

HOW TO BOOST COMPETITIVENESS IN LOW DENSITY TERRITORIES? THE *PROVERE* INITIATIVE CASE

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ABSTRACT

This chapter presents the case of a policy instrument launched recently to address a serious economic and political problem in low population density territories. In many countries, such places have entered a long vicious circle of relative, if not absolute, impoverishing development. Distant from dynamic urban centres, they are losing active individuals, ageing their population stock, lacking entrepreneurial initiative, featuring thin institutional fabrics, missing consumers, failing to attract direct investment, destroying jobs, which reinforces population losses and closes the declining circle. Yet, many of these territories also house extremely valuable singular assets largely underutilised, such as breathtaking natural parks, impressive humanised landscapes, remarkable historical heritage, astonishing immaterial cultural values or highly appraised gourmet *terroir* products. *PROVERE* stands as a policy tool embedded in modern endogenous development theory and based on the collective efficiency concept. It aims at mobilising smart coordination of endogenous and alien private and public actions gathered around a common strategic and operational programme to boost sustainable business and job creation in low density territories. It exemplifies a balanced dialectics between top-down policy guidelines and bottom-up policy foundation and implementation. The case, written by someone who was deeply involved in the *PROVERE* making, guides the reader through its politico-economic background and provides a real-world account of the major ingredients an actual regional development policy tool is expected to feature. There is plenty information and several recommendations that might be useful for anyone attracted by design, implementation and evaluation aspects of regional development policies.

Keywords: *PROVERE*; collective efficiency; regional development; economic policy; endogenous development.

RESUMO

Este capítulo apresenta o caso de um instrumento de política lançado recentemente para combater um problema económico e político bastante sério em territórios de baixa densidade populacional. Em muitos países, esses espaços entraram num longo círculo vicioso de desenvolvimento empobrecedor. Afastados de centros urbanos dinâmicos, têm conhecido a

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perda de indivíduos activos, o envelhecimento da população, a falta de capacidade empreendedora, um tecido institucional delgado, a fuga de consumidores, dificuldades na atracção de investimento directo, a destruição de empregos, o que reforça e fecha o círculo de efeitos cumulativos debilitantes. Porém, muitos destes territórios também albergam activos singulares extremamente valiosos e largamente subaproveitados, tais como parques naturais de cortar a respiração, paisagens humanizadas impressionantes, património histórico extraordinário, valores culturais imateriais espantosos ou deliciosos produtos *gourmet*. A iniciativa PROVERE perfila-se como uma ferramenta de política embebida na moderna teoria do desenvolvimento endógeno e baseada no conceito de eficiência colectiva. Visa mobilizar a coordenação inteligente de acções privadas e públicas, endógenas e exteriores ao território-alvo, em torno de um programa comum simultaneamente estratégico e operacional para alavancar sustentavelmente a criação de negócios e empregos em territórios de baixa densidade. Exemplifica uma dialéctica equilibrada entre orientações de política de cima-para-baixo e fundamentações e execuções de política de baixo-para-cima. O caso, escrito por alguém que esteve profundamente envolvido na produção da Iniciativa PROVERE, guia o leitor através do seu contexto político-económico e oferece um registo de mundo real acerca dos principais ingredientes que um instrumento concreto de política de desenvolvimento regional é suposto apresentar. Disponibiliza, ainda, inúmeras informações e recomendações que poderão relevar para quem se sentir atraído por aspectos de concepção, execução e avaliação das políticas de desenvolvimento regional.

Palavras-chave: PROVERE; eficiência colectiva; desenvolvimento regional; política económica; desenvolvimento endógeno.

1 Introduction

Chapters 16 and 17 have introduced the reader to the *Collective Efficiency Strategies (CES)*, an innovative family of regional development policy tools launched in mainland Portugal between 2008 and 2009. Here, we will present one such family member in detail, the *Programmes for the Economic Enhancement of Endogenous Resources (PROVERE)*. We believe this case is also interesting to many other countries, within and outside the European Union (EU).

PROVERE applies to low population density territories that also feature relatively low economic activity and development indicators. As it will become clear in the next section, demographic and economic difficulties tend both to aggravate in a cumulative causation process. Spontaneous market dynamics leads to continuous relative, if not absolute, impoverishment in peripheral territories dominated by rural economies and, ultimately, to a serious political problem. Yet, many such territories are also home to unexploited tangible or

immaterial assets upon which a smart and light public intervention is capable of cutting the impoverishing circle. PROVERE aims at delivering such hope. It is based on collective efficiency (the technical name for cooperation, as explained in Section 16.4) and single territorial assets.

Population and economic activities spread unevenly across space. Virtually all countries have low density territories, fractions of the national surface where households and jobs combine with relative large volumes of land when compared to the ratios typical of metropolitan or even moderately urbanised areas. Local areas with population densities between 10 and 80 inhabitants per km² are quite common worldwide. We can find them in regions such as the Midwest in the USA, Southern portion of the Plateau of Mexico, North-eastern Brazil, Central Chile, tropical Western Africa, remote regions in Nordic countries, Northern Scotland, Portuguese-Spanish cross-border territories and parts of the Balkan Peninsula, Poland, Russia, the Deccan Plateau of India and Central China— see data at Travel University (2011). Most of these areas exhibit low population densities together with low economic activity and low per head income.

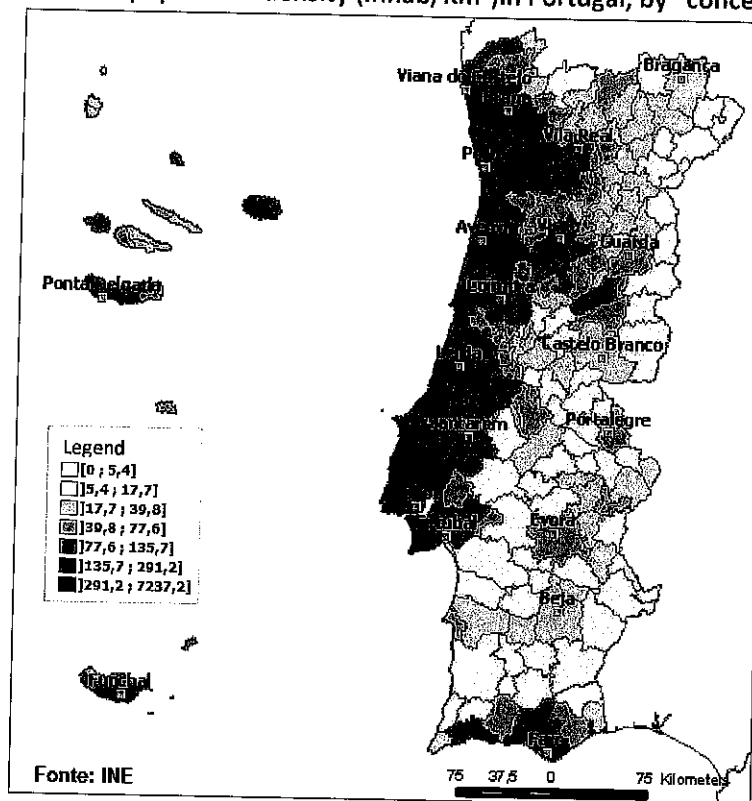
Figure 1 illustrates the phenomenon with the case of Portugal. Population density in 2008 is 113.8 inhabitants per km² in mainland surface. This figure may be understood as a national average. There are 106 “concelhos”¹ out of 278 with a population density smaller than 40% of that average (45.5). These locations amount to 60.5% of the mainland surface and house only 10.8% of the respective population (1 million residents). A total of 58 “concelhos” has less than 20 inhabitants *per* km²; they are mainly located in the northeast, along the border with Spain or all over the Alentejo NUTS level II region. This spatial demographic asymmetry translates into an economic asymmetry as well. Jobs are fewer and less qualified in low density territories and, not surprisingly, incomes per capita are lower. Purchasing power² per inhabitant is shown in Figure 2. It is smaller in central and northern inland, where 19 “concelhos” are below 50% of the national average. The (unweighted) purchasing power mean in the 106 “concelhos” below 40% of the mainland population density corresponds to 64.0 % of the national average. The role of urbanisation is evident, with higher *per* head purchasing power in district capital cities (marked in the map) and, of course, in the metropolitan areas of Lisbon and Oporto. It is also instructive to note the relationship of low population densities with the regional development composite indicator presented in Chapter 2. Indeed, the reader may verify that low density territories coincide a lot with the NUTS level III regions displaying the lowest values in the

¹ “Concelho” is the second smallest administrative unit and, in terms of the general government, corresponds to the municipal level. At present, there are 278 “concelhos” in mainland and 30 in the archipelagos of Azores and Madeira.

² Purchasing power is a proxy for private spending at the “concelho” level; it is a composite indicator produced by the official statistical office of Portugal (INE—Statistics Portugal) out of a factor analysis model and combining variables correlated with income, such as taxable income, amount of ATM cash withdrawals, housing mortgage loans, expenditure on restaurants and number of registered motor car ownerships. The national (mainland plus archipelagos) average is normalised to 100 and Figure 2 depicts each “concelho” *per capita* purchasing power as a percentage of the national average. See more data and methodological details at INE (2009).

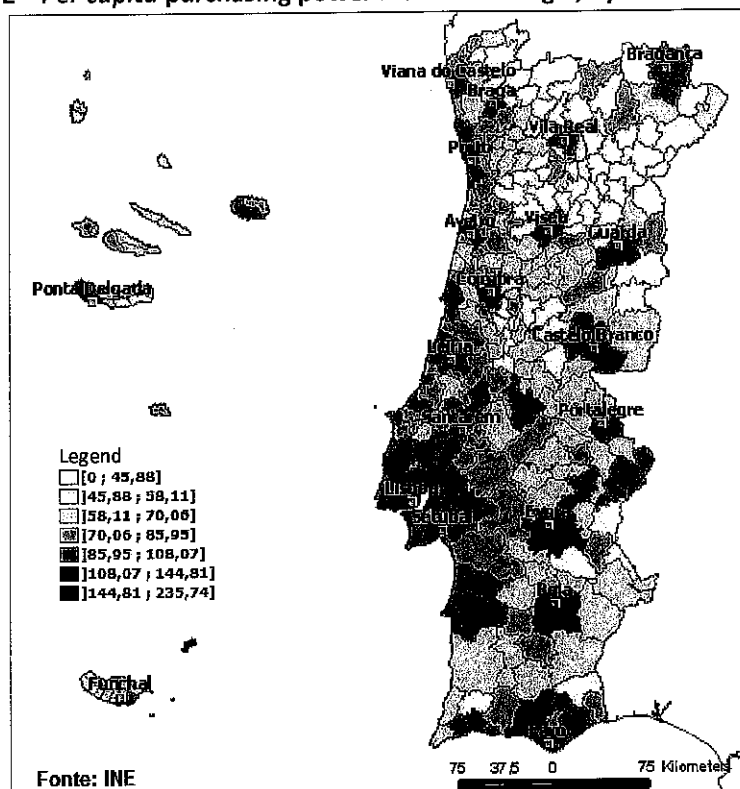
competitiveness and cohesion indices and the highest values in the environmental quality index.

Figure 1—Resident population density (Inhab/Km²) in Portugal, by "concelhos", 2008



Source: Statistics Portugal (2011)

Figure 2—Per capita purchasing power index in Portugal, by "concelhos", 2007



Source: Statistics Portugal (2011)

Vicious development circle elements came into place in low density areas of mainland Portugal a long time ago, probably when the nation figured out prosperity signs in the overseas adventure back at the turn of the 15th century. Lisbon and other harbour cities started to attract important commercial and navigation-related businesses, which led to their growth. The more or less continuous state of war with Spain constrained long-term life projects in much of inland locations, particularly those closer to the border. The railway infrastructure, together with industrialisation, which grew significantly during the second half of the 19th century, favoured coastal locations very much in a circular causality fashion. In particular, the Lisbon-Oporto vector gained additional centripetal force. External trade was very much channelled through maritime routes and two railways across the Iberian border, while inland transports remained poor for many decades, virtually until the mid-eighties of the 20th century. Broadly speaking, transport costs were definitely a much higher burden for inland population than for coastal residents. Activities based on mobile inputs or outputs tended to prefer locations close to the metropolitan areas of Lisbon and Oporto under formation. As a result, workers moved in either there or abroad. Migration to other continents until the 1930s and to Europe in the fifties, sixties and seventies accentuated population losses in rural areas. Until recent decades, there were no strong urban centres on inland regions to spread dynamism to their hinterlands. Not surprisingly, vast cross-border regions in Spain display the same vicious circle.

The chapter is organised as follows. Section 2 depicts the political problem challenging many contemporaneous low density regions and also presents a barebone picture of the PROVERE policy initiative. Its contribution to the national economic development strategy and anchorage to the political governance of European cohesion policy application in Portugal is stressed in Section 3. Details of the policy instrument show up in Section 4. They provide information on how major dimensions of an actual policy tool can be handled in the real world. The discussion includes: instrument motivation, political support within the government and among the policy addressees, compatibility with European, national and regional development strategies, fund-raising possibilities, management of development actors' incentives, eligibility rules, selection of implementing players, encouragement of bottom-up initiatives and policy results. Economic policies in the EU will enter a new programming cycle in 2014 and major political orientations have already been decided. Interestingly, PROVERE, which was launched well before the discussion of such guidelines, anticipates much of their strand. Hence, Section 5 shows how PROVERE can contribute to secure the goals of *Europe 2020* development strategy, EU budget review and the post-2013 EU cohesion policy. Finally, three concluding notes close the chapter in Section 6. They assume a personal and political tone to: i) stress the differences with respect to previous policy instruments; ii) balance what has been achieved; iii) point out risks and opportunities in the years ahead.

2 The political problem: turning a vicious circle into a virtuous development path

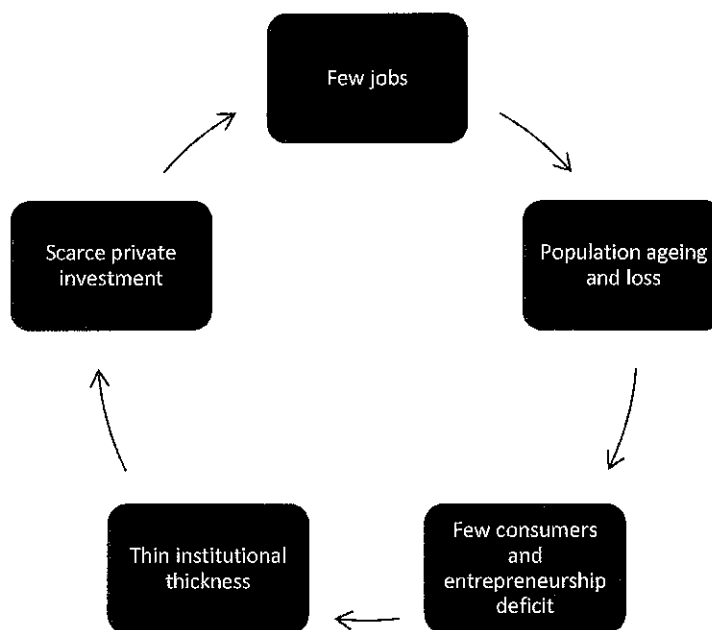
Section 1 has already presented convincing evidence on the fundamental fragilities of the economic fabric typical of low-density territories in Portugal. At least from a statistical viewpoint, there is an association between low population densities, low economic activity, low per head spending, low competitiveness and low cohesion. This section does not aim at producing a formal economic explanation for the eventual cause-effect links. Yet, we hope to offer convincing arguments about the role of a self-feeding automatic process that tends to lock such territories in long-term economic decline paths. Such is the purpose of Subsection 2.1. The discussion will also pave the way to sketch in Subsection 2.2 the policy response we are studying.

2.1 The vicious development circle

Many places in the world share the following problem. They feature population and economic activity losses which tend to self-feed in a *circular and cumulative causation* process. Figure 3 illustrates this *vicious circle*. Low density tends to be associated with few jobs which are not enough to accommodate active population, young individuals tend to out-migrate, the population stock gets older, there is an entrepreneurship scarcity, institutional fabric is thin, consumers do not abound, private investment lacks, which contributes to few jobs and the

circle closes and traps the territory into a relative impoverishing development path. We may say that low population density regions fitting into this pattern are also low economic density territories.

Figure 3—The vicious development circle in low density territories



At this moment, a parenthesis is worth to alert the reader for the fact that not all territories in the world with low population densities face a vicious circle. We must be aware that there are sparsely-populated places with interesting economic dynamics. Of course, reasons other than people to land ratios interfere with economic performance: air rarefaction, fresh water availability, arable land, relief, etc. are just some natural constraints to the pursuit of economic activity. To them, we could add some human decisions that also constrain differently different spaces. However, this chapter does not aim at explaining the differences. Its goal is to elaborate a possible policy response for low population density territories that also display relatively low economic indicators.

After this parenthesis, let us return to low density territories featuring relative impoverishment in abstract. One may ask whether the vicious circle of Figure 3 carries its own solution. The Portuguese territories we are talking about entered this circle a long time ago and accelerated the relative decaying path in the 20th century, particularly in the fifties when industrialisation and services upsurge drifted millions of people to coastal areas and other European countries. Why not simply abandoning low density territories to their fate? Biology would eventually expel the last human being from these peripheral territories and the circle would come naturally to an end. This behaviour would just be impossible, and for several compelling reasons. First, mobility takes generations. The more youth leaves, the higher are the costs for leftovers, costs in terms of their life quality degradation and costs for taxpayers

elsewhere to provide for public goods in peripheral territories. Second, this ultra-liberal perspective could be possible in the old days of the soviet mass population displacements but are definitely unacceptable in today's any democratic society. Third, even if that radical solution was implemented, one should always ask what would happen to the public goods rural population provides for urban citizens. Please bear in mind that people living in rural areas and small towns, despite their scarcity, provide a number of precious services to fellow human beings living in large cities and metropolitan areas. They keep land arable, sustain biodiversity, prevent massive fire hazards, assure human and animal habitat diversity and offer the tranquillity and peace of mind of their villages and towns that has long been lost in large urban agglomerations. The high environmental quality values shown in Chapter 2's regional development composite index indeed reveal some of the unexplored wealth low densities provide for the society at large.

So, the vicious circle of Figure 3 is, indeed, a *political problem* in democratic societies, at least. This means policy-makers have the responsibility of addressing the issue. Economic desertification is not an option! Fortunately, endogenous development theories, in particular the collective efficiency argument, provide inspiration to believe that economic desertification is not a fatality. Through the wised mobilisation of endogenous forces, adequately coupled with alien energy, it is possible to break in the circle and insufflate business creation dynamics and integrated development elements to those spaces. Economic desertification is fightable by fostering cohesion therein but the sustainability of this fight commands their competitiveness improvement. Competitiveness is not a need or aim of the most developed territories; it is a need and aim of all places.

On top of the specific difficulties highlighted in Figure 3, economic activity in Portuguese low density territories is bluntly shaped by two collective characteristics very common among the Portuguese people: individualistic *praxis* and ineffective articulation between private and public projects. We have already commented enough on the former feature in Subsection 16.5.1. It places the economy inside its production possibilities space in the globalised, competitive surrounding environment. Yet, things do not need to be this way! Excessive Individualism does not need to be a fatality. In line with other NSRF initiatives,³ the PROVERE tool was conceived to induce collaborative practices between development players, aiming at bringing the power of cooperation to the economic development dynamics in low density territories. This is why it carries pecuniary and non-pecuniary incentives for economic agents to change their behaviour—details in Subsections 4.4, 4.6 and 4.8 below.

Let us now focus on the second handicap, the difficulty to plan and run jointly public and private investment projects. This feature is particularly true in the case of collective actions supported in the past by structural funds that have appraised the provision of infrastructures

³ NSRF stands for *National Strategic Reference Framework*. It states the strategy, the financial guidelines and the governance model of EU cohesion policy use in each Member State.

and collective use facilities and neglected the involvement of private firms.⁴ This involvement is indispensable to create sustainable jobs. Therefore, PROVERE aims at encouraging relevant players to overcome this handicap by making clear that public investment, mainly the one dealing with territorial enhancement, must complement private investment. Structural co-funding under PROVERE is conditional on the following tautology: the former projects should follow the latter and not the other way round. The action programme and the grant applications that follow must establish this link clearly.

2.2 Endogenous resources and a sketch of the PROVERE initiative

Fortunately, disadvantages are not the only endowment of low density territories. They may own a number of assets highly appraised by native and alien consumers. Take the case, for example, of an outstanding natural park, a breathtaking humanised landscape, a constellation of remarkable castles and palaces, a collection of traditional expertise so often linked to gourmet agro-industrial, handicraft and other *terroir* products. These tangible or intangible assets portray unique features that prevent their replication elsewhere in the foreseeable future. Many people in rural and urban areas derive utility out of these resources and are willing to pay for them, either by making visitations to and promenades through such places or buying remotely goods and services produced out of those special resources. If that is so, it makes sense to work out a collective strategy to extract economic value from these endogenous resources mainly to the benefit of residents in their vicinities. It makes sense to congregate the interests of tens of firms and non-profitable organisations (social and public sectors) around an action programme anchored on one or two endogenous resources and headed for business delivery and the attraction of visitors and additional enterprises. The call to collective efficiency makes sense here. Both the private and the social productivity of an euro of investment is higher when such decision is coordinated with many other players' actions than when that euro is just a one-agent's isolated investment.

Moreover, the economic performance of low density territories cannot be limited to the action of resident agents. Attraction of alien initiatives, either from more urbanised areas in Portugal or abroad, is highly desirable. Their self interest to join the collective action programme should be actively sought by the partnership leaders.

This is what the PROVERE initiative is about. Remember the meaning of its acronym: *Programmes for the Economic Enhancement of Endogenous Resources*. This policy tool exists to challenge development players (resident as well as non-resident private, social and public organisations) to build partnerships capable of running action programmes; action programmes whose strategic focus is the economic valuation of singular territorial assets;

⁴ For example, this was the case of the *Territorial Base Integrated Actions* policy initiative ran from 2000 to 2008, and backed up by the regional operational programmes of the third Community Support Framework.

action programmes whose underlying economic rationale is collective efficiency as defined earlier (Section 16.4); action programmes whose public investment contents complements private investment's because sustainable job and wealth creation is their ultimate goal. The success of a PROVERE Collective Efficiency Strategy will be measured by its capacity to cut off the vicious circle of impoverishing development, *i.e.* by the effectiveness of its impact on the social and economic regeneration of a low density territory. In the end, such places are likely to still display lower population to land ratios but the bottom line goal is to reverse their absolute economic decline and even their relative economic position *vis-à-vis* urbanised areas.

3 Anchorage to the *National Strategic Reference Framework*

The PROVERE initiative aims at changing economic agents' behaviour and provides financial stimuli to induce such changes. However, this instrument was conceived without an own budget. This is an important and unusual feature for an economic policy instrument. From the outset, the Prime Minister decided that the instrument should have no exclusive financial endowment. Indeed, this decision applied to the other three types of *Collective Efficiency Strategies* as well. The money to agents would have to be raised on a competitive basis within the general framework of the country's *National Strategic Reference Framework* (NSRF). Thus, it is instructive to explain a little bit the links of PROVERE and NSRF for the sake of readers that might be interested to studying possible adaptations of this policy tool to other contexts.

That forefront political decision conditioned the whole policy design. In particular, it forced a close articulation with NSRF operational structures and the development of specific merit assessment procedures. These procedures were necessary because NSRF rules are meant for individual and mono-type projects. On the contrary, CES applications proceed from collective applications and each application consists of multiple projects, involving very different types of investment and other structural actions (ranging from professional training to laboratorial experimentation, to market research, to patent registration, to congress arena construction, to the opening of nature walk tracks, etc.). So, it was necessary to devise a screening mechanism acceptable by NSRF authorities, a mechanism that would secure the integrity of the common strategy to be implemented by the agents consortium without exempting the merit evaluation of every single project according to the relevant NSRF operational programme. The PROVERE's architecture described in Section 4 below is the result of this compatibility exercise; in particular, Subsections 4.2 and 4.4 through 4.7.

For readers less familiar with EU cohesion policy, we note that each Member State has a NSRF in force for the 2007/2013 programming period.⁵ A NSRF is a system of financial instruments combining public and beneficiary's money to incentive the structural improvement of the Member State's economy. The instruments are the structural funds (*European Regional*

⁵ In terms of physical and financial implementation the period runs up to the year 2015.

Development Fund and *European Social Fund*) and the *Cohesion Fund*. Cohesion policy and, therefore, all NSRF follow a territorial approach and are the most relevant economic development toolkit in EU countries. A NSRF states a medium-term vision of economic development that is aligned with the EU economic paradigm in force⁶ and details the national strategy on how those funds should be used to deliver the projected development results.

The five priorities of the Portuguese NSRF⁷ sum up to competitiveness. Recall the discussion in Section 16.2, where we have stressed competitiveness as the major development bottleneck of this economy. This is why the operational structure and the guidelines to fund allocation stem from this political orientation. Human resources, productive specialisation profile and territorial assets should be judiciously combined so as to put the Portuguese economy in a sustainable development track. According to this vision, territorial cohesion can only improve in the medium term if strong progress in territorial competitiveness happens before.

According to the central government structure in the 2005-2009 tenure, the ministry in charge of regional development was the global coordinator of the NSRF design and implementation and assumed also the role of policy-maker for territory-based competitiveness drivers: the *Polis XXI* urban policy directed to urban areas and their hinterlands and the *PROVERE initiative* for predominantly rural areas. This role was played in close articulation with the ministry of economy to co-manage the financial incentives to private firms' investment projects. By the way, the regional development area was under the same ministry as environment and spatial planning and cities, a triptych structure combining probably the most horizontal, interdisciplinary and structural areas of governance. The *PROVERE* architecture benefited a lot from both this triptych political organisation and the pivotal function of the minister for regional development as the global coordinator of the NSRF. The capacity to use territory to integrate sectoral policies is very important to apply endogenous economic development policies.

4 The PROVERE initiative in detail

In this section we explain the major ingredients of the *PROVERE* policy tool as it was conceived and implemented up to October 2009.⁸ The following subsections cover the links to EU policies with major structural and territorial impact, eligibility rules regarding acceptable agents, territories and action types, nature and purpose of each collective action programme, access

⁶ *Lisbon Strategy* in the case of the 2007/2013 NSRF; very likely, the *Europe 2020 strategy* in the case of the following NSRF generation.

⁷ Priorities are the following qualifications: human capital, productive profile, territorial assets, social inclusion and public context costs.

⁸ The author's political responsibility in the regional development area ended on 26th October 2009. He continues to follow developments with interest but, naturally, with less information, which explains the time horizon of this section. However, *PROVERE* and the other CES instruments are still on the ground at the time of writing (June 2011).

to pecuniary incentives, official recognition of an action programme and partnership as a PROVERE CES, benefits from such recognition, criteria to select among competing programmes, help to application preparations, competition results and implementation of the policy instrument.

4.1 Links to European Union policies

Collective efficiency strategies in low density territories matter for EU policies with stronger structural orientation and impact on territorial assets: cohesion, rural development and fisheries (as far as the structural adjustment of coastal communities and fishing industry is concerned). Let us first comment on the links to cohesion policy.

4.1.1 Attachment to cohesion policy

Two reasons justify the attachment of PROVERE to EU cohesion policy: guidance and money. Let us see both in turn.

Cohesion policy is all about economic development improvement and, increasingly regarded as a place-based economic development policy. Hence, there could be no stronger sympathetic bonds with a place-based endogenous development policy tool such as PROVERE. This philosophical tie will probably intensify in the forthcoming programming period. Indeed, the fifth cohesion report, whose conclusions display the European Commission's proposals to review cohesion policy beyond the year 2013, states: "The trend towards a more balanced mix, including financial engineering (loans and venture capital) as well as more indirect measures, such as advice and guidance and support for networking and clustering, is a welcome one"—European Commission (2010c, pp. xx and xxi).⁹ The quotation makes clear the intention for national and regional authorities to provide in the future more coaching to promising networking and clustering practices. The PROVERE tool has anticipated this orientation as some subsections below will stress.

The financial instruments of EU cohesion policy are the most important funding mechanism of national regional development policies in most Member States, particularly in the case of those policies applicable to Convergence regions. The policy approach of PROVERE was necessarily articulated with the NSRF. It had to be this way because bottom-up partnerships aim to invest and run other structural actions to induce virtuous development patterns in low density territories. Very likely, many of such actions would be eligible for financial incentive to individual operational programmes. Hence, it was highly recommendable, both from an European and a national authority perspective, that the access of those actions to NSRF

⁹ Baleiras (2011) drafts a PROVERE-type regional development instrument applicable to low density EU territories. The proposal helps securing the goals of top political guidelines for policy design in Europe up to the year 2020: alignment with the three priorities of the Europe 2020 development paradigm, contribution to more effective interpolicy coordination as put forward in the EU Budget Review and support to a few fundamental ideas to reform cohesion policy. Section 5 resumes this discussion.

funding would be judiciously stimulated and organised. This explains why reflection on new policy instruments to be co-financed by the NSRF was carried out in parallel to the preparation of the latter and officially presented in 2008 only.

4.1.2 Opportunity to improve coordination with other European policies

Until the end of the 2000/2006 programming period, the community funds for rural development and structural actions in the fisheries sector were a formal part of the so-called *Community Support Frameworks* and shared sectoral and regional operational programmes with cohesion policy funds. In December 2005, the European Council decided the secession of agricultural and fisheries policies funds from combined structural interventions and this is why the current *European Agricultural Fund for Rural Development (EAFRD)* and *European Fisheries Fund (EFF)* are absent from NSRF in all Member States. Considering the rationale of a modern regional development policy, this has been a harmful decision but this is not the place to pursue the matter. We raise the issue here simply because that emancipation created serious difficulties to coordinate NSRF with EAFRD and EFF interventions in Portugal. Those obstacles delayed and impacted upon the final version of PROVERE. Note that PROVERE target territories are predominantly rural and a few of them house coastal communities, which means that the jurisdiction of NSRF funds overlapped with EAFRD and EFF's. As there was no political sensitivity from the rural development and fishing areas in the central government to coordination with NSRF authorities, PROVERE was designed to rely on a second-best arrangement: coordination across structural policies *from below*.

The idea was for economic agents on the ground to form partnerships with local action groups endowed with global grants from the rural development operational programme (PRODER).¹⁰ Bringing them onboard was therefore the only feasible way for PROVERE partnerships to access EAFRD money for eligible interventions.

The economic problem tackled in this paper (Figure 3) says a lot also to the ends of the *European Social Fund (ESF)*. European and national political authorities in charge of ESF typically are responsible also for employment, professional training policies and a vast array of other social policies. Although ESF, *European Regional Development Fund* and *Cohesion Fund* are formally coordinated under the cohesion policy umbrella, actual policy dialogue and construction of cooperative tools still need a lot to improve, both within the European Commission and within Member States. The sectoral architecture of governments poses considerable difficulties to build integrated, cross-cutting policy solutions. Yet, the addressees of regional development policies, closer to the ground where all policies disgorge, are normally much more sensitive to the need for integration and can be tremendous supporters of this

¹⁰ This was important because the *Ministry of Agricultural, Rural Development and Fisheries* had decided earlier to sign global grant agreements with tens of *Local Action Groups*. These contracts exhausted the financial endowment of Axis 3 of the Rural Development operational programme (*Leader-managed interventions*). See European Commission (2011) for the meaning of these groups.

approach. They can exert a positive influence upon national policy-makers to work harder towards policy coordination. PROVERE type of instruments face therefore the handicap of traditional government segmentation by sectors but also embody the incentives for constructive bottom-up pressure to remedy this structural problem.

4.2 Eligibility rules

Here we inform what rules of participation in the PROVERE initiative are in force. They concern either the economic agent, the territory or the type of structural action and we will describe them in turn.

PROVERE is an initiative to create growth and jobs. As such, firms are the only category of agents that cannot be absent from an eligible partnership. This is the only constraint with respect to the participation of beneficiaries in action programmes. Other categories of players are welcome as long as they contribute actively to the ends of the action programme, notably, enterprise associations, regional development agencies, local development associations, municipalities and their associations, education institutions, and technological development centres. Of course, inasmuch as funding applications to operational programmes are concerned, interested players must observe the specific eligibility rules laid down in the relevant regulations. Beneficiaries vary according to the nature of the structural intervention. There is a regulation for each intervention domain of the operational programmes.¹¹

In terms of territorial eligibility, there is a PROVERE specific rule to meet. According to article 5, point d) of NSRF (2008), CES of this kind must focus on mainland territories with low density features: “shortage of business resources, human capital, relational capital, population and urban size”. This orientation is implemented *via* a location restriction imposed on the major impacts of the so-called anchor projects with respect to the following variables: land use, employment and income. The most relevant impacts on these variables must occur in any mainland place except: i) the Lisbon and Oporto metropolitan areas, ii) “freguesias”¹² belonging to urban centres larger than 20 thousand inhabitants, and iii) urban centres classified as “regional” or “higher” by the Regional Spatial Plans. Complementary projects¹³ may locate anywhere provided that their contribution to the effective accomplishment of the action programme goals is demonstrated.

PROVERE is open to any sector. It is not up to the authorities to decide which sector or territory to join an action programme. So, in principle, there can be bottom-up proposals for structural intervention on the fisheries industry or on eligibility domains of the EAFRD. The

¹¹ In the case of NSRF operational programmes, all regulations are listed at and available for download from the NSRF gateway: http://www.qren.pt/item3.php?lang=1&id_channel=44&id_page=321.

¹² A “freguesia” is the smallest administrative unit in Portugal. There are 4,251 such units—DGAL (2011). Some authors translate it as “parish” but this unit has no link to ecclesiastic administration.

¹³ Anchor and complementary projects will be defined in Subsection 4.3 below.

time for the government to nominate national champions at the front was gone from modern industrial policy some years ago. Given the eligibility frontiers across community funds, it was necessary to define a domestic financial architecture to allow for partnerships with investment and other structural actions in all funds. Therefore, the CES regulation—NSRF (2008)—brought the managing authorities of the Rural Development and Fisheries operational programmes onboard, along with all managing authorities of NSRF operational programmes. In addition, the PROVERE initiative opened up eligibility to local action groups.

PROVERE, like the other CES tools, have an extremely light normative contents. NSRF (2008) is their single specific regulation. They were designed to benefit from the existing national regulations of EU policy applications. In terms of institutional requirements, there are none. No specific agency was created to manage these instruments; public responsibilities defined in NSRF (2008) were allocated to existing administration services.

4.3 The Action Programme

The formalisation of a PROVERE partnership requires an *Action Programme* designed by the partners themselves. The preferential public funding conditions granted to any PROVERE application is conditional upon approval on a specific competition to recognise individual action programmes as a PROVERE Collective Efficiency Strategy. Details of the recognition process will be given below. So the action programme is the document that introduces a candidate partnership to the authorities in charge of the policy tool. For the moment, let us explain the required structure of a PROVERE action programme. Each one must include, at least, the following chapters:

- a) Diagnosis;
- b) Strategy and territorial asset;
- c) Scope and ends;
- d) Governance model and leadership;
- e) Action and project files;
- f) Indicative demand for public grant.

The diagnosis comprises an identification of the target vicious circle in which the partners want to intervene as well as a convincing explanation of how the partners intend to create and internalise external effects, *i.e.*, a justification of how will collective efficiency be achieved.

The strategy must comply with higher rank development strategies (NUTS II regional, national and EU levels) and applicable public policies. Partners must set out here the objectives of the action programme, justify the catalysing role of the selected territorial asset, produce a SWOT analysis and define a number of elements, notably players, leading figures and their relevant background, endogenous asset(s), coherence and synergies with public policies, international, national, regional and local interactions, competitive position of enterprise members and key

success factors. The strategy must assign absolute priority to private investment *vis-à-vis* public action. The latter is expected to follow and complement the former.

Chapter c) explains the extent of the activities the partnership intends to pursue and expected economic outcomes, including network and agglomeration economies. It refers also the collective strategy position *vis-à-vis* the endogenous asset(s) to enhance, as well as markets, technologies, comparable territories and relevant sectors. Target indicators able to measure progress along implementation are welcome.

Each partnership is supposed to govern itself. Self-governance is required to manage the preparation and running of actions and investment projects as well as to monitor partners activity. Thus, a particular emphasis is placed by assessors on the governance model. This is why Chapter d) should detail it, making clear what is the coordination and managing body, how decisions are made in the partnership, what are the monitoring and self-evaluation mechanisms, which impact indicators will be used and when, and which human and material resources does the partnership have to administer the programme in an effective way.

Chapter e) comprises a summary table of all actions and investment projects partners intend to run. This table is based on descriptions (files) of individual actions and project that also enter this chapter. Files should provide as much information as available at the time the writing of the action programme ends. If one of these actions or projects becomes later on an application for community funding at the relevant operational programming, more detailed information will be required in line with data requirements of the applicable specific regulations (for example, engineering studies). The predominance of private versus public investment should be clear from these files and in line with the proposed strategy.

Finally, partners can ask for a public grant to complement their own resources. This information has an indicative nature, is presented for each action and project and must identify the relevant operational programme funded by European taxpayers' money (cohesion, rural development and fisheries policies only). Obviously, the action programme needs to demonstrate why do partners need public support to carry on their plans. No public money should be paid to beneficiaries as pure economic rents; there must be some socially useful effort by the beneficiary that will be impossible to perform without the subsidy.

It is convenient to explain here that there are two kinds of actions or projects in an action programme: anchor and complementary. The former are more important. Anchor projects¹⁴ are expected to materialise the collective strategy. They must have a direct and visible contribution to impact indicators. Without them, the strategy collapses. Complementary projects are not essential for the strategy success but help to densify the inter-partner

¹⁴ We omit "actions" in what follows for the sake of concision except when the explicit reference makes a difference.

transactions and deepen the collective efficiency. They add social value to the anchor projects. As we will see, anchor and complementary projects will receive different privileges upon the official recognition of the action programme. Information requirements in Chapter e) are more demanding for anchor projects.

The action programme is important because it represents the *raison d'être* of the actual partnership. It sends relevant messages to inside and outside players. On the one hand, as the programme is undersigned by all members, it binds them to meet their purposes and respect the governance model. On the other, it is the presentation card of the partnership to the local community and authorities. The action programme is the cement that links joint actions and provides the strategic guidelines necessary to ensure the complementarities across individual projects and actions.

It seemed recommendable that, at some stage in the preparation of this document, the partners could approach a relevant public authority to seek advice on its contents. Preferably, this authority should be independent from funding authorities to avoid interest conflicts; experience with regional development tools implementation would be a plus. This authority may be given a wider role as well with respect to the implementation of the collective efficiency policy tool—boosting, monitoring and assessment. In the PROVERE case, given the Portuguese institutional setup, all these responsibilities were assigned to the *Regional Development and Coordination Commissions* (there is one for each NUTS level II region).

4.4 Access to funding incentives

Probably, many projects in an action programme will be (are) candidates to financial incentives by NSRF, Rural Development and Fisheries Operational Programmes. This section explains the governing principles of such funding.

As mentioned before, PROVERE and the other CES do not enjoy an own financial endowment. This means eventual grants to individual projects within an action programme will have to pass through the normal application procedure of the relevant operational programme. Thus, the project must comply with the eligibility rules set forth in the call for tender relevant to the project typology. Moreover, its merit will be assessed against the selection criteria announced by the managing authority in the call.

This *ex ante* requirement posed two challenges to policy design. The first one relies on the standard assessment procedure of managing authorities. The second problem stems from the risk of selfish evasion from collective action. Both problems risked to cause adverse project selection. According to the standard procedure, a managing authority appraises the merit of a project without taking into consideration that it is part of a collective action programme, *i.e.* by ignoring its contribution to a territorial strategy and the spillovers across projects in the action programme. Therefore, a major political and technical work was done to devise a

complementary procedure to assure that the collective efficiency rationale would be taken into consideration in the competition for public grants. The result is laid down in Section 4.5. The latter problem to deal with in the design phase concerned the incentives to cooperate. We all know it is much easier for each partner to draft alone her investment project, neglect the internalisation of external effects and apply isolated to an operational programme. PROVERE authorities cannot prevent any partner from behaving this way. The only two things they knew they should do were to build an efficient and user-friendly tool and to give partners some compensation to work together and go through the harder road of cooperating among themselves. The superior social benefits of grant allocation to structured coordination instead of atomistic individual application submissions would justify a reasonably small advantage in terms of public support. This advantage is presented in Section 4.6 below.

4.5 Official recognition of an action programme as a PROVERE CES

As a response to the need of integrating the collective efficiency rationale in the competitive public funding allocation to structural projects, the ministries of regional development and economy worked out a common framework to boost high quality action programme proposals and to select the best of them. The framework became known as the “official recognition of the action programme as a PROVERE Collective Efficiency Strategy”. Indeed, most features of this framework are shared with the *Competitiveness and Growth Poles and Other Clusters* varieties of CES. This selection procedure would take place before actual project applications would be submitted to managing authorities.

The idea was to define a sound accreditation mechanism to assure creditability to and respect for the structural interventions a recognised partnership intends to run. Indeed, a competition to select the best action programmes was organised in 2008. The tender was open from 21 October to 19 January 2009 and results were announced on 29 July 2009. The winning applications received on that day a governmental recognition as a Collective Efficiency Strategy in the form of an inter-ministerial order.¹⁵

Before the recognition was granted, all applications went through the screening procedure. They were first analysed by the respective *Regional Development and Coordination Commission* to evaluate their contribution to regional competitiveness and regional development strategy. Managing authorities of all operational programmes invoked in Chapter f) of the action programme reported the eligibility, in principle, of the proposed projects and the resource availability to their finance. Finally, these reports together with the action programme were appraised by a national assessment committee chaired by a distinguished, independent personality in the field of development policies and participated by the leaders of relevant public agencies, including regional bodies—see no. 7 of article 7 of NSRF (2008).

¹⁵ Proposed by the minister in charge of regional development and agreed by the ministers chairing the political coordination commission of each operational programme.

Throughout the process, there were several hearings with candidate partnerships. The ministers' decision in that order was to validate the choices made by the assessment committee, including their recommendations for implementation.

This screening device was, therefore, structured to appraise the absolute and relative merit of each action programme application. It was devised as a quality stamp to be given to selected action programmes. Thus, it also imposed specific obligations to partners and public services, such as:

- strict timetable for partners to submit anchor projects for funding to relevant operational programmes (at least 30%, 70% and 100% of forecasted investment expenditure should be submitted 6, 12 and 18 months, respectively, after the recognition communication date); the idea was to encourage earlier submissions to keep on the momentum and the collective interest in the implementation;
- two interim implementation assessments (the first to start 12 months after the recognition communication date) upon whose results the recognition decision could be changed and even revoked or the action programme restructured;
- *Regional Development and Coordination Commissions* were assigned the responsibilities for boosting, monitoring and assessing the PROVERE CES operating within their territorial jurisdiction;
- *Managing Authorities* of regional operational programmes were given the task of calling tenders with appropriate timings for partners to fulfil their schedule obligations above and assigned the responsibility of making all necessary decisions resulting from the interim assessments above except the revocation of the official recognition (reserved for ministers).

So, after the recognition was given, awarded partnerships could setup their organisation and prepare their project applications to operational programmes. Each application contains a label identifying it as a CES project. Further details of the recognition process can be found in NSRF (2008).

4.6 Benefits of the official recognition as a PROVERE CES

In Section 4.4, we identified another design challenge: how to incentive agents to coordinate their projects rather than submitting opportunistic, isolated funding applications? The CES legal framework—NSRF (2008)—provided the answer: a reasonable amount of positive discrimination to CES projects compatible with the rules of community funding under NSRF, EAFRD and EFF operational programmes.

Each PROVERE CES interministerial order stated the following rules applying to individual projects reported in the recognised action programme:

- anchor projects—benefit from a financial availability reserve in the relevant operational programme provided that their subsequent applications for funding meet the absolute merit requirements and all applicable fund and operational programme regulations, including the particular rules stated by the calls for tender;
- complementary projects—benefit from a preferential arrangement translatable, notably, into exclusive calls for tender or own financial endowments in tenders open to non-CES candidates as well; additionally, private complementary projects enjoy a higher subsidy rate ceiling according to the bonus laid down in the general NSRF law regarding incentives to enterprise investment; in any case is the sufficiency of community funding assured by the order.

So the political decision established a difference between anchor and complementary projects in line with their relative importance for the success of the collective strategy. No project was awarded a single cent at this stage, all had to go through the standard submission procedures. Anchor projects meeting the absolute merit targets defined by the relevant managing authority and all applicable technical and legal requirements can expect to be co-financed by the respective operational programme. Funding to complementary projects is conditioned by absolute and relative merit notations and financial availability in the relevant operational programme. If funding is given to a complementary project, and this is a private firm's investment project, then the co-funding can be increased up to 10 percentage points according to a general provision for recognised CES.¹⁶

4.7 Selection criteria

Action programmes applying for the official recognition as PROVERE CES were assessed against two sets of selection criteria—quotation from article 2, Annex II of NSRF (2008):

- 1) Criteria regarding the action programme quality
 - a) coherence and reasonability of the programme to deliver the expected results with effectiveness and efficiency (strategy and objectives, governance model and own-assessment, action timetable, targets and indicators)
 - b) maturity of the envisaged initiatives with respect to detailed description and submission for funding, notably in the case of anchor projects
 - c) Speediness in result achievement
 - d) Innovative features of the programme (thematic contents, goods and services to produce, organisation, technology, marketing, communication, etc.)

¹⁶ This was the maximum differential originally established in August 2007. The maximum subsidy rate for a comparable isolated, individual application (*i.e.*, non-CES project) varied between 15 and 40% of eligible investment according to the size of the firm and the investment typology. Hence, that differential was indeed significant in relative terms. Later, in response to the economic crisis, ceiling rates for standard applications were increased and the differential for CES projects reduced to 5 percentage points. Details in Decree-Laws No. 287/2007 and No. 65/2009.

- e) Location of anchor projects and geographic amplitude of expected effects
 - f) Geographic amplitude of target markets, notably the international ones
 - g) Human resources involved in creativity and knowledge related activities
 - h) Quality of the skills network and profile adequacy to the programme implementation
 - i) Internal consistency of proposed projects—their contribution to the programme goals
 - j) Complementarity degree with *local development strategies* financed by the Rural Development operational programme (if applicable)
 - k) Detail and reasonability of the financial plan, including the commitment of enterprises (private co-funding)
- 2) Criteria regarding the action programme impacts on either the territory or public policy objectives for comprehended regions
- a) Impacts on gross value added and employment (volume and qualifications)
 - b) Settlement of young and qualified individuals
 - c) Institutional and firm density reinforcement
 - d) Diversification of regional productive activities and the innovative nature of new activities
 - e) Impacts on the critical mass and attractiveness of comprehended territory(ies) and region(s)
 - f) Demonstration effects regarding partnership consolidation and the development of innovative and creative activities

The evaluation procedure summarised in Section 4.5 graded each application according to these criteria. Their weights were defined in the call for the official recognition tender.

4.8 Preparatory Actions

The PROVERE initiative challenged development actors with innovative demands to participate in a public policy for low density territories. Designing a good collective action programme is complex, moreover in these spaces. Everything starts with idea generation and private-public partnership building. A sound emphasis on strategic foundations follows. Conscious draft of actions and investment projects in line with the strategy, finding partners' resources and prospective public co-funding takes time, persistence and knowledge. Great care is also required to delineate the governance model and the action programme management. Finally, all partners must undersign the action programme, so a skilful negotiation is required. All these elements are compulsory parts of the action programme to be submitted as an application for the CES official label.

There has never been before such a large scale call to self-organisation in these economic geographies and the capacity constraints of their agents were known. At the same time, there was a strong political will to approve high quality action programmes only, in line with the selectivity requirements of the then new structural programming (NSRF) cycle. So, the

government decided to introduce an intermediate stage in the process, a fast-learning mechanism: the Preparatory Actions.

The NSRF regional operational programmes called a tender to select the best ideas and award a subsidy of up to 60,000 Euros (co-funding rate of 70%) to winning applications in return for an action programme.¹⁷ Applications had to be submitted between 15 May and 11 July 2008. The decision was announced on 7 August 2008. Results will be introduced and commented in Section 4.9.

It is worth mentioning that participation in the preparatory action stage was neither a necessary nor a sufficient condition to get the official recognition in the following competitive stage. New partnerships, which did not show up in the Spring 2008 contest, could submit applications to the Autumn 2008 tender. Winners of a preparatory action tender had no privilege with respect to the forthcoming decisions *vis-à-vis* their competitors in the following tender.

It is important to inform here that public administration and the members of government responsible for PROVERE¹⁸ have tried hard to provide as much warm and useful information as possible to prospective applicants before, during and after the tender for preparatory actions. PROVERE was a new, challenging policy tool whose success demanded and still demands a lot from endogenous energies and capacities. Hence, it was the responsibility of policy leaders to go to the ground, hear the voice of the addressees and help them to organise themselves. Appropriate coaching actions were offered, from public seminars to closed-door meetings with development actors to handbooks offers on how to participate in the PROVERE initiative.¹⁹ Both civil servants, the secretary of state and his staff have participated and boosted many coaching initiatives.

4.9 Competition results

The PROVERE development tool did not offer taxpayers' money for free. It was neither a redistributive instrument. The allocation of public grants to development players is conditional on stringent behavioural changes and proceeds along three competition stages. Figure 4 summarises the three tender types we have already explained. Tenders to fund specific projects within recognised action programmes have been called multiple times since August 2009 and are still being offered at the time of writing (June 2011). We take the opportunity to display in that figure the logos of the PROVERE communication plan.

¹⁷ The tender took place in the Convergence regions (Alentejo, Centre and North) and Algarve because there were no eligible territories in Lisbon. Due to its much lower financial endowment, the Algarve programme paid only a maximum of 50,000 Euros at a 65% matching rate.

¹⁸ Minister and secretary of state.

¹⁹ DPP (2008) is the best example of the materials produced at the time of launching. An English translation was made to seduce foreign investors, notably Portuguese people from the diaspora.

A total of 65 applications ran to the Preparatory Action tenders, of which 28 were approved. This score was encouraging from the point of view of the public policy. The great number of competitors exceeded the best expectations and allowed for a significant degree of selectivity, which is good as a navigation signal that public grants in regional development policy are not easy money. Figure 5 shows the good territorial coverage. The winning applications were focused on almost all eligible low density territories of the applicable universe (mainland Portugal). There was also a considerable variety of territorial assets presented as leverages for economic activity, from thermal waters to natural parks and renewable energy sources. Nearly 720 institutions had expressed their intention to adhere to the forthcoming action programmes. Large firms were among that figure (Unicer, Sonae, Pestana Group, *Espírito Santo Group*, *Lena Group*, *Ydreams*, *RAR*, *Celbi*, *NDrive*, etc.) and, indeed, they confirmed later their participation in actual action programmes. This has been a signal that PROVERE was not regarded in the marketplace as a policy tool for small players only or reserved for native agents of low density territories. The openness aim spelled out in Subsection 2.2 thus turned out realistic.

Figure 4—PROVERE: succession of tenders

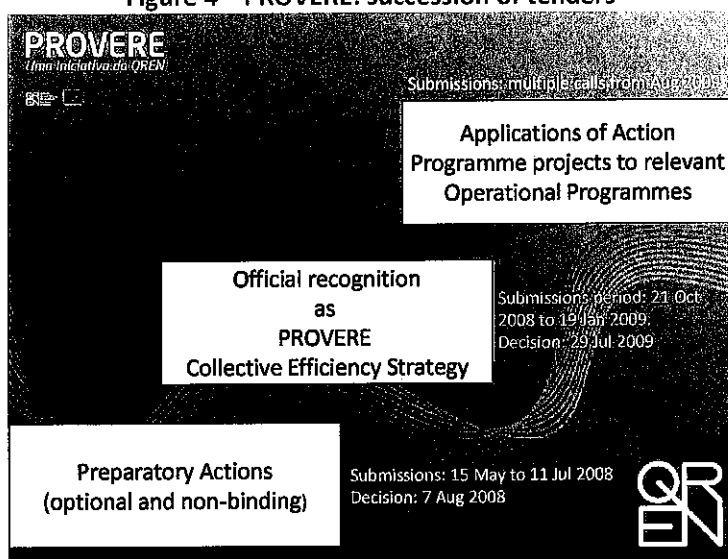


Figure 5—Territorial coverage of approved Preparatory Actions

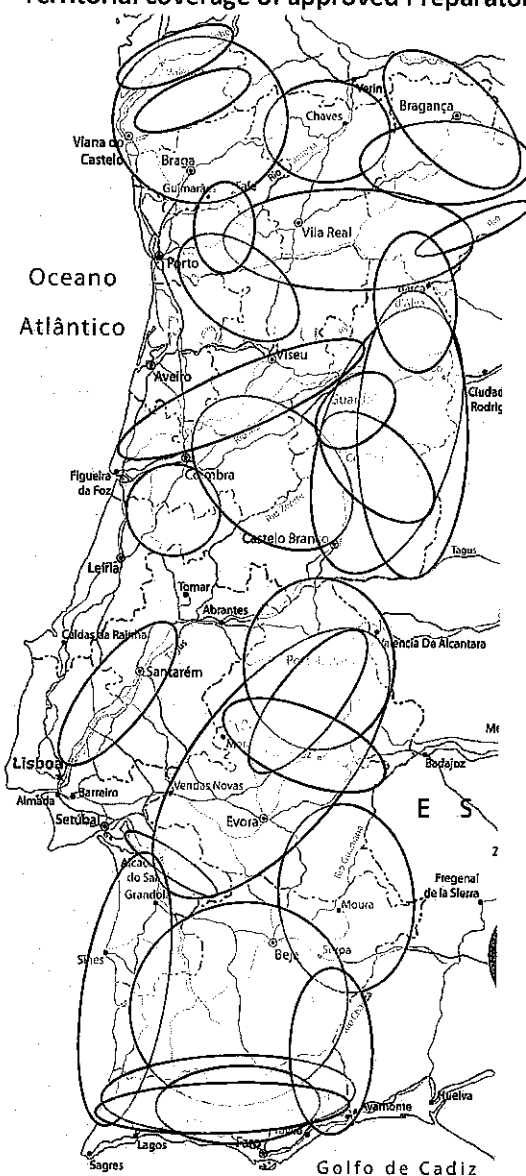


Figure 5 also makes clear some territorial overlaps among selected applications. A detailed comparison has also revealed repetitions of the proposed endogenous resource to enhance across neighbouring applications. Data as these were taken into consideration by the government and the most involved public services (regional operational programmes and regional development and coordination commissions). We wanted partnerships and strategies with critical mass, we wanted coordination to prevail over secular neighbouring rivalries. Clear messages were sent in the following months to relevant people and they were understood. Indeed, when the tenders for the official recognition of action programmes were called, several preparatory action winners did not show up. Others merged their intentions and submitted a common application. Interestingly, this was particularly the case in three territories which are well known in Portugal for their parochial rivalries: Minho, Cova da Beira

and Serra da Estrela. Four preparatory actions in Minho gave rise to a single Minho application for official recognition and two in Cova da Beira and Serra da Estrela (two small NUTS III regions) merged into two larger applications comprising neighbouring NUTS III level regions as well.

Now, looking at the results of the official recognition tenders, we know that 25 action programmes out of 31 submissions were approved. Table 1 lists the winners. Over 1,400 actors are involved in these collective efficiency strategies. They have proposed 387 anchor projects, amounting to 767 million Euros, and identified more than 2,800 complementary projects.²⁰ Firms are responsible for 80% of the overall investment forecast, which is an encouraging percentage given the bet PROVERE makes on business creation.

4.10 Implementation of action programmes

Action programmes implementation started right after the official recognitions were communicated. The first tenders, called for management and coordination of partnerships, were open in August 2009. From then on, managing authorities had the responsibility to call timely new tenders to allow partnerships to meet the submission calendar imposed to anchor projects by the governmental order.

Typical projects are expected to last three years in terms of physical and financial implementation, as from the application submission date. Hence, everything was prepared by the Summer 2009 to let the PROVERE experience materialise up to July 2014. The government had appointed a five people committee (at zero fiscal cost) to coordinate technically the policy implementation: one regional coordinator per NUTS II area, chosen by the respective regional development and coordination commission, and the chairperson, chosen by the secretary of state. This committee, which reported to him, was supposed to articulate with partnership managers and all public agencies that would need to be involved with the implementation of PROVERE projects, from NSRF managing authorities and technical bodies to licensing authorities. Their role was to smooth and facilitate the interactions between all parties, trying to place the public administration as close to and as collaborative as possible with development actors.

5 Anticipation of the post-2013 EU policy guidelines

Europe is preparing the next cycle of community and national policies. It is expected to start in 2014. A number of major political orientations have already been decided at the highest level. It is interesting to note how the PROVERE initiative in Portugal has started to implement some

²⁰ Complementary projects sum up to almost 4.9 billion € but this figure is highly unreliable because the detail and rigour of the information provided is much poorer than the files produced for each anchor project. This is why we have omitted the investment amount of complementary projects in Table 1.

of those future guidelines well before they were discussed. This may be useful to regard PROVERE as an inspiration for future policy choices both in Portugal and abroad.

To begin with, PROVERE finds comfort in the objectives of the new European economic development strategy—*Europe 2020*. Indeed, competitiveness inducement in deprived rural territories is expected to make a difference in the achievement of the *poverty relief headline target*—European Commission (2010a, p. 9)—and to contribute to the *sustainable growth priority* (p. 12) as rural territories matter a lot for biodiversity and green policy objectives and PROVERE’s methodology relies in a more efficient resource allocation. Moreover, the tool is intrinsically a *place-based approach to economic development*, which goes along with the Barca (2009) report, the conclusions of the *fifth report on economic, social and territorial cohesion*—European Commission (2010c)—relating to the post-2013 cohesion policy and also the *EU Budget Review proposals for more effective cross-policy coordination*—European Commission (2010b). Let us spell out the PROVERE contributions to these top-level political orientations. By doing, we hope to persuade the reader about the plausibility of PROVERE for many other European geographies.

Firstly, the *Europe 2020* document, already endorsed by the European Council. PROVERE helps Europe to deliver smart, sustainable and inclusive growth and development on the ground. *Smart* as PROVERE induces innovative territorial specialisation which generates economic value from relatively idle endogenous assets; *sustainable* because the marketability of collective efficiency activities is based on the durability of natural, heritage and man-made resources; *inclusive* inasmuch as the business and job creation focus will help to renew population and bring people back to the labour market in socially fragile territories.

Secondly, the *fifth report on economic, social and territorial cohesion*. We know that the conclusions in this document follow a three-year long strategic debate with Member States and other relevant stakeholders which seem to endorse those advices.²¹ We believe PROVERE contributes actively to the delivery of the outlined recommendations for the future cohesion policy. In particular, we find comfort in the following ideas of European Commission (2010c):

- *Increased thematic concentration* (heading 2.2);
- *Strengthening performance through conditionality and incentives* (heading 2.3);
- *Strengthening governance* (heading 3);

PROVERE provides an innovative device to foster *territorial cohesion* (heading 3.1), addresses the need for *greater flexibility in the organisation of programming instruments* (p. xxix), suggests one way to deal with *geographical and demographic features* (p. xxix) and contains tangible suggestions on how to *improve local development approaches* (pp. xxix and xxx).

²¹ The Portuguese presidency of the EU, together with the European Commission, launched in the second semester of 2007 the political debate on the post-2013 cohesion policy.

Finally, the *EU Budget Review*. Pp. 11 and 13 in European Commission (2010b) recommend a stronger, more effective policy coordination among the major community funds for structural actions and encourage Member States to use the *Common Strategic Framework* to bring more rationality to their use. We could not agree more with this viewpoint as regional development commands integrated policy approaches. Yet, we know by own experience the political difficulties the Council and (national) central governments have had so far to coordinate effectively those funds. We strongly believe that development players on the ground are wiser to find out actual opportunities to deliver that coordination. Point 4.1.2 in this chapter shows one way to allow them to do so.

For all these reasons, we hope future policy-makers in Portugal may realise the updated contents of PROVERE and its usefulness to help the country to contribute towards Europe's objectives in the road to the year 2020. At the same time, we hope readers from other European countries may find in PROVERE a useful inspiration to adopt effective policies for similar problems in low density territories.

6 Conclusion

Low density territories are not condemned to impoverishing growth. They house valuable assets upon which it makes sense to build collective efficiency strategies, *i.e.* deliberately coordinated actions by endogenous and exogenous economic agents to boost sustainable backward and forward business links. These territories and the people therein need and deserve to (re)integrate their economies with other, more developed territories. A decisive bet on strategically-oriented cooperation among economic agents can be a cost-effective solution to turn vicious socio-economic circles into virtuous development paths. This is the vision of PROVERE by the writing of someone who was closely involved in its design and implementation. We hope the readers may indulge the author for allowing himself some personal notes in this concluding section.

6.1 The legacy of previous policy instruments

A very much common mistake in politics is the Julius Caesar's attitude of "Veni, vidi, vici". Many others before us, probably better educated or skilled, gave their best to help lagging-behind territories overcoming their structural handicaps. So one elementary action at the beginning of a new political cycle is to get informed about what had been done before and with what results. In mainland Portugal, there had been other policy tools directed to more or less the same target sites as PROVERE's. The *Territorial Base Integrated Actions* (AIBT according to their Portuguese acronym) were just the most recent experiment.²² They were

²² Earlier, there were the *Regional Development Potential Promotion* (PPDT, financed by the second Community Support Framework, CSF II, 1994-2000) and the *Integrated Operations of Development*

funded under CSF III and were, therefore, on the ground when the author took office as secretary of state for regional development. We learnt from them and decided to let them run till the end of their funding envelope (June 2008, the closing moment of CSF III financial implementation). Twenty years of cohesion policy in Portugal and the AIBT experience, in particular, have improved the infrastructural landscape considerably and narrowed persistent gaps across NUTS III territorial units in terms of population access to collective facilities. Yet, real convergence in terms of competitiveness was not a success, interregional gaps increased, especially between the low density and the more urbanised areas. As evidence, consider, for example, Mateus (2005). Policy instruments up to CSF III were, basically, biased towards the provision of infrastructure. As we noted in Section 16.3, this was very much the legacy of two influential policy perspectives: redistribution as the goal of regional policy and the primacy of neoclassic growth theory.

We thus preferred to change the policy' structural orientation with the help of the new cycle of community funds (NSRF, 2007 to 2015). Three major differences with respect to the AIBT predecessor mark the PROVERE initiative:

- firstly, PROVERE was conceived to induce competitiveness while AIBT was rooted to improve cohesion. Public infrastructure and collective facilities are only acceptable now inasmuch as they complement private actions in a coordinated way so as to enhance their social return. Firms are the only agent category that is compulsory in a PROVERE partnership. In AIBTs, 90% of investment was public; this share narrowed down to just 20% in the approved action programmes.
- secondly, PROVERE has involved actors from the very beginning, since its strategic formulation. Contrary to AIBTs, this time it was not neither the government nor the administration that defined target-territories, the resources to enhance, the action players or the local manager. With PROVERE, the government set the policy guidelines but it was up to the economic agents to decide what to do, where, with whom, with which strategy. This is why *partnership* and *self-governance* were conceived as key drivers. A fruitful combination of top-down and bottom-up relationships was sought from the outset.
- thirdly, taxpayers' encouragement comes from all operational programmes while in the past funding was limited to the pertinent regional one. This difference was possible because the NSRF cut the long sectoral structure of community funding in Portugal. If we want to boost integrated development actions, we need to mobilise cross-cutting policies and their financial instruments.

(1987 to 1992), although in both cases the targets were also high density territories (usually under industrial stress).

6.2 A balance

Twenty-five action programmes were officially recognised on the 29th July 2009. It was very difficult to inspire confidence to and mobilise more than 1,400 players throughout the entire country but they responded with enthusiasm. Note that 2008 and 2009 were already years of economic and financial crisis, with many reasons to fear the future.

Nearly two years later, looking back calmly to the very enriching political experience of the 2005/2009 tenure, we remain very much convinced of the usefulness of PROVERE. There were strong but localised resistances to overcome within the government and in a few public services, very much because of the traditional sectoral architecture of the public sector, the long habits of neoclassic and redistributive orientations of regional development policy or the centralising culture of many previous government members that undervalued regional officials' contributions to policy conception. Yet, with persuasion and respect for different views, it was possible to bring the instrument to the implementation line. The foundations at that time matched very much what was originally conceived in our mind.

Personally, we would have preferred to implement PROVERE in successive waves rather than as a one-shot exercise. In theory, there should have been two or three opportunities to tender for official recognition. The first wave would have produced much less than 25 action programmes and provided everybody the chance of learning for future tenders. Higher selectivity could have led to better actual implementations on average. But *politics is the art of the possible*, as many others have already said. On the one hand, PROVERE preparation has not started in 2005; ideas began to be collected in early 2006 but their synthesis had to wait for the final structure of the NSRF operational programmes in the Summer 2007. Development actors mobilisation takes time and affection and could be exercised effectively only when a barebone regulation was available in early 2008. There were only 18 months left to the end of the political term (actually, the forthcoming legislative elections month, the end of the tenure, was uncertain until 2009) and this horizon was too short to launch more than one official recognition process. On the other hand, there is a widespread scepticism in economic and political agents about the intertemporal time consistency of public policies in Portugal. Although all legislative and regulatory tools were in place to allow PROVERE to survive the change of government, people on the ground feared the programme could be discontinued just when it was beginning to be implemented. Low density territories were and remain very eager for central government care. Mayors and local politics had a legitimate interest on PROVERE expectations. All this state of mind made very difficult to exclude significant parcels of target populations from the 2009 official recognition decision because they feared they would not be given a second chance. Indeed, the subsequent course of politics proved how right they were. The new government, although with the same partisan support, ignored PROVERE and the other CES tools.

This balance would never be complete without acknowledging people and institutions who have worked hard and well to help putting PROVERE on the ground. First and foremost, we thank the enthusiastic political support and intellectual contributions by F. Nunes Correia, the minister for environment, spatial planning and regional development. PROVERE design and regulation solutions owe a lot to the technical capability and pragmatism of Luis Centeno and Duarte Rodrigues, our former cabinet advisors. But the dedication and skills of public institutions with whom we worked closely for almost five years made the difference. Thus, we are very grateful to the *Department of Foresight and Planning and International Affairs*, the *Regional Development and Coordination Commissions*, the *Financial Institute for Regional Development*, the *NSRF Observatory* and the *Managing Authorities of the Regional and the Competitiveness Factors Operational Programmes*.

6.3 Risks and opportunities

The 29th July 2009, the date when the official recognition of action programmes was announced publicly, is not an arrival moment. As we mentioned on the public ceremony where all partnerships were gathered, it must be understood as a starting day. The implementation phase is the most wanted period but also the most difficult. Partners finally need to assemble time, talent, persistence and money to put projects on the ground. With the largest recession in many decades and the structural problems we surveyed in Section 16.2, it is not easy to keep confidence on the investment returns. However, as Schumpeter (1942) taught, crisis are also engines of *creative destruction*. Tourists may become more receptive to rural and nature experiences, metropolitan populations eager for native products of and involvements with their ancestors' inland origins, lower inputs prices may facilitate investment. Innovation, understood here as an intellectual challenge to transform risks into opportunities, has definitely a role to play in Portuguese low density territories.

Collective action presupposes coordination and solidarity. Collective action reduces the risk of individual investment projects. A coordinated forward move is a confidence signal for all partners. This is why it is important to keep pressure on anchor projects. Authorities should be open to discuss amendments to action programmes that, while keeping the focus on the target endogenous asset and on job and business creation, adjust projects to the changing economic environment. Fortunately, we know action programmes are being reviewed in 2011; we hope that focus is kept. Tough moments like these require even more care and proximity from both technical and political authorities.

In this respect, we must regret the distance government members devoted to CES instruments. Neither were they cancelled nor were they supported. In particular, the coordination committee we left operational at the end of our tenure was never confirmed by the new government and did not work. A number of dysfunctions among public services and partnerships could have been avoided if this committee were working and the relevant

members of government kept their interest in the policy. Even if one looks at NSRF just as a box of money that needs to be emptied urgently, one does not understand why the 2009 investors' enthusiasm gathered around the 767 M€ of anchor projects was not cheered and encouraged to go fast to the ground and translate into NSRF financial implementation. Instead many things have been done to dishearten and demobilise such collective investment will, as Chapter 28 reports.

To conclude, we would like to stress that financial stimulus may not be the most significant help public policy can bring to these fragile territories. This is a very important message for anyone thinking about launching a policy tool whose success depends a lot on bottom-up adhesion. In order to help players to self-organise and discover how to internalise agglomeration and network externalities, the administration cannot limit itself to a bureaucratic role (standing at its office writing the regulation, opening the tender, evaluating the submitted papers and announcing the results). No, it is decisive to leave the office and approach the development actors (firms, municipalities, universities and polytechnic institutes, regional development associations, local action groups, other social institutions capable of aggregating partners). It makes a difference to organise pedagogic sessions and materials so as to attract the attention of prospective partners; it matters to arrange and participate actively on public meetings and seminars open to prospective partners; it is worth to involve local leaders in those organisations, leaders that can be mayors, business actors, managers of local or regional development agencies. Attention should be paid to quality and intensity of communication, and the internet, social networks and conventional media should be used to deliver information about the policy tool. The coaching role cannot end the day a formal partnership of development actors starts to implement the action programme. Partners need to feel the administration is on their side, ready to find solutions to administrative obstacles rather than just standing in front of their desk saying no and yes. People know that, on top of the administration, lies the government. Hence, if you want to conquer their enthusiasm for a bottom-up instrument, especially if it is new and complex to launch, you need to get the relevant government member on the ground, side by side with development actors, discussing with them what each party can do for the common cause of regional development.

Politics needs affection and competence. This pair of attributes does not guarantee success but is certainly part of the winning ticket in the long run.

Table 1—Action Programmes officially recognised as PROVERE Collective Efficiency Strategies

		No.	Invest.	No.	
			(10 ⁶ €)		
North	8	79	80.2	1,303	
Terra Fria Transmontana		6	11.5	45	Assoc. de Munic. da Terra Fria do Nordeste Transmontano
Aquanatur: Complexo Termal do Alto Tâmega		4	2.7	17	Assoc. de Desenvol. da Região do Alto Tâmega
Inovarural		21	12.0	108	Resíduos do Nordeste, EIM
Rota do Românico do Vale do Sousa		6	10.6	142	Comunidade Urbana do Vale do Sousa
Minho In		10	14.3	636	Comunidade Intermunicipal do Minho-Lima
Montemuro, Arada e Gralheira		10	7.1	111	Assoc. de Desenvol. Rural Integrado das Serras do Montemuro, Arada e Gralheira
Alto Douro Vinhateiro		15	11.9	140	Estrutura de Missão para a Região Demarcada do Douro
Paisagens Milenares do Douro Verde		7	10.0	104	Dolmen — Cooperativa de Formação, Educação e Desenvol. do Baixo Tâmega
Centre	8	197	541.2	690	
Turismo e Património do Vale do Côa		18	63.1	83	Associação de Municípios do Vale do Côa
Rede de Aldeias de Xisto		13	89.5	190	ADXTUR — Agência para o Desenvolvimento Turístico das Aldeias do Xisto
Aldeias Históricas: Valorização da Rede do Património Judaico		7	28.2	168	Câmara Municipal de Belmonte
Estâncias Termais da Região Centro		44	133.1	38	Associação das Termas de Portugal
Villa Sicó		23	55.0	43	Terras de Sicó — Associação de Desenvolvimento
Mercados do Tejo		19	32.3	54	NERSANT — Associação Empresarial da Região de Santarém
Beira Baixa: Terra de Excelência		3	3.4	51	Comunidade Intermunicipal da Beira Interior Sul
Buy Nature: Turismo Sustentável em Áreas Classificadas		70	136.6	63	Instituto da Conservação da Natureza e da Biodiversidade, I.P.
Alentejo	7	63	107.8	541	
Alentejo Litoral e Costa Vicentina: Reinventar e Descobrir, da Natureza à Cultura		19	31.0	102	Associação de Municípios do Litoral Alentejano
Montado de Sobro e Cortiça		4	8.4	21	Câmara Municipal de Coruche
Ambinov: Soluções, Inovadoras em Ambiente, Resíduos e Energias Renováveis		9	46.1	13	Câmara Municipal de Chamusca
Zona dos Mármore		5	7.0	41	Câmara Municipal de Borba
InMotion: Alentejo, Turismo e Sustentabilidade		8	6.1	184	Instituto da Conservação da Natureza e da Biodiversidade, I.P.
Valorização dos Recursos Silvestres do Mediterrâneo: uma Estratégia para as Áreas de Baixa Densidade do Sul de Portugal		10	3.1	132	Câmara Municipal de Almodôvar
A Cultura Avieira a Património Nacional		8	6.2	48	Instituto Politécnico de Santarém
Algarve	2	48	37,3	321	
Âncoras do Guadiana		30	31.8	66	ODIANA — Associação para o Desenvolvimento do Baixo Guadiana
Algarve Sustentável		18	5.5	255	Almargem — Assoc. de Defesa do Património Cultural e Ambiental do Algarve
Total	25	387	766.5	2,855	

Note: totals may not match the sum of terms due to rounding.

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Exercises

A) Individual assignments

- 1) Which personal features should a leader of a PROVERE-like partnership have?
- 2) The PROVERE policy initiative was designed without an own financial endowment. Suppose that, in your country, a similar tool was possible with an own financial envelope. How would this different assumption change the tool design?
- 3) Policy tools cannot be permanent. Some last just a few months, others stay operational up to ten, fifteen years. Do you think persistence is important in a policy instrument such as PROVERE? Why?

B) Collective assignments

- 4) Table 1 lists all action programmes under implementation. With the help of your instructor and two or three mates, plan and implement a field study. Pick one PROVERE case from that list and draft an external evaluation report on the partnership achievements so far.
- 5) A newspaper style story—the idea here is to ask a few students to write individual (or joint) research pieces about PROVERE or other policy instrument directed to the same political problem (as defined in Section 2). Guidelines may include: CES concept, economic, social and political environment and interviews to relevant local players and policy-makers, including mayors' and the Parliament's view. For example, the Portuguese Parliament issued a recommendation²³ to the Government urging them to use all available means to boost the implementation of PROVERE, one of the CES typologies. It would be interesting to interview the members of Parliament and a

²³ Resolution No. 140/2010, of 20 December—Assembleia da República (2010).

representative of the member of Government in charge of regional development to evaluate what has been the follow-up.