional face à média Europeia (a taxa de crescimento do PIB em Portugal foi, em média, 0.9 pontos percentuais superior à registada na União Europeia).

Estima-se que tenham sido criados e mantidos até 1999 cerca de 77 mil postos de trabalho directamente induzidos pelos investimentos realizados no QCA II (ou seja, cerca de 29.5% da criação líquida de emprego entre 1994 e 1999).

Os efeitos mencionados revelam a *adequabilidade das estratégias* implementadas pelo QCA II, bem como a sua capacidade de dar resposta às necessidades e desafios que se colocavam a Portugal no início da década de 90. De facto, as reprogramações efectuadas aos Programas e ao QCA como um todo, traduziram essencialmente diferenças verificadas entre os níveis de execução esperados e reais, e não tanto alterações nas estratégias definidas inicialmente.

Para além de outros aspectos já mencionados, são de assinalar os seguintes *pontos fortes* associados à implementação do QCA II:

- ✓ *Coerência Interna*: a elaboração do QCA II implicou um esforço concertado de diversos sectores da economia Portuguesa imprimindo desta forma uma elevada coerência e consistência interna ao QCA II.
- ✓ *Apoio da Comissão Europeia*: a participação activa da Comissão Europeia nas reuniões dos Comités de Acompanhamento facilitou a implementação dos Programas. Um envolvimento próximo contribuiu, nomeadamente, para encontrar as formas mais adequadas para a implementação das estratégias.
- ✓ *Forte empenhamento político*: no âmbito das estratégias mais prioritárias (como, por exemplo, a Educação) o interesse nacional nunca foi deixado de lado por questões de conjuntura relacionadas com o ciclo político (por exemplo, mudança de Governo em Outubro de 1995) e ao nível dos PO que tiveram dificuldade na sua execução no seu início, foram feitas mudanças rápidas, o que foi crucial para a sua eficácia. A adaptação dos Programas para algumas orientações políticas que, entretanto, surgiram – tal como a Estratégia Europeia de Emprego ou a construção de uma Sociedade do Conhecimento – foi também feita.
- ✓ *Implementação da função controlo*: Os requisitos mínimos associados a actividades de controlo foram ultrapassados tendo Portugal feito um esforço significativo no sentido de corresponder à delegação de competência da U.E. neste âmbito.

Os principais *pontos fracos* associados à implementação do QCA II foram:

- ✓ Existência de objectivos não quantificados: apesar dos objectivos ao nível do Programa e das próprias medidas se encontrarem definidos, não estavam, de uma forma geral, quantificados. Este facto dificulta a avaliação dos contributos de cada medida para os objectivos dos Programas e dos próprios Programas para os objectivos do QCA.
- ✓ Reduzida participação dos parceiros sociais: a participação dos Parceiros Sociais nas estruturas de gestão e acompanhamento do QCA II cingia-se apenas ao papel de observadores, embora fosse solicitado o seu parecer sobre os relatórios de execução do QCA. Esses pareceres eram solicitados tardiamente não produzindo assim efeitos reais na execução dos Programas. O CIDEC considera que uma participação mais activa por parte dos Parceiros Sociais traduzir-se-ia numa maior transparência dos processos.
- ✓ Existência de regras de funcionamento diferenciadas para cada Fundo Estrutural: um dos problemas associados aos sistemas financeiros diz respeito ao facto de existirem regras de funcionamento diferentes para cada um dos Fundos Estruturais, nomeadamente, na prestação e encerramento de contas. Estes problemas tornam-se ainda mais evidentes nos casos dos Programas co-financiados simultaneamente por vários Fundos Estruturais.
- ✓ Reduzida exploração de efeitos de sinergia: apesar de não ser possível inferir, a partir do Sistema de Informação, da existência de sinergias entre os diferentes Programas e Fundos Estruturais, é aceite pela maioria dos intervenientes que as sinergias não foram devidamente potenciadas durante o QCA II.
- ✓ Reduzida capacidade de adaptação às necessidades regionais e locais: um dos objectivos do QCA II consistia na “promoção da coesão económica e social interna”. Os Programas sectoriais nacionais constituíam o principal instrumento de política regional – contrariamente ao que sucede no actual QCA (2000-2006), no qual este papel foi acometido aos Programas Operacionais Regionais. A maior importância dada às políticas sectoriais, embora tenham conferido uma maior coerência interna ao QCA II, retirou-lhe alguma aderência ao que eram as necessidades locais e regionais.

## Recomendações

Apresentam-se, de seguida e de forma sucinta, algumas recomendações efectuadas no âmbito do estudo de avaliação e desenvolvidas em sede de relatório. Distinguem-se neste caso, as recomendações susceptíveis ainda de implementação no actual período de programação e as que, pela sua natureza, poderão ser enquadradas no próximo período de programação.

Assim, para o actual período de programação:

- ✓ Alteração ao Sistema de Informação para a gestão dos Fundos Estruturais, nomeadamente, a criação de um Sistema de Informação único que incorpore todos os Fundos Estruturais, bem como os indicadores de resultados e de impacto.<sup>6</sup>
- ✓ Reforço das funções de acompanhamento, nomeadamente, através da separação das actividades de controlo e inspecção dos projectos das actividades de acompanhamento a esses projectos e aos promotores (acompanhamento de carácter pedagógico) ou através do recurso à “contratualização” (figura existentes já no actual QCA).
- ✓ Análise de impacto através do acompanhamento pós-projecto, isto é, a criação de um sistema de acompanhamento pós-projecto que permita avaliar o impacto real da execução dos mesmos e que,

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<sup>6</sup> Tarefa que está já a ser desenvolvida no actual QCA.

simultaneamente, permita efectuar correcções das acções ao nível dos Programas ou do QCA, se necessário.

Para próximo período de programação:

- ✓ Compatibilização entre a descentralização da gestão e a necessidade de flexibilidade para o desenvolvimento das políticas, isto é, a criação de componentes sectoriais descentralizadas nos Programas Operacionais Regionais (tal como acontece no actual QCA – 2000/2006) não deverá traduzir-se numa menor flexibilidade na implementação das políticas económicas e sociais.
- ✓ Maior participação das entidades executoras no planeamento dos Programas, por forma a melhorar a adequabilidade dos programas às necessidades e às capacidades de execução destas entidades.
- ✓ Melhor articulação entre as intervenções estruturais da Comunidade e algumas Políticas Comuns, tais como a Política Agrícola Comum e a Política Comum das Pescas – nomeadamente no que diz respeito à compatibilização dos períodos de execução.
- ✓ Promoção de uma maior independência/autonomia das estruturas de gestão em termos político-partidário, por forma a fomentar a adequabilidade e a eficácia dos Programas co-financiados pelos Fundos Estruturais.
- ✓ Criação de condições que permitam a implementação de um sistema de gestão por objectivos, por forma a melhorar a eficácia dos programas.



## 2. INTRODUCTION

This report presents the results of the ex-post evaluation of the Portuguese Community Support Framework (CSF) 1994-1999. This evaluation was part of the Ex-post Evaluation of Objective 1 for this period.

The aim of the Global Study is to address four key objectives:

- To establish the impact of the Structural Funds in Objective 1 regions on economic and social cohesion at regional/national level and EU level.
- To assess the effectiveness and efficiency of the Structural Funds in Objective 1 regions on economic and social cohesion at regional/national level and EU level.
- To identify the Community added value achieved at EU level as a result of Structural Funds investment.
- To identify the lessons of the evaluation related to the 1994-99 period which have relevance both for the 2000-2006 programming period and for planning the Structural Funds post 2006 in the context of enlargement.

The Portuguese evaluation study aims at these main objectives, through the analysis of the achievements and effects of the Portuguese CSF, and of the factors, which contributed, for these results.

The analysis was organised according to the guidelines of ECOTEC, Research and Consulting, Ltd. It involved the following components:

- Appropriateness of strategies – an assessment of the appropriateness of strategies adopted and implemented in the Portuguese CSF and the coherence of the approach;
- Effectiveness – an analysis of the achievement of the objectives set out in the programming documents based on results;
- Efficiency – an analysis of the efficiency of the implementation of large projects supported by the CSF in the period 1994-1999;
- Management and Implementation systems – an appraisal of the effectiveness of management and implementation systems for the programmes co-financed by the Structural Funds;
- Impact - a qualitative judgement upon the main findings of the HERMIN macro-economic model on the overall impact of the Portuguese CSF 1994-1999;
- Lessons for Current and Future Programming – identification of strengths and weaknesses in the planning or implementation of CSF, an assessment of the extent to which strengths have been built on and weaknesses have been addressed in the 2000-2006 Structural Funds Programmes, and identification of the longer term implications of the findings of the evaluation for the Structural Funds after 2006 in the context of enlargement.

In order to ensure that robust conclusions can be drawn at the EU level, a common methodology was used. The present report was prepared according to the "Methodological Guide", trying to answer to the questions inserted in this guide.

For this reason, the structure of the report is as follow:

- Chapter 1 – Executive summary
- Chapter 2 – Introduction
- Chapter 3 – Methodology
- Chapter 4 – Appropriateness of strategies
- Chapter 5 – Effectiveness
- Chapter 6 – Efficiency
- Chapter 7 – Impact
- Chapter 8 – Management and Implementation Systems
- Chapter 9 – Strengths and weaknesses, 1994-99
- Chapter 10 – Conclusions
- Chapter 11 - Recommendations

In annex the following documents are presented:

- Annex 1 – List of literature review and of desk research documents
- Annex 2 – List of interviews realised for the study of appropriateness of strategies
- Annex 3 – Appropriateness of strategies adopted and pursued in 1994-99 (for each programme)
- Annex 4 – Effectiveness case studies
- Annex 5 – Efficiency case studies
- Annex 6 – Management and implementation systems case studies

Before presenting the conclusions of our analysis in each domain, we would like to point out two constrains of our work in what concern the assessment of effectiveness of the programmes and of the appropriateness of strategies:

- No quantitative indicators (results and impact indicators) were established for the most of the Programmes in the programming period, what makes harder to assess the effectiveness; also, the existing indicators (most of them qualitative indicators) were planned for the analysis of the contribution of the execution of the programme for its own objectives, but indicators to allow the monitoring of the contribution of the Programme for the CSF objectives were not planned, what complicates the appropriateness analysis.
- Two programmes of the CSF were not finished (Operational Programme for Azores and Operational Programme for Madeira), by the time field research was undertaken, and some other Programmes did not have their final report ready<sup>7</sup>, which makes appropriateness and effectiveness assessment harder.

Under these analysis conditions, we hope that this national report could be a valid contribution for the global ex-post evaluation of the Objective 1 in the period 1994-1999.

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<sup>7</sup> Consequently there were no final figures for indicators.

### 3. METHODOLOGY

This chapter describes and points out, some issues related with the methodology used to elaborate the “Ex-post evaluation of Objective 1 for the period 1994-1999” study.

Globally the evaluation study comprises an extensive assessment work in all 11 Member-States with Objective 1 regions in the 1994-1999 period. These Member-States have, naturally, its own specificity’s and different priorities for their Programmes. To ensure the consistency of this evaluation study at EU level, in order to compare results from the 11 different Members-Sates and among the different types of programmes, it was necessary to define common guidelines for the evaluation teams in each Member States.

The methodology pursued by CIDEC followed the “methodological guide” undertaken by ECOTEC Research and Consulting Ltd as well as some indications that result from the initial meeting of country experts realised in February 28, in Brussels, with ECOTEC and DG Regio and where were discussed some practical issues of the methodology.

The analysis instruments used to collect the necessary information were basically of 3 types: literature review<sup>8</sup>, desk research on Structural Funds documentation<sup>9</sup> and structured interviews with key stakeholders<sup>10</sup>.

The evaluation study was realised according to a “top-down” analysis, this is, to reach results, the team started from general (macro) ideas to particular (micro) aspects. More specifically:

In the first phase all sources of information that could give an idea of the Programmes of the Portuguese Community Support Framework (CSF) were collected, namely concerned with the main strategic options took for each one and the main difficulties felt among many other aspects. After this work CIDEC was able to make a synthesis of the most important aspects.

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<sup>8</sup> See Annex 1.

<sup>9</sup> See Annex 1, also. Note that a delay in the closing process of the Operational Programmes of the CSF for Portugal existed - some of the Operational Interventions didn’t have their final reports in time for the study. These Programmes are: OI for Science and Technology (in Basis of Knowledge and Innovation Operational Programme) – ERDF component; OI Agriculture (in Economic Fabric Modernisation Operational Programme) – EAGGF component; OI Fisheries (in Economic Fabric Modernisation Operational Programme) – ERDF and FIFG component; OI Tourism and Cultural Heritage (in Economic Fabric Modernisation Operational Programme) – ESF component; Operational Programme for Madeira (POPRAM II) – ERDF, FIFG and EAGGF components; Specific Programme for the Integrated Development of the Alqueva Zone (PEDIZA) – ERDF, FIFG and EAGGF components, Operational Programme for Technical assistance; and Overall Grant in Support of Local Government Investment.

<sup>10</sup> See in Annex 4 the interviews realised within the scope of the study of effectiveness of programmes, in Annex 6 the interviews realised within the scope of the study of management and implementation systems and in Annex 2 the interviews realised within the scope of the study of appropriateness of strategies.

In the second phase the objective was to deepen some specific issues through structured interviews with key stakeholders. In this stage CIDEC pretended to validate the most important aspects previously detected and to collect information about less clear aspects.

In the third phase the objective was to elaborate a report which must focus 7 key aspects: appropriateness of strategies adopted and pursued in the period 1994-1999, effectiveness of Structural Funds in achieving their objectives, efficiency of Structural Funds utilisation, management and implementation systems, impact, community added-value and lessons from current and future programming.

Some comments on the following aspects must be point out:

- **Appropriateness of strategies:** it was decided from the beginning that all Programmes would be covered in what concerns the analysis of the appropriateness of strategies adopted and pursued in the period 1994-1999. Within this objective it was made desk-analysis of the strategies set out, desk-based analysis of the implementation of the Programmes, data analysis and interviews with key stakeholders. CIDEC chose to interview all Programme managers, among other organisations (in a total of 26 interviews)<sup>11</sup>.
- **Effectiveness:** this analysis was not undertaken for all the Programmes of CSF, but was based upon a sample of Operational Programmes that covered between 60% and 70% of overall expenditure of CSF. The selected Programmes were: Basis of Knowledge and Innovation Operational Programme, Vocational Training and Employment Operational Programme, Development Support Infrastructures Operational Programme, Economic Fabric Modernisation Operational Programme, Operational Programme for North Region, Operational Programme for Alentejo Region and Operational Programme for Madeira Region. These Programmes covered 75% of overall expenditure of CSF. Within this set of Programmes 57 interviews were realised. Programme managers, social partners, organisations with regional and sectoral scope, organisations with private and public nature, were contacted. Dates, organisations and respective interlocutors are specified in the end of each effectiveness case study in Annex 4.
- **Management and Implementation Systems:** the analysis was based on the following case studies: Operational Intervention for Support the Human Resource Training and Management (in Vocational Training and Employment Operational Programme), Operational Intervention for Transports (in Development Support Infrastructures Operational Programme), Operational Intervention for Industry (in Economic Fabric Modernisation Operational Programme) and Operational Programme for Madeira Region. For this assessment desk research and interviews were realised (25 organisations were interviewed). Taken in account the dimension of some Programmes, in the cases of Vocational Training and Employment Operational Programme, Economic Fabric Modernisation Operational Programme and Operational Programme for Madeira Region, were realised more interviews than the

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<sup>11</sup> See Annex 2.

initially decided. Dates, organisations and respective interlocutors are specified in the end of each management model case study in Annex 6.

- **Efficiency:** the analysis was based on case studies. The selection of these case studies was done by EC according to proposals from each Member-State. It were selected 10 major projects co-financed by ERDF or Cohesion Fund: *Installation of the Railway Deck in the Bridge “25 de Abril”, New Bridge Over River Tagus (Vasco da Gama Bridge), Highway A 12 – Montijo / Setúbal, Intermodal Complex – Subway and GIL Component, CLIP – Client First, Hydraulic Infrastructure Odeleite – Beliche, Alqueva Dam Construction and Complementary Actions, Multifunction Pavilion, Lisbon Wholesaler Market – MARL, Adaptation of the Marquês de Valle Flor Palace to a 5\*\* Hotel – Carlton Palácio Valle Flor Hotel.*

As agreed, two progress reports were made: one in 15<sup>th</sup> April and the other in 15<sup>th</sup> June, focusing on the number of case studies and interviews completed at that moment, on outstanding issues, and establishing a work programme, the timetable and nature of the remaining outstanding tasks and activities to be carried out at Portugal level.



## 4. APPROPRIATENESS OF STRATEGIES ADOPTED AND PURSUED 1994-99

### 4.1 Key issues in 1994 and their evolution to 1999

#### 4.1.1 Social and economic cohesion

After Portugal's adhesion to the European Community (1986), the Portuguese economy showed a remarkable performance: between 1986 and 1990, real GDP annual average growth was 5.5%, that is, 2.3 percentage points above the European average (see Table 1).

**Table 1 - Real GDP growth in the EU and Portugal (Annual % change) - 1976-1994**

Territory	Unit	1976-85	1986-90	1991-94	1991	1992	1993	1994
Portugal	%	3,0	5,5	1,1	4,4	1,1	-2,0	1,0
EU	%	2,3	3,2	1,3	1,7	1,2	-0,4	2,8
Difference	p.p.	0,7	2,3	-0,2	2,7	-0,1	-1,6	-1,8

SOURCES: EC - *Employment in Europe 1999* and *Employment in Europe 2002*

However between 1991 and 1994, the real GDP annual average growth rate was only 1.1%. This figure is explained by the slowing down of aggregate demand components such as personal consumption expenditures, private investment and exports of goods and services. In 1993, a small recession did occur (real GDP growth rate: -2%) and the process of real convergence between Portugal and EU countries was effectively interrupted.

In what concerns the disparities between the Portuguese NUTS II regions (all of them Objective 1 regions), an unfavourable trend was observed between 1993 and 1994: according with the indicator GDP per head (in PPS; EU = 100), the difference between the most favoured Portuguese region (Lisbon and Tagus Valley) and the less favoured (Azores) changed from 35 percentage points, in 1992, to 38 and 39 percentage points, respectively, in 1993 and 1994. Despite a slight reduction was observed in the coefficient of variation<sup>12</sup> among the Portuguese NUTS II regions in that indicator (from 20%, in 1993, to 19.2%, in 1994; see Table 2).

<sup>12</sup> The ratio of the sample standard deviation to the sample mean.

**Table 2 - GDP per head (in PPS) in Portugal and its NUTS II regions (EU = 100) - 1988-1994**

Territory	Unit	1988	1989	1990	1991	1992	1993 (*)	1994 (*)
Portugal	%	61	63	60	62	63	68	70
North	%	54	57	52	53	56	60	62
Centre	%	45	45	48	49	52	55	58
Lisbon and Tagus Valley	%	84	86	78	82	81	87	89
Alentejo	%	39	40	54	51	50	54	56
Algarve	%	56	54	63	65	69	71	70
Azores	%	43	45	43	44	46	49	50
Madeira	%	43	45	41	45	47	51	52
(MAX) - (MIN)	p.p.	45	46	37	38	35	38	39
Coefficient of variation (**)	%	25,3	24,8	21,4	21,9	20,6	20,0	19,2

(\*) EU = 100 includes the new German Länder

(\*\*) Between NUTS II regions

SOURCES: EC - *Second Report on Economic and Social Cohesion - Statistical Annex*

Since 1990, the less favoured regions in that indicator (GDP per capita) were no longer Alentejo and became Azores and Madeira. As islands and ultra-peripheral regions faced bigger difficulties in what concerns the good use of the advantages resulting from the opening of markets that has been the basis of the process of the European construction – and so, not benefiting from some instruments of the European cohesion policy such as the trans-European transport network and the energy networks.

**Table 3 - Real GDP growth in the EU and Portugal (Annual % change) - 1994-1999**

Territory	Unit	1994-1999	1994	1995	1996	1997	1998	1999
Portugal	%	3,4	1,0	4,3	3,5	3,9	4,5	3,5
EU	%	2,5	2,8	2,4	1,6	2,5	2,9	2,7
Difference	p.p.	0,9	-1,8	1,9	1,9	1,4	1,6	0,8

SOURCE: EC - *Employment in Europe 2002*

During the 1994-1999 period, the Portuguese real GDP average annual growth rate was 3.4% – 0.9 percentage points above the figure for the EU countries (2.5%, see Table 3, p. 32). This remarkable trend explains a global change in the Portuguese GDP per head (in PPS; EU=100) of 4.6 percentage points during the 1993-1999 period (see Table 4, p. 33).

The difference between the maximum and the minimum values of GDP, per head, per region, evolved in an unfavourable way from 38 percentage points, in 1993, to 40 percentage points, in 1999 (see Table 4, p.33). However, the coefficient of variation of GDP per head evolved from 20.2% to 17.1% (in the same period), suggesting a slight economic disparities reduction.

**Table 4 - GDP per head (in PPS) in Portugal and its NUTS II regions (EU = 100) - 1993-1999**

Territory	Unit	1993	1994	1995	1996	1997	1998	1999 (*)	1993-1999	
									Change (p.p)	% Change
Portugal	%	68	70	71	71	74	75	72	5	6,8
North	%	60	62	63	63	65	66	66	6	10,1
Centre	%	55	58	61	61	64	65	62	7	12,5
Lisbon and Tagus Valley	%	87	89	89	89	94	95	89	2	2,2
Alentejo	%	54	56	59	62	65	67	61	7	12,5
Algarve	%	71	70	71	72	75	76	71	1	1,1
Azores	%	49	50	50	50	51	52	50	1	1,0
Madeira	%	51	52	55	55	57	58	59	9	17,0
(MAX) - (MIN)	p.p.	38	39	39	39	43	43	40	1	3,7
Coefficient of variation (**)	%	20,2	19,2	18,1	18,0	18,8	18,6	17,1	-3,0	-15,0

(\*) Estimates by the Department of Planning (DPP)

(\*\*) Between NUTS II regions

SOURCES: EC - *Second Report on Economic and Social Cohesion - Statistical Annex* and Department of Prospective and Planning (DPP) (Data treatment: CIDEC)

In order to observe the evolution of the social cohesion, the Portuguese Department of Prospective and Planning (DPP) estimates a social development index which aggregates the following variables: life expectancy, educational attainment and some comfort indicators (inhabitants with water supply, electricity and WC at home).

**Table 5 – Social Development Index for Portugal and its NUTS II regions - 1970-1999**

Territory	Unit	1970	1981	1991	1995	1999	1995-1999	
							Change (p.p)	% Change
Portugal	%	66,2	80,5	87,8	89,4	90,9	1,5	1,7
North	%	65,8	79,7	87,4	89,3	90,7	1,4	1,6
Centre	%	60,6	77,0	86,2	88,0	90,1	2,1	2,4
Lisbon and Tagus Valley	%	75,9	86,0	90,4	91,5	98,6	7,1	7,8
Alentejo	%	55,2	70,8	82,7	84,1	87,1	3,0	3,6
Algarve	%	58,8	74,9	86,0	87,9	90,2	2,3	2,6
Azores	%	66,7	81,3	88,3	90,5	91,8	1,3	1,4
Madeira	%	60,2	76,0	85,7	87,0	89,1	2,1	2,4
(MAX) - (MIN)	p.p.	20,7	15,2	7,7	7,4	11,5	4,1	55,4
Coefficient of variation (*)	%	10,3	6,1	2,7	2,7	4,0	1,3	46,1

(\*) Between NUTS II regions

SOURCE: Department of Prospective and Planning (DPP)

The coefficient of variation of Social Development Index rose from 7.4%, in 1995, to 11.5%, in 1999 (see Table 5, p. 33). CIDEC considers that this unfavourable trend could be essentially explained by structural factors – namely by the tendency of the Portuguese population to migrate into and to live in the coastal regions where are generally located the most important employment areas and the most dynamic economic activities.

In fact, between 1991 and 2001 the number of inhabitants of coastline NUTS III regions as Cávado, Ave, Entre Douro e Vouga, Baixo Vouga, Pinhal Litoral, Oeste or Algarve registered growth high rates, some of them far above the average rate for Portugal. Additionally, the concentration of the population in the two Portuguese (coastline) metropolitan areas – Oporto (Grande Porto NUTS III region) and Lisbon (Grande Lisboa and Península de Setúbal) – was slightly reinforced during that period: from 36.9% of the Portuguese population in 1991 to 37.4% nowadays. Furthermore, for some interior and rural regions – as Douro, Alto Trás-os-Montes, Pinhal Interior Sul, Serra da Estrela, Beira Interior Norte, Alto Alentejo or Baixo Alentejo – the number of inhabitants decreased in a worrying way (see the table below).

**Table 6 – Evolution of the population of Portugal and its NUTS I, II and III regions – 1991-2001**

NUTS I / II / III	1991		2001		1991-2001		
	Number	%	Number	%	Change	Change (p.p.)	% Change
Portugal	9867147	100,0	10355824	100,0	488677	0,0	5,0
North	3472715	35,2	3687212	35,6	214497	0,4	6,2
Minho-Lima	250059	2,5	250273	2,4	214	-0,1	0,1
Cávado	353267	3,6	393064	3,8	39797	0,2	11,3
Ave	459673	4,7	509969	4,9	50296	0,3	10,9
Grande Porto	1167800	11,8	1260679	12,2	92879	0,3	8,0
Tâmega	515610	5,2	551301	5,3	35691	0,1	6,9
Entre Douro e Vouga	252370	2,6	276814	2,7	24444	0,1	9,7
Douro	238695	2,4	221853	2,1	-16842	-0,3	-7,1
Alto Trás-os-Montes	235241	2,4	223259	2,2	-11982	-0,2	-5,1
Centre	1721650	17,4	1782254	17,2	60604	-0,2	3,5
Baixo Vouga	350424	3,6	385725	3,7	35301	0,2	10,1
Baixo Mondego	328858	3,3	340342	3,3	11484	0,0	3,5
Pinhal Litoral	223025	2,3	249596	2,4	26571	0,1	11,9
Pinhal Interior Norte	118513	1,2	138543	1,3	20030	0,1	16,9
Dão-Lafões	282462	2,9	286315	2,8	3853	-0,1	1,4
Pinhal Interior Sul	81015	0,8	44804	0,4	-36211	-0,4	-44,7
Serra da Estrela	54042	0,5	49896	0,5	-4146	-0,1	-7,7
Beira Interior Norte	139413	1,4	115326	1,1	-24087	-0,3	-17,3
Beira Interior Sul	50801	0,5	78127	0,8	27326	0,2	53,8
Cova da Beira	93097	0,9	93580	0,9	483	0,0	0,5
Lisbon and Tagus Valley	3296715	33,4	3468869	33,5	172154	0,1	5,2
Oeste	359430	3,6	394487	3,8	35057	0,2	9,8
Grande Lisboa	1836484	18,6	1892891	18,3	56407	-0,3	3,1
Península de Setúbal	640493	6,5	714589	6,9	74096	0,4	11,6
Médio Tejo	227339	2,3	226070	2,2	-1269	-0,1	-0,6
Lezíria do Tejo	232969	2,4	240832	2,3	7863	0,0	3,4
Alentejo	543442	5,5	535507	5,2	-7935	-0,3	-1,5
Alentejo Litoral	98519	1,0	99976	1,0	1457	0,0	1,5
Alto Alentejo	128687	1,3	127025	1,2	-1662	-0,1	-1,3
Alentejo Central	173216	1,8	173401	1,7	185	-0,1	0,1
Baixo Alentejo	143020	1,4	135105	1,3	-7915	-0,1	-5,5
Algarve	341404	3,5	395208	3,8	53804	0,4	15,8
Azores	237795	2,4	241762	2,3	3967	-0,1	1,7
Madeira	253426	2,6	245012	2,4	-8414	-0,2	-3,3

SOURCES: National Statistical Institute - *Census 91* and *Census 2001*

#### 4.1.2 Labour market conditions

The economic growth slowing down in the beginning of the 90's had as a consequence, namely, the interruption of the process of employment growth that had been verified since Portugal's adhesion to the European Community. Indeed, between 1986 and 1990, employment rose 1.6% per year and, in 1991, rose 2.8% (see Table 7). However, between 1992 and 1994 employment decreased, 1993 being the worst year (-1.9%, that is, below the EU figure: -1.4%). So, the Portuguese unemployment rate evolved from 4.2%, in 1991, to 6.9%, in 1994.

**Table 7 - Employment, productivity, labour costs and unemployment indicators for the EU and Portugal - 1975-1994**

Indicator	Unit	Territory	1976-85	1986-90	1991-94	1991	1992	1993	1994
Employment	Annual % change	Portugal	0,8	1,6	-0,1	2,8	-0,9	-1,9	-0,2
		EU (*)	0,1	1,4	-0,6	0,3	-1,2	-1,4	-0,2
Labour productivity	Annual % change	Portugal	2,2	3,8	1,2	1,6	2,0	-0,1	1,2
		EU (*)	2,1	1,8	1,9	1,4	2,4	1,0	3,0
Real unit labour cost	Annual % change	Portugal	-2,7	-1,4	0,5	5,7	1,5	-1,3	-3,5
		EU (*)	-1,2	-0,8	-0,7	0,2	0,3	-0,7	-2,4
Employment rate	% pop. 15-64	Portugal	62,4	65,4	65,6	68,0	66,3	64,6	63,4
		EU (*)	n.a.	n.a.	60,8	62,2	61,1	60,0	59,7
Unemployment rate	% active pop.	Portugal	8,9	6,3	5,3	4,2	4,3	5,6	6,9
		EU (*)	7,1	9,2	9,7	8,4	9,6	10,2	10,5

(\*) For 1991-94, EU includes the new German Länder

SOURCES: EC - *Employment in Europe 1999* and 2002; OECD - B20/20 database

The Portuguese economic growth model has been labour intensive (employment rates higher than the EU countries, see Table 7), with low rates of labour productivity and unemployment: despite the referred growth in this last variable between 1991 and 1994, it continued to show values of about half the European average. In this context, it should be mentioned the huge growth of labour productivity that was verified in Portugal between 1986 and 1990 (3.8% per year, i.e., 2 percentage points above the EU average) which, in the 1991-1994 period, became lower than the figure (1.2% per year in Portugal, 1.9% in the EU).

Between 1991 and 1994, the evolution of the Portuguese real unit labour cost was also worrying: +0.5% per year – whereas, in the UE, that cost showed a regressive trend (-0.7% per year, see Table 7).

**Table 8 – Employment, productivity, labour costs and unemployment indicators for the EU and Portugal - 1994-1999**

Indicator	Unit	Territory	1994-1999	1994	1995	1996	1997	1998	1999
Employment	Annual % change	Portugal	0,9	-0,2	-0,7	0,5	1,7	2,7	1,7
		EU	0,9	-0,2	0,6	0,6	0,8	1,6	1,8
Labour productivity	Annual % change	Portugal	2,5	1,2	5,0	3,0	2,2	1,8	1,8
		EU	1,6	3,0	1,8	1,0	1,7	1,3	0,9
Real unit labour cost	Annual % change	Portugal	n.d.	-3,5	-1,3	n.d.	-0,5	-1,4	-0,6
		EU	-1,0	-2,4	-1,1	-0,7	-0,9	-1,0	0,2
Employment rate	% pop. 15-64	Portugal	64,5	63,4	62,6	62,8	64,0	66,6	67,4
		EU	60,6	59,7	59,9	60,1	60,5	61,2	62,3
Unemployment rate	% active pop.	Portugal	6,3	6,9	7,3	7,3	6,8	5,1	4,5
		EU	9,9	10,5	10,2	10,3	10,1	9,5	8,7

SOURCE: EC - *Employment in Europe 2002*

Nevertheless, during the 1994-1999 period the overall employment creation in Portugal was about 261 thousand jobs that represents an average annual growth rate of 0.9% (EU: idem). The average annual growth rate of labour productivity was 2.5% during the same period. This figure is better than that of EU (see Table 8, p. 35), validating the more favourable evolution of the Portuguese labour market (and economy) during the 1994-1999 period.

#### 4.1.3 Education and training

In 1994, only 20% of the population aged between 25 to 64 years had attained at least an upper secondary level of education (ISCED 3-7) (EU-15: 54%). Furthermore, only 24.2% of upper

secondary education (ISCED 3) students chose a technological or vocational course (this rate was 5.7% for Vocational Education students). Thus, the percentage of the wage and salaried workers with at least upper secondary education was only 16.7%. The superior and medium boards (senior staff and executives) team leaders and other highly skilled professionals represented only 13.3% of wage and salaried workers.

**Table 9 – Education and training indicators for Portugal – 1994-1999**

Indicator	Unit	1994	1996	1999
"Attendance rate" - Primary level of education (ISCED 1)	% (a) (e)	124,3	124,2	123,1
"Attendance rate" - Lower secondary level of education (ISCED 2)	% (b) (e)	116,9	115,0	115,1
"Attendance rate" - Upper secondary level of education (ISCED 3)	% (c) (e)	94,5	98,2	97,6
"Attendance rate" - Technological and Vocational Education (ISCED 3)	% (c) (e)	22,8	24,5	23,8
"Attendance rate" - Tertiary level of education (ISCED 5, 6, 7)	% (d) (e)	26,0	29,9	34,0
Students - Recursive Education (ISCED 1, 2, 3)	% (f) (h)	3,6	5,1	6,1
Students - Technological and Vocational Education (ISCED 3)	% (g) (h)	24,2	24,9	24,4
Students - Vocational Education (ISCED 3)	% (g) (h)	5,7	5,8	7,2
Trainees (total)	Number	149598	184645	353840
Female trainees	Number	67431	96782	194635
Young trainees	Number	44221	76822	116535
Unemployed trainees	Number	61551	75007	71313
Long term unemployed (LTU) trainees	Number	53647	66220	19624
Employed trainees	Number	64277	83821	210502
Civil Servants trained	Number	18659	32679	57896
Population with at least upper secondary education (25-64 year-olds)	% (i)	20,1	-	21,3
Wage and salaried workers with at least upper secondary education	% (j)	16,7	19,7	24,1
Sup./medium boards, team leaders and other highly skilled professionals	% (j)	13,3	16,3	17,2

NOTES:

- (a) - Students in primary education for 100 children aged between 6 and 11 year-olds
- (b) - Students in lower secondary education for 100 young people between 12 and 14 year-olds
- (c) - Students in upper secondary education for 100 young people between 15 and 17 year-olds
- (d) - Students in tertiary education for 100 young people between 18 and 24 year-olds
- (e) - 1999: rate for Continent computed with prevision of children/young people for 1998
- (f) - % Students in primary or secondary education (ISCED 1, 2, 3)
- (g) - % Students in upper secondary education (ISCED 3)
- (h) - 1999: data for Continent
- (i) - 1994: data for 1995
- (j) - % wage and salaried workers. Data for Continent

SOURCES: *Portugal - Regional Development Plan 2000-2006*; PRODEP II - *Final Execution Report*; PESSOA Programme - *Final Execution Report*; PROFAP - *Final Execution Report*; Ministry of Education - Department of Avaliation and Planning; Ministry of Social Security and Labour - Department of Statistics

Those severe under qualification problems are structural features of the Portuguese workforce. And it should have been overcome in an environment where technological change was in fast development and globalisation presented new challenges to Portuguese companies.

Firm competitiveness has been demanding from human resources basic skills, namely in IT. In 1994, the Education System did not provide a positive answer to these kinds of skill needs.

Furthermore, among the Portuguese Public Administration and its pairs in the EU remained important productivity and quality lags that had to be tackled in the short term.

A progressive qualification of the Portuguese human resources was noticed during the 1994-1999 period. In particular (see Table 9):

- The population (25-64 year-olds) with at least upper secondary education rose from 20.1% (1995) to 21.3% (1999);
- The percentage of wage and salaried workers that attained at least upper secondary education climbed from 16.7% (1994) to 24.1% (1999);
- The percentage of wage and salaried workers such as senior staff, executives, team leaders or other highly skilled professionals rose from 13.3% (1994) to 17.2% (1999).

CIDEC considers that these positive trends should be related with the rise of the “attendance rates” regarding the upper secondary level of education (in particular, the Technological and Vocational Education) and the tertiary level of education (higher education). Furthermore, it could be related with the great effort that was made in the vocational training field between 1994 and 1999. In fact, the data presented in Table 9 reveals that:

- The percentage of students in upper secondary education to 100 young people aged 15-17 years old (“attendance rate”) rose from 94.5% (1994) to 97.6% (1999);
- The percentage of students in Technological and Vocational Education to 100 young people aged 15-17 years old (“attendance rate”) rose from 22.8% (1994) to 23.8% (1999) and the importance of Vocational Education in terms of the overall students in upper secondary education rose from 5.7% to 7.2% (in the same period);
- The importance of Recursive Education (the second chance to those who had prematurely abandoned the Education System) in terms of the total number of students in primary or secondary education evolved from 3.6% (1994) to 6.1% (1999);
- The percentage of students in tertiary education to 100 young people aged 18-24 years old (“attendance rate”) evolved from 26% (1994) to 34% (1999);
- The number of trainees (total) evolved from (approximately) 150 thousand (1994) to 354 thousand (1999);
- The number of young trainees evolved from 44 thousand to 117 thousand (in the same period);
- The number of unemployed trainees evolved from 62 thousand to 71 thousand;
- The number of employed trainees evolved from 64 thousand to 211 thousand;
- The number of Civil Servants trained evolved from 19 thousand to 58 thousand.

#### **4.1.4 Research and Development**

In 1992, some R&D indicators were fairly poor, in particular, the gross domestic expenditure on R&D (GERD) as a percentage of GDP (0.63%), the firms contribution to GERD (22%) or the number of researchers (equivalent to full-time) to 1000 working people (2‰)<sup>13</sup>. Also, the annual growth rate of new doctorates (PhDs) was a negative value (-8.5%) in 1994.

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<sup>13</sup> Reference data for EU-15: GERD as a percentage of GDP: 1.8% (1998); firms contribution to GERD: 65% (1999); number of researchers (equivalent to full-time) per 1000 actives: 5.5‰ (1999).

**Table 10 – R&D indicators for Portugal - 1994-1999**

Indicator	Unit	1994	1996	1999
Gross domestic expenditure on R&D (GERD) as a % of GDP at current prices	% (*)	0,63	0,57	0,77
GERD by sector - Firms	% (*)	22	21	23
GERD by sector - Government	% (*)	22	27	28
GERD by sector - Tertiary education	% (*)	43	37	39
GERD by sector - Private non-profit associations	% (*)	13	15	11
Number of researchers (equivalent to full-time) per 1000 actives	‰ (*)	2,0	2,4	3,1
New PhDs - Annual growth rate	%	-8,5	7,6	3,7

(\*) 1994: data for 1992. 1996: data for 1995

SOURCES: Portugal - Regional Development Plan 2000-2006; PRAXIS XXI - Final Execution Report (ESF); S&T Observatory; OECD

The trends indicated in Table 10 suggest an overall positive evolution between 1994 and 1999 in these R&D indicators:

- The gross domestic expenditure on R&D (GERD) as a percentage of GDP (current prices) rose to 0.77% in 1999;
- The number of researchers (equivalent full-time) to 1000 working people rose to 3,1‰;
- The annual growth rate of new PhDs rose 7.6%, in 1996, and 3.7%, in 1999.

#### 4.1.5 Transport

In 1990, the Portuguese motorway network had only 0.4 Km per 100 Km<sup>2</sup> and 3.6 Km per 100 thousand inhabitants. These figures were about 1/3 of the Community averages (respectively, 1.4 Km per 100 Km<sup>2</sup> and 10.2 Km per 100 thousand inhabitants) and only Ireland and Greece had less favourable motorway densities.

The Portuguese railway network had a short extension. In 1990, it had 3126 Km, that is, 3.5 Km per 100 Km<sup>2</sup> or 32 Km per 100 thousand inhabitants (Community averages: 5.7 and 40, respectively). The combination of these two indicators reveals that the Portuguese railway network was about 70% of the Community average. However, only 14% of that network had two ways (EC-12 average: 43%) and only 14% was electrified (EC-12: 40%). Also, it did not exist any line prepared for railway traffic above 140 Km per hour (EC-12: 19%).

**Table 11 – Transport indicators for Portugal - 1994-1999**

Indicator	Unit	1994	1996	1999
Motorway density (length per 100 Km <sup>2</sup> )	Km/100 Km <sup>2</sup> (*)	0,6	0,8	1,2
Motorway density (length per 100000 inhabitants)	Km/100000 (*)	5,9	7,2	10,9
% of motorways in road system	%	6,1	7,3	12,0
Railway density (length per 100 Km <sup>2</sup> )	Km/100 Km <sup>2</sup>	3,3	3,3	3,1
Railway density (length per 100000 inhabitants)	Km/100000	31,0	30,9	28,1
Railway with two or more ways	% (**)	14,9	15,3	17,7
Railway electrified	% (**)	17,0	20,0	32,0
Passengers carried on railways	1000	201356	177094	167535
Average passenger journey on railways	Km	25,6	25,4	26,1
Goods carried on railways	1000 tons.	7961	9064	10718
Passengers carried on the underground railway of Lisbon (Metro)	1000	136206	128039	108121
Utilization rate of passengers transported by bus in Lisbon	%	32	31	27

(\*) 1999: data for Continent

(\*\*) 1994: data for 1995

SOURCE: National Statistical Institute (INE)

Between 1994 and 1999, the motorway densities evolved in a notorious way: from 0.6 to 1.2 Km per 100 Km<sup>2</sup> and from 5.9 to 10.9 Km per 100 thousand inhabitants. Also, the percentage of motorways in the road system rose from 6.1% in 1994 to 12% in 1999 (see Table 11).

Between 1994 and 1999, the evolution of the railway densities was less evident: from 3.3 to 3.1 Km per 100 Km<sup>2</sup> and from 31 to 28.1 Km per 100 thousand inhabitants. However, the railways with two or more ways and the electrified railways became more common (respectively, 17.7% and 32% of the global railway network; see Table 11).

Unfortunately, the number of passengers carried on railways and underground railways (Metro of Lisbon) decreased between 1994 and 1999 (see Table 11). CIDEC considers that this phenomenon is explained not only by supply considerations – in particular, the lack of articulation of the housing and the transport policies – but also by demand considerations – related with the growth of the disposable personal income and with the development of lifestyles that privileges the use of the motorcar.

#### 4.1.6 SME performance

In 1994, about 97% of the companies located in Portugal employed less than 50 people and 81% had less than 10 employees. Companies with less than 50 employees concentrated more than half of the overall employment (50.3%)<sup>14</sup> and:

- about 40% of employment in industry;
- about 72% of employment in commerce;
- about 72% of employment in tourism (restaurants and hotels);
- about 40% of employment in the other services.

<sup>14</sup> The companies with less than 10 employees concentrated 23% of the overall employment.

The main problems of the Portuguese economic fabric were essentially the problems of the small and very small companies.

In the early 90s, manufacturing was losing competitiveness in international markets, despite its productivity had increased 3.4% per year throughout the 80s. This loss of competitiveness was due to: (1) the areas of manufacturing specialisation – technological mature, labour-intensive and low added-value industries such as textiles, clothing and footwear – and (2) the low incidence of “dynamic competitive factors (as continuous training, R&D, innovation, quality, design and marketing) among companies.

At the same time, tourism and small commerce excepted, the services were clearly under-represented in the Portuguese productive structure and suffered from similar problems to those of manufacturing, namely at the level of quality. Furthermore, tourism was the only service with exportation capacity.

The SME fabric evolution between 1994 and 1999 was essentially qualitative, as it will be explained in Section 4.4.6.

#### ***4.1.7 Agriculture and rural development***

In 1994, agriculture was still a very important activity in the economic (and social) perspective, representing about 12% of employment and 5% of the Gross Added-Value. Agriculture was the basis of the economy in vast areas of the country, which presented a strong rural character and a tendency to loose population.

The agrarian structure (farms, generally, of a very small size), aged farmers, the low levels of vocational training, the absence of adequate commercialisation circuits as well as the almost non-existence of support services and infrastructures to the farmers and of the transformation of agricultural products were the main structural weaknesses. Furthermore, these weaknesses were unlikely to be suppressed in a mid-term.

In summary, Portuguese agriculture was not very competitive. It was unattractive to investment and initiatives looking for its modernisation and it did not induce young people to become farmers.

Nowadays, the overall situation of this sector is not very different in spite of the slight changes that have been observed since 1994 (set-up of young and more dynamic farmers and farmer organisations development). In particular, agriculture still represents 12% of employment.

#### ***4.1.8 Fisheries***

In 1994, the fisheries contribution to the Portuguese GDP (about 2%) was relatively important in the EU context. At the same time, Portugal had the highest incidence of fishermen per inhabitant as well as the highest consumption of fishery products per inhabitant among EU countries.

An aged fleet and the existing shortages in terms of facilities for aquaculture production and transformation of the catch explained the reduced competitiveness of this sector facing a more and more free and competitive markets.

The decrease of fishermen (from about 33 thousand, in 1994, to 27 thousand, in 1999), the reduction of the number of fishing vessels (from 9609 to 8556, in the same period), the modernisation of the fleet and fishing facilities (ports) or the development of the industry and commerce activities, directly related with fisheries, were the most visible evolutions observed since 1994.

It should be mentioned that in many coastal areas there are still very few employment alternatives for the people working in fishery and fish transformation and commercialisation activities.

## 4.2 CSF 1994-1999 – Planned and implemented

### 4.2.1 Main aspects of planned strategy

#### Main development problems

The Community Support Framework (CSF) 1994-1999 for Portugal resulted from an intense preparation that involved the elaboration of three sequential documents: *Social and Economic Analysis*, *Strategic Options* and *Regional Development Plan (RDP)*.

The first of these documents identified a set of *main development problems*, that resumes, in some way, the aspects referred in Section 4.1:

- ✓ The exiguity and the excessively specialised character of the national market;
- ✓ The low levels of education attained by Portuguese population and the under qualification of workforce;
- ✓ The fragility of the entrepreneurial fabric;
- ✓ The insufficiency of infrastructures and facilities;
- ✓ The peripheral situation in the European context;
- ✓ Natural conditions and high factor cost reinforced the structural weakness of Portuguese agriculture and cattle raising reducing its competitiveness;
- ✓ Imbalances of the urban network and weaknesses of the fabric of average cities;
- ✓ Important asymmetries of development; misuse of the endogenous development potential of some regions.

The main strong aspects pointed out were the following:

- ✓ Valuation of the natural resources and availability of space at competitive prices;
- ✓ Geographic strategic position in an Atlantic intercontinental perspective;
- ✓ Connection of the Iberian economies.

#### Strategic options and objectives

In what concerns the identification of the weaknesses and strengths of development, the following *strategic options* were assumed in order “To Prepare Portugal for the XXI Century”:

- **To Prepare Portugal for the new European context**, by promoting a sustained growth in order to contribute for Europe's defence, the national identity affirmation and in the enhancement of the value of Portugal as the link of Europe's relationship with the World;
- **To Prepare Portugal for the competition of a global economy**, qualifying the human resources, creating infrastructures and networks for the internationalisation and modernisation of the economy, improving the competitiveness of business, reducing the regional asymmetries of development;
- **To Prepare Portugal for a way of life with more quality**, improving the environment in the perspective of sustainable economic development, promoting the quality of urban life, improving the conditions of health and of social protection, modernising the Public Administration.

Regarding these strategic options, the Regional Development Plan 1994-1999 and the associated CSF maintained the two *strategic objectives* of RDP/CSF 1989-1993:

1. **The real convergence between Portuguese and European economies;**
2. **The promotion of the internal economic and social cohesion.**

In what concerns the first strategic aim, it was expected a 6% convergence of the Portuguese GDP per head with the Community figure. Also, it was expected that half of this would be induced directly by the Structural Funds. At the level of the internal economic and social cohesion, a reduction of the regional disparities of 14% was predicted.

The creation of about 100 thousand new jobs was also targeted as a direct impact of the CSF execution.

#### 4.2.2 Main planned components and planned expenditure

The Initial Decision of CSF 1994-1999<sup>15</sup> predicted an overall expenditure of 26678.194 MECUs, co-financed by the Structural Funds and the FIGF in 13980 MECUs, that is, 52.4% of overall expenditure<sup>16</sup> (see Table 12).

**Table 12 – CSF 1994-1999 - Planned expenditure (1994-1999)**

Unit: 1000 EUROS

Year	Overall Expenditure	Community Finance					National Administration	Private
		TOTAL	ERDF	ESF	EAGGF	FIFG		
1994 (*)	26678194	13980000	8723940	3148660	1894200	213200	6056549	6641645
1994 (1999 prices) (*)	29071228	15234006	9506477	3431095	2064110	232324	6599821	7237401
1999 (**)	26295616	14511516	8933958	3227410	1979387	213145	6344607	5439493

(\*) Initial Decision of the overall CSF (C(94) 376 of 25/02/1994); (\*\*) Final Decision of the overall CSF (C(1999) 1617 of 06/07/1999)

<sup>15</sup> Decision C(94) 376, 25<sup>th</sup> November.

<sup>16</sup> An indicative expenditure of 2601 MECUs financed by the Cohesion Fund was also planned.

This planned Community expenditure was distributed by the different funds as follow:

- ✓ ERDF – 62.4%;
- ✓ ESF – 22.5%;
- ✓ EAGGF – 13.5%;
- ✓ FIG – 1.5%.

The National Administration expenditure was set in 6056.549 MECUs (22.7% planned overall expenditure) and private investment in 6641.645 MECUs (24.9%). The two strategic objectives (mentioned in the previous section) were made operational into **four priorities**:

1. Qualification of human resources and employment;
2. Reinforcement of competitive factors of the economy;
3. Promotion of life quality and social cohesion;
4. Strengthening of the regional economic basis.

The first priority – **Qualification of human resources and employment** – had as main aims:

- ✓ Improvement of schools network, education quality and its articulation with the economic fabric;
- ✓ Development of the scientific system and support to innovation;
- ✓ Development of an initial vocational training system, complementary to the education system, and continuous training system;
- ✓ Employment's adaptation to the evolution of economy and promotion of activities that create employment.

The planned overall expenditure was 4160.284 MECUs, that is, 15.6% of CSF planned overall expenditure. This expenditure, which was co-financed by the ERDF (918 MECUs) and by the ESF (2141.56 MECUs), was split by two operational programmes (OP) (see Table 13):

- ◆ Basis of knowledge and innovation OP (2256.969 MECUs);
- ◆ Vocational training and employment OP (1903.315 MECUs).

The second CSF priority – **Reinforcement of competitive factors of the economy** – had as main aims:

- ✓ Reinforcement of the competitiveness and attractiveness of Portuguese economy to international investors;
- ✓ Reinforcement of the dynamics of the entrepreneurs;
- ✓ Improvement of the workforce qualification level.

The planned overall expenditure was 15592.438 MECUs, that is, 58.4% of CSF planned overall expenditure. This expenditure, which was co-financed by the three Structural funds – ERDF (4073.2 MECUs), ESF (414 MECUs) and EAGGF (1637 MECUs) – and also by FIG (182 MECUs), was split by two OPs (see Table 13):

- ◆ Development support infrastructures OP (3913.639 MECUs);
- ◆ Economic fabric modernisation OP (11678.799 MECUs).

**Table 13 – CSF: Overall expenditure by priority and operational programme (1994 – 1999)**

Unit: 1000 EUROS

Priority (P) / Operational Programme (OP)		Overall Expenditure	Community Finance					National Administration	Private Sector
			TOTAL	ERDF	ESF	EAGGF	FIFG		
P1 - Qualification of human resources and employment	Planned	4160284	3059560	918000	2141560	0	0	1019849	80875
	Revised	4301634	3154150	925808	2228342	0	0	1072880	74604
Bases of Knowledge and Innovation OP	Planned	2256969	1675000	831000	844000	0	0	558329	23640
	Revised	2343960	1713033	841160	871873	0	0	592156	38771
Vocational Training and Employment OP	Planned	1903315	1384560	87000	1297560	0	0	461520	57235
	Revised	1957674	1441117	84648	1356469	0	0	480724	35833
P2 - Reinforcement of competitive factors of economy	Planned	15592438	6306200	4073200	414000	1637000	182000	3275392	6010846
	Revised	14509024	6425756	4142294	386862	1714600	182000	3381418	4701850
Development support infrastructures OP	Planned	3913639	1987000	1987000	0	0	0	1793739	132900
	Revised	3997940	2027524	2027524	0	0	0	1828615	141801
Economic fabric modernisation OP	Planned	11678799	4319200	2086200	414000	1637000	182000	1481653	5877946
	Revised	10511084	4398232	2114770	386862	1714600	182000	1552803	4560049
P3 - Promotion of life quality and social cohesion	Planned	1773716	1264000	936000	328000	0	0	509716	0
	Revised	1897190	1275400	947400	328000	0	0	486468	135322
Environment and urban renewal OP	Planned	833719	559000	559000	0	0	0	274719	0
	Revised	939736	559000	559000	0	0	0	247666	133070
Health and social integration OP	Planned	939997	705000	377000	328000	0	0	234997	0
	Revised	957454	716400	388400	328000	0	0	238802	2252
P4 - Strengthening of the regional economic base	Planned	4877167	3144300	2661800	194100	257200	31200	1182943	549924
	Revised	5208081	3371452	2835646	239874	264787	31145	1308912	527717
Promotion of the regional development potential OP	Planned	1231839	595000	405000	81000	109000	0	230977	405862
	Revised	941897	404641	286867	93774	24000	0	134812	402444
North OP	Planned	721081	537000	537000	0	0	0	179100	4981
	Revised	774694	559706	559706	0	0	0	214988	0
Centre OP	Planned	490506	362000	362000	0	0	0	120665	7841
	Revised	512808	380300	380300	0	0	0	132508	0
Lisbon and Tagus Valley OP	Planned	517150	382000	382000	0	0	0	132650	2500
	Revised	547496	397875	397875	0	0	0	147975	1646
Alentejo OP	Planned	250578	182000	182000	0	0	0	66110	2468
	Revised	264517	193555	193555	0	0	0	70962	0
Algarve OP	Planned	101900	76000	76000	0	0	0	25700	200
	Revised	130137	88664	88664	0	0	0	41473	0
Multifund OP for the Autonomous Region of Azores	Planned	857576	616000	436000	62000	97000	21000	162972	78604
	Revised	935879	700778	490746	69500	119587	20945	169246	65855
Multifund OP for the Autonomous Region of Madeira	Planned	665173	369300	256800	51100	51200	10200	248405	47468
	Revised	690576	417800	284800	71600	51200	10200	229179	43597
Local Government Investment Support	Planned	41364	25000	25000	0	0	0	16364	0
	Revised	33335	25000	25000	0	0	0	8335	0
Special Programme for Integrated Development of Alqueva Region	Planned	0	0	0	0	0	0	0	0
	Revised	376742	203133	128133	5000	70000	0	159434	14175
Technical assistance	Planned	274589	205940	134940	71000	0	0	68649	0
	Revised	169532	127142	82810	44332	0	0	42390	0
Technical assistance	Planned	274589	205940	134940	71000	0	0	68649	0
	Revised	108373	81272	38940	42332	0	0	27101	0
Statistical information system infrastructures OP	Planned	0	0	0	0	0	0	0	0
	Revised	50493	37870	37870	0	0	0	12623	0
Studies	Planned	0	0	0	0	0	0	0	0
	Revised	10666	8000	6000	2000	0	0	2666	0
Reserve	Planned	0	0	0	0	0	0	0	0
	Revised	210155	157616	0	0	0	0	52539	0
TOTAL	Planned	26678194	13980000	8723940	3148660	1894200	213200	6056549	6641645
	Revised	26295616	14511516	8933958	3227410	1979387	213145	6344607	5439493

Note: Planned - Initial Decision of the overall CSF at 1994 prices (C(94) 376 of 25/02/1994); Revised - Final Decision of the overall CSF at 1999 prices (C(1999) 1617 of 06/07/1999)

The third priority – *Promotion of life quality and social cohesion* – had as main aims:

- ✓ Environment protection and improvement of urban environment;
- ✓ Improvement both of healthcare services and action against economic and social exclusion.

The planned overall expenditure was 1773.716 MECUs, that is, 6.6% of CSF planned overall expenditure. This expenditure, which was co-financed by the ERDF (936 MECUs) and by the ESF (328 MECUs), was also split by two OPs (see Table 13):

- ◆ Environment and urban renewal OP (833.719 MECUs);
- ◆ Health and social integration OP (939.997 MECUs).

Complementing these sectoral interventions, the CSF 1994-1999 had a group of OPs specifically related to the fourth CSF priority – *Strengthening of the regional economic basis* – that had as general aims:

- ✓ To reinforce the regional economic basis through the realisation of support infrastructures for the economic sector (transport and facilities), and support of business structures and regional economic agents;
- ✓ To contribute to the settlement of population in less developed regions in order to avoid the absence of population in the interior areas and to contribute to the resolution of excessive demographic concentration in Lisbon and Oporto;
- ✓ To improve life conditions of the concerned populations, particularly regarding environment.

Those reinforcement specific interventions to the regional economic basis were distributed as follow:

- ◆ Two multifund OPs with very specific features, regarding the two ultra-peripheral Portuguese regions: Azores and Madeira Islands (with an overall cost of, respectively, 857.576 MECUs and 665.173 MECUs);
- ◆ Five OPs, within the scope of the NUTS II regions of the Mainland Portugal (North, Centre, Lisbon and Tagus Valley, Alentejo and Algarve), that supported, essentially, investments of a municipal and supra-municipal scope, namely in the areas of environment, transport and socio-economic facilities (2081.215 MECUs);
- ◆ A specific programme to Local Government Investment Support (41.364 MECUs);
- ◆ A multifund programme of innovative nature and complementary to the interventions referred to above – because it was focused on supporting small investments of a local scope – called the Promotion of the Regional Development Potential Operational Programme – PPDR (1231.839 MECUs).

A financial allocation for *Technical Assistance* was also predicted, an amount of 274.589 MECUs co-financed by the ERDF (134.940 MECUs) and by the ESF (71 MECUs).

The profile of the planned overall expenditure per year revealed a great balance, with the investment progressive increase during the programming period (1994-1999) (see Table 14).

**Table 14 – CSF: Planned overall expenditure by year (Initial Decision of CSF at 1994 prices)**

Unit: 1000 EUROS

Year	Overall Expenditure	Community Finance					National Administration	Private Sector
		TOTAL	ERDF	ESF	EAGGF	FIFG		
1994	3771687	1918000	1205692	426165	258061	28082	897904	955783
1995	4170871	2075000	1319200	444774	281541	29485	932779	1163092
1996	4192358	2224000	1406118	488779	296832	32271	982877	985481
1997	4385657	2379000	1480141	539940	323229	35690	1033382	973275
1998	4887443	2586000	1600716	587811	355129	42344	1069780	1231663
1999	5270178	2798000	1712073	661191	379408	45328	1139827	1332351
<b>TOTAL</b>	<b>26678194</b>	<b>13980000</b>	<b>8723940</b>	<b>3148660</b>	<b>1894200</b>	<b>213200</b>	<b>6056549</b>	<b>6641645</b>

#### 4.2.3 Revised and actual expenditures

Despite the 1995 government change, the CSF strategy was maintained almost without changes during the programming period (1994-1999). In fact, only a few adjustments were made in the initial policy-mix (see Table 15):

- The *Qualification of human resources and employment* evolved from 15.6% of the initially planned expenditure to 17.1% of the revised planned expenditure (17.9% of the actual expenditure);
- The *Reinforcement of competitive factors of economy* evolved from 58.4% of the planned expenditure to 53.1% of the revised expenditure (54.7% of the actual expenditure);
- The *Promotion of life quality and social cohesion* evolved from 6.6% to 7.7% (7.9%);
- The *Strengthening of the regional economic basis* evolved from 18.3% to 20.7% (19.5%).

Also the Technical Assistance measure evolved from 1% of the planned expenditure to 0.7% only of the revised expenditure (0.6% of the actual expenditure).

**Table 15 – CSF: Structure of the overall expenditure by priority and OP (1994–1999) (%)**

Priority (P) / Operational Programme (OP)		Overall Expenditure	Community Finance
P1 - Qualification of human resources and employment	Planned	15,6	21,9
	Revised	17,1	22,5
	Actual	17,9	22,9
Bases of Knowledge and Innovation OP	Planned	8,5	12,0
	Revised	9,3	12,2
	Actual	10,0	12,7
Vocational Training and Employment OP	Planned	7,1	9,9
	Revised	7,8	10,3
	Actual	7,9	10,2
P2 - Reinforcement of competitive factors of economy	Planned	58,4	45,1
	Revised	53,1	45,8
	Actual	54,7	42,9
Development support infrastructures OP	Planned	14,7	14,2
	Revised	15,9	14,5
	Actual	16,9	14,8
Economic fabric modernisation OP	Planned	43,8	30,9
	Revised	41,8	31,4
	Actual	37,8	28,1
P3 - Promotion of life quality and social cohesion	Planned	6,6	9,0
	Revised	7,5	9,1
	Actual	7,9	9,5
Environment and urban renewal OP	Planned	3,1	4,0
	Revised	3,7	4,0
	Actual	3,7	4,0
Health and social integration OP	Planned	3,5	5,0
	Revised	3,8	5,1
	Actual	4,2	5,5
P4 - Strengthening of the regional economic base	Planned	18,3	22,5
	Revised	20,7	24,0
	Actual	19,5	24,7
Promotion of the regional development potential OP	Planned	4,6	4,3
	Revised	3,7	2,9
	Actual	2,3	2,9
North OP	Planned	2,7	3,8
	Revised	3,1	4,0
	Actual	3,3	4,2
Centre OP	Planned	1,8	2,6
	Revised	2,0	2,7
	Actual	2,2	2,8
Lisbon and Tagus Valley OP	Planned	1,9	2,7
	Revised	2,2	2,8
	Actual	2,3	2,9
Alentejo OP	Planned	0,9	1,3
	Revised	1,1	1,4
	Actual	1,2	1,5
Algarve OP	Planned	0,4	0,5
	Revised	0,5	0,6
	Actual	0,6	0,7
Multifund OP for the Autonomous Region of Azores	Planned	3,2	4,4
	Revised	3,7	5,0
	Actual	3,6	5,0
Multifund OP for the Autonomous Region of Madeira	Planned	2,5	2,6
	Revised	2,7	3,0
	Actual	2,5	3,0
Local Government Investment Support	Planned	0,2	0,2
	Revised	0,1	0,2
	Actual	-	-
Special Programme for Integrated Development of Alqueva Region	Planned	0,0	0,0
	Revised	1,5	1,4
	Actual	0,9	0,9
Technical assistance	Planned	1,0	1,5
	Revised	0,7	0,9
	Actual	0,6	0,8
Technical assistance	Planned	1,0	1,5
	Revised	0,5	0,6
	Actual	0,4	0,5
Statistical information system infrastructures OP	Planned	0,0	0,0
	Revised	0,2	0,3
	Actual	0,3	0,3
Reserve	Planned	0,0	0,0
	Revised	0,8	1,1

Note: Planned - Initial Decision of the overall CSF at 1994 prices (C(94) 376 of 25/02/1994); Revised - Final Decision of the overall CSF at 1999 prices (C(1999) 1617 of 06/07/1999); Actual - Executed according the OPs Final Executions Reports or DGDR data

During the programming period, the few significant changes registered within the CSF were essentially the following:

- ◆ Within the scope of the Technical Assistance, the Statistical information system infrastructures OP – PRINEST was created in 1994 (revised overall expenditure of EUR 50.493 million, at 1999 prices), co-financed by the ERDF;
- ◆ In 1997, the measures concerning the Multi-Purpose Enterprise of the Alqueva (and the sums referring to the respective technical assistance) were taken from the Sub-programme 3 of the PPDR, and became an autonomous multifund programme: Special Programme for Integrated Development of Alqueva Region – PEDIZA (revised overall expenditure of EUR 376.742 million, at 1999 prices); this new OP was co-financed by the three Structural Funds: ERDF (EUR 128.133 million), ESF (EUR 5 million) and EAGGF (EUR 70 million).
- ◆ The private sector contribution to the Economic Fabric Modernisation OP evolved from 5877.946 MECUs (at 1994 prices) to EUR 4560.049 million (at 1999 prices).

The actual overall CSF expenditure was EUR 24385.879 million. The next two tables present this actual expenditure per year and per priority, respectively<sup>17</sup>:

**Table 16 – CSF: Actual expenditure per year (1994 – 1999)**

Unit: 1000 EUROS

Year	Overall Expenditure	Public Expenditure							Private Sector
		Total Public Expenditure	Community Finance				National Administration		
			Total	ERDF	ESF	EAGGF		FIFG	
1994	2077092	1714981	1201783	734736	140638	150497	0	513188	362106
1995	3080720	2789131	1937678	1251117	451607	234952	0	851438	287413
1996	3803215	3190867	2240302	1506311	464013	269975	0	950555	612340
1997	4994218	3601214	2452526	1617632	524340	310550	0	1148138	1393075
1998	4002496	3514251	2419825	1434868	666579	318373	0	1094413	488239
1999	6421852	5152295	3583719	2269257	801846	512607	0	1567802	1270281

NOTE: Expenditure executed according the OPs Final Executions Reports or DGDR data

<sup>17</sup> General methodological notes about the Table 16 and Table 17: (1) The 1999's actual expenditures included the values both for 2000 and 2001; (2) For the North OP, Centre OP, Lisbon and Tagus Valley OP, Alentejo OP, Energy OI, Transport OI, Environment OI and Urban Renewal OI, the source of the data included in those two tables was the respective Final Execution Report; (3) For the Algarve OP, Tourism and Cultural Heritage OI, Commerce and Services OI, Health OI, Social Integration OI, Vocational Training and Employment OP, Education OI, Science and Technology OI, Telecommunications OI and Technical Assistance OP, the source was the actual expenditure values registered in the Directorate General of Regional Development (DGDR) database, because there are not the respective Final Execution Report or it exists but it don't have the relevant information; (4) For Madeira OP, Azores OP, Agriculture OI, Fisheries OI, Industry OI, Special Programme for the Integrated Development of Alqueva Region – PEDIZA, Statistical Information System Infrastructure OP – PRINEST and Regional Development Potential Promotion OP – PPDR, only exists the Final Execution Report concerning to one of the Structural Funds; therefore, in those OPs/OIs, we consider the values declared in these reports jointly with the DGDR data.

**Table 17 – CSF: Actual expenditure by priority and operational programme (1994 – 1999)**

Unit: 1000 EUROS

Priorities	Overall Expenditure	Public Expenditure						National Administration	Private Sector
		Total Public Expenditure	Community Finance						
			Total	ERDF	ESF	EAGGF	FIFG		
<b>Priority 1: Development of human resources</b>	<b>4360226</b>	<b>4279954</b>	<b>3174248</b>	<b>934096</b>	<b>2240149</b>	<b>0</b>	<b>0</b>	<b>1105703</b>	<b>80268</b>
Bases of knowledge and innovation	2434995	2387374	1755505	849105	906397	0	0	631866	47617
Education	1897652	1857206	1360895	630896	729995	0	0	496308	40444
Science and technology	537337	530163	394607	218205	176398	0	0	135553	7172
Vocational training and employment	1925231	1892580	1418743	84991	1333752	0	0	473837	32651
Initial qualification and labour market insertion	704643	700135	525108	0	525108	0	0	175027	4508
Improvement of quality and level of employment	923590	897789	673356	0	673356	0	0	224433	25801
Training and management of human resources	217275	216395	162094	60810	101284	0	0	54301	880
Public administration vocational training	79723	78261	58185	24181	34004	0	0	20076	1462
<b>Priority 2: Strengthening economic competitiveness</b>	<b>13342718</b>	<b>9171298</b>	<b>5933981</b>	<b>3953804</b>	<b>357146</b>	<b>1623021</b>	<b>0</b>	<b>3236744</b>	<b>4171403</b>
Development Support Infrastructure	4127526	3910595	2048602	2048602	0	0	0	1861439	216927
Transport	2595352	2595352	1433895	1433895	0	0	0	1161453	0
Telecommunications	568174	568174	286940	286940	0	0	0	280688	0
Energy	964000	747069	327767	327767	0	0	0	419298	216927
Economic fabric modernization	9215192	5260703	3885379	1905202	357146	1623021	0	1375305	3954476
Agriculture	2931864	2260344	1698785	0	75762	1623021	0	561556	671519
Fisheries	43796	43745	32806	29378	3426	0	0	10933	47
Industry	4672366	2107650	1544125	1307898	236225	0	0	563521	2564716
Tourism and cultural heritage	958022	527365	395587	353850	41733	0	0	131775	430654
Commerce and services	609144	321599	214076	214076	0	0	0	107520	287540
<b>Priority 3: Improving the quality of life and social cohesion</b>	<b>1924867</b>	<b>1836730</b>	<b>1317162</b>	<b>969661</b>	<b>347499</b>	<b>0</b>	<b>0</b>	<b>518817</b>	<b>88867</b>
Environment and urban renovation	899148	820618	555635	555635	0	0	0	264977	78523
Environment	420719	342189	256639	256639	0	0	0	85544	78523
Urban renovation	478429	478429	298996	298996	0	0	0	179433	0
Health and social integration	1025719	1016112	761527	414026	347499	0	0	253840	10344
Health	555464	551044	413282	362472	50808	0	0	137758	4417
Social integration	470251	465064	348240	51552	296687	0	0	116077	5924
<b>Priority 4: Strengthening the regional economic base</b>	<b>4761833</b>	<b>4684741</b>	<b>3420427</b>	<b>2956362</b>	<b>280136</b>	<b>173933</b>	<b>9985</b>	<b>1264274</b>	<b>77085</b>
Regional development potential promotion	552586	530508	395807	278378	94349	23075	0	134694	22076
Local Development initiatives	97077	95792	71507	48430	0	23075	0	24281	1283
Regional and local financial incentives	367433	346641	259972	165620	94349	0	0	86666	20790
Specific actions for regional balance	88071	88071	64323	64323	0	0	0	23742	0
North	798373	798373	576158	576158	0	0	0	222214	0
Centre	538785	538785	389896	389896	0	0	0	148885	0
Lisbon and Tagus Valley	569477	569477	407187	407190	0	0	0	162285	0
Alentejo	296729	296729	213456	213456	0	0	0	83267	0
Algarve	148670	148670	99712	99712	0	0	0	48954	0
Azores	874289	845616	689280	505227	68012	106056	9985	156336	28673
Madeira	615010	588669	414652	290631	79213	44802	0	174014	26336
Overall grant in support of local government investment	-	-	-	-	-	-	-	-	-
Integrated development of Alqueva region	212441	212441	117663	113898	3765	0	0	94774	0
Statistical information system infrastructures	61776	61776	46332	46332	0	0	0	15444	0
Technical assistance	93697	93697	70284	35484	34797	0	0	23407	0
<b>Total</b>	<b>24389644</b>	<b>19972723</b>	<b>13845818</b>	<b>8813923</b>	<b>3224930</b>	<b>1796954</b>	<b>9985</b>	<b>6125538</b>	<b>4417623</b>

NOTE: Expenditure executed according the OPs Final Executions Reports or DGDR data

#### 4.2.4 Reasons for deviations from plan

The planned expenditure financed by the EU evolved from 13980 MECUs (at 1994 prices) to EUR 14511.516 million (at 1999 prices) (see Table 12). This increase of 3.8% is explained, on one hand, by the use of the deflator in 1998 and, on the other hand, by extraordinary situations: the storms that occurred on the Mainland Portugal and in the Autonomous Region of Azores in the autumn of 1997. The reconstitution of the agricultural production potential affected by those

storms motivated the attribution of EUR 16 million to the Economic fabric modernisation OP and of EUR 4 million to the Multifund OP for the Autonomous Region of Azores, in 1999<sup>18</sup>.

In general, the other changes registered within the CSF framework (referred in Section 4.2.3) were made in order to increase the feasibility of the interventions (namely, the case of PEDIZA).

In particular, the reduction of the private sector contribution to the Economic fabric modernisation OP (see Section 4.2.3) was due to an initial over-evaluation of the amounts predicted within the scope of the Agriculture Operational Intervention.

### 4.3 Assessment of geographical spread

One of the two main aims of the Regional Development Plan (RDP) 1994-1999 was the “promotion of the internal economic and social cohesion”<sup>19</sup>.

Regarding this objective, the CSF 1994-1999 gave priority to the less developed regions in what concerns the regionalisation of the majority (95.3%) of the investments co-financed by the Structural Funds – namely, Azores (overall expenditure of 4217 ECU per inhabitant), Alentejo (4210 ECU), Algarve (3665 ECU) and Madeira (3582 ECU) (Portuguese average: 2692 ECU; 1994 prices).

It should be emphasised that the Operational Programmes by sector (national scope) were the main instruments of regional policy – contrary to what happens in the current CSF 2000-2006, where this role is taken on by the Regional OPs.

### 4.4 Conclusions and remarks

#### 4.4.1 Economic and social cohesion

The overall appropriateness of CSF 1994-1999 could be inferred by its impact on the economic growth and on the social and economic cohesion.

As it was said in Section 4.1.1, the average annual growth of the Portuguese real GDP was 0.9 percentage points above the figure for the EU during the 1994-1999 period. Additionally, the CSF contribution to that change was estimated in 0.42 percentage points, that is, the CSF contributed to 46.7% of the real convergence observed ( $0.42 \div 0.9$ )<sup>20</sup>. Thus, the CSF was very important in order to restart the process of real convergence of Portugal with EU countries that had been interrupted in 1992-1994.

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<sup>18</sup> See Decision C (1999) 1671, 6th July.

<sup>19</sup> The other main objective of the RDP/CSF 1994-1999 was “the real convergence between Portuguese and European economies”; see Section 4.2.1.

<sup>20</sup> See Section 7.3 for details.

In what concerns the economic cohesion by region, the Evaluation Team considers that the CSF net effects were also crucial for the 15% reduction in GDP per capita disparities observed from 1993 to 1999. The main reason for this was the priority given for the CSF to the less developed regions, regarding the geographical spread of funds, as described in Section 4.3.

However, the social disparities among Portuguese NUTS II regions rose during the 1995-1999 period, as mentioned in Section 4.1.1. So, the CSF strategy to promote the social cohesion should have been more appropriate to deal with the structural factors that explain that trend (see Section 4.1.1. for details).

#### **4.4.2 Labour market conditions**

The DPP estimated that 1.6% of 1999's employment was directly related with the CSF execution, that is, about 77 thousand new jobs were created and maintained until 1999 (see Table 34, p. 109)<sup>21</sup>.

The DPP estimated also a 2 percentage points reduction in unemployment rate due to projects supported by CSF. Note that overall reduction observed in that rate between 1994 and 1999 was 2.4 percentage points (see Table 8).

Obviously, the good performance of the Portuguese labour market between 1994 and 1999 (as referred at Section 4.1.2) is not independent of the overall appropriateness of CSF 1994-1999 as far as concerned labour market insertion policies.

For instance, it is widely understood that the contribution of PESSOA Programme (Vocational Training and Employment OP) was decisive to the good implementation of the INSERJOVEM and REAGE Initiatives, that is, to the early detection and individual planning of insertion paths in order to comply with Guidelines 1 and 2 of the European Employment Strategy (EES), since 1998. Note that those measures have been evaluated under the *Peer Review Programme 2000* and have been considered good practice.

Another measure supported by PESSOA – the network of labour market insertion services called UNIVA – Unidades de Inserção na Vida Activa (Active Life Insertion Units) – has been very important to cover information gaps on both sides of the labour market, being complimentary and co-operative with the activities developed by the Public Employment Services (PES).

Nevertheless, until 1998, PESSOA provided financial support essentially for the activities already in development by the PES in what concerns the active employment policies such as: (1) the employment creation benefits (including the positive discrimination for long term unemployed and latter those persons benefiting from Social Labour Market and Minimum Guaranteed Revenue), (2) the support given to self employment and enterprise creation by the unemployed or (3) the support given to social relevant occupational activities for unemployed people. Thus, there was few innovation in the first format of PESSOA Programme, most of the incentives being the same as those of the previous practice.

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<sup>21</sup> Note that about 30% of the CSF employment creation was in Construction activities (non-permanent jobs) (see Section 7.3).

In fact, the Vocational Training and Employment OP was directed to the key issues on the labour market conditions. First of all, it focused on tackling high young unemployment rate and labour market insertion needs with Initial Vocational Training. Secondly, it focuses on low qualification problems of Portuguese workforce with Continuing Vocational Training measures. Finally, it addresses the unemployment problems with specific measures.

In addition to those key targeted areas, an array of measures was provided to develop vocational training market (infrastructures and training of trainers) and employment system (developing PES capabilities and complementary structures).

#### **4.4.3 Education and training**

A great integration between the Education System and the Vocational Training System has been requested by some actors in order to overcome the under qualification problems that are structural features of the Portuguese people (and workforce).

Nevertheless, at CSF 1994-1999 prevailed the sectoral policy approach and it must be considered negative point: the Education Operational Intervention – PRODEP II belonged to an OP (Bases of Knowledge and Innovation) distinct from the one referent to the main interventions in the vocational training field: PESSOA and PROFAP programmes, both from Vocational Training and Employment OP. Furthermore, some articulation of these two OPs regarding educational and training policies should have been promoted.

In spite of that policy design and practice, one of the PRODEP II's priorities was the Technological and Vocational Education (secondary level of education – ISCED 3) and the advanced training at tertiary level of education (support of students in probationary period or teachers that were students of PhD's or Master's programmes – ISCED 7). Furthermore, some continuous training of teachers and managers from schools was supported in order to improve the quality and efficiency of the Education System.

It should be emphasised that some projects supported by PRODEP II – like Recursive Education, Education-Vocational Training courses (special recursive courses that permit the attainment of a vocational training degree) or Academic and Professional Counselling – have been considered good practice.

Unfortunately, the most important vocational training (and employment) intervention of CSF 1994-1999 – PESSOA Programme (EUR 1849.579 million, that is, 7% of the overall revised expenditure of CSF, 1999 prices) – was less innovative. It is widely understood among observers that the design of the measures existing in 1.<sup>st</sup> CSF (1989-1993) took an important role in the definitions of that programme (reflecting actor's conservative and institutional needs). These were crossed with *community guidelines* and roles that lead to a less innovative programme, as it should have been, accounting for the clear and wide needs.

The most common adversatives applied to the PESSOA Programme could be defined along the following lines:

- ◆ Not able to provide new methods of delivering Vocational Training to the SME, specially the very small and small companies that are the major, the fastest growing and the segment from the Portuguese entrepreneurial fabric with more needs;
- ◆ Excessive focus on supply side factors and much less in demand characteristics and needs;

- ◆ Administrative conception of project evaluation and monitoring, making formal evaluation criteria more relevant than qualitative evaluation of training activities proposed;
- ◆ Low and difficult integration of employment and vocational training policies in other relevant policies – namely educational policy.

This led to a number of important changes in the PESSOA framework that only partially could solve its problems.

It must be emphasised in this evaluation that the key issue of shifting strategies towards a more proactive form of delivering continuous vocational training to the SME, using the French experience of “*formation-conseil*” or the idea of consulting/training was impeached by the EC on grounds of fair competition, reducing this intervention to a mere pilot project and afterwards to a minor line of the PESSOA Programme.

In fact, some interviewees have commented the resistance of the EC officials on the acceptance of consultancy-training methods as the mainstream carriers for CVT to SME as a strong set back to the envisaged national strategies. This refusal was backed by the nature of the support provided to the targeted beneficiary enterprises (training+consulting+young qualified trainees with no payment) as conflicting with fair competition regulations. It seems that Portuguese authorities dropped their intentions and accepted the CSF 1989-1993 training schemes with very few changes.

This had a major consequence in the overall appropriateness of the Vocational Training and Employment OP, since the problems of delivering continuous vocational training adequate for the SME needs is seen by the Evaluation Team as one of the major shortfalls of the Programme.

For PROFAP – Public Administration Vocational Training Programme no special questions are raised. The programme was generally adequate for the needs and had a structure that could meet Public Administration’s more demanding needs, namely in the area of the implementation of ICT as means of relation with the citizens.

It is important to note that OPs as Economic Fabric Modernisation or Health and Social Integration had as priority the (initial or continuous) vocational training of specific target groups such as farmers, fishermen, businessmen, manufacturing professionals, tourism professionals, nurses, therapists, health diagnostic technicians, directors and physicians with leadership functions, long term unemployed, Minimum Guaranteed Revenue (RMG) receivers, disadvantaged groups (children and young people in risk of social exclusion, drug users, ex-convicts and people in prison institutions and ethnic and cultural minorities) among others.

The interventions co-financed by the Structural Funds in education and training fields contributed to the progressive qualification of the Portuguese human resources, as described in Section 4.1.2.

#### **4.4.4 Research and Development**

The CSF R&D policy was pursued, essentially, through the Science and Technology OI – PRAXIS XXI from Basis of Knowledge and Innovation OP (revised expenditure of EUR 530.762 million, at 1999 prices) and by some measures of the Industry OI – PEDIP II from Economic Fabric Modernisation OP (namely, the Promotion and Consolidation of Technological Support Infrastructures measure: EUR 475.51 million).

In with concerns the initial priorities, the PRAXIS XXI was focused, in a very obvious way, in projects of advanced training of human resources (40% of the planned overall expenditure). In particular, the PRAXIS XXI supported not only students from second or further university degree (PhD's and Master's degrees), in Portugal and abroad, but also jobs in R&D activities.

Despite the strategic importance of National S&T System development, the expenditure initially allocated with that purpose only represents 15% of the initially planned cost. Instead, the reinforcement of the R&D infrastructures – namely the conclusion of equipment which construction had started within the scope of the Science OP from the 1.<sup>st</sup> CSF (1989-1993) – and the mobilisation of the S&T capacity for innovation and regional development were more privileged as initial priorities of the PRAXIS XXI.

Early (1994-95), the mix of priorities initially adopted by the PRAXIS XXI had revealed themselves not appropriate to the R&D sector needs and to delivering the OI strategic objectives, namely, to promote the development of the basis of the National S&T System. Therefore, after 1995 – with the new government which created the Ministry of S&T – PRAXIS XXI gave a major importance to National S&T System development and to its international affirmation: from 15% of planned overall expenditure, this priority evolved to 27% of the revised overall cost. The generalised access of young people to the Knowledge and Information Society was also promoted, namely through the implementation of the Knowledge, Science and Society Network and the promotion of the Live Science Programme. Since 1995 the construction of R&D infrastructures and the regional development of R&D activities were set-aside.

Unfortunately, even after 1995, the PRAXIS XXI's strategy to generating technological spin-off effects was not very appropriate to promote the modernisation and diversification of the production system. Only few (18) hi-tech R&D projects with firms were developed, the technological spin-off effects associated with these projects assumed an occasional interest and generalised impact on the productive sector was not expected in the medium and long term. As it can be verified in the document *CSF 1994-99 – Final Balance*, PRAXIS XXI ended up by focusing on “themes of a strictly scientific nature”, showing the “absence of firm actions that intend to establish more frequent and advantageous connections between the scientific community and the actors committed to the technological development, namely, companies in more intensive sectors of R&D”.

However, some R&D projects supported by PEDIP II have been considered good practice as far as concerned the impact generated in some Portuguese strategic sectors – as Automobile, Footwear and Ceramic industrial activities.

#### 4.4.5 Transport

The CSF strategy for the transport field had three levels of intervention:

- **National level**, pursued by the Transports OI from Development Support Infrastructures OP (revised cost of EUR 2577.187 million, at 1999 prices) and by the Cohesion Fund regarding the major projects;
- **Regional or municipal level**, pursued by the 7 Regional OPs (estimated revised cost of approximately EUR 1170 million in what concerns accessibility and transport projects);

- **Local/micro level (specific areas)**, pursued by the Promotion of the Regional Development Potential OP – PPDR (actual cost of its road interventions: EUR 30.118 million).

The Transports OI supported the transport and accessibility projects of national and European interest. In particular:

- ◆ The external accessibility was reinforced thanks to the conclusion of motorways which integrated the trans-European road network;
- ◆ Clear improvements in internal mobility (new roads) and gradual reductions in traffic jam in the metropolitan areas of Oporto and Lisbon have been observed;
- ◆ Important investments were made in order to reduce the train travel time and to increase the operation capacity and the effectiveness of the ports; and
- ◆ The construction of new underground stations was also supported.

The Regional OPs supported the construction and recondition of roads at municipal level and also some accessibility and transport projects with supra-municipal or regional interest – as multimodal connections.

Within this scope, it should be mentioned the special case of the Autonomous Region of Madeira. In order to reinforce the economic potential and to reduce the internal asymmetries, the strategy pursued by the POPRAM II for the period of 1994-1999 was of certain continuity in compare to the previous period (1<sup>st</sup> CSF)<sup>22</sup>. This strategy stood based in the reinforcement and provision of the basic conditions to the development of the Region, which were laid in the infrastructures of support development (namely related to accessibility and transports). It is important to emphasise that the features of the Archipelago's relief demand an extra effort of investment in what concerns internal accessibility and that its geographic position also demands an extra effort in what concerns external accessibility.

The accessibility projects supported by PPDR were very small in scope and financing. It was only a part of more integrated development interventions, which involved the overall recondition of some historic villages and rural centres. In some cases (PRODOURO, AVNA, PROCÔA e ODIANA local development initiatives) these projects complemented other investments of the Central Administration, namely supported by the Transports OI or by the Regional OPs.

Despite this high integration of the different levels of intervention and the great articulation of projects co-financed by the ERDF and by the Cohesion Fund with a national scope, the CSF strategy for the transport field seems to be more appropriate at municipal and local levels. In particular, the strategy adopted to improve the Continent's external accessibility (through trans-European networks) under-estimated the technical difficulties of some projects (as IP2).

#### **4.4.6 SME performance**

Within the scope of the CSF 1994-1999, the SME performance were promoted, essentially, by the Economic Fabric Modernisation OP – namely, by PEDIP II – and by some incentives systems of the PPDR.

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<sup>22</sup> This way guaranteeing the maximisation of the effects of the efforts of investment co-financed by the European Community.

PEDIP II was the most appropriate instrument in order to support the industry, namely the SME of this sector. This Operational Intervention knew a substantial changing in comparison with the first one (1989-1993) with this second PEDIP the support was given not only to improve the industrial capacity but also to other intangible factors. Also, it should be noted that PEDIP II overall expenditure was markedly reinforced during the programming period – its overall expenditure evolved from 4460.35 MECUs (1994 prices) to EUR 5068.285 million (1999 prices), that is, from 44.5% to 50.5% of the Economic Fabric Modernisation OP planned expenditure – in detriment of the Commerce and Services and Tourism and Cultural Heritage OIs (from the same OP).

PEDIP II was a very appropriate instrument of supporting the industrial sector and some evidences can be supplied such as the constitution of an important cluster in the automobile sector and the substantial development, at several levels, verified in some sectors (for example, in Footwear and Ceramic industries). Nevertheless, the industrial chain did not always follow these improvements, particularly in terms of the search of new markets and the consolidation of the existing ones.

Some problems pointed out during the execution of PEDIP II in the support given to Technical Centres that did not have financial and technical conditions to fulfil their mission and in the measure that support the risk capital. The promotion of a more favourable environment to technical changing and innovation in the industrial sector is one of the factors that in the future shall have more care.

In spite of these problems, in a global way the Industry OI stimulated and developed strategic competencies within Portuguese industrial businesses, namely in SME, making them more competitive by reinforcing their capacity to quickly answers to technological and market mutations as well as to promote modernisation, diversification and internationalisation.

The Sub-programme 2 of the PPDR – Regional and local financial incentives (overall revised cost of EUR 509.441 million, at 1999 prices) was composed, initially, by only one measure co-financed by the ERDF: Regional Incentives System (SIR). This system was created having as a goal the contribution to the progress of less developed regions, by trying to complement and to compensate possible less positive effects of the sectoral policies of national scope in the balanced development of the territory. For that reason and because it comprised only the regions with a global index of development inferior to the national average, it was articulated, from the beginning, with the incentive regimes of sectoral nature that covered all the national territory, namely PEDIP II (for industry), PROCOM (for commerce) and SIFIT (for tourism). Thus, the SME from less developed regions were, from the beginning, the target of the SIR.

Nevertheless, in 1995 the Regime of Incentives to Micro- Enterprises – RIME was created (co-financed by the ERDF also). It was an innovative instrument, of easy access, that was meant to stimulate the emergence of (very) small entrepreneurial initiatives (investments up to EUR 10 thousand), complementing the SIR (that was destined for investments higher than that amount). In addition, the measures of PPDR co-financed by the ESF were taken from its Sub-programme 1 and added to Sub-programme 2; this change allowed the creation of a line of support for the employment creation within the scope of projects supported by the mentioned Regime of Incentives to the Micro-Enterprises – RIME. Obviously, this is good example of interaction between measures co-financed by different Structural Funds (ERDF and ESF).

The results achieved by the PPDR's Sub-programme 2<sup>23</sup> confirm the appropriateness of the strategy adopted in order to reach the aims of that sub-programme. In fact, the supports allowed<sup>24</sup>:

- The creation of more than 40 thousand jobs, taken, mostly, by unemployed people;
- The emergence or the development of local based initiatives (essentially micro and small companies), spread through out the territory (due to the high geographic coverage, one of the PPDR's features);
- The emergence of initiatives or the development of activities already set in the disadvantaged regions;
- Birth rate increase and death rate reduction of micro-companies.

Concerning these results, the Evaluation Team considers that the CSF strategy to support the SME seems to be appropriate. As it is verified in the transport field, the appropriateness of that strategy was not independent from the policy-mix design, that is, from a correct balance between sectoral and regional/local interventions (respectively, the Economic Fabric Modernisation OP and the PPDR). In particular, the PPDR was very important for an appropriate geographical spread of the funds in what concerns the SME (transport and rural development fields of intervention), correcting the tendency of investments concentration supported by the sectoral interventions (the Economic Fabric Modernisation OP) in the most dynamic and developed areas.

#### **4.4.7 Agriculture and rural development**

The Portuguese agriculture situation was featured by traditional tendencies, extended for several decades, the preferential use of small agrarian structures and low profile in what concerns the labour skills. All these were the reasons for their resistance to change to more efficient practices.

It is too early to measure the effects of the Agriculture OI from Economic Fabric Modernisation OP (revised expenditure of EUR 3430.385 million, at 1999 prices) but, in spite of several constraints imposed by the Common Agriculture Policy, the supports given to this sector have been changing slowly the traditional situation with the emergence of young and more dynamic farmers, the development of farmer organisations, the increase of infrastructures that support farmers activity and the emergence of new products to supply agricultural industries.

Also, it should be emphasised that with the PPDR (namely, with its multifund<sup>25</sup> Sub-programme 1 – Local Development Initiatives), it was possible to contribute to the valuation of traditional productions, to the increase of the levels of income of the rural populations and to the creation of employment / maintenance of the active population and restoring of the social fabric at the rural areas of the Country that presented the greatest tendency to loose inhabitants.

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<sup>23</sup> Which included, in addition to the SIR and RIME incentives, a special line that supported small local initiatives of an entrepreneurial nature that had as a goal the creation of employment (Local Initiatives of Employment – ILE).

<sup>24</sup> See PPDR – *Final Execution Report*, DGDR, May 2002, p. 254.

<sup>25</sup> Co-financed by the ERDF and the EAGGF.

#### 4.4.8 Fisheries

The Fisheries OI from Economic Fabric Modernisation OP (revised expenditure of EUR 335.355 million, at 1999 prices) had as a priority to preserve fish stocks. The fishing ports' modernisation was the main concern, and therefore, a positive improvement was made within this scope. However, due partially, to the restrictions on the Common Fishing Policy, the structural problems weren't overcome.

In fact, the Fisheries OI gave priority to modernisation of the fishing structures (58% of its revised expenditure) – and to investments in fishing infrastructures and ports (9%). This strategy seems to be appropriate. The development of fishery products' industry and trade was another priority of that OI (28%) having a positive impact in these sectors – partially due to appropriate articulation of the Fisheries OP and the other national relevant policies that were promoted.

Only the strategy adopted for the continuous vocational training of the fishermen (and other professionals related, directly or not, with fishing) seems to be less appropriate. This was the result of the difficulties observed in mobilising the potential beneficiaries of the Professional Valorisation and Social Support Measure (of Fisheries OI). In fact, from 5.4% of the planned overall expenditure of the Fisheries OI, this measure/priority evolved only 1.4% of revised expenditure.

#### 4.4.9 Final remarks

Some horizontal remarks about the overall appropriateness of the CSF 1994-1999 should be made:

- The CSF Operational Programmes and Interventions have been, in general, the most important instruments of sectoral policy in Portugal. Nevertheless, generally, the experience of the technical and executive bodies from sectoral ministries was not considered within the scope of (initial) definition of the strategies as well as during the programming period. Thus, in some cases, the intervention strategies could have been more appropriate (the execution of the OPs/OIs less difficult) if that experience had been integrated in the policy-mix design;
- It is important to emphasise that the integration of two OI in the same OP did not improve the appropriateness of the strategies developed by each OI. The Basis of Knowledge and Innovation OP is a good example of it: the integration of the Education OI – PRODEP II with the S&T OI – PRAXIS XXI in the same OP seems to be a good strategy regarding the initial definition of the CSF policy-mix. Nevertheless, during the absorption period, it had a few positive influence on the appropriateness (and effectiveness) of each OI, in what concerns the sectoral needs (and the specific targets of each OI);
- The strategy adopted by the 5 Regional OPs of the Mainland were generally very adequate given: (1) the type of interventions supported (environment/basic sanitation, accessibility and transports, social facilities, infrastructures to support the economic activities and urban renewal); (2) the initial targets for its impact indicators; and (3) the global objective (of the CSF) of reduction of regional disparities. However, in view of the strategic objectives initially defined for each of these programmes – somewhat ambitious in view of the Programme's format (identical for all of them) and of the financial resources made available – it is harder to reach that conclusion.

That is, the Regional OPs' policy design was incoherent because it conciliate very ambitious strategic objectives – for which contributed the execution of not only these OPs but also the sectoral OPs – with limited operational objectives (identical for the five regions) and small financial allocations (as compared with the sectoral OPs);

- The articulation with the European policies (Agriculture and Fishery) is one of the most important constraints to the achievements of the Agriculture and Fisheries OIs. The decisions within the scope of the Common Agriculture Policy and Common Fishing Policy (which, necessarily, have influence on the strategies for the sectors and the ways of possible support) are made with different "timings" from the ones of the programming period, making the programmes execution harder.



## 5. EFFECTIVENESS

### 5.1 Programme output and results

The effectiveness analysis of the Portuguese Community Support Framework (CSF) 1994-1999 was based on seven case studies (see annex 4). The seven Operational Programmes – case studies - represented around 75% of the overall CSF expenditure.

In this chapter CIDEC would like to highlight some of the conclusions we have reached on the results and effects of the CSF, based on the aforementioned seven Operational Programmes. The Evaluation Team tried to compare these results with the objectives that had been established at the beginning of the CSF (most of them were qualitative objectives) in order to have some ideas on the effectiveness of the Structural Funds Programmes. As mentioned before (see chapter 2 -Introduction), and as you can see in the reports on the case-studies (see annex 4), most of these Programmes did not have quantified objectives.

They had some initial targets but sometimes the output indicators were not the same as the initial targets (for example: initial target – area to be constructed – m<sup>2</sup>; final indicator – number of industrial areas constructed), and they did not have results and impact indicators (they were not foreseen in the Information System). For these reasons, it is difficult to develop an adequate assessment of their effectiveness.

We would like to highlight that all the relevant entities, as well as the national authorities that are in charge of the management of the Portuguese CSF, have perceived this problem connected with the Information System as an important issue that need to be dealt with. For this reason in the current CSF (2000-2006), every Programme must have its output, result, and impact indicators quantified as objectives to be achieved in 2003 and 2006.

Furthermore, some of the Programmes selected as case studies to be used in the effectiveness analysis have not been given their final reports yet.<sup>26</sup> Therefore, in those cases, no final indicators are available and CIDEC used some figures provided by the entities that are in charge of the management of Structural Funds<sup>27</sup>.

In the CSF 1994-1999, each Programme Manager used his own indicators and most of the times the indicators unit differed from Programme to Programme (for example one of the programmes

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<sup>26</sup> The final reports missing are: the PRAXIS XXI – ERDF component from the Basis of Knowledge and Innovation OP, the PAMAF – EAGGF component, the PROPESCA – ERDF and FIFG components and the Tourism and Cultural Heritage – ESF component of the Economic Fabric Modernisation Programme and the POPRAM II – EAGGF, ERDF and FIFG components. Some of these reports will only be available by the end of September 2002.

<sup>27</sup> DGDR – Directorate General for Regional Development, DAFSE – ESF Department Affairs; DGP – Directorate General for Fisheries

used the number of industrial areas while another are took into consideration the number of ha of industrial areas).

Consequently, it is not possible to add up the indicators of different Programmes and to present a global table with their outputs and results. Therefore, CIDEC has opted for presenting a single table for each Programme.

**Table 18 – Results to date achieved in the Basis of Knowledge and Innovation  
OP compared to targets and by fund**

	Indicators	Outputs	% Objective	Results	Fund
Employment	<b>Jobs created or safeguarded:</b>				ESF
	- Jobs supported – R&D – total (number)	2560	213%		
	- Jobs supported – R&D – women (number)	1232	-		
	- Jobs supported – R&D – scientists from other countries (number)	244	163%		
R&D	Technological infrastructures supported (projects transferred from Science OP) (number)	104	* 151%		ERDF
	S&T parks (number)	3	* 150%		
	R&D projects supported (number)	3381	* 3381%		
	<b>R&amp;D collaboration projects:</b>				
	- Projects for the internalization of National S&T System (number)	263	* 877%		
	<b>Firms supported for R&amp;D projects:</b>				
	- Hi-tech R&D projects with firms (number)	18	* 82%		
Projects for S&T development at regional level (number)	0	* 0%			
	Seminars and other similar initiatives	6	* -		
Human Resource Development	<b>Number of beneficiaries:</b>				ESF
	- Continuous training - Teachers	325395	163%		
	- Continuous training - Schools Managers	33121	602%		
	- Technological Education (ISCED 3) - Students / year	10156	39%		
	- Vocational Education (ISCED 3) - Students / year	32521	130%		
	- Recursive Education (ISCED 1-2) - Students	31492	126%		
	- Academic and Professional Counselling - Psychologists	511	34%		
	- Education - Vocational Training courses - Schools - 1997/98	28	78%		
	- Education - Vocational Training courses - Schools - 1998/99	98	98%		
	- Education - Vocational Training courses - Students - 1997/98	382	64%		
	- Education - Vocational Training courses - Students - 1998/99	1368	68%		
	- Tertiary Education (ISCED 5 or 6) - Students in internship period	16917	94%		
	- PhD's or master's degrees (ISCED 7) - Students supported by PRODEP II	1949	89%		
	- PhD's or master's degrees (ISCED 7) - Students supported by PRAXIS XXI	6475	227%		
- PhD's or master's degrees (ISCED 7) - Students supported by PRAXIS XXI - women	3221	-			
Human Resource Development - Infrastructure	<b>Number of projects:</b>				ERDF
	- Educational infrastructure - Primary and secondary levels of education (ISCED 1-3)				
	- New schools or rehabilitation of old schools (number)	286	172%		
	- New classrooms (number)	3882	104%		
	- Laboratories equipped (number)	1878	134%		
	- Refectories equipped (number)	162	101%		
	- New sports infrastructure (number)	308	123%		
	- Health resorts in new sports infrastructure (number)	330	194%		
	- Vocational education: new schools or rehabilitation of old schools (number)	70	88%		
	- Vocational education: new classrooms (number)	881	110%		
	- Educational infrastructure - Tertiary level of education (ISCED 5-7)				
	- New schools or rehabilitation of old schools - area of construction (m2)	408461	117%		
	- New schools or rehabilitation of old schools - additional capacity (number of students)	47048	181%		
	- New facilities (doc. centres, offices, study rooms, labs) - area of construction (m2)	32230	16%		
	- New residences or rehabilitation of old ones - additional capacity (number of beds)	3136	38%		
	- New refectories or rehabilitation of old ones - additional capacity (number of seats)	3900	-		
	- New sports infrastructure (number)	20	200%		
- New swimming-pool (Jamor) (number)	1	100%			

NOTES: \* - Projects approved; [core indicators at blue](#)

SOURCES: PRODEP II - Final Execution Report; PRAXIS XXI - Final Execution Report (ESF); DGDR data

**Table 19 – Results to date achieved in the Vocational Training and Employment OP compared to targets and by fund**

Priorities	ESF		ERDF	
	Targets	Results	Targets	Results
<b>Programme totals</b>				
<b>1. Initial qualification and labour market insertion</b>				
1.1 Apprenticeship system				
	<i>Trainees</i>	38.555	95.945	
1.2 Professional initiation and initial qualification				
	<i>Trainees</i>	76.590	90.590	
1.3 Labour market insertion				
	<i>Creation of UNIVA</i>	4.042	948	
<b>2. Improvement of quality and level of the employment</b>				
2.1 Employment supports				
	<i>nº of people supported</i>	283.080	323.467	
2.2 Continuing Vocational Training				
	<i>Trainees</i>	190.787	391.525	
2.3 Unemployed Vocational Training				
	<i>Trainees</i>	45.691	74.839	
2.4 Training in the framework of sectoral negative evolutions				
	<i>Trainees</i>	17.983	8.899	
<b>3. Training and management of Human Resources</b>				
3.1 General character measures				
	<i>Trainees</i>	n.a.	28.448	
3.2 Training of trainers and other agents				
	<i>Trainers trained</i>	39.500	68.192	
3.3 Construction and improvement of infrastructures				
	<i>NACE</i>		6	5
	<i>Training Units</i>		85	51
	<i>Employment Centres</i>		23	26

**Table 20 - Results to date achieved in the Development Support Infrastructures OP compared to targets and by fund**

	Indicators	Outputs	% of Objective	Results	
<i>Transport Infrastructure networks</i>	Motorway constructed or upgraded (km)	43	102%	Increase in the global velocity of the network and a reduction of distance travel time. Better connections between the main roads	ERDF
	Others roads constructed or upgraded (km)	602	168%		
	Others rails constructed or upgraded			Reduction in the minimum travel time of about 30 minutes. Circulation of na additional regional train per day	
	Rail constructed (km)	188,7			
	Rail upgraded (km)	935,7	152%		
	Subway (new stations) n.º	23	383%		
Ports Terminal upgraded (n.º)	8				
<i>Energy Infrastructures networks</i>	Natural gas			Energy diversification, reducing the negative impact on environment as well as energy intensity in the economic	ERDF
	Gas pipeline (km)	228	(1)		
	Distribution tubes (km)	3071	154%		
	Converted consumers	130869	284%		
	Renewal energies			Better use of endogenous resource, reducing the dependency on external energy	
	Supported hydroelectric plant (Mw)	62	69%		
	Windmill power (Mw)	49	82%		
	supported biomass plant (Mw)	17	170%		
Racional use of energy			Supported projects (10 <sup>3</sup> TEP)		
Supported projects (10 <sup>3</sup> TEP)	264	128%			
<i>Telecommunications and Information Society</i>	Digital Centers (n.º)	198		Increase in the supply of services, in penetration and digitalization rates and in international and intercontinental communications	ERDF
	Network management centers (n.º)	222			
	Transmission equipment (n.º)	5			

Source: Final reports

(1) It was defined to construct 600 Km of pipeline. However this indicator should be evaluate also with REGEN and INTERREG II.

**Table 21 - Results to date achieved in the Economic Fabric Modernisation OP compared to targets and by fund**

Employment	Indicators	Outputs	% of Objective	Results
	Jobs created in commerce sector	4456	(a)	
<b>R&amp;DTI</b>	N.º of development and demonstration projects assisted	233	(a)	
<i>Agriculture</i>	N.º of RDTI projects supported	14	22%	
<i>Fisheries</i>	N.º of Technological infrastructures constructed or upgraded	5	(a)	
<b>SME</b>	N.º of studies of diagnosis and internationalisation strategy supported	29	145%	
<i>Commerce</i>	N.º of SME	17	(a)	
	N.º of annual programmes of international marketing supported	193	80%	
	N.º of SME	70	(a)	
	Internationalisation projects supported	24	80%	
	N.º of SME	8	(a)	
	Projects of institutional character	80	(a)	
	Information systems (n.º)	12	(a)	
	Markets access	36	144%	
	N.º of benefited companies	340	(a)	
	N.º of SME	280	(a)	
	N.º of commerce integrated projects supported	282	14%	
	N.º of commerce isolated projects supported	175	18%	
	N.º of entrepreneurial cooperation projects	53	21%	
	N.º of projects to support associative structures	143	715%	
	N.º of projects of supplier markets supported	4	57%	
	N.º of commercial urbanism projects	147	735%	
	N.º of commercial companies supported	1207	(a)	
	N.º of SME	1072	(a)	
<i>Industry</i>	N.º of supported projects in risk capital societies	16	(a)	
	N.º of aid schemes supported	5096	(a)	
	N.º of aid schemes supported - SME (<-99)	3561	(a)	
<b>Human Resource Development</b>	N.º of beneficiaries			
<i>Agriculture</i>	in farmers vocational training (VT)	77301	130%	
	% in initial vocational training	10%	(a)	
	% in continuous vocational training	90%	(a)	
	N.º of hour in VT	14254864	(a)	
	in continuous vocational training (VT) - training trainers	15849	142%	
	N.º of hour in VT	1116961	(a)	
<i>Fisheries</i>	N.º of beneficiaries	3677	65%	
	% in employment	40%	(a)	
	% Women	18%	(a)	
	N.º of hour in VT	1215612	(a)	
<i>Tourism</i>	N.º of beneficiaries	35700	(a)	
<i>Industry</i>	N.º of beneficiaries	523625	72%	
	% in employment	94%	(a)	
	% Women	32%	(a)	
	N.º of hour in VT	118168505	(a)	
<b>Fisheries</b>	Adjustment of fishing capacity			
	Fishing capacity permanently withdrawn			
	N.º	439	98%	
	Tonnage (TAB)	16923	60%	
	Horse power (Kw)	44581	74%	
	Jobs lost	1904	(a)	
	Renewal and modernisation of fishing fleet			
	Fishing capacity created			
	N.º	200	111%	
	Tonnage (TAB)	7962	(a)	
	Horse power (Kw)	35075	(a)	
	Jobs safeguarded	1574	(a)	
	Fishing capacity modernized			
	N.º	405	135%	
	Tonnage (TAB)	4621	(a)	
	Horse power (Kw)	17505	(a)	
	Jobs safeguarded	323	(a)	
	Protected maritime areas			
	Marine protected marine area	2	(a)	
	Aquaculture			
	N.º of projects - creation	9	(a)	
	N.º of projects - modernisation	14	(a)	
	Socio-economic			
	N.º of workers assisted out via economic incentives	825	(a)	
	Processing and marketing of new products			
	N.º of projects supported	46	46%	
	Promotion			
	N.º of promotion	4	10%	
	Fishing port facilities			
	N.º of projects supported	72	(a)	
	N.º of projects supported	8	(a)	
<b>Rural Development</b>				
<i>Infrastructures</i>	Irrigated area improved (ha)	100677	118%	
	Irrigation perimeter area (ha)	71577		
	Ground conservation and drainage (ha)	68079	113%	
	Electrification (km)	3008	125%	
	Reparcelling (ha)	37865	108%	
<i>Agricultural holding support</i>	New plantations area (ha)	34418	(a)	
	N.º of farmer assisted with compensatory allowances(annual average)	69950	70%	
	N.º of projects of investments in farm holdings	24530	(a)	
	Environment protection - N.º of waste water treatment system constructed	198	(a)	
<i>Forestry</i>	Forestry area improved (ha)	163969	99%	
	Arborization of forestry area (ha)	65347	119%	
<i>Farms products processing</i>	N.º of agro-industry projects assisted	650	108%	
	N.º of projects of traditional products supported	287	115%	
<b>Others</b>	N.º of Producers Associations supported	756	252%	

	ERDF
	FIFG
	EAGGF
	ESF

Source: Final reports, execution reports, DGDR, "Um olhar sobre o QCA II"  
(a) not quantified in the initial document

**Table 22 - Results to date achieved in the Regional OP North compared to targets and by fund**

	<i>Indicators</i>	<i>Outputs</i>	<i>% Objective*</i>	<i>Results</i>	<i>Funds</i>
<b>Transport Infrastructure networks</b>	- Other roads constructed or upgraded (km)	1756 km	251%		
	- Urban roads constructed or upgraded	20681 km	(a)		
	- Works of Art constructed or upgraded (n.º)	11	(a)		
	- Transport co-ordination centre	3	60%		
<b>Environment</b>	- % Population served by water supply			77% **	
	- % Population served by waste water treatment systems			51% ***	
	- water supply plant constructed or upgraded (km)	2269 km	189%		
	- Hydraulic infrastructures constructed (n.º)	4	(a)		
	- Water treatment system constructed (n.º)	25	(a)		
	- Sewage plant constructed or upgraded (km)	1050 km	191%		
	- Waste water treatment system constructed	38	109%		
	- Solid waste management systems constructed (n.º)	2	14%		
	- "Ecocentros" (n.º) (recycling facilities)	6	(a)		
	- "Ecopontos" (n.º) (recycling facilities)	11	(a)		
- Other environment interventions	7	(a)			
<b>SMEs</b>	- Industrial areas constructed	32	213%		
	- Infrastructures to support economic activities	16	160%		
	- Number of regional / local / economic development supported	191	1194%		
	- Number of development promotion campaigns supported	356	237%		
<b>Human Resource Development</b>	<u>Invoirement to education and training system</u>				
	- Number of schools constructed or upgrade	71	394%		
<b>Other Interventions</b>	- Cultural or tourist infrastructures	53	106%		
	- Sporting infrastructures	130	2166%		
	- Urban renovation interventions	62	589%		
	- Hospital constructed (n.º)	1	(a)		

Source: OP North Final Report

ERDF

\* initial targets

\*\* in 1994 – 70%

\*\*\* in 1994 – 44%

(a) not quantified in the initial document

**Table 23 - Results to date achieved in the Regional OP Alentejo compared to targets and by fund**

	Indicators	Outputs	% Objective**	Results	Funds
<b>Employment</b>	Jobs created / safeguarded permanent (N°) <sup>(1)</sup>			500	<b>ERDF</b>
	Jobs created / safeguarded temporary (N°) <sup>(1)</sup>			1700	
<b>Transport Infrastructure networks</b>	Other roads constructed or upgraded (km) <sup>(2)</sup>	745	138%		<b>ERDF</b>
	Regional aerodromes constructed or upgraded (N°)	1	50%		
	Rail terminal to support economic activities (N°)	0	0%(3)		
	Bus Terminal in cities of level 4 and 3 (N°)	1	(a)		
<b>Environment</b>	% Resident Population in places with more than 100 inhabitants served for:				<b>ERDF</b>
	water supply plant		103%	98%	
	sewage plant		100%	95%	
	waste disposal facilities		103%	98%	
	Capacity improvement for water treatment and purification plants in places with more than 100 inhabitants		100%	88%	
	Capacity created in waste disposal and recycling facilities		84%	42%	
	Water plant constructed or upgraded (km)	275	324%		
	Sewage plant constructed or upgraded (km)	227	185%		
<b>SMEs</b>	Waste water treatment stations constructed (N°)	92	50%		<b>ERDF</b>
	Waste transport, disposal and treatment system (N°)	5	100%		
	Number of business service networks supported	3	(a)		
	Industrial areas constructed or upgraded				
	N.º	30	750%		
ha	276	460%			
<b>Human Resource Development</b>	Infrastructures of support to the economic activity (N°)	8	133%		<b>ERDF</b>
	Number of projects of promotion, development, and specific spreading of sectors and/or products	84	700%		
	Improvements to education and training systems				
<b>Human Resource Development</b>	New schools constructed	3	60%		<b>ERDF</b>
	Sporting infrastructure Construction for pertaining to school sport	28	560%		
<b>Fisheries</b>	Fishing port facilities				<b>ERDF</b>
	fishing port facilities modernised (n.º)	1	(a)		
<b>Tourism/ Social equipments and Urban Renovation</b>	infrastructures Construction of tourist and social equipments (N°)	51	62%		<b>ERDF</b>
	Interventions of recovery of the Architectonic/turistic patrimony (N°)	2	10%		
	Interventions of urban renewal (N°)	36	240%		
	Information and spreading (N°)	151	755%		

Source: Alentejo OP Final Report

\*\* Initial targets

(1) Estimation made available by the Local Authorities (average 1994/1998)

(2) Includes municipal roads and regional roads

(3) the target was 2 rail terminals

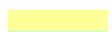
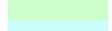
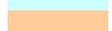
(a) not quantified in the initial document

**Table 24 - Results to date achieved in the OP Multifund for the Autonomous Region of Madeira compared to targets by fund**

	Indicators	Outputs	% of Objective **	Results	Funds
Transport Infrastructure network	<b>Motorways constructed or upgraded</b>				
	- Construction of municipal motorways - Km	46,41	185%		
	- modernisation of municipal motorways -	6,18			
Other infrastructure	Construction of car parkings - number	3			
	<b>School construction</b>				
	- number of basic and secondary schools	7	44%		
	- number of professionals schools	2	200%		
Health					
	- construction of health centers - number	4	80%		
	- modernised health centers - number	1	33%		
Energy Infrastructure network	<b>Production of energy from renewed sources</b>				
	- number of hydroelectric power stations supported	1			
	<b>Distribution network of electric power</b>				
	- number of thermo-electric central modernised	1	100%		
Telecommunications and Information	<b>Telecommunications</b>				
	- transmission equipment - number	47			
	- computers equipment - number	592			
	- telephone installed - number	20			
Environment	Waste water treatment system - number	3	100%		
SME	<b>Aid schemes</b>				
	- number of small industrial projects supported	80	200%		
	<b>Support for market access</b>				
	- number of action	42	42%		
Human Resource Development	<b>Number of beneficiaries</b>				
	- in Vocational Training	64087		} (A)	
	- % of women in VT	65 % *			
	- % of unemployment in VT	3%			
	- % of employed in VT	60%			
	- % of people with problems of social exclusion in VT	2,20%			
- nº of hours (in VT)	20631828				
Fisheries	<b>Adjustment of fishing capacity</b>				
	- fishing capacity permanently				
	- number	26	127%		
	- tonnage	1694	290%		
	- horse-power	3715	164%		
	<b>Renewal and modernisation of fishing</b>				
	- fishing capacity modernised or created				
	- number created	29	123%		
	- tonnage created	1227	108%		
	- horse-power created	5213	152%		
	- number modernised	22	180%		
	<b>Aquaculture</b>				
	- number of projects	1	100%		
<b>Protected maritime areas</b>					
- marine protected area	1	50%			
<b>Processing and marketing of new products</b>					
- number of projects (moder. or created)	6	167%			
Rural Development					
<b>Infrastructures</b>					
Irrigated area (ha)	3129				
Rural ways - m.	14024				
<b>Forestry</b>					
Forestry area improved (ha)	25				

\* about 54 % in all the CSF

\*\* initial targets

	- FIGG
	- EAGGF
	- ESF
	- ERDF

(A): Comparison between the physical execution (ESF) and the predicted values (regarding the Technical Document), by type:

(It is important to bear in mind that from the Initial Decision, which approved the Programme to the Final Decision there was a financial reinforcement of the ESF component of 59.6 % of the overall cost and 54.8 % of the ESF)

Number of Trainees:

	Executed / Predicted (%)
- VT for young people within the education system	53
- VT for young people outside the education system	143
- VT for active people from every sector of activity except tourism	251
- VT for active people from Tourism	165
- VT for the unemployed	230
- Teachers' Training	375
- VT for the handicapped	129
- VT for emigrants	15 (1)
- VT for the socially excluded	463
- Scientific and Technological Development	928

(1) – the realisation under the predicted values is connected to the fact that a choice was made to promote the integration of the target-public in other interventions, namely vocational training of young people outside the educational system and unemployed.

Number of people and number of jobs:

	Executed /Predicted (%)
- Support for hiring and creating independent activities	97
- Support for creating local employment initiatives	38
- Reinsertion and temporary employment of the unemployed	251 - 242
- Training and support for the development agents' activity	31 - 7

These figures show that the quantified targets were generally surpassed. However, CIDEC considers that in some Programmes the definition of the targets was not the most adequate. The non-existence or the lack of quality of sectoral or regional data led in a certain way to a less rigorous and less realistic process of target definition.

However, the Evaluation Team would like to point out certain ideas:

- ✓ In all the Regional Operational Programmes studied the domain of the support for SME is one of the most successful, since the results attained in this field exceeded the targets that had initially been defined. For example: in OP Alentejo the *No. of industrial areas constructed or upgraded* represents 750% of the initial objective; in OP North, the *No. of regional/local economic development supported* represents 1194% of the initial target. This evidence is also present in the Economic Fabric Modernisation Operational Programme since this programme attained the best results in the SME field. For instance, the indicators *No. of projects to support associative structures* and *No. of commercial urbanism projects* represent both more than 100% of their initial target.
- ✓ In the R&D field, it should be pointed out that some initial targets were not achieved regarding the Basis of Knowledge and Innovation Operational Programme: the *No. of R&D*

*projects supported* was 3381% of the initial objective, but the *Hi-tech R&D projects with firms* represented only 82% of what had initially been defined in the programme.

- ✓ In the environment field, it is important to emphasise that the *water supply plant constructed and upgraded* exceeded the target in OP Alentejo and in OP North (outputs were more than 300% of the initially targeted).
- ✓ In the case of the employment field some Programmes had effective results. For instance, in the Basis of Knowledge and Innovation Operational Programme and in the Vocational Training and Employment Operational Programme the results achieved were higher than the targets defined. In the case of the first Programme mentioned the *No. of jobs supported in R&D* was 213% beyond the initial target.

### 5.1.1 *Internal factors contributing to the achievements*

The internal key factors that, in CIDEC point of view, played an important role in improving the effectiveness of the Programmes were:

- ✓ The capacity of the management to mobilise the actors, which was determinant for the effectiveness of the programmes (this was particularly important in the Regional Operational Programmes);
- ✓ The management and implementation systems flexibility and ability to adjust and react according to the level of execution and the emergent needs. A concrete example of the advantages of management flexibility was the case of the Operational Intervention for Industry (PEDIP II) where it was necessary to adapt the functioning of the programme itself to the changes verified in the market (conditions of the functioning of the corporate sector);
- ✓ The managing authorities' policy of "overbooking"<sup>28</sup>.

There were some other important factors that were connected only with specific Programmes. For instance, in the case of POPRAM II (Regional Programme for Madeira), one of the factors that contributed most to obtaining good execution results was connected to the strong coherence of the Programme and to the importance that this political instrument had in the Region.

In fact, it behaved like a small Community Support Framework for the Autonomous Region of Madeira, which allowed a strong cohesion between the political measures it contained and the objectives stated in the Regional Development Plan for the period in question. Consequently, and because a large percentage of the project promoters were entities linked to the Regional Administration (remember that the POPRAM II wagered heavily on the development of infrastructures), it was easier to connect the objectives of the projects with the objectives of the Programme.

In some Programmes, such as the Transport OI, the fact that the projects to be delivered in the programming period were previously identified<sup>29</sup> contributed, in CIDEC's opinion, to increase the effectiveness of the Programmes.

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<sup>28</sup> "Overbooking" – Level of investment approved above the financial resources available in order to face some difficulties in project execution.

The initial under-estimation of funds allocated to some Programmes, in some way, limited the Programmes overall effectiveness. For instance, as far as the Regional OP is concerned, there was some maladjustment of the financial provisions in relation to the shortages of each NUTS II region.

### **5.1.2 External factors contributing to the achievements**

The Evaluation Team considers that one of the most important external factors that significantly contributed to the effectiveness of the Programmes was the strong political commitment at a national and regional level.

The political cycle, namely the change of government in the autumn of 1995 (from the Social Democratic Party to the Socialist Party), did not interfere in the strictly strategic policies and in the good initial levels of execution, that is, the national interest was never forsaken because of the political scenario.

Furthermore, within the scope of the Programmes that showed more execution difficulties in the take-off, there were quick and firm changes (namely, in the management and implementation systems) that were essential for the overall effectiveness of the interventions.

In the vocational training and employment field the role of the European Employment Strategy could never be neglected in this evaluation, because of the evaluation and screening environment that it has created, leading to a larger exposure and a closer political follow-up of Programme achievements.

The absorption of resources was generally simple and swift, and the few execution difficulties referred only to some Programmes and during the first years of the execution period.

For instance, in the Commerce and Services OI, the difficulty of absorption of financial resources verified at the start-up stage of the Programme was due to the delays of its implementation and to an inadequate support framework, which led to transfers of funds to other Programmes.

In the supporting instruments for vocational training, the absorption of resources – despite of the overall execution rates around 100% – has been strongly affected, specially at the beginning of the programming period, by the following key factors:

- small development of private and sectoral players in the Vocational Training (VT) market, particularly those that provide Continuous Vocational Training (CVT),
- low knowledge and acknowledgement of the VT role by SME as a key instrument for its development;
- low financial and technical capability of Public entities to develop co-financed programmes;
- qualification problems of companies that were affected by the sectoral negative evolutions arising from the non-compliance with tax and social security payment roles;

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<sup>29</sup> At the planning period

- delay of some measures' implementation;
- low engagement of the potential trainees in specific areas such as fisheries.

Concerning the vocational training measures, the Programme Managers have stated that two instruments were used in order to overcome the absorption problems detected:

- a pro-active management style, developing closeness with promoters or potential actors trying to increase the number of proposals (this could have been done by providing technical support to financial support demands or by reminding the existence of the financing opportunities);
- the use of balanced "overbooking" of projects anticipating expected non-compliance of project promoters.

The articulation with the Common European Policies (Agriculture and Fisheries) is one of the most important constraints to the achievements of the Agriculture and Fisheries Programmes. The decisions within the scope of the Common Policies (which have necessarily influenced the strategies for the sectors and the possible means of support) were made within different "timings" from the ones of the programming period.

The Portuguese entrepreneurial fabric – very adverse to innovation and R&D – was also an important external factor that limited the effectiveness of the Science and Technology OI (PRAXIS XXI) in terms of generation of technological spin-off effects in the companies.

## 5.2 Programme effects

### 5.2.1 Programme contributions to overall and social and economic changes

	Very strong	Strong	Adequate	Weak	Why is this?
Supporting innovation and research and development		✓			The basis of National S&T System was consolidated and its progressive international affirmation was observed (Portugal is the EU country with a higher percentage of scientific articles co-written by Portuguese and foreign researchers – 50%, according to the OECD data). The connection between the scientific community and the companies was one of the least successful achievements of the Structural Funds intervention. However, there were some successful spin-of experiences, namely supported by PEDIP II, that were considered good practices and with important effects in some strategic sectors.
Supporting skills development			✓		The supporting instruments in the field of education and vocational training have contributed to the global increase in the levels of qualification and skills of work force. However, there still persist some doubts about how effective the effort in vocational training has

	Very strong	Strong	Adequate	Weak	Why is this?
					been in providing enterprises with the adequate training and human resources required.
Overcoming territorial imbalance				✓	Overcoming territorial imbalances was one of the least successful effects of the CSF execution. Although the evolution of some indicators related to the asymmetries were not favourable (e.g., the difference between the maximum and the minimum values of GDP per head per region evolved in an unfavourable way from 38 percentage points, in 1993, to 40 percentage points, in 1999), it is still important to mention: (1) the Programmes' contribution to the non aggravation of the asymmetries (the coefficient of variation of GDP per head evolved from 20.2% to 17.1% (1993-1999) suggesting a slight economic disparities reduction) and (2) to correct some regional asymmetries in the provision of infrastructures.
Promoting rural diversification			✓		The direct effects induced by the Structural Funds intervention on sectoral structures are difficult to evaluate. Nevertheless, it is important to emphasise the importance of the support to agricultural holding modernisation. These supports have contributed to the gradual appearance of some agricultural companies characterised by a strong market orientation and by high quality and technological standards of production.
Promoting infrastructure development	✓				The 1994-1999 CSF, being less targeted as far as concerned infrastructures than the 1989-1993 CSF, still played a very important role in promoting infrastructure to support development. The promotion of infrastructures to support development was one of the investment priorities of the Regional OPs. The investments made, allowed the suppression of a large part of regional shortages on socio-cultural facilities, accessibility and environment/basic sanitation and also supported economic fabric infrastructures. It was also important to the development of the national transport network and telecommunications network.
Supporting SME		✓			One of the achievements of the Structural Funds intervention, namely under the Regional OP, was the strong effort to create infrastructures for the promotion of economic activities. The SME were the main beneficiaries

	Very strong	Strong	Adequate	Weak	Why is this?
					of the national and regional incentives systems. One of the effects on the support given to SME was their higher propensity for modernisation and entrepreneurs' higher capability of adaptation. The vocational training concerning SMEs was one of the less effective aspects. Lack of appropriateness of the model and few best practices were the main problems. The support to companies' start-up is another example of a least successful intervention regarding the SME.
Improving environmental infrastructure		✓			A large part of the investment of the Regional OP was concerned with environmental area/basic sanitation. A substantial improvement in the environmental attendance levels in several regions was verified. Other investments supported by the Environment IO were also important in the improvement of the environmental standards.
Improving energy infrastructure		✓			The investments supported in the Energy domain were very important. In particular, the introduction of natural gas contributed to the diversification of the primary energy sources, reducing consequently the country's dependence on petroleum and coal.
Improving renewable energy infrastructure and resource efficiency		✓			Reduced the negative impact of the traditional energy forms on the environment, while improving the country's competitiveness.
Contributing to urban regeneration			✓		There were some measures and projects that contributed effectively to urban regeneration: - the diminish of traffic jam in some urban areas (Lisbon and Oporto Metropolitan areas) - urban regeneration, namely in historical centre, induced by the projects from the OI Commerce and Services
Modernising the fishing sector			✓		The objectives regarding the renewal of the fishery fleet were achieved, making it possible to strengthen the entrepreneurial fabric of this sector. At the level of aquaculture the objectives were not fulfilled as it was expected.
Supporting telecommunications infrastructure and developing an Information Society		✓			The main effects of the CSF execution in this field were: - improvement of the quality of services rendering (higher digitalisation rates); - improvement in the international and intercontinental communications. The Live Science Programme of

	Very strong	Strong	Adequate	Weak	Why is this?
					dissemination of S&T among young people also contributed in a marked way to the development of the Information Society

## 5.2.2 Effects on Thematic Priorities

### ○ Transport

The CSF intervention in the transport field can be analysed at two levels: on the one hand, at the investments supported by the Transport OI; on the other hand, at the level of the investment made within the scope of the Regional Operational Programmes.

In the first case (Transport OI), the main priorities were the internationalisation and diversification of road and train connections in order to increase internal mobility and intermodal co-ordination.

Important gains were achieved in the connection of the national road network to the trans-European road network through the conclusion of some longitudinal roads such as the IP3 or the IP4, among others during the 1994-1999 period (although there were some delays in their execution according to what had been planned).

These gains represented a significant reduction of time to access the border by road – between 1993 and 1996 the gains obtained to access the border were around 4%, and between 1996 and 1999 they were around 17%. There was also an increase in the global velocity of the road network and a reduction in the travel time.

A set of important investments in the transport field was carried out in the metropolitan areas of Lisbon and Oporto, which contributed significantly to diminish traffic jams in both cases (specially, regarding the former). In this field, the least successful objective was the construction of the Oporto Subway.

The investment supported by the Regional Operational Programmes in the field of transports was focused on the improvement of a set of municipal and inter-municipal roads. These investments have permitted the removal of the main constrictions on the development of some regions (for example, the development of accessibility and means of transport created the basis for a sustained development in the Madeira Region).

The investment supported in the transport field contributed to establish the link between the urban centres and their main structuring road connections at a regional level, thus promoting the internal cohesion of the different regions, as well as the improvement of the living conditions of the resident population, by improving accessibility.

Some efficiency gains on the national railway network were verified in the Beira Alta railway line (main line for the international transportation of goods) and in some regional railway lines. There was a reduction in the minimum rail travel time of about 30 minutes and the circulation of an additional regional train per day.

However, CIDECE considers that the investments made on the railway network were not sufficient to invert the trend of reduction of the importance of the railway transport in the Portuguese economy.

The connections of the national railroad network to the trans-European networks have not been clarified yet, which caused some delays in the development of the railway transport.

In the transport field, we would like to emphasise the good articulation between the investments supported by the Transport OI (co-financed by the ERDF) and the Cohesion Fund. However, CIDECE considers that there should have been a better exploitation of the synergies and the complementarities between the sectoral and the Regional Programmes in order to improve their effectiveness.

○ SME

The Structural Funds intervention has contributed in several ways to the development of SME.

There was a set of incentive systems available in the 1994-1999 CSF intended to support SME's development. CIDECE considers that the specialisation of the incentive systems (one directly targeted at the industry, the other one at tourism, commerce, and regional incentive systems<sup>30</sup>) proved to be adequate considering the specificity of each sector and the different entrepreneurial culture of each sector.

One of the most important instruments in this field was PEDIP II. In fact, according to the on-going evaluation of PEDIP II, the increase in investment, the productivity and the improvement of the environmental standards during the 1994-1999 period was directly related to the support given to the SME by PEDIP II.

Furthermore, one of the effects of the support given to SME was the higher propensity for modernisation and a higher capability of adaptation of the entrepreneurs, which gives an idea of the multiplier effect of the direct aid given to SME. However, Portuguese SME still reveal some inability in terms of commercialisation and regarding their access to international markets.

One of the least successful effects of the CSF execution was related to the reduced effectiveness of measures connected to venture capital (risk capital).

The promotion of the dynamic competitive factors (quality, human resources qualification, R&D, innovation in processes and organisation, and environmental concerns) was a clear priority of the 1994-1999 CSF when compared with the previous CSF.

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<sup>30</sup> Such as the SIDERAM – Incentive System for the Entrepreneurial Development of the Madeira Region or the SIR and RIME for SME under the PPDR.

PEDIP II was extremely important in the implementation of this priority, through a new company support concept - “Integrated Projects”. This philosophy of integration of the various components of entrepreneurial development in terms of diagnosis and project was not a common practice among Portuguese entrepreneurs before the implementation of the 1994-1999 CSF.

CIDEC considers that this kind of projects associated with the application of effective measures to diminish negative environmental impacts had a positive effect in the preservation of the environment and the fulfilment of the environment Community directives regarding the industrial activity.

One of the main instruments of the ESF interventions in several Programmes (for example, in the Vocational Training and Employment Operational Programme, in PEDIP II or in the Tourism and Cultural Heritage OI) was to provide continuous vocational training directly targeted at SME. However, the vocational training proved to be not very innovative. Stakeholders verified that the majority of SME were still excluded from benefiting from VT support systems and vocational training.

Another achievement of the Structural Funds intervention, namely under the Regional Operational Programmes, was the strong effort to create infrastructures for the industry providing the regions with logistic conditions for the promotion of economic activities.

It is also important to emphasise that the investment in the accessibility and consequent increase in mobility also contributed to make the SME more dynamic. This was very important in the case of the Madeira Region, where the accessibility cost was extremely high before the CSF, which presented a constraint for the development of SME.

#### ○ **Education and Training**

The low level of human capital is seen as one of the key constraints of the Portuguese development. The improvement of overall levels of human capital (knowledge, skills and qualifications) is probably the most important challenge that Portugal faces still today, given the delays accumulated for decades and the challenges presented to the Portuguese economy in an international context of growing demand and integration of economies.

The CSF, namely through the Education OI (PRODEP II), has strongly contributed, in CIDEC’s point of view, to the development of the Portuguese Education System and to the global increase in the levels of qualification and skills of the labour force.

The percentage of employees with at least upper secondary education (ISCED 3 or more) climbed from 16.7% in 1994 to 24.1% in 1999; the percentage of senior staff, executives, team leaders, or other highly skilled professionals rose from 13.3% to 17.2% during the same period<sup>31</sup>.

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<sup>31</sup> Data for mainland Portugal. Source: Ministry of Social Security and Labour – Statistics Department.

Taking the need to improve the skills and qualifications into account, PRODEP II gave clear priority to technological, vocational, artistic and recursive education<sup>32</sup> (primary or secondary levels of education), complemented by interventions of advanced training at the tertiary level of education (respectively, 34% and 12% of Education OI actual overall cost).

It should be noted that the aforementioned interventions were concerned with: (1) the equal opportunities in access to education; (2) the articulation between the Education System and the Vocational Training System; (3) bringing together schools and productive fabric.

The development of the Vocational Training System and the improvement of the level and quality of employment in the CSF 1994-1999 have mainly been addressed by the Vocational Training and Employment Operational Programme – a Programme that represented more than 40% of the ESF overall expenditure. Though, there were other supporting instruments in this domain, namely the sectoral Programmes and the multi-funds Programmes for the Autonomous Regions (Azores and Madeira).

Generally, both national, sectoral and regional programmes incidence (in the scope of vocational training) have been an important contribution to remove human resources constraints for economic development.

However, in CIDEC's opinion, the contribution should have been more effective bearing in mind Portuguese's existing needs on this field. Furthermore, on the Vocational Training and Employment fields an excessive focus was given to supply side factor at the extend of the demand characteristics and needs.

The overall Qualification Index<sup>33</sup> had improved from 1.59 in 1994 to 1.87 in 1999. This improvement (18%) is far more expressive than in the previous CSF (9%), revealing a moderate positive impact of CSF at the Human Capital level.

This is a question of dispute among Portuguese observers: although everyone agrees that the training efforts provided by CSF were important, effectiveness of the expenditure remains in the open, specially in what is related to the segment of Continuous Vocational Training.

The specificities of Portuguese entrepreneurial fabric (small sized companies, low technology sectoral structure, low qualification of company owners and managers and low knowledge and acknowledge of the value of education and vocational training) strongly contribute for its low absorption capability.

Nevertheless, some exceptions should be mentioned: according with the interviewees' opinion within the scope of Education and Training the POPRAM II intervention

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<sup>32</sup> This innovative intervention and the Academic and Professional Counselling have been considered good practices.

<sup>33</sup> Qualification Index = (Highly skilled + Skilled workers) / (semi-skilled + unskilled workers)

contributed to a more favourable structure of employment in the Madeira Region (higher weight of the higher levels of qualification<sup>34</sup>).

In the scope of the Economic Fabric Modernisation Operational Programme especially in PEDIP II the vocational training supported, was also recognised as important to improve the levels of skills, qualifications and productivity<sup>35</sup> of the labour force of this sector.

However, and how concerning the tourism sector, it is important to say that the initial expectations for the continuous vocational training were not achieved. In fact, the model used for the implementation of the vocational training as well the weak financial resources allocated for the measure, made that only Initial Vocational Training was implemented (to the detriment of the CVT).

During the programming period, a progressive increase in the role of social employment and training policies occurred. Firstly, to incorporate the framework of the so-called Social Labour Market policies<sup>36</sup> (developed since 1997) and latter as reflection of EES guidelines.

In relation to the direct intervention of the ESF in the employment area, it must be said that the stronger attention paid to registered unemployed persons proved to be a good method to fasten their insertion in labour market, in an attempt to prevent Long Term Unemployment (LTU) situations.

The creation of individualised assistance for job seekers had a very strong impact in providing Individual Employment Plans for new job seekers, this aimed at the European Target, i.e., the deliverance of a new job training opportunity for every unemployed before 6 or 12 months of unemployment spell (for young, i.e. less than 25 years old, or older, respectively).

This had a fairly good impact in improving employability among young job seekers - from 2% to 4% and from 0% to 4% among older job seekers<sup>37</sup>.

However, evaluation data provided by the EES assessment process also offers clear evidence that this set of measures hasn't stopped the growth of LTU and has worsened

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<sup>34</sup> - from 14.7% of Highly Qualified Professionals and Superior Boards in 1994 to 19.6% in 1998, and from 37% of Qualified Professionals in 1994 to 40.6% in 1999.

<sup>35</sup> The average annual growth rate of labour productivity, for all economy, was 3.6% in the 1994-1999 period.

<sup>36</sup> The Social Labour Market has framed the initiatives as Workshop-Schools, Occupational Programmes, Insertion Enterprises and Sheltered Employment, measures targeted to social exclusion problems like specially disfavoured groups face to employment and Guaranteed Minimum Revenue beneficiaries and handicapped persons.

<sup>37</sup> These figures are results from the estimation of Probit models on the transitions from unemployment to employment of persons registered on the PES. Full information is available in the EES evaluation studies (available on [www.depp.mst.gov.pt](http://www.depp.mst.gov.pt)).

the transition probability between unemployment and employment for those already in LTU or in VLTU.

It must be acknowledged that early and individualised intervention methods were a good and remarkable improvement in Portuguese labour market policies; and it must be emphasised that these were made possible by the available ESF funds.

It must also be emphasised that the Probation/training Programmes (Plano Nacional de Estágios) for upper secondary and tertiary education graduates has proven to be a good system in providing job opportunities for those groups as well as recruitment incentives for the employers.

CIDEC considers that on the strengthening of the education and training system, the results can be set at three levels:

- in the training capacity generated in the training entities, both in the area of equipment and training resources and in the area of pedagogical competencies and scholarships for teachers with qualifications more adequate to the need;
- in the improvement of VT supply;
- in the potential improvement of the VT environment through the training of trainers (almost 40.000) and the regulation of the provision of VT activities (accreditation of institutions and the certification of trainers).

Constraints around the provision of vocational training and education have been reduced. ERDF interventions had provided important contribution to the development of a more comprehensive infrastructure network for VT provision, and in the educational field, important supports were conceded for the construction of new schools, rehabilitation of old schools and construction of sports infrastructure and other facilities on primary, secondary and tertiary levels of education.

Within the scope of priority 4 of the Vocational Training and Employment Programme the public officials training was set. 248696 civil servants received vocational training of some kind. This figure represents about 40% of the total eligible universe. Taking account the extension of training provided qualitative improvements of some kind can easily be expected.

#### ○ **Research and Development**

The main instrument to support the research and development policy in the CSF 1994-1999 and generally the most effective generator of R&D, was Science & Technology OI (PRAXIS XXI).

The link between education, training policies and those for R&D were very important in ensuring adequate human capital.

The major positive effects of supporting the advanced training of human resources and the development of the National S&T System basis (through the multi-annual financial programmes for R&D centres in universities) were:

- the creation of a basic network of investigation units – flexible, cohesive, dynamic and with a strategic capacity much superior when compared to the traditional university departments;
- the improvement of the profile of qualifications of the active population, specially in the creation of conditions for the existence of teaching and R&D bodies (specially, at full-time) with adequate qualification;
- the progressive international affirmation of the National S&T System;
- the dissemination of the S&T among young people (Live Science Programme), with expected impact, on medium and long term, on the improvement of overall levels of qualifications of human resources.

These positive effects mentioned were patently shown, namely, in the study *Towards a European Research Area – Key Figures 2001 – Indicators for benchmarking national research policies*, by DG Research (July 2001). Concerning 1995-2000 period:

- Portugal showed the largest growth rate of doctorates in S&T of the EU (12% per year);
- Together with Finland, Portugal belongs to the group (stand out) of member states with the highest growth in the intensity of spending on R&D (spending on R&D by % of GDP, around 7% per year);
- Together with Finland and Ireland, Portugal belongs to the (stand out) group of member states with the highest growth rate in spending on R&D (around 10% per year);
- Portugal showed the highest growth rate of the number of scientific publications referred in the Science Citation Index (SCI) (16% per year, i.e., five times higher than the EU average) as well as the highest growth rate in scientific productivity (publications growth compared with researchers growth).
- The number of researchers (equivalent to full-time) per 1000 actives went from 2‰, in 1992, to 3.3‰, in 2000.

However the mobilisation of “investigative capacities for the acquisition and absorption of technologies that support the modernisation and diversification of the production system, thus promoting technological spin-off effects”, was one of the research and development policy’s less achieved objective.

In fact, the lack of articulation and synergy effects between the different Programmes and the supporting instruments directed to research and development activities - namely PEDIP II and PRAXIS XXI - showed an “absence of firm actions that intended to establish more frequent and advantageous connections between the scientific community and the actors committed to the technological development, namely, companies in more intensive sectors of R&D”<sup>38</sup>. In this perspective, the scientific potential chosen as a priority ended up by showing a “weak spin-off effect”.

Despite the relative failure in this domain, there were some successful spin-off experiences namely supported by PEDIP II, that were considered good practices and with important effects in some Portuguese strategic sectors.

In fact, the financing to the research and development activities through the measures “Support to the technological infrastructures” and “Innovation and technology

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<sup>38</sup> In *CSF 1994-99 – Final Balance*.

transfers” from PEDIP II made possible to achieve significant results in the development and integration between research and development policies on one hand and enterprise strategies on the other. The co-operation between the footwear industry and the Technological Centre to the Footwear Industry is one example of a well-succeeded case. Here the jointly work has contributed to develop and to improve the competitiveness of a particularly important sector; specially in terms of exporting capacity.

○ **Rural Development**

The most important instrument for the rural development in the CSF 1994-1999 was the Operational Intervention for Agriculture (PAMAF). The assessment of its effectiveness is a hard task because the final data isn't yet available.

The support to agricultural holding modernisation and specially the support to young farmer setting up was one of the main objectives for the development of Portuguese agriculture sector.

Although the results achieved in this domain didn't reach the initial targets (according to the publication “CSF II – Closing of Programming Period 1994-1999” the number of young farmers setting up was less 18% than it was expected), it was verified that a large share of the investment supported in the 1994-1999 period (44% of the investment supported by the measure – *Improvement of the agricultural holdings*) was from the responsibility of the young farmers.

The previously mentioned supports have contributed to the gradual appearance of some agricultural companies characterised by a strong market orientation, and by high quality and technological standards of production.

The given support to agricultural industries had also stimulated the appearance of more technological advanced units with a better positioned in terms of value chain (new products) and globally more efficient.

Considering the analysis made to the verified evolution of the agricultural sector, on the 1994-99 period, one evidences that the investment supported by the EAGGF contributed in some way for productive reorientation of the sector, with the appearance of new activities and the revitalisation of others.

The direct effects induced by the Structural Funds intervention on sectoral long-term trends are difficult to evaluate. On the one hand, this sector presents in several domains a strong inability to adjust to new conditions; the existence of a large number of small agricultural holdings turns the number of agricultural holding support by Agricultural IO proportionally low.

However an improvement of the labour productivity in the sector during the 1994-1999 period was observed. Reasons can be advanced: (1) the strong reduction of the agricultural labour force; (2) the abandonment of a significant number of agricultural holdings; (3) the effective improvement of productive efficiency associated to the technological changes; (4) the reorientation and the production scale improvement.

As a consequence of productivity improvement, an increase of the agricultural income occurred. The reduction of both interest and inflation rates, along with the policies of direct support to agricultural income, could have been compensating the fall of the agricultural prices, due to the opening of the sector to international markets.

On the level of regional disparities, and according to the mid-term evaluation conclusions, the interventions showed a low impact. Since a significant share of the public expenditure approved was directed to socio-economic areas showing development levels identical or higher to the Mainland Portugal average. Furthermore the compensatory allowances for least favoured areas weren't always applied in an effective manner.

### 5.2.3 Key influences on the effectiveness of the programmes

#### Programming

One of the factors that clearly had importance in improving the effectiveness of several Programmes was management's "flexibility" – that is the ability to adjust and react. The following cases are illustrative:

- PRAXIS XXI, where the political commitment and the management time capacity to react against adversity were determinant for the observed high degree of effectiveness;
- Vocational Training and Employment Operational Programme, where the managers have been able to promote the required initiatives to achieve the stated effectiveness. At PESSOA Programme (priorities 1, 2 and 3 of the referred OP) the availability of a powerful PES allowed focusing on the measures where other players were essential and a cushion for "overbooking". At PROFAP the provision of consulting and technical services to promoters in preparing projects was also a key factor for the results achieved;
- PEDIP II, where flexibility to open and close measures, to adjust and to react according to the level of execution and to the market needs were an extremely important factors to the intervention's success.

In a few Programmes, such as Transport OI, the fact that the projects to be delivered in the programming period were previously identified contributed, in CIDEC's opinion, to increase the effectiveness of the Programmes.

In the case of the Regional Programmes key negative influences on effectiveness of regional programmes were:

- inadequate initial financial provision<sup>39</sup> for the goals of the Operational Programmes. As it was mentioned before, the funds attributed to the Regional Programmes were insufficient for the needs of the regions;
- pre-formatted programme structure (guidelines and measures), equal for all the Regional Programmes of the Mainland Portugal;

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<sup>39</sup> The overall finance negotiated for the Regional Programmes at the beginning of the programming period (1994).

- definition of Programmes goals, particularly in physical terms that lacked realism and a correct anticipation of the effects, consequently enabling/making difficult a correct analysis of the Programmes effectiveness.

In case of Madeira OP, a strong consistent strategy together with the fact that a large part of the promoters were linked to the Regional Administration have been a key influence to improve the effectiveness of this Programme.

In the case of PRODEP II, Vocational Education cost was initially under-estimated and that fact determined the execution of this OI (as well as Basis of Knowledge and Innovation OP).

### **Partnership**

A strong political commitment at a national and a regional level was one of the most important factors to improve the effectiveness of the Programmes.

Strategic policies for the Portuguese economic and social development was pursued despite the changes in the political conjuncture occurred during the programming period.

Changes made in the management and implementation system of the Programmes that showed more difficulties on execution and on take-off prove the efforts of the tutelage ministries to improve the effectiveness of the Programmes.

This strong political commitment in the EES framework and guidelines led the Vocational Training and Employment Programme to focus on achievement of quantitative targets, thus avoiding EC remarks made on the yearly reports on labour market policies.

Political commitment was also an important factor in the Regional Operational Programmes. In fact, these programmes were essentially directed to the investment needs of the local authorities that showed great capacity of execution.

Partnership working showed to be essential in the success of some Programmes. For example, a large part of the Basis of Knowledge and Innovation OP success resided in the capacity that management and implementation system revealed in terms of involvement of different actors: whether potential beneficiaries of the measures or entities with relevant experience for the execution of the interventions.

This was also the case of the Commerce and Services OI, where the involvement of programme management, of local authorities, and of commercial companies made possible a well-succeeded integrated intervention within commercial urbanism domain.

The participation of several entities (in majority connected to the national and regional administration) in the management structures allowed the development of common work habits, making easier the articulation among them, and so contributing to the improvement of effectiveness on the Programmes.

## Implementation

The effectiveness of Programmes was related either negatively or positively to implementation practices.

Common to all Programmes was the fact that the Information Systems were not structured in order to provide the management and the evaluation teams with necessary information on the impact and results obtained by the Programmes.

Furthermore, the non-existence of a single Information System for the different funds, made the joint evaluation of the different components of the Programmes (in the case of multifunds programmes) harder.

The existence of different rules for the functioning of each fund, namely in different timings for rendering accounts, brought additional problems to the management of the Programmes that worked with different funds.

The inadequacy of the management and implementation system of the PRAXIS XXI until 1996/1997 was a strong constraint to the effectiveness of the Programme; only with its reformulation it was possible to guarantee good levels of execution.

In the majority of the Programmes the monitoring and follow-up of issues during implementation showed not to be very effective. The amount time spent by the members of the Technical Support Team on first level control of the projects didn't enable an effective overall follow-up of the projects.

## Synergy effects

The degree integration of the developed activities under different Programmes was generally low during the CSF 1994-1999. The existing complementarities among the different Programmes were not duly enhanced in order to generate synergic effects which might allowed the achievement of higher effectiveness in the accomplishment of the Programmes goals or in CSF objectives.

However, in this domain a few punctual good practices can be pointed out. For instance, it was possible to identify some synergy effects between ESF and ERDF funding in a few Operational Programmes. That is, the latter enabled the achievement of objectives of the first either by providing infrastructures or by providing ICT equipment that improved quality and productivity.

POPRAM was as a small Community Support Framework for the Madeira Region co-financed by the three Structural Funds and by the FIGF. The results of synergies between Funds are clear and they arise from the existence of a previous work of planning designed for the Region as a whole.

The articulation of PEDIP II and Environment OI was also in some domains an exception.

Finally, the good articulation of investments supported by the Cohesion Fund with those supported by CSF II improved the overall effectiveness of the interventions in transport and environment domains.

A strong constraint to the execution of the Programmes or measures co-financed by the EAGGF and FIFG was the articulation with the European policies (Agriculture and Fisheries). The decisions within the scope of the Common Policies for Agriculture and Fisheries are made within different “timings” from the ones defined in the CSF programming period: this difference influences the sectoral strategies, making the Programmes execution necessarily harder.

#### 5.2.4 Success Factors and Obstacles

**Table 25 – Top success factors**

Success Factor	Evidence base
Programme flexibility i.e. capacity to adjust and react	The evidence bases are pointed out in the previous paragraphs and in Strengths and Weakness Chapter
Strong political commitment	
Partnership working	

**Table 26 - Obstacles**

Obstacle	Evidence base
Information System and lack of indicators for evaluation	The evidence bases are pointed out in the previous paragraphs and in Strengths and Weakness Chapter
Preparation of the Programmes	
Synergy effects	

#### 5.2.5 Equal Opportunities and Environment

It is important to emphasise that equal opportunities were not defined as a priority at the beginning of the CSF. However, interviewees considered that this priority was generally accomplished.

The participation of women in measures funded by the ESF was high (more than 50% of the beneficiaries were women).

At the interventions in the education and science domains, the concept of equal opportunities was broader. For example, equal opportunities for young people in access to the education were privileged as well as some media friendly projects such as the Knowledge, Science and Society Network or the Live Science Programme.

It is also important to emphasise that environmental concerns were strongly present on the majority of Programmes and their execution brought important environmental direct effects.

The effort made within Regional Programmes directed at the environment domain allowed significant improvements in this field.

It can also be mentioned that environmental issues were a priority in modernisation of the economic fabric.

According to the interviewees, the preservation of the environment and the fulfilment of the European Union environmental directives regarding the industrial activity were present in the projects presented to PEDIP II.

### 5.3 Assessment of Community Added-Value

	Yes	No	Evidence
<b>COMMUNITY DIMENSION</b>			
<b>Contribution to economic and social cohesion</b>			
1. Additional growth	X		The real GDP average annual growth rate was 3.4% in the period 1994-1999, that is, 0.9 percentage points above the EU figures. The CSF contribution to that change was estimated in 0.42 percentage points (see Section 7.3). This remarkable trend explains a global change in the Portuguese GDP per head of 4.6 percentage points in the 1993-1999 period (see Section 7.1).
2. Increase in the level of investment	X		The execution of the Portuguese CSF had as a result, namely, the aggregate demand growth: 2.5% of the GDP average value between 1994 and 1999 was directly related with that execution. In particular, 7.7% of the average gross private domestic investment during the 1994-2000 period was related with the CSF. (See Section 7.3.)
3. Productivity gains	X		Some slightly gains in labour productivity were achieved. During the 1994-1999 period the average annual growth rate of labour productivity was 2.5% and it was estimated that 5.6% of that change was directly related with the CSF execution (see Section 7.3).
4. Greater economic integration	X		One of the strategic objectives of the CSF was the real convergence between Portuguese and European Economies (it was expected a 6% convergence of the Portuguese GDP per head with the Community figure). The growth verified in the GDP per head in the period 1993-1999 represents an evolution of 6.8% from its initial value (the CSF initial target was surpassed in 0.8 percentage points) (see Section 7.2).
<b>Community priorities</b>			
5. Infrastructure provision, particularly trans-European networks	X		One of the main effects of the CSF execution was the creation of a set of infrastructures to support development. There have been some important improvements on external and internal accessibility. The connection to trans-European road network was better achieved than the connection to the trans-European railway network within the CSF execution. The investments supported in the energy domain
- effectiveness of infrastructure	X		
- accessibility	X		
- energy efficiency and diversification	X		
- new information technologies	X		
- connections to drinking water and waste recycling systems	X		

	Yes	No	Evidence
			were also important, namely, the introduction of the natural gas, which contributes to the diversification of the primary energy sources. The investments made, allowed the suppression of a large part of the regional shortages on socio-cultural facilities, accessibility, environment / basic sanitation and also supported the economic fabric infrastructures.
6. Regional competitiveness - public and private expenditure on R&D - employment in R&D - potential for job creation through local development initiatives	X X X		The gross domestic expenditure on R&D as a percentage of GDP evolved from 0.63% in 1992 to 0.77% in 1999. Portugal belongs to the (stand out) group of member states with the highest growth rate in the intensity of spending on R&D (spending on R&D by % of GDP about 7% per year), and the highest growth rate in spending on R&D (about 10% per year) in the period 1995-2000. The number of researchers (equivalent to full-time) per 1000 actives rose from 2‰, in 1992, to 3.3‰, in 2000.
7. Human resources - improved employability - reducing long-term employment - employment rate	X X	X	During the 1994-1999 period, the overall employment creation in Portugal was about 261 thousand jobs which represents an average annual growth of 0.9% (EU: idem). It was estimated that 1.6% of employment between 1994 and 1999 was directly related to the CSF execution (77 thousand new jobs were created and maintained until 1999). The overall impact of the Vocational Training and Employment OP in the level of employability has been examined in the evaluation exercise of EES. The main conclusion is that the active employment policies deployed from 1997 onwards had a fairly good impact in improving employability among young job seekers from 2% to 4% and from 0% to 4% among older job seekers <sup>40</sup> . Data provided by the EES assessment process also offers clear evidence that this set of measures has not stopped the growth of LTU and has worsened the transition probability between unemployment and employment for those already in LTU or in VLTU.
8. Environment - Fund contributions to compliance with environmental standards	X		The results obtained by several programmes, for example, in the attendance levels, in the preservation of the environment and the fulfilment of the environment community directives regarding the industrial activity are strong evidences of the CSF's effectiveness.
9. Equal opportunities - rate of employment among women - number of women setting up a business	X		In spite of the equal opportunities was not a priority in 1994-1999 CSF, it is important to emphasise that the employment rate among women has been raised and the participation rate of women in vocational training courses was high (more than 50% of the beneficiaries were women).

<sup>40</sup> These figures are results from the estimation of Probit models on the transitions from unemployment to employment of persons registered on the PES. Full information is available in the EES evaluation studies (available on [www.depp.mst.gov.pt](http://www.depp.mst.gov.pt)).

	Yes	No	Evidence
<b>Balanced and sustainable development</b>			
10. Better distribution of economic activities over the Union - regional convergence - degree of concentration of economic activities - Quality of growth (sustainability index)			The target established concerning the regional disparities reduction was 14%. The coefficient of variation of GDP per head evolved from 20.2% in 1993 to 17.1% in 1999, which suggests a 15% reduction in regional economic disparities. However, the difference between the maximum and the minimum values of GDP per head per region evolved in an unfavourable way from 38 percentage points, in 1993, to 40 percentage points in 1999.
<b>FINANCIAL CRITERIA</b>			
11. Additionality - changes in structural expenditure of national origin (annual average)	X		Without the CSF, a significant part of the investments made in Portugal between 1994 and 1999 would probably never have been made.
12. Financial leverage effect - national public co-financing mobilised under the Structural Funds - private sector expenditure	X X		The leverage effect of the Structural Funds interventions was generally strong both in the public and in the private investment. In fact, the overall expenditure co-financed by the Structural Funds represented a large part of the overall investment in Portugal during the 1994-1999 period: with its actual overall expenditure of EUR 24386 million (cf. Table 17, p. 49), the CSF represented about 17.3% of the gross fixed capital formation in Portugal during 1994-1999 period (EUR 140826 million, at current prices).
<b>CRITERIA RELATED TO THE STRUCTURAL FUNDS METHOD</b>			
13. Quality of multi-annual programming - degree of integration between national and Community priorities - degree of coherence between national and Community programming	X X		
14. Enlarged partnership - extent of the partnership - degree of efficiency	X	X	A positive effect of the CSF execution was the creation of common work habits between the entities (mainly connected to the national and regional administration) represented in the monitoring structures, which, until then, had not existed. This common work made easier the articulation among entities allowing, by this way the fomenting of the complementarities between actions and the increase of the effectiveness of the programmes. Reduced participation of the Social Partners in the management and monitoring systems.
15. Control – Audit - share of projects audited	X		The fulfilment of the minimum requirements regarding the control was surpassed.
16. Development of monitoring systems based on quantified objectives - share of measures covered by financial and physical monitoring information		X	The development in this scope was very incipient. One of the negative aspects consisted of the lack of an information system that would permit the evaluation of the programme's effectiveness. The initial exercise of goal quantification was not in all cases coherent. The monitoring systems were not used as effectively as they could have been.
17. Extension of evaluation work in the public administrations - external evaluations - budget for evaluations - evaluation structures - quality of evaluations	X		

	Yes	No	Evidence
<b>CROSS-BORDER AND TRANSNATIONAL COOPERATION AND NETWORKING</b>			
18. Added-Value of co-operation activities - joint cross-border of cross-national management committees - joint projects involving administrations and/or firms - cooperation projects with non-member countries	--	--	---
19. Innovative actions - multiplier effects in terms of volume of investment mobilised and jobs created in the region - degree of transferability of actions (mainstreaming)	X		Inserjovem and Reage Initiatives or Live Science Programme are examples of good practice with high degree of transferability
20. Networking and exchange of experiences - initiatives and seminars on exchanges of experiences on the Structural Funds	--	--	---

## 5.4 Changes to policy and practice

As a result of the Basis of Knowledge and Innovation Operational Programme and of the Economic Fabric Modernisation Operational Programmes' implementation some changes in the Employment and the Vocational Training policy and in the Industrial policy occurred.

**Table 27 - Education and R&D: policy changes**

Policy change	Programme influence	Significance of change	Significance of programme influence
New educational paradigm	Effectiveness and success at the receiver level of measures specially related to technological, recursive and vocational training education	A different view of the Education System and how it confronts to its environment (namely, the economic fabric), much closer to the Vocational Training System	A strong focus on PRODEP III (2000-2006) oriented to this type of educational policy, as well as to policies related to the construction of the Knowledge and Information Society
Priority to S&T and Knowledge and Information Society policies	Effectiveness and media impact of actions such as the Live Science Programme or the Knowledge, Science and Society Network	Recognition of the strategic importance of these domains in the construction of an open, tolerant and competitive society	Creation of the Information Society OP at the level of CSF 2000-2006 (POSI)
Better articulation of policies related, on the one hand, to the tertiary level of education and, on the other hand, to R&D activities	Effectiveness of R&D projects supported by PRAXIS XXI, namely projects developed by R&D centres in universities	The link between the university resources and the activities of R&D has been quite clear but never assumed, in an unequivocal way, by the sectoral policies	Recent creation (March 2002) of the Ministry of Science and Tertiary Education

**Table 28 – Education and R&D: practice changes**

<b>Practice change</b>	<b>Programme influence</b>	<b>Significance of change</b>	<b>Significance of programme influence</b>
Simplification of the project approval processes	PRAXIS XXI projects must be approved by two ministries: S&T and Planning. This demand implied some delays in the approval of projects and rendered difficult, to a great extent, the management of the OI	Namely because of the bad experience of PRAXIS XXI, the simplification of certain administrative processes is today a preoccupation of many OP	Projects financed by the current S&T OP (2000-2006) only need the approval (confirmation) of the Ministry of Science and Tertiary Education, which made much easier the management and the good execution of the programme
Resort to evaluation techniques involving foreign experts	Degree of effectiveness of PRAXIS XXI owes a great deal to the introduction of these types of evaluation and selection techniques for R&D projects	Excellency, in international terms, of the recent national scientific production – showed in the good indicators of productivity and internationalisation of the National S&T System	It is hoped that, in the short and medium term, the institutions of Tertiary Education (universities and Politechnical Institutes) come to be evaluated similarly to the R&D projects, that is, with resort to evaluation panels involving foreign experts

**Table 29 - Economic Fabric Modernisation Operational Programme: practice changes**

<b>Practice change</b>	<b>Programme influence</b>	<b>Significance of change</b>	<b>Significance of programme influence</b>
“Integrated Projects”	Programmes are beginning to give priority to integrated projects	Recognition of the necessity of strategies integration, tacking account the dynamic competitive factors (quality, environment, training and qualification)	Experience transferred for the actual CSF
Enhancement of the link between R&D and economic fabric	Foment to the co-operation between firms and technological structures	Proximity between research and development activities and the economic fabric	
Environment issues as a growing priority of the economic fabric	Specific supports to environmental investment	Environment as a competitive factor, more comprehension of the environmental rules	
Commercial revitalisation of the historical centres of the cities and towns	Support to commercial urbanism projects		

## **5.5 Some Conclusions**

The assessment of effectiveness was a complex activity due to the quality of the available information. In fact, although the objectives at priority levels in the OP were, in a general way, clearly defined, not all objectives were quantified.

The non-quantification of the objectives was definitely a weakness of the planning phase. As said, the establishment of targets was not a rule in the CSF 1994-1999, and not even in those Programmes that had quantified objectives; its quantification was based on a rigorous process (some indicators reveal to be at times somewhat unrealistic).

Where goals (physical indicators previously defined) existed, it can be said that the Programmes attained generally their aims.

The CSF 1994-1999 being lesser targeted to the infrastructures comparatively to the CSF 1989-1993, still played a very important role in promoting infrastructures to support development. In fact, this was one of the main effects of the CSF 1994-1999, namely, through the financial support by the ERDF.

The OPs reveal to be effective in delivering the strategic objectives of the CSF 1994-1999, such as the real convergence between Portuguese and European economies and the promotion of internal economic and social cohesion. As it can be seen in Chapter 7 - Impact, these aims were generally attained.

The Programmes where the main beneficiaries were entities connected to the national and regional administration revealed generally better capacity of execution.

From the CIDEC point of view, the main factors that contributed to the effectiveness of the Structural Funds in the 1994-1999 period were:

- the strong political commitment at the level of the Programmes execution;
- the Programmes management flexibility and their capacity to adjust to the needs resulting from the socio-economic evolution and to the execution rates observed;
- the possibility of management with "overbooking" in some Programmes in order to avoid significant deviations in their execution; and
- the possibility of working in partnership with civil agents.

Besides these positive factors, some factors that in CIDEC's point of view led in some way to a lack of effectiveness in the Programmes execution should be highlighted. Those factors are, among others:

- The difficulties experienced in the regulation of some interventions on which the verified postponements had as consequence, in some cases, a lower level of fund absorption in the early years of the CSF 1994-1999; and
- The overall effectiveness of the CSF was not promoted by a great articulation among Operational Programmes and/or Operational Interventions. That is, synergies within this context could have been profitably maximised.

One of the main effects of the CSF execution was the creation of a set of infrastructures to support development, namely:

- ✓ Improvement of the external accessibility through the conclusion of some important main roads that connect the national roadway network to the trans-European one;
- ✓ Improvement of the internal accessibility (reduction of the traffic jam in both metropolitan areas of Lisbon and Oporto and improvement of the regional and local roadway network);
- ✓ The infrastructure of areas for the development of the economic fabric;
- ✓ Improvement of the environmental standards and of the environmental attendance levels, through the construction of a set of municipal and inter-municipal systems, such as water supply and water treatment systems, solid waste treatment;
- ✓ Improvement of the living standards of the population through the construction of a set of social and cultural facilities.

It is also important to highlight the CSF contribution to SME development especially through direct aid to modernisation through changes on dynamic competitive factors (quality, qualified human resources, R&D, innovation, environment, organisation improvement, etc.) and through business partnership development, among other aspects.

Some of the less succeed effects of the CSF execution were related to the reduced effectiveness of measures designed to support venture capital (risk capital) development, to the weak relationship between the scientific community and the business sector - specially the most directly linked with R&D activities - and to the reduced innovative character of the vocational training for SME, among others.



## 6. EFFICIENCY

### 6.1 Description of Projects

#### 6.1.1 Brief Description of Projects

To assess how efficiently the Structural Funds and the Cohesion Fund were used in Portugal, 10 major projects were chosen, covering different areas of investment.

These 10 projects were distributed by different domains: transport (4 projects), telecommunications (1 project), environment / hydraulic infrastructures (2 projects), multi-function equipment's (1 project), commerce / logistical platform (1 project) and tourism (1 project).

The following table summarises the main characteristics of the selected projects.

**Table 30 – Brief description of the projects**

Project Number	Operational Programme / Operational Intervention	Project Type	Name and ID	Description	Value (Final cost) (1000 EUR)
(1)	Development Support Infrastructure Operational Programme — Transport OI (ERDF)	Transport	<i>Installation of the Railway Deck in the Bridge "25 de Abril"</i>  ID – 21-01-04-00018	This project included the following works:  - Reinforcement of the structures of the suspension bridge;  - General repair and painting both in the suspension bridge and in the access viaduct;  - Railroad deck installation (suspension bridge and access viaduct);  - Widening of the roadway deck;  - Replacement and modernisation of the roadway necklace lighting system.	238.027
(2)	Cohesion Fund	Transport	<i>New Bridge Over River Tagus (Vasco da Gama Bridge)</i>  ID – 94-10-95-005	This project consisted of the construction of a new bridge over the river Tagus between Sacavém and Montijo.  The bridge has 18 Km long, including access, and is located in a place where the margins of river Tagus are 8 km	611.897

				distant.	
(3)	Development Support Infrastructure Operational Programme — Transport OI (ERDF)	Transport	<i>Highway A 12 – Montijo / Setúbal</i>  ID – 21-01-04-00021	This project consisted of the construction of a highway between Vasco da Gama Bridge (Montijo) and the Highway A2 (Setúbal) with 18.969 m long and three paths on each direction.	77.018
(4)	Development Support Infrastructure Operational Programme – Transport OI (ERDF)	Transport	<i>Intermodal Complex – Subway and GIL Component</i>  ID – 31-02-03-00010	This project consisted of the construction of an Intermodal complex (with an area of about 150.000 m <sup>2</sup> ) where it is possible to observe the intersection between the rail network, the underground railway, the road network and a bus station with room for 40 coaches.  It also included a two-storey underground car park, several service areas and a connection by a central atrium to a shopping centre.	85.270*
(5)	Development Support Infrastructure Operational Programme – Telecommunication OI (ERDF)	Telecommunications	<i>CLIP – Client First</i>  ID – 21-02-02-00018	CLIP project was an integrate billing system based on detailed records of telephone calls automatically tacked from the several commutation centrals.	87.788
(6)	Cohesion Fund	Environment / Hydraulic Infrastructures	<i>Hydraulic Infrastructure Odeleite – Beliche</i>  ID – FC-94-10-61-015	This project was part of a large water supply and irrigation system and consisted in the construction of a dam on the River Odeleite; a tunnel from this to the Beliche dam; the pipelines and the lift stations; the Tavira water treatment system (ETA) and the pipeline between the ETA and the Perogil reservoir.	99.791*
(7)	Specific Programme for the Integrated Development of the Alqueva Zone – PEDIZA (ERDF)	Environment / Hydraulic Infrastructures	<i>Alqueva Dam Construction and Complementary Actions</i>  ID – 99-01-01-00001	This project consists of the construction of the Alqueva dam. This dam is of a double curvature concrete arch type, 458 metres crest and 96 metres in height, with a N.P.A. quota of 152 m and a 250 km <sup>2</sup> lagoon.	159.821
(8)	Environment and Urban Revitalisation OP – Urban Renovation OI	Multifunction equipment's	<i>Multifunction Pavilion</i>  ID – 31-02-03-00009	The project consisted of the construction of an equipment with multi functions capacities (cultural, sportive, etc.).	52.047
(9)	Economic Fabric Modernisation OP – Commerce and Services OI	Commerce / Logistic Platform	<i>Lisbon Wholesaler Market – MARL</i>	MARL is an important logistic platform for the development of the food wholesaler market.	22.980

			ID – 22-05-03-00422	The project presented to be funded by the Structural Funds corresponds to the first phase of the MARL construction, which means one of the two platforms of the market. The overall area of the MARL is 101 ha, and the platforms correspond to an area of 61 ha.	
(10)	Economic Fabric Modernisation OP – Tourism and Cultural Heritage OI	Tourism	<i>Adaptation of the Marquês de Valle Flor Palace to a 5** Hotel – Carlton Palácio Valle Flor Hotel</i>  ID – 22-04-01-00566	This project consisted of the adaptation of the Marquês de Valle Flor Palace in to a 5 ** hotel with 194 rooms. Included in the project were the Palace rehabilitation, two new buildings, an health club construction, and the rehabilitation of gardens.	81.904

\* In these projects the overall investment corresponds to the eligible investment

All projects were funded by the ERDF, except the New Bridge over river Tagus (Vaco da Gama Bridge) and the Hydraulic Infrastructure Odeleite Beliche that were supported by the Cohesion Fund.

Under the CSF 1994-1999 the major investments made in Portugal were predominantly located in the infrastructure field.

After the analysis of these large projects we can conclude that all of them had a large impact on Portugal's socio-economic development.

Some of them had (and still have) a significant role on regional development and on improvement of living conditions of the population.

We can say that:

In the transport domain the projects contributed to a stronger cohesion of the entire territory improving the connections between the north and the south of Portugal and releasing the traffic in the Lisbon Metropolitan Area.

It should be also highlighted the projects in the environmental field for its benefits for the regions where they were implemented. In case of the Hydraulic Infrastructures Odeleite – Beliche (funding by the Cohesion Fund) it is important to note that before its implementation the quality of the water supplied was low and insufficient to satisfy the demand. The verified improvement had a direct impact on the population welfare, on the public health and on the preservation of natural resources.

The Alqueva Multiple Purpose Development – on which the Alqueva dam is one of the components - was considered as a priority and strategic project for the development of Alentejo region, by the national authorities.

Some of these projects (of regional and national strategic interest) show in particularly the strong leverage effect induced by the Structural Funds. Probably these investments wouldn't have been possible without an additional investment effort on behalf of the National Public Administration accompanied by the financial support given by the Structural Funds.

### 6.1.2 Final Beneficiaries

The sample selected for the efficiency analysis covers a large number of public works in several domains.

The final beneficiaries were in majority public entities, as it can be seen at the table below.

It should be noted that Portugal Telecom and BRISA were at the time of the project's implementation in a privatisation process. Nowadays these are private companies.

**Table 31 – Final Beneficiaries**

<b>Project Number</b>	<b>Beneficiaries</b>	
(1)	REFER E.P.	<i>Public enterprise</i> – responsible of building and maintaining all the infrastructures of the national railway network
(2)	GATTEL	<i>Public office</i> – created specially to implement the project
(3)	BRISA, S.A	<i>Private enterprise</i> – which have a concession contract of the motorways with the state until 2032
(4)	PARQUE EXPO'98, S.A.	<i>Public enterprise</i> – created specially to implement and manage all projects related to the EXPO'98
(5)	Portugal Telecom S.A - PT	<i>Private enterprise</i> – responsible for guaranteeing the telecommunication universal service
(6)	INAG – Portuguese Water Institute	<i>Public Institute</i>
(7)	EDIA S.A	<i>Public enterprise</i> – responsible for the implementation of the Alqueva Multiple Purpose Development
(8)	PARQUE EXPO'98, S.A.	<i>Public enterprise</i> – created specially to implement and manage all projects related to the EXPO'98
(9)	MARL, S.A	<i>Public enterprise</i>
(10)	Carlton Palácio – Sociedade de Construção e Exploração Hoteleira, S.A	<i>Private enterprise</i>

Some of the entities responsible for the implementation of the projects were created specially for that purpose, such as the GATTEL or PARQUE EXPO.

CIDEC considers that the creation of these entities enables the improvement of the efficiency either on delivering the projects or on the projects' control (specially in what concerns projects' transparency).

### ***6.1.3 Changes to Plan***

The table bellow summarises changes to plan bearing attention on initial and final costs, duration and outputs.

**Table 32 – Changes to plan**

Project	Initial cost of project (1000 EUROS)		Final cost of project (1000 EUROS)		Duration		Outputs		
	Overall investment	Structural Funds	Overall investment	Structural Funds	Planned	Final	Indicators	Planned	Final
<b>1</b>	249.399	114.724	238.027	106.514	35 months	39 month	Spans (m)	3.197	100%
							Concrete (m <sup>3</sup> )	92.636	100%
							Metallic Structure (ton.)	17.260	100%
							Railway track (km)	6,4	102%
							Electrification/Catenary (km)	6,9	100%
<b>2</b>	590.814	304.836	611.897	302.478	3 years	3 years	Concrete (m <sup>3</sup> )	691.963	108%
							Earthworks (m <sup>3</sup> )	5.889.193	97%
							Pilling Works (n.º)	4.248	78%
							Road Finishing (m <sup>2</sup> )	1.355.750	131%
<b>3</b>	77.468	23.105	77.018	23.105	18 months	18 months	Expropriation Area (m <sup>2</sup> )	2.123.221	100%
							Studies (n.º)	8	100%
							Excavations (m <sup>3</sup> )	3.439.760	102%
							Asphaltic (m <sup>2</sup> )	2.821.070	102%
							Inferior crossing (n.º)	10	100%
Superior crossing (n.º)	21	100%							
<b>4</b>	84.880*	48.161	85.270*	48.161	47 months	49 months	Construction (m <sup>2</sup> )	150.000	100%
<b>5</b>	87.788	43.474	87.788	43.474	2 years	2 years	Detailed billing (n.º)	1	100%
<b>6</b>	99.791*	70.253	99.791*	69.564	40 months**	53 months	Concrete (m <sup>3</sup> )	70.908	99%
							Excavations (m <sup>3</sup> )	1.239.424	110%
							Embankments (m <sup>3</sup> )	1.870.308	107%
							Revestment Concrete (m <sup>3</sup> )	14.450	103%
							Structural Concrete (m <sup>3</sup> )	1.340	108%
Pipeline (m)	35.475	98%							
<b>7</b>	160.238	84.926	159.821	79.906	8 years	-	Concrete (m <sup>3</sup> )	884.000	90%
							Excavations (m <sup>3</sup> )	733.000	139%
							Formworks (m <sup>2</sup> )	218.000	83%
							"Armaduras" (ton.)	5.600	156%
							Expropriation (n.º)	1.200	58%
<b>8</b>	37.118	17.458	52.047	17.458	39 months	53 months	Construction (m <sup>2</sup> )	37.000	100%
<b>9</b>	67.364	31.826	81.904	31.826	60 months	78 months	Overall Intervention area (ha)	42	100%
							Construction area (m <sup>2</sup> )	66.659	96%
							Pavilions	8	100%
							Main gate	1	0%
Electricity station	1	0%							
<b>10</b>	21.606	1.496	22.890	1.496	32 months	35 months	Hotel capacity (n.º of rooms)	194	100%
							Overall construction area (m <sup>2</sup> )	23.140	100%

\* In these projects the overall investment corresponds to the eligible investment

\*\* Revised planned duration (C(97) 1070 from 10.04.1997)

Generally projects selected for efficiency analysis did not show significant deviations from initial **budgets**.

The reasons behind the slight differences verified from the initial to the final budgets encountered in a few projects are essentially related to changes occurred in the initial project. In some cases, preparatory technical studies weren't complete when the works began.

In CIDEC point of view this fact reveals some deficiencies presented on the way the projects were planned.

In the Vasco da Gama Bridge project environmental issues haven't been initially predicted and inscribed on the project.

Three projects should be highlighted when comparing actual costs to those planned. The first one is the Multifunction Pavilion. In this particular case the initial investment predicted in the candidature was lower than final cost. This difference was related with the beneficiary's necessity to make direct adjudication's in order to accomplish the initial timetable.

The second one is the "Alqueva dam construction and complementary actions". Due to its technical complexity, this project had suffered several adjustments. In financial terms, the overall investment predicted in the candidature was revised in 1999 and as a result the eligible investment became lower.

The revised eligible investment was justified by changes in the initial planning of some works and by the financial overestimation of some actions when compared to the figures of the respective contracts.

However, the final figures presented in the project's final report do not correspond to the overall project because some actions related to this project were not carried out within the scope of the CSF 1994-1999, having other verified higher costs comparing to what was predicted.

The third one is the MARL. The final cost of this project was 22% higher than the amount initially budgeted. The out of budget works (due, in CIDEC point of view, to an insufficient planning of the issues), and the geological characteristics of the soil, among others, explain the differential between the initial and the final cost.

There were some factors, which influenced the fulfilment of the initially agreed **timetables**.

The realisation of EXPO'98 in Lisbon conditioned directly and indirectly the execution of several projects.

The Vasco da Gama Bridge and the Highway A12 were in an indirect way conditioned by the EXPO'98 because the success of this event depended a lot on good accessibilities in order to receive a large number of visitors.

The Intermodal Complex – GIL and Subway (two months delay) and the Multifunction Pavilion were two of the emblematic equipment's deliberately conceived for the exposition.

In what concerns the Multifunction Pavilion, although its final duration had been 53 months (it was predicted 39 months) the construction of the building was accomplished just in time for the beginning of the exposition. The delay verified was due to the need of the installation of some equipment after EXPO'98's final.

In a certain way we can consider that the achievement of the deadline was in some projects related to the strong political commitment at a national level in delivering the projects in time.

In the telecommunications domain the investment capacity of Portugal Telecom, its commitment in this project and finally the market liberalisation in 2000 were the main factors that explain the good performance of the project CLIP. It should also be noted that Portugal Telecom independently of the Structural Funds programmed CLIP.

The projects, which revealed more difficulties to accomplish the initially planned timetable, were the MARL and the Hydraulic Infrastructures, in particular the project "Alqueva dam and complementary actions" which is still ongoing.

In the Alqueva dam case, the main factors for the verified delay were:

- ✓ The bad weather conditions;
- ✓ The difficulties in the elaboration of some technical studies (environmental and geological studies in case of the Alqueva dam);
- ✓ Out of budget works.

The reasons that were pointed out as causes for the differences verified in the timetable considering what it was planned, reinforce, in CIDEC opinion, the importance of the initial planning of the projects. An additional effort should have been done previously especially in the way projects were planned in order to improve its efficiency when they are in the implementation phase.

As it can be seen in the Table 32, there are some projects where the **outputs** planned were completely achieved without significant deviations. Those cases are the installation of the railway decks in the 25 Abril Bridge, the Highway A12, the intermodal complex – Subway and GIL, the CLIP and the multifunction pavilion.

The good performance achieved in these projects was directly related to the care taken in the planning of the projects. This aspect seems to be determinant for the improvement of efficiency on the application of the Structural Funds.

The projects with more deviations from the initial outputs were the Alqueva dam, the Vasco da Gama Bridge and the MARL. However, CIDEC considers that these differences should not be analysed as a less efficiency projects – because some outputs are either superior or inferior when compared to what was planned.

## 6.2 Unit Costs

### 6.2.1 Actual unit costs compared to those planned

The actual unit costs were calculated for all projects, except:

- ✓ The CLIP project – it is very difficult to identify unit costs for this project since the cost of the software, for example, depends on the number of events that the system can deal with (CDR).
- ✓ The Alqueva dam construction – this project is not yet complete.

**Table 33 – Actual unit costs**

Unit: EURO

	Project 1	Project 2	Project 3	Project 4	Project 6*	Project 8	Project 9	Project 10
Widening of the roadway deck (m <sup>2</sup> )	2.111							
Installation of the railway deck in the suspension bridge (m)	2.199							
Installation of the railway deck in the north viaduct (m)	2.686							
Main Bridge (Km)		131.299.135						
Viaducts (Km)		49.586.786						
Viaducts over south bank (Km)		4.936.666						
Accesses (Km)		7.046.342						
Km Highway			4.053.579					
M <sup>2</sup> of construction				765		1.117	1.285	
Odeleite dam (m <sup>3</sup> of reservoir)					0,23			
Odeleite Beliche tunnel					2,776			
ETA (m <sup>3</sup> / day)					120			
Investment cost / intervention area (m <sup>2</sup> )							124	
Investment cost / commercial area (m <sup>2</sup> )							1.940	
Unit cost of the building construction								
Productor pavilion (m <sup>2</sup> )							201	
Big wholesalers pavilion (m <sup>2</sup> )							1.095	
Median wholesalers pavilion (m <sup>2</sup> )							656	
Small wholesalers pavilion (m <sup>2</sup> )							346	
Warehouse (m <sup>2</sup> )							220	
Amdinistrative and commercial building (m <sup>2</sup> )							252	
Cost per room								117.991
Construction area (new buildings) - m2								549
Rehabilitation of the palace - m2								808
Gardens m2								28
Permanent and direct jobs								147.679

\* Unit: ECU

Comparing the actual unit costs with those planned is a hard task because (as we have seen in the previous point) in a few projects were found some differences in the final outputs when compared to the initial ones.

Higher unit costs for some outputs resulted from: (1) the deficient planning of some projects; (2) the pressure to finish the projects in accordance to timetable. This was due to EXPO'98.

### 6.2.2 Actual unit costs compared to available benchmarks

From projects analysed, only a few have actual unit costs, which can be comparable to available benchmarks.

Some of these projects are very complex and not comparable with other developed in Portugal (because there are not similar projects) or even in the Europe.

The “Installation of the railway in the 25 de Abril Bridge” is an example where do not exist comparable benchmark because it was a unique project and probably the most important of its kind ever done.

It is also difficult to make a benchmark with the Multifunction Pavilion and the CLIP project. In the Multifunction Pavilion reasons for difficulty can be found on the type of construction and on

architectural aspects. In the CLIP project the technological choices available and the dimension of each system were the determinant factors to establish the unit costs.

According to the ex-post evaluation of the hydraulic infrastructures Odeleite – Beliche<sup>41</sup>, the unit costs achieved in this project can be considered acceptable comparing to other similar activities.

In what concerns to the actual unit cost of the new bridge over River Tagus – Vasco da Gama, the highway A12 – Montijo / Setúbal and the intermodal complex – subway and GIL, CIDEC considers that they could be used in future benchmarks in the transport domain.

Furthermore, the actual unit costs of the hotel construction and some unit costs of the MARL could be used as a reference in future benchmarks.

### 6.3 Conclusions

In a general way the projects analysed to assess the efficiency show that the deviations in terms of the initially agreed budget, agreed timetable and outputs were not very significant.

The Alqueva dam construction is the main exception because the “project” is not yet complete. We also consider that the MARL was not very efficient in the application of the Structural Funds. The project had suffered a substantial delay in the agreed timetable and a significant deviation in its budget.

In CIDEC point of view the critical factors that explain the good performance achieved in some projects that should be highlighted are:

- ✓ The strong political commitment at a national and regional level – this commitment was very important in the success of some projects, and some of them were undertakings indispensable to the regional development, to the modernisation of Portugal, to the success of the EXPO’98;
- ✓ The fact that the construction contract had foreseen penalties for any delays or in other cases, by contrast, contracts established awards when the given deadlines were accomplished;
- ✓ The implementation of the project in spite the support of the Structural Funds (CLIP project and the hotel construction);
- ✓ The strong follow-up of financial, works quality and timetable issues during the projects implementation;
- ✓ The elaboration of all technical studies before the beginning of the works and in some cases the definition of the contractors before the candidature to the Structural Funds.

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<sup>41</sup> Environmental & Water Engineering, Ltd carried out this ex-post evaluation for the Commission in 1999.

Regarding this last point, it was possible to verify that not all projects had their all technical studies done before the beginning of the works and in some cases this explain some problems encountered in the project implementation. CIDECE considers that the elaboration of all technical studies in time would permit a better financial and timetable control of the works executed.

In what concerns the role of the Structural Funds management on efficiency in project implementation it can be said that the good relationship between the beneficiaries and the programmes management made the implementation of the projects easy. The Evaluation Team thinks that this fact is closely related to the strong political commitment for the implementation of the majority of the projects.

The facilities encountered during the CSF 1994-1999 (for example the financial transfers in time) are not so evident in the actual CSF (2000-2006).

The kind of projects selected for analysis made difficult the identification of unit costs comparable to other activities. Only a few projects in the transport, the hydraulic infrastructures Odeleite – Beliche, the hotel construction and in a certain way some unit costs of the MARL, can be used as benchmarks and be compared to other similar activities.

As it was said at the beginning of this chapter, the implementation responsibility of the majority of the large projects selected to the efficiency analyses belonged to the public administration and some of them were considered indispensable for national and regional development and for the success of the EXPO'98.

Taking into account these facts CIDECE considers that the efficiency analysis of Portugal's overall application of the Structural Funds should not be based only on big projects, because the extrapolation for the all CSF can be incorrect. It is possible that small projects could not have a strong political commitment as the large ones and for this reason some delays on the timetable could occur with strong impact in their efficiency.



## 7. IMPACT

### 7.1 Evolution of national and regional contexts from 1994

During the 1994-1999 period, the Portuguese real GDP average annual growth rate was 3.4% – 0.9 percentage points above the figure for the EU countries (2.5%, see Table 3, p. 32). This remarkable trend explains a global change in the Portuguese GDP per head (in PPS; EU=100) of 4.6 percentage points during the 1993-1999 period (see Table 4, p. 33).

The difference between the maximum and the minimum values of GDP, per head, per region, evolved in an unfavourable way from 38 percentage points, in 1993, to 40 percentage points, in 1999 (see Table 4, p. 33). However, the coefficient of variation<sup>42</sup> of GDP per head evolved from 20.2% to 17.1% (in the same period), suggesting a slight economic disparities reduction.

In order to observe the evolution of the social cohesion, the Portuguese Department of Prospective and Planning (DPP) estimated a social development index which combines the following variables: life expectancy, educational attainment and some comfort indicators (inhabitants with water supply, electricity and WC at home).

The coefficient of variation of Social Development Index rose from 7.4%, in 1995, to 11.5%, in 1999 (see Table 5, p. 33). The CIDEC considers that this unfavourable trend could be essentially explained by structural factors – namely by the tendency of the Portuguese population to migrate into and to live in the coastal regions where are generally located the most important employment areas and the most dynamic economic activities<sup>43</sup>.

During the 1994-1999 period the overall employment creation in Portugal was about 261 thousand jobs that represents an average annual growth rate of 0.9%. The average annual growth rate of labour productivity was 2.5% during the same period. This figure is more favourable than that of EU (see Table 8, p. 35), validating the good performance of the Portuguese labour market (and economy) during the 1994-1999 period.

### 7.2 Achievement of CSF strategic targets

As referred to in Section 4.2.1, the Regional Development Plan 1994-1999 and the associated CSF had two *strategic objectives*:

1. ***The real convergence between Portuguese and European economies;***
2. ***The promotion of the internal economic and social cohesion.***

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<sup>42</sup> The ratio of the sample standard deviation to the sample mean.

<sup>43</sup> See Section 4.1.1 for details.

In what concerns the first strategic aim, it was expected a 6% convergence of the Portuguese GDP per head with the Community figure. It was expected that half of this would be induced directly by the Structural Funds. In fact, the (referred) 4.6 percentage points growth of this indicator during the 1993-1999 period represents an evolution of 6.8% from its initial value (from 67.7% to 72.3%, see Table 4, p. 33). So, the CSF target for the GDP per head growth was surpassed in 0.8 percentage points.

In what concerns Portugal's economic and social cohesion, a regional disparities reduction of 14% was predicted. As mentioned before, the coefficient of variation of GDP per head evolved from 20.2%, in 1993, to 17.1%, in 1999 – which suggests a 15% reduction in regional economic disparities. So, the CSF initial target was surpassed in 1 percentage point.

As far as concerned the social cohesion dimension, the coefficient of variation of Portuguese Social Development Index rose between 1995 and 1999, as said. So, the (14%) reduction in social disparities that was predicted initially did not occur.

### 7.3 Contribution of CSF to achievement of strategic targets

A recent working paper from DPP<sup>44</sup> reveals the importance of the net effects associated with the execution of the Portuguese CSF 1994-1999. In fact, the CSF overall expenditure during the 1994-2000 period had as result, namely, the growth of aggregate demand for goods and services components (see Table 34):

- ✚ **Personal consumption expenditures:** 2.1% of its average value between 1994 and 2000 (at 1999 prices) was related with the CSF execution;
- ✚ **Government purchases of goods and services:** the CSF impact was estimated in 0.7% of the average value of this demand component during the same period (at 1999 prices);
- ✚ **Gross private domestic investment:** 7.7% of the average gross private domestic investment during the 1994-2000 period (at 1999 prices) was related with the CSF; this is the greatest CSF impact by aggregate demand component;
- ✚ **Imports of goods and services:** the CSF execution generated additional imports which was estimated of about 2.9% of the average value of imports during the 1994-2000 period (at 1999 prices).

Jointly, these impacts on aggregate demand generated an additional GDP that was estimated by DPP in 2.3% of the GDP average value between 1994 and 2000, at 1999 prices (2.5% for the 1994-1999 period, see Table 34). That is, the CSF contribution to the average annual growth rate of real GDP was 0.33 percentage points between 1994 and 2000 (0.42 percentage points for the 1994-1999 period).

<sup>44</sup> DPP, *Avaliação do Impacto Macroeconómico do QCA em 1994-2000*, March 2002 (in [www.dpp.pt](http://www.dpp.pt)).

**Table 34 – Estimated CSF 1994-1999 impact on aggregate demand components, GDP and employment by year (1994-2000) (% of the variable value resulting from the CSF execution, at 1999 prices)**

Variable	1994	1995	1996	1997	1998	1999	2000	1994-1999	1994-2000
Personal consumption expenditures	1,6	2,4	2,6	2,7	2,4	1,8	1,1	2,3	2,1
Government purchases of goods and services	0,2	0,7	0,7	0,8	0,9	0,8	0,9	0,7	0,7
Gross private domestic investment	5,7	9,3	9,8	9,7	8,6	6,5	5,0	8,3	7,7
Imports of goods and services	2,0	3,2	3,5	3,7	3,5	2,6	2,1	3,1	2,9
GDP	1,7	2,7	2,8	2,9	2,6	2,0	1,4	2,5	2,3
Employment	1,3	2,1	2,2	2,3	2,1	1,6	1,1	1,9	1,8

SOURCE: Department of Prospective and Planning (DPP) - *Avaliação do Impacto Macroeconómico do QCA em 1994-2000*, March 2002

It should be remembered that during the 1994-1999 period the average annual growth of the Portuguese real GDP was 3.4% and the real convergence between Portuguese and European economies was 0.9 percentage points per year. So, the CSF contributed to 12.4% of that average change ( $0.42 \div 3.4$ ) and to 46.7% of the real convergence observed ( $0.42 \div 0.9$ ) (see Table 35).

**Table 35 – Estimated net effects on GDP, employment and productivity resulting from the CSF execution (1994-1999)**

Variable	Gross Effect	Estimated Net Effect	Estimated Net Effect (%)
	(1)	(2)	(2) / (1) * 100
Real GDP average annual growth rate - AAGR	3.4%	0.42 p.p.	12.4%
Real convergence (*)	0.9 p.p.	0.42 p.p.	46.7%
Number of jobs created and maintained (1000)	261	77	29.5%
Employment AAGR	0.9%	0.28 p.p.	30.0%
Labour productivity AAGR	2.5%	0.14 p.p.	5.6%

(\*) Portuguese real GDP AAGR minus EU's real GDP AAGR

SOURCES: EC - *Employment in Europe 2002*; Department of Prospective and Planning (DPP) - *Avaliação do Impacto Macroeconómico do QCA em 1994-2000*, March 2002

CIDEC considers that these notorious net effects of the Portuguese CSF 1994-1999 was the main factor that explains not only the real convergence of Portugal with EU countries<sup>45</sup> but also the reduction of regional economic disparities observed in that period which surpass the respective strategic targets, as mentioned before.

DPP estimated that 1.6% of 1999's employment was directly related with the CSF execution, that is, about 77 thousand jobs were created and maintained until 1999 (see Table 34). This estimate is not far below the initial target defined by the CSF (100 thousand jobs). Note that about 30% of the CSF employment creation was in Construction activities (non-permanent jobs).

Finally, CIDEC estimate that 5.6% of the productivity growth observed during the 1994-1999 period (2.5%) was also related with the CSF execution (see Table 35).

<sup>45</sup> Note that the number of inhabitants (the denominator of GDP per head) is, in general, a less volatile variable than the GDP (the numerator of that ratio).

## 7.4 Macroeconomic modelling

The following analysis was drawn from the macroeconomic modelling work carried out by ESRI on “An examination of the ex-post macroeconomic impacts of CSF 1994-99 on Objective 1 countries and regions”, Draft Report/Version 2 (October 18, 2002).

In Table 36 we show the impact of the CSF on aggregate real GDP at market prices (as a percentage change relative to the no-CSF baseline), and on the unemployment rate (as a difference relative to the no-CSF baseline). This simulation captures both the direct demand-side (or Keynesian) impacts as well as additional supply-side impacts that are associated with the improvement in infrastructure and human resources.

**Table 36 – Portugal: aggregate CSF 1994-1999 impacts on GDP and unemployment**

Year	GDPE	UR
1993	0	0
1994	2.72	-2.21
1995	2.78	-1.76
1996	2.87	-1.31
1997	3.30	-0.73
1998	4.04	-0.16
1999	4.66	-0.05
2000	2.20	+1.93
2005	2.40	+1.09
2010	2.06	+0.82

The aggregate impacts on GDP are quite large, and peak at just over 4.5 percent in 1999. The GDP average percentage change (relative to the no-CSF baseline) was 3.4% for the 1994-1999 period. That is, the CSF’s contribution to the average annual growth rate of real GDP at market prices was 0.56 percentage points during that period. Note that this figure is larger than the DPP’s estimate for the same period, at 1999 (constant) prices (0.42 percentage points, as referred in Section 7.3).

The impact on the rate of unemployment follow the Greek and Irish patterns, with an initial strong negative impact, followed by smaller negative impacts, and a reversal of the sign of the impacts after the CSF is complete<sup>46</sup>.

In comparing the sizes of the impacts on the level of GDP for the four countries, the size of the CSF injection (both EU and domestic public co-finance) must be borne in mind. As a guide we can construct a type of aggregate CSF multiplier:

<sup>46</sup> It should be stressed that the CSF shock being analysed consists of CSF 1994-1999 in isolation. The impacts that the model simulates post-1999 would never be observed in practice because CSF 2000-2006 will take over, or in the case of Ireland, the domestic funding of CSF 2000-2006 is very much larger.

*Cumulative CSF multiplier:*

*Cumulative % increase in GDP / Cumulative CSF share in GDP*

This is shown in Table 37 for the years 1994-99, 1994-2002 and 1994-2010 for CSF 1994-1999, where the cumulative CSF multipliers are seen to be at the higher end of the scale.

**Table 37 – Portugal: synthetic CSF cumulative multiplier on GDP**

Period	CSF multiplier
1994-1999	1.12
1994-2002	1.53
1994-2010	2.55

The impacts on Portuguese sectoral output are shown in Table 38. Here, the impacts on manufacturing are higher than in the case of Ireland, with knock-on consequences for the market services sector (i.e., in addition to the direct building and construction impacts). These impacts are being driven by the large increases in the stock of physical infrastructure and human capital<sup>47</sup>. There is a possibility that the externality elasticity's are too high for Portugal, and that lower values would be more appropriate. Nevertheless, the Portuguese model simulations suggest that the CSF impacts are still large.

**Table 38 – Portugal: CSF impacts on sectoral GDP (% change over baseline)**

Year	OT	ON	OG	GDPFC
1993	0	0	0	0
1994	2.39	4.39	1.60	3.23
1995	2.70	4.27	1.43	3.27
1996	4.17	4.16	0.92	3.42
1997	6.20	4.16	0.94	3.97
1998	9.00	4.44	0.80	4.81
1999	10.65	4.82	0.85	5.47
2002	8.65	1.43	-0.63	2.77
2010	5.96	1.14	-0.63	2.09

Note: OT denotes output in manufacturing; ON, market services; OG public services; GDPFC, total GDP

<sup>47</sup> See Table 4.1.2(a) in ESRI, “An examination of the ex-post macroeconomic impacts of CSF 1994-99 on Objective 1 countries and regions”, Draft Report/Version 2, October 18, 2002.

The detailed impacts on manufacturing are shown in Table 39, where the strong productivity growth induced by the CSF externality mechanisms is apparent. As suggested above, this effect may be overstated. Nevertheless, it is probably the case that the impact of CSF 1994-1999 on Portuguese manufacturing output was very strong, and is known to have been accompanied by a large inflow of foreign direct investment<sup>48</sup>. This appears to have induced a radical transformation of the sector, rather like the impact on the Irish manufacturing sector in the 1980s. The traditional nature of much of Portuguese manufacturing (with many labour intensive low productivity firms) began to change under the impact of EU entry, and the first two CSFs. It should be noted that the Portuguese economy is more open than the Greek economy, but less open than the Irish economy.

**Table 39 – Portugal: CSF impacts on manufacturing sector: Output, employment, productivity and investment (% change over baseline)**

Year	OT	LT	LPRT	IT
1993	0	0	0	0
1994	2.39	1.89	0.49	18.83
1995	2.70	1.49	1.19	20.36
1996	4.17	1.77	2.36	21.06
1997	6.20	2.26	3.85	20.38
1998	9.00	3.00	5.83	23.00
1999	10.65	3.74	6.65	24.76
2002	8.65	2.96	5.53	6.60
2010	5.96	2.10	3.77	4.71

NOTE: OT denotes output in manufacturing; LT denotes manufacturing employment; LPRT denotes labour productivity; IT denotes manufacturing investment

Finally, Table 40 suggests that CSF 1994-1999 added to the Portuguese borrowing requirement and increased the trade deficit, but by much less than the Greek case.

<sup>48</sup> See ESRI, *Single Market Review 1996: Aggregate and regional impacts: the cases of Greece, Ireland, Portugal and Spain*, Kogan Page, London, in association with the Commission of the European Communities, 1997.

**Table 40 – Portugal: CSF impacts on regional deficits (GBORR) and trade surplus (NTSVR) (percentage of GDP, deviation from baseline)<sup>49</sup>**

Year	GBORR	NTSVR
1993	0	0
1994	0.45	-1.90
1995	0.45	-1.59
1996	0.37	-0.97
1997	0.34	-0.83
1998	0.43	-1.01
1999	0.50	-1.27
2002	0.33	-0.86
2010	0.26	-0.45

## 7.5 Conclusions and remarks

Above referred evidence suggests the importance of the net effects resulting from CSF 1994-1999 execution.

In fact, the input-output model estimated by DPP suggests a net impact of 0.42 percentage points on the real GDP average annual growth rate during the 1994-1999 period which is equivalent to 12.4% of that rate or to 46.7% of the real convergence observed during the same period. Furthermore, the HERMIN model estimated by ESRI – which captures not only the demand-side impacts (as the DPP's model) but also the supply-side effects – suggests an even large CSF's net effect on GDP growth (0.56 percentage points per year). As result, the CSF's execution seems to be very important for the convergence of the Portuguese real GDP per head with the Community figure, which surpassed its initial target in 0.9 percentage points.

In what concerns the economic cohesion by region, CIDEC considers that the referred net effects was also crucial for the 15% reduction of GDP per capita disparities observed from 1993 to 1999, which surpassed in 1 percentage point its strategic target. This can be a result of the priority given by CSF to the less developed regions, through the geographical spread of funds observed<sup>50</sup>. However, it should be emphasised that the social disparities between Portuguese NUTS II regions rose during the 1995-1999 period.

Regarding the labour market, about 77 thousand jobs were created and maintained directly resulting from the CSF execution until 1999 (29.5% of the total number of jobs created and maintained between 1994 and 1999). Furthermore, an initial (1994-96) strong negative impact, followed by smaller negative impacts, was observed on unemployment rate.

<sup>49</sup> Note: A “+” sign indicates a deterioration (or rise) in the borrowing requirement (GBORR) but an improvement (or rise) in the net trade surplus (NTSVR), both expressed as a percentage of GDP.

<sup>50</sup> See Chapter 4 for details.

The CIDEC estimate that 5.6% of the productivity growth observed during the 1994-1999 period (2.5%) was also related with the CSF execution.

Some micro impacts resulting from the CSF execution were also observed. In spite of the lack of up-to-date data, namely concerned with the birth and dead of SME, the case studies developed by the CIDEC suggest that:

- ↪ The Economic Fabric Modernisation OP (namely its Industry OI – PEDIP II) was very important for the progressive technological change of the Portuguese companies, that is, for an effective assimilation of the “dynamic competitive factors” (as R&D, innovation, quality, design or marketing) by them. The take-off of mature technological initiatives was clearly set-aside as far as concerned the investment supported;
- ↪ A special care was given to market failures: the quantity of continuous vocational training and R&D implemented by firms would be clearly sub-optimal without the support conceded by the PESSOA Programme, PEDIP II and other Operational Interventions co-financed by the Structural Funds. However, it should be emphasised that the interventions co-financed by the Structural Funds in order to deliver continuous vocational training adequate for the SME were little innovative. This is seen by the CIDEC as one of the major shortfalls of the CSF;
- ↪ One of the main priorities of the CSF 1994-1999 was the development of the Vocational Training System which utility is recognised by the economic fabric nowadays. The sustainable development of the economic fabric was also promoted by supporting the Technological and Vocational Education System development;
- ↪ The construction of some key infrastructures for the SME development such as Technological Centres (in order to generate spin-off effects between the Education System and the SME) or transport and accessibility facilities (conclusion of motorways, decongestion of metropolitan areas, new underground stations, new harbour facilities) was also privileged. However, some problems can be pointed out during the execution of PEDIP II in the support given to Technological Centres. Furthermore, the PRAXIS XXI’s strategy to generating technological spin-off effects was not very appropriate to promote the modernisation and diversification of the production system;
- ↪ A great part of the effects generated by the CSF execution had a non-permanent nature: in particular, about 30% of the employment creation were in Construction activities, as mentioned before. However, it is important to emphasise that the survival and the sustainable development of many Portuguese Construction (and related) companies was mainly due to the infrastructure investment supported by the CSF;
- ↪ Finally, the CSF impact at local development was very significant, namely, through the support that was given by the PPDR and Regional OPs to activities developed by social partners, regional/local development agencies and other NGO.

## 8. MANAGEMENT AND IMPLEMENTATION SYSTEMS

### 8.1 Institutional Arrangements

#### 8.1.1 Overview of programme management structure / Structure and responsibilities

The Decree-Law No. 99 / 94 from 19<sup>th</sup> April defined the main lines of the organisational structure of management, monitoring, evaluation and control of the execution of the whole CSF 1994-1999 (attributing the technical, administrative and financial management of each Programme to a Manager supported by a Management Unit).

The organisational structure relative to management, monitoring, evaluation and control of the execution of the CSF 1994-1999, was divided into three levels:

- overall execution of the CSF;
- execution of each Structural Fund; and
- execution of the OI included in the CSF.

For each level existed the following types of organs:

- co-ordination and management institutions;
- monitoring institutions;
- evaluation institutions;
- control institutions.

In what regards the co-ordination and management of the CSF it should be mentioned:

A Governmental Commission was responsible for the *overall co-ordination of the CSF*. This Commission was composed by the Minister of Planning and Territorial Administration who presided over and by the relevant ministries members responsible for the entities that managed the OIs.

A Management Commission was responsible for the *overall management of the CSF*. This Commission was composed by the General-Director of Regional Development- DGDR<sup>51</sup>, who presided over the Commission, and by directors of the entities responsible for the national management of the ERDF (DGDR), ESF (CCFSE), EAGGF (Ministry of Agriculture) and FIFG (Fishery General-Direction) and by the Cohesion Fund.

This Commission's task was to ensure the different OI execution, to elaborate the reports of the CSF overall execution, to establish the contacts with the EC services, to present to the government proposals for modifications regarding the operation of the institutional

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<sup>51</sup> Belonging to the Ministry of Planning and Territorial Administration.

mechanisms and the programming of the OI, to promote the evaluation actions considered necessary, to promote the synergies between the OIs and to support the preparation of the Governmental Committee meetings.

In what concerns the overall management of the CSF, there was also a *Co-ordination Commission of the ESF* (CCFSE) composed by a representative of the Labour's Minister, who presided over, and directors of the Directorate-General for Employment and Vocational Training, by the Department for the European Social Fund (DAFSE), by the Employment and Vocational Training Institute (IEFP), by the Institute for the Innovation in Vocational Training (INOFOR) and by the Directorate-General of Regional Development (DGDR).

This Commission's task was to co-ordinate the interventions within the scope of the ESF in its technical and financial aspects, to ensure the supervision of the programmes (ESF) that integrated the CSF, to propose general management norms of the ESF and to exercise these competencies regarding the ERDF component of the OIs of the direct responsibility of the Labour's Minister.

A *Monitoring Commission* was responsible for the *monitoring of the overall execution of the CSF*. This Commission was presided over by the president of the Management Commission and composed by:

- Members of the Management Commission;
- Managers of the OIs;
- General-Director of Treasury;
- General-Director for the Community Affairs<sup>52</sup>;
- General-Director of the Central Planning Department;
- General-Director of the Environment;
- The president of each of the Regional Co-ordination Commissions (North Region, Centre Region, Lisbon and Tagus Valley Region, Alentejo Region and Algarve Region);
- A representative of each of the Regional Governments (from Azores and Madeira); and
- Representatives of the European Commission.

This Commission could also be composed by other directors of Administration departments, whenever the nature of the issue in question demanded so.

This Commission's task was to monitor the execution of all the OIs, ensuring its articulation with other community policies and analysing the changes proposed by the Management Commission or on its initiative. This Commission should meet at least twice a year (and it was observed that, in fact, only two meetings a year took place).

The Social Partners were not represented in the Monitoring Commission, though they could be present as observers.

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<sup>52</sup> From the Foreign Affairs Ministry.

Generally, the managers do not consider it necessary to broaden this Commission. They consider that a broader Commission would not have influence in the effectiveness of the Programmes; on the contrary, it would complicate the meetings adding no value to it. However, CIDEC considers that the social partner should have been represented in this management structure. Their presence at the Monitoring Commission should increase the transparency of the programmes implementation.

An *Observatory of the CSF*<sup>53</sup> was responsible for the *evaluation* of the economic and social impacts of the global execution of the CSF. Recognised national experts composed this organ.

Within the evaluation there was also an organ for the permanent evaluation of the global execution of the CSF, named Supervisor of the CSF, appointed by the Ministers Council, which was in charge of co-ordinating the *Observatory of the CSF*, the gathering and organisation of the information on the execution of the CSF, co-ordinating the elaboration and the opinions on, the execution reports of the CSF, proposing the execution of audits and requesting the intervention of the control organisms of the CSF.

The generalised opinion is that this organ did never function efficiently. Its work was developed essentially within the scope of the realisation of some studies.

As it can be observed from what was referred above, the management structures, monitoring and evaluation of the CSF as a whole, incorporated, basically, entities and organisms related to the Public Administration. No other organisms, of a private nature (the sectoral or regional associations for instance) nor the social partners were represented.

The social participation in the process of the overall execution of the CSF was only seen in the evaluation of the Regional Development Plan, the CSF, and also evaluation of the final and annual reports of the CSF execution<sup>54</sup>. However, it is important to mention that, in what regards the CSF aspect, the CCFSE met, every two months, with the Social Partners represented in the Economic and Social Council.

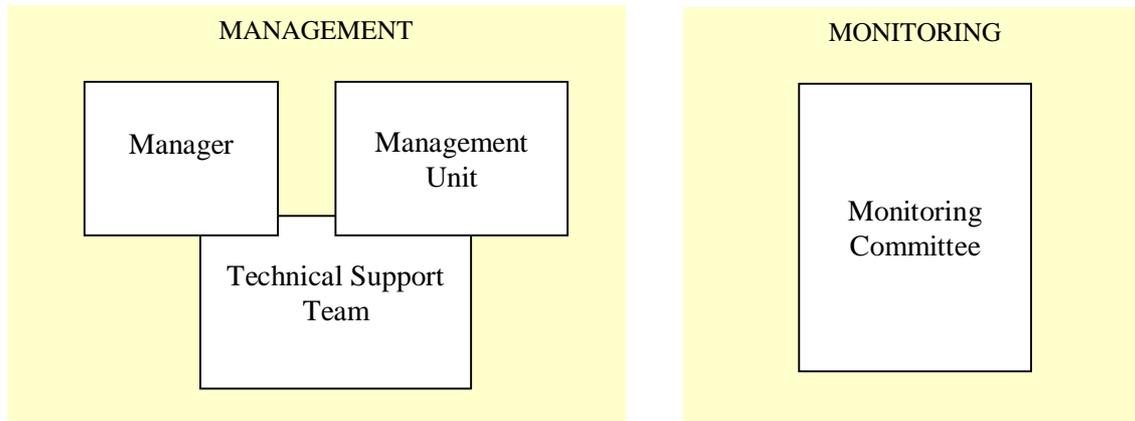
In what concerns the *management* of **each Operational Intervention**, it should be mentioned that:

The technical, administrative and financial management of each one of the OI was the responsibility of a *Manager*, supported by a *Management Unit*.

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<sup>53</sup> The actions co-financed by the ESF, were subject to evaluation by the CCFSE and by the Observatory of the *Employment and Vocational Training*.

<sup>54</sup> The Council could also pronounce himself on the final and annual reports of execution of each of the large intervention areas corresponding to the community decisions.



Concerning the interventions of national scope from the Ministry of Labour's direct responsibility, the management was, in the beginning of the CSF, made through framework-programmes, and the attribution of a global subvention to managing entities. This situation was changed<sup>55</sup> latter.

Regarding the interventions of national scope supported mostly by EAGGF, its management was made by an organism of the Ministry of Agriculture (Instituto de Estruturas Agrárias e Desenvolvimento Rural in connection with IFADAP).

Concerning the interventions of national scope supported mostly by FIFG, the management was made by Fisheries Directorate General in connection with IFADAP.

The Manager of each programme had the responsibility to propose the regulation and ensure the organisation of the application's process, to ensure the observance of national and community rules, to propose the application approval to the member of government of its sector<sup>56</sup>, to verify the conformity of the payment requests and ensure the making of payments, to ensure the control system, to elaborate the execution report and to execute other necessary acts for the adequate management of the programme.

The Management Units, presided over by the Manager of the programme and where the entities responsible by the national management of the funds involved in each OI and, if needed, the executing organisms<sup>57</sup> were represented, had, as main functions, to provide reports on the decision projects of the managers, in what concerned the candidatures, and on the execution report projects made by the Managers.

Although, in the Management Units of each (sectoral) programme there were only entities / organisms connected to the sector (and, as a general rule, to the relevant Ministry itself), the entities interviewed say that, most of the time, it was the only place where they would work together. This represented an important value-added for the conciliation of

<sup>55</sup> See footnote 63.

<sup>56</sup> Or to approve the candidatures whenever there was a delegation of competencies.

<sup>57</sup> In what concerned the OI of regional ambit, the Management Units had to have the representation of local authorities ensured and in case of OI with direct influence in the environmental matters, they had to have the General Direction of Environment represented.

strategies in the sector and also for the implementation of the programmes which has a sectoral ambit.

The Management Units met whenever necessary: it depended on the need of make decisions.

Technical Support Teams assisted both the Managers and the Management Units in their functions.

The **monitoring** of the execution of each OI, was a responsibility of a **Monitoring Unit** (or Monitoring Committee), presided over by the Manager of the OI, and composed by the members of the Management Unit, representatives of the entities responsible for the national management of the Funds that financed the programme and by representatives of the European Commission and of the European Investment Bank. In what concerns the OI of regional scope, the General Director of the Regional Development was also represented (and, in these cases, presided over), as well as the presidents of the Regional Co-ordination Commissions, the involved municipalities and the Regional Directions of the Ministries.

The Monitoring Unit met at least twice a year.

In case of the OI with financing from the ESF, these Monitoring Units also integrated a representative from the CCFSE.

In what regards the interventions focused on transport, agriculture, industry and energy, the Monitoring Units also integrated a representative from the Environment Directorate-General.

One aspect related to the management and implementation system that should be mentioned, is that it was not possible (nor is it now) to implement an “objective/result management” conferring global responsibilities to the manager of the programme.

The implementation of this type of management would imply a different logic from the current one used in the Regional and Cohesion Policy on the application of the Structural Funds. Nowadays a logic of eligibility of the expenses is in use which is not compatible with this type of management, because it does not allow, in a easy way, to adapt the functioning of each programme to the specific needs of the sector or the region. Consequently a logic of results would be necessary, but then it implies that the control to made would be based on the results and not on the expenses.

### **8.1.2 Involvement of other groups**

The management structures of the CSF and its programmes incorporated basically entities and organisms related to the public administration. No other groups were involved in the management with the exception of one or two programmes. One exception of it is the management of the Operational Intervention for Industry where some sectoral private associations were involved<sup>58</sup>. However no informal "working" groups were involved.

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<sup>58</sup> - See FWG of the IO Industry - case study for the management and implementation system – Annex 6.

### 8.1.3 Partnership (vertical and horizontal)

All the entities connected to the management of the programmes that were contacted<sup>59</sup> were unanimous in stating that the relationship between the different entities (EC, Member State and regional / sectoral tiers) was easy and enriching. They all also consider that this positive aspect may be due to the people that represented the entities and not necessarily to the system and structure set.

When it comes to multifund programmes an articulation must be made with different DG from the European Commission, with different rules / procedures. Even it is a good articulation, it makes the management slightly difficult.

As referred above the involvement of the social partners in all development process of the CSF (planning, implementation, monitoring and evaluation) was relatively reduced in the CSF 1994-1999.

### 8.1.4 Capacity to manage

The capacity to manage the programmes must be assessed, first of all, in what concerns the structures directly linked with the management activities (Managers, Management Units and the Technical Support Teams).

We can synthesise this capacity, in general, as:

	Sufficient	Only with difficulty	Not sufficient
Time		X ***	
Knowledge	X *		
Numbers of staff		X **	

\* - In case of programmes with different funds, that comprised different "branches of knowledge", it was harder for the Technical Support Teams to develop their work because they should comprise a broader set of specialisations.

\*\* - In a general way, the management teams of the different programmes consider that their Technical Support Teams had fewer elements than they should have to monitor adequately the projects and the promoters. For this reason, most of the time, the management team limited its action to the control (1<sup>st</sup> level of control) and not to real monitoring. The effect/result of this was specially felt, on one hand, in the programmes with a high number of projects, and on the other hand, in the programmes of the ESF (that also had a very high number of projects) in which, the pressure for the achievement of the goals of the Employment National Plan and of the rendering of accounts in this area was particularly felt.

\*\*\* - A large part of those interviewed mentioned that the work of monitoring and control work demands a lot of time, leaving few time to develop an adequate work plan.

<sup>59</sup> The managers of almost all the programmes of the CSF were contacted.

### 8.1.5 Improvements

As a consequence of the previous experience the capacity for management and implementation improved during the period 1994-1999. The flexibility of the management and implementation system of the CSF during 1994-1999 allowed introducing some specific improvements.

Large alterations were not introduced, except the implementation rules for the European Social Fund. The alterations related to the operation of the ESF were centralised on the improvement of the credibility of the Vocational Training market, with strong influences on the correct implementation of the programmes.

There was no large changes / improvements in the evaluation area. As it will be referred ahead, one of main problems with the evaluation work was connected to the CSF Information System features. There were no improvements in this system during the period 1994-1999, even though some "studies" were developed in order to change this System for the new programming period (2000-2006).

	<b>Extent of improvement?</b>	<b>In what manner?</b>
Management	Yes	The management capacity was significantly improved halfway through the programming period with the introduction of a larger autonomy of the Manager.
Implementation	Yes	The possibility of "overbooking" was introduced. It made possible a larger financial execution of the Programme.
Evaluation	No	

### 8.1.6 Differences from current practice

There is a very significant difference between the management model of the current CSF (2000-2006) and the one of the CSF 1994-1999. That is not so much reflected in the existing structures and the way they function, as it is in the way that the CSF was conceived and, consequently, in the entities that came to be represented in each organ of the management structures.

The CSF 1994-1999 was built on a set of programmes of a sectoral ambit, inserted in the three first axis of the CSF (corresponding to about 79% of the overall revised expenditure of the CSF) and another axis that comprised the interventions in the regional ambit (axis 4 of the CSF, that corresponded to 20%). In the last group the five Regional Operational Programmes of the Mainland Portugal were comprised (which represented about 8.5% of the overall revised expenditure).

In the current CSF each sectoral programme has now a national component and five decentralised components (regional component), each one being inserted in the respective Regional Operational Programme of the Continent. Therefore the five Regional Operational Programmes of the Mainland Portugal represents now 32.6% of the overall expenditure.

The CSF as a whole, and each Operational Programme, or Operational Intervention, continued to have, more or less, the same organ /structures of management and monitoring, but now the

organs of the Regional Programmes have new representatives, since these programmes started having a sectoral component. For this reason the representatives of the different Ministries that are responsible for these sectors, are, all of them, now represented in the structures of management and monitoring of each of the Regional Operational Programmes. Therefore the Management Units and the Monitoring Committee, of each Regional Operational Programme of the Continent, have now a very high number of elements.

Trough this changes, the national authorities tried to implement a CSF structure that could assess the real needs of the local development and that could implement the best solutions. In fact, sometimes it was not easy to implemented different solutions for the different local needs, in the sectoral programmes of the CSF 1994-1999, which had a national scope.

Though with clear advantages in respect to the use of the available financial resources, since this model allows the creation of a closer proximity between the management entities and the citizens (bringing the process of decision closer to the citizens), it means, on the other hand, that there must exist a better co-ordination on the regional level between the different regional structures of each Ministry.

Although, as a general way, all those interviewed recognised that there are significant advantages to this model, they also recognised that there are complicated functioning problems, making the decision process slower (for instance, it is the responsibility of the Management Unit, as in the previous CSF, to decide about the approval of projects, and so, each sectoral representative must "collect the opinion" of their relevant Ministry, which demands a much larger work of adjustment and efforts co-ordination).

Another significant change at the level of the model of management and monitoring of the CSF, ties in with the fact that, *in the current CSF, the social partners are represented in the Monitoring Committees*. That permits, in fact, a greater transparency of the strategic options and a greater openness to civil society.

Another innovation in the management and monitoring model of the CSF has to do with the fact that the *systematic monitoring of the large transversal areas of the CSF* (environment, education, vocational training and employment, the SME, productivity and innovation, the Information Society and health) was set up. This brings, in CIDEC's point of view, many advantages to the tasks of monitoring the CSF in what concerns the results and effects of the execution of the CSF and the articulation of interventions in these areas.

There is also one change in the domain *of partnership*: in the new CSF, the principle of contracting was set, namely with the Associations of Municipalities and other agents of local and regional development. It is considered that this fact will increase the added value of the partnership, by allowing a closer proximity to the local and regional realities and needs.

## 8.2 Project selection process

### 8.2.1 Description of Process

The promoters of the projects should submit their projects for approval of the technical entities on behalf of the Ministries responsible for the sectors.

After the technical appreciation of the projects, the promoters (or the entities referred above) must submit the projects to the Manager (or to the Technical Support Team) of the programme that could finance the projects. The Technical Support Team should analyse if the project is according with the selection criteria, which were established, so that it could be submitted for the approval of the Management Unit.

At the Management Units meetings (where the projects should be "approved") the projects were put in order of preference (according to their role for the objectives of the programme and with the availability of funds): a report with the projects list is then submitted for ratification by the Minister responsible for the sector (in some cases it was necessary the ratification of two Ministers).

### **8.2.2 Average length of time to approve a project**

As referred above the Management Units met whenever necessary (as soon as they had a list of projects to approve) which made possible to give a quickly answer to the decision process.

However, sometimes some delays in the projects approve processes occurred in the programmes which needed two Ministers ratification.

It is difficult to establish an average length of time to approve a project. It depends on the programme. It may take 1 month or, sometimes, 3 or 4 months!

In what concerns the management obstacles, should be pointed out that in some cases (in some programmes) administrative overload was verified during the presentation of the applications, in consequence the periods of evaluation of requests being exceeded, although regulated.

### **8.2.3 Rigour of the Project Appraisal System**

In general, CIDEC considers that the project appraisal system was rigorous. It can be said that in certain cases the requirements could be considered as excessive.

### **8.2.4 Project selection criteria**

The project selection criteria varies a lot according to the type of project and, therefore, of programme and measure. It is not possible to describe a project selection criterion for the overall CSF.

A common base existed which was connected with the promoter conditions<sup>60</sup>, and then a part that was linked to the project itself (a more technical part) and which varied<sup>61</sup>.

One of the areas that should be improved is the one concerned with the need to analyse if the promoter has technical capacity to develop the project (this is harder in case of ESF projects).

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<sup>60</sup> Such as criteria on the financial credibility of the entities (namely non existence of outstanding debts).

<sup>61</sup> Such as the technical capacity to promote the project in case of Vocational Training projects (number and type of trainers, etc.) or the financial capacity to develop the investment project (profitability of the project, etc).

### 8.2.5 *Participants view of process*

It is recognised by almost all the interviewed, that the processes were clear: everyone knew the "rules" - the support given by the entities responsible for the reception of the candidatures / applications were enough to explain these "rules".

However, in some cases the promoter representatives that were contacted complained about the complexity of the processes that, in some cases, demanded many opinions of different entities. In the programmes related to SME, this is one of the areas that should be simplified (even focusing the community policy to support the SME) in order to improve the effectiveness of the programmes.

It is important to note that the changes verified in some community policies (e.g. ACP), or in other national policies in the middle of the CSF execution period, forced a modification of project selection criteria (not in its promoter characterisation aspect), which was not always well understood by the promoters. For instance these changes were linked with the eligibility criteria (possibility of support).

## 8.3 Financial systems

### 8.3.1 *Problems*

One of the problems associated with the existing financial systems is connected to the existence of different rules for each Fund, in what regards the rules of rendering accounts and, for instance, the presentation (closure) of accounts – with different periods<sup>62</sup>. This brought problems, namely, to the management of the programmes with different funds. The way the funds should be used is also seen differently in the different structures of the European Commission.

In what concerns the ESF component, the obstacles found in the financial management are strongly connected to a certain ineffectiveness: the community transfers resulting from the programmes structure (conditioning the fund requests to the EC to the global execution of the programme), the financial flows DAFSE / Managers / Promoters, the delay in the annual accounts closing (through the analysis of balances), the delays in the execution of the ESF and also of the difficulties of the entities who had requested funds, in the management of the multifunded projects with distinct rules of financing.

Within this area one of the suggestions that, was given, is directed to make independent the more effective sub-programmes (OI), in terms of EC transfers, by creating flexible management of the treasury in the ESF, predicting an eventual "working capital", anticipating the accounts closure date, and by harmonising the rules of Funds financing and adopting the reimbursement regime as a general way of financing.

<sup>62</sup> For example, the rendering account in the ERDF case was made at the end of the year, and in the ESF on the 15<sup>th</sup> of May (and in March for the promoters).

### 8.3.2 Financial control

The control mechanism was the same in all the programmes of the CSF: 1<sup>st</sup> level control, from the responsibility of the management authority (manager), 2<sup>nd</sup> level control, from the responsibility of entities responsible for the management of the funds, and 3<sup>rd</sup> level control, from the responsibility of the General Inspection of Finances (IGF).

In the CSF 1994-1999, the role of control was essentially conferred to the member-States. The competent authorities developed a vast activity in this perspective, so that they would correspond to the “competency delegations” of the European Commission in this domain. However, an adequate articulation of the different entities in this area was not always verified, which caused, in some way, a certain “control of control”, i.e., more than one control by project, some projects not being controlled at all.

By attributing 1<sup>st</sup> level control to the manager himself led to, in some cases, the Technical Support Teams were too busy with the tasks associated with control and were left without the possibility of monitoring the promoters and the projects. The Technical Support Teams were, therefore, busiest with the inspection actions (and even sanctioning actions – unapproved projects, payments not made, and so on) of the potential beneficiaries.

Within this area, the suggestions from some management authorities are made in the perspective of separating the control functions from the monitoring ones, leaving the first to the national entities with the vocation to those functions and to the Administration sectors that are responsible for the different areas of intervention of the programmes, the management and the Technical Support Teams having the function of analyse and monitor the projects’ execution, fundamentally focused on the “technical quality” and the effective “contribution” for the programme’s objectives.

Some of the programme managers achieved the 1<sup>st</sup> level control with the support of external auditors, which left more available time to use the internal resources of the Teams of Technical Support to monitoring the promoters.

It is also important to say that, in what concerns the ESF, changes were made, during the period of validity of the CSF, to the national rules about this Fund’s functioning<sup>63</sup>. One of these changes that is connected with the introduction of the obligatoriness of Accreditation of the training entities and of teachers Certification performed an important role in the process of control and monitoring, namely in what concerns the quality of projects.

In fact, with the Accreditation process of the training entities, some of the control work is done, because for this process the entities need to prove, namely, their capacity to organise and to render account of the training actions /courses.

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<sup>63</sup> See FWG for the management and implementation system of the PESSOA Programme.

### 8.3.3 *Other*

Contrary to the CSF III, in the CSF 1994-1999 it was possible to make, in the Monitoring Committee, financial reprogrammings of the Programme<sup>64</sup> that were proposed to the Commission.

Due to the application of the "Efficiency Rule" process it was decided that in the actual programming period no reprogramming should be done without the conclusions of the mid term evaluation (with the exception of some specific cases).

Although this form of action in the CSF 1994-1999 could, in some way, be seen as a sign of a less adequate strategy initially established, it allowed, in the opinion of the entities connected to management, the adequacy of the reprogramming to the execution. On the contrary, the present formula causes a certain execution "phobia", in order to reach the financial targets and to benefit from the "Efficiency Reserve". For this reason in the CSF 2000-2006, the projects that are supported / approved may be the ones that are more "appetising" in what concerns their execution (faster execution and larger projects).

## 8.4 Monitoring structures

### 8.4.1 *Description of monitoring structures*

(See point 8.1.1).

### 8.4.2 *Recipients of monitoring information and frequency of provision of information*

The Monitoring Committee must meet at least two times a year. It is mentioned, by some observers, that the Monitoring Committee meetings are too much focused on the financial execution of the programmes and with a weak decision capacity. It was suggested that the functions of this Committee should have a larger intervention in other domains of monitoring and evaluating the programmes.

### 8.4.3 *Accuracy of output / Result data and Quality of monitoring data*

One of the greatest omissions of all the programmes of the CSF is tied to the non-existence of information in the Information System of the programmes, related to results and impacts<sup>65</sup>.

In fact, the Information System of the CSF 1994-1999 had only figures for the execution of the projects, measures and programmes (financial and physical execution). Generally, there were a very few impact or results indicators (related with job creation, and only in a few programmes).

<sup>64</sup> In the CSF 2000-2006 it is not possible to make any financial reprogramming without doing the mid-term evaluation of the Programme (and respective attribution of the Efficiency Reserve).

<sup>65</sup> See Chapter 2 – Introduction and next point 8.5 – Programme evaluation.

Another aspect ties in with the fact that indicators were planned to analyse the contribution of the Operational Intervention execution for its own objectives, and it was verified that indicators to allow the monitoring of the contribution of the execution of each OI to the OP (regarding the OI) or for the own objectives of the CSF<sup>66</sup> were not planned.

Another fact that contributed to a certain difficulty of monitoring the CSF has to do with the quality of a more macro nature data, available both for the different sectors of activity and for the different regions. In 1993, a lack of quality and / or the data non-existence made harder the real diagnosis of needs (for regions or sectors), establishing with less rigour, for instance, the physical goals to achieve with the execution of each programme. On the other hand, it also made difficult construction and calculation of result and impact indicators.

This need of a good statistical system for monitoring the CSF is considered by all as a fundamental element for the monitoring and evaluation of the execution of the programmes. In the CSF 2000-2006, an effort was made by the managers of each programme so that, from the beginning, the methods to calculate and the sources of gathering information for the loading of result and impact indicators planned for their programmes were identified.

As mentioned before, the lack of a single Information System, made very difficult the monitoring of the global CSF and, in particular, the multifund programmes. Although, in what concerns the management of these last programmes, it was possible to overcome this issue, in what concerns the promoters themselves, there were problems enlarged by different deadlines.

#### **8.4.4 Evolution in quality of monitoring data**

In what regards overall management's CSF a significant effort was made, with practical translation in the CSF III, to harmonise the monitoring procedures. At the beginning of the 1994-1999 programming period each OI had their own procedures. It was not known whether they were very different from one another, since they were not written or even systematised.

We are not speaking only of monitoring procedures of the projects, but also of "report" procedures – for instance, procedures for information loading in the Information System were neither written nor formalised, which resulted in each manager having his own way of loading the battery of indicators. By so, the same indicator loaded with information by different programmes could have different meanings or interpretations.

Unfortunately, the improvements made were centralised only in the report area and other monitoring procedures. No significant changes occurred in the Information System (loading the battery of indicators) during 1994-1999. Nevertheless, some work was developed during this period in order to prepare a new Information System for 2000-2006.

The coming into force of the European Strategy for the Employment and its respective National Action Plans created, in the vocational training market, a certain political pressure for the respective goals accomplishment and for a greater executions monitoring. There was then, a certain political pressure for better monitoring of the actions brought about, which meant a higher provision of means for the effect, to the main Programme that supported the vocational training – the PESSOA Programme. It was possible, in this way, to improve significantly the monitoring process.

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<sup>66</sup> This problem was already overcome in the CSF 2000-2006.

#### 8.4.5 Added-value of monitoring

CIDEC considers that the monitoring exercise was more important in the control / supervision point of view than in the Programme's effectiveness point of view.

However, it is important to emphasise that the participation of the European Commission at the Monitoring Committee was considered very profitable with regard to the effectiveness of programmes.

In fact the way that the European Commission participated in the CSF development, through namely, the meetings of the Monitoring Committee, was verified by an active involvement, in which the Commission assumed itself to be, in the opinion of most of the people interviewed connected to the management of the programmes, a true partner of the CSF<sup>67</sup>. This allowed an easier implementation of the programmes, for two main reasons:

One, has to do with the fact that the Commission is more involved in the development of strategies supported by the CSF, contributing to find the most adequate ways for its implementation. The other one, is connected to the fact that then, at the meeting, it was possible to obtain the agreement and, consequently, the assumption of responsibility of the Commission on the decisions made, and that made its implementation easier.

### 8.5 Programme evaluation

In most of the cases the evaluation of the Programmes was limited to what was legally required, that is, the ex-ante evaluations and the mid-term evaluations were made. In all Programmes, the managers recognised the importance of an ex-post evaluation, but the accumulation of the period of the beginning of the CSF III (2000-2006) and the closing of the II (1994-1999), associated to the fact that the management teams of the programmes were slightly reduced regarding the volume of work they faced, did not allow this evaluation.

One of the great omissions of the mid-term evaluations that were made ties in with the impossibility of the evaluation teams to use information, on one hand, that is secure and, on the other hand, that allows them to evaluate, for example, results and impacts.

Due to:

- the battery of indicators loaded in the different Information Systems only reported on the execution indicators (physical and financial indicators). There was no impact nor result indicators;
- the way the battery of physical indicators was loaded varied (or could vary) from programme to programme, which obstructed the adequate interpretation of information (for example, in one programme the number of schools constructed was used and in other programme the m<sup>2</sup> of schools constructed were used);

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<sup>67</sup> Not so much in the role of "observer" that it assumes now (2000-2006).

- that was not given to the evaluators the possibility to collect other type of information that allowed evaluation of the results and impacts expected in the execution of the programmes; it was verified, for instance, when the evaluations had to be done in a very short amount of time<sup>68</sup>.

Another problem associated to the mid-term evaluations is connected to the fact that most of them were made late; therefore, the implementation of some of the recommendations made on it was impractical<sup>69</sup>. One of the solutions that could have been adopted was the making of on-going evaluations (made in the OI Industry – PEDIP II).

However, it is necessary to note that one of the most important conclusions that could be drawn up from the evaluation process of the CSF 1994-1999 is, from the managers' point of view, the need to improve this process. The national authorities, with the support of the European Commission, made a large effort, with success, to improve it. In fact, the Information System was improved (in particular with results and impact indicators) and the time available for the evaluations studies was enlarged (consequently, the possibility to collect information from other sources, as for example, from the beneficiaries).

We can say that the Monitoring and Evaluation were not a “strength” of the CSF 1994-1999 management and implementation system. However, it contributed to implement a wider culture of evaluation, which had large repercussions on the management system for 2000-2006 and on the monitoring of public policies.

## 8.6 Synergies effects

### 8.6.1 Internal effects

In what concerns the objectives there were in the CSF strong synergies between the measures and the programmes and among the programmes themselves. That is, concerning their conception, the CSF had a strong internal coherence, detected at the ex-ante evaluation and confirmed at the mid-term evaluation.

However, at the level of projects approved and made within the scope of the different programmes, it is not possible to affirm that strong synergies were verified, nor it is possible to affirm they weren't.

This, because the existing Information Systems (a different system for each Structural Fund) only allowed the manager of each programme to send his information to the system of the entity managing the fund – the manager only can access the information of his module and it is not

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<sup>68</sup> These problems were solved in the CSF 2000-2006 because there was, from the start, a clear definition of the procedures to be adopted by managers within the scope of mid-term evaluations, concerning the periods of its execution.

<sup>69</sup> It is expected that in the CSF 2000-2006 these problems will be overcome: the procedures being harmonised at this level, led to all teams on contests for the prompt making of the mid-term evaluations.

possible for him to obtain information about projects approved in other programmes, which would make easier the enhancement / maximising of the synergies<sup>70</sup>.

On the other hand, the existing information in the different systems would only allow the viewing of, project by project, the financial information and the physical realisation predicted, with no possibility to obtain information about the expected results and impacts.

### 8.6.2 External effects

As the CSF was the main political instrument, there was always a strong articulation with other policies. This articulation was particularly felt in the human resources domain (European Employment Strategy) and in the infrastructures supporting development.

	Yes	No
Structural Fund	X	
Other national	X	
Other regional	X	

## 8.7 Equal opportunities and the environment

### 8.7.1 Equal opportunities

Equal opportunities were not a priority issue in Portugal, and it has not been specially considered in the CSF 1994-1999.

However, the ESF supported projects that directed their action towards a population with insertion difficulties in the labour market, in particular women. Some of these projects supported activities for child support in order to allow mothers to attend the training actions.

It is also important to say that within the employment measures (ESF), women had more benefits than men and that has contributed to a large participation in active measures.

**Table 41 - Role of the management and implementation system – Equal Opportunities**

	Role	Effectiveness
Selection criteria	only in some OP	
Special working group	no	
Specific projects	no	
Informal understanding	yes	weak
Other	important	special increased benefits in the employment measures - Effective

<sup>70</sup> For example, through the approval of projects that "completed" the effects that were aimed in other projects.

### 8.7.2 Environment

In the period 1994-1999, the environment was not a strong priority of the CSF for Portugal. Supported by the CSF it was an area considered eligible with an Operational Programme destined to support investments in this area.

However, in what concerns the management system it was not considered as a transversal preoccupation. Within the scope of the structures of management (Management Unit), only one or two programmes (e.g., PEDIP II) had members of the Environment Ministry.

**Table 42 - Role of the management and implementation system - Environment**

	<b>Role</b>	<b>Effectiveness</b>
Selection criteria	no	
Special working group	no	
Specific projects	yes	in the OI Environment - effective
Informal understanding	yes	but without specific concern

## 8.8 Some conclusions

### *Management arrangements*

The management arrangements were fit for purpose but with some working constraints that made difficult the effectiveness maximisation.

One of this constrains was connected with the existing "Information System" for Structural Funds management. With an information system for each fund and with no results and impact indicators, it was difficult to maximise the effectiveness of each programme and to obtain synergies.

Another aspect is connected with the fact it was not possible (nor it is now) to implement an "objective / result management" conferring global responsibilities to the programme manager. However, it is important to note that the implementation of this type of management would imply a different logic from the one used on the application of the Structural Funds (a logic of results instead of a logic of eligibility of the expenses would be necessary).

### *Partnership*

The management, monitoring and evaluation structures incorporated basically entities and organisms related to the Public Administration<sup>71</sup>. Private organisms or social partners were not represented. As referred (see point 8.1.1) the social participation (on behalf of the Economic and Social Council) was only seen in the evaluation of the Regional Development Plan and also in final and annual execution reports of the CSF.

<sup>71</sup> Excepting a few programmes management structure.

Even if managers do not consider it necessary to broaden the Monitoring Commission<sup>72</sup>, we consider that the social partners should be represented in the management structure. Their presence at the Monitoring Commission might increase the transparency of the programmes implementation.

The relationship between the different entities presented at the management structures was easy and enriching.

#### *Project selection procedures*

The project appraisal system was considered rigorous as a rule. It was also considered that the processes were clear. However, in some cases, it was seen as complex process's (for the more technical projects many opinions of different entities could be demanded).

#### *Monitoring*

In CSF 1994-1999, although recognised by all the management structures, the importance that an adequate monitoring of the programmes and of the CSF assumes, in particular in what concerns the possibility of improvement of the definition of policies and of transparency, what was verified in practice, in the majority of cases, was that the monitoring systems were not used as they could have been used. This because, in many cases, they were centred on the financial monitoring of the programmes, that is, they were more focused on control than on helping the decision-making process within the scope of strategies.

The global monitoring process (and support of decision-making within the scope of strategies) was, in a certain way, made difficult by the lack of information regarding both of previous quantification of the targeted goals, and statistical indicators (national statistical system) within the regional and / or sectoral scope.

However, it is important to mention that Portugal was progressively developing more effective monitoring systems that should have their main effects in CSF 2000-2006. In this CSF the quantification of the objectives was demanded, through well-defined indicators and with better information, which significantly improves the quality of the monitoring process. There were also some improvements in the prior identification of information sources to be used to load these monitoring indicators (indicators of a macro nature, both within the regional and sectoral scope).

#### *Control*

The national authorities developed a vast control activity in order to correspond to the "competency delegations" of the European Commission in this domain. However, this was not necessarily a sign of quality. In fact, an adequate articulation of the different entities which were responsible for this area always verified, which caused, in some way, a certain "control of control"<sup>73</sup>.

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<sup>72</sup> They consider that a broader Commission would not have influence in the programmes effectiveness.

<sup>73</sup> More than one control by project, some projects not being controlled at all.

The first level control wasn't a managers' responsibility's. In some cases the Technical Support Teams were too busy with tasks associated with control that they had possibility of monitoring promoters and projects. We consider that it would be important to separate the control functions from the monitoring ones, leaving the first ones to the national authorities qualified for those functions.

### *Evaluation*

The programmes evaluation was limited, in most of the cases, to what was "legally" required.

The lack of an appropriate Information System had negative consequences in the quality of the mid-term evaluations. For this reason the evaluation was not a "strength" of the management and implementation system, nevertheless, it contributed to implement a wider culture of evaluation.

### *Information System*

The Information System of the CSF 1994-1999 presented several problems that limited, in a certain way, the quality of the monitoring of the execution and the evaluation of the CSF, mainly in what concerns the analysis of the effects and of the transversal areas.

The problems detected were, among others, the following:

- The non-existence of information in the Information System of the programmes, related to results and impacts;
- The indicators were planned to analyse only the contribution of the Operational Intervention (OI) execution for its own objectives which means that they did not allowed the monitoring of the contribution of the execution of each OI to the Operational Programme (regarding the OI) or for the own objectives of the CSF;
- The physical goals to achieve with the execution of each programmes were not always established with rigour because of the lack of the quality of data of a more macro nature and / or its non existence;
- The non-existence of a sole Information System that would comprise all three of the Structural Funds and the FIGG, made extremely difficult the monitoring of the CSF as a whole as well as the multifund programmes and it was also difficult to maximize the effectiveness of each programme and to obtain synergies;
- The procedures for information loading in the Information System were neither written nor formalised, which resulted in each manager having his own way of loading the battery of indicators. By so, the same indicator loaded with information by different programmes could have different meanings or interpretations.



## 9. STRENGTHS AND WEAKNESSES, 1994-99

### 9.1 Process issues

The following table intends to present a synthesis of the strengths and weaknesses according to process issues of the CSF. These strengths and weaknesses are described next.

	<b>Strengths</b>	<b>Weaknesses</b>
<b>Programming</b>	<ul style="list-style-type: none"> <li>- Internal coherence of the CSF</li> </ul>	<ul style="list-style-type: none"> <li>- Insufficient support of the national statistical system</li> <li>- Reduced argumentation of the programming and establishment of targets at times somewhat unrealistic</li> <li>- Existence of non-quantified objectives</li> <li>- Some hesitation in political orientations</li> <li>- Take-off difficulties</li> <li>- Regional OP: strategic objectives very ambitious</li> <li>- Reduced capacity of adaptation to regional and local needs</li> </ul>
<b>Partnership</b>	<ul style="list-style-type: none"> <li>- Support / participation of the European Commission</li> <li>- Horizontal partnership</li> </ul>	<ul style="list-style-type: none"> <li>- Reduced participation of the Social Partners in the management and monitoring systems</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>- Appropriateness</li> <li>- Strong political commitment</li> <li>- Management flexibility</li> <li>- Support / participation of the European Commission</li> <li>- Horizontal partnership</li> <li>- Development and implementation of integrated projects</li> </ul>	<ul style="list-style-type: none"> <li>- Less adequate Information System</li> <li>- Existence of some delays in the Community transferences</li> <li>- Reduced participation of the Social Partners in the management and monitoring systems</li> <li>- Existence of different rules for the functioning of each fund</li> <li>- Impossibility of developing a "management by objectives"</li> <li>- Some hesitation in political orientations</li> <li>- Reduced exploitation of synergies and complementarities</li> </ul>
<b>Monitoring / evaluation</b>	<ul style="list-style-type: none"> <li>- Support / participation of the European Commission</li> <li>- Implementation of the control "function"</li> </ul>	<ul style="list-style-type: none"> <li>- Less adequate Information System</li> <li>- Insufficient support of the national statistical system</li> <li>- Existence of non-quantified objectives</li> <li>- Less adequate monitoring</li> <li>- Difficulty in the analysis of impact</li> <li>- Reduced participation of the Social Partners in the management and monitoring systems</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>- Additionality</li> <li>- Effects</li> </ul>	

## Strengths

### ✓ *Internal coherence of the CSF*

CSF is a coherent and internally consistent framework that epitomises a programming exercise on which concerted efforts from various sectors of economic activity gave their contribution.

This fact assured, from the beginning, the complementarities between the objectives and the performances of the different Operational Programmes and of the Operational Interventions, allowing the development of concerted practices of action within the scope of the elaboration of policies and of the conception of strategies that supported them.

### ✓ *Appropriateness*

We can affirm that the strategy of the CSF 1994-1999 (and of the respective OPs, in general) was particularly appropriate in view of the needs and challenges of development that Portugal faced in the 90s.

In fact, the reprogrammings of the CSF and of the respective OPs were prompted, typically, not by alteration of the initial intervention strategies, but by the accidental (small) deviations between the levels of absorption hoped for and realised at the level of the different priorities (or by exogenous factors, such as the storms / bad weather of 1997).

In fact, the observed effects (result and impact) themselves also suggest this overall appropriateness.

### ✓ *Strong political commitment*

The strong political commitment was revealed, essentially, at two levels.

On the one hand, at the level of policies of an absolutely strategic character and with good initial levels of execution – such as Education – the national interest was never left out in view of conjuncture matters related to the political cycle (such as the change of government in October 1995).

On the other hand, at the level of the OP/OIs that showed more execution difficulties in the initial phase, there were quick and firm changes made (namely, in the management and implementation systems) that were essential in overall effectiveness of the interventions.

The adaptation of the interventions to political orientations that rose in the meantime – such as the European Employment Strategy or the construction of a Knowledge Society – was also subject of strong political commitment.

This strong political commitment had its consequences: on the one hand, the fast adaptation of CSF's functioning and its programmes, on the other hand, an easier implementation of flexible management mechanisms.

### ✓ *Management flexibility*

During the CSF 1994-1999, the existence of a strong management flexibility within CSF and its programmes was verified. This was the result of, namely, partnership practices both at the vertical level and the horizontal level of the management.

This flexibility allowed the adaptation of the different programmes, in an easy and quick way, to the changes occurred in the context on which the programmes were executed. This flexibility also allowed the creation of new actions (inside the measures of the programmes), extinction of others and even the changing of the support for projects. These facts had as main consequences the increase of programmes effectiveness and, mainly, the maximising of the effects they achieved.

A concrete example of the advantages of management flexibility was the case of the Operational Intervention for Industry (PEDIP II), where it was necessary to adapt the functioning of the programme itself to the mutations verified in the market's functioning conditions of the entrepreneurial sector.

✓ ***Support / participation of the European Commission***

The European Commission participated in the CSF development, namely through the meetings of the Monitoring Committee. From this participation resulted active EC involvement, assumed by the Commission itself. It's common opinion among our interviewees connected to the programmes management that the EC was a true partner of the CSF<sup>74</sup> - something that the Commission assumed. This allowed an easier implementation of the programmes and two main reasons can be appointed for that. One has to do with the fact that the Commission was more involved in the development of strategies of the CSF, contributing to find the most adequate ways for its implementation. The second is connected to the fact that, at the Monitoring Committee meetings, it was possible to obtain consensus and consequently an assumption of the Commission's responsibility on the decisions made, which possibly made implementation easier.

✓ ***Horizontal Partnership***

The fact that the managing structures (mainly the Management Units) involved a broadened number of participants that were, as a rule, entities connected to the (national or regional) administration, allowed the creation of common work habits between these entities, which, until then, had not existed.

During the period of execution of the CSF, this common work experience made easier the articulation among entities executing the measure (or even projects in case of public projects), allowing, this way, the fomenting of the complementarities between the actions and the increase of the effectiveness of the programmes. This was particularly felt in those programmes that had a more "decentralised" management (higher number of entities involved in the management structures) as in case of PEDIP II and of the Operational Programme for Madeira Region.

✓ ***Development and implementation of integrated projects***

The development and implementation of integrated projects<sup>75</sup> was not a common practice in the experience of supporting productive investment. With the development of the CSF 1994-1999, this vision, became embodied in the support to projects in the productive sector

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<sup>74</sup> And not as much in the role of "observer" that, now (2000-2006) it assumes.

<sup>75</sup> Based on a philosophy of integration of the various components of entrepreneurial development in terms of diagnosis and of project.

(in case of PEDIP II), then making possible, on the one hand, a higher conscienceless on behalf of the entrepreneurs of the need to look to the reality surrounding their project / investment as a whole; and, on the other hand, the introduction of transversal preoccupations, as in case of environment or the qualification of human resources, in the development of projects, thus enhancing the effects to be reached.

✓ **Implementation of the control “function”**

In the CSF 1994-1999 a certain “delegation of competencies” of the European Commission for the Member-States was observed on the fulfilment of the control function when compared with the previous programming period.

In the execution of this function, the different management structures of the CSF and its programmes implemented a control scheme based on three different levels<sup>76</sup>. The fulfilment of the minimum requirements was surpassed, these structures being especially careful concerning the control. This fact allowed not only a higher transparency of processes but also the avoidance of less “correct” situations that could later be translated into a fall of programmes’ efficiency.

This also allowed the creation of a certain way of working in the Public Administration and among the promoters of the projects emerged the consciousness of the need to clarify situations.

✓ **Additionality**

Without the CSF, a significant part of the investments made in Portugal between 1994 and 1999 would probably never have been made. Many projects for the reconversion and industrial modernisation financed by PEDIP II (namely, in SME) or of basic sanitation financed by the Regional OPs, as well as some big projects of regional and national strategic interest (such as the Alqueva dam, the Second bridge across the River Tagus in Lisbon or the urban renewal of the eastern area of Lisbon), wouldn’t probably have been possible without the additional investment effort on behalf of the National Public Administration accompanied by the financial support given by the Structural Funds.

✓ **Effects**

The execution of the CSF generated a set of positive effects, especially in terms of economic growth, employment, financial leverage and environment/basic sanitation. In fact:

- The CSF was important in order to restart the process of convergence of the Portuguese real GDP with the Community average that had been interrupted in 1992-1994; the CSF was also very important on the reduction of the economic disparities between Portuguese NUTS II regions (all of them, Objective 1 regions);
- It was estimated that CSF was responsible for the creation and maintenance of about 77 thousand jobs until 1999; in spite of the non-permanent characteristic

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<sup>76</sup> The control mechanism was identical in all the programmes of the CSF: 1<sup>st</sup> level control, from the responsibility of the management authority (manager), 2<sup>nd</sup> level control, from the responsibility of entities responsible for the management of the funds, and 3<sup>rd</sup> level control, from the responsibility of the General Inspection of Finances (IGF).

of some of the jobs created during the programming period (30%), it should be emphasised that the reduction of the Portuguese unemployment rate observed during that period was mainly due to projects supported by the CSF;

- The financial leverage effect of the Structural Funds over the national investment, namely the private one, was very strong;
- The effects on the environment produced by CSF investments in the basic sanitation field are suggested by the great evolution observed between 1994 and 1999 in indicators such as the percentage of inhabitants with sewerage, with sewage treated, with waste treated and/or recycled and other similar environmental “attendance rates”.

## Weaknesses

### √ *Less adequate Information System*

The Information System of the CSF 1994-1999 presented several problems that limited, in a certain way, the quality of the monitoring of the execution of the CSF, mainly in what concerns the analysis of the effects and of the transversal areas. The Information System of CSF 1994-1999 also made difficult the enhancement of the synergies and complementarities among the programmes.

Among the problems detected were:

- The non-existence of a sole Information System that would comprise all three of the Structural Funds and the FIGG, making extremely difficult the monitoring of the CSF as a whole as well as the multifund programmes;
- the battery of indicators loaded in the different Information Systems only reported on the indicators of physical realisation, and, this way, it was not possible to proceed to the analysis of the effects of both the projects themselves and the execution of the actions and measures of the different programmes of the CSF;
- the way this battery of indicators was loaded varied (or could vary) from programme to programme, which impeded the adequate interpretation of information and the analysis of the domains transversal to all the CSF (because of the impossibility of adding the indicators);
- the Information System, due to the way in which it was conceived, did not make viable the access to the information of other programmes to the different managers, thus not allowing concerted actions in projects and domains that, by its nature, should have privileged the reciprocal knowledge of the developed actions, that could have enhanced synergies and complementarities.

### √ *Insufficient support of the national statistic system*

Another fact that contributed to a certain difficulty in monitoring the CSF has to do with the quality of data of a more macro nature, available, both for the different sectors of activity and for the different regions. The lack of quality and / or its non-existence in 1993 made harder the real diagnosis of needs (for the regions or for the sectors), establishing, for instance, in a less rigorous way the physical goals to achieve with the execution of each programme. Besides, it also made difficult the construction and the calculation of result and impact indicators.

✓ ***Reduced argumentation of the Programming and establishment of targets for the execution of the measures and actions of the programmes at times somewhat unrealistic***

In what concerns the planning, the fact that, in some cases, the conception of the measures and / or actions of the CSF did not have the necessary framework, deserves to be emphasised.

In some cases, this lack of framework was translated into the non-existence of sectoral, regional or socio-economic studies that would have allowed the perception of the real needs of a certain region, sector, or target-public. This led to the fact that in some programmes the defined global objectives haven't been translated in the most adequate way in the definition of the targets and consequently not satisfying the real needs.

The fact that it was not possible to obtain some specific statistical data on the sectors and on the regions also caused a less realistic estimation of the goals to achieve through a determined action or measure. Furthermore, the existing basic situation was not known.

This fact influenced the analysis of the effectiveness, which is based on the established goals, increasing its degree of difficulty, not only to the different Evaluation Teams but also to teams connected to the management of the programmes.

✓ ***Existence of non-quantified objectives***

Although the programmes' goals had been established in the "Technical Document"<sup>77</sup>, and the objectives had also been identified previously - both were not quantified, which made harder the evaluation of both the execution's and contribution's of each measure for the objectives of the programme.

✓ ***Existence of some delays in the Community transferences***

The delays verified in the Community transferences regarding the programmes co-financed by the ESF, was due to the inflexibility of the proceedings associated to their financing channels, and has caused delays in the execution of some measures and in the execution of projects.

✓ ***Less adequate monitoring***

In CSF 1994-1999 the importance of an adequate monitoring of the programmes was recognised by all management structures, and it assumed a key role on the possibility of improving the definition of policies and transparency. However, in practice, and in the majority of cases, the monitoring systems were not used as effectively as they could have been.

Because, of their focus on control of being centred on the financial monitoring of the programmes, the monitoring systems haven't been of much help on the decision-making processes within the scope of strategies.

In fact, some observers considered that the Monitoring Committee meetings were too much focused on the financial execution of the programmes and they considered also that the

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<sup>77</sup> Corresponding to the "Programming Complement" in the current CSF.

meetings had a weak decision capacity. It was suggested that this Committee should have a larger intervention in other domains of monitoring and evaluating the programmes.

Besides the Technical Support Teams did not have a large number of elements and were too busy with the 1<sup>st</sup> level control of the programmes, leaving little time for a more adequate monitoring of the projects and their promoters. In this scope interviewees mentioned that it would be ideal if the 1<sup>st</sup> level control were not connected to these teams.

✓ ***Difficulty in the analysis of impact***

The inexistence of sufficient information in the Information System to proceed, in good time, with an evaluation of the impact of the execution of each CSF programme was another weakness of the CSF 1994-1999.

Although the good execution levels of the CSF 1994-1999 are recognised as one of the positive points of the management and monitoring model of the CSF, it was not possible to verify, in time, the effectiveness of that same execution, that is, to analyse what were the impacts achieved when the outputs were reached.

Both the Information System and the Management System (this last one based a lot on the responsibility of the execution of the programmes and on the fiscalisation and control of the projects) did not allow the monitoring of the projects after their closure (last payment made), which would have contributed to an effective evaluation of impact. The possibility of monitoring the development of the already closed projects<sup>78</sup> would enable an evaluation of the use of Structural Funds – either in terms of efficiency or efficacy.

✓ ***Reduced participation of the Social Partners in the management and monitoring systems***

Social Partners participation in CSF management and monitoring was only translated into an “observers” role, through which their opinions / reports were gathered. However, the majority of these partners say that reports were required very late in the process and so there was for them a small possibility to produce real effects on the execution of CSF.

A greater and more active participation of the Social Partners would amount into a higher transparency of processes within CSF’s management and monitoring systems.

✓ ***Existence of different rules for the functioning of each Fund***

One of the problems associated with the existing financial systems is that each fund has different – for instance, rules of rendering accounts or different periods for the presentation (closure) of accounts<sup>79</sup>. This brought problems, namely, to the management of the

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<sup>78</sup> Namely through the creation of services (supported by the Technical Assistance) set to monitor the first years of launching of the projects, or through the monitoring, in the field, of the projects and their promoters, on behalf of entities that could be linked to the “contracting” of the management, or even through the creation of conditions so that the promoters of the projects supported would assume the responsibility of periodically sending the reports on the effects of the development of their project after the last payment.

<sup>79</sup> For example, the rendering account in the ERDF case was made at the end of the year, and in the ESF on the 15<sup>th</sup> of May (and in March for the promoters).

programmes, which worked with different funds. The way the funds should be used is also seen differently in the different structures of the European Commission.

✓ ***Impossibility of developing a "management by objectives"***

It was not possible within the CSF 1994-1999 (nor is it now) to implement an "objective/result management" conferring global responsibilities to the manager of the programme.

The possibility of implementing "management by objectives" would have made possible to adapt, in an easy way, the functioning of each programme to the specific needs of the domain in question (sectoral or regional / local needs).

The implementation of this type of management implies a distinct logic from the one currently used in the Regional and Cohesion Policy on the application of the Structural Funds. Currently a logic of eligibility of the expenses is in use, which is not compatible with this type of management. Consequently, a logic of results would be necessary, but then it implies that the control to made would be based on the results and not on the expenses.

✓ ***Some hesitation in political orientations***

The deterioration of economic conditions at the start of the 90s (1992-1994) coincided with a period of great wearing out of the Social Democrat Government, in power since 1985 (and with absolute majority since 1987). At a difficult conjuncture, the hesitations in political orientations were successive and the capacity to react against adversity and to innovate became, naturally, less evident – notably in the final phase of the social democrat government period (1994-95). With the change of government in October 1995 (for the Socialist Party), the situation of some indefinición in terms of political orientations was not immediately corrected due to the transition processes.

Obviously, the CSF 1994-1999 could not have escape being influenced by these circumstances of the political cycle, both on its initial design (reduced appropriateness of some intervention priorities, easy solutions and management and implementation design inadequate in case of some OP/IOs) and on the difficulties felt in the take-off and execution of some OP/OIs.

✓ ***Take-off difficulties***

The take-off difficulties were not only due to the circumstances of the political cycle but also to factors of a more pragmatic character, such as the difficulties experienced in the regulation of some interventions of the CSF 1994-1999.

The verified postponements had as consequence, in some cases, a lower level of fund absorption in the early years, namely due to the disinterest revealed, meanwhile, by the potential beneficiaries of the funds.

✓ ***Reduced exploitation of synergies and complementarities***

Despite not being possible to infer the existence or non-existence of synergies and complementarities among interventions and among funds by the Information System, it is normally accepted by the key stakeholders that these types of synergies and complementarities were very little exploited within the CSF 1994-1999.

The integration of two OI in the same OP did not have, in practice, a great influence on the appropriateness and effectiveness of the strategies developed by each OI. The Basis of Knowledge and Innovation OP is a good example: the integration of the Education OI – PRODEP II with the S&T OI – PRAXIS XXI in the same OP sounded well as far as it concerned the initial definition of the CSF policy-mix. But during the absorption period, it had little significance for the appropriateness (and effectiveness) of each OI specially when observed on the sectoral needs point of view (and the specific targets of each OI).

At the level of exploitation of synergies and complementarities between the different Structural Funds much more could have been done, the best practices are limited to some punctual cases (Multifund OP for the Autonomous Region of Madeira – POPRAM II and some measures of the Promotion of the Regional Development Potential OP – PPDR).

✓ ***Regional OPs: strategic objectives very ambitious***

The strategy adopted by the 5 Regional OPs of the Mainland were generally very adequate given:

- (1) the type of interventions supported (environment/basic sanitation, accessibility and transports, social facilities, infrastructures to support the economic activities and urban renewal);
- (2) the initial targets for its impact indicators; and
- (3) the global objective (of the CSF) of reduction of regional disparities.

However, in view of the strategic objectives initially defined for each of these programmes – somewhat ambitious in view of the Programme’s format (identical for all of them) and of the financial resources made available – it is harder to reach that conclusion.

This fact produced great difficulties for the effectiveness analysis (fulfilment of objectives) of these Programmes.

✓ ***Reduced capacity of adaptation to regional and local needs***

One of the two main objectives of the RDP/CSF 1994-1999 was the “promotion of the internal economic and social cohesion”. In order to deliver this objective, the Operational Programmes by sector (of national scope) were the main instruments of regional policy – contrary to what happens in the current CSF 2000-2006, where this role is taken by the Regional OPs.

The importance of the sectoral policies is dual: on the one hand, they contribute very positively to the internal coherence of the CSF 1994-1999, and on the other hand they keep it away from the specialities and needs felt on the regional and local level.

This point can be illustrated by:

- (1) The pre-format of the Regional OPs and the shortage of resources (in view of the needs) available to them;
- (2) Geographical and financial limits of the PPDR, which are directed towards the satisfaction of the local needs of development, namely the Rural Centres and the Specific Actions for Regional Balance.

It should be emphasised that the regional disparities at social level between NUTS II regions rose during the 1995-1999 period. This suggests that the strategy of the CSF – with a low degree of decentralisation in the interventions – was not the most appropriate in view of the promotion of the social cohesion.

## 9.2 Achievements

The Evaluation Team build up a second set of strengths and weaknesses related with achievements structured by thematic evaluation priority: employment, transport, SME, R&D, education and training, rural development, fisheries and environment. This set is presented next:

	<b>Strengths</b>	<b>Weaknesses</b>
<b>Employment</b>	<ul style="list-style-type: none"> <li>- About 1.6% of 1999's employment was directly related with the CSF execution (approximately 77 thousand new jobs were maintained until 1999)</li> <li>- Development and implementation of innovative employment policies (INSERJOVEM and REAGE Initiatives; Social Labour Market; support of internship periods)</li> </ul>	<ul style="list-style-type: none"> <li>- About 30% of the CSF employment creation was in Construction activities (non-permanent jobs)</li> <li>- Until 1998, CSF provided support essentially for the activities already pursued by the PES in what concerns the active employment policies (little innovation at the beginning)</li> </ul>
<b>Transport</b>	<ul style="list-style-type: none"> <li>- In general, the initial targets in this field were attained (overall effectiveness)</li> <li>- The majority of the projects supported was clearly defined at the beginning; this factor contributed in a very positive way for the effectiveness of the interventions</li> <li>- (Slight) reduction in traffic jams in metropolitan areas of Lisbon and Oporto (specially in the former case)</li> <li>- External accessibility was reinforced thanks to the conclusion of motorways which integrated the trans-European road network</li> <li>- Reinforcement of regional and local accessibility</li> <li>- Good articulation of projects supported by the Transport OI (co-financed by the ERDF) and by the Cohesion Fund</li> </ul>	<ul style="list-style-type: none"> <li>- In spite of the positive (qualitative) evolution registered in rail transport, the investment was not sufficient to deal with the needs in this domain</li> <li>- The targets were less achieved in what concerns the connection to the trans-European rail network and the Oporto underground train</li> <li>- Non-existence of an entity to co-ordinate the investments in transport scope in order to improve the articulation among national and regional programmes which predicted investments in this domain</li> </ul>
<b>SME</b>	<ul style="list-style-type: none"> <li>- Focus on “dynamic competitive factors” (quality, qualification of human resources, R&amp;D, process innovation, organisational innovation, design, marketing, environment) through a new concept of support of businesses – Integrated Projects</li> <li>- The take-off of mature technological projects was clearly set-aside</li> <li>- A large part of the funds available in the sectoral and regional incentive systems were absorbed by the SME</li> <li>- Construction of facilities to support the SME (industrial parks – financed by the Regional OPs essentially; Technological Centres; S&amp;T parks; facilities related with sectoral entrepreneurial associations like fairs or training centres)</li> <li>- Emergence/development of local based</li> </ul>	<ul style="list-style-type: none"> <li>- In general, the SME are still facing problems related with the internationalisation and diversification of its activities (tourism is the only service with exportation capacity)</li> <li>- Inability to provide new methods of delivering Continuous Vocational Training to the SME, specially to the micro and small companies that are the major, the fastest growing segment and needed of the Portuguese entrepreneurial fabric</li> <li>- Technological Centres: lack of financial and technical conditions to fulfil their mission</li> <li>- Reduced effectiveness of venture capital interventions</li> <li>- The support to the starting-up of high innovative and risky projects could have</li> </ul>

	<b>Strengths</b>	<b>Weaknesses</b>
	<p>initiatives (essentially micro and small companies) spread through the territory (including on the less developed regions)</p> <ul style="list-style-type: none"> <li>- Reduction of the negative environmental impacts generated by the economic activities (in particular, by industries)</li> </ul>	<p>been more effective</p>
<b>R&amp;D</b>	<ul style="list-style-type: none"> <li>- Progressive international affirmation of the National S&amp;T System</li> <li>- Creation of a basic network of investigation units – flexible, cohesive, dynamic and with a strategic capacity much superior when compared to the traditional university departments</li> <li>- Creation of conditions for the existence of teaching and R&amp;D bodies (specially, at full-time) with adequate qualification</li> <li>- Dissemination of the S&amp;T among young people (Live Science Program), with expected impact, on the medium and long term, on the improvement of overall levels of qualifications of human resources</li> <li>- The level of R&amp;D pursued by companies would be clearly sub-optimal without the support conceded by the CSF</li> </ul>	<ul style="list-style-type: none"> <li>- Absence of firm actions intended to establish more frequent and advantageous connections between the scientific community and companies</li> <li>- Weak technological spin-off effects</li> <li>- Some lack of articulation among the OI PRAXIS XXI and other relevant interventions (namely, the Industry OI – PEDIP II)</li> </ul>
<b>Education and Training</b>	<ul style="list-style-type: none"> <li>- Development of the National Education System, namely through the implementation of innovative best practices (Recursive Education, Education – Vocational Training courses, Academic and Professional Counselling)</li> <li>- Development of the Technological and Vocational Education: very important for the sustainable development of the economic fabric</li> <li>- The vocational training of specific target groups (like farmers, fishermen, manufacturing professionals, etc.) was developed by the respective sectoral OI; this policy design proved to be very important in order to increase the appropriateness and effectiveness of the sectoral training interventions</li> <li>- In general, the targets for Initial Vocational Training were clearly surpassed</li> <li>- Development of the Vocational Training System (qualification of the existent structures and implementation of new structures)</li> <li>- Positive contribution to the progressive qualification of the Portuguese human resources</li> </ul>	<ul style="list-style-type: none"> <li>- Inability to provide new methods of delivering Continuous Vocational Training to the SME (as said)</li> <li>- The Continuous Vocational Training to tourism professionals was not sufficient according to the identified needs at the beginning of the programming period</li> <li>- The impacts of the Continuous Vocational Training activities, namely on the competitiveness of the economic fabric, were not correctly evaluated</li> <li>- Low integration between vocational training policies and sectoral needs in some cases</li> <li>- Low and difficult integration of vocational training policies with other policies – namely with Education Policy</li> </ul>
<b>Agriculture and Rural Development</b>	<ul style="list-style-type: none"> <li>- In general, the initial targets for the Agriculture OI (PAMAF) were attained (overall effectiveness)</li> <li>- Appearance of young and/or more dynamic farmers</li> <li>- Important developments in the traditional productions (higher technological and qualitative patterns)</li> </ul>	<ul style="list-style-type: none"> <li>- The decisions within the scope of the Common Agriculture Policy had a different “timing” from the ones related with the SF and that induced a negative impact on the overall effectiveness of the PAMAF</li> <li>- The articulation of PAMAF, PPDR and other relevant interventions (namely, the</li> </ul>

	<b>Strengths</b>	<b>Weaknesses</b>
	<ul style="list-style-type: none"> <li>- Some productive reorientation of the sector was verified, with the appearance of new activities and the revitalisation of others</li> <li>- Agricultural industries: appearance of plants technologically better equipped (more efficient) and with a better positioning in terms of chain of value</li> <li>- Strong market orientation of some productions (e.g. wine)</li> <li>- Sectoral associations: development of its activities and reinforcement of technical competencies</li> <li>- The complementary relationship between PPDR and PAMAF, and their contribution to the valuation of traditional productions, the increase of the levels of income of the rural populations, the creation of employment / maintenance of the active population, the restoring of the social fabric at the rural areas that shown the highest tendency to loose inhabitants</li> </ul>	<ul style="list-style-type: none"> <li>- Tourism and Cultural Heritage OI) should have been more effective</li> </ul>
<b>Fisheries</b>	<ul style="list-style-type: none"> <li>- The number of fishing vessels withdrawn attained its initial target</li> <li>- Modernisation of the fleet and fishing facilities (like ports)</li> </ul>	<ul style="list-style-type: none"> <li>- The decisions within the scope of the Common Fishing Policy have a different “timing” from the ones related with SF and FIFG inducing a negative impact on the overall effectiveness of the Fisheries OI (PROPESCA)</li> <li>- Development of the aquaculture sector: objectives were not as fulfilled as it was initially expected</li> <li>- Lack of effective marketing-mix policies in order to promote the fishing products, namely the manufactured ones</li> <li>- The strategy adopted for the continuous vocational training of the fishermen (and other professionals related, directly or not, with fishing) seems to be less appropriate as far as the difficulties observed in mobilising the potential beneficiaries</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>- Overall positive evolution at national, multimunicipal and municipal levels of intervention observed through “attendance rates” related with the most needed environmental areas (% of inhabitants with water supply, sewerage, treated sewage, urban waste treated/recycled)</li> <li>- Nowadays, the Portuguese society is more conscientious about the environmental concerns and this can be seen, in part, as an impact of the CSF interventions</li> <li>- The efforts for articulation of Environment OI and Industry OI (PEDIP II) resulted in solution of some environmental and industrial problems</li> </ul>	<ul style="list-style-type: none"> <li>- The CSF interventions related with the environment could have been more appropriate and effective if different support instruments were to be used</li> <li>- Objectives were not fulfilled in some areas (e.g. environmental monitoring, suitable disposal of hospital’s waste)</li> </ul>

### 9.3 Overall efficiency

The kind of projects selected to assess the efficiency of the application of Structural Funds in Portugal were so specific that it is difficult to analyse the overall efficiency of the programmes in terms of overall unit costs of the outputs.

As it was shown in the Efficiency Chapter 6 the projects outputs are not comparable amongst themselves, and for the majority of the projects the overall unit costs are not comparable to other activities.

Although these pointed-out limitations we selected three outputs from three different projects, that could be compared in a certain way with similar activities.

Project	Indicator	Cost (EURO)	Notes:
Highway A12	Km Highway	4.053.579	
Hydraulic Infrastructures Odeleite - Beliche	Odeleite dam (m <sup>3</sup> reservoir)	0.23*	According to the ex-post evaluation that was carried out for the Commission in 1999 by Environmental & Water Engineering, Ltd., the unit costs achieved in this project can be considered acceptable comparing to other similar activities  * Unit Cost: ECU
Adaptation of the Marquês de Valle Flor Palace to a 5** Hotel – Carlton Palácio Valle Flor	Cost per room	117.991	According to international standards (given by the beneficiary) the unit cost of a room in a 5 ** hotel is about 100.000 EUR. The actual cost of the room in this project is slightly high due to the specific characteristics of this hotel.

### 9.4 Community Added-value

The following table presents a synthesis of strengths and weaknesses of Objective 1 programmes in Portugal under the assessment criterion Community Added-value:

	<b>Strengths</b>	<b>Weaknesses</b>
<b>Contribution to social and economic cohesion</b>	<ul style="list-style-type: none"> <li>- The CSF 1994-1999 strongly contributed for the real convergence of the Portuguese GDP per head to the Community average during 1994-1999. In fact, demand effects directly associated with the CSF expenditure could explain approximately a half of the real GDP convergence (46.7%).</li> <li>- A significant reduction in GDP per head disparities between regions was observed from 1993 to 1999. This could be related with the priority that the CSF 1994-1999 gave to the less development regions through the geographical spread of funds</li> </ul>	<ul style="list-style-type: none"> <li>- The social disparities<sup>80</sup> between Portuguese NUTS II regions rose during the 1995-1999 period</li> </ul>
<b>Community priorities</b>	<ul style="list-style-type: none"> <li>- Even though it was not a priority in the Portuguese CSF 1994-1994, the programmes funded by the ESF contributed to equal opportunities of women and men and the execution of programmes funded by ERDF had a overall positive impact on the environment</li> </ul>	<ul style="list-style-type: none"> <li>- On the whole these positive effects on the Community priorities can only be seen as a result. No strategies were defined to meet these purposes</li> </ul>
<b>Structural Funds method</b>	<ul style="list-style-type: none"> <li>- Along with the former CSF, the CSF 1994-1999 contributed to create and develop new and adequate programming methods</li> <li>- It was also possible to create the basis for better partnerships</li> <li>- The control was strong and an evaluation culture has developed</li> </ul>	<ul style="list-style-type: none"> <li>- The development of monitoring systems based on quantified objectives was weak even though all management entities felt the need to improve them</li> <li>- The lack of an adequate Information System contributed to this weakness</li> </ul>

<sup>80</sup> Measured by an index that aggregates the following variables: life expectancy, educational attainment and some comfort indicators (inhabitants with water supply, electricity and WC at home).

## 10. CONCLUSIONS

### 10.1 Conclusions on 1994-1999 period

*good execution levels*

The Operational Programmes of the CSF 1994-1999 were characterised, generally, by good execution levels both physical (with the initially established targets being surpassed in the majority of the cases) and financial (execution rates close to 100% in the majority of the OPs).

The main explanation for this “success” resides in the characteristics of the management and implementation systems, namely in their flexibility, which allowed them to adapt, with ease and quickness, to the changes occurring in the meantime in the context of the interventions.

Furthermore, the strategies adopted revealed to be highly appropriate to face the difficult conjuncture that marked Portugal at the beginning of the 90s. Schematically this conjuncture was characterised by:

- The interruption of the convergence process of the Portuguese GDP to the European average;
- The decrease of the employment level and the rise of the unemployment rate;
- The slowdown of productivity growth;
- The loss of competitiveness of national products on the external markets;
- The rise of regional asymmetries and of social exclusion related phenomena;
- The loss of both investor’s and consumer’s confidence along a progressive wear out of the Government.

*appropriateness*

Typically the CSF reprogrammings did not result from changes on initial strategies. Instead it resulted from accidental (small) deviations between the expected and the actual levels of fund absorption and also from exogenous factors – such as the 1997’s storms - facts that reveals the appropriateness of the initially options.

*positive effects*

The CSF’s appropriateness and strong internal coherence were associated with the above mentioned good execution levels. This contributed to form the idea – accepted by majority of key stakeholders contacted by the evaluation team – that from CSF’s execution resulted positive effects (results and impacts) on Portugal’s development and on its complete integration into the European Union.

*but ...some difficulties at the quantitative level*

Both the objectives of the CSF and its OPs were not, with some exceptions, conveniently quantified. Concomitantly, CSF's Information System did not provide output and impact indicators. However, it is known that:

- ✓ The employment creation in Portugal was about 261 thousand jobs during the 1994-1999 period and it was estimated that CSF was responsible for the creation and maintenance of 77 thousand jobs until 1999 (that is, for 29.5% of the referred overall change). This estimate is not far below the initial target defined by the CSF (100 thousand new jobs)<sup>81</sup>;
- ✓ Real GDP average annual growth rate was 3.4% in the 1994-1999 period, that is, 0.9 percentage points above the figure for the EU (2.5%). The CSF contribution to that change was estimated in 0.42 percentage points. That is, the CSF was very important in order to restart convergence process of Portuguese real GDP with Community average that had been interrupted in 1992-1994;
- ✓ The CSF target for the GDP per head growth (6%) was surpassed in 0.8 percentage points. In fact, the Portuguese GDP per head (in PPS; EU=100) rose 5 percentage points during the 1993-1999 period. This represents an evolution of +6.8% from the 1993 figure (68%);
- ✓ Taking data from Portuguese NUTS II regions (all of them Objective 1 regions) the coefficient of variation of GDP per head evolved from 20.2% to 17.1%. This 15% reduction on the regional economic disparities surpassed in 1 percentage point the respective CSF target (14%).

*reduced capacity of adaptation to regional and local needs*

In the 1994-1999 CSF priority was given to the less developed regions<sup>82</sup>: 95.3% of the Structural Funds co-financed investments were regionalised - and the sectoral Operational Programmes were its main instruments of regional policy. Presently, in the current 2000-2006 CSF the main instruments of regional policy are taken on by Regional OP. Under 1994-1999 CSF, interventions were not managed in a decentralised way and underconsidered needs and specificities of local and regional scope.

In particular, the Regional OPs designed for the 5 NUTS II of the Mainland had all the same format - which was previously defined at the central level. This limited, on the one hand, the interventions appropriateness to meet the needs of each region and, on the other hand, their respective effectiveness in the face of the general objectives of development previously established for these OPs - particularly ambitious because they resulted from the already mentioned specifics and socio-economic needs of a local and regional scope.

Furthermore, the Promotion of the Regional Development Potential (PPDR) OP's interventions even through more interested on local needs of development demonstrated to be insufficient to counterbalance CSF's strong "sectoral effects", given that they are somewhat limited interventions from a geographic and financial point of view.

*thematic priorities*

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<sup>81</sup> It should be emphasised that about 30% of CSF's employment creation were in the Construction activities (non-permanent jobs).

<sup>82</sup> Namely, Azores (overall expenditure of 4217 ECU per inhabitant), Alentejo (4210 ECU), Algarve (3665 ECU) and Madeira (3582 ECU) (Portuguese average: 2692 ECU; 1994 prices).

In terms of the **appropriateness of CSF strategies**, it is also important to mention the evaluation's thematic priorities:

✓ **Transport**

CSF's strategy for the transport domain had three levels of intervention: national level (pursued by the Transports OI from Development Support Infrastructures OP), regional/municipal level (7 Regional OPs) and local/micro level (PPDR).

Despite the high integration of the different levels of intervention, the CSF strategy for the transport field seems to have been more appropriate at municipal and local levels. Particularly, the strategy adopted to improve the Mainland's external accessibility (through trans-European networks) under-estimated the technical difficulties of some projects.

Autonomous Region of Madeira should be mentioned as a special case. In order to reinforce its economic potential and to reduce its internal asymmetries, the strategy pursued by the multifund OP in that ultra-peripheral region (POPRAM II) was one of a certain continuity in relation to the previous period (CSF 1989-1993).

In fact both strategies were still based in the reinforcement and provision of basic conditions to develop the Region, which lacked infrastructures to support development, namely the ones that increase transports and accessibility.

✓ **Education and training**

A better integration between the Education System and the Vocational Training System has been requested by some actors in order to overcome the underqualification problem a structural trait of the Portuguese people (and labour force).

Nevertheless, at CSF 1994-1999 prevailed a sectoral policy approach: the Education Operational Intervention - PRODEP II - belonged to an OP (Basis of Knowledge and Innovation) distinct from the one under which the main interventions in the vocational training field - PESSOA and PROFAP programmes – were made, i.e., the Vocational Training and Employment OP.

In spite of that policy design and practice, the Technological and Vocational Education (at secondary level of education) and the Advanced Training (at tertiary level of education) were clear priorities of PRODEP II.

Unfortunately, the most important CSF's vocational training (and employment) intervention – PESSOA Programme – had a small level of innovation, namely in delivering continuous vocational training adequate to SME needs.

✓ **Research and Development**

The CSF R&D policy was pursued, essentially, through the Science and Technology OI – PRAXIS XXI (from Bases of Knowledge and Innovation OP) and also by some measures from the Industry OI – PEDIP II (from Economic Fabric Modernisation OP).

The PRAXIS XXI was focused on projects of advanced training of human resources and, since 1995; it integrated also the basis of the National S&T System's development. The generalised access of young people to Knowledge and Information Society was also

promoted, namely through the implementation of the Knowledge, Science and Society Network and the promotion of the Live Science Programme.

Unfortunately, the PRAXIS XXI's strategy for generating technological spin-off effects lacked appropriateness and did not promote the modernisation and diversification of the production system. Only few hi-tech R&D projects with firms were developed, the technological spin-off effects associated with these projects assumed an occasional interest and a generalised impact on the productive sector is not expected in the medium and long term.

However, some R&D projects supported by PEDIP II have been considered "good practices", given the impact generated in some Portuguese strategic sectors – such as Automobile, Footwear and Ceramic industrial activities.

✓ **SME**

In spite of these less than appropriate strategies adopted by the CSF 1994-1999 in order to deliver continuous training and to generate technological spin-offs the support given by PEDIP II and PPDR to SME's – namely, through incentive systems – seemed to have been very appropriate.

In fact, PEDIP II stimulated and developed strategic competencies within Portuguese industrial businesses, namely in SME, making them more competitive either by reinforcing their capacity to quickly answer technological and market mutations or by promoting SME's modernisation, diversification and internationalisation.

Initially, PPDR's strategy to develop SME was based on a unique incentive system – SIR Regional Incentives System (having as goal the contribution to the progress of less developed regions). Regional Incentives System intended to balance the development of the territory and to complement and compensate possible less positive effects of the sectoral policies of national scope.

Nevertheless, in 1995 the Regime of Incentives to Micro-Enterprises – RIME was created (co-financed by the ERDF as SIR). It was an innovative instrument, of easy access, that was meant to stimulate the appearance of (very) small entrepreneurial initiatives, complementing the SIR. During its functioning, RIME was complemented by a line of support for the employment creation within the projects that were supported by RIME (co-financed by the ESF). This is a good example of interaction between interventions co-financed by different Structural Funds (ERDF and ESF).

It should be emphasised that SIR and RIME were responsible for the appearance and development of local-based initiatives, essentially micro and small companies (spread through the territory), and for the creation of more than 40 thousand jobs (taken, mostly, by unemployed people).

✓ **Rural development**

It is too early to measure the appropriateness of the strategy pursued by the Agriculture OI (from the Economic Fabric Modernisation OP). In spite of several constraints imposed by the Common Agriculture Policy, supports given to this sector have slowly been changing the traditional situation, turning possible the appearance of young and more dynamic farmers, developing farmer organisations, promoting infrastructures that support farmers activity and promoting the appearance of new products to supply agricultural industries.

Furthermore, an appropriate strategy was pursued by the PPDR in order to develop some specific rural areas (called Rural Centres), which integrated different measures (co-financed by the ERDF and by the EAGGF). Through the recondition of local infrastructures, this strategy led either to the revitalisation of Rural Centres' population or to the improvement of conditions for farms' profitability.

### *effectiveness*

The 1994-1999 CSF **effectiveness analysis** developed in the present evaluation report was based on seven case studies, which represented about 75% of the CSF's overall expenditure. Most of the analysed OPs did not have quantified objectives. They had some initial targets defined but sometimes these targets did not coincide with the output indicators used during the programming period, because of the difference between its measuring units and focus. This means that initial targets and result and impact indicators were not coherently articulated. For these reasons the development and accomplishment of an adequate assessment of CSF 1994-1999 faced great difficulties.

Nevertheless, it is known:

- In all the Regional OPs studied one of the best succeed domains, was the SME's support since in it were attained results that exceed the targets initially defined. For example, on the Alentejo OP the number of industrial areas constructed or upgraded represents 750% of its initial target. And on the North OP the number of regional/local economic development initiatives supported represents 1194% of what was initially expected. Effectiveness is also suggested by the Economic Fabric Modernisation OP experience, since it was in the SME's domain that this programme attained the most effective results: either by the number of projects to support associative structures or by the number of commercial urbanism projects, the outputs represent more than 100% of the initially targeted;
- In R&D thematic priority, some initial targets were not achieved on the Basis of Knowledge and Innovation OP: if the actual number of R&D projects supported exceeds in 3381% its initial target, the number of Hi-tech R&D projects with firms supported only represents 82% of its target;
- At the environment domain the water supply plants constructed and upgraded exceed the target (in more than 300%) on both Alentejo and North OPs;
- At the transport infrastructure domain, the results were not so effective, since in the Regional OPs case studies, with the exception of POPRAM II, some results are under the initial targets. For example, on the Alentejo OP none of the two railway terminals (to support economic activities) initially planned were constructed;
- At the employment domain, some programmes had good results. For example, on the Basis of Knowledge and Innovation OP and on Vocational Training and Employment OP results higher than the targets established were achieved. In the former case, the number of jobs supported in R&D was about 213% of the respective target.

### *analysis by fund*

From the appropriateness and effectiveness analysis some specific considerations organised by fund should be presented:

✓ **ERDF**

The ERDF seems to have been a very appropriate fund to support a large range of projects with different nature, as transport infrastructure, environmental infrastructure, socio-economic facilities, R&D activities, incentives for SME or integrated local development operations.

Its great flexibility was also observed on different levels of intervention. On the Portuguese 1994-1999 CSF experience, the ERDF co-financed appropriate strategies and effective projects at national, regional, municipal and local levels.

The Portuguese experience also reveals that the ERDF when articulated with other Structural Funds generated very appropriate and effective interventions – as the RIME incentive system (co-financed by the ERDF and the ESF) or the rural centres (ERDF and EAGGF), mentioned above.

The employment creation is usually an impact associated with projects supported by the ERDF. However, analytically a distinction should be made: (1) in the context of CSF 1994-1999 the investment on infrastructure constructions (such as transports, facilities and environmental infrastructures) created a great amount of non-permanent jobs; (2) under the ERDF's interventions, the creation of permanent jobs was more evident, namely through the system of incentives provided to SME.

✓ **ESF**

The CSF experience validates ESF's appropriateness on the support of interventions in the fields of education (including Vocational Education courses and internship periods), initial vocational training and within the intervention scope of the Public Employment Services (such as the early detection and individual planning of insertion paths actions in compliance with the European Employment Strategy's 1 and 2 Guidelines).

Furthermore, some projects co-financed by ESF were very innovative – as the left and right actions of the “classical” vocational training (for example, the promotion of self-esteem) developed on the Social Integration OI – INTEGRAR (from the Health and Social Integration OP), exemplify.

However, on the continuous vocational training domain – namely, adequate for the SME needs – the CSF was less innovative. The specificity of the Portuguese entrepreneurial fabric (small sized companies, low technology sectoral structure, low qualification of company owners and managers and low knowledge and acknowledge of the value of education and vocational training) strongly contributed for the low CSF effectiveness in this area.

✓ **EAGGF**

To support young farmer's setting up was one of the main objectives set for the development of Portuguese agriculture sector.

Although initial targets set on this domain were not reached, between 1994-1999 a large share of the supported investment was from young farmer's responsibility.

Considering the analysis made on the evolution of the agricultural sector between 1994 and 1999 one should underline that the investment supported by the EAGGF has in some way

contributed for the productive reorientation of the sector, on which new activities appeared and others were revitalised.

Within this period (1994-1999) labour's productivity improved due, on the one hand to the abandonment of a significant number of holdings, and, on the other hand to a effective improvement of productive efficiency associated with technological changes, reorientation of production and scale economies.

As a result of productivity's improvement agricultural income increased, and this occurred in close connection with the reduction of both interest and inflation rate, and with direct support to income policies. Globally, this positive change on agricultural income compensated the fall of agricultural prices due to the sector's opening to international market.

√ **FIFG**

Fisheries supporting instruments do not have its Final Execution Report and because of that final data is not yet available. This data could allow a rigorous evaluation of the programmes effectiveness in this scope. However, in interviews made with entities related and connected to this sector we were told that the programmes were essentially effective on the renewal of fishery fleet, which in turn made possible to build up the strength of this sector's entrepreneurial fabric.

*management and implementation system*

In what concerns CSF's **management and implementation system**, its main strengths and weaknesses – assessed and pointed out in chapter 8 – are summarised as follows:

As strengths:

- Management flexibility
- Support / participation of the European Commission
- Horizontal Partnership
- Development and implementation of integrated projects
- Implementation of the control "function"

As weaknesses:

- Less adequate Information System
- Less adequate monitoring
- Difficulty to analyse impact
- Reduced participation of the Social Partners in the management and monitoring systems
- Impossibility of developing "management by objectives"
- Take-off difficulties
- Reduced exploitation of synergies and complementarities

- Reduced capacity of adaptation to regional and local needs

At the conclusion level, it is important to emphasise that:

- The structure of the 1994-1999 CSF's management and implementation model, which is basically the same as in current CSF, was considered by key stakeholders as adequate for the CSF's objectives. However, a need of reinforcement of the Technical Support Teams was referred as a condition for the improvement of monitorisation of projects and promoters;
- The functioning of this model, for its flexibility, was considered a key element for the strong overall effectiveness of the CSF;
- The following factors were fundamental for the good functioning of this model:
  - The participation of the European Commission as a "partner" of the Portuguese CSF (on the contrary, in the actual CSF the Commission's role is viewed more as an "observer");
  - The large partnership involved in what concern entities linked with the national or regional Administration; and
  - The experience of the members of the technical support teams obtained from the previous CSF (1989-1993).
- However, the overall performance of this system was also influenced by some negative factors. Among them are:
  - The lack of an Information System comprising all the Structural Funds and the FIGG equipped with impact indicators. This complicated the monitoring activities, the impact analysis and the possibility of maximising the synergies and complementarities of the programmes execution;
  - The lack of harmonised procedures for the introduction of the information in this System, with different indicators and, sometimes, different units for the same indicator, which made harder to assess the effectiveness of the global CSF;
  - The insufficient support given by the national statistical system on specific information for the regions or for the sectors under intervention, which gave rise to an inadequate argumentation of the Programming and a establishment of targets for the execution of the measures and actions of the programmes at times somewhat unrealistic; and
  - The lack of Social Partners' participation, which would give a greater transparency to CSF's global execution.

It is possible to conclude that one of the positive factors for the effectiveness of the CSF was its management and implementation model and system. However, it must be said that some reduced capacity of adaptation to regional and local needs was felt in the execution of this CSF.

In fact, the CSF 1994-1999 was built on a set of programmes of sectoral scope, inserted in the first three axis of the CSF (that corresponded to about 81% of the overall expenditure of the CSF) and on a fourth axis that comprised the interventions in the regional scope (axis 4 of the CSF, that corresponded to the remaining 19%). It was on this last group the five Mainland's Regional Operational Programmes were comprised (which represented about 7.8 % of the overall expenditure).

In the current CSF (2000-2006) each sectoral programme came to have a national component thus five decentralised components (regional component), each one being inserted in its respective Mainland Regional Operational Programme. This way the five

Mainland's Regional Operational Programmes came to represent 32.6 % of the overall expenditure.

For this reason CSF as a whole and each Operational Programme or Operational Intervention continued to have approximately the same Management and Monitoring structures.

Since these programmes started to have sectoral components the representatives of the different Ministries (those which have the competence for the tutelage of the sector) came all of them to be represented in the Management and Monitoring structures of each Regional Operational Programmes.

This means that now Regional Operational Programmes structures / bodies have new representatives, and this way the Management Units and the Monitoring Committee of each mainland Regional Operational Programme came to have a very large number of elements.

Since this model allows the creation of a closer proximity between the management entities and the citizens (bringing the process of decision making closer to citizens) it has clear advantageous in what the use of the available financial resources are concerned. However, it also means that a better regional level co-ordination between the different regional structures of each Ministry is a fundamental exigency.

Although, as a general rule, all those interviewed recognised that there were significant advantages on the use of this model, they also recognised that complicated functioning problems existed, making the decision-making process slower (for example, it is the responsibility of Management Unit, as in the previous CSF, to decide about the approval of projects, and so, each sectoral representative has to "recollect the opinion" of its tutelage, then demanding a much larger work of adjustment and effort co-ordination).

So, taking into account the new programming period a new management and implementation model should be pondered in order to give CSF more adherence to the regional needs. But, this new management and implementation model should avoid being translated into a loss of flexibility by the management system.

## **10.2 Extent to which strengths and weaknesses have been built upon or addressed in 2000-2006 programming**

In chapter 9 the strengths and weaknesses of the CSF 1994-1999 were pointed out.

In the new programming period some changes were introduced in the way the CSF must be implemented. Some of them are connected with some points already addressed.

As referred in chapter 9, CIDEC pointed out 10 "strengths" and 15 "weaknesses" in 1994-1999 CSF's execution. Looking at the current CSF (2000-2006) and on the way it is working it is possible for us to concluded that:

- ✓ There are more “weaknesses” that have been reduce than “weaknesses” which were reinforced;
- ✓ There are more “strengths” that have been built up than “strengths” which were reduced;
- ✓ There are also some “strengths” and “weaknesses” which haven’t been subject of intervention.

***“Strengths” which have been built up:***

Internal coherence of the CSF  
Appropriateness  
Strong political commitment

***“Strengths” which have been “reduced”:***

Management flexibility  
Support / participation of the EC

***“Weaknesses” which have been reduced:***

Less adequate Information System  
Insufficient support of the national statistic system  
Reduced argumentation of the programming and establishment of unrealistic targets  
Existence of non-quantified objectives  
Reduced Social Partners’ participation  
Reduced exploitation of synergies  
Regional OP: strategic objectives very ambitious  
Reduced capacity of adaptation to regional and local needs

***“Weaknesses” which have been “reinforced”:***

Some hesitation in political orientations  
Take-off difficulties

***“Strengths”:***

***Internal coherence of the CSF and appropriateness***

The programming period of the new CSF was carefully implemented. It can be said that this CSF programming benefited from the experience (of the national authorities) of the last two CSFs and from the work done by the European Commission<sup>83</sup> in order to highlight the new features of the new Regulations and to harmonise and clarify the information required for the Plan to be submitted.

<sup>83</sup> Different Working papers and Technical papers.

With this increased experience along with the need to identify and quantify the expected effects of the execution of CSF and its programmes and measures, it was possible to reinforce the internal coherence and the appropriateness of strategies.

#### *Strong political commitment*

The political commitment to the CSF's actions and policies is very strong. In fact, the strategic nature of these policies for the Portuguese economy, which has complicated problems namely at the national budget level, is enough to grant to these structural actions a very importance role.

#### *Management flexibility*

As referred above the 2000-2006 CSF's new management and implementation system allows the creation of a closer proximity between its management entities and the citizens (bringing the decision-making process closer to local needs). However it also brings about some functioning problems, which require a strong co-ordination at the management level. During the first two years of the 2000-2006 CSF's functioning some problems occurred reducing the new structure's capacity to adapt.

#### *Support / participation of the European Commission*

The active involvement of the EC at the CSF management (through, namely, the Monitoring Committee meetings) was one of the "strengths" of the CSF 1994-1999. Currently, the EC assumes, in a certain way an "observer" role, leaving to the member states a more autonomous role at the CSF management. Although some advantages for the overall management system are given by this change, it can make the implementation of some decisions more difficult since the Commission has no assumption of responsibility (see Chapter 9).

#### *"Weaknesses":*

##### *Less adequate Information System*

The lack of an adequate Information System (IS) was one of the most important "weaknesses" of the CSF implementation in the 1994-1999 period, bearing strong effects on the monitoring and evaluation activities and on the possibility to maximise the synergies between programmes. Within the new programming period a new IS was created. This IS collected information from all the Structural Funds and incorporated results and impact indicators in each programme and measure.

##### *Insufficient support from the national statistical system and reduced argumentation of the programming and establishment of targets unrealistic.*

As referred in chapter 9 these "weakness" of the CSF's implementation process made difficult the monitoring and evaluation activities. It also made difficult the assessment of the appropriateness of strategies.

Within CSF 2000-2006 each manager was asked to identify and quantify the initial situation as well as the expected results and effects and therefore to justify the established targets. This activity allowed the creation of a monitoring analysis basis.

### *Existence of non-quantified objectives*

This "weakness" of the CSF 1994-1999 made difficult the monitoring and evaluation activities. In the current CSF each manager had to identify and quantify its objectives and targets in order, among other things, to create the conditions for the "Efficiency Reserve" analysis.

### *Reduced participation of the social partners*

In the CSF 2000-2006 social partners assumed a more active role participating at the monitoring activities. We consider this is an important step to increase the transparency of the processes and to enrich the decision-making process.

### *Reduced exploitation of synergies*

The creation of a single Information System (integrating all the Structural Funds) was an important contribution to increase the possibility to exploit synergies between the execution of programmes with different funds.

About this domain it is also important to mention the possibility given by the fact that new CSF structure is based on Regional Operational Programmes that include sectoral interventions in the regions and on a Programme for the Portuguese economy as a whole (Operational Programme for Economy).

### *Regional OP: strategic objectives very ambitious*

This "weakness" of the CSF 1994-1999 was crossed out with the requirement of identifying and quantifying concrete targets for each programme.

### *Reduced capacity of adaptation to regional and local needs*

As referred in chapter 8 (point 8.1.6) and in previous point (10.1), the new CSF structure (with Regional Programmes having a sectoral component) allows the creation of a closer proximity between management entities and the citizens, and gives CSF more adherence to regional and local needs.

### *Some hesitations in political orientations and Take-off difficulties*

The deep alterations that occurred on CSF's structure and the need to create new management structures with new different functioning "rules" generated some take-off difficulties, which were also witnessed on this new CSF. This and the fact that this year Portugal changes its government caused some hesitation in political orientations with some implications at the programmes' execution levels.

## 11. RECOMMENDATIONS

The CIDEC's recommendations can be split in two groups: (1) recommendation with more specific scope and (2) recommendations with a more general character. The former recommendations might be implemented during the actual programming period (2000-2006). The second group of recommendations have a more political character. From CIDEC's point of view, they can be considered in a later programming period<sup>84</sup>.

The recommendations to include in these two groups are the following:

### 1<sup>st</sup> group:

- changes concerning the Information System for Structural Funds' management;
- reinforcement of the monitoring functions;
- impact analysis through post-project monitoring.

### 2<sup>nd</sup> group:

- compatibility between management decentralisation and policies' flexibility;
- more frequent previous hearing of the executing organisms during programmes elaboration (programming phase);
- better articulation between Community structural intervention and some Common Policies;
- foment of the management structures' "political unattachment";
- create the conditions that make possible the implementation of "management by objectives" systems.

### ✓ *Changes concerning the Information System for Structural Funds' management*

Concerning the CSF Information System the CIDEC's recommendations are:

- creation of a single Information System for all the funds;
- need of compatibility among work areas of the different computer systems to make the circulation of information effective;
- need to provide the system with a more broadened vision regarding its functions (comprising not only the physical and financial execution of projects and measures, but also the control and monitoring of the projects, the impact evaluation through the introduction of indicators of expected impact at project level and of result and impact at measures level);

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<sup>84</sup> It should be emphasised that the alterations that may be adopted meanwhile (during the present programming period) may make the pertinence of these recommendations, comprised in this second group and now mentioned, questionable.

- harmonising of indicator loading procedures in order to obtain, on the one hand, the same indicators in different programmes (when applicable) and on the other hand, the same unit in similar indicators;

These recommendations were, generally, contemplated in the actual CSF (2000-2006). However, it is important to emphasise that the delay of the beginning of the CSF Information System's functioning could bring some operational problems in the execution of this CSF.

The recommendation is directed toward the creation of an Information System parallel or integrated, in which there would be information produced by other institutions (for example, by the National Statistical Institute or the Regional Co-ordination Commissions). This kind of Information System must give an idea of the socio-economic situation of each region and the sectoral evolutions, in order to obtain a frame of reference for the impact analysis and to make viable a posterior programming of each programme adapted to the real needs (of the region or of the sector).

#### ✓ **Reinforcement of the monitoring functions**

In view of the effectiveness improvement of the projects' monitoring, it is suggested that:

- efforts should be made in order to separate, as much as possible, project control functions from projects / promoters' monitoring (this last function with a more pedagogic character).

For small entrepreneurial projects, projects / promoters' monitoring can be made in a more effective way through the resort to entities with a regional or local scope of action, such as regional development associations or entrepreneurial associations. The possibility of resorting to management "contracting" should be considered. It is also suggested that "Quality Agents" may emerge. Within the scope of Vocational Training and with an adequate training, they could be used as intermediaries and then make easier the promoters' monitoring (specially in the case of small entrepreneurs);

- resort to "contracting" (already created and established in the current CSF) should be, whenever possible, implemented. In fact, "contracting" can be an effective way for an adequate monitoring of projects and promoters: (1) because of the adherence to the reality these associations represent, which leads to the fact that the entities benefiting from this type of contract know, in a special way, the specific needs of the entities supported or to be supported; and (2) because of their assumption of responsibility in the full observance of the contract they signed.

This aspect is considered pertinent in cases of human resources development support (as in training needs analysis) and investment in small-sized companies support.

#### ✓ **Impact analysis through post-project monitoring**

In this scope, the recommendation is directed towards the creation of a post-project monitoring system that allows the real impact evaluation of project's execution and, simultaneously, the correction of the actions at the level of the CSF programmes if necessary.

The possibility to monitor the development of already closed projects would allow a true effectiveness and efficiency evaluation of investments co-financed by Structural Funds. This could be obtain, namely: (1) through the creation of services (supported by the Technical Assistance) set to monitor the first years of project's launching; or (2) through the projects/promoters' monitoring on behalf of entities that could be linked to the

management "contracting"; or (3) even through the creation of conditions so that the promoters would have the responsibility of periodically sending the reports on the effects of the development of their projects after the last payment.

√ ***Compatibility between management decentralisation and policies' flexibility***

The analysis of the differences among Portuguese regions made evident the need for a differentiated action on the territorial level of some policies. Within the scope of the structural intervention of the Community, differentiated policies may help to solve regional structural problems that make the process of improvement of the socio-economic cohesion harder.

The creation of *decentralised sectoral components in the regional programmes* adopted for the CSF 2000-2006 may be considered a solution for those problems, as long as it does not make the decision process harder within the scope of the management of these programmes – since the time decision process is taking is already considered, in some cases, as one weakness of the CSF. CIDEC considers that the broadening of Regional Operational Programmes' scope of action should necessarily be accompanied by the introduction of a *strong degree of management autonomy* of those programmes at the level of the (on time) decision-making, namely in its sectoral side.

Furthermore, it is considered important that at the level of some national sectoral policies the changes introduced in what is today considered as their main instruments of action (the programmes and the interventions of the CSF) *will not be translated into a reduction of flexibility* necessary to lead some economic and social policies inserted in a growing globalizing process. This process is not compatible with the non-existence of fast and effective answers on behalf of the different policies. From our point of view, this flexibility can not depend on the adoption of solutions that result from the sum of different parts (the ones integrated in the regional programmes) that, as seen before, need a strong autonomy to be efficient and operational.

From CIDEC's point of view, the balance between the two "opposite forces" described above (autonomy associated with management decentralisation and policy flexibility) may be achieved in the future<sup>85</sup> through intermediate solutions that would be characterised by the adoption of management models and systems of the sectoral national programmes based on the *partnership* between the national decision authorities and the main people responsible for the execution of the structural interventions of the Community at regional level (managers of Regional Operational Programmes).

In other words, it is considered that the application of the national sectoral policies and their instruments (supported by Structural Funds and by the Cohesion Fund) should be *planned and delineated* in accordance with the management structures of the regional programmes. These structures are connected with local and regional partners (not only from public administration but also from entrepreneurial sector). So, they would be able to contribute to an adequate planning of the different sectoral interventions that would lead to a sustained development of their regions. It should be emphasised that the Portuguese

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<sup>85</sup> In a posterior programming period.

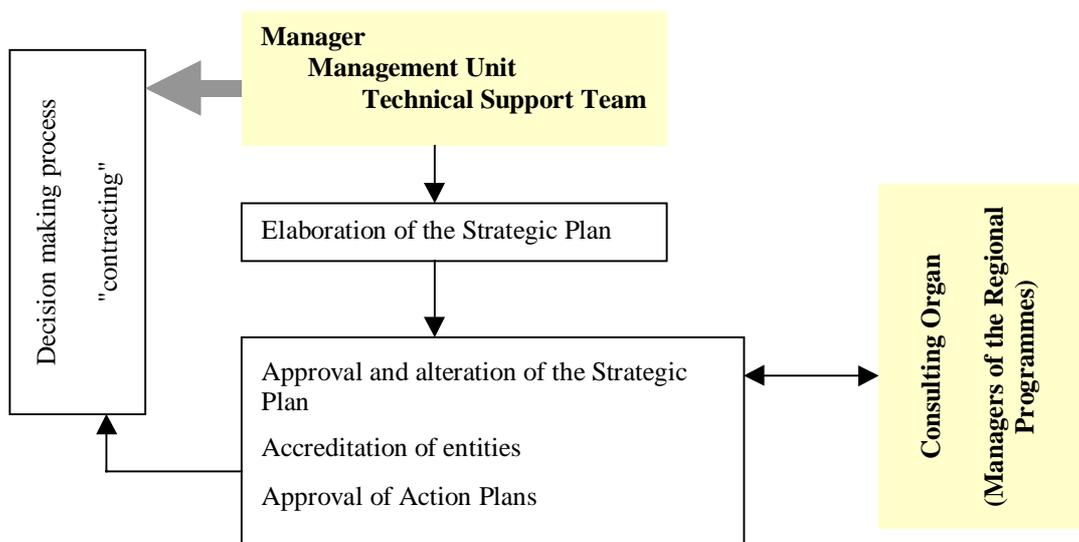
regions have their own problems and needs which resolution demands a concerted action of different policies.

One solution could be the creation of *management models of the national sectoral programmes* that, established in the structures Manager – Management Unit - Technical Support Structure, would be supported by a *consulting organ* (mandatory in determined areas) made up of Regional Operational Programmes' managers.

This organ should have a fundamental role in supporting the *action strategy definition* of the sectoral programmes (at least in its regional aspect) and in the changes that must be implemented in those strategies, as well as in the processes that come to drive the *management "contracting"*. Furthermore, this organ would assume a fundamental role in sectoral diagnosis supporting the policy definition of programmes and sectoral interventions.

### Sectoral Operational Intervention

#### Management Structure



In our point of view, this "type" of management model could give significant contributions to the diminishing of some identified weaknesses in an effective actuation of the Community regional and cohesion policy through the CSF:

- the intervention of a consulting organ composed of regional programmes' managers at the level of management of the national sectoral programmes would make viable the synergy's enhancement among these programmes and the regional programmes and even the different sectoral programmes in which this organ would act (by way of its integrated perspective of the different regional / territorial actions);
- the elaboration of a Strategic Plan for the sectoral policy always consulting the organ composed by managers of the regional programmes, would allow that the future actions could be based on a balance / consensus plan between the national authorities and those responsible for the sustained development of the regions. This would be done through

regional programmes' execution, allowing then a concerted action (different policies / instruments) according to each region features<sup>86</sup>;

- the role that this consulting organ would have in the selection / accreditation of the entities that would benefit from the management "contracting", would allow more effective monitoring of the execution of its different action plans (projects contemplated on its), as well as its self-sustainability, through a closer proximity to the local reality;
- the decision-making process should be based on the management structure of the sectoral programmes and in the strategic plans approved. This, after consulting the organ composed by the managers of the regional programmes regarding the national sectoral policy, it would maintain its cohesion and simultaneously would allow the creation of conditions for the on time decision-making;
- this type of model based on the partnership "national authority" – "regional authority" and therefore, managers of the regional programmes could report the approved plans within the sectoral scope, would allow the creation of more flexible and dynamic technical support structures than the ones that would result from the simple introduction of sectoral interventions in the regional programmes.

✓ ***More frequent previous hearing of the executing organisms during programmes' elaboration (programming phase)***

In order to make an adequate programming of the Operational Interventions / Programmes, in particular, the existing conditions regarding their feasibility, it is suggested the resort to the previous hearing of the main entities that will become the executors of the projects or programmes measures.

This procedure is easy to adopt when these entities are related, directly or indirectly, to the entity that has the tutelage over the sector (Ministry) or the Region (for example the Regional Co-ordination Commission). Furthermore, its implementation would imply some effort in the initial programming period and in what concerns the reprogrammings (or adaptation / alteration of the strategy) that would be made in the middle of the programming period.

✓ ***Better articulation Community structural intervention and some Common Policies***

One of the difficulties felt in CSF 1994-1999 execution was connected to the necessary articulation with some of the Common Policies. These had differentiated decision periods and "timings" that are not always easy to articulate with the CSF programming period, in which the strategic options should be made from the beginning. In this scope, the concrete example of the Common Agricultural Policy should be mentioned; certain decisions made in its scope influence the decision of support within the scope of the structural intervention Community policy in what concerns the action in the agricultural sector or within the scope of rural development.

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<sup>86</sup> It is well known that the regional structures of the national entities responsible for the sectoral programmes' management have already a deep knowledge of the regional and local needs. However, it is recognised that those structures will not always be able to have a broadened vision of the local reality.

In this sense, it would be convenient to create mechanisms regarding a closer articulation at these policies level.

✓ ***Foment of the management structures' "political unattachment"***

In order to increase the programmes' appropriateness and effectiveness, it is important to create conditions for the existence of a higher stability of the leadership of the management structures (managers) in a way that they do not depend as much on the political alterations that may happen<sup>87</sup>.

With the strategy of action being defined on the political level, it is important that this strategy can be associated with certain continuity in case of an alteration in the political cycle (change of government with change of the political party). That is, it is important that the implementation of strategies initially defined, necessarily with a structural character, is not too disturbed by these circumstances.

To avoid or reduce the negative effects associated with a change of management structure, it is essential that the managers' nomination may translate into an effective political independence. Even if there are some punctual alterations of strategy, due to new political orientations, it is important that the management team may enhance the effects intended with the changes introduced (with its accumulated experience).

✓ ***Create the conditions that make possible the implementation of "management by objectives" systems.***

One of the factors that was mentioned as important to increase the overall programmes' effectiveness and their capacity to answer to the specific needs of each different region or different target group, was the possibility to implement a "management by objectives" system, given global responsibilities to the programme's manager.

The implementation of this type of management would imply a different logic from the one currently used in the Regional and Cohesion Policy of the application of the Structural Funds. Nowadays, logic of eligibility of the expenses is in use. For the "management by objectives" a logic of results would be necessary (which imply that the control would be made based on the results and not on the expenses).

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CIDEC considers that it should be given a special attention to some intervention domains of the Structural Funds, which revealed a less appropriate strategy to achieve their objectives during the CSF 1994-1999:

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<sup>87</sup> When a change in the government happens, changing the major political party (as it was verified during the CSF 1994-1999), the managers usually change too, which causes significant delays in the execution of the programme and problems in its effectiveness.

- ✓ The effective link between the S&T System and the business sector, namely through an appropriate selection criteria that could give additional guarantees that the R&D projects supported have real spin-off effects;
- ✓ The support to SME start-up period, namely through the development of venture capital;
- ✓ To give more attention to the innovation in Vocational Training for SME and not only to the number of beneficiaries and to the number of hours in vocational training

Nevertheless, it must be pointed out that, generally, these issues have been contemplated in the actual programming period – 2000/2006.

