



**EXPERT EVALUATION NETWORK  
DELIVERING POLICY ANALYSIS ON THE  
PERFORMANCE OF COHESION POLICY 2007–2013**

**TASK 2: COUNTRY REPORT ON  
ACHIEVEMENTS OF COHESION POLICY**

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## EXECUTIVE SUMMARY

The 2007–2013 NSRF was structured around three Operational Agendas focused on Human Resource Potential (ESF), Competitiveness Factors (ERDF) and Territorial Enhancement (ERDF + Cohesion Fund). The NSRF envisages a strong relationship between almost all thematic priorities and the Convergence Objective Regional OPs, while the relationship between the Phasing Out and Competitiveness Regional OPs and the thematic operational priorities are generally less close and virtually non-existent in some areas. In turn, the priorities of the Azores and Madeira ERDF OPs are the result of regional development strategies formulated by the respective Regional Governments.

The Convergence Regions account for 92% of the ERDF and all of the Cohesion Fund resources going to Portugal. Some 52% of the resources in Convergence Regions are allocated to the "enterprise environment" and 21% to "territorial development". In the Competitiveness Regions, 33% of funding is allocated to "the enterprise environment", 28% to "territorial development", 20% to "the environment and energy" and 14% to "transport".

Despite the economic developments since the programmes were determined, no significant changes have been introduced in regional policy priorities and the strategy outlined in the NSRF remains valid. The main changes that have occurred have been in management practices, through measures that seek to increase funding in sectors that promote employment and private investment in the short term, while seeking to maintain the level of demand for funding. Among these measures, the most significant are the increase in financial incentives, the loosening of eligibility conditions for promoters of projects and the budget reinforcement of competition for types of measure which are in great demand from companies.

Although in late 2009 commitment rates were relatively high in respect of both Funds (45.6% for the ERDF and 30.8% for the Cohesion Fund), the rate of expenditure was still very low (6.8% for the ERDF and for the 5.3% for the Cohesion Fund). These low rates are due to delays in the start-up of projects and to the difficulties of implementing the OPs. The latter are essentially a result of four factors: i) the global economic crisis; ii) the need to complete programmes from the last funding period, which extended into 2009; iii) the new EU regulatory framework for managing, monitoring and controlling funding; iv) the national choices made over the governance and management of the funding received.

Although the Annual Implementation Reports provide detailed data on "achievements" against Core Indicators, in fact almost all of these data relate to expected rather than actual achievements. Therefore, it is not possible to extract much information on tangible outputs and results from the 2009 Annual Implementation Reports. The most relevant quantitative information is given by the OP axis indicators, which are tailored to the types of project supported. The Azores and Madeira Regional OPs are currently the most advanced in terms of

physical implementation, being responsible for most of the tangible outputs and results identified in the AIRs.

“Enterprise support” is a policy area where the NSRF introduced the most innovative aspects. Despite the crisis, some of the COMPETE OP achievements are already visible, demonstrating significant progress towards attaining the strategic objectives in this area, with output exceeding many of the targets set for 2010. “Transport and telecommunications” is dominated by large-scale priority projects which still show little sign of physical outputs and results. The ‘Territorial Enhancement’ OP is providing support to three projects to construct motorways along the coast, while in the Regional OPs, 19 km of new roads were built and 418 km of roads improved.

The Regional OPs introduced a number of innovative measures as regards “Territorial Development”, which are designed to implement the POLIS XXI Cities Policy through partnerships between different urban stakeholders, but there were delays in implementation and there is still no evidence of tangible achievements and results. The modernisation of school facilities is another crucial area, since these are intended to tackle the low education level of the population. This was also important for mitigating the effects of the crisis, particularly in construction; the public works concerned involving 2,640 companies and creating 10,050 jobs. The ERDF is providing support for the construction or improvement of more than 500 schools and several projects have already been completed.

Given the relatively short time since the 2007–2013 period began, and given especially all the factors that have delayed the start of the OPs, it is still early to identify significant effects of the interventions which have been financed. However, the ERDF and the Cohesion Fund continue to have a key role in strengthening territorial cohesion, by responding to the need for environmental and transport infrastructure that persists in some of the less developed regions, as well as in modernising social facilities. Similarly, the School Modernisation Programme is a clear example of the efforts made to combine the pursuit of the NSRF strategic priorities with a timely response to the economic crisis. In addition, the urban regeneration measures have contributed to improving the quality of life in the country’s major cities. It is equally important to emphasise the contribution of the measures adopted under the COMPETE OP to counteract the crisis, particularly the establishment of credit lines for SMEs.

As defined by the Overall Evaluation Plan for the NSRF and Operational Programmes 2007–2013, a large number of evaluative exercises are currently being developed and completed. These are either global (linked to the NSRF and OPs), transversal (covering a number of OPs and/or Funds) or specific (linked, for example, to the form of specific regulations or to the dissemination of information within the ERDF and Cohesion Fund), including the “Evaluation of the Implementation of OPs in the context of the NSRF Strategy”. Since these studies have been

carried out at an early phase of the programming period (before the mid-term evaluations), they are focused almost exclusively on the means adopted by Managing Authorities to implement the OPs rather than on issues relating to their effectiveness or efficiency, with the aim of producing recommendations for improving management procedures. The contents of each evaluation and the methods used differ greatly and are highly flexible, being adapted to the specific needs of each authority.

## SECTION 1 – SOCIO-ECONOMIC CONTEXT

Portugal has an asymmetric territorial structure with a very unequal distribution of resources (especially population) and very different regional potential for economic growth. For various historical reasons, the development of the Portuguese urban system generated a centre-dominated structure that still exists, where the Lisbon area, compared with other NUTS II regions, shows a more favourable position in terms of most socio-economic indicators. Moreover, there is also a strong asymmetry in mainland Portugal between the coastal areas (more competitive and more socially cohesive) and the interior (less competitive, with an ageing and declining population), which tends to persist.

However, the implementation of cohesion policies and the Structural Funds in many areas have made a major contribution to reducing the disparities that were aggravated in the decades before Portugal joined the EU. This reinforcement of inter-regional cohesion is visible primarily in areas such as accessibility, environmental infrastructure and social facilities, as well as in the regeneration of urban areas and in the improvement in the environment.

In terms of GDP per head<sup>1</sup> in 2007 (Table 1)<sup>2</sup>, the regions of Madeira and Lisbon (Competitiveness Objective regions) were the ones closest to the EU average (96.4% of the average and 104.8% respectively). However, though Lisbon had registered a slight growth of real GDP per head between 2000 and 2007, its relative position in the EU27 declined from 110.5% of the EU average to 104.8%, which contributed greatly to the decline in the national average from 81% of the EU average to 78%. The same applies to the Norte Region, where GDP per head fell from 63.4% of the EU average to 60.2%.

The improvement in the relative position of the Autonomous Regions in this period should also be highlighted, from 62.8% of the EU average to 67.5% in the case of the Azores and from 88% to 96.4% for Madeira (which, in the current programming period, became a Phasing in Region under the Competitiveness Objective). The Alentejo, Algarve and Centro regions only experienced slight changes, although only in the first did GDP per head increase relative to the EU average.

One of the main factors behind these regional asymmetric changes is the differential change in the employment rate. For example, Madeira and the Azores, where GDP per head increased at a relative high rate, are also the NUTS II regions that recorded the largest increase in the employment rate between 2000 and 2009, from 63.9% of population aged 15–64 to 66% and from 60.1% to 64.8%, respectively. Similarly, the regions with a higher than national average

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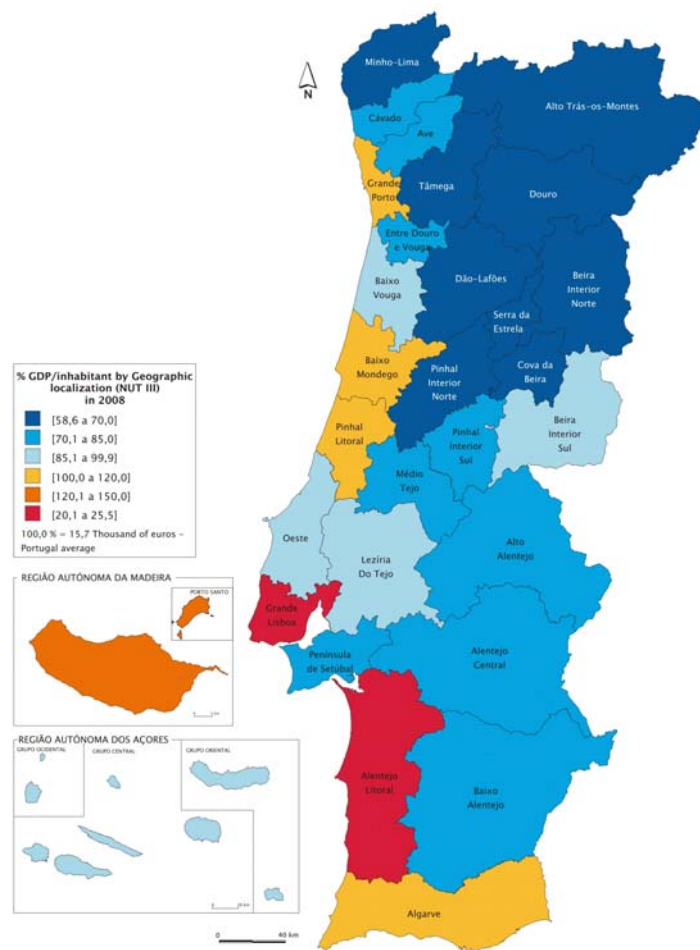
<sup>1</sup> GDP per head in PPS (Purchasing Power Standards), EU27=100.

<sup>2</sup> See Excel file for Table 1.

GDP per head (Lisbon, Madeira and the Algarve) are also to a large extent the regions with employment rates above the national average. On the other hand, Alentejo and the Azores have lower employment rates, which is largely related to the low participation of women in the labour market in the Azores and with the ageing of population in Alentejo.

These regional demographic imbalances also affect the socio-economic performance of the Portuguese regions; an unbalanced population structure affects local competitiveness and social cohesion. This results in a tendency for the population to concentrate in the regions with the highest levels of GDP per head and a consequent increase in urban concentration.

**Figure 1 – Gross Domestic Product per head at Current Prices (Base 2000–EUR), by NUTS III, 2008 (%)**



Source: National Institute of Statistics, Regional Economical Accounts, 2008.

The distribution of population by type of urban areas indicates that the proportion of people living in "predominantly urban areas" (48.4%) is higher than the EU average (41.3%). However, this is the case for only three regions: Norte (55.9% of its population), Lisbon and Madeira (100% in both cases). It is also worth noting the importance of the population living in

"predominantly rural, remote" areas in Centro (27.6%) and Alentejo (67.4%). The small proportion of the population living in "predominantly urban areas" in Centro, Alentejo, Azores and the Algarve, linked to the absence of large metropolitan areas, tends to inhibit economic dynamism and limits the ability to reverse the tendency towards depopulation.

Although this analysis by NUTS II gives an accurate picture of the national socioeconomic context, it also hides other substantial regional disparities, visible only at the NUTS III level. In terms of GDP per head, the Lisbon NUTS II region encompasses two very contrasting situations between the Greater Lisbon NUTS III regions, where GDP per head is high and the Setubal Peninsula, where it is below the national average. Similarly, in the Norte, Centro and Alentejo Convergence regions, the divide between coastal and interior areas emerges at the NUTS III level.

Changes in recent decades have tended to reduce the traditional coast–interior and North–South divides and have led to the emergence of more dynamic urban areas, both in economic and demographic terms.

Recent changes in the international economic context (the rise in oil prices, increase in the value of the Euro, the international financial crisis and the slowdown in global economic activity) have had a major impact on Portuguese GDP (Table 2)<sup>3</sup>, as well as on the budget consolidation process which started in 2005 (which was associated with a considerable reduction in the budget deficit up until 2008). The contraction of the Portuguese economy resulted in a marked increase in unemployment and a reduction in foreign direct investment.

At national level, the economic contraction has had a greater impact in the less competitive and productive areas, as revealed by the spatial distribution of unemployment. The Portuguese average unemployment rate increased considerably, from 4% in 2000 to 9.5% in 2009 and has continued to rise to 10.7% in August 2010. Unemployment increased by more in the regions with the lowest levels of GDP per head (Norte, Centro), while in the most competitive regions, the increase of unemployment was less (Lisbon).

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<sup>3</sup> See the Excel file for Table 2.



## **SECTION 2 – THE REGIONAL DEVELOPMENT POLICY PURSUED, THE EU CONTRIBUTION TO THIS AND THE POLICY ACHIEVEMENTS OVER THE PERIOD**

### **THE REGIONAL DEVELOPMENT POLICY PURSUED**

The NSRF 2007–2013 was structured around three Operational Agendas focused on Human Potential (ESF), Competitiveness Factors (ERDF) and Territorial Enhancement (ERDF + Cohesion Fund); the last two are the focus of this study.

The Operational Agenda for strengthening Factors of Competitiveness adopted the following priorities: stimulating innovation and scientific and technological development; encouraging the modernisation and internationalisation of businesses and enhancing the attractiveness of regions for foreign direct investment; supporting the promotion of an information and knowledge society; reducing specific types of public cost, including those from the administration of justice; and promoting the efficiency and quality of public institutions.

The Operational Agenda for Territorial Enhancement has essentially four main public policy objectives: strengthening international connectivity, accessibility and mobility; protection and improvement of the environment; the development of cities; and investment in infrastructure and equipment for territorial and social cohesion.

Table A summarises the expected level of interaction (in terms of coherence and the sharing of responsibilities) between the operational agendas and the mainland thematic and regional operational programmes (OPs). The NSRF envisages a close relationship between almost all thematic priorities and the Convergence Objective Regional OPs, except for the priorities of “financial engineering and innovation risk sharing” and “innovative actions”. The relationship between the Phasing Out and Competitiveness Regional OP and the thematic operational priorities is generally less close and hardly exists in some policy areas, such as “accessibility and mobility”, “networks and infrastructure to support regional competitiveness” and “innovative actions”.

**Table A – Interaction between the Thematic Operational Agendas and Mainland Portugal Thematic and Regional Operational Programmes**

THEMATIC OPERATIONAL AGENDA	THEMATIC OPERATIONAL PRIORITIES	OPERATIONAL PROGRAMMES				
		Thematic		Regional (Mainland Portugal)		
		Competitive Factors (ERDF)	Territorial Enhancement (ERDF + Cohesion Fund)	Convergence Regions – Norte, Centro, Alentejo (ERDF)	Phasing Out Region – Algarve (ERDF)	Competitiveness Region – Lisbon (ERDF)
<b>COMPETITIVENESS FACTORS</b>	Knowledge Production and Technological Development	●	○	●	○	○
	Innovation and Renewal of the Business Model and Specialisation Pattern	●	○	●	●	●
	Financial Engineering for Innovation Funding and Risk Sharing	●	○	○	○	○
	Public Context Costs Reduction	●	○	●	○	○
	Joint Actions for Business Development	●	○	●	○	○
	Information Society Development	○	○	●	○	○
	Regional Competitiveness Support Networks and Infrastructure	○	○	●	○	○
	Innovative Actions	●	○	○	○	○
<b>TERRITORY ENHANCEMENT</b>	International Connectivity, Accessibility and Mobility Reinforcement	○	●	●	○	○
	Environmental Protection and Enhancement	○	●	●	○	○
	Urban development	○	○	●	○	○
	Networks, Infrastructure and Equipment for Social and Territorial Cohesion	○	○	●	○	○

Note: ● - Strong relation; ○ - Intermediate relation; ○ - Weak/null relation. Source: NSRF 2007-2013 Portugal.

The priorities of the Azores and Madeira ERDF OPs are made clear in the regional development strategies prepared by the Autonomous Regional Governments of the islands. These thematic priorities are listed in the following Table B:

**Table B – Azores and Madeira ERDF Regional OPs – Thematic Priorities**

REGION	Azores	Madeira
<b>OBJECTIVE</b>	Convergence	Regional Competitiveness and Employment (Phasing-in)
<b>THEMATIC PRIORITIES</b>	Foster a Dynamic and Competitive Economic Activity	Innovation, Entrepreneurship and Knowledge Society
	Raise the Education Level of the Population	Competitiveness for Regional Economies
	Improve transport Infrastructure	Sustainable Development
	Protect and improve the Environment	Territorial Cohesion and Governance
	Minimize the Effects of ultra-peripherality	Compensation for the additional costs of ultra-peripherality

Source: Madeira and Azores ERDF Regional OPs.

The National Programme for Territorial Planning Policy (PNPOT) set out guidelines for the Portuguese participation in the Territorial Cooperation OPs. The strategic objective of the PNPOT is to reinforce Portugal's territorial competitiveness and its links with the Spanish, EU and global economy. The amount of funding allocated to these programmes is small, only 0.8% of the total ERDF budget. The national priorities for the cross-border cooperation programmes are listed in Table C.

**Table C – National priorities for Cross-Border Cooperation Programmes**

OP		GEOGRAPHIC ELIGIBILITY	NATIONAL THEMATIC PRIORITIES FOR COOPERATION	PRIORITIES AND COMMUNITY OBJECTIVES
Cross-border Cooperation	Portugal– Spain	NUTS III bordering Spain	Accessibility; territorial planning; the environment, natural resources and risk prevention, preserving the natural and cultural heritage; increased competitiveness, employment promotion, institutional and socio-economic integration;	Economic activities cross-border development, socio-cultural and environmental through joint strategies for sustainable territorial development.
	Mediterranean Basin	Algarve	Natural and cultural resources, preserving the natural and cultural heritage and strengthening institutions;	

Source: NSRF 2007-2013 Portugal

Like the previous Community Support Frameworks, the NSRF is seen as the most important means of bringing about the necessary structural changes in the Portuguese economy. The Structural Funds are, therefore, directed primarily towards the least developed and less competitive areas (essentially, the Convergence Objective regions), where they play a key role in strengthening regional factors of competitiveness, in improving the quality of life of the population as well as urban areas and the environment.

Most of the ERDF and Cohesion Fund resources are concentrated in the Convergence Regions (92.4% from ERDF and 100% from Cohesion Fund)<sup>4</sup>. Some 52% of resources in the Convergence regions are allocated to "the enterprise environment" and 21% to "territorial development", while "transport" and "the environment and energy" receive less than 10% each. In Competitiveness regions, 33% of resources are allocated to "the enterprise environment", 28% to "territorial development", 20% to "the environment and energy" and 14% to "transport".

The Structural Funds and Cohesion Fund represent a major source of funding for the National Reform Plan 2008–2010 (PNR), particularly in Convergence regions. Investment allocated to the priorities of the renewed Lisbon agenda amounted to 82.4% in Convergence Regions taken together, 80.6% in the Lisbon region (Competitiveness), 73.8% in Algarve (Phasing-out) and 75% in Madeira (Phasing-in)<sup>5</sup>.

Despite the changes in economic conditions, no significant modifications have been made to regional policy priorities and the strategy outlined in the NSRF remains valid. The preliminary results of the NSRF Global Implementation Evaluation Study emphasise that, *"as it is conceived and has been applied, the NSRF programming shows a strong alignment with the guidelines for Cohesion Policy, reinforced by the fact that operational agendas are widely justified by the structural dimension of the priorities addressed and the constraints they intend to fight"*<sup>6</sup>.

<sup>4</sup> Source: National Strategic Reference Framework - Portugal 2007-2013.

<sup>5</sup> Source: Lisbon Strategy: National Reform Plan 2008–2010 – Implementation Report 2009.

<sup>6</sup> NSRF National Strategic Report, 2009

The main changes that have been introduced are in management practices, through measures that seek to increase funding in sectors that promote employment and private investment in the short-term, while seeking to maintain the level of demand for NSRF funding. These measures include, in particular, an increase in financial incentives, the relaxation of eligibility conditions for promoters and projects, and an increase in funding for measures for which there is the greatest demand from companies.

## **POLICY IMPLEMENTATION**

Up until the end of 2009, the implementation of NSRF was much below the programmed level. Although, at the end of 2009, both the ERDF and Cohesion Fund showed a reasonably satisfactory performance in terms of commitments (45.6% of overall allocation for the ERDF and 30.8% for the Cohesion Fund), certified expenditure was very low in relation to the total allocation of funding (6.8% for the ERDF and 5.3% for the Cohesion Fund).

The mainland Regional OPs show a less satisfactory performance than the Azores or Madeira, with an expenditure rate of 3.3% as against 19.8% in the Azores and 10.0% in Madeira, which partly reflects a relatively high level of investment in transport in the latter two regions.

So far as the national OPs are concerned, progress was most advanced in COMPETE, with a commitment rate of 52.4% and an expenditure rate of 10.2%, whereas in the Territorial Enhancement OP, rates were 38.7% and 5.1% respectively.

This low rate of implementation is due to delays in the start-up of projects and to other difficulties, which essentially arise from the following four factors:

1. **The global economic crisis** was reflected in a lower propensity and capacity to invest for many potential beneficiaries in the private sector because of greater uncertainty about economic prospects and had greater difficulties in obtaining credit from financial institutions. EU funding was of major importance in counteracting the effects of the crisis. This, however, was largely the result of a more active implementation of the ESF, which compensated for the weak performance of the ERDF (through, for example, measures to support employment). The ESF expenditure rate was, therefore, 15.2% as against 6.8% for the ERDF.
2. **The overlap of the two programming periods** affected the start-up of the OPs as well as the absorption of NSRF financial resources. In late 2007, EUR 2.9 billion from CSF III 2000–2006 were still awaiting implementation, since the implementation period for this funding was extended until June 2009. Although it allowed greater utilization of available funds, this factor resulted in overlapping operations with different access rules; exhausted investment capacity of some beneficiaries; greater management effort to ensure the closure of the OPs from CSF III and the start-up of the NSRF OPs.

3. **The new EU regulatory framework** for management, monitoring and control of funds, sought to simplify increasingly complex procedures and at the same time, strengthen the control mechanisms, introduce new certification requirements and intensify audit processes. This implied much effort to adapt by the managing authorities and a much large resources than in previous programming periods.
4. **National choices regarding the governance and management** of funds (such as the high density of regulations linked to the NSRF) implied significant adjustment costs, reflected in the response capabilities of management and the reaction of public and private promoters.

### ACHIEVEMENTS OF THE PROGRAMMES SO FAR

Currently, assessment of the achievements and results of the OPs in the present programming period is conditioned by three factors:

1. First, **the rate of physical and financial implementation of programmes is still very low**, which is due mainly to delays in project start up and the difficulties of implementing OPs, already described in the previous section. Indeed, most output and result indicators presented in the 2009 Annual Implementation Reports do not show any evidence of actual physical output in almost all OPs.

However, it should be borne in mind that the outputs and the results of programmes are measured only when the projects are completed, when they are compared with the achievements expected. In fact, although the monitoring of financial implementation allows ongoing control over the expenditure on projects in carrying out the OPs, the indicators for monitoring physical implementation are based on the expected (contracted) project outputs – which are only verified when the projects are finished. There are, therefore, partial outputs and results that are not yet evident in the indicators.

2. Secondly, **the system of indicators used for monitoring physical outputs and results has many other shortcomings**. For example, 37% of the core indicators relating to ERDF-co-financing concern only the number of projects receiving support, while almost all core indicators included in the AIR for 2009 describe only intentions or expectations, i.e. the contracted values, rather than outcomes.

A more serious limitation of the monitoring systems is the mismatch between the set of indicators (created at an early programming stage of the OPs) and the types of eligible project (which were identified later in the Specific Regulations). There are, therefore, types of project that are not covered by any indicator of physical performance, while there are also indicators that do not cover any type of project.

3. There are **no targets set in any of the OPs for core indicators**, except for the Algarve Regional OP<sup>7</sup>. Therefore, nearly **all targets** presented in the Programming documents or the AIR **are related to the axis indicators**, which are included in every OP. Consequently, from the analysis of the qualitative information and the three types of indicator of physical performance included in the 2009 AIR (EU core indicators, common national indicators, OP axis indicators) it was not possible to extract much information on tangible outputs and results. The most relevant quantitative information was obtained from the axis indicators in the OPs, which are more in line with the types of project supported.

As already stated before, the Regional OPs for Azores and Madeira are those with the highest financial implementation rates. There are, therefore, the OPs that currently have greater visibility in terms of physical implementation and are responsible for most of the tangible outputs and results identified in the AIR.

### ***Enterprise support***

This is one of the policy areas where the NSRF introduced most innovations compared with the previous programming periods. They include the following, in particular: a joint intervention in Convergence Regions by the COMPETE OP and the Regional OPs; promotion of Collective Efficiency Strategies involving various public and private stakeholders in the creation of Competitiveness and Technology Poles and Other Clusters; measures to improve company access to finance; Innovation Vouchers and similar measures to bring out closer links between companies and research centres of various kinds.

Although this is a policy area that was particularly affected by the economic crisis, some of the COMPETE OP accomplishments are already visible through its axis indicators, demonstrating significant progress towards the strategic objectives in this area with many of the targets set for 2010 being exceeded. More precisely, there is a significant increase in the scale of business R&D, a predominance of incentives for productive innovation (93% of total business investment), a stronger focus of incentives on tradable and exportable production (97% of total business investment) and the creation of companies in knowledge-intensive and medium-to-high technology-intensive sectors (60% of the total).

Under Axis 1 of the Azores Regional OP, two infrastructure projects for supporting economic activity were completed and another 6 were contracted, which already exceeds the target of five planned by 2013. Although the OP contracted 207 projects for company expansion and/or modernisation, only one was completed by the end of 2009. Some initial results in this area can

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<sup>7</sup> Although the core indicators in the 2009 AIR of the Algarve Regional OP does present targets for 2013, these are referred to as being merely indicative, and are still subject to a revision.

be further identified through examination of the Azores OP result indicators, which show a slight increase in the turnover of regional companies relative to the national total and an increase of EUR 3 million in income from tourist-related activities (hotels and restaurants). These results are connected to interventions relating to investment in infrastructure and service networks, which include some projects for increasing tourism and improving tourist attractions, in particular: the clean up of the banks of the Furnas and Sete Cidades lagoons; the redevelopment of the Ferraria and Carapacho thermal spas; the construction of recreational facilities on the waterfront in Lajes das Flores; and the equipping and organisation of events at the Sea Pavilion in Ponta Delgada.

### ***Transport and telecommunications***

In this area, standard measures to support infrastructure construction predominate, headed by a set of large-scale priority projects such as the Lisbon-Madrid High Speed Train line, the Sines Harbour-Spain railway connection (both TEN-T projects) and the completion of the Lisbon Region Internal Ring motorway – CRIL. Although the latter two projects, characterised by their large size and great complexity, are already underway, there is still no evidence of physical outputs and results.

Three projects for coastal motorway received support under the Territorial Enhancement Op, while in the Regional OPs, 19 km of new roads were built and 418 km of roads upgraded.

More specifically, under the Azores Regional OP, 2 km of new roads were constructed, 155 km of existing roads were renewed, and two commercial ports and seven fishing harbours were redeveloped.

In addition, financial support was given to 15 transport routes between the islands and a project to re-equip the airport was completed. The savings obtained in public expenditure on air travel between islands as a result of projects supported by the OP are estimated at around EUR 18 million, while the number of road accidents in the region declined by around 4% between 2004 and 2009.

There was also a 10% increase in the number of households with an Internet connection.

### ***Environment and energy***

The main interventions supported by EU Funding in this policy area are focused on waste water treatment, urban and industrial waste management and risk prevention. Despite a number of major ongoing projects supported by the Territorial Enhancement OP and others of smaller size supported by the Regional OPs, by the end of 2009 there was still not much evidence of tangible outputs and results.

The projects completed under the Territorial Enhancement OP provided access to public water supply for an additional 68,559 people. The OP also provides support to the "Alqueva Multi Purpose Endeavour", a dam in the Alentejo region creating the largest artificial lake in Europe and connected to a number of agricultural and tourist projects.

Two projects to enhance the shoreline (a plan for improving beaches and one for coastal land use management) had completed by the end of 2009 and two similar projects were at an initial stage of implementation, the area concerned covering 28% of the region's coastline.

In the Azores, a number of studies, plan and projects had been undertaken relating to land use management, environmental infrastructure and nature conservation, the protection of natural resources, the monitoring of environmental quality and civil protection.

### ***Territorial development***

A number of innovative measures designed to implement the POLIS XXI Cities Policy – the continuation of a series of urban regeneration measures undertaken in the cities of the country during the 2000–2006 period – were introduced under the Regional OPs through partnerships between various urban stakeholders. The measures include the "Partnerships for Urban Regeneration", the "Urban Networks for Competitiveness and Innovation" and "Innovative Actions for Urban Development". All of these measures had been approved and contracts awarded by the end of 2009, but, because of the complexity of the projects, the start was delayed and there is still no evidence of achievements and results.

The modernisation of school facilities (from pre-school to high school) is another important area of NSRF intervention, helping to tackle the low education levels in Portugal. These projects were also important in mitigating the effects of the crisis, particularly in construction and public works, involving 2,640 companies and creating 10,050 jobs. There are a significant number of ongoing projects in many educational establishments in all OPs involved in this policy area. The ERDF provides support for projects in more than 500 schools. Projects are being undertaken in 16 secondary schools in the Norte, Centro and Alentejo regions Under the Territorial Enhancement OP, as well as 20 primary schools, covering about 20,000 students. In addition, support is provided for the construction, renovation and expansion of some 480 schools under the Regional OPs.

17 projects out of the 254 for renovating and expanding schools under the Norte Regional OP had been completed by end-2009, benefiting 3,744 children and young people. In addition, 4 out of 9 projects for pre-schools and primary schools under the Algarve Regional OP had been completed.

There is most evidence of results as regards improvements in social infrastructure in the Azores. Two out of 7 projects to build new schools had been completed and 12 out of the 26



projects for modernising schools which had been contracted (as compared with a target of 20 for the whole period). Around 9% of the school population in the region benefited from the projects concerned.

In addition, four projects for the construction or improvement of cultural facilities (in this case libraries and museums) were completed (out of the 8 projects contracted). Four projects were also completed out of the 5 approved for the construction or renovation of local community facilities for multi-events (sport, leisure and cultural activities). Moreover, 7 out of the 9 projects contracted for investment in schools had been implemented under the Madeira Regional OP, benefiting some 2,942 children or young people.

The estimates are that up to the end of 2009, 9,300 temporary jobs and 659 permanent ones had been created through construction or renovation of infrastructure under the Territorial Enhancement OP.

### **SECTION 3 – EFFECTS OF INTERVENTION**

Given the relatively short time which has elapsed and all the factors that have affected the start of OPs, it is still early to identify significant effects of the interventions co-financed by the Structural Funds in the current programming period.

This is even more difficult in the case of more innovative measures, for which there is no clear continuity with previous programming periods, which might help to provide an indication of their contribution to Cohesion Policy. For example, the implementation of measures such as support for Competitiveness and Technology Poles and Other Clusters could have a positive effect on the competitiveness of some economic sectors, placing them in a more advantageous position by the end of the crisis. However, the current stage of implementation does not provide any evidence of what the actual effect of these measures is likely to be.

However, with regard to more standard policy measures that are essentially continuations of already defined interventions and measures that have been used to counter the crisis, it is possible to identify more clearly some of the potential effects.

First, in terms of the provision of infrastructure and equipment, the ERDF and the Cohesion Fund continue to have a key role in strengthening territorial cohesion, and are decisive in meeting the need for environmental and transport infrastructure that persist in some less developed regions, as well as for the modernisation and rationalisation of social facility networks. After the heavy investment in highways made in previous CSFs, it is expected that the main priority of NSRF in delivering rail projects (included in the TEN-T) will help the national economy, both by increasing public investment and by enhancing the potential for the economic development of the regions concerned.

Similarly, the Modernisation Programme for Schools, as discussed above, is a clear example of the efforts made in order to match the NSRF strategic priorities with a timely response to the economic crisis.

At the same time, the urban regeneration measures developed under the POLIS Programme (that started in the previous programming period), combined with the infrastructure and social facility investment projects supported by the previous CSFs, have also contributed to improving the quality of life in the country's major cities. Under the NSRF, the extension of the Polis XXI Cities Policy measures to smaller urban centres, the diversification of its scope and the promotion of urban partnerships and networks could help to reinforce the present tendency for rural population to concentrate in smaller cities, so countering the trend of migration to major metropolitan areas.

It is also important to highlight the contribution of measures adopted under the COMPETE OP to combat the crisis; including the establishment of INVESTE I and II credit lines for SMEs. This has proved to be very effective in meeting the liquidity needs of businesses in the face of the restrictions of lending imposed by the banking system.

## **SECTION 4 – EVALUATIONS AND GOOD PRACTICE IN EVALUATION**

Since the beginning of the implementation of the Structural Funds in Portugal, the country has accepted and recognized the importance of evaluative processes. The good practices learned and the recommendations generated during the various periods of programming (highlighted in the various evaluative exercises), are reflected on the current state of maturation, the complexity and the increased importance attributed by the Portuguese to the Evaluation processes.

Besides the ex-ante, mid-term and ex-post evaluations carried out during the programming period 2000–2006, other evaluations and studies have been undertaken and should be highlighted here. The Evaluation of the Macroeconomic Impact on the Portuguese economy of EU Structural Funds was carried out by the Department of Foresight and Planning (DPP) of the Ministry of Environment, Spatial Planning and Regional Development. It covers three programming periods from 1989 to 2006 and it will be updated in 2010 with data from the period 2007–2013.

The evaluation was based on two models developed in the DPP for the Portuguese economy: MODEM, an input-output based model which has a multi-regional extension and which allows regional impacts to be assessed under certain conditions. The model is however restricted to static demand-side effects. The other model, HERPOR, is a national macro econometric model. While it does not enable the impact at regional level to be estimated, it takes account of both, dynamic supply and demand-side effects. The evaluation was carried out by comparing

scenarios with and without support from the Structural Funds and by estimating the effect of the latter as compared with total public funding<sup>8</sup>.

In the current programming period, there is a guidance document (the “Overall Evaluation Plan for the NSRF and Operational Programmes 2007–2013”<sup>9</sup>), which sets out the evaluations (operational or strategic) which should be carried out throughout the various implementation stages of the NSRF, its OPs, or groups of OPs. Essentially, this document defines the guidelines and main objectives to be pursued in the various evaluation exercises to be undertaken in the 2007–2013 period. The Overall Evaluation Plan was formulated by the NSRF Observatory and its implementation is monitored by a National evaluation network, which includes representatives of the Observatory, the OPs Management Authorities and other entities.

As it was defined in the Overall Evaluation Plan, the first evaluative exercises that have begun recently focus on a dual approach: on the one hand strategic, in order to understand and assess the contribution of OPs in the pursuit of the NSRF objectives and the community guidelines on Cohesion Policy; on the other hand operational, in order to improve the implementation of the various programmes and to consider the quality of the procedures. In this framework, a multiplicity of evaluation studies are currently being developed and completed. Their nature is either global (linked to the NSRF and OPs), transversal (multiple OPs and/or Funds) and specific (for example, linked to the conception of specific regulations or to information dissemination within the ERDF and Cohesion Fund). In the Annex, a synthesis of the main evaluation studies defined in the Overall Evaluation Plan is presented, with a description of their objectives.

According to the schedule in the Overall Evaluation Plan, more in depth evaluations of the NSRF performance, results and impacts will only be available between the end of 2010 and mid 2011, as a result of the Evaluation of the Macroeconomic Impact of the NSRF and the Mid-Term Evaluations of the NSRF and the OPs.

The most innovative studies undertaken in this period up until now have been the “Evaluations of the OPs Implementation in the context of the NSRF Strategy”. In the Overall Evaluation Plan these studies were scheduled for 2009, but none was completed before the first part of 2010 and some are still underway. The finished reports have recently been made available online, through the NSRF Observatory website. They are essentially focused on management procedures and the methods used are very standard (analysis of documents, interviews, case studies, web surveys of beneficiaries and so on), but they are not mandatory and, therefore, not all the Managing Authorities have carried them out.

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<sup>8</sup> DIAS, Ana (2007) – “The Macro economic Impact of EU Structural Funds on the Portuguese Economy”, Departamento de Prospectiva e Planeamento, Lisbon (downloadable in: [http://www.dpp.pt/pages/files/macroeconomic\\_impact.pdf](http://www.dpp.pt/pages/files/macroeconomic_impact.pdf)).

<sup>9</sup> Elaborated by the NSRF Observatory and by the Evaluation Network instituted in Portugal

The methodological approaches have followed general guidelines established by the Managing Authorities of the OPs, in order to be in line with the basic principles of evaluation identified by the Overall Evaluation Plan. The diversity of “evaluation questions” relating to each evaluation exercise depend on the operational needs of the different Management Authorities, which result in big differences between the evaluation studies of the different OPs and, therefore, different degrees of selectivity. For instance, there were 25 questions in the Centro Regional OP’s study, and just three questions in the Azores ERDF Regional OP’s study.

Accordingly to the interviews, this new model of evaluation has proved of great relevance and usefulness to the Managing Authorities in the present programming period<sup>10</sup>. There is already enough evidence to consider the effectiveness of the different means of implementing the OPs and the recommendations from the evaluations might help to bring about the necessary acceleration in the implementation of programmes in the coming years, which requires appropriate strategies and efficient procedures.

However, the fact that the evaluation questions focus on the implementation mechanisms and procedures of OPs does not enable the problems relating to the physical and financial performance of the programmes to be examined in depth<sup>11</sup>. This is an important issue given the low implementation rates of programmes and the need to increase these rates in the coming years. In some cases, programme managers would have liked the recommendations of the evaluations to have gone a little further in proposing concrete solutions to the inadequacies in the OP monitoring systems and the indicators they include, instead of just identifying them and analysing their causes and effects.

In our opinion, in comparison with the prior programming period there has been significant progress regarding evaluation, most notably the development of new types of evaluation in addition to the standard ex-ante, mid-term and ex-post studies. These are not focused solely on specific OPs or the NSRF in general but encompass several OPs (for instance, the evaluation of the Implementation of the NSRF Support Schemes, which covers the COMPETE OP and the Regional OPs) or focus on a specific measure in an OP (such as the Evaluation of the Qualification Priority in the Lisbon OP). This new approach should be able to provide Managing Authorities with more and better operational assessments on the implementation of OPs that might enable them to improve the performance.

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<sup>10</sup> In the Overall Evaluation Plan, the performance of these exercises was planned for 2009 (evaluation period: 2007–2008). Its objectives were set according to that stage in the programming period, but due to delays from the OPs Management Authorities, these evaluations only took place in middle 2010 (the relevance and usefulness of those recommendations would be much higher at that stage, allowing to timely address the constraints and weaknesses identified at the earliest stage of the OPs life cycle).

<sup>11</sup> Including indicators rearrangement, some of which are clearly inadequate under the Specific Regulations, norms and framework documents, which consolidate the OPs and that were completed after the start of the implementation phase.

The new evaluations are essentially focused on the implementation of OPs and management processes. Therefore, there is still room for improvement in the evaluation system in order for the studies undertaken to become more useful for Managing Authorities – in particular, they need to have greater strategic focus. On the other hand, the proliferation of small evaluation studies aimed at improving management processes cannot replace a (necessarily) more complete and thorough evaluation of the results of the NSRF and the OPs.

## **SECTION 5 – CONCLUDING REMARKS – FUTURE CHALLENGES**

The international crisis severely affected the Portuguese economy in the early years of the current programming period and had a very negative effect on NSRF performance. This was aggravated by the regulatory framework changes and by the delay in OP approval by the European Commission.

In the context of the crisis, despite the pressure to redirect Structural Funds to other sectors in order to accelerate the progress of the OPs regardless of what was initially planned, the NSRF managers kept the strategic priorities unchanged. The NSRF, therefore, is focused on investing in areas that are important for achieving an effective structural change in the Portuguese economy and society, and it is directed mainly towards strengthening the territorial cohesion of the regions with lower development levels, so complementing national policies for regional development.

The continued pursuit of these ends has not prevented the introduction of extraordinary measures to respond to the crisis and to cover a wider range of economic sectors. Indeed, measures such as the Programme for the Modernisation of Schools and the INVESTE I and II credit lines for SMEs have played an important role in injecting financial resources into the economy, supporting many companies operating in traditional sectors and contributing to the maintenance of jobs.

The main challenges that the NSRF and the OPs have to face relate mainly to the need to accelerate and optimise their performance, as acknowledged by the latest NSRF Strategic Report, which identifies five challenges for the implementation of the NSRF in the immediate future:

- attain higher physical and financial implementation rates while maintaining rigorous financial discipline;
- streamline regulations and procedures to achieve a better balance between security in financial management and the administrative burden;
- implement more proactive management for the sake of consistency in the operation of policy and innovation in the development of policy measures;

- consolidate and strengthen strategic monitoring to improve the efficiency with which NSRF funds are used;
- disseminate the results of evaluations, in conjunction with the debate on the Financial Perspectives and Cohesion Policy after 2013.

Given the current commitment levels and the tendency for the NSRF performance indicators to improve, it is expected that the 2010 AIRs will show more impressive rates of expenditure and achievements. However, in view of the present degree of uncertainty surrounding financial, economic and political circumstances in Portugal, it raises serious questions about the ability of the economy to take full advantage of Structural Fund support (despite a number of financial engineering schemes and support from the EIB), as well as about the capacity of public administration (local, regional and national) to implement their investments plans.

This is particularly true as regards major infrastructure investment (like the high-speed rail network, which is still not a project unanimously supported) that was supposed to represent a major part of the Cohesion Fund support under the Territory Enhancement OP and figure among the most important achievements of the NSFR. But with the austerity measures announced for the 2011 Budget, even smaller public projects such as those undertaken by local authorities could be at risk.

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## INTERVIEWS

- Nelson de Souza – Manager of the Competitive Factors Thematic Operational Programme – OP COMPETE;
- Paulo Areosa Feio – Coordinator of the National Strategic Reference Framework Observatory;
- Helena Azevedo – Manager of the Territorial Enhancement Thematic Operational Programme

## TABLES

See Excel file for Tables 1 to 3

Table 1: Regional disparities and trends

Table 2: Macro-economic developments

Table 3: Financial allocation by main policy area



## ANNEX

### Synthesis of the Evaluation Studies Defined in the Overall Evaluation Plan for the NSRF and Operational Programmes 2007–2013

Denomination	Focus	Priorities/objectives
<b>Overall Evaluations – NSRF/OP</b>		
Overall Evaluation of the NSRF's Implementation (2007/2008)	NSRF	To evaluate the contribution of the operational interventions under the NSRF, in the pursuit of their overall objectives, to the objectives of Cohesion Policy and to the continuation of the Community Strategic Guidelines. Contribution to the mid-term review of the Cohesion Policy and input for the contribution of the NSRF Observatory for the report on the contribution of OP for the implementation of cohesion policies and other community policies to be presented in 2009.
Evaluation of the OPs Implementation in the Context of NSRF's Strategy (2007–2008)	OP or sets of OPs	Assess OPs implementation method in the pursuit of the strategic priorities of the NSRF, and to introduce adjustments considered necessary in the management system of the OPs.
Evaluation of the NSRF's Macroeconomic Impact	NSRF	Evaluate, considering the overall implementation, the macroeconomic impact of the NSRF and the CSF in the short, medium and long term. Conjunction with the control report of the principle of additionally to be introduced by 2011.
OPs Mid-term Evaluation (2007–2010)	Each OP	To evaluate the performance and impact of OPs in the middle of their term, especially considering any necessary reprogramming within each OP.
<b>Implementation Evaluations/Global (various OP and/or funds)</b>		
Evaluation of the NSRF's Support Schemes Implementation (2007/2008)	POFC (Competitiveness Factors Operational Programme) Mainland Portugal Regional Ops	Evaluate the early implementation of Incentive Systems and make a first adequacy test on the created tools, both in Mainland and in each of its five regions.
Evaluation of the Urban Networks for Competitiveness and Innovation and the Innovative Actions for Urban Development Implementation (2007/2008)	POVT (Operational Programme for Territory Enhancement) Mainland Regional OPs	Evaluate the implementation mode of the Urban Networks for Competitiveness and Innovation and Innovative Actions for Urban Development, autonomously but inter-dependently in order to improve their management and monitoring systems, particularly to articulate funded OPs.
Evaluation of ERDF contribution for the support of actions covered by ESF interventions	Mainland Regional OPs POFC COMPETE (Competitiveness Factors Operational Programme)	Evaluate the contribution from ERDF intervention on human resources qualification policies covered by ESF intervention areas.
Evaluation of the Integration of Gender Perspective on Structural Funds in the	All OPs	Assess the integration of gender perspectives at the level of programmes and projects, in the new programming cycle and the contribution of Structural Funds for projects development focusing on this

Denomination	Focus	Priorities/objectives
2007–2013 programming period		intervention strategic dimension of the Structural Funds, identifying good practices.
<b>Specific Evaluations (of each OP or by Fund)</b>		
Cost– Benefit–Evaluation for ERDF and Cohesion Fund projects	ERDF and Cohesion Fund OPs	Make a reference base for the cost–benefit analysis, considering the preparation of a guidance document for beneficiaries and Management Authorities.
Evaluation of Information Dissemination under the ERDF and Cohesion Fund	ERDF and Cohesion Fund OPs	Maximize the information dissemination to promote good management practices by reviewing the access or content of information, identifying areas of training that are necessary for the management and subsequent achievement in training programmes.
Evaluation of the Elaboration Model of ERDF and Cohesion Fund OPs' Specific Regulations	ERDF and Cohesion Fund OPs	Assess the adequacy of the SR model and achievements, in order to make the adjustments identified as necessary.
Evaluation of Information Quality (physical and financial) that stands in Information Systems	ERDF and Cohesion Fund OPs	Assess how data collection and processing is done and the degree of availability and reliability of the information that forms the basis of physical and financial monitoring of ERDF and Cohesion Fund OPs, with the goal of adjusting the collection of information systems of SIGA (ERDF and Cohesion Fund) and the OPs.
Evaluation of the adequacy of the national regulatory framework to the challenges associated with the ESF	ESF OPs	Assess to what extent the already set regulatory framework fits the challenges of ESF intervention in the 2007–2013 programming period, to improve systems and management practices and with an innovative approach and greater simplification.
Evaluation and Monitoring of Primary and Secondary Schools	POPH (Human Potential Operational Programme)	The Structural Funds are a strategic element in the aim of overcoming the structural weaknesses of Portuguese qualification, as they constitute a major source of co-financing of the actions to implement in the entire process of reform of education and training system. For this reason, it should be clear as a central element of this study, the definition of reflection and learning tools for the management of public policies, fulfilling the aim of improving the forms of assistance supported by Structural Funds and ensure their maximum impact. Specifically, the study aims to provide practical information and tools necessary for its implementation and possible improvements, through the observation of the reform set in education and training and detailed verification of how they are reflected on field.
Evaluation of Cities Qualification Priority in the Lisbon Regional OP	Lisbon Regional OP	To evaluate the contribution of POR Lisbon on the strategic priority in qualifying cities seeking to show their impacts and justify any need for reprogramming and optimizing PR Lisbon's implementation on this topic.
Evaluation of the Contribution of COMPETE OP for the funding for Innovation, Internationalization and SMEs Business Modernization	POFC COMPETE (Competitiveness Factors Operational Programme)	Assess the relevance and contribution of FINOVA for innovation funding, internationalization and SME's business modernization.

Source: Adapted from "Overall Evaluation Plan for the NSRF and Operational Programmes 2007-2013"