



**Expert evaluation network  
delivering policy analysis on the  
performance of Cohesion policy 2007-2013  
Year 2 – 2012**

**Task 2: Country Report on Achievements of  
Cohesion policy**

**Malta**

**Version: Final**

**Gordon Cordina**

**Alexandra Zammit**

**E-Cubed Consultants Limited**

**A report to the European Commission  
Directorate-General Regional and Urban Policy**

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## List of abbreviations

- AIR Annual Implementation Report
- BoV Bank of Valletta
- CA Certifying Authority
- DoC Department of Contracts
- EC European Commission
- EE Energy Efficiency
- EEN Expert Evaluation Network
- EIA Environmental Impact Assessment
- EIF European Investment Fund
- FEI Financial Engineering Instrument
- FLPG First Loss Portfolio Guarantee
- GAs Grant Agreements
- GAW Global Atmospheric Watch
- IB Intermediate Body
- MA Managing Authority
- MC Monitoring Committee
- MCAST Malta College of Arts, Science and Technology
- MEPA Malta Environmental Planning Authority
- MTE Mid-Term Evaluation
- NFRP National Flood Relief Project
- NSO National Statistics Office
- OP Operational Programme
- PA Priority Axis
- PPCD Planning and Priorities Coordination Department
- PSC Project Selection Committee
- PVs Photovoltaics
- RES Renewable Energy Sources
- S&T Science & Technology
- TOR Terms of Reference
- UoM University of Malta

## Terminology

**Allocation:** the amount of funding available [ERDF, total public (national and EU), total (total public and private)] to carry out the programmes in the 2007-2013 programming period. Please note that the term in the Annual Implementation Reports (AIR) might be different and is likely to be referred to as “decisional”.

**Commitments:** the amount of funding [ERDF] reserved for or dedicated to a programme, Priority Axis (PA) or policy area. The term used in the AIRs might be “AR Community Amount”.

## EXECUTIVE SUMMARY

This report provides an overview of the progress made in policy implementation with respect to ERDF and Cohesion Fund during 2011. The AIR 2011, as well as interviews carried out with the Managing Authority (MA), assisted in the preparation of this report. With respect to the 2011 AIR, the final opinion on the version available at the commencement date was not yet provided by the European Commission (EC) and, as a result, divergences may exist with the 2011 AIR finally approved after this date.

The regional development policy pursued under Operational Programme (OP) I underwent a number of changes over the past year<sup>1</sup>. These were proposed by the MA to the Monitoring Committee (MC) in November 2011 which led to the publication of a revised version of OP I in May 2012. The changes are primarily motivated by the following reasons:

- The country's ability to absorb funds by shifting towards projects presenting a higher probability of successful absorption;
- The implementation of actions which are more likely to give longer term development "dividends" and which are more in line with growth strategies at the level of the EU.

The changes were not motivated by the need to maintain public investment levels in response to austerity measures, with the redirection of funding mainly addressing additional initiatives that presented new opportunities for investment.

Notwithstanding the increase in the number of mainstream projects and aid schemes under operation over the past year, the amount of funds committed grew by merely 2.1% amounting to approximately EUR 609 million, or 71% of the total funds allocated under OP I. The greatest improvement came from PA 4 (Mitigation and adaptation to climate change) and 6 (Urban regeneration and improving the quality of life) with the latter committing the largest proportion of its allocated funds when compared to other PA. The opposite is true for PA 3 (Developing the TEN-T) that, apart from having committed the least in proportion of allocated funds to date, also experienced a reduction in funds committed over a year earlier. This, in part, reflects savings registered following procurement which led to the MA recommending the transfer of EUR 24.0 million from PA 3 to PA 5 (Safeguarding the Environment).

Total disbursements increased by EUR 81.8 million; EUR 62.6 million reflecting the use of ERDF, bringing the total payments up to EUR 127.3 million, whereas EUR 19.2 million attributable to Cohesion Funds, with payments under the latter amounting to EUR 84.5 million in total by the end of 2011. The slowdown in disbursements for projects making use of Cohesion Funds is reported to have been due to exceptionally high payments in the first years of the programme as well as some projects still at an early stage of implementation. The lowest level of disbursements relates to PA 3 which the 2011 AIR attributes to the lengthy process involved in invoicing projects under this axis wherein road works involve a long certification process. Expenditure made is of particular relevance when assessing the achievement registered by the output and result indicators by PA. Furthermore, progress in certain indicators will be

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<sup>1</sup> The changes to funding allocations by PA were not yet reported in the tables provided within the 2011 AIR.

registered in a stepwise fashion and relatively late in the programming period in areas dominated by a small number of relatively large and lengthy projects.

Projects under **PA 5** (Safeguarding the Environment) mainly aim to rehabilitate landfills as well as decrease the level of sewerage effluent discharge. Improvements in the latter have had notable effects on the quality of bathing water improving the quality of life of locals and tourists visiting the Maltese islands. However, no landfill has been completely rehabilitated to date. Under **PA 6** (Urban regeneration and improving the quality of life) various areas of intervention exist with investments in education and urban development considered to be among the most important. Improvements have been registered with respect to the former, where 23% of Malta's total student population is now benefitting from modernised facilities, whereas one urban development project has been implemented to date meeting the target set. **PA 1** (Enhancing knowledge and innovation) targets RTDI infrastructural development and SME support. Achievements are being registered satisfactorily with respect to the former and are expected to reap greater benefits to the local economy once actual research projects are undertaken. SME support is also being successfully implemented, notwithstanding this area being one of the least funded under OP I.

Interventions under **PA 2** aim to promote sustainable tourism with projects being implemented and visible on the ground. In this context, Gozo is specifically targeted through 17 sustainable tourism projects out of a total of 20 interventions that are being made with a focus on the Island Region. **PA 3** (Developing the TEN-T) places particular emphasis on road infrastructure. Although 0 km of road were registered to have been completed at the end of 2011, improvements are expected in 2012. In addition, 6.2 km of non-TEN-T roads have been completed under **PA 6**. Lastly, expenditure made under **PA 4** (Mitigation and adaptation to climate change) has been the lowest compared to other PA. Notwithstanding this, notable progress was registered with respect to the annual electricity generated from small scale RES installations, with the target set being exceeded and contributing to Malta's efforts towards the achievement of targets for renewable energy generation.

With respect to evaluations, apart from the ex-ante and mid-term evaluations reported in the 2011 EEN report, no other evaluation has been carried out in 2011. The MA intends to carry out one other (ex post) evaluation during the current programming period that aims to assess the contribution of OP I initiatives to competitiveness and the improvement of quality of life.

The Maltese authorities face various challenges in implementing Cohesion Policy particularly due to the small size of the local economy and ensuing difficulties in terms of scarcity of expertise and high per capita costs of administration, alleviated to an extent through funds available for technical assistance under PA 7. Additional challenges have also emerged in recent months. In particular, projects involving some element of production of electricity are being subjected to a greater degree of scrutiny for State Aid purposes, causing delays, uncertainties in the application process and potentially the rejection of projects from funding. The uncertainty caused by such interruptions is putting some projects on hold at this juncture. Another challenge arises when the application of the funding gap methodology is entailing an allocation of funds that is smaller than planned, resulting in surplus funds which have to be relocated to new projects. The use of fixed funding rates, in line with proposals for future implementation, could contribute to address this problem.

## 1. THE SOCIO-ECONOMIC CONTEXT

Main points from previous country report:

- Malta's small economic and territorial size and high population density are among the main challenges facing the island's development. Smallness implies a limited possibility for diversification, excessive dependence on a few economic sectors and openness to international business making Malta highly exposed and vulnerable to external shocks. In addition, Malta's high population density creates obvious strains on its limited natural resources, particularly land, and poses constraints on options with respect to essential environmental activities such as waste and landscape management.
- Malta's small size results in regional policy, and as a result Cohesion Funds, being directed at the archipelago in its entirety.
- The economic recession led to a decline of 2.7%<sup>2</sup> in real GDP in 2009, mainly attributable to a decline in exports and a sharp retrenchment in investment, which were also the components of aggregate demand that led the rebound in economic activity in 2010, manifested through a 3.4% real growth. The negative impact on employment was relatively contained partly as a result of government assistance, also with the use of cohesion funds, which encouraged companies to avoid layoffs while offering training to employees.
- The impact of the recession on Gozo, Malta's sister island, was milder than that in the national economy and as a result, Gozo proved to be more resilient. Gozo's value added, measured at factor cost and at current market prices, in fact grew by 2.1% in 2009 y.o.y. when compared to a drop of 0.2% in the national economy<sup>3</sup>.
- Malta's fiscal position was also rather volatile over the past decade with its public deficit increasing beyond the 3% deficit-to-GDP target in 2008, mainly as a result of an increase in non-recurrent expenditure. The government did not undertake a large fiscal stimulus during the economic recession, mainly because the recession was rather shallow and short-lived.

### *Recent developments*

Following the rebound in economic activity in 2010, driven mainly by internationally-oriented services and tourism, the Maltese economy experienced a slowdown in 2011 and the first half of 2012, with real growth rates at 1.9% and 0.9% respectively. This reflected growth fatigue in the more buoyant sectors (including remote gaming and financial services), the increase in crude oil prices, and the softening of the demand for manufacturing exports. The EC's outlook for Malta is somewhat more positive than that for the EU27 average. Real GDP is expected to grow by 1.2% and 1.9% in 2012 and 2013 respectively<sup>4</sup> compared to 0% and 1.3% in the EU27.

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<sup>2</sup> Revisions to GDP later showed that the contraction in 2009 amounted to 2.4% in real terms according to the National Statistics Office (NSO)'s latest News Release:

[http://www.nso.gov.mt/statdoc/document\\_file.aspx?id=3401](http://www.nso.gov.mt/statdoc/document_file.aspx?id=3401)

<sup>3</sup> NSO Press Release 247/2010 – this data has been revised through a later news release, as explained below

<sup>4</sup> EC (2012), "European Economic Forecast: Spring 2012", European Economy 1/2012, Directorate-General for Economic and Financial Affairs of the European Commission, Brussels

Although Malta is considered to be one region at NUTS II level, the main island of Malta is distinguished, for statistical purposes, from the other two smaller islands, namely Gozo and Comino<sup>5</sup> at NUTS III level. Indications are that Gozo continues to lag in terms of growth in relation to the national average. Latest available data in this regard relates to 2010, the year of the recovery, when gross value added in Gozo rose by 5.3%, as compared to a national average of 6.2%. In terms of employment levels, full-time jobs increased by 1.6% between 2009 and 2011 in Gozo, when compared to a national average of 2.9%.

The financial turmoil and consequent credit crunch, which in most EU countries followed from the 2008 crisis, has not materialised in Malta as a result of a stable banking system that faces little exposure to the turmoil faced in other countries. This relieved fiscal policy from the need for extraordinary financial and economic rescue efforts. Fiscal austerity measures in Malta were limited and had no effect on a national or regional basis. Of course, constraints on fiscal expenditure as imposed by the Stability and Growth Pact continue to impinge.

The developing disparities between Gozo and the average national performance are a reflection of longer term structural trends affecting the development of the smaller island, rather than a direct consequence of recent changes in fiscal or other national policy. The Ministry for Gozo, which is responsible for a number of regional governance issues, continued to be allocated around 2.6% of the national fiscal budget on Gozo-specific activities<sup>6</sup>.

There is concern at policy level regarding the widening disparities between Gozo and the national average development indicators. Following a statistical assessment of the state of the Island Region of Gozo, the Prime Minister has opened discussions with the EC in line with the 2003 Declaration by Malta on the Island Region of Gozo<sup>7</sup>.

The allocation of regional development funds remains a top priority for the Government and this has not been affected by efforts aimed at reaching fiscal targets. Elements of co-financing continue to be effected through specific budget lines to ensure their effective implementation. As discussed above, there is no evidence that preoccupation with national issues is diverting attention from the regional issues affecting Gozo.

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<sup>5</sup> Economic activity on the latter two islands reflects, in most part, that on the island of Gozo.

<sup>6</sup> Ministry of Finance, Budgetary Estimates, various issues.

<sup>7</sup> The 2003 Declaration by Malta on the Island Region of Gozo which states that "...the island region of Gozo has economic and social specificities as well as handicaps arising from the combined effects of its double insularity, its environmental fragility, its small population size coupled with a high population density as well as its inherent limited resources". The Declaration furthermore requires that: "before the end of each Community budgetary period entailing a redefinition of the Community regional policy, Malta will request that the Commission report to the Council on the economic and social situation of Gozo and, in particular, on the disparities in the social and economic development levels between Gozo and Malta.

## 2. THE REGIONAL DEVELOPMENT POLICY PURSUED, THE EU CONTRIBUTION TO THIS AND POLICY ACHIEVEMENTS OVER THE PERIOD

### THE REGIONAL DEVELOPMENT POLICY PURSUED

Main points from previous country report:

- Notwithstanding regional policy directed at Malta in its entirety, distinct characteristics of the island of Gozo led to the Maltese government allocating 10% of Cohesion policy resources towards it.
- The EU allocated EUR 728.1 million to Malta under OP I for the period 2007-2013. Total funds under OP I, including co-financing, amount to EUR 856.6 million. Malta allocated approximately 38% of its funds to environment and energy, whereas 25% are allocated to transport, 22% to territorial development and 13% towards enterprise environment.
- During the current programming period, Malta is also benefitting from funding under the European Territorial Objective and is currently participating in six Territorial Cooperation programmes.
- The country's priorities are re-affirmed by national policy documents, including the National Reform Programme<sup>8</sup> which aims to address the EU 2020 targets. In addition notable effort was undertaken in 2009 to address regional specificities of the island of Gozo through the Eco-Gozo vision document<sup>9</sup>.
- Changes that took place between 2009 and 2010 mainly refer to additional assistance given to SMEs in the aftermath of the global economic recession.
- Measures introduced at minimising the impact of the recession were aimed at sustaining and boosting investments with a view to generating economic growth and jobs.

*Recent developments:*

No changes to funding allocations by PA are reproduced in the tables provided within the 2011 AIR<sup>10</sup>, when compared to a year earlier. However, changes<sup>11</sup> to OP I were proposed by the MA to the MC in November 2011 which led to the publication of a revised version in May 2012<sup>12</sup>. These resulted from:

1. Actual contracted amounts which were, in a number of cases, less than forecasted;
2. Irregularities resulting in an automatic reduction to the project allocation of one project;
3. The withdrawal of two projects in 2011; and
4. A re-alignment exercise of the expenditure across priority themes which contributed to a decline in total amounts allotted for a number of themes.

In addition, changes have been reported with respect to other elements of OP I. These were mainly triggered by three factors:

<sup>8</sup> Ministry of Finance, the Economy and Investment (2011), "Malta's National Reform Programme under the Europe 2020 Strategy", Valletta, Malta

<sup>9</sup> Ministry for Gozo (2009), "Eco-Gozo, a better Gozo: proposed action 2010-2012", November 2009, Malta

<sup>10</sup> Refer to Annex Table A

<sup>11</sup> AIR 2011 does not yet take account of these changes

<sup>12</sup> Planning and Priorities Coordination Department (PPCD) (2012), "Operational Programme I, Cohesion policy 2007-2013: Investing in Competitiveness for a Better Quality of Life", May 2012, Malta



1. The availability of funds under Axis 3 of the Cohesion Fund following savings made during the contracting of one (road infrastructures) project as well as the withdrawal of another (maritime) project;
2. The outcome of the Mid-Term Evaluation (MTE); and
3. The need to further align available funds under ERDF with the EU 2020 targets.

The main changes presented and approved by the MC include:

1. *PA 1*: In line with the MTE, PA 1 will include initiatives in support of science popularisation and, as a result, the axis has been modified to allow for the development of projects in this regard. In addition, a new output indicator was added to directly monitor the performance of the Financial Engineering Instrument (FEI)<sup>13</sup>.
2. *PA 3*: Apart from a transfer of funds from PA 3 to PA 5, the text describing this PA was also amended to alter the date of implementation of the TEN-T Phase II project;
3. *PA 4*: The axis was revised and now focuses solely on climate change and a new focus area, namely “resource efficiency”, in order to be better able to achieve Malta’s 2020 Renewable Energy Sources (RES) targets<sup>14</sup>. In addition, the major project “National Flood Relief Project” (NFRP) was transferred from PA 4 to PA 5 thereby releasing substantial funds under PA 4;
4. *PA 5*: Apart from the re-introduction of the NFRP major project from PA 4, EUR 24.0 million was transferred from PA 3 to PA 5 and renamed “Environment and Risk Prevention”. In addition, one of the result indicators has been identified as a core indicator and an additional core indicator has been added.

Minor changes took place under the other PA mainly reflecting revisions to the explanatory text as well as changes to some indicators.

Changes are, therefore, being motivated primarily by the following reasons:

- The country’s ability to absorb funds by shifting towards projects presenting a higher probability of successful absorption;
- The implementation of actions which are more likely to give longer term development dividends and which are more in line with growth strategies at the level of the EU.

These, therefore, did not result from the need to maintain public investment levels in response to austerity measures. The redirection of funding did not occur towards initiatives which had hitherto been earmarked to be financed through national funds, but took place towards additional initiatives that present opportunities in terms of the issues described above.

EU-wide problems concerning youth unemployment and the existent credit crunch in some member states, are not particularly striking in Malta. At 13.8% in 2011, compared to an EU average of 21.4%<sup>15</sup>, youth unemployment in Malta does not present particular challenges and, as a result, there are no conspicuous policy initiatives in this regard. The need for SME financing is of more relevance. In Malta, there has been no credit crunch phenomenon, and the financing of SMEs has not been affected through this channel. However, there are long term structural issues in the operation of the financial system, including the strong dependence on a risk-averse banking sector for SME financing, which call for attention. In 2010, the government reacted by

<sup>13</sup> This relates to the No. of SMEs benefitting from JEREMIE financial instruments (target 500)

<sup>14</sup> Malta is bound to obtain 10% of its energy consumption from renewable sources by 2020.

<sup>15</sup> Source: Eurostat [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une\\_rt\\_a&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_rt_a&lang=en)

providing additional incentives through, for instance, ERDF aid schemes as well as supporting SMEs through the JEREMIE initiative. The latter facilitated SME access to finance through the implementation of a First Loss Portfolio Guarantee (FLPG) scheme implemented through the European Investment Fund, as the Holding Fund Manager, and Bank of Valletta (BoV) as the financial intermediary. The amount ear-marked for this initiative was EUR 10 million with BoV entrusted to create a portfolio of EUR 51 million in eligible loans. The need for such a scheme is evident by the take-up where, by the end of 2011, 30% of the total loan portfolio<sup>16</sup> was committed and EUR 7.8 million actually disbursed involving a total of 179 transactions<sup>17</sup>.

## POLICY IMPLEMENTATION<sup>18</sup>

Main points from previous country report:

- As at the end of 2010 a total of 65 projects, nine in 2010 alone, and nine different Aid Schemes were approved under OP I amounting to a total of EUR 597 million. This reflects an improvement of 39% when compared to 2009 with approximately 70% of allocated funds committed by the end of 2010.
- Improvement was also registered in the amount of disbursements in 2010 with EUR 98.7 million disbursed solely in 2010. This reflects a tripling in the level of disbursements over the total till 2009 and constitutes approximately 20% of all funds committed. However, utilisation and disbursement ratios still showed weak performance.
- The international economic crisis is believed to have had a negative impact on the project implementation process resulting in cash-flow difficulties both at the beneficiaries' and contractors' side. The MA continued to provide pre-financing for payments in order to mitigate these difficulties.
- Considerable delays in the implementation of the OP are experienced at different stages of project implementation including project selection, public procurement and planning permission, accentuated by the small size of the local economy.
- In order to speed up the implementation process, during 2010 the MA launched consultation procedures with stakeholders with the aim to streamline and further explain complex elements of the procedure, as well as organise information and training sessions, issue informative circulars, and approve additional capacity for one Intermediate Body (IB) and some line ministries. In addition the MA is constantly in contact with the Malta Environmental Planning Authority (MEPA) with a view to monitoring the progress of applications for environmental and planning permits, the Environmental Impact Assessment (EIAs) and compliance issues. An Environment Committee was also set up in 2010.

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<sup>16</sup> This amounts to EUR 15.8 million.

<sup>17</sup> The 2013 Budget presented by the Minister of Finance, the Economy and Investment on the 28<sup>th</sup> November 2012 makes reference to more than 440 SMEs having benefited from the JEREMIE scheme amounting to approximately EUR 38 million or almost 75% of the total portfolio.

<sup>18</sup> The indicators used in this section come from the AIR for 2011, which relate to the situation up to the end of 2011. A more up-to-date view of the aggregate position (though not of the situation in the different policy areas) is presented in the Synthesis Report for 2012 of the Expert evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013 which is based on data for payments from the ERDF and Cohesion Fund up to the end of 2012, i.e. after the present report was completed.

*Recent developments:*

The number of mainstream projects continued to increase in 2011 to 88 from 74 a year earlier. Out of the 16 new projects<sup>19</sup> approved in 2011, five fall under PA 2, 10 under PA 4, and 1 under PA 6. The number of operations under Aid Schemes also increased from 448 in 2010 to 634 in 2011. The 2011 AIR reports increased momentum in the actual implementation of projects with only 28, of the 88, projects reporting limited implementation on the ground. With regard to the Aid Schemes, 160 out of the 634 operations are reported to have been completed.

Although this may be true, the amount of funds committed grew by merely 2.1% amounting to approximately EUR 609 million, or 71% of the total funds allocated under OP I. The greatest improvement in committed funds came from PA 6 (Urban regeneration and improving the quality of life) and PA 4 (Mitigation and adaptation to climate change) that increased by 5.9% and 5.3% respectively<sup>20</sup> with the former committing the largest proportion of its allocated funds (95%) when compared to other PA. The opposite is true for PA 3 (Developing the TEN-T network) that, apart from having committed the least in proportion of allocated funds to date (46.7%) also experienced a reduction in funds committed of 4.5% over a year earlier. This, in part, reflects savings registered following procurement which led to the MA recommending the transfer of EUR 24.0 million from PA 3 to PA 5, as mentioned earlier. As a result when the proposed transfer is approved, the total amount allocated under PA 3 would go down to EUR 145 million and the committed value as at end of 2011 would reach 54.3% of the revised PA allocation.

In addition, the ratio of committed funds to Gozo to date amounts to 9% of total funds committed. This falls short of the target of 10% that was set at the start of the programming period.

Total disbursements increased by EUR 81.8 million<sup>21</sup>; EUR 62.6 million of which reflecting disbursements under PA that make use of ERDF, bringing the total payments up to EUR 127.3 million, whereas EUR 19.2 million attributable to Cohesion Funds, with payments under the latter amounting to EUR 84.5 million in total by the end of 2011. The slowdown in disbursements for projects making use of Cohesion Funds is reported to have been mostly due to exceptionally high payments in the first years of the programme as well as other projects still considered to be at an early stage of implementation. In total, therefore, disbursements amounted to 25% of total funds allocated and 35% of those committed. By PA, the lowest level of disbursements relate to PA 3 (Developing the TEN-T network) and PA 4 (Mitigation and adaptation to climate change). Only EUR 16.6 million, or 21.1% of committed funds under PA 3, was paid. The 2011 AIR justifies this delay due to the lengthy process involved in invoicing projects under this axis wherein works need to be checked and certified by the supervising engineer or architect as well as Transport Malta prior to payments processing. With regard to PA 4 under ERDF, by the end of 2011, payments were only recorded under five operations and totalled EUR 10.9 million, 76.8% of which paid in 2011.

The total public share verified by the MA amounted to EUR 87.2 million in 2011, which were then certified to the EC by the Certifying Authority (CA). This corresponds to EUR 12.3 million

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<sup>19</sup> 2 projects were, however, later withdrawn

<sup>20</sup> Refer to Annex Table B

<sup>21</sup> Refer to Annex Table C

more than that certified in 2010, bringing the total certified amount by the end of 2011 up to EUR 183.8 million and representing 21.5% of total OP I allocation. In order to do so, the MA increased its first level of control verifications activities with 192 checks undertaken in 2011 (compared to 59 in 2010) and 152 spot-checks done by IBs and their beneficiaries (compared to 93 in 2010).

The reasons for delays in implementation mentioned in the 2011 EEN report are still valid today and are, in the most part, reported again in the 2011 AIR particularly with respect to the very time-consuming project selection process which is often compounded by the fragmentation of projects received, bottlenecks in public procurement, and delays arising from very complex planning and environmental permitting processes. Among others these include: (i) lengthy certification procedure where the government certifies 100% of expenditure made prior to submitting to the EC, (ii) a limited number of experts within the administration of the MA and IBs and a relatively fast turnover, (iii) the (un)availability, in certain circumstances, of members of the Project Selection Committee (PSC), (iv) the recurrent need to re-launch tenders often due to a small number of bidders and the quality of submissions received, (v) lengthy appeals procedure often taking up to 3 months with only one appeals board in place, (vi) frequent changes to templates, procedures and award criteria, (vii) reluctance to proceed with contracting in the absence of a final Grant Agreement (GA), (viii) delays emerging from MEPA that must provide the MA with their environmental requirements prior to launching a tender, (ix) delays in disbursement, and (x) timeline compression.

In addition to the above, beneficiaries also experience difficulties in applying for projects and/or aid schemes funded by the EU. Most of these are small or even micro enterprises and hence do not have large staff complements as well as the necessary specialisation and expertise. These also find that the processes are over-engineered and too heavy in terms of administrative burden particularly for a number of SMEs that had to, over the past few months, grapple with the effects of the crisis.

Lastly, though the assistance provided by JASPERS is considered to be overall positive, particularly given the positive spill-over effects of such consultation with respect to the way of approaching project development, the MA is of the opinion that at times this consultation may be too burdensome with JASPERS often overlooking the limitations pertaining to Malta's small size and the difficulties that this brings about in complying with certain bureaucratic requirements.

In order to speed up the process, a number of initiatives have been introduced in 2011 as reported in the AIR. With respect to speeding up the project selection process, the MA proposed changes both to the PSC membership as well as to the procedures adopted during the selection process. One of the most notable changes was the inclusion of alternate members and ad hoc experts in order to limit delays in decision-making. Revisions were also made with regard to the terms of reference and rules of procedure, including the required quorum for PSC sessions which have improved the speed of the evaluation process. Another important decision was that the PSC will be limiting itself in the number of clarifications requested to applicants with respect to eligibility issues. In addition, the Department of Contracts (DoC) began to show a clear inclination towards the preference of using the "cheapest compliant offer" rather than the "most

economically advantageous offer". Although this has led to some criticism from beneficiaries, the DoC contends that this will lead to more savings and a lower number of appeals.

With respect to public procurement, the DoC continued to take various corrective measures in order to decrease administrative omissions and by offering beneficiaries assistance through information sessions. The DoC has in fact observed that a good number of bidders have improved the overall quality of their submissions. The launching of the e-procurement facility in 2011, wherein bidders can submit tender offers electronically in addition to viewing/purchasing the tender documents, seek clarification and view results of the awards, allowed for a further simplification of the tendering process and to cut through unnecessary delays.

In some cases, particularly with respect to bigger projects, beneficiaries are aware of the substantial time required for the issuance of the necessary development consent and, as a result, start the preparation of baseline studies prior to the contracting of the EIA thereby speeding up the process related to obtaining planning and environmental permits. In some cases beneficiaries even consult MEPA to issue draft Terms of Reference (ToRs) until the Project Description Statement is approved and final ToRs are issued.

Further guidance is also being offered to beneficiaries with respect to eligibility rules, state aid rules through the State Aid Monitoring Board, environmental legislation through the MEPA, as well as through the help of JASPERS. In addition, administrative capacity was also strengthened within the MA as well as the ERDF IB, notwithstanding the noticeable increase in staff turnover. Monitoring and reporting requirements have also been streamlined in order to reduce the burden on beneficiaries and the MA/IBs. These include a reduction in the frequency of the project process reporting as well as better use being made of the system's notification capabilities where it is now possible for Project Leaders to be automatically notified when their invoices have been rejected during the payment stage. Lastly, as recommended in the Medium-Term Evaluation (MTE), in order to accelerate the time lag between the verification by the MA and the certification by the CA, the CA started carrying out checks concurrently with the MA.

The MA intends to keep employing the measures that have already been initiated in recent years to speed up the implementation process whilst holding monthly meetings with key beneficiaries to ensure better monitoring of progress.

## ACHIEVEMENTS OF THE PROGRAMMES SO FAR

Main points from previous country report:

- *Enterprise support and RTDI* - In 2010 positive results were reported with respect to 4 output indicators and in 4 result indicators compared to 1 respectively till the end of 2009. This is in line with an increase of approximately 40% of committed funds over the previous year.
- *Human resources (ERDF only)* - Till the end of 2010, the refurbishment or construction of 39 facilities had been completed, exceeding the target set of 30. 31 of these facilities were completed in 2010. In addition, a total of 7,883 students were said to be benefiting from upgraded and modernised facilities in 2010 compared to a target of 25,000 students (7,500 students solely in 2010). However this indicator may include

students/users who utilise more than one facility and hence are potentially accounted for more than once.

- *Transport and telecommunications* - None of the three projects approved under this policy area were completed as at the end of 2010. Projects under this PA are large and their execution spans a number of years. The 2010 AIR specifies that completion dates had been set for 2012-2014 explaining the fact that no achievements had yet been reached. These projects also involve a lengthy certification process which also limited the disbursements that took place.
- *Environment and energy* - 5 output and 5 result indicators have been assigned to PA 4 (energy). Five of these indicators achieved positive results by 2010 with just one of these also having yielded results a year earlier. On the other hand, none of the projects implemented under PA 5 (environment) were completed by the end of 2010 with completion dates set for 2012 (one project), 2013 (two projects) and 2014 (one project).
- *Territorial development* - Eight indicators were drawn up to monitor the progress of the projects implemented under PA 2 (tourism and culture) with three output indicators showing positive results in 2010. In addition, a total of 14 indicators have been chosen to monitor progress under PA 6 (urban regeneration). Six output indicators had achieved positive results till 2010, two of which for the first time that year. This reflects the completion of five projects by the end of 2010 with the majority of projects due to be completed in 2012.

#### *Recent developments*

When assessing the distribution of committed funding by priority theme, most of the funding went to “environment and energy” with a particular focus on environment and risk prevention. Under the priority theme “territorial development”, social infrastructural projects are given greatest prominence whereas most of the investment carried out under the “transport” priority theme relates to road infrastructure. Projects implemented under these three sub-categories together amount to approximately 55% of total allocated funds<sup>22</sup>.

#### **Enterprise support and RTDI (PA 1)<sup>23</sup>**

PA 1 registers the second fastest progress ratio to date reflecting 90% of committed to allocated funds<sup>24</sup>. This is reflected in the number of operations being implemented which, by the end of 2011, amounted to 22 – 15 projects, 6 aid schemes, and 1 FEI. Seven of the 15 projects were completed during 2011 bringing the total number of completed projects under PA 1 to nine. The remaining ongoing projects are expected to be completed in the most part in 2012 and 2013. The objectives of the projects range from upgrading research and testing facilities, upgrading and embellishing industrial estates, setting up enterprise infrastructure to help foster investment in Malta, and assist enterprises in terms of grants and other instruments to facilitate access to finance. No new calls were made in 2011.

<sup>22</sup> Refer to Annex Table E

<sup>23</sup> Enhancing Knowledge and Innovation

<sup>24</sup> Refer to Annex Table B

### *Enterprise support*

In 2011, a total of 68 new GAs were signed between the IB<sup>25</sup> and SMEs under the six Aid Schemes bringing the total number of signed GAs to 300. These aid schemes are mainly responsible for the improvement witnessed under the output indicator “*No. of SMEs receiving grants*” increasing from 252 in 2010 to 291<sup>26</sup> in 2011 with the target set at 450. In addition, the main contributor to the achievements reflected in the **core** indicator “*No. of start-up businesses supported*” is ERDF 127<sup>27</sup> with this aid scheme particularly directed at small start-ups. Three start-up businesses were supported merely in 2011 with the target being set at 35.

A new indicator has also been created as one of the revisions made to OP I which will feature in the 2012 AIR. This indicator also reflects assistance being given to SMEs, including start-ups, particularly with respect to access to finance. The implementation of the first FEI under the current OP, namely the FLPG, led to 30% of the EUR 51.0 million loan portfolio (EUR 15.8 million) committed by the end of 2011 with EUR 7.8 million actually disbursed reflecting 179 transactions. Out of the committed amount, EUR 5.8 million were distributed as loans to start-up companies. The new indicator will record the “*No. of SMEs benefitting from JEREMIE financial instruments*” with the target set at 500.

### *RTDI*

Most of the investment under this area increases the University of Malta’s (UoM) capacity to address modern teaching and research activities. Seven projects, mainly consisting in infrastructural development and upgrading, were concluded in 2011<sup>28</sup>. The completion of these projects has helped to register improvements in two core indicators. Firstly, the “*No. of RTDI projects*” improved by one over 2010 bringing the total number up to 9 when compared to the target of 10<sup>29</sup>. In addition, the “*No. of enterprises involved in networking and new collaboration with other business and academia*” improved substantially from 11 in 2010 to 33 in 2011. Collaboration is being registered in R&D mainly in the areas of electrical energy, electromagnetics and biomedical engineering, as well as from two ongoing projects related to biotechnology and manufacturing research. Most of these projects are also reflected in another important, albeit not core, indicator namely the “*% increase of students taking up Science & Technology (S&T) related studies at the vocational/higher education levels at targeted intervention institutions*” particularly given the importance placed on this target in the Lisbon Strategy for growth and jobs. A total increase of 1.1% over the baseline of 3,092 students has been registered so far with 0.9 pps. of this increase recorded in 2011.

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<sup>25</sup> Malta Enterprise is the IB responsible for the 6 Aid Schemes.

<sup>26</sup> The total number of 300 GAs signed also includes agreements with larger firms and not merely SMEs and hence explains the discrepancy with the achievement reported by the indicator.

<sup>27</sup> ERDF 127: “Small start-up grant scheme”

<sup>28</sup> These are: Furnishing & Equipping of Chemistry & Biology Building Extensions; Developing an Interdisciplinary Material Testing & Rapid Prototyping R&D Facility; Strengthening of Analytical Chemistry, Biomedical Engineering and Electromagnetics RTDI Facilities; Electrical Energy and Efficiency Laboratory; Upgrading of Giordan Lighthouse GAW Research Station; Setting up of Mechanical Engineering Computer Modelling and Simulation set up a computer modelling and simulation laboratory in the Department of Mechanical Engineering; Modernising the University of Malta's Control Systems Engineering Laboratory.

<sup>29</sup> Investments carried out on RTDI projects are recorded on project approval rather than completion. Therefore, although 7 projects were completed in 2011, the achievements of some were already registered in previous years.

### **Human Resources (ERDF only)**

No projects have been implemented, with the help of ERDF, to address human resource development programmes. Various education and childcare infrastructural developments have, however, been designed and implemented within the territorial development priority theme.

### **Transport and telecommunications (PA 3)<sup>30</sup>**

The projects addressing this policy area are reported under PA 3 within OP I, co-financed through the Cohesion Fund, which supports the overall improvement of the TEN-T network infrastructure in Malta. Achievements registered under this PA are minimal. As mentioned in the 2010 EEN report, this is also due to the large scale of the projects and lengthy certification process, with the achievements likely to be registered at the end of the programming period once the projects implemented are expected to be completed. In addition, changes to OP I announced that the implementation of Phase II of the TEN-T project was to commence in 2012 as opposed to the original target of 2010. This has also slowed down the projected achievements of these projects as registered by the indicators.

Progress was, however, registered in relation to one major road project with works started on the majority of roads envisaged under phase I of the TEN-T road network (Cohesion Fund 117) project, as well as two non-major maritime projects with the start of works on the Valletta breakwaters (Cohesion Fund 124) and the Cirkewwa Ferry Terminal (Cohesion Fund 198). With respect to the former, some roads have already been open to traffic in 2012 which will result in progress being registered in the **core** indicator "*Km of road upgraded*" in the 2012 AIR. The refurbishment works of the Marsaxlokk breakwater (Cohesion Fund 124), which commenced in 2010, continued. To date, Cohesion Fund 124 is the only project contributing to progress achieved as registered by the indicators under this PA. This project, with a registered 8,267 sq. m. of refurbished infrastructure, attributable to works on the Marsaxlokk breakwater, is responsible for improvements witnessed with respect to the output indicator "*Sq. m. of new/refurbished infrastructure*". Progress was also registered with respect to the Cirkewwa Ferry Terminal. The completion of this project will automatically result in the output indicator "*Construction of new sea passenger terminal*" achieving the target set of 1.

### **Environment and energy (PA 4<sup>31</sup> and PA 5<sup>32</sup>)**

#### *PA 4*

By the end of 2011, a total of 18 operations were approved under PA 4, consisting of 17 mainstream projects<sup>33</sup> and one Aid Scheme under the focus area of Energy. In addition, the major project ERDF 120 NFRP was approved at national level.

#### *Mainstream Projects*

The successful implementation of projects and popular take-up of schemes, namely with respect to the installation of RES at the Malta College of Arts, Science and Technology (MCAST) (ERDF 101), and the promotion of RES in the domestic sector (ERDF 088), led to the substantial

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<sup>30</sup> Developing the trans-European network for transport

<sup>31</sup> Mitigation and adaptation to climate change

<sup>32</sup> Safeguarding the environment

<sup>33</sup> Two of these projects were later withdrawn



improvement in the achievements registered by two indicators, namely the “*Annual penetration rate of installed Photovoltaics (PV), micro-wind and solar (in kWpeak/annum or equivalent in energy saving) generating systems starting in 2008 (kWp/annum)*” that peaked in 2011 at 4,608.5kW and the “*Total annual electricity generated from small scale PV and micro-wind installations (MWh/annum)*” reaching 7,877 MWh in 2011 compared to 2,464 MWh in 2010. Since the targets related to these indicators have been surpassed, the proposed changes to PA 4 include the alignment of the targets to the revised scope and objective being proposed under this Axis. Notwithstanding the success of these schemes, it is not clear whether the inclusion of both these indicators is necessary since they appear to be reporting similar achievements. Since it is the generation of energy that matters, only the latter should be retained.

#### *Aid Scheme*

The Energy Grant Scheme (ERDF 133) allowed the business community to invest in actions which contribute towards the mitigation of climate change, through investment in Energy Efficiency (EE) measures and RES. A total of 113 GAs were signed during 2011 (with the last call made in 2010), amounting to EUR 6.9 million, bringing the total number of GAs issued under this scheme to 250 with an equivalent grant value of EUR 14.8 million. Apart from contributing to the indicators described earlier, the aid scheme is likely to have led to the success of two other indicators, namely the “No. of EE schemes” and “Total energy savings per year (MWh/annum)”. With respect to the former, no improvement was witnessed in 2011 though the target set (of 2) has already been reached. With respect to the latter, 12,711MWh was saved during 2011 compared to 2,479.8MWh a year earlier.

#### *Major Project: National Flood Relief Project*

The implementation of the *NFR Project* focused almost entirely, to date, on procurement and permitting although, in terms of physical progress in 2011, work was completed on four contracts. Achievements accruing from this project are registered in the **core** indicator “*No. of storm water management (risk prevention) projects*” meeting the target of 1 set.

#### *PA 5*

PA 5 aims to continue upgrading the country’s environment infrastructure, particularly in the areas of solid and liquid waste management. Currently three projects have been approved by PSC under this axis, two of which providing substantial progress in the achievements registered.

#### *Malta South Sewage Treatment Infrastructure (Cohesion Fund 116)*

This is the last, as well as largest, of a series of wastewater infrastructure facilities and was operationally completed in 2011 with only minor works still ongoing. As a result, Malta is now compliant with the EU Urban Wastewater Directive 91/271/EC<sup>34</sup>. This plant is able to treat 80% of all sewage generated on the Maltese islands, equivalent to 51,000 cubic m./day. Therefore, apart from achieving the target set of an *80% decrease in sewerage effluent discharge*, it allowed for the achievement of two other targets, namely the *construction of 1 liquid waste treatment plant*, and the achievement of *class 1 status of coastal waters in the south of Malta* from class 3.

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<sup>34</sup> This refers to the need to treat all urban wastewater entering collecting systems before discharge.

### *Rehabilitation and Restoration of Closed Landfills (Cohesion Fund 118)*

The rehabilitation and restoration of Magħtab and Qortin landfills includes the installation of an engineered capping with the objective of improving control of gas emissions, reducing rainfall infiltration, control surface water run-off, and restoration of the area by planting indigenous Maltese species. Through this project, a first result was registered with the *rehabilitation of 15,000 sq. m. at the Magħtab site* during the second half of 2011. This represents a 5% achievement of the target of 300,000 sq. m. to be rehabilitated under the project.

### **Territorial development (PA 2<sup>35</sup> and PA 6<sup>36</sup>)**

Territorial development encompasses tourism and cultural development, targeted under PA 2, as well as urban regeneration, addressed under PA 6.

#### *PA 2*

As at the end of 2011, 17 projects were being implemented and two were completed. Five projects were approved during 2011 and, recent information shows that, an additional four projects have been approved in 2012<sup>37</sup>. Projects approved in 2012 mainly relate to proposals from Local Councils in order to focus on the upgrading of cultural heritage trails and sites.

In 2011, work had commenced on all projects and substantial progress was registered on a number of these mainly related to restoration and rehabilitation works of historical fortifications (ERDF 039) as well as the War Museum in Birgu (ERDF 151). Progress was also reported with respect to the building of an aquarium and landscaping works in Qawra (ERDF 033). In addition, some of the projects implemented directly address Malta's sister island Gozo<sup>38</sup>. The achievement registered under these and a number of other projects are directly reported within the **core** indicator "*No. of assisted tourism and cultural projects*". As from the beginning of the program to the end of 2011, 17 tourism and cultural projects have been assisted under this axis – an improvement of 5 when compared to 2010. This compares to a target of 20 projects<sup>39</sup> which the MA appears on track to meet. Another two indicators can also be linked to the above-mentioned projects including the "*% overall increase in the number of paying visitors at upgraded sites*" and the "*% of total tourists visiting upgraded cultural sites*". Both indicators registered improvements in 2011 for the first time with the former increasing by 0.17% compared to a target of 4% and the latter increasing by 0.11% compared to a revised target of 14%<sup>40</sup>. It may be considered that the use of only one of these indicators would be sufficient. Furthermore, there seems to be inconsistency between the definition of these variables (focussing on the % overall increase) and the specification of the baseline values (which is in terms of the number of visitors p.a.).

<sup>35</sup> Promoting Sustainable Tourism

<sup>36</sup> Urban regeneration and improving the quality of life

<sup>37</sup> [http://www.ppcd.gov.mt/projects\\_07\\_13](http://www.ppcd.gov.mt/projects_07_13)

<sup>38</sup> Examples include: the upgrading of the Villa Rundle Garden (ERDF 024); the upgrading of the Żewwieqa Waterfront (ERDF 031); restoration works on the paintings at the Ta' Pinu Shrine and the residence of Karmni Grima (ERDF 140); restoration on the façade of the church of St Lawrence (ERDF 147); and the establishment of a Cultural and Heritage Centre in Victoria (ERDF 142).

<sup>39</sup> This target has been revised down from an original level of 308 following the merging of two indicators (with targets set at 8 and 300 respectively) that were erroneously being reported additively. The decision was later taken to add the target set for NGOs to the target of 8 in one of the two core indicators.

<sup>40</sup> This change was proposed under the revised OP I. The target was previously set at 8%.

Improvements in contracted amounts under the Aid Scheme<sup>41</sup> were registered wherein 87 GAs were signed<sup>42</sup> under the first two calls and a third call launched in 2011. The achievements accruing from this Aid Scheme are directly captured by the indicator “*No. of projects implemented by enterprises*” with a total number of 93 projects implemented as at 2011 although no progress was registered over 2010<sup>43</sup>. The target set is that of 300 projects. Although the achievement is still relatively off target, one expects great improvements to be registered under this indicator once the evaluation of the third call will be concluded given that 109 applications were received under this call.

#### PA 6

A total of five calls for project proposals have been issued since the start of the programming period, one of which was launched in 2011, resulting in a total of 25 operations including one Aid Scheme being implemented under PA 6 as at the end of 2011. Sixteen of these operations address the area of education, social and health-related infrastructure; four internal mobility; three e-accessibility; one targets environmental monitoring and one urban regeneration.

#### *Education, Social and Health-related infrastructure*

By the end of 2011, a total of 9 projects were completed under this axis, 8 of which under this focus area. Four of these eight were completed in 2011. Examples of completed projects include the upgrading of labs in two MCAST Institutes (ERDF 054<sup>44</sup> and 056<sup>45</sup>), with students now able to make full benefit of the refurbished facilities. The infrastructural development of the Junior College Building extension (ERDF 057) was also completed in 2011 and audio equipment was installed. In addition, 2011 also saw the completion of ERDF 58 that furnished school laboratories with science equipment. These three outcomes have been instrumental in the achievement of three targets namely:

- No. of existing learning facilities refurbished (with new equipment)/constructed within intervention areas by 2013<sup>46</sup> - total achievement of 43 facilities compared to a target of 30;
- Sq. m. of modernised facilities refurbished (with new equipment/constructed within intervention areas by 2013)<sup>47</sup> - total achievement of 13,839.5 sq. m. compared to a target of 2,040 sq. m.;

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<sup>41</sup> ERDF 135: Grant scheme for sustainable tourism projects by enterprises

<sup>42</sup> 10 GAs were subsequently withdrawn following problems encountered by small enterprises particularly related to administrative burdens which results in a net amount of 77 GAs effectively in place.

<sup>43</sup> The discrepancy between this and the number of GAs effectively signed is explained within the 2011 AIR as being due to a time lapse that accrues between the date on the approval letter and the actual date of signing the GA.

<sup>44</sup> Multimedia training centre at MCAST's institute of art and design

<sup>45</sup> Upgrading and expansion, MCAST institute of mechanical engineering at Malta/Gozo

<sup>46</sup> In order to clarify this indicator and make it more realistic, the revised OP proposed changes in terms of a delineation between construction of new facilities (including extensions of existing facilities) and interventions limited to refurbishment of existing facilities.

<sup>47</sup> Proposed OP changes will distinguish between footprints covering newly constructed buildings and refurbished buildings which were upgraded or modernised via the procurement of new equipment. The need for such a change emerged from the MTE during which the evaluators commented on the overlap of certain indicators.

- Pupils/students/trainees benefitting from upgraded and modernised facilities/services (per annum) (core indicator) – total achievement of 18,752 students (up from 10,305 in 2010) compared to a target of 25,000.

With respect to the former two indicators, questions arise as to the adequacy of the targets set since in both cases the achievements greatly outweigh their targets. On the other hand, the MC appears to be well on track in achieving the target set in the case of the latter indicator.

In addition, the MC implemented another mainstream project in the area of health, which relates to the purchasing of equipment that will provide Gozitans with new services such as CT scanning and mammography imaging (ERDF 68). The only *major project* underway also targets health and relates to the creation of an Oncology Centre as an extension to the Mater Dei public hospital in Msida (ERDF 196). In addition, the ongoing *grant scheme* for child care facilities (ERDF 136) also targets this sub-category with the aim to support enterprise in setting up child care centres. In 2011, the IB launched two calls for applications resulting in the signing of 13 GAs, which are likely to result in additional improvements to the indicators for this PA. Having said this, however, indicators illustrate that achievements related to this sub-category are particularly favourable where, in most cases, targets have already been met and superseded. This, therefore questions the validity of the targets set at the start of the programming period<sup>48</sup>.

#### *Internal Mobility*

Three projects are being implemented under this focus area aimed at improving transport and urban accessibility via, for instance, the reconstruction of roads and infrastructural development that would encourage a modal shift from the use of private passenger vehicles to using public transport. Improvements registered include the completion of 6.2 km of *upgraded non TEN-T roads* by 2011 (an increase of 1.5 km over 2010).

#### *E-Accessibility*

Three projects are being implemented under this focus area which relates, among others, to the enhancement of e-services to the public. An outstanding improvement has been registered in the indicator “No. of new e-services for the public and the business community” in 2011 with 52 e-services offered. This compares to a target of 5 and again questions the validity of the target set.

#### *Urban Regeneration*

One mainstream project is currently being implemented under this focus area, which shall provide cleaner and more efficient transport links in the Cottonera area. This project directly contributes to the achievement of the **core** indicator “No. of projects ensuring sustainability and improving the attractiveness of towns and cities” wherein one project is currently being implemented. The MA notes that although three Cottonera cities will be affected by this project, the target will be reduced to one once the OP changes are approved.

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<sup>48</sup> In addition to the ones already described, this includes (i) No. of projects [health] (core indicator) for which the target has been achieved; (ii) No. of new services offered in the health sector with an outcome of 5 having been achieved in 2011 compared to a target of 3; and (iii) % of total patients (within intervention areas) using new/upgraded equipment/services where a 100% is now reported compared to a target of 60%.

### Environmental Monitoring

One project (ERDF 156) is being implemented under this sub-category aimed at developing the national environmental monitoring infrastructure in air, water, radiation, noise and soil but has not yet been completed.

**Table 1 - Main outcomes and results of OP I**

Policy area	Main (core) indicators	Outcomes and results (physical outcomes plus brief note on what has been achieved)
Enterprise support and RTDI including ICT  Increase access to finance by SMEs	(i) No. of RTDI projects  (ii) No. of enterprises involved in networking and new collaboration with other business academia  (iii) No. of start-up businesses supported	(i) 9 RTDI projects have been implemented (1 in 2011) compared to a target of 10. This reflects, among others, the furnishing and equipping of chemistry and biology building extensions, the upgrading of Global Atmospheric Watch (GAW) Research Station, the setting up of mechanical engineering computer modelling and simulation, and the modernisation of the UoM's control systems engineering laboratory.  (ii) 33 enterprises are involved in networking and new collaboration with other business and academia (22 in 2011) compared to a target of 10. Projects include the setting up of (i) the infrastructure required for an Electrical Energy and Efficiency laboratory at the UoM, (ii) materials characterisation and rapid prototyping facility, and (iii) a laboratory cluster for research in the electromagnetic fields.  (iii) 3 start-up businesses supported (all in 2011) compared to a target of 35. The positive results achieved are mainly attributable to Small start-up grant scheme that aims to support the growth of new enterprises with less than 50 employees.
Transport	Km of road upgraded	Notwithstanding the progress made under Cohesion Fund 117 (Improvement of the Ten-T road infrastructure – phase I), the indicator shows that 0 km of road have been upgraded compared to a target of 20 km. Progress in this regard is expected to be registered upon project completion already in 2012.
Environment and energy	No. of storm water management (risk prevention) projects	The implementation of the <i>NFR Project</i> is responsible for the achievement of 1 storm water management (risk prevention) project. The target [of 1] has been met.
Territorial development (urban areas, tourism, rural development, cultural heritage, health, public security, local development)	(i) No. of assisted tourism and cultural projects  (ii) No. of projects ensuring sustainability and improving the attractiveness of towns and cities  (iii) No. of projects [health]  (iv) Pupils/students/trainees benefitting from u upgraded and modernised facilities/services (per annum)	(i) 17 tourism and cultural projects have been assisted (an improvement of 5 over 2010) compared to a target of 20. Projects responsible for this achievement include, among others, restoration works of historical fortifications and the War Museum in Birgu as well as the building of an aquarium and landscaping works in Qawra. Various other projects were implemented on the island region of Gozo.  (ii) The sustainability/attractiveness of 1 town/city was achieved compared to a target of 3. This pertains to ERDF 104 which relates to 3 Cottonera cities. Notwithstanding this, changes to OP I will reduce this target to the 1 (already achieved).  (iii) 2 health projects have been implemented with the target set having been met. Investments have been made in the Gozo health centre including the purchasing of equipment providing Gozitans with CT scanning and mammography imaging reducing the need for them to be transferred to the general hospital in Malta for such services.  (iv) 18,752 students are benefitting from upgraded and modernised facilities compared to a target of 25,000. This reflects an improvement of 8,447 students in 2011. Among others, this target was achieved through the upgrading of labs in two MCAST institutes, infrastructural development of the Junior College Building extension as well as the furnishing of school laboratories with science equipment.

In the following table the experts provide an assessment of the relevance of the outcomes recorded with respect to the policy objectives set as well as an assessment of the adequacy of targets set. The indicators chosen are by no way exhaustive but are considered to be indicative of the country's needs in relation to the potential which may be achieved by the OP.

**Table 2 - Outcomes and Targets by PA**

PA	Relevant indicators	Are the outcomes in line with the policy objectives set?	Are these policy objectives reflected in the specific targets set in relation to indicators?	Are these targets meaningful in relation to the funding allocated to the area concerned?
PA 5	% decrease in national sewerage effluent discharge	Better waste treatment is an important contribution to the improvement of Malta's environment. Adequate progress has been made in terms of waste water treatment with the outcomes achieved so far being in line with policy objectives set. Progress is still required in terms of landfills rehabilitated with no achievements as yet registered on this front.	Objectives are reflected in specific targets since the reduction in sewerage effluent discharge and saving of landfilling volumes are key indicators in the achievement of the policy targets set and are given prominence in the OP. The importance of clean bathing water for tourism is vital as well as the process of deriving water which can be further polished for recycling is also important given the pressures on groundwater abstraction in Malta.	The targets are consistent with the funding allocated to the projects through which they are intended to be achieved.
	No. of landfills rehabilitated			
PA 6	Pupils/students/trainees benefitting from upgraded and modernised facilities/services p.a. (core)	Approximately 23% of Malta's total student population is now benefitting from modernised facilities (i.e. 19,000 out of a total number of 83,000 students). As a result, human resource formation has been improved which implies that the policy objective is on track to being achieved.	The target of 25,000 is considered to be suitable given the progress made and the current student population.	More resources earmarked to address this target is more likely to affect the quality of the interventions made rather than the number of students targeted. The amount of funding allocated is still helping to achieve positive results on this front and is therefore considered satisfactory. Projects are well underway at UoM and MCAST and good progress is being achieved on this front.
	No. of projects ensuring sustainability and improving the attractiveness of towns and cities (core)	The achievement represents a project in an area that is in strong need of such regeneration and is therefore in line with Malta's policy objectives. However, there are a number of other areas in Malta that would strongly benefit from this type of intervention and are not currently being targeted.	Since the target has gone down from 3 to 1, following recent revisions to OP I, this intervention is neglecting the needs of other areas in the country.	The funding allocated has already helped to achieve the target set.

PA	Relevant indicators	Are the outcomes in line with the policy objectives set?	Are these policy objectives reflected in the specific targets set in relation to indicators?	Are these targets meaningful in relation to the funding allocated to the area concerned?
PA 1	No. of RTDI projects (core)	These two indicators are considered to be the best measure to assess the penetration of the funds in the local economy and their potential positive supply side effects. RTDI achievements are being registered satisfactorily with 9 out of a target of 10 projects completed. With respect to SMEs, the total target of SMEs receiving grants and loan guarantees is 950. Currently, 291 are availing of grants and 179 of the FLPG scheme. Given the late start of these schemes, particularly the loan guarantee scheme, and the knowledge of the successful implementation of the FLPG scheme, achievements are considered to be in line with policy objectives set.	A target of 10 RTDI projects seems to be low for Malta given the inadequate infrastructure that currently exists in this field. However, given the country's low capacity for engaging in such projects, we also believe it to be a realistic one.	RTDI projects appear to be well funded.
	No. of SMEs supported (through grants and loan guarantees)		950 SMEs to be targeted is considered to be a significant number for Malta where the population of SMEs is approximately 65,000 in total.	PA 1 is one of the least funded of the PA and for which there appears to be a strong demand by SMEs. Therefore funding may not be enough to achieve the policy intentions for this sub-category.
PA 2	No. of assisted tourism and cultural projects (core)	The outcomes are in line with the policy objectives set since 17 out of a targeted 20 interventions are being made with a focus on Gozo which helps to address regional constraints.	The policy objective is to attract sustainable tourism but there is no indicator targeting accessibility (cost and availability of flights) which is a key element to attracting tourism to Malta.	Funding seems to be sufficient – projects are being implemented and are visible on the ground.
PA 3 + PA 6	Km of roads upgraded (TEN-T for PA 3 (core) and other under PA 6)	This is a key need for the development of the country. Currently the outcome of this indicator is 0 km under PA 3, although progress is being registered and will appear in the indicator upon the total completion of the projects, and 6.2 km under PA 6. which is close to the target	The policy objective is to improve connectivity (e.g. to/from airport and seaports) and the target of 20 km of TEN-T roads and 7 km of other roads reflect the country's needs.	Funding is sufficient in relation to the targets set.
PA 4	Total annual electricity generated from small scale RES installations	The outcome is in line with the policy objective for the country given Malta's requirement to produce 10% of its energy component from renewable sources by 2020. The achievement so far contributes approximately 0.4% of the country's electricity consumption.	The target has been set at a low level at the start of the programming period (when compared to the EU 2020 RES target) because of greater emphasis on mitigation.	Funds allocated have been sufficient in achieving the targets set.

As discussed earlier on, youth unemployment is not a priority for policy in Malta, while SME access to finance has been abetted through the implementation of a FLPG scheme.

The expenditure financed is, in the most part, resulting in the intended positive effects on the local economy. However, this improvement is being felt in varying degrees also due to the scale of certain projects which often affects completion times. In the areas of education and waste management, for instance, improvements are already visible. With respect to the former, substantial investment was witnessed at the UoM and MCAST resulting in better education facilities that is being enjoyed by approximately 23% of the total student population in Malta. In the case of water waste treatment, improvements in sewage treatment has had notable effects on the quality of bathing water with benefits to the quality of life of locals as well as tourists visiting the Maltese islands. The strong take up of RES schemes also led to positive effects on firms and households as well as on the environment at large.

Significant investment is being made in road transport (particularly through the TEN-T projects), health, RTDI and urban regeneration, among others, although several projects are not yet complete. Progress is, however, being registered in the works being done and these are expected to result in the availability of better road networks, better health services, better RTDI infrastructure, as well as a much needed investment in the Cottonera urban area. In addition, particularly with respect to RTDI, the creation of the necessary infrastructure is expected to reap greater benefits to the local economy once actual research projects are undertaken. Lastly in certain areas, such as in assistance given to SMEs, the implementation of a small number of flagship SME projects is expected to lead to greater multiplier effects in the future.

Substantial improvement was registered in the qualitative information provided within the 2011 AIR when compared to that submitted for 2010. The improvement mainly reflects a better and more detailed description of the projects, by PA, that have been completed in the year under review as well as those that are currently under implementation which facilitates the analysis carried out when assessing what the achievements per indicator actually refer to. Although this is true, this mapping exercise is not always so straight forward and it would be useful to have an indication (even within a footnote) of the projects that have led to the results reported per annum. This is already done for some but not in a consistent manner. In addition, where achievements took place in the years prior to 2011, this mapping exercise is hard to be undertaken since a qualitative description of projects undertaken prior to the year under review is not provided. Lastly, for part of the analysis required, use had to be made of the lists of projects and aid schemes published by the MA on its website<sup>49</sup> when details of projects by funding, PA, as well as commencement and estimated date of completion is required. Certain specific indicators are still characterised by a degree of subjectivity in measurement and interpretation. For instance in assessing the “No. of upgraded industrial zones”, one is not clear what is meant by an “upgrade”. In addition, the baseline for each indicator is often not provided and when it is, it is at times inconsistent with the definition of the indicator itself, as explained earlier.

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<sup>49</sup> [http://www.ppcd.gov.mt/projects\\_07\\_13](http://www.ppcd.gov.mt/projects_07_13)



### 3. EFFECTS OF INTERVENTION

Main points from previous country report:

- The areas that have been mostly targeted and benefitted most so far were education, tourism and energy efficiency. SMEs have also benefitted from a number of aid schemes.
- Measures targeting education and training under **PA 6** of OP I have focussed extensively on infrastructural development within the educational field. Apart from improving economic development, it also led to an improvement in the quality of life for Maltese citizens who are given access to better educational facilities, encouraging them to further their education and exposing them to better job opportunities. Female participation rates in the labour market are further encouraged through the creation of childcare facilities, also under PA 6.
- Through **PA 1** SMEs are benefitting from the possibility to develop R&I opportunities that will help to improve Malta's total factor productivity and potential growth prospects. Private investment is also being directly addressed through the various aid schemes as well as indirectly by improving human capital as well as capital infrastructure.
- The investment being made under **PA 4 and 5** that target energy efficiency and the environment also allow citizens to enjoy cleaner air as well as safer and cleaner water. The incentives being offered to firms to invest in RES is allowing them to reduce their dependence on imported oil for energy leading to enhanced competitiveness.
- Lastly, EU funding is also assisting Malta to meet its **longer-term challenges**, as outlined by the EC<sup>50</sup>.

#### *Recent developments*

In addition to the projects and achievements mentioned in the 2011 EEN, the contribution to Malta's development and the quality of life for locals as a result of the projects implemented are various. The substantial acceleration in payments that took place in 2011<sup>51</sup>, which is up by 63% over a year earlier, and amounts to approximately 1.3% of Malta's GDP, had obvious positive effects on Malta's economy from a short-term cyclical perspective particularly in counter-acting the slowdown experienced in economic activity following the rebound experienced in 2010.

However, the longer term effects of project implementation can only be assessed upon completion of certain projects. Currently, certain projects are still at development stage and have not yet been finalised, for instance in the case of various road infrastructure and health projects. In some other cases, for instance in the case of RTDI infrastructure, though a lot of the investment has already been undertaken, benefits are truly reaped once research projects will be carried out. In other cases, initiatives have greater effects on the local economy than what is actually seen at face value, for instance in the case of investments in RES (with benefits ranging from environmental improvement to competitiveness amelioration) as well as enterprise support with obvious spill-over effects to the economy in terms of innovation as well as job

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<sup>50</sup> European Commission (2012), "Recommendation for a Council Recommendation on Malta's 2012 national reform programme and delivering a Council opinion on Malta's stability programme for 2012-2015", May 2012, Brussels. This refers to the latest EC recommendations. A similar assessment was carried out in 2011 with the recommendations remaining broadly unchanged.

<sup>51</sup> Refer to Annex Table C

creation. In addition, the FEI implemented in 2011, will give rise to a loan value amounting to EUR 51.0 million albeit the holding fund valued at EUR 10 million.

EU support under Cohesion policy is also helping Malta to meet other major long-term challenges including increased competition resulting from globalisation through various support schemes to SMEs, energy security through an initial contribution within the current programming period to the creation of an interconnector with Sicily, as well as addressing climate change pressures through the various RES schemes and national flood water project. In addition, the change in focus of PA 4 solely to climate change, clearly demonstrates the MA's commitment towards this area.

#### 4. EVALUATIONS AND GOOD PRACTICE IN EVALUATION

Two evaluations have so far been carried out on OP I during the current programming period, namely the ex-ante and mid-term evaluations, as reported in the 2010 and 2011 EEN reports. Technical assistance is availed of for the undertaking of evaluations. To an extent, local regulations on government employment limit the extent to which technical assistance is being utilised for financing human resources. As a result, the MA itself did not undertake evaluations during the current programming period but chose to focus more of its efforts on monitoring the program whilst leaving its evaluation to external sources, funded through PA 7 of OP I. There are no indications of plans being made to carry out further evaluations during the current programming period other than the ex post evaluation of the OP I 2007-2013.

The Evaluation Plan for 2007-2013 has been revised and presented to the OP I MC on the 17th November 2011<sup>52</sup>. Though the original aims<sup>53</sup> of the Evaluation Plan are still relevant to date, the MA felt the need to revise the plan for a better alignment to the actual status of the Programmes' implementation, to reflect the progress achieved on the MTE and also to reflect some decisions taken on the content of the Thematic Evaluation.

The changes made to the Evaluation Plan, relevant to OP I, are the following:

- Update on the activities related to the 2004-2006 programming period to include evaluations undertaken from 2008 to 2010;
- Update of evaluation activities undertaken so far, including the MTE;
- Revision to the Plan and instead of holding two thematic evaluations<sup>54</sup>, it was decided to combine them in one evaluation in order to be more efficient, to reduce costs and delays as well as the administrative burden. This evaluation will be carried out in 2012 and updated in 2015 by the same contractor; and
- Revised budget in order to reflect current market prices (following the experience with the MTE).

As already mentioned, other than the ex-ante and mid-term evaluations no other formal evaluations have as yet been carried out to assess cohesion policy performance in the current

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<sup>52</sup> PPCD (2011), "Evaluation Plan Review", presentation delivered to the MC in November 2011, Malta

<sup>53</sup> These were to provide a framework for the evaluation of the two OPs and to contribute more to the evaluation capacity development in Malta.

<sup>54</sup> The two planned ex post evaluations were (i) Evaluation of increased Competitiveness through OPI supported initiatives; and (ii) Evaluation of enhanced Quality of Life through OPI supported initiatives.

programming period. Details of the ex-ante evaluation were provided in the 2010 EEN report whereas the mid-term evaluation was assessed in great detail in the 2011 EEN report following its publication in April 2011. As a result, no examples of evaluations that exemplify good practice, since the preparation of the 2011 EEN report, can be provided.

The 2011 AIR, however, reports on a number of studies and external assessments undertaken during 2011 which, although not commissioned by it, the MA has participated in. These include:

1. *ERDF innovation supported evaluation*: a study commissioned by DG Regio on activities related to innovation support instruments co-funded by ERDF which will form an input for future guidance on innovation relations evaluations to be made available to all ERDF MAs.
2. *More effective and concentrated Cohesion policy in the context of EU2020 objectives*: participation in two questionnaires assessing the usefulness of evaluation studies and analysis as well as the context of the evaluation system in Malta.
3. *Implementation of articles 11 and 16 of the General Fund Regulation in OPs and projects co-funded by ERDF*: the study undertaken aims to understand how key aspects of the EU Cohesion policy (particularly the implementation of articles dealing with non-discrimination and accessibility for persons with disabilities) are working in practice.
4. *EEN*: assessing developments in implementing Cohesion and Structural funding till 2010.
5. *Performance audit concerning the use of Structural Funds for energy efficiency*: The European Court of Auditors carried out a study regarding funds drawn from ERDF and CF allocated to energy efficiency as well as data concerning planned and actually achieved energy efficiency savings resulting from ERDF and CF projects in different energy efficiency sectors.
6. *Effective management of EU Structural Funds*: a survey was compiled identifying the most effective ways of managing and simplifying EU Structural Funds, identify best practices in reducing administrative burden and identify the best practices of Information Technologies and Information Systems usage for the management of EU Structural Funds.

The results of the formal evaluations commissioned by the MA and their recommendations were in part taken on board by the MA. With respect to the most recent evaluation, namely the MTE, a number of recommendations were made as noted earlier. Although the MA partly criticises some of the recommendations, as reported in the 2011 EEN report, firstly for not identifying problems that were the most pressing concerns and secondly for not always developing sufficiently well the recommendations made, when the MTE was completed the MA immediately started an internal assessment to incorporate a number of these recommendations. As a result, OP changes were proposed to the MC members in November 2011 with an updated version of OP I published in May 2012. Two recommendations are reported, in the 2011 AIR, to have been taken into account, namely:

1. Changes to Chapter 4 of OP I, namely changes undertaken to PA 1, reflect the recommendation made in the MTE to include more initiatives (projects) in support of science popularisation with the purpose to increase the potential S&T pool and in the long-term strengthen the R&D base for Malta. The axis now includes additional text to enable the anchoring of potential projects within the OP. A new operational objective as well as a new output indicator have also been added.
2. The MTE also made recommendations with respect to speeding up the programme implementation including by minimising bottlenecks at disbursement stage. As a result, in

order to accelerate the time lag between the verification by the MA and the certification by the CA, the CA started carrying out checks concurrently with the MA. Soon after the MA verifies the expenditure, the CA sends out the results of its verification and asks the MA for clarifications in order to conclude and verify expenditure as soon as possible.

Plans to carry out evaluations over the remaining of the programming period relate to the drawing up of an ex post evaluation. In fact during 2011, the MA prepared the draft tender dossier for the combined Thematic Evaluation entitled "*Thematic Evaluation: Assessment of the Contribution of OP I Initiatives to Competitiveness and Improvement of Quality of Life*". As described earlier, the objective of this document is to have one thematic evaluation assessing the contribution of selected projects currently under implementation in two separate aspects, namely competitiveness and quality of life improvement.

Such thematic evaluation will mainly assess:

1. The contribution of OP I interventions towards sustaining and perhaps even increasing Malta's competitiveness. This will be assessed by studying the effects of the Programme's interventions on (public) infrastructure, investment (including foreign) and job creation, competitiveness of enterprises (particularly SMEs), the national capacity (including infrastructural) for RTDI and S&T, enhancement of tourism product (particularly niche areas) and the relevant improved transport connection facilities;
2. The contribution of OP I interventions towards the overall improvement of the quality of life of the Maltese citizens. This will be assessed by studying the effects of interventions in the environment, climate change and energy, educational, social and health infrastructure, as well as e-accessibility sectors;
3. The output and result indicators and any monitoring data and include an assessment of impact indicators and (the likelihood of) their achievement as well as any underlying reasons for over/under performance;
4. The identification of potential actions where the ERDF and Cohesion Fund could intervene and which are possibly not yet addressed by the current Programme; recommend how the actions which are being undertaken could be strengthened in future Programmes; and identify some examples of good practice; and
5. The contribution of OP I initiatives to competitiveness and improved quality of life in relation to the cross-cutting horizontal themes of Equal Opportunities and Environmental Sustainability.

The thematic evaluation is therefore very broad in scope, including most areas of OP, and will assist in preparing future priorities under the next programming period.

## **5. FURTHER REMARKS - NEW CHALLENGES FOR POLICY**

Main points from previous country report:

- The small size of the local economy explains a number of deficiencies and also provides scope for a number of recommendations.
- Various developments that have taken place in the international scenario and Malta's proportionately higher exposure to these shocks, results in the need to adopt more flexibility in the manner in which funds are allocated during the programming period.

- Some of the bottlenecks to policy implementation are very hard to address given that they are, in most part, inherent characteristics of a small economy. These problems can be reduced at strategy level where it is important to avoid the implementation of small and disjointed projects so as to reduce the incidence of administrative and regulatory burdens.
- Concerns have also been raised about the effectiveness of the indicators in place including their timeliness, difficulties in adopting a one-size-fits-all approach for core indicators, and targets being set too low for fear of non-achievement.
- Given the lack of an evaluation culture in Malta, and existing regulations on government employment that limit the extent to which technical assistance is being availed of for financing human resources, formal evaluations are generally seen as an onerous task. Notwithstanding this, evaluations carried out seem to be appropriate for the scale of the local economy given the well-connected feedback loops that exist between design, monitoring and policy implementation.

### *Recent developments*

The challenges for policy as outlined in the 2011 EEN report remain, in the most part, relevant today particular where inherent characteristics related to the small size of the local economy are concerned. These result in greater exposure to economic shocks as well as various bottlenecks at implementation stage due to, among others, higher per capita costs and difficulties pertaining to recruiting and retaining qualified personnel at MA, IB as well as beneficiary level.

Additional challenges have also emerged in recent months with respect to the application for projects containing a state aid element, which gained particular importance following a recent court case judgement<sup>55</sup>. As a result, projects involving the production of electricity are being subjected to a greater degree of scrutiny in terms of their potential distortionary effects, causing delays, uncertainties in the application process and, potentially, the rejection of projects from funding. The conclusion of discussions with the EC on the types of state aid that are acceptable and those that are not will assist in speeding up this process. The uncertainty caused by such interruptions is putting many projects, planned to be implemented by the MA, on hold at this current juncture.

The uncertainty resulting from the funding gap is also posing challenges at policy implementation stage. These uncertainties are twofold; firstly, differences often materialise between planned expenditure and actual absorption of funds on major projects with funding often being less than that expected; and secondly uncertainty also accrues with respect to the actual approval or otherwise of applications made for projects. In the case of the former, this results in surplus funds which have to be relocated to new projects within the same PA or shifted to another PA altogether. Fixed funding rates could stimulate more efficiency through greater certainty and better planning of funding allocations.

Changes to OP I, particularly with respect to the transfer of funds between PAs as mentioned extensively throughout the report, could also cause problems in the programme's

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<sup>55</sup> This relates to the Joint Cases T-455/08 Flughafen Leipzig-Halle GmbH and Mitteldeutsche Flughafen AG c/ Commission and T-443/08 Freistaat Sachsen and Land Sachsen-Anhalt c/ Commission

implementation particularly since it releases funds that have to be committed within a set time frame agreed upon with the EC. As a result, a disproportionate effort will have to be made by the MA in the current and next year particularly in those PAs that experienced an increase in funds allocated in order to ensure that targets set at the start of the programming period are met.

Lastly, the work currently being carried out on the new programming period may hinder progress made in the coming months. However, the MA is setting up a new team within the policy directorate to focus specifically on the programming of the new funding framework whereas the existing team will focus more of its efforts on the implementation of projects under the current programming period.

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### Web-links

- NSO GDP data: [http://www.nso.gov.mt/statdoc/document\\_file.aspx?id=3401](http://www.nso.gov.mt/statdoc/document_file.aspx?id=3401)
- NSO Regional GDP data: [http://www.nso.gov.mt/statdoc/document\\_file.aspx?id=2925](http://www.nso.gov.mt/statdoc/document_file.aspx?id=2925)
- Eurostat Youth Unemployment data: [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une\\_rt\\_a&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_rt_a&lang=en)

## INTERVIEWS

Mr Jonathan Vassallo Director General Planning and Priorities Coordination Department

**ANNEX – TABLES**

See Excel Tables 1 -4:

Excel Table 1 – Regional disparities and trends

Excel Table 2 – Macro-economic developments

Excel Table 3 - Financial allocation by main policy area

Excel Table 4 - Commitments by main policy area (by end-2011)

**Annex Table A - Allocation of total funds 2010-2011 by Priority Axis**

Priority Axis	Allocation (EUR million)	
	2011	2010
1. Enhancing Knowledge and Innovation	120.0	120.0
2. Promoting Sustainable Tourism	120.0	120.0
3. Developing the TEN-T	169.0	169.0
4. Mitigation and Adaptation to Climate Change	121.0	121.0
5. Safeguarding the Environment	165.3	165.3
6. Urban Regeneration and Improving the Quality of Life	149.0	149.0
7. Technical Assistance and Administrative Capacity Building	12.3	12.3
Total	856.6	856.6

**Annex Table B - Commitments of total funds by Priority Axis 2010-2011**

Priority Axis	Commitment				
	2011 (EUR million)	2010 (EUR million)	% change	Progress Ratio	
				% of allocation	
			2011-2010	2011	2010
1. Enhancing Knowledge and Innovation	108.4	105.7	2.6	90.3	88.1
2. Promoting Sustainable Tourism	78.5	77.3	1.6	65.4	64.4
3. Developing the TEN-T	78.7	82.4	-4.5	46.6	48.7
4. Mitigation and Adaptation to Climate Change	85.3	81	5.3	70.5	67.1
5. Safeguarding the Environment	104.3	104.3	0.0	63.1	63.1
6. Urban Regeneration and Improving the Quality of Life	141.5	133.6	5.9	95.0	89.6
7. Technical Assistance and Administrative Capacity Building	12.3	12.3	0.0	100.0	100.0
Total	609.0	596.7	2.1	71.1	69.7



**Annex Table C - Payments by Priority Axis 2010-2011**

Priority Axis	Payments						
	2011 (EUR million)	2010 (EUR million)	% change	Utilisation Ratio		Disbursement Ratio	
				% of allocation		% of commitment	
			2011-2011	2011	2010	2011	2010
1. Enhancing Knowledge and Innovation	41.9	25.9	61.8	34.9	21.6	38.7	24.5
2. Promoting Sustainable Tourism	27.1	7.1	281.7	22.6	5.9	34.5	9.2
3. Developing the TEN-T	16.6	2.0	730.0	9.8	1.2	21.1	2.4
4. Mitigation and Adaptation to Climate Change	10.9	2.5	336.0	9.0	2.1	12.8	3.1
5. Safeguarding the Environment	67.9	63.4	7.1	41.1	38.4	65.1	60.8
6. Urban Regeneration and Improving the Quality of Life	44.6	27.5	62.2	29.9	18.5	31.5	20.6
7. Technical Assistance and Administrative Capacity Building	2.8	1.7	64.7	22.8	13.4	22.8	13.4
<b>Total</b>	<b>211.9</b>	<b>130.1</b>	<b>62.9</b>	<b>24.7</b>	<b>15.2</b>	<b>34.8</b>	<b>21.8</b>

**Annex Table D - Certified expenditure and implementation rates 2010-2011**

Priority Axis	2010			2011		
	Total amount of certified eligible expenditure paid by beneficiaries (EUR million)	Corresponding public contribution (EUR million)	Implementation rate (%)	Total amount of certified eligible expenditure paid by beneficiaries (EUR million)	Corresponding public contribution (EUR million)	Implementation rate (%)
1. Enhancing Knowledge and Innovation	15.3	15.3	12.8	34.1	34.1	28.4
2. Promoting Sustainable Tourism	3.7	3.7	3.1	21.4	21.4	17.9
3. Developing the trans-European network for transport	1.7	1.7	1.0	10.5	10.5	6.2
4. Mitigation and adaptation to climate change	0.7	0.7	0.6	8.7	8.7	7.2
5. Safeguarding the environment	60.0	60.0	36.3	65.3	65.3	39.5
6. Urban regeneration and improving quality of life	14.9	14.9	10.0	41.7	41.7	28.0
7. Technical Assistance	0.4	0.4	3.2	2.0	2.0	16.2
<b>Total</b>	<b>96.6</b>	<b>96.6</b>	<b>11.3</b>	<b>183.8</b>	<b>183.8</b>	<b>21.5</b>

**Annex Table E - Allocated Community Funds by Priority Them - Commitments by end-2011**

Priority theme	Sub-category	Allocated Community Funds (EUR million)	Priority theme (% of total)	Sub-category (% of total)
1. Enterprise environment	RTDI and linked activities	45.6	17.2	8.9
	Innovation support for SMEs	23.7		4.6
	ICT and related services	15.1		2.9
	Other investment in firms	4.3		0.8
2. Human resources	Education and training	0.0	0.0	0.0
	Labour market policies	0.0		0.0
3. Transport	Rail	0.0	19.5	0.0
	Road	71.8		14.0
	Other transport	28.5		5.5
4. Environment and energy	Energy infrastructure	30.4	33.6	5.9
	Environment and risk prevention	142.5		27.7
5. Territorial development	Social Infrastructure	68.7	27.6	13.4
	Tourism and culture	63.1		12.3
	Planning and rehabilitation	10.2		2.0
	Other	0.0		0.0
6. Technical assistance		10.5	2.0	2.0
		514.3	100.0	100.0

**Annex Table F - Broad policy areas and correspondence with fields of intervention (FOI**

Policy area		Code	Priority themes
1. Enterprise environment	RTDI and linked activities	01	R&TD activities in research centres
		02	R&TD infrastructure and centres of competence in a specific technology
		05	Advanced support services for firms and groups of firms
		07	Investment in firms directly linked to research and innovation (...)
		74	Developing human potential in the field of research and innovation, in particular through post-graduate studies ...
	Innovation support for SMEs	03	Technology transfer and improvement of cooperation networks ...
		04	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)
		06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (...)
		09	Other measures to stimulate research and innovation and entrepreneurship in SMEs
		14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)
		15	Other measures for improving access to and efficient use of ICT by SMEs
	ICT and related services	11	Information and communication technologies (...)
		12	Information and communication technologies (TEN-ICT)
		13	Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)
	Other	08	Other investment in firms

Policy area		Code	Priority themes
	investment in firms		
2. Human resources	Education and training	62	Development of life-long learning systems and strategies in firms; training and services for employees ...
		63	Design and dissemination of innovative and more productive ways of organising work
		64	Development of special services for employment, training and support in connection with restructuring of sectors ...
		72	Design, introduction and implementing of reforms in education and training systems ...
		73	Measures to increase participation in education and training throughout the life-cycle ...
	Labour market policies	65	Modernisation and strengthening labour market institutions
		66	Implementing active and preventive measures on the labour market
		67	Measures encouraging active ageing and prolonging working lives
		68	Support for self-employment and business start-up
		69	Measures to improve access to employment and increase sustainable participation and progress of women ...
		70	Specific action to increase migrants' participation in employment ...
		71	Pathways to integration and re-entry into employment for disadvantaged people ...
		80	Promoting the partnerships, pacts and initiatives through the networking of relevant stakeholders
	3. Transport	Rail	16
17			Railways (TEN-T)
18			Mobile rail assets
19			Mobile rail assets (TEN-T)
Road		20	Motorways
		21	Motorways (TEN-T)
		22	National roads
		23	Regional/local roads
Other transport		24	Cycle tracks
		25	Urban transport
		26	Multimodal transport
		27	Multimodal transport (TEN-T)
		28	Intelligent transport systems
	29	Airports	
	30	Ports	
	31	Inland waterways (regional and local)	
	32	Inland waterways (TEN-T)	
4. Environment and energy	Energy infrastructure	33	Electricity
		34	Electricity (TEN-E)
		35	Natural gas
		36	Natural gas (TEN-E)
		37	Petroleum products
		38	Petroleum products (TEN-E)
		39	Renewable energy: wind

Policy area		Code	Priority themes
		40	Renewable energy: solar
		41	Renewable energy: biomass
		42	Renewable energy: hydroelectric, geothermal and other
		43	Energy efficiency, co-generation, energy management
	Environment and risk prevention	44	Management of household and industrial waste
		45	Management and distribution of water (drink water)
		46	Water treatment (waste water)
		47	Air quality
		48	Integrated prevention and pollution control
		49	Mitigation and adaption to climate change
		50	Rehabilitation of industrial sites and contaminated land
		51	Promotion of biodiversity and nature protection (including Natura 2000)
		52	Promotion of clean urban transport
		53	Risk prevention (...)
54	Other measures to preserve the environment and prevent risks		
5. Territorial development	Social Infrastructure	10	Telephone infrastructure (including broadband networks)
		75	Education infrastructure
		76	Health infrastructure
		77	Childcare infrastructure
		78	Housing infrastructure
		79	Other social infrastructure
	Tourism and culture	55	Promotion of natural assets
		56	Protection and development of natural heritage
		57	Other assistance to improve tourist services
		58	Protection and preservation of the cultural heritage
		59	Development of cultural infrastructure
	60	Other assistance to improve cultural services	
	Planning and rehabilitation	61	Integrated projects for urban and rural regeneration
	Other	82	Compensation of any additional costs due to accessibility deficit and territorial fragmentation
83		Specific action addressed to compensate additional costs due to size market factors	
6. Technical assistance		84	Support to compensate additional costs due to climate conditions and relief difficulties
		81	Mechanisms for improving good policy and programme design, monitoring and evaluation ...
		85	Preparation, implementation, monitoring and inspection
		86	Evaluation and studies; information and communication