

## **EXECUTIVE SUMMARY**

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### **The OP Azores 2014-2020 as an evaluation complex object**

1. The OP Azores 2014-2020 is organised as a multi-fund OP, thematically diversified, following a model of a mini-Community Framework Support, encompassing several Priority Axis that cover all the Thematic Objectives established by the EU programming. Complexity evaluation challenges have been determined by the OP's broad scope, although the Public Tender tried to mitigate them, organising the evaluation in two groups: (i) two evaluation questions concerning impacts (EQ nº 5 dedicated to the incentives system to firms, entrepreneurship and collective actions and EQ nº 6 focused in the issues of school failure and drop-out and social exclusion) and (ii) other four EQ covering the criteria of relevance/pertinence, effectiveness, efficiency and EU Added Value.
2. Another relevant element to contextualize the evaluation is the strong regional tradition concerning sectorial strategic planning in the Region, that is largely associated with the pluriannual planning Framework existing in Azores; so, although ESIF are very relevant in the Region considering their magnitude and diversity of resources mobilised, the ESIF programming cannot be dissociated from the strategic guidelines orienting practically all the Regional sectorial policies, whose frameworks have been duly incorporated in this evaluation, not only for programming external coherence analysis purposes, but also to analyse the EU Added Value of the OP.

### **The evaluation methodological framework**

3. Considering the already mentioned complexity, the evaluation followed a methodological roadmap, whose core and guiding element has been the design of a programming rationale, discussed with the Management Authority and a group of stakeholders involved in the implementation of the OP. Working on this rationale of programming, a theory-based evaluation (TBE) has been conceived, developed in an extend way to approach the EQ nº5 and 6 (impacts), elaborating two specific Theories of Change (ToC), combined with the realistic evaluation basic principles (identifying mechanisms, critical factors of success and context) associated to the sequential operations of Activities – Outputs – Outcomes- 1st level of results – 2nd level of results – impacts. The specificities and complexity of the issues focused by the impact evaluation questions (incentives to firm and entrepreneurship, on one hand and school failure and drop-out and social exclusion) transformed the perfect homogeneisation of the ToC involved into a difficult task to perform, but the evaluation valued more the identification of impacts than achieving the formal elegance of the two ToC.
4. The methodology conceived to approach the previously mentioned complexity has been substantially conditioned by the pandemic incidence along practically all the evaluation work. Excepting one day and a half mission in the Region for the take-off of the evaluation process, that has been very important to take notice of the complexity and diversity of the OP, all the stakeholders hearing process has been completed using TEAMS platform. Although the magnitude and diversity of stakeholders involved in the hearing process has not been penalised by the online participation, the impossibility of contacting stakeholders face to face of course conditioned what one may call the micro-evaluation works interacting with stakeholders, a particularly relevant issue concerning the answer to EQ nº 6 and the elaboration of the Case Study that empirically supported the EQ approach.
5. In spite of this conditioning factor, the principle of the multi-method approach has been widely respected, particularly concerning the survey addressed, by a statistically significant electronic questionnaire to the final recipients of the typologies 8.1, 10.1, 10.3 and 10.4 (young people having completed professional internships and young students in vocational and professional courses), whereas the survey addressed to firms has not achieved the expected significance. Within the vast

array of information gathering processes, the number and diversity of the interviews, the Case Studies supporting the answer to the EQ nº5 (two case studies) and the answer to the EQ nº 6 (one case study), the Focus-Groups organised and the rich content of the desk-research analysis completed the survey processes and extended the multi-method approach to all the evaluation work.

### **Transversal conclusions**

#### ***Resources concentration***

6. Benefitting from an already long experience in ESIF programming and from the articulation with pluriannual regional planning, the OP Azores 2014-2020 reflects that experience, managing a large set of multi-fund instruments (ERDF and ESF), encompassing practically all the EU agendas and respecting the rules of resources concentration, which is in the OP version of December 2018 visible concerning the employment, education and training and social inclusion policies (43,8% of the total resources endowment) and the grants and subventions to firms that concentrate 24,5% of the total endowment, representing together 68% of the total amount of resources. As a negative of those figures, two priority axis, PA 2 and 11, represent less than 2% of the total OP. Considering the structural bottleneck associated to context costs, that means that, regarding the magnitude of the problem, the OP's contribution is in itself not sufficient.
7. The amount of 3% of resources dedicated to research and technological development (R&TD) should be understood within the evidence pointing out to the incipient maturation of the Azores Regional Innovation System. The prudent allocation of resources determined by the RIS 3 Azores ex-ante conditionality is hardly understandable because at the beginning the programming decided not to stimulate the formation of collaborative, structuring and mobiliser projects, in order to combat atomisation and proliferation of small projects. Given the evidence that the preparation of mobilising projects is now underway, the evaluation concludes that a greater ambition in the magnitude of resources allocated to research and technological development strictly depends on that animation of this kind of projects. Only through that way it will be feasible to challenge the RIS Azores maturation and their main actors to take full advantage of the technologically-based infrastructures NONAGON e TERINOV already in place and of the projected one for Sea research activities.

#### ***The reprogramming issues***

8. Considering the time incidence of the evaluation (31.12.2019), two reprogramming initiatives have been analysed: the one approved on 05.12.2018 and the other that, although approved by the European Commission on February 2020, has been proposed on December 2019. The evaluation considers that the strategic programming scope was not penalised, involving questions of adapting programming to the demand formation process, extended to the reallocation of the performance reserve. The reasons that led to the December 2018 reprogramming are particularly important, because they acknowledge structural problems in demand formation: (i) the difficult maturation of the Regional Innovation System Azores and the ability to stimulate the demand to supporting investment and technological development; (ii) the management problems of energy efficiency operations (requiring financial instruments and facing the concurrence of another public policy instruments, more flexible and friendly, launched by the Regional Government, and involving a mix of reimbursable and not reimbursable grants); (iii) the problems arisen by the public tender to build a ferry transport vehicle between islands and (iv) the extreme difficulty in succeeding to involve SME's and workers in training activities.

**The evolution of the context in which programming has been implemented**

9. The OP's implementation took place in a context in which was visible a clear improvement of the regional macroeconomic situation, particularly as far as the evolution of tourism in the Region is concerned, although from a relative point of view, that is to say comparatively with national and EU (in purchase power parities), Azores is not in a better position, at least when we measure it using the GDP per head indicator. Notwithstanding that evidence, the improvement of the macroeconomic context and of labour market performance doesn't mean the eradication of structural bottlenecks, which is visible in the stagnation of real convergence with the EU.
10. In line with the macro context improvement trend, the instruments in which the programming experience and the fluidity of demand in previous programming periods was higher (like for example incentives to SME's investment destined to reinforce local internal markets, tourism support, professional internships demand and supports to recruitment of workers, vocational courses) tended obviously to intensify their implementation rhythm.
11. From this evidence, we can identify a critical factor for the next programming period: how to achieve a balance between the still needed instruments showing a demand fluidity and the objective of reinforce the implementation of instruments focused on Azores structural bottlenecks although not so fluid in demand formation.

**Conclusions based on the approach to evaluation questions**

***Pertinence/relevance***

12. The evaluation concluded that the programming rationale orienting the 2014-2020 Azores OP is strongly in line with tackling regional structural constraints, with regional strategy and benefits from the continuity of policy instruments able to mitigate those structural constraints. Amongst those constraints the incipient maturity of the RIS Azores, the excessive proliferation of small and very small firms, the low number of entrepreneurial groups presenting a critical mass of investment, innovation and internationalisation resources, the model of autonomous energy systems in each Island, the low-skill profile of active people in the Region, the incidence of school failure and drop-out, the low social value assigned by families and individuals to training and the return of it and the urban poverty trap cases in some territories require persistency and continuity in the next programming.
13. The evaluation also concluded that, although Azores OP's programming is in line with regional strategy benefitting from the continuity of instruments able to mitigate regional structural constraints, that continuity should not mean less ambition and innovation in deepening some programming dimensions revealing demand formation difficulties, because in that case regional needs will persist. The next 2021-2027 programming period will be crucial to assess whether or not the ESIF programming will increase its contribution to regional structural change.
14. The evaluation succeeded in identifying with solid evidence some programming fields presenting a higher potential contribution to structural change, deserving careful ponderation in the next programming period: (i) contributions to the progressive maturation of the Azores RIS, either from perspective of higher collaborative intensity within it or concerning the ecosystem extension; (ii) the promising role of NONAGON and TERINOV, particularly concerning the fostering of technology-based entrepreneurship and of the opportunities created by the Azores Digital Innovation Hub and the collaborative practices with tourism (Tourism Observatory); (iii) the need to increase the Collective Efficiency Strategies and reduce the ESIF support to projects simply targeted at animating local economic fabric; (iv) the open potential to support the creation of Technology Centres in line with the INOVA's experience; v) the need to focus programming in reducing regional context costs

to regional SME's concerning digital transformation needs; (vi) the reinforcement of renewables-based energy model; (vii) the digital-based transformation of port infrastructures; (viii) to overcome the obstacles and disincentives to training in firms (managers and workers); (ix) more integrated programmes targeted at tackling localised poverty-trap situations; (x) rationalisation of the Vocational (Professional) Education System, supporting the qualification of Professional Schools and promoting the specialisation within the system, that the evaluation estimates to be a crucial step in order to increase the value assigned by firms to vocational education and intensify the firm trust in the offer of qualifications.

### **Effectiveness**

15. On the end of 2019, the OP Azores showed a positive global situation concerning commitment and execution levels, in a better position than that observed for the average PT 2020, although with differences between ERDF and ESF, the former in a less positive situation than the latter.
16. Regarding the priority axis and intervention typologies, the evaluation concluded that, in general, all the priority axis (PA) shows no problems to accomplish the expected goals and results, principally after having been solved the reallocation of PA 7's resources dedicated to buy a maritime transport vehicle to operate between islands, reorienting those resources towards the modernisation of regional airports. Regarding the PA 4, only the energy efficiency operations didn't generate demand in line with the established goals, due to a bad evaluation of alternative instruments available to stakeholders to co-finance this kind of projects. As far as the other PA's are concerned, it is visible the public services investment capacity that, following the mapping processes required by the preparation of programming, have defined investment priorities and a time table for those investments that are in line with the established goals. Regarding the PA 3 that involves the demand of SME's and institutions able to lead and manage Collective Actions, given the actual commitment and execution levels. In some policy dimensions, namely internationalisation, qualification and innovation, the demand to collective actions instruments is significantly higher than that revealed by individual firms, suggesting one of two things: or the results of Collective Actions will reflect in individual firms demand with a great delay or the involvement of regional entrepreneurial fabric has been less than it was expected. Particularly regarding the tourism internationalisation, the evaluation gathered evidence showing that small tourism firms faced a lot of difficulties to participate in collective actions focused on promoting outsider the Region, logically explaining the weak demand concerning individual projects.

### **Efficiency**

17. As standard costs had not a central role in programming, the efficiency analysis focused on assessing the rationale that oriented the establishment of programming goals and the way how available resources are used to achieve them. The efficiency analysis is principally based on the analysis of materials covering programming and the establishment of goals, the comparative analysis of outputs and physical outcomes and financial resources allocation and the mobilisation of results generated by the hearing of stakeholders.
18. The evaluation concluded that the already long experience of ESIF programming in the Region tend to facilitate the accomplishment of high levels of efficiency, as for example dealing with the incorporation of regional specificities concerning unit costs (insularity costs in civil construction for example) and early mapping of the main investments co-funded by the OP. In that context, the observed cases of inadequate goals or excess of resources allocated are residual, as it was the case of PA 2. In general, for the infrastructural interventions, the support to SME's and the ESF actions, the OP Azores is globally efficient, estimating that the established goals will be accomplished with

the available resources. PA 4 is amongst the PA's the one with lower efficiency. Several stakeholders stressed the need to go further in studying the possibility of ESIF programming in Azores Regions generate "global efficiency" gains, measured for example through the total productivity of factors, although evaluation has not found any published research concerning the Region.

### ***European Added Value***

19. The analysis of OP Azores EU Added Value benefitted from the methodological developments achieved along the several phases of evaluation and established the following dimensions: (i) new approaches and instruments induced by ESIF; (ii) best practices and quality guidelines associated to them; (iii) leverage of public and private investment; (iv) efficiency and effectiveness gains; (v) synergies between investments.
20. The application of this framework led to conclude that: (i) The PA 1 (through the impulse generated by ESIF in increasing the maturity of the RIS Azores) and the PA 2 (through the positive externalities induced by the supported Azores Cloud project) are those generating higher EAV; (ii) with the condition that programming concerning energy efficiency will be corrected, the PA's 4, 5 and 6 open a promising mutual link between EAV generation and the contribution of Azores region for the Green Deal European Agenda, also registered in the emergence of a new generation of municipal policies to manage sustainability and consolidate new municipal management models.
21. The evaluation also identified some areas in which the EAV still depend on innovative programming improvements. This is absolutely the case of (i) ESF generate a contribution to the rationalisation and consolidation of Education and Training Vocational System, promoting division of labour within it and disseminating it in all the islands; and (ii) the ESF operations ability to design more integrated approaches to tackle poverty and social exclusion and the poverty trap processes operating in some territories and a new cycle of operations for the modernisation of regional and local public administration to adapt to the digital shock.

### ***Impacts on the maturation of Azores Regional Innovation System (RIS)***

22. In the OP's implementation phase corresponding to the evaluation period, have been approved a set of small and strongly atomised R&D projects, delaying the support to the formation of structuring and mobilising projects. Comparatively with national evolving trends, the lack of COLAB-type projects and a higher dissemination of entrepreneurial Research and Technology Development projects is another negative impact.
23. The OP implementation shows a more positive contribution to the maturation of the Azores RIS supporting the technologically-based infrastructures of NONAGON and TERINOV, being expectable that supporting a similar infrastructure for the SEA activities will consolidate this structuring role of the OP to accomplish that objective.

### ***Impactos em matéria de sistemas de incentivos, empreendedorismo e ações coletivas***

24. The OP Azores covers a vast battery of competitiveness dimensions of regional SME's, although is still far from maximize results concerning technological-based entrepreneurship, internationalisation and increase of regional exporting capacity, more intense dissemination of competitiveness immaterial factors, namely management capacity and intensification of innovation-led investments (products and processes). The high demand to PA measures suggests that regional firms are receptive, excepting the cases of individual entrepreneurship marginally associated to technology-based projects, high demand to collective actions focused on internationalisation and low demand by individual firms in that field; the noticed tension between economic animation

projects covering a very diversified set of sectors promoted by the Incentives System Entrepreneurial Investment (in which the high demand is characterised by more than a half of projects concerning hotels and restaurants) and its contribution to technology intensification and reinforcement of internationalisation capacity (exports) of SME's.

25. Although the results of the survey addressed to firms by electronic questionnaire cannot be seen as statistically significant, they show that the OP impacted the dynamics of regional entrepreneurial system, expecting that the high demand to Collective Actions operations could be translated in higher demand of individual firms, mainly regarding internationalisation efforts. The receptiveness revealed by the regional entrepreneurial fabric to the incentives system allows the evaluation to conclude that it will possible, working on that receptiveness, to achieve higher levels of technological intensity and innovation in projects and maintain the objective of increasing the Azores exporting capacity.
26. The Case Study about the Incentives System shows additionally that, strongly contrasting with the easy use of debt co-financing instruments (credit lines), the mobilisation of capital instruments (venture capital and other modalities) is practically absent. This is a penalising limitation principally considering the need to intensify the examples of technologically-based entrepreneurship in Azores region.

#### Impacts concerning the combat to school failure and drop out and poverty and social exclusion

27. The survey addressed by electronic questionnaire to young people participating in professional internships, to young people involved in dual certification courses, professional courses, PROFIJ and to adults involved in dual certification courses, principally the first group, represent a solid evidence to impacts evaluation.
28. **As far as the professional internships are concerned**, for 1.088 valid answers, there is a very positive set of impacts: (i) **high level of conclusion** - 84% after 12 months; (ii) **high employability**: 6 months after concluding the trainee, 61,4 % were working; increasing to 68,7% after 12 months and still more when the survey has been answered, 73,3%; (iii) **employment activation**: 49% evolved from a unemployment position towards to be employed after 6 months finishing the trainee; (iv) **stability of jobs**: 35% was working in the same local 6 months after ending the trainee; (v) **type of contract**: 19,7% that were employed with a fixed term contract (temporary) were employed after 12 months with an open-end contract; (vi) **degree of satisfaction**: 51% of professional internships valued as positive the knowledge gains from the perspective of their professional career.
29. **Regarding dual-certification courses** (306 valid answers for 2.646 questionnaires), the panorama of impacts is not so evident, although it is still positive: (i) **Increase of scholarisation**: 71% of the young people have nine and twelve years of school as an objective; (ii) **School success**: 56% have not any interruption in their studies; (iii) **How they value the relevance of the instrument**: 58,5% value positively to achieve 9 and 12 years of schooling and 71,6% value to get a professional certification; (iv) **Employability**: 25,3% were working after 6 months finishing the course, 38,6% were in a trainee and 25,7% were studying; (v) **employment/unemployment**: 8% were unemployed 6 months after the course and 19% were unemployed when they answer the survey; (vi) **general satisfaction** with courses in which have participated.
30. Concerning **adults participating in dual certification courses**, the low representitiveness achieved (57 valid answers in the REATIVAR case and 27 in ABC courses) penalises the impact analysis: (i) **Conclusion rate**: high (86%); (ii) **main motivation**: to get a school certification and reentry into the labour market, with 32% valuing the professional realisation and 73% saying that the reinforcement of self-esteem has been a crucial result; (iii) **employment/unemployment**: when beginning the course, 86% were unemployed, falling for 34,4% after 6 months and 44% when they answered the

questionnaire; (iv) **transition and mobility**: 36,4% from unemployed people when they begin the course were still unemployed 6 months after ending the course; 42,9% recuperated a job and 48% evolved from unemployment to employment; (v) **skills improvement**: 70% of those who begun a course had then less-than secondary education; when they participate in the survey 53,3% had a secondary or more than secondary education, signalling a trajectory with qualifications improvement.

31. **Regarding the impacts in combatting poverty and social exclusion**, the investment in social and health infrastructures, in line with the previously elaborated mapping of these investments, generate relevant OP impacts, principally from the point of view of social protection conditions in a fragmented territory. These improvements facilitate and are a first step for more integrated approaches. A penalising factor of the OP impacts in this field is associated to the low execution of measures dedicated to the capacitation of the regional social economy human resources. Without ignoring the multidimensional nature of poverty on Azores region, the results achieved (see previous paragraphs) in school failure and early drop-out and in disseminating vocational education courses should be also seen as having a contribution to reduce inequalities and poverty in the Region.
32. **The structural dimension of poverty** in Azores is particularly visible in the still high rate of poverty risk, notwithstanding the recent improvement in this indicator, and in the stability of the relative weight of people receiving the Minimum Guaranteed Income and the Social Insertion Income. In spite of the results already achieved, the ESF programming concerning the combat to poverty and social exclusion should invest more in intensifying integrated approaches and in a strong focus on poverty trap situations and also in regulating the bad practices of mobilising social occupation programs as a source of a cheap labour force.
33. The evaluation also identified the need to **monitor critical factors for the impacts consolidation**: (i) training actions supply matching effective training needs; (ii) investment in the upgrade of quality of pedagogical approaches and methods in professional courses; (iii) work on the motivation of young people to participate in professional courses; (iv) involvement and sensibilisation of employers concerning the supply of professional and dual certification courses; (v) research and innovation investment concerning integrated approaches to poverty structural dimension.

#### Main recommendations

34. The evaluation study ends proposing a group of recommendations, essentially focused on the next programming period, elaborated with the explicit identification of institutions and services to whom they are addressed. In this executive summary, the presentation is limited to the most important recommendations.

#### *So that the OP Azores can enhance its contribution to the maturation of the Azores Regional Innovation System*

35. To promote the technologically-based infrastructures (TBI) NONAGON and TERINOV and the future TBI for Sea activities as leverage factors to intensify collaborative practices between research and regional firms and foster the tech-based entrepreneurship;
36. To foster the demand to the Research and Technological Development Incentives System in strict articulation with the revision of Azores RIS 3;
37. To launch specific tenders focused on stimulating structuring and mobilisers R&D projects as well collaborative R&D projects;
38. To develop the Azores Digital Innovation Hub project as a leverage factor to represent Azores in national priority concerning digital technologies development and their multiple and transversal applications;

39. To reinforce the TBI and Azores University capabilities and their potential to incubate tech-based entrepreneurship initiatives, supporting the creation of resources and competences centres.

***So that the OP Azores can increase its impact on the intensification of the technology and innovation dimensions in regional firms***

40. To review the structure of OP supports to (i) qualification, innovation and internationalisation and (ii) regional economic animation, reinforcing the former and reducing the latter;
41. To intensify the use of Collective Efficiency Strategies as an instrument of competitiveness policies to be supported by the OP;
42. To increase the capabilities of regional entrepreneurial associations so that they can have a more proactive participation in regional programming;
43. To diversify the Collective Actions instrument reducing the weight of tourism firms in demand;
44. To reinforce the selectiveness of the Entrepreneurial Investment Incentives System;
45. To assess how to increase the use of Capital Financial Instruments in strict articulation with fostering tech-based entrepreneurship and strengthening the TBI's incubation capacity.

***For a more relevant contribution of the OP to reduce regional context costs***

46. To leverage the Azores Cloud project as a leading factor to a new generation of digital regional public services;
47. To invest in a new cycle of reducing context costs policies, reinforcing research activities and the involvement of regional firms;
48. To promote a better articulation between the ERDF support and training-based administrative modernisation, principally in digitalisation areas;
49. To conceive and implement a programme focused on digital capacity building of firms in the Region.

***So that the OP Azores can have a more proactive participation in the EU Green Deal Agenda***

50. To reinforce the support to renewables energy in Azores;
51. To conceive and implement a programme to enhance circular economy in the Region;
52. To conceive and implement a programme focused on developing urban decarbonisation initiatives.

***To intensify the search for more innovative approaches in combatting school failure and early drop-out and poverty and social exclusion***

53. To stimulate the training demand for employed people involving firms and also integrating training to entrepreneurs;
54. To support the consolidation and modernisation of vocational education system in Azores promoting new specialisation patterns between regular schools offering professional courses and professional schools;
55. To develop the regional Anticipation Needs System;
56. To design and implement specific programmes targeted at combatting localised poverty trap situations;
57. To design and implement capacity building programmes for the human resources of Social Economy Organisations;
58. To reinforce monitoring and follow-up processes of participants in occupational programmes;
59. To reinforce measures for vocational orientation of young people and adults participating in training processes.

***Investments in the programming “infostructure”***

60. To improve the programming data potential regarding the impacts of incentives systems to firms: productivity, qualification of jobs created, internationalisation, competitiveness immaterial factors;
61. To support a research programme to be assumed by regional scientific teams focused on matters that programming requires to be developed: (i) the incidence of NEET’s in Azores; (ii) territorial incidence of poverty trap situations; (iii) professional trajectories of people that participated in professional courses; iv) participation of regional firms in the successive editions of the incentives systems; (v) studies to upgrade the quality of measures supporting decarbonisation processes; (vi) studies about the evolution of context costs in the Region.