



Mid-Term Evaluation of Operational Program Algarve 2020

Executive Summary

Evaluation of the ESIF contribution to the objectives of the
Operational Program Algarve 2020

Promotor organization:

Autoridade de Gestão do Programa Operacional Regional do Algarve

July 18th, 2022

Cofinanciado por:



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1. Evaluation scope and intervention context

The "Evaluation of the contribution of the European Structural and Investment Funds (ESIF) to the objectives of the Regional Operational Program Algarve 2020" aims to explain the contribution of the Operational Program Madeira Algarve 2020 to the results expected in the Specific Objectives of each Investment Priority (IP) mobilized in each of its Priority Axes, which includes: i) assessing the efficiency and effectiveness degree of grants provided, by identifying its contribution (cause-effect relationship) on the Specific Objectives pursued in each IP; ii) identifying the impact, potential or actual, of the implementation of the OP and its alignment with the Europe 2020 strategic objectives for smart, sustainable and inclusive growth and for the economic, social and territorial cohesion of the Algarve region; iii) identifying the European Value Added associated with the implementation and results of the OP; iv) assessing the relevance and coherence of the OP configuration considering the needs of its main recipients and the evolution of the context throughout the programming period, taking into account the effectiveness, efficiency and potential impact revealed by the OP.

OP Algarve 2020

The OP Algarve 2020 is essentially an impact assessment, being oriented to determine the effectiveness, efficiency and impact of ESIF support. The policy instruments selected by OP Algarve 2020 cover a multiplicity of thematic areas and objectives, framed in a set of Portugal 2020 investment priorities.

The architecture of priority axes and the specific objectives associated with the selected investment priorities determine the contribution of the funds provided by the OP to the Specific Objectives of each Investment Priority (IP), following the intervention logic defined in the programming. OP Algarve was subject to four financial reprogramming. The first two essentially resulted in the transfer of funds from axis 8 - Public Administration Training to axis 4 - Strengthening the competitiveness of the territory - (in 2018) and to axis 6 (in 2020). The COVID reprogramming (2020) involved more changes, resulting in the reinforcement of the allocations of axes 6 and 7 (Social Cohesion and Strengthening of Competencies) and a significant reduction (38%) in the allocation of axis 3 - Sustainability and Resource Efficiency.

Current Situation on December 31, 2020

Up to the date of the evaluation report (December 21st, 2020), 1,317 projects had been approved, involving an eligible cost of around €519.8 million, to which €286.3 million of the approved fund is associated. Axes 2 - Supporting internationalization, business competitiveness and entrepreneurship, 5 - Investing in employment and 6 - Affirming social and territorial cohesion are likely to be highlighted, due to the dimension they acquire in these three indicators.

The OP Algarve has commitment (90%) and financial realization (47%) rates below the PT 2020 average, the first being below the ROP (Regional Operational Program) average and the second in line with the values of these programs. The OP shows a net approval rate (53%) below the PT 2020 (73%), but in line with the average approval rates of the ROP on the Mainland (52%).

The level of commitment per axis reflects substantial differences in the ability to allocate the programmed fund values, highlighting the contrast between values above or close to 100% in Axes 2 (business competitiveness), 4 (territorial competitiveness) and 8 (modernization administrative) and the value of Axis 3 (sustainability of resources) which, at the reporting date, only committed half of the programmed fund.

Table 1. Number of projects, eligible investment and fund approved by Axis

Vectores of the Regional Strategy	Priority Axes of OP Algarve 2020	ESIF	Financial Allocation (thousands of €)	% total OP	Approved Operations (n)	Approved fund (thousands €)	Commitment rate (%)	Implemented fund (thousands €)	Implementation rate (%)
International Competitiveness	2 - Support internationalization, business competitiveness and entrepreneurship	ERDF	85 693	27%	595	91 496	107%	44 506	49%
Territorial and Social Cohesion	6 - Affirm social and territorial cohesion	ERDF/ESF	46 522	15%	202	39 928	86%	14 858	31%
Diversification of the economy/ employment	5 - Investing in employment	ERDF/ESF	44 022	14%	140	38 158	87%	21 871	37%
Territorial Appreciation	3 - Promoting sustainability and resource efficiency	ERDF	11 779	4%	33	5 551	47%	1 383	25%
	4 - Reinforce the territorial competitiveness	ERDF	30 000	9%	84	30 676	102%	14 761	48%
Skills Strengthening	7 - Strengthening skills	ERDF/ESF	37 768	12%	86	31 442	83%	11 093	32%
Innovation	1 - Promote research and regional innovation	ERDF	38 852	12%	126	27 538	71%	12 801	46%
Training of Public Administration	8 - Modernize and train the administration	ERDF/ESF	12 038	4%	37	12 002	100%	6 343	67%
Technical assistance	9 - Technical assistance	ERDF	12 000	4%	14	9 296	77%	8 613	93%
Total OP Algarve 2020			318 676	100%	1317	286 087	90%	136 230	48%

Source: EY-Parthenon

2. Methodology

This evaluation assumed as methodological reference the Theory-Based Evaluation and involved structuring of the logical framework of the OP Algarve 2020 intervention and the respective Theory of Change (ToC). The evaluation process involved a wide range of methods and techniques for collecting and analyzing information, including the documentary and statistical collection and statistical data, ten interviews/meetings, five case studies, eight focus groups, as well as two surveys (one to business promoters and one to non-business entities).

The preparation of the Theory of Change was further supported by a literature review process and document analysis and took into consideration, as far as assumptions and risks are concerned, a focus on the evaluation criteria governing the evaluation question posed in the Terms of Reference and, therefore, a focus on the results and not so much on the process of operationalizing the typologies.

The methodological approach was anchored in a diversified range of methods and techniques of data collection, processing and analysis of quantitative and qualitative information, selected according to the in-depth options set out in the Terms of Reference. These options foresee a full evaluation cycle - mobilizing all methods of information collection and analysis and the mobilization of the Theory of Change and Contribution Analysis - for the intervention typologies included in option 2.2¹: "Qualified and creative entrepreneurship", "Urban rehabilitation", "Integration of adults in the labour market", "valorisation of endogenous resources in specific territories" and "locally based socio-economic

¹ Option 2.2 is defined in the Evaluation Specifications Document and includes the intervention typologies for which greater depth is required in the evaluation

development” - and a simplification of the evaluation process for the remaining areas, which were analyzed based on the information available in other evaluations and in simpler evaluation collection techniques.

3. Conclusions

Effectiveness

C1. The levels of commitment and achievement recorded place the Program on a level equivalent to the other regions of the Continent. In the set of the axes that compose it, Axis 3 - sustainability and efficiency - stands out for presenting the most critical situation, accumulating performance levels below the other axes in terms of commitment and achievement and a low approval rate in the context of the axes where public interventions prevail.

C2. The effect of the pandemic on the pace and capacity of execution of the OP is evident, having impacted both on the delay in the launch of tenders, as well as on the procedures for analysing applications and monitoring operations. These effects ended up being translated into the extension of the investment execution deadlines, contributing to an average project completion rate of around 20% and to a still inconclusive picture of the Program's ability to achieve its main objectives.

C3. In axis 2 - Supporting internationalization, business competitiveness and entrepreneurship, most of the support instruments are adjusted, having been able to induce a qualified demand, except for qualified and creative Entrepreneurship and Financial Instruments (FI). The failure of FIs does not seem to be related to difficulties in disseminating them, but above all to the low scale of intermediaries and the business fabric that is more prone to this type of instruments (small number of start-ups and technology companies).

Business promoters emphasize the expected contribution of the projects to the production of new or substantially improved goods/services, but the deviation from the expected contribution of projects to the increase in employment is evident, reflecting a general retraction effect of companies in the pandemic period.

C4. The OP's action to affirm the social and territorial cohesion (axis 6) aggregates a diverse set of intervention typologies, with tendentially low levels of achievement, not allowing the effective results of the projects to be anticipated.

C5. The objective of stimulating employment (Axis 5) was fundamentally based on supporting internships and hiring support, which proved to be effective as a strategy to promote employment and sustainable employability. The Program also showed a good capacity to respond within the scope of policies to support the training of the unemployed. In contrast, the training modalities directed to companies, such as training-action and training within the Incentive Systems reflect the difficulty in mobilizing companies for training but are also a sign of the fragility of the regional network of training operators.

C6. In terms of sustainable urban mobility, the vector linked to the development of the territory had operational difficulties in approving the PAMUS, which were reflected in the delay in starting operations. The objectives of improving energy efficiency are largely penalized by the incipient adhesion of companies, but compensated by the public operators who show a good pace of execution. Urban rehabilitation actions obtained good prospects of meeting the targets by the end of the program, despite the risk of deviations due to the lack of responsiveness of the construction market.

C7. Intending to improve the population's skills, interventions in school facilities allowed an adequate response to the pressing needs of the territory, particularly in the interior municipalities. The OP supported the training of skills and measures to promote educational success, seeking to act in different facets of the phenomenon of school retention and dropout, however, the Algarve was not able to achieve the objective of reducing the rate of early dropout of training and education (21.9% in 2014 to 19.9% in 2019), which is evidence of the fragility of policies geared towards this objective, namely the weak focus on the diversification of education offers.

C8. In another aspect of resources qualification, the support granted under Axis 1 - Promoting regional research and innovation aimed at the promotion of innovation investments in companies

and investing in the strengthening of the region's R&D network. The difficulty in mobilizing tourism companies for the RTD is pointed out as the strongest conditioning factor for the difficulties in promoting innovation in the business sector.

C9. The modernization and qualification of the public administration (axis 8) shows an overall performance in line with the starting goals in terms of the digitization of services but penalized in terms of professional training of resources.

Operational Efficiency

C10. The NOT (Notices of Opening Tenders) are characterized by important objectivity and precision in the information transmitted to potential beneficiaries and allow the capture of qualified demand. However, the high levels of selectivity, both necessary and desired, bring added challenges in certain situations (eg in R&TD support and Community-Based Local Development - CBLD investments). Regarding the timings in which they are launched, it is important to make some improvements in the predictability of the opening of tenders.

C11. The procedural requirements and regulatory dynamics associated with this programming period have seen considerable simplification and increasing flexibility, however, constraints persist, namely in terms of interfund operational efficiency and between Regional and Thematic Operational Programs (emphasis on agriculture and fisheries).

C12. It is recognized that the preparation and prior approval of strategies or plans in the Priorities associated with CBLD, urban regeneration and development of endogenous resources present itself as an added value. However, the heterogeneity of the involved actors and the encompassing of extensive target territories ended up affecting the start of the respective investments.

C13. The implementation of socio-economic and physical regeneration operations in disadvantaged communities leads to the removal of community support by some local actors and makes it impossible to establish relevant local/regional partnerships.

C14. The existence of some complexity in the regulatory and operational framework of support, delays in its stabilization and the successive and multiple rules of segregation of functions considered in the current framework are parameters that need to be reassessed since they penalize the achievements and results that can be achieved through the Program.

C15. The MA of OP CRESC Algarve 2020 broadly accepts a strong appreciation of its effective leadership capacity.

C16. The operationalization of the OP is not devoid of factors of inefficiency in the use of resources, highlighting, among the factors intrinsic to the OP and the ESIF, the difficulties in terms of the information system - which, despite having registered improvements compared to the QREN, continues to present itself complex and with high demands from the perspective of users.

Efficiency

C17. The FIs present more attractive financing conditions than those of the traditional market and this constitutes an advantage and differentiating factor for them. Particularly advantageous are the FI conditions focused on private housing compared to those provided by the traditional banking offer, allowing for the mitigation of some market failures that inhibit demand, namely in terms of difficulty in accessing credit.

C18. Notwithstanding the overall positive assessment of the FIs, these are highly complex and demanding instruments in terms of eligibility, in addition to the clear preference of beneficiaries for funding in the form of grants. Considering the current and delicate economic and financial context, in which the very significant positive variation of interest rates seems inevitable, there will be important changes in the traditional market for access to credit that make these instruments attractive.

C19. The financial allocation of the OP is insufficient to meet the existing needs in the Region (particularly in axes 1, 2 and 7). The fact that the Algarve was not covered by the Convergence objective, together with the persistence of regional specificities (territorial asymmetries, between the interior and the coast) that configure important problems, reiterate that the insufficient

allocation of financial resources mobilized within the scope of the Algarve 2020, the which consequently leads to lower levels of efficiency.

C20. Although insufficient, the different forms of support mobilized by the OP proved to be decisive for the dynamics of regional investment.

Impact and Sustainability

C21. The low cost of completed operations, aggravated by the time gap between the completion of operations and the date of the evaluation, conditions the assessment of the impacts of the OP. On the other hand, the influence of external factors, such as the COVID 19 pandemic, had a direct impact on the OP's execution capacity and tended to perpetuate itself over time and condition the expected evolution trajectory of the region's economic and social indicators.

C22. Employment was precisely one of the areas in which the effect of the pandemic was very marked. It is evident that support to companies will not have the desired expression in job creation and that the Region has emerged more fragile (both in absolute terms and in comparison to national evolution) from the pandemic period, with the worsening of the unemployment rate. Even so, the Program played an important role in controlling the increase in unemployment.

C23. The Program's action was not enough to induce the desired change in the pattern of productive specialization. Between 2013 and 2019, the Business Services and Hotel and Restaurant sectors reinforced their preponderance in the region's business profile, however, the growth of new companies in these sectors is not attributable to the Program's support. The OP contributed to the strengthening of knowledge-intensive service activities in the region.

C24. Urban rehabilitation actions, which are essential to guarantee a better urban environment and greater attractiveness of the territories, should contribute to the establishment of new residents, however, delays in the planned achievements tend to postpone the manifestation of these impacts for the coming years.

C25. The Algarve 2020 action is potentially relevant in terms of impacts in line with integrated valorisation and enhancement of value chains focused on endogenous resources.

C26. Regarding the impacts in terms of locally-based socio-economic development, there is no evidence of a significant capacity of operations to overcome or even minimize external factors that negatively influence the breadth and dimension of project results. These areas of intervention are faced with structural socio-economic problems that are complex to resolve, which compromise the impact of the supported actions and demand the continuity/deepening of the measures adopted.

European Value Added

C27. The OP support proved to be very important as a catalyst for investment, reflecting the additionality effect of the ESIF, both in the private and public domain, as well as an important amplifying effect on investment, since most projects, in the absence of support, would have fewer resources and, consequently, a reduction in its size and ambition.

C28. In the area of international competitiveness, there is a clear effect on the volume of support that contributes to the effort to increase the competitiveness and internationalization of the regional economy, providing an investment that would not otherwise have taken place. In the case of research and innovation measures, the recognition that the existence of European funding has contributed to better competitive positioning of research institutions prevails.

C29. The prior approval of strategic documents that frame the actions of the beneficiaries of some typologies (such as CBLD, urban regeneration and development of endogenous resources) made it possible to increase the effectiveness of the supported interventions and a greater articulation between actors.

C30. The leverage effect of the ESIF could have been greater if the operationalization of the FIs (in particular those aimed at companies) had attracted greater adherence.

Relevance

C31. The anticipated production of several specific strategic references, supported by solid diagnoses, for various target dimensions for framing in the programming exercises, revealed a high coherence of the approach recommended in the programmatic architecture of CRESC Algarve 2020.

C32. Overall, there is an adequacy of the typologies of operations/eligibility in the OP axes because of the investment needs of the promoting entities.

C33. The reprogramming proposals adequately responded to the context changes, the implementation difficulties and, occasionally, the need to clarify the complementarity relations between the identified public policy instruments, contributing to the reinforcement of the effectiveness of the ESIF intervention.

C34. The expected complementarity between ESIF instruments and between these and other public policy instruments (national and/or community) has been effective. However, the specific cases of competition observed have conditioned the effectiveness of the ESIF intervention and the public policy objectives associated with these specific dimensions, namely between the Algarve 2020 and OP Mar and the PDR 2020.

C35. The intervention logic and the themes that frame the Algarve 2020 programmatic architecture continue to be globally relevant, enabling processes of continuity and strengthening of the regional political strategy in the next period of community support.

4. Recommendations

R1. Improve the adjustment of lifelong learning support instruments to the characteristics of the regional employment market

- Reinforce the focus on professional training of active people (includes actions to stimulate demand, particularly in companies) and on the training of the unemployed, combining training moments and the use of instruments to support placement in the labour market;
- Make the modalities of training support more flexible, to allow the interspersed participation of training and work moments as well as the requirements associated with the profile of the final recipients;
- Extend (to 18 months) the duration of operations involving asset formations;

R2. Reinforce the focus on improving the initial qualification

- Investing in the diversification of education-training offers;
- Promote communication actions, oriented towards young people and families, that value the importance of investing in qualifications;

R3. Reinforce commitment to the diversification and qualification of the productive fabric

- Resume the objective of changing the profile of productive specialization in the region, through the creation of new innovative products and services in order to enhance the rise in value chains aligned with the Regional Smart Specialization Strategy (RSSS), making it compatible with a commitment to the requalification of Tourism that ensures the sector's sustainability and the entrainment of other sectors of the regional economy;
- Reinforce the promotion of collective actions to promote entrepreneurship, preferably technology-based, involving the articulation between associations, start-ups and other entities of the Regional Innovation System (RIS);
- Support the training of existing and emerging entrepreneurship units, favouring the dynamization of incubation and acceleration programs and the articulation with vehicle entities of the FIs;
- Ensuring that the NOT are better suited to regional specificities, focusing on alignment with the RSSS and dynamization of processes that promote entrepreneurial discovery;

R4. Stimulating Business R&D

- Ensuring the continuity of support instruments dedicated to stimulating corporate R&D, combining support for individual projects with support for projects of a collaborative nature. Greater articulation with national and international network entities will make it possible to gain

critical mass, diversify research areas (provided they are aligned with the RSSS thematic priorities), provide knowledge and excellent practices;

- Valuing R&D projects that include activities to disseminate results (via eligibility/merit conditions or bonuses);
- Support innovation and collaboration entities/platforms, promoting articulation between Regional Innovation System actors and between them and companies, valuing their role as dynamizing agents of R&D&I and knowledge transfer;
- Ensuring that the NOT are better suited to regional specificities (alignment with the EREI);

R5. Stimulate greater use of Financial Instruments

- Promoting greater participation of Business Angels (BA) and more Venture Capital (CR) companies in the FIs, in articulation with Banco Português de Fomento;
- Promote information/clarification actions and the dissemination of success stories in other geographies (for both aspects of the FI - equity instruments and debt instruments);
- Reassess the procedural constraints associated with the mobilization of FIs by companies and introduce greater simplification in the conditions of access to them.

R6. Ensuring the continuity of support for operations with a wide thematic scope

- To continue with projects, of varying sizes, focused on enhancing endogenous resources (to safeguard the correlation with previously supported and successful projects, as well as support for new projects);
- Recognize that some large-scale operations with multiple actions do not match, in terms of results and impacts, with a single period of community support, ensuring their inclusion in the next community support period;

R7. Ensuring broad, integrated and ongoing strategies for local-based socio-economic development

- To continue with locally-based socio-economic development strategies (appreciation of the articulation between actors and qualification);
- Prioritize strategies that have already been tested, which are successful in terms of impacts and results, but which lack the temporal continuity of the intervention;
- Expand the thematic and financial scope of the supported strategies;
- Ensure higher levels of technical monitoring of beneficiaries and actors involved;

R8. Improve the mechanisms of complementarity between ESIF instruments

- Promote greater articulation of actors (in terms of breadth and frequency, involving MA and regional actors) to ensure the complementarity of instruments - in programming, selection and monitoring;
- Ensure a more adequate response to the complexities observed at the level of borders/overlap between Programs, in particular between the application of CRESC Algarve 2020 and PO Mar and PDR 2020.

R9. Update the strategic diagnosis instruments to adequately respond to the presently observed regional needs and constraints

- Develop support documents for the 2030 period programming (in particular strategic diagnoses with in-depth studies in the areas with the greatest constraints to effectiveness);
- To frame the different reprogramming exercises executed to guide the deepening of the multidimensional strategy envisaged for the next OP period;

R10. Expand auscultation procedures for regional and/or sectoral actors with greater knowledge of the needs and potential for regional demand

- To continue with the initiatives and auscultation forums to regional and sectoral actors aims at contributing to a solid and robust construction of the elements of regional diagnosis;
- To execute specific initiatives and debate forums with the private sector and its representatives;
- The process of programming the dimensions associated with energy efficiency and the use of renewable energies (PI, OE and TO) in the Algarve 2030 must involve the relevant actors in terms of sectors (DGEG, ADENE) and regional (CCDR, AREAL, GT energy - CIRA...);

R11. Mitigate/suppress constraints to demand - NOT

- Re-evaluate some requirements in terms of eligibility with negative effects on the mobilization of some segments of beneficiaries (eg R&DT, CBLD Investments, Energy Efficiency in companies);
- Establish an annual tendering plan, adjustable in the middle of the year, and accomplish it;
- Reinforce the human resources for allocation to strategic advisory functions - closer monitoring of less qualified beneficiary typologies (applications);
- Maximize the standardization of information and documents/elements to be presented (applications and follow-up);

R12. Reducing the complexity associated with the regulatory and operational framework of the funds

- Giving greater flexibility to the regulatory framework (regional specificities);
- Ensuring greater continuity of territorial approaches and community policy instruments between programming cycles (strategic stability as a promoter of efficiency);
- Adopt mechanisms that allow the MA to speed up the selection process, but also to monitor operations;
- Establish expeditious communication channels between promoters and responsible entities;
- Introduce changes to the Information System that facilitate its use.

R13. Keeping make efforts to reduce bureaucracy in access to ESIF

- To continue the effort to simplify procedures, including considering the adoption of differentiated procedures depending on the types of operation and/or the financial dimension and/or the strategic nature of the investments;
- Optimize the validation of public procurement procedures and promote close monitoring with promoters;
- Expand the use of Simplified Cost Options (SCO);

R14. Improve the Program's monitoring system and results orientation

- Prioritize the adoption of result indicators that allow the achievement of project objectives to be measured and avoid the use of external sources;
- Update the OP's effectiveness and impact assessment at a more advanced stage of operations execution;
- Establish intermediate goals for the achievement objectives (in addition to those already established, whenever the density, complexity and background value involved in the operations to which they are related) and outcome targets.

R15. Promote a study and strategic plan to combat the effects of the precariousness and seasonality of regional employment

- Preparation of a Study that creates tools to monitor the dynamics of regional employment and to serve as a basis for defining the scope and selection criteria for the operations to be supported;
- Encourage the collaboration of regional entities in the preparation of this Study and/or the monitoring tools to be implemented, ensuring the continuity of use of the resources created;

R16. Ensure greater monitoring of some territorial approaches

- Closer monitoring of the MA in the processes of preparation and prior approval of strategies or Plans in the Priorities associated with territorial approaches, urban regeneration and development of endogenous resources;
- Prioritize more limited territorial areas, to safeguard greater territorial and partner homogeneity;
- Ensure the holding of consultation meetings and a more homogeneous involvement of the various partners and actors in the territory;

