WP1: Synthesis report

Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF)

Task 3 Country Report Portugal

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List of abbreviations

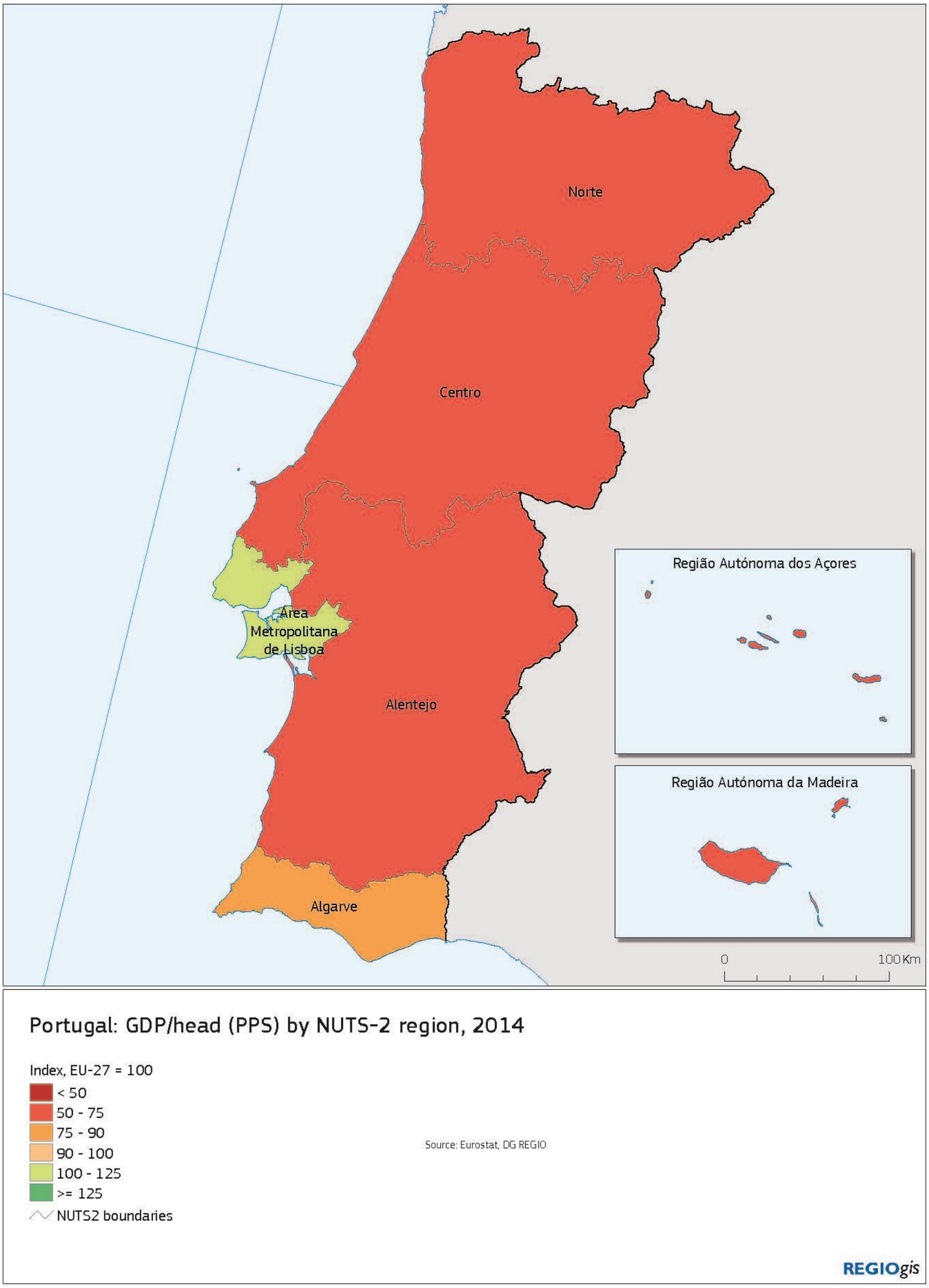
AIR	Annual Implementation Report
CEB	Council of Europe Development Bank
EIB	European Investment Bank
ERDF	European Regional Development Fund
ERSUC	Ersuc-resíduos Sólidos Do Centro Sa
ESF	European Social Fund
ETC	European Territorial Cooperation
EU	European Union
GDP	Gross Domestic Product
GDFCF	Gross Domestic Fixed Capital Formation
MA	Managing Authority
NSRF	National Strategic Reference Framework
NUTS	Nomenclature of Territorial Units for Statistics
OP	Operational Programme
R&D	Research and Development
RTD	Research and Technological Development
SME	Small and Medium Enterprise

List of programmes and link to beneficiaries of ERDF and Cohesion Fund support

CCI	Name of OP	Link beneficiaries	N° Projects
2007PT161PO001	OP Factores de Competitividade 2007-2013	http://www.pofc.qren.pt/projectos/projectos-aprovados-qren	10 000
2007PT161PO002	OP Regional do Norte 2007-2013	http://www.novonorte.qren.pt/pt/investimento-publico/projectos-aprovados/	2 876
2007PT161PO003	OP Regional do Centro 2007-2013	http://www.maiscentro.qren.pt/index.php?accao=projectos&m=m7&s=0	2 300
2007PT161PO004	OP Regional do Alentejo 2007-2013	http://www.inalentejo.qren.pt/index.php/aprovadas/aprovados-eixo	2 077
2007PT161PO005	OP Regional do Algarve 2007-2013	http://poalgarve21.ccdr-alg.pt/site/content/projetos	633
2007PT161PO006	OP dos Açores para a Convergência 2007-2013	http://www.proconvergencia.azores.gov.pt/projaprov.html	1 340
2007PT162PO001	OP Regional de Lisboa 2007-2013	http://www.porlisboa.qren.pt/np4/130.html	1 116
2007PT162PO002	OP Valorização do OPtencial Económico e Coesão Territorial da RAM	http://www.idr.gov-madeira.pt/portal/Conteudo.aspx?IDMenu=2&IDSubMenu=82&Path=82&jmenu=2	2 941
2007PT16UPO001	OP Temático Valorização do Território 2007-2013	http://si.povt.qren.pt/POVTPublish/	1 347
2007PT16UPO002	OP Assistência Técnica FEDER	http://www.poatfeder.ifdr.pt/content.aspx?menuid=26	99

Note: The web links above are to websites of the respective Managing Authorities who, under the rules governing the 2007-2013 programmes were required to publish the names of the beneficiaries of the funding allocated. The number of projects supported has been estimated on the basis of the information published on the website at the time when the data were downloaded. In the meantime the data concerned may have been updated. It may also be that the data have been moved to another part of the website, in which case the link may not work. If this is the case, those who wish to locate the data concerned will need to go to main OP website, as indicated by the beginning part of the link and search from there.

Map 1 Portugal and NUTS 2 regions, GDP/head (PPS), 2014



Preliminary note

The purpose of the country reports is to provide for each Member State a short guide to the findings of the ex post evaluation of Cohesion policy programmes 2007-2013 undertaken by DG Regional and Urban Policy and an overview of the context in which the programmes were carried out. It is based on information produced by Task 1 and Task 2 of WP1 and on the country specific findings from the various WPs that form the ex post evaluation. These are listed below with an indication in brackets of the case studies carried out in the Member State concerned.

WP0 – Data

WP1 – Synthesis

WP2 – SMEs, innovation and ICT

WP3 – Venture capital, loan funds (case study OP Thematic Factors of Competitiveness)

WP4 – Large enterprises (case study OP Thematic Factors of Competitiveness)

WP5 – Transport

WP6 – Environment (case studies Solid waste treatment 'Litoral Centro' - Sanitation sub-systems of Barreiro/Moita and Seixal)

WP8 – Energy efficiency

WP9 - Culture and tourism

WP10 – Urban development and social infrastructure

WP11[1] *– European Territorial Cooperation (case studies Spain-Portugal and Atlantic Area programme)*

WP12 – Delivery system

WP13 – Geography of expenditure

WP14 – Impact modelling

[1] The findings from WP11 – European Territorial Cooperation are summarised in a separate report as part of Task 3 of WP1.

Executive summary

The economic and financial crisis which struck in 2008 severely affected the Portuguese economy, which had already been growing relatively slowly in the preceding years. In 2013, GDP in real terms was 7% below the level in 2007 and though it increased in both 2014 and 2015, growth averaged only just over 1% a year. Employment fell almost continuously and in 2013 amounted to only just over 65% of the population aged 20-64, 7 percentage points less than in 2007. In consequence, unemployment increased to 16% of the labour force in 2013, double the rate of 6 years earlier.

A further consequence of the recession was an increase in the budget deficit to nearly 10% of GDP in 2009 and leading to a series of fiscal consolidation measures being taken. These progressively reduced the deficit but it was still over 4% of GDP in 2015 when government debt had risen to 129% of GDP (Table 2). Cutbacks in public investment were a major part of the consolidation measures and this together with the acute shortage of public finance led to increasing reliance on EU funding for development expenditure.

The combination of the crisis and the fiscal consolidation measures had the effect of narrowing regional disparities in GDP per head as non-Convergence regions were more severely affected than others.

The ERDF and Cohesion Fund available for the period amounted to EUR 14.6 billion, equivalent to 27.5% of Government capital expenditure over the 7 years. Just over a third of the funding went to enterprise support and innovation, while 22% went to investment in culture and social infrastructure and 17% to environment infrastructure.

Over the period, there was a marked reduction in the overall funding available for investment because of national co-financing being cut back. In addition, there were significant shifts of funding between policy areas, partly in response to the crisis. In particular, funding was shifted from transport (railways especially) and environmental infrastructure to social infrastructure (in education especially), innovation and RTD and urban development.

Overall, the measures co-financed over the period led directly to the creation of over 15 100 jobs, over 9 000 of them in SMEs. This was achieved, in part, through the support given to 4 742 RTD projects, 16 046 projects to help firms finance investment and 672 cooperation projects between SMEs and research centres. In addition, 2 499 new businesses were helped to start up.

Support for investment in transport led to the construction of 300 km of new roads, 138 km of them part of the trans-European Transport Network (TEN-T), and 48 km of new TEN-T railway lines. It also led to the upgrading of 2 977 km of existing roads and 386 km of railway lines. As a result, transport links, in particular, were improved between Porto and the border with Spain.

Investment in environmental infrastructure resulted in almost 1.3 million more people being connected to new or upgraded wastewater treatment facilities and 360 thousand more people being linked to clean water supply.

Overall, it is estimated that the additional investment supported increased GDP in 2015 by almost 2% above the level it would have been in the absence of the funding provided and that GDP in 2023 will be almost 3% higher as a result of the investment concerned.

1. The policy context and background

1.1. Macroeconomic situation

Over the 2007-2013 period, the Portuguese economy was severely affected by the global economic and financial crisis. This exacerbated the structural problems, stemming in particular from over-reliance on the textile industry, which even before the crisis, had led to a slowdown of GDP growth to only around 1% a year over the 2000-2007 period, well below that in other EU countries.

GDP fell by 1.4% over the two-years 2007-2009, stagnated over the following two years and declined again by 2.6% a year between 2011 and 2013. As a result, the employment rate fell from 72.5% in 2007 to 65.4% in 2013, while unemployment increased from 8% to over 16.2% over the same period. From 2014, there were signs of recovery, GDP increasing in the two years 2013-2015. Although the rate of growth was relatively low, it was enough to increase employment and reduce unemployment significantly (Table 1).

Table 1 GDP growth, , employment and unemployment, Portugal and the EU, 2000- 2015

	2000-07	2007-09	2009-11	2011-13	2013-14	2014-15
GDP growth (average % pa)						
Portugal	1.2	-1.4	0.0	-2.6	0.9	1.5
EU average	2.3	-2.0	1.9	-0.1	1.4	1.9
	2000	**2007**	**2009**	**2011**	**2013**	**2015**
Employment rate (% 20-64)						
Portugal	73.4	72.5	71.1	68.8	65.4	69.1
EU average	66.5	69.8	68.9	68.6	68.4	70.1
Unemployment rate (% lab force)						
Portugal	3.8	8.0	9.4	12.7	16.2	12.4
EU average	9.2	7.1	8.9	9.6	10.8	9.3

Source: Eurostat, National accounts and Labour Force Survey

The public sector balance was already in deficit in 2007 before the global recession struck and the recession pushed the deficit up to almost 10% of GDP in 2009. From then on, a series of fiscal consolidation measures brought it down, despite the decline in GDP, but it was still over 4% of GDP in 2015 when government debt amounted to 129% of GDP, almost twice the level in 2007.

Table 2 Government budget balance, accumulated debt and investment, Portugal and the EU, 2000-2015

	2000	2007	2009	2011	2013	2015
Public sector balance			*(% GDP)*			
Portugal	-3.2	-3.0	-9.8	-7.4	-4.8	-4.4
EU average	0.0	-0.9	-6.7	-4.5	-3.3	-2.4
Public sector debt						
Portugal	50.3	68.4	83.6	111.4	129.0	129.0
EU average	60.6	57.9	73.1	81.1	85.5	85.2
General Government investment						
Portugal	4.6	3.2	4.1	3.5	2.2	2.2
EU average	2.9	3.2	3.7	3.3	3.0	2.9

Source: Eurostat Government financial accounts

The deterioration of public finances, coupled with an increased need to borrow from abroad, gave rise to financial market pressures and led the Portuguese Government to apply for support from the European Financial Stabilisation Mechanism in 2011. The fiscal consolidation measures taken under the Economic Adjustment Programme were concentrated to a large extent on public investment. As a result, this was reduced from 4% in 2009 to only just over 2% in 2014, well below the EU average.

1.2. Regional Disparities

There have been significant and persistent economic disparities between regions in Portugal for many years. Excluding Norte where the textile manufacturing is concentrated and which has been suffering industrial decline for the past 20 years, there is a marked difference in the socio-economic situation between the more competitive and higher income coastal regions and the inland ones which have a lower GDP per head and employment rate, together with an ageing and declining population. There is also a significant ongoing difference between the metropolitan area of Lisboa (the capital city region and the wealthiest) and the rest of the country. In addition, in Lisboa, employment is concentrated in business and financial services and public administration, whereas in other regions there is much more employment in agriculture and industry as well as in basic services relating to tourism in the coastal regions and islands.

In the 2007-2013 period, the region of Lisboa and the autonomous region of Madeira were supported under the Competitiveness and Employment Objective (the latter as a 'Phasing-In' region), while the regions of Norte, Centro, Alentejo, the autonomous region of Azores and the Algarve fell under the Convergence Objective (the latter as a 'Phasing-Out' region). In the 15 years preceding the crisis, regional disparities tended to widen. Between 2000 and 2006, for example, the Gross Value Added (GVA) per head, in what were Convergence regions in the 2007-2013 programming period, grew, on average, by just 0.7% per year, while in the Transition regions (of Algarve and Madeira)[2], growth averaged almost 2.6% annually. Unemployment rose from 3.3% in 2000 to 7.7% in 2007 in the Convergence regions, while in the Transition regions it rose from 3.2% to 6.7% (see Country folder for Portugal).

Between 2007 and 2014, however, GDP per head in the Convergence regions, taken together, increased slightly in relation to the national average while in both the Transition regions and Lisboa, it declined relative to the national average. (In 2014, average GDP per head in the Convergence regions stood at 66% of the EU average, the same as in 2007; in the Transition regions, it was 76% of the average, 6 percentage points less than in 2007 and in Lisboa, it was 107% of the EU average, 5 percentage points less than in 2007.)

There was less of a difference between regions in labour market developments over the period. Nevertheless, the employment rate fell by less and unemployment increased by less over the period in Convergence regions than Transitions ones. (In Lisboa, the employment rate fell only slightly and by much less than in Convergence regions but unemployment increased to much the same extent, implying more of increase in labour force participation than in the other regions.)

2. Main features of Cohesion Policy implementation

2.1. Nature and scale of Cohesion Policy in the country

For the 2007-2013 period, the Portugal National Strategic Reference Framework (NSRF) defined three main policy objectives: (1) enhancing human resource potential, (2) increasing competitiveness, and (3) strengthening territorial development.

The ERDF and Cohesion Fund that were initially made available amounted to EUR 14.9 billion. This was subsequently reduced as a result of de-commitments[3] over the period to EUR 14.6 billion, equivalent to 1.2% of GDP over the 7 years considered as a whole. The funding amounted to 27.5% of total Government capital expenditure, which can be taken as a rough proxy for development spending, and averaged EUR 197 per head each year over the period (Table 3).

[2] This is an umbrella terms for Phasing-in and Phasing-out regions. As mentioned, Madeira was in the first category, Algarve in the second.

[3] Funding being taken away because of a failure to spend a tranche of funding within the two years allowed.

Table 3 ERDF and Cohesion Fund resources and national co-financing for the 2007-2013 period in Portugal, initial (2007) and last (April 2016)

	2007				2016			
	EU funding	National public funding	National private funding	Total	EU funding	National public funding	National private funding	Total
EUR million								
Convergence	14 246.9	4 671.3	3 433.4	22 351.6	13 920.3	1 787.0	2 984.6	18 691.8
Competitiveness	652.3	299.6	208.9	1 160.8	637.9	235.2	-	873.1
Total	14 899.2	4 970.9	3 642.3	23 512.4	14 558.2	2 022.2	2 984.6	19 564.9
Change, 2007-2014								
Convergence					*-326.6*	*-2 884.4*	*-448.8*	*-3 659.8*
Competitiveness					*-14.4*	*-64.4*	*-208.9*	*-287.7*
Total					*-341.0*	*-2 948.8*	*-657.7*	*-3 947.5*
% GDP	1.21	0.41	0.30	1.92	1.19	0.16	0.24	1.59
% Govt. capital expend	28.2	9.4	6.9	44.4	27.5	3.8	5.6	37.0
Per capita (EUR) pa	201.3	67.2	49.2	317.7	196.7	27.3	40.3	264.3
of which:								
Convergence	271.4	89.0	65.4	425.8	265.2	34.0	56.9	356.1
Competitiveness	30.3	13.9	9.7	53.9	29.6	10.9	-	40.6
EU15								
% GDP	*0.13*	*0.09*	*0.01*	*0.24*	*0.13*	*0.06*	*0.01*	*0.21*
% Govt. capital expend	*3.1*	*2.0*	*0.3*	*5.5*	*3.1*	*1.4*	*0.3*	*4.8*
Per capita (EUR) pa	*40.7*	*26.4*	*4.3*	*71.4*	*40.5*	*18.2*	*4.3*	*63.0*
of which:								
Convergence	*145.3*	*74.8*	*9.6*	*229.7*	*145.3*	*41.6*	*8.7*	*195.6*
Competitiveness	*16.1*	*15.0*	*3.1*	*34.1*	*15.9*	*12.6*	*3.2*	*31.8*

Note: EU funding relates to decided amounts as agreed in 2007 and as at 14 April 2016. The figures for % GDP and % Govt. capital expenditure relate to funding for the period as % of GDP and Govt. capital expenditure aggregated over the years 2007-2013. Govt. capital expend is the sum of General Government gross fixed capital formation and capital transfers. The EU15 figures are the total for the EU15 countries for comparison.

Convergence and Competitiveness categories for EU15 include the Phasing-out and Phasing-in regions, respectively. For Portugal, the Phasing-out region of Algarve is included in the Convergence category, while the Phasing-in region of Autonomous Region of Madeira is included in the Competitiveness category.

Source: DG Regional and Urban Policy, Inforegio database and Eurostat, national accounts and Government statistics

The three policy objectives were pursued through 10 Operational Programmes (OPs): 7 regional (one for each of the 7 NUTS 2 regions), two national and one for Convergence regions as a group (the Factors of Competitiveness OP)[4]. Most of the funding (64% of the total) went to the 5 Convergence regions, with just over 5% going to the other three regions, two of which received funding (slightly over 3% of the total) under the Phasing-in and Phasing-out Objectives (Algarve and Madeira). The Lisbon region, where around a quarter of the population live, received only 2% of resources under the Competitiveness and Employment Objective. The remaining funding (around 30%) went to the two national OPs.

2.2. Division of funding between policy areas and changes over the period

The division of ERDF and CF financing between broad policy areas differed in the Convergence regions from that in the Competitiveness ones (Table 4, note that the 'Phasing-out region' is included with the Convergence ones, while the 'Phasing-in regions' is included with the Competitiveness one).

The larger share of funding in the Convergence regions went primarily to Enterprise support and innovation (34% of total ERDF funds), while significant funding was also allocated to Social, Culture and Territorial dimension (29%) and to a lesser extent to

[4] The two national OPs were the Territorial Enhancement OP and the Technical Assistance OP. There was also a Cross-Border Cooperation OP for the Atlantic Area, which Portugal was part of and which is not included here.

environment, and energy. In the Competiveness regions, the main support went to Social, Culture and Territorial dimension (49%), although Enterprise support and innovation also accounted for a significant share (32%).

Table 4 Division of ERDF and CF financing for the 2007-2013 period in Portugal by broad category

	Convergence		Competiveness		Multi-objective	
	EUR mn	% total	EUR mn	% total	EUR mn	% total
1.Enterprise support, innovation	4 744.9	34.2	195.1	31.6	-	-
2.Transport, energy, ICT (incl broadband)	2 291.0	16.5	50.2	8.1	-	-
3.Environmental	2 359.2	17.0	54.4	8.8	-	-
4.Social, culture+territorial dimension	4 092.8	29.5	300.2	48.6	-	-
5.Human capital - Labour market	52.2	0.4	0.6	0.1	-	-
6.Technical assistance, capacity building	329.8	2.4	16.6	2.7	71.1	100.0
Total	**13 869.8**	**100.0**	**617.2**	**100.0**	**71.1**	**100.0**

Note: Division of decided amount of funding as at 14 April 2016. Territorial dimension' includes support for urban and rural regeneration and tourist services and measures to compensate for climate conditions.
Source: DG Regional and Urban Policy, Inforegio database

Over the 2007-2013 period, and particularly after the crisis, there were significant shifts in funding. The largest of these was a two-thirds cut in funding for railway investment, re-allocated to culture and social infrastructure (building, expanding and renovating schools, actions for which funding more than doubled to 16% of the total available). Cuts were also made to the funding of environmental infrastructure and capacity building. By contrast, funding was increased for innovation and RTD and urban regeneration (included in the 'territorial dimension in the table)[5].

These shifts were motivated to a large extent by: (i) the effects of the crisis and the desire to have a more immediate and direct effect on economic activity, (ii) the inability of public authorities to find the necessary co-financing for construction projects, and (iii) difficulties and delays in undertaking the planned investment in railways. Major construction projects were therefore cancelled and funding was shifted to other policy areas, such as education infrastructure.

In order to speed up the absorption of funding, reprogramming took place in 2011, 2012 and 2013. This entailed the reallocation of resources to areas which were considered to have more direct and immediate effects on growth and employment creation. As part of this, additional funding (some EUR 460 million in 2013) was allocated to financial instruments – loan guarantees and venture capital funds – to provide support to SMEs in order to help them survive the crisis, though it also helped to avoid the risk of de-commitments (i.e. to meet the n+2 rule)[6].

[5] The 17 categories shown in the table are aggregations of the more detailed 87 categories into which expenditure was divided in the period for reporting purposes.

[6] The rule stipulates that funding which has been committed needs to be spent within a period of two years. Funding which goes into FIs is treated as having been spent even though it may not have reached the final recipients. Nevertheless, the funding going into FIs still needs to reach final recipients by the end of 2015 in order to be reimbursed.

Table 5 Division of financial resources in Portugal for 2007-2013 by category, initial (2007) and last (April 2016) and shift between categories

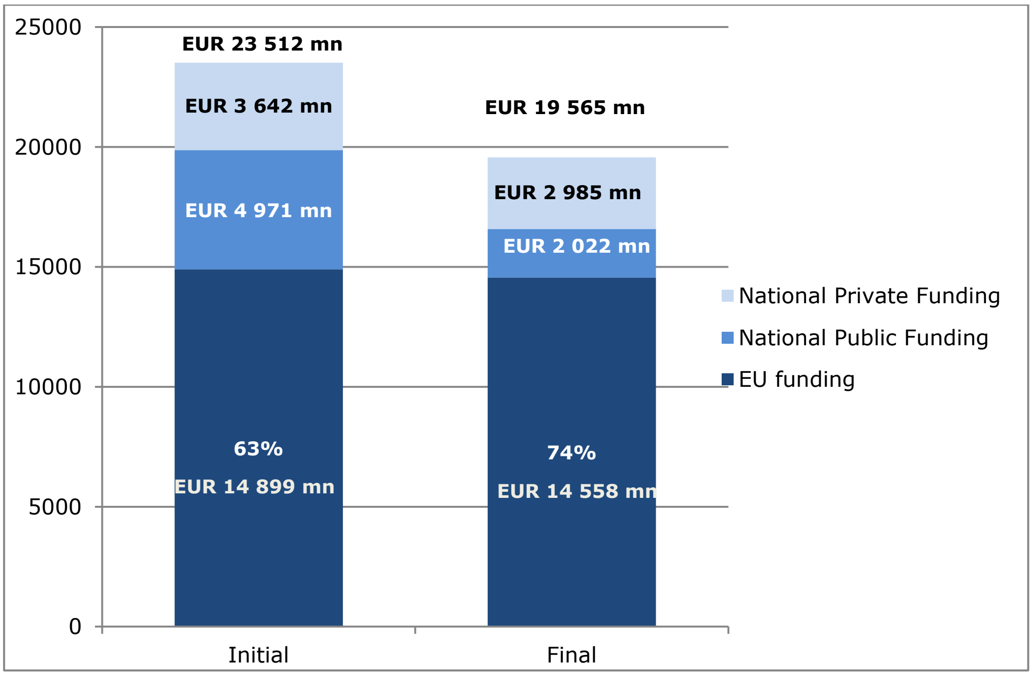
	EUR million					% Total	
Category	2007	2016	Added	Deducted	Net shift	2007	2016
1.Innovation & RTD	3 036.3	3 454.8	1 279.6	-861.1	418.5	20.4	23.7
2.Entrepreneurship	509.9	444.8	83.8	-148.9	-65.1	3.4	3.1
3.Other investment in enterprise	982.2	1 040.4	180.8	-122.5	58.2	6.6	7.1
4.ICT for citizens & business	617.2	482.9	249.5	-383.8	-134.3	4.1	3.3
5.Environment	2 754.4	2 413.6	440.1	-780.9	-340.8	18.5	16.6
6.Energy	269.4	112.0	18.4	-175.7	-157.3	1.8	0.8
7.Broadband	72.4	42.3	9.6	-39.6	-30.1	0.5	0.3
8.Road	851.0	813.2	508.2	-546.0	-37.8	5.7	5.6
9.Rail	1 379.5	375.6	10.0	-1 013.8	-1 003.8	9.3	2.6
10.Other transport	583.5	515.1	267.0	-335.3	-68.4	3.9	3.5
11.Human capital	25.8	12.4	1.3	-14.7	-13.5	0.2	0.1
12.Labour market	39.3	40.4	20.7	-19.6	1.1	0.3	0.3
13.Culture & social infrastructure	2 055.6	3 210.0	1 582.9	-428.5	1 154.4	13.8	22.0
14.Social Inclusion	28.7	4.1	-	-24.5	-24.5	0.2	-
15.Territorial Dimension	583.9	1 178.8	652.9	-58.0	594.9	3.9	8.1
16.Capacity Building	650.1	81.4	3.2	-571.9	-568.8	4.4	0.6
17.Technical Assistance	460.0	336.2	14.5	-138.4	-123.9	3.1	2.3
Total	**14 899.2**	**14 558.2**	**5 322.4**	**-5 663.4**	**-341.0**	**100.0**	**100.0**

Note: 'Added' is the sum of additions made to resources in OPs where there was a net increase in the funding going to the category. 'Deducted' is the sum of deductions made to resources in OPs where there was a net reduction in funding. 'Social inclusion' includes measures to assist disadvantaged groups and migrants. 'Territorial dimension' includes support for urban and rural regeneration and tourist services and measures to compensate for climate conditions.
Source: DG Regional and Urban Policy, Inforegio database, April 2016

2.3. Policy implementation

In December 2011, the European Commission increased the EU co-financing rate from an average of around 63% to 74%. This was motivated by a concern to cut the extent of national co-financing required from Portugal in recognition of the severe public finance problems it was experiencing. As a consequence, national co-financing was reduced of two fifths of the initial amount planned. In particular, national public co-financing (local as well as central government) was reduced by almost 60%, or by some EUR 2.9 billion, while private sector co-financing declined by about 20%, or by some EUR 0.7 billion. While this strategy eased the financing problems of the national authorities and made it easier to carry out expenditure, this was at the expense of an overall reduction in the scale of programmes, with the total funding available for these having been cut by EUR 3.9 billion or by over 17% (Figure 1).

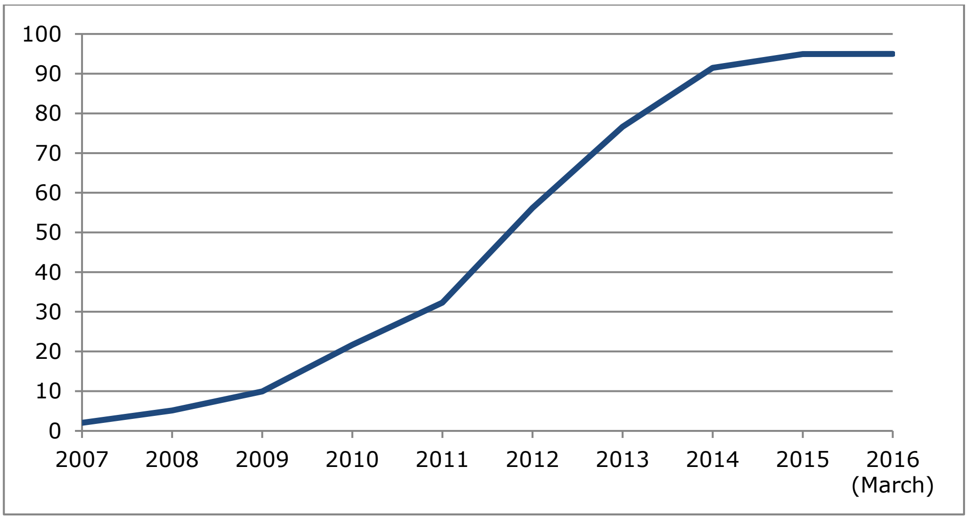
Figure 1 Total funding going to expenditure on Cohesion policy programmes for the 2007-2013 period, initial planned amount and final amount (EUR mn)



Source: DG Regional and Urban Policy, Inforegio database, 14 April 2016

The easing of national co-financing difficulties combined with the shift of funding between policy areas led to a significant increase in the rate of absorption of funds from the end of 2011 on (Figure 2). In 2012, therefore, payments from the ERDF and Cohesion Fund to Portugal to cover expenditure incurred almost doubled, rising from 32% to 56%, and they increased even further in 2013. Already by 2015, 95% of the funding available, meaning the maximum possible, had been spent (given that 5% if held back until expenditure is approved),

Figure 2 Time profile of payments from the ERDF and Cohesion Fund to Portugal for the 2007-2013 period (% of total funding available)



Source: DG Regional and Urban Policy, Inforegio database, end-March 2016

3. The outcome of Cohesion Policy programmes – main findings from the ex post evaluation

The main findings summarised here come from the evaluations carried out under the Work Packages (WPs) of the ex-post evaluation exercise. This covered the following policy areas in detail:

- Support to SMEs – increasing research and innovation in SMEs and SME development (WP2);
- Financial instruments for enterprises (WP3);
- Support to large enterprises (WP4);
- Transport (WP5);
- Environment (WP6);
- Energy efficiency in public and residential buildings (WP8);
- Culture and tourism (WP9);
- Urban development and social infrastructure (WP10);
- European Territorial Cooperation (WP11);
- Delivery system (WP12);
- Geography of expenditure (WP13);
- The impact of cohesion policy 2007-2013: model simulations with Quest III and Rhomolo (WP14).

All of these are relevant for Portugal, except the evaluation of the delivery system under WP12 which did not include Portugal among the countries examined. The evaluation of ETC (WP11), it should be noted, is the subject of a separate report. The estimates produced by WP13 on the allocation of funding and of the expenditure between regions are not considered here[7].

3.1 Enterprise support and innovation (WP2, WP3 and WP4)

Just under EUR 5 billion was allocated to this broad policy area over the period, equivalent to 34% of total funding going to Portugal. Of this, the majority was invested in Convergence regions, particularly in the three Convergence regions in continental area (Norte, Centro and Alentejo). The focus was on areas considered strategically important, in particular, innovation, research and technological development, internationalisation and entrepreneurship.

Overall, up to the end of 2014, 4 742 RTD projects had been supported, along with 672 cooperation projects between companies and research institutions. The support provided helped to start up 2 499 new businesses and co-financed 16 046 investment projects in SMEs. In total, over the country as whole, an estimated 9 040 full-time equivalent jobs in SMEs, in gross terms, were directly created as a result of the funding, of which 384 were in research (see Table 6 at the end of this section).

SME support, R&D and innovation (WP2)

Over the programming period, there was an increase in total expenditure on R&D (of 17.6% between 2007 and 2012), which was concentrated in the business sector (about 50% of the total) and higher education (some 36%). This is reflected in the Innovation Union Scoreboard classifying Portugal as one of the EU countries where

[7] They are available at: http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/#1.

innovation grew by most over this period, though it still ranks among those countries with a moderate level of innovation[8].

Over the programming period, the ERDF allocated to business support was significant (about 32% of total funding) with most of this going directly or indirectly to SMEs. The evaluation carried out under WP2 indicates that in Portugal the ERDF is basically the only source of business support, and that among the EU15 countries, Portugal has the highest ratio of ERDF allocated to business support to total national investment (gross fixed capital formation), i.e. 2%. This is mainly a consequence of large-scale reductions made to national investment in response to the national debt crisis.

The main support to R&D and innovation was delivered via the national Factors of Competitiveness OP, which co-financed 14 policy instruments concentrating more than 20% of the funding on one specific instrument (Productive Innovation) aimed at supporting the production of new goods and services through of knowledge transfers. The support took the form of repayable incentives convertible into non-refundable grants according to project performance.

Financial Instruments for enterprises (WP3)

Financial Instruments (FIs) have been used in Portugal to deliver ERDF investments since the 1994-1999 programming period. During the 2007-2013 period, FIs were adopted in order to reduce the risk to enterprises of investing and innovating and to increase access to capital. EUR 273 million was allocated to FIs for enterprises, corresponding to nearly 6% of the total ERDF support to enterprises. By the end of 2014, 71% of this had reached final recipients.

In the 2007-2013 programming period, only 5 of the 9 Portuguese OPs adopted FIs. The three Convergence Regions in mainland Portugal (Norte, Centro and Alentejo) did not create specific FIs but they were covered by the Factors of Competitiveness OP. Overall, two Holding Funds and 45 specific funds were co-financed. The majority of the FIs were created under the Support System for the Financing and Risk Sharing of Innovation (SAFPRI) and were managed by a public-private partnership, *PME Investimentos*, through the FINOVA Holding Fund. The other two Holding funds were administrated by the European Investment Bank and Portugal Capital Venture.

Venture capital, or equities, was the main form of support, followed by guarantees. Funds were generally managed by private entities or, to a lesser extent, by private-public entities, while guarantee funds were administrated by public entities. Venture capital/equity funds were complemented by non-repayable support in the form of advice, management support and networking.

[8] European Commission, European Innovation Scoreboard, 2016, see: http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards_en.

Factors of Competitiveness OP - COMPETE case study[9]

The objectives of the COMPETE OP were to improve the overall competitiveness of the Portuguese economy in all Convergence regions. The total ERDF allocation amounted to EUR 3.2 billion, of which EUR 367 million was specifically earmarked for FIs. The rationale behind the introduction of FIs was the low level of entrepreneurship in Portugal and lack of access to financial resources, in particular for SMEs, in the aftermath of the financial crises.

Altogether 27 FIs were financed. Two lines of finance for Business Angels, two funds providing loans and guarantees and 23 different venture capital schemes divided into 6 categories (10 funds providing capital for business innovation and internationalization, two funds financing the development of new units in technology companies, 4 funds supporting business at an early stage, three funds financing high-risk projects, three funds supporting expansion projects and one fund financing cinematographic and audio-visual projects). All the FIs, except one (Finance Line for Investe QREN), were managed under the Holding Fund FINOVA and by the end of 2014 only half of the ERDF funding had been allocated to the FI, of which around two thirds had reached final recipients.

There is currently limited consolidated information available on the status and health of projects in the FI portfolio, as many of the projects were still under implementation in 2015, when the case study was carried out. Nonetheless some positive outcomes are evident. Overall, venture capital schemes invested EUR 163 million in 250 SMEs, 65% of them at an initial stage; while guarantees supported 3 300 SMEs. Altogether, FIs leveraged additional private resources of around EUR 232 million, which in comparison with other Member States is modest, particularly for venture capital schemes. Some 621 jobs were reported to have been created as a result of the support provided.

Large enterprises (WP4)

A total of EUR 1 134 million of the ERDF was allocated to large enterprise support in the form of refundable and non-refundable investment grants, which, in absolute terms, was the largest allocation to large enterprises over the period. It amounted to around 20% of the overall support to business and around 7% of the total funding available for Portugal in the period.

The funding co-financed 407 projects in 319 large enterprises, equivalent to EUR 3.5 million per enterprises supported. This was more than the double than the average support to large enterprises in the 8 case study countries covered by the WP4 evaluation. Three-quarters of the large firms supported were engaged in manufacturing, of which about 37% were in high- and medium-high tech industries, while around 7% were in advanced service sectors. Some 60% of the firms concerned were Portuguese companies, almost half of them multinationals, while the remainder were branches of foreign multinationals.

Evidence from the WP4 evaluation suggests that investment grants for large-scale projects were among the most efficient measures in terms of job creation (see box on COMPETE case study).

[9] The full case study report can be consulted here: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp3_final_en.pdf.

Factors of Competitiveness OP - COMPETE case study[10]

The COMPETE OP allocated EUR 1.07 billion of the ERDF to large enterprises, 94% of total support for large enterprises in Portugal. The OP focused on the three Convergence regions in continental Portugal (North, Centre and Alentejo) with the aim of improving their competitiveness. Support took the form of refundable grants.

Funding supported 315 projects in 246 large enterprises. The average size of support was EUR 3.4 million per project or EUR 4.3 million per company and the average aid intensity was 50%. Manufacturing companies constituted nearly 80% of beneficiaries. Of these 27% were medium-low or low tech firms, while high- and high-tech firms 25% of the companies supported. Almost half of the support went to enterprise sites with less than 250 employees (branches of larger multinational companies).

The investment co-financed in technological advancement, facilities and infrastructure resulted in higher productivity. In addition, large enterprises accounted for 7 762 of the 14 349 direct jobs created under the OP up to the end of 2012. The average cost per job created was EUR 138 thousand, much less than that for SMEs (EUR 213 thousand).

Evidence from the case study shows that the OP was successful in improving competitiveness, increasing productivity and attracting large-scale investment to Portugal. The enterprises supported were found to have increased both value-added and exports. In addition, the programme helped to keep the investment in the area concerned, to attract new investment and to generate positive spill-overs for local companies.

The analysis, however, suggests that the majority of the supported projects would have been undertaken without ERDF support, though this led to projects being carried out sooner and on a larger scale. It also seems to have influenced the choice of location of the foreign enterprises concerned.

3.2 Transport (WP5)

Funding allocated to transport over the period amounted to around EUR 1.7 billion, or 12% of the total ERDF and Cohesion Fund resources provided. Funding went mainly to roads (57% of the total).

As a result, 300 km of new roads were constructed, of which 138 km were on the TEN-T and 2 997 km of existing roads were upgraded. Some 48 km of new railway lines were also constructed and 386 km of existing lines upgraded. Among the projects supported were the 83.5 km of road on the Transmontana highway connecting Porto to Spain (the E82, between Porto-and Vila Real-Bragança-Spain).

In addition, the support provided contributed to improving the air links to the Azore islands and the connections between them, leading to an increase in passenger movements and in sea travel between Portugal and Spain.

3.3 Environmental infrastructure (WP6)

Over EUR 2.2 billion was allocated to environment infrastructure over the period, 15% of the total funding available. Overall, EUR 1.4 billion went to support of waste management (20% of the total), water supply and wastewater treatment (80%), which were the subject of the WP6 evaluation.

Over the period, important steps were made in complying with the requirements of the EU Directives on water and wastewater treatment. Up to the end of 2013, 66 projects in this area were implemented and by the end of 2014, 359 815 additional people had been connected to clean drinking water supply and almost 1.3 million to wastewater treatment facilities. In addition, the share of municipal waste recycled was increased from 10% in 2007 to 13% in 2013, though this is still lower than in most other Member States.

Litoral Centro case study[11]

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[10] The full case study report can be consulted here: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp4_case_study.pdf.

The project, with a financial allocation of EUR 88.3 million (61.4 million from the EU), involved the upgrading of a multi-municipal urban waste management system to comply with national and EU regulations on waste packaging (Directive 94/62/EC and 2004/12/EC) and waste handling and disposal processes (the landfill directive 1999/31/EC). The purpose of the project was to increase the share of urban waste recycled and recovered as much as possible and to minimise disposal in landfills.

The project is an example of a faulty planning process counterbalanced by good execution. The planning process was affected by several issues: (a) poor feasibility studies and risk analysis; (b) an unrealistic forecast of the construction time-schedule; (c) insufficient consideration given to engineering measures to deal with adverse events, such as extreme weather conditions; (d) lack of research on demand and affordability; (e) over-budgeting of capital investment costs due to lack of experience;(f) inconsistencies in various submission documents.

Nonetheless, project implementation was good: (a) capital costs were kept within the initial budget; (b) the new facilities were built in conformity with the original objectives in terms of scope and capacity; (c) the new facilities were in operation for over 2 years without any major problems; (d) the 'cost plus' tariff applied in the concession contract, which guarantees that tariffs cover all costs incurred, ensured the financial sustainability of the project.

Sanitation sub-systems of Barreiro/Moita and Seixal (SIMARSUL) case study[12]

The project involved the expansion and modernisation of urban wastewater processing facilities in three municipalities located on the south bank of the Tagus River for collecting wastewater from the municipal sewerage systems and treating and discharging it into the Tagus estuary as 'reclaimed' water. The planned costs amounted to EUR 51.5 million, of which EUR 15 million came from the ERDF and Cohesion Fund.

The project started in March 2007 and was completed in April 2012, 4 months later than planned, at slightly below the forecast cost. The completed project was in line with the original specifications and met the operational objectives.

The possibility of slow tariff collection by the city councils, which was not taken into account, did not affect the financial sustainability of the project because the MA had recourse to its own funds and bank loans to fill the short-term financing gap. Financial sustainability is ensured through the 'cost-plus' model, in which tariffs are set to cover the full non-subsidised costs of the project after deducting any non-tariffs related revenue.

3.4 Energy efficiency (WP8)

EUR 76 million was allocated to energy efficiency, co-generation and energy management, just 1% of the total available. Unlike the majority of EU15 Member States that increased funding for investment in energy efficiency after the change in the regulations in 2009 to allow support of energy efficiency schemes in relation to housing, Portugal reduced the funding for this by EUR 60 million.

3.5 Culture and tourism (WP9)

EUR 577 million, 4% of the funding available, was allocated to Culture and tourism over the period. In addition, almost as much, EUR 527 million was set aside for support of investment in individual hotels and restaurants. Support was provided exclusively in the form of non-repayable grants. In all 9 of the 10 OPs provided support for these two policy areas.

The resources going to culture, amounting to EUR 334 million, went mainly to the protection and preservation of the cultural heritage (46%) and the development of cultural infrastructure (42%). In the case of tourism, funding went mostly to the promotion of natural assets, primarily in outermost regions and urban areas.

According to the Managing Authorities interviewed as part of the evaluation, the main rationale for providing support to culture was to help diversify the regional economy, especially in the case of the Madeira. In Norte, on the other hand, the focus was more on strengthening social cohesion. This was the same with regard to tourism in Norte as well as in Madeira.

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[11] The full case study report can be consulted here: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp6_case_study.pdf.

[12] The full case study report can be consulted here: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp6_case_study.pdf.

Overall, up to the end of 2014, 1 331 full-time equivalent jobs were reported to have been created in tourism in Portugal (see Table 6 at the end of this section).

3.6 Urban development and social infrastructure (WP10)

A large part of the funding available for the period, EUR 3.8 billion, or 27% of the total, was allocated to support of investment in urban development and social infrastructure. This was a much larger share than in any other Member State.

The majority of the funding (EUR 2.9 billion) went to investment in social infrastructure, particularly on education buildings and equipment (EUR 2.2 billion). The larger part of this, moreover, was added in the course of the programming period, as indicated above.

The allocation concerned was related to the Programme of Modernisation of the School Estate for secondary education, a government priority, which was implemented through the Territorial Enhancement OP. This is, therefore, an example of a national strategy pursued through an ERDF co-funded programme. In practice, several different funding sources were combined (the ESF, EIB, CEB, state co-funding and private loans as well as the ERDF) with the aim of upgrading existing facilities, improving, school equipment and opening up the schools to the surroundings area.

3.7 ETC (WP14)

Portugal was involved in one INTERREG programme with Spain financed under the Cross-border Cooperation strand of the ETC Objective. The ETC-funded programmes are the subject of a separate report.

3.8 Impact on GDP(WP14)

The investment supported by Cohesion and rural development policies in Portugal is estimated to have increased GDP in 2015, at the end of the programming period, by almost 2% above the level it would have been in the absence of the funding provided[13]. It is further estimated that, in 2023, 8 years after the end of funding coming to an end, GDP will be around 2.5% higher as a result of the investment concerned.

3.9 Overview of achievements

Table 6 summaries the data on core indicators of the outcome of ERDF and Cohesion Fund-financed programmes reported by MAs. It shows that up to the end of 2014, the investment concerned resulted in Portugal in the direct creation of 15 136 jobs, of which 9 040 were in SMEs and some 380 in research.

In addition to the achievements reported above under the different WPs, ERDF support contributed to increasing the population covered by broadband access by more than 138 thousand and to 15 square km of land being rehabilitated.

Table 6 Values of core indicators for ERDF co-financed programmes in Portugal for 2007-2013 period, as at end-2014

Core Indicator Code	Core and common indicators official name	Value up to the end of 2014
1	Jobs created	15 136
4	Number of RTD projects	4 742
5	Number of cooperation project enterprises-research institutions	672
6	Research jobs created	384
7	Number of direct investment aid projects to SME	16 046

[13] Estimates by the Quest model, a new-Keynesian dynamic general equilibrium model in kind widely used in economic policy research, developed by DG Economic and Financial Affairs to assess the effects of policies. See The impact of Cohesion Policy 2007-2013: model simulations with Quest III, WP14a, final report, http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp14a_final_report_en.pdf.

8	Number of start-ups supported	2 499
9	Jobs created in SME (gross, full time equivalent)	9 040
12	Number of additional population covered by broadband access	138 609
14	km of new roads	300
15	km of new TEN roads	138
16	km of reconstructed roads	2 997
17	km of new railroads	48
18	km of TEN railroads	48
19	km of reconstructed railroads	386
25	Additional population served by water projects	359 815
26	Additional population served by waste water projects	1 269 953
29	Area rehabilitated (km2)	15
35	Number of jobs created in tourism	1 331

Note: The figures in the table are those reported by MAs in Annual Implementation Reports. Core indicators for which no data were reported by the Member State are not included.

Source: Annual Implementation Reports, 2014 and DG Regional Policy post-processing of these, August 2016

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