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Intervir+

Programa Operacional de Valorização
do Potencial Económico
e Coesão Territorial da RAM

INTERVIR+ para uma Região cada vez mais europeia

**Interim Evaluation of the Operational Programme for Valorisation of the Economic
Potential and Territorial Cohesion of the Autonomous Region of Madeira
(INTERVIR+ Programme)**

Executive Summary

Interim Evaluation of the PO Intervir+

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EXECUTIVE SUMMARY

A significant change in the evaluation process for the Operational Programme has been implemented for the current budgetary period (2007-2013). This new process uses evaluation as an instrument to support political decision-making and aims at more efficient management of available resources. This contrasts with previous budgetary periods, in which the evaluation process was more static and defined ex-ante.

The National Strategic Reference Framework (NSRF) Observatory is commissioned to implement the NSRF's monitoring and coordination activities. Based on the new evaluation process, the NSRF Observatory included provisions to implement a set of evaluation activities in regard of the NSRF's Global Evaluation Plan (PGA) during the budgetary period.

These evaluation activities (characterised as Ex-Ante Evaluation, Operational Evaluation and Interim Evaluation) are used as a means to collect information on the external social-economic context and the contribution of policies and programmes to achieving the Region's strategic priorities.

In accordance with the PGA's provisions, the Regional Development Institute (Instituto de Desenvolvimento Regional - IDR), which is the managing body of the Operational Programme for Valorisation of the Economic Potential and Territorial Cohesion of the Autonomous Region of Madeira (henceforth termed PO Intervir+), launched a procedure for the provision of an Interim Evaluation of the PO Intervir+. Sociedade Portuguesa de Inovação was contracted to provide this Interim Evaluation.

PO Intervir+ is aligned with the strategies of the European Union, the NSRF and the Social and Economic Development Plan of the Autonomous Region of Madeira 2007-2013 (PDES 2007-2013). Created by the Madeira Regional Government, PDES 2007-2013 reflects Madeira's development priorities. It highlights, on one hand, the strategic importance of innovation, entrepreneurship and the knowledge society; sustainable development; human potential and social cohesion; culture and heritage; and territorial cohesion and balanced development. On the other hand, it also emphasises the relevance of tourism; agriculture and rural development, fisheries, industry, trade and services; public infrastructure and community infrastructure; and regional and sub-regional governance.

The PO Intervir+ management structure features a Managing Authority and an Intermediate Body. The Managing Authority's activities are provided by the IDR. The Intermediate Body is provided by the Institute of Entrepreneurial Development of the Autonomous Region of Madeira (Instituto de Desenvolvimento Empresarial da Região Autónoma da Madeira - IDERAM) and is responsible for specific Intervention and Investment Domains related to incentives to companies.

The Regional Government's strategy includes maintaining high and sustainable economic and employment growth rates, and ensuring environmental protection, social cohesion and territorial development. PO Intervir+ contributes to the implementation of this strategy through pursuing the following goals, as defined in the PDES 2007-2013:

- To ensure high and sustained levels of economic and employment growth through the implementation, in the Autonomous Region of Madeira, of new development policies based on innovation, entrepreneurship and the knowledge society;
- To guarantee the continuous sustainability of regional public finances to safeguard and increase regional financial autonomy;
- To support quality of life by promoting the sustainable development of the Region, coupling the fostering of economic and social welfare with the protection and rational use of local and natural resources;

- To ensure a significant increase in the Region's education and training levels, and simultaneously increase social cohesion;
- To value the Region's culture and heritage, ensuring the continual affirmation of regional identity;
- To increase cohesion in the Region by providing equitable economic, social and territorial access to goods, services, infrastructure and the positive results of progress.

The strategy and development priorities introduced by PO Intervir+ are implemented through six Priority Axes, each aligned with specific Intervention Areas and Intervention and Investment Domains, as presented in the following table:

Priority Axis	Intervention Areas	Intervention and Investment Domains
Axis I – Innovation, Technological Development and the Knowledge Society	1.1 Direct and indirect incentives to companies	1.1.1 Incentives to companies, particularly SMEs 1.1.2 Innovative actions
	1.2 Scientific and technological system and the knowledge society	1.2.1 Support to the scientific and technological system 1.2.2 Digital economy and knowledge society
	1.3 Administrative modernisation	1.3.1 Administrative modernisation
Axis II – Competitiveness of the Core Regional Economy	2.1 Integrated and innovative business investment projects	2.1.1 Incentives to companies, particularly SMEs 2.1.2 Financial engineering
	2.2 Business environment	2.2.1 Collective actions 2.2.2 Company hosting 2.2.3 Energy
Axis III – Sustainable Development	3.1 First generation environmental management structures	3.1.1 Urban water cycle – distribution systems 3.1.2 Municipal solid waste
	3.2 Natural and technological risks	3.2.1 Risk prevention, management and monitoring
	3.3 Sustainable environmental management, conservation of nature and biodiversity	3.3.1 Second generation environmental management systems, natural network and biodiversity
Axis IV - Territorial Cohesion and Governance	4.1 Infrastructures and community equipment	4.1.1 Mobility 4.1.2 Culture, tourism potential and leisure 4.1.3 Education 4.1.4 Health and social development
	4.2 Urban and rural rehabilitation	4.2.1 Urban and rural rehabilitation
	4.3 Inter-regional cooperation	4.3.1 Inter-regional cooperation
Axis V – Compensation for Additional Costs from Ultra-peripheral location	5.1 Operational business activity expenses	5.1.1 Incentives to companies to compensate additional costs from ultra-peripheral location 5.1.2 Support to the functioning and provision of services of general economic interest
	5.2 Public infrastructure and equipment	5.2.1 Infrastructure and equipments to compensate additional costs from ultra-peripheral location
Axis VI – Technical Assistance	6.1 Operational management and strategic monitoring	6.1.1 Preparation, analysis, selection, evaluation and monitoring of projects 6.1.2 Communication, information and publicity 6.1.3 Indicator system supporting the monitoring of the PO 6.1.4 Information systems 6.1.5 Diagnosis and evaluation studies 6.1.6 Procurement of specialised external services

Focusing explicitly on Priority Axes I to V, this Interim Evaluation aims to assess the following:

- The Programme's importance and coherence (overall and per Priority Axis) in the framework of the changes in the contextual conditions and the levels to which the strategic priorities of the PDES 2007-2013 have been attained, namely the Intervention and Investment Domains included in the PO Intervir+ Priority Axes;
- The initial performance and impact of PO Intervir+ and its Priority Axes;
- The degree to which the strategic priorities of PO Intervir+ and the Priority Axes' specific objectives have been achieved;
- The contributions of the main Intervention Areas to the strategic priorities of the Competitiveness Factors Thematic Agenda and the Territorial Valorisation Thematic Agenda;
- The model and management solutions used by PO Intervir+, both in overall terms and for each Priority Axis.

These aspects are assessed through the following evaluation questions:

1. What social and economic changes have occurred in regard to the problems identified at the start of the Programme, and what have been the subsequent implications for the performance of the Programme's Priority Axes?
2. To what extent have the targets for the implementation and results indicators been achieved?
3. What are the main explanations for the observed performance profile? Does this profile match expectations?
4. What contributions have been most effective in driving the achievement of the Programme's Priority Axes' specific objectives?
5. Can the Programme's impacts, in regard of the general and/or strategic objectives, be estimated from the observed levels of implementation and results?
6. What is the overall impact of the Programme's implementation on the achievement of the PDES 2007-2013 priorities?
7. To what extent are the observable impacts from the achievement of the various intervention priorities aligned with the Programme's general or strategic objectives?
8. What are the typical effects of the Programme's main Intervention Areas, in terms of contributions to the strategic priorities of the NSRF's Competitiveness Factors Thematic Agenda – namely in the creation of knowledge and technological development, innovation and renewal of the corporate model of specialisation, development of the information society and decrease in public expenditure relating to the Region's specific context? What is the Programme's overall impact on the specific Thematic Agenda?
9. What are the typical effects in the key Intervention and Investment Domains of the Programme's Priority Axes, which are relevant for the strategic priorities of the Territorial Valorisation Thematic Agenda – namely in terms of modernisation of school infrastructure, infrastructure networks and facilities for social and territorial cohesion, territorial mobility, and protection and valorisation of the environment? What is the Programme's overall impact on the specific Thematic Agenda?

To answer these evaluation questions, a three-phase methodology was defined and implemented between September 2011 and February 2012:

- Phase I – Finalisation of the Evaluation Methodology;
- Phase II – Information analysis and collection;

- Phase III – Development of recommendations.

The methodology included a wide-scale data collection process, based on a detailed statistical and bibliographical review. Information was obtained from regional working documents (such as the Operational Programme for Valorisation of the Economic Potential and Territorial Cohesion of the Autonomous Region of Madeira, the PDES 2007-2013, the PO Intervir+ Ex-Ante Evaluation, and the PO Intervir+ Operational Evaluation), national sources (such as the NSRF Annual Reports) and European Commission sources (such as the Guide for Evaluation of Socio-Economic Development – EVALSED).

Additionally, 43 interviews were provided – three with individuals that led NSRF Management Structure and Governance Model entities, ten with managers of entities recognised as regional stakeholders and 30 with employees/collaborators of beneficiary government agencies.

Furthermore, questionnaires were implemented that were aimed at corporate entities which had had both approved and rejected projects under the various Incentive Systems. A total of 119 valid questionnaires were completed.

Three best practices case studies were developed, illustrating the contribution of the Programme towards the expected results and impacts:

- SI EMPREENDINOV (Axis I);
- SI FUNCIONAMENTO (Axis V);
- Interventions supported under the scope of the rehabilitation of school facilities (Axis IV).

The case studies were selected according to the following criteria: innovation of the corporate support instruments, financial dimension and alignment with national strategies.

A focus group was implemented to discuss the main results obtained from the bibliographical research, survey and interviews. The focus group, which included representatives from the Management Authority and the Programme's Intermediate Body, also discussed the responses from the Evaluation Questions and the definitions of the impact indicators.

Taking into account the information and analysis provided during Phases I and II, the following main conclusions of the Interim Evaluation of PO Intervir+ should be emphasised:

1. The current situation is negatively influenced by the financial crisis, and aggravated by the Region's insularity, excessive dependence on external fuel sources, a decrease in the number of economic agents in some economic sectors, a reduction in some tourism indicators, and an increase in the unemployment rate;
2. The social and economic changes resulting from the financial crisis and from budgetary constraints pose serious additional challenges to the implementation of PO Intervir+, requiring even more strict monitoring of the implementation of projects. It is important to decrease the risks from the difficulties that companies now face in obtaining access to credit and that public agents experience in making government financing available;
3. However, a range of positive regional impacts can be observed, namely in infrastructure, education and health, as well as in indicators related to the information society. The increase of government expenditures on R&D (a trend that is not followed by the private sector) as well as the proportion of companies with innovation activities (which is currently superior to that found in the mainland) should also be emphasised;
4. The monitoring of PO Intervir+ allowed the identification of a set of required updates, resulting from changes in the macroeconomic situation. A reprogramming exercise was approved by the

European Commission and subsequently some indicator targets were adjusted, reflecting the macroeconomic difficulties and the actual realised demand levels from beneficiaries;

5. The performance profile of PO Intervir+, as at 31st December 2011, is positive. The performance profile shows that the milestones defined for the 2015 horizon are feasible, in regard of implementation and results indicators, and indicates that the Programme is responding well to its specific and operational goals;
6. The implementation and results indicators show positive levels of effectiveness and efficiency, particularly in regard of the levels of contracting. Although only moderate implementation has been observed in some Priority Axes (even considering that the monitoring methodology applied to some of the indicators only permits their measurement after the formal conclusion of the project), this does not seem to jeopardise the completion of the foreseen milestones;
7. Priority Axes I, II, III and IV have higher levels of contracting compared to the other Axes. Considering that overall conditions of the Region have worsened, and in addition to the natural catastrophe that occurred in 2010, PO Intervir+ has adapted to the difficulties and contextual changes, responding positively to the Region's needs;
8. Financial implementation is moderate. By 31st December 2011, a total of 80% of proposed funds had been approved. However, only 34.9% of the approved funding had actually been disbursed by that date. Priority Axes I and III present the lowest rates, both with less than 20% of approved funding having been disbursed. In contrast, Priority Axis IV had disbursed over 50% of approved funding;
9. The Management Structure of PO Intervir+, including the Intermediate Body, has facilitated the Programme's performance and improved its effectiveness and efficiency. The technical support given to beneficiaries throughout the various phases of the process (dissemination, development of applications, project implementation and evaluation), as well as the existence of an online information system, should be highlighted;
10. PO Intervir+ has supported the implementation of projects which are aligned with the general objectives and strategic priorities, emphasising, whenever important, public and private cooperation. Within each Axis, project selection has been made in accordance with the Programme's priority areas, namely at the level of:
 - Focusing on innovation, entrepreneurship, the information society, and modernisation of the economic model of regional specialisation;
 - Consolidating regional education systems and decreasing territorial imbalances;
 - Overcoming the constraints caused by the Region's insularity.
11. Analysis of the approved funding rate for PO Intervir+ shows a trend towards projects associated to general objective 1¹ (Priority Axes I and II), with a special emphasis on providing incentives to companies, the scientific and technological system and the knowledge society. However, considering the current rates of implementation, the Programme also shows some propensity to strengthen activities associated to general objective 3² (Priority Axes IV and V), with a special emphasis on investments in infrastructures and community facilities, and rural and urban rehabilitation projects;

¹ To ensure high and sustained levels of economic and employment growth, developing the regional capacities for innovation and the entrepreneurial spirit and promoting the knowledge society

² To increase territorial cohesion, providing equitable economic, social and territorial conditions, and to promote the sustained affirmation of regional identity.

12. The assessment of the access conditions to the Incentives Systems identified factors, including the minimum eligible values, that could limit the potential of these systems to develop the entrepreneurial fabric of the Region;
13. With regard to direct support to companies, PO Intervir+ includes a set of specific incentives aiming to develop science, technology and the knowledge society in the Region. However, public and private beneficiary demand for these incentives has been low, resulting in a fewer projects than targeted;
14. There are no approved projects for interventions promoting the preservation of the environment, nature and biodiversity, or fostering the sharing of best practices in the area of European regional development;
15. There is an alignment between the Programme's general objectives and the foreseeable impacts of the investments that have been made;
16. By relating the implementation and results of PO Intervir+ with the PDES 2007-2013 strategic priorities, it is observable that PO Intervir+ has a positive contribution to achieving the goals established in the PDES 2007-2013. In particular, contributions towards "Innovation, entrepreneurship and the knowledge society" should be highlighted;
17. Interventions under PO Intervir+ have positively contributed to achieving the strategic priorities in the Competitiveness Factors Thematic Agenda. These contributions include the renewal of the entrepreneurial model, through support given by the Incentive Systems, and to the leveraging of private companies' investment projects through funding provided by financial support mechanisms;
18. Overall, PO Intervir+ has impacted positively on the Competitiveness Factors Thematic Agenda. The number of companies that have benefited from the financial support mechanisms and the number that have been supported by the Incentive Systems, as well by the incentives for the development of knowledge-intensive and medium-high technology-intensive sectors, should be emphasised;
19. Interventions under PO Intervir+ have positively contributed to achieving the strategic priorities of the Territorial Valorisation Thematic Agenda. Such contributions include the strengthening of social and territorial cohesion through support to the construction/modernisation of community infrastructure, as well as to the increase of safety for the Region's citizens through the financing of risk management and prevention projects;
20. The impact of PO Intervir+ is less significant in regard of the Territorial Valorisation Thematic Agenda. However, support to the construction/modernisation of infrastructure in the area of sports and culture, and to risk management and prevention projects, can be highlighted.

Taking into consideration the abovementioned conclusions, a set of recommendations directed at PO Intervir+ as well as at the Future Regional Operational Programme are presented below:

Recommendations for PO Intervir+

- I. On improving the performance of PO Intervir+
 1. To analyse the deadlines and duration of approved projects which currently have low implementation rates. This will help to make decisions on the viability of such projects – including on whether to keep them in the pipeline or stop their funding. In the case that such projects be stopped, the financial resources should be reallocated to intervention domains with higher demand, taking into consideration the earmarking regulations;

2. To perform a more detailed technical monitoring of projects categorised as “Large Projects”, given their weight in the financial implementation of the Programme and the relevance they have for the Region;
3. To take advantage of the recently created opportunity, resulting from EC Regulation no. 1311/2011, December, that allows Member States in economic difficulties to increase the maximum Community co-financing rates applicable to interim payments and disbursement of the final balance;
4. To raise the awareness of Regional Scientific and Technological System (RSTS) entities to the incentives available in the Intervention Domain 1.2.1 Support to the Scientific and Technological System, that can be used to develop science, technology, and the knowledge society in the Region. Support can be given to initiatives that attract researchers/professors/scientists of international reputation in priority areas, that stimulate senior researchers to stay in the Region and that attract students from outside the Region. Support can also be provided to initiatives that foster participation in European Commission and national projects/programmes, as well as help to strengthen cooperation in research, development and demonstration, and promote technology and knowledge transfer networks. If necessary, the involvement of external entities (non-regional), which can contribute to the development of science and technology in the region, should be secured;
5. To develop, within the Intervention Domain 4.3.1 Inter-regional Cooperation, initiatives that promote public projects to identify and analyse best practices in other ultra-peripheral regions – including in risk prevention or renewable energies, which are both being developed in the Region and are important for its sustainability.

II. On the instruments

6. To review the project eligibility conditions for a range of the Incentives Systems, with the aim to increase the attractiveness of SI +CONHECIMENTO, SI TURISMO and SI QUALIFICAR+ for micro and small enterprises;
7. To reform the nature of eligible investment projects within SI QUALIFICAR+, adding a new type of project that promotes relocation/transfer of businesses from urban centres to business parks in which investments have been made;
8. To include measures that support job security, especially within SI +CONHECIMENTO, SI TURISMO and SI QUALIFICAR+. This can be achieved by decreasing available additional funding above the expected basic incentive rate for projects “implemented outside Funchal” from 5% to 2,5%, and introducing a new incentive - “Preservation of jobs until the end of the project” - which includes an additional 2,5% on top of the basic incentive rate;
9. To reform the R&D and innovation support regulations in the Region, namely under SI +CONHECIMENTO, with the aim of reinforcing interest from companies and RSTS entities in R&D and innovation, favouring the development of collaborative projects and the acquisition of R&D services by companies from RSTS entities, and helping the creation of R&D nuclei. Additionally, the possibility of including new types of projects that assist in the development of new R&D activities in collaboration with other national and international entities, through supporting applications to international programmes, should be considered;
10. To analyse the viability of new solutions that improve access for companies in the Region to better financing conditions for investment projects.

III. On the indicators

11. To re-assess the impact indicators defined in the interim evaluation exercise at the end of the Programme;
12. To update the methodology for calculating implementation and results indicators for projects with more than one physical investment.

Recommendations for the Future Regional Operational Programme

13. To develop activities to support the provision of a smart specialisation strategy, integrating the European “S3” platform and concentrating the available resources on a small number of priorities, thus avoiding spreading investments through many different areas and activity sectors. This focus could imply a critical review of the strategic priorities and themes included in PDES 2007-2013;
14. To consider instruments that promote R&D and innovation in the Region, that favour the creation of links between companies and RSTS entities and that foster inter-regional cooperation. Under this scope, mechanisms that include external entities and facilitate the strengthening of the Region’s R&D competences should be included;
15. To promote a strict monitoring of the entrepreneurship ecosystem, in its different domains (human capital, enterprises and markets, policies and programmes, financial support, entrepreneurial culture, and support services and infrastructures) with the aim to maximise impact on the regional economy and innovation system;
16. To consider the definition of all indicators (implementation, results and impact) at the start of Programme, including their alignment with the objectives (operational, specific and general). A detailed indicator monitoring methodology should also be included.

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