



ISMERI EUROPA



**EXPERT EVALUATION NETWORK  
DELIVERING POLICY ANALYSIS ON THE  
PERFORMANCE OF COHESION POLICY 2007–2013  
YEAR 1 – 2011**

**TASK 2: COUNTRY REPORT ON ACHIEVEMENTS OF  
COHESION POLICY**

**MALTA**

**VERSION: FINAL**

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

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## LIST OF ABBREVIATIONS

- AIR Annual Implementation Report
- CA Certifying Authority
- DAS Departmental Accounting System
- DG Regio Directorate–General Regional Policy
- DoC Department of Contracts
- DSWS Department for Social Welfare Standards
- EC European Commission
- EIA Environmental Impact Assessment
- EIF European Investment Fund
- ENPI European Neighbourhood Partnership Instrument
- ERDF European Regional Development Fund
- ESF European Social Fund
- ESPON European Observation Network, Territorial Development and Cohesion
- ETC Employment and Training Corporation
- FTE Full–Time Employee
- GDP Gross Domestic Product
- IB Intermediate Body
- IBSC Intermediate Bodies’ Steering Committee
- ICT Information & Communication Technology
- IP Intellectual Property
- JEREMIE Joint European Resources for Micro to Medium Enterprises
- MA Managing Authority
- MC Monitoring Committee
- MCAST Malta Council for Arts, Science and Technology
- ME Malta Enterprise
- MEPA Malta Environment and Planning Authority
- MFEI Ministry of Finance, Economy and Investment
- MPSC Ministerial Project Steering Committee
- MTE Mid–Term Evaluation
- NGO Non–Governmental Organisation
- NRP National Reform Programme
- NSRF National Strategic Reference Framework
- NUTS Nomenclature of territorial units for statistics
- OP Operational Programme
- PA Priority Axis
- PPR Project Progress Report
- PPS Principal Permanent Secretary
- PSC Project Selection Committee
- R&D Research & Development

- RTDi Research, Technological Development and innovation
- SFD Structural Funds Database
- SMEs Small and Medium Enterprises
- SP Stability Programme
- TEN-T Trans-European Network for Transport
- TSDU Tourism and Sustainable Development Unit

## EXECUTIVE SUMMARY

Malta is the smallest of the EU member states both by population as well as geographic size. This characteristic is one that has influenced a number of aspects of Cohesion Policy in the country. Firstly, the whole Maltese archipelago is considered as one region at NUTS I and II levels. Second, at a local level, regional policy is limited with most national policy documents addressing the entire country, noting however the specific characteristics of the island of Gozo. The smallness of the economy results in the country being greatly exposed to external shocks, not least the recent economic recession. Although this is true, over the past decade Malta has built up its resilience against these shocks by diversifying its economic structure and shifting from traditional manufacturing activities to more lucrative, higher value added manufacturing and services activities that has helped to wither the economic storm. As a result, the deterioration in economic growth and public finances was contained in comparison to the EU average.

Malta's strategy for Cohesion Policy is presented in its National Strategic Reference Framework (NSRF) 2007–2013 with projects outlined in two operational programmes. Malta has been allocated EUR 728.1 million under OP I (European Regional Development Fund (ERDF) and Cohesion Fund) with total funds amounting to EUR 856.6 million when including the Malta funds under co-financing. Around 38% of funds have been allocated to environment and energy, 25% to transport, 22% to territorial development and 13% to enterprise environment. Although changes to the financial allocation have occurred across measures within priority axis, no changes in allocation have taken place by priority axis over the past year, thereby leaving the overall strategy adopted by the local authorities broadly unchanged.

With regard to policy implementation, 2010 saw a substantial improvement in the amount of funds committed that has increased by 39% over the previous year and stood at EUR 597 million (or 70% of allocated funds) at the end of 2010. The priority axes concerning knowledge and innovation as well as urban regeneration and improved quality of life show the highest percentage of committed-to-allocated funds at 88.1% and 89.6% respectively. Improvement has also been registered in the amount of disbursements made with EUR 98.7 million disbursed solely last year, reflecting a tripling in the level of disbursements over the total till December 2009, and constitutes 20% of all funds committed. Although substantial improvement has been made over a year earlier, the level of disbursements is still considerably low for most of the priority axes. Problems to the programme's implementation mainly reflect Malta's size limitations resulting in proportionately higher administrative burdens. These problems are hard to overcome since they result from inherent characteristics related to Malta's geographic size.

As at the end of 2010, the Annual Implementation Report (AIR) reports positive results for seventeen output indicators and seven result indicators, eight of which are core indicators. Ten of the output indicators and six of the result indicators only began showing positive

results in 2010. The majority (6) of these indicators target Priority Axis (PA) 1, three relate to PA 2, four to PA 4, and four to PA 6. In addition, the AIR 2010 describes the results of eight impact indicators that also reflect the achievements of the OP I till December 2010. A total of three indicators recorded positive achievements in 2010, with only one of these already witnessing results last year.

These achievements reflect the projects that have been completed or are soon drawing completion with education and research, as well as energy infrastructure having had the most positive effects on Malta's socio-economic development so far. In addition, SMEs have benefitted from a number of aid schemes that have helped them to better overcome the economic downturn. These same areas together with the environment are expected to provide additional benefits to the Maltese society at large with projects soon nearing completion under these axes. In addition improvements of Malta's road infrastructure are visible although achievements will only be witnessed once the projects are completed. On the other hand, the positive interventions on the tourism sector did not give rise to the expected results since the negative impact of the recession was proportionately larger for this sector. Most policy interventions, assisted by EU funds, have helped raise the quality of life of locals and address their long-term challenges.

The main findings of the Mid-Term Evaluation (MTE) of the OP I 2007-2013 carried out by KPMG Malta were presented under three broad headings - relevance, efficiency and effectiveness. With regard to the former, the evaluators found the OP I to be suitable in tackling the main structural problems facing the local economy but suggested a number of areas where they believe further coverage is required. With regard to efficiency, the evaluators concluded that the process leading to project selection does not result in major bottlenecks although problems are visible in the actual utilisation of the funds as a result of a relatively low approval ratio and disbursement levels. Lastly, the evaluators mention that there has been general underperformance in the actual achievement reported by the impact indicators, although they believe this to be partly related to measurement problems. Based on this assessment, a number of recommendations were drawn up.

The main challenges of Cohesion Policy in Malta can be broadly summarised below:

- The proportionately higher exposure of Malta to external shocks results in funding allocations requiring changes to reflect new economic and social conditions;
- Policy implementation is conditioned by constraints in capacity and expertise, as well as higher per capita administrative burdens;
- Core indicators that gauge achievements across the EU member states, may not be applicable to the local scenario where causality is hard to determine and where small shocks could have large impacts on the achievements recorded;
- Although a sound evaluation strategy is currently implemented by the MA, capacity restraints result in formal evaluations being broadly viewed as a cumbersome exercise with limited added value to the programme's design and implementation.

## 1. THE SOCIO-ECONOMIC CONTEXT

Malta<sup>1</sup> is the smallest of the EU member states by population and geographic size. However, it is also the most densely populated country among the 27 member states with over 400,000 people residing in an area of 316 sq.km. This creates obvious strains on its limited natural resources, particularly land, as well as on its ability to manage the demand for essential commodities including water, energy, as well as waste management. In addition, the small size of the local economy results in Malta being one of the most open economies in the EU with exports and imports amounting to approximately 193% of GDP in 2010. This, together with the limited possibility of economic diversification and limited resources due to the size of the economy, results in Malta being highly exposed and vulnerable to external shocks.

Malta's main socio-economic features are tied, in most part, to the small size of the local economy. These are summarised below and are broadly in line with those outlined in the 2010 report:

- The small size of its enterprises;
- Dependence on certain sectors, such as tourism and the manufacturing of electronics, with a rapid development in new economy activities such as ICT and financial services which presently account for around 20% of total activity;
- Seasonality of the tourism sector;
- Low level of expenditure on R&D and innovation;
- Limited innovation culture with only around 20% of students taking up science and technology subjects although this is tending to increase over time;
- Difficulty in achieving critical mass in policy implementation, especially in the development of infrastructure;
- Presence of spatial disparities despite the small size of the local economy.

Malta's small size results in regional policy, and as a result cohesion funds, being directed at the archipelago in its entirety.<sup>2</sup> Notwithstanding this, however, it is important to note that Gozo, Malta's sister island with a population of approximately 30,000, faces even greater difficulties stemming from its double insularity since Gozo is on the periphery of an already very small island. This makes Gozo totally dependent on sea transport (given that the airport and main seaport are found on the main island) that lead to substantial difficulties in the movement of goods, services and persons. Gozo's per capita GDP is, as a result, estimated at 75% that of the national average. In addition to lower income levels, the quality of life of Gozitans may also be impaired because of time delays and additional financial burdens that residents in Gozo are forced to incur. As will be discussed in the subsequent

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<sup>1</sup>The Maltese archipelago is made up of Malta, Gozo and Comino

<sup>2</sup>From a statistical perspective Malta and Gozo are considered separately at NUTS III level but the entire county is classified as one unit at the level of NUTS I and II.

section, the Maltese authorities chose to address these specificities directly through the allocation of 10% of all funds to address the needs of Gozo.

Malta's growth performance over the past decade has been somewhat volatile. Economic growth was relatively subdued at the start of the decade also reflecting the industrial restructuring that has taken place with high-value added goods and services activities replacing traditional manufacturing industries. The growth performance in the latter part of the decade was substantially higher averaging 4% p.a. in real terms between 2005 and 2008. The composition of employment also reflected this change with the number of people employed in manufacturing experiencing a substantial drop whereas the opposite is true of financial and business service activities. This shift has also led to a structural decline in imports, due to the lower import content in providing services than manufactured goods, with subsequent improvements in Malta's trade balance in the latter part of the decade. As a result of these developments, GDP/capita decreased from 85% of the EU average in 2000 to 76% in 2007 and increased marginally to 78% in 2008 prior to the impact of the recession.

The economic recession led to a decline of 2.7% in real GDP in 2009. The impact of the recession was, therefore, milder than in the EU average and was also shorter lived, which led to GDP per capita rising to 81% of the EU average in 2009 and subsequently to 83% of the EU average in 2010. The negative growth experienced in 2009 is 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. The negative impact on employment was also more contained than in other member states also as a result of government assistance, 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 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>. The reason for this is that the activity in Gozo is less export-oriented than that in the main Island, which to an extent insulated the Gozitan economy from the shock of the recession. The somewhat higher dependence of the Gozitan economy on public sector employment may have, to some extent, cushioned the effects of the drop in global economic demand. In addition, specific pockets of excellence in Gozo, such as in food manufacturing, may have helped the resilience of the economy.

Malta's fiscal position was also rather volatile over the past decade. Prior to EU accession, Malta's public deficit reached 10% of GDP, declining to 2.4% in 2007, before increasing again in 2008 mainly as a result of an increase in non-recurrent expenditure items. Given these developments, the government did not undertake a large fiscal stimulus during the economic recession. However, gross national debt rose to 68% of GDP in 2009, remaining relatively unchanged in 2010.

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<sup>3</sup>NSO Press Release 247/2010



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

### THE REGIONAL DEVELOPMENT POLICY PURSUED

Malta's small size results in regional policy being directed at the archipelago in its entirety, which is eligible for support under the Convergence objective. The main priorities of development policy and the nature of EU support to regional development provided by EU funding are reproduced below, in most part summarising the 2010 country report.

- Malta's NSRF 2007–2013 sets out the strategic direction for the country during this time period, comprising four main objectives namely (i) sustaining a growing and knowledge-based, competitive economy; (ii) improving the quality of life through environment protection and urban regeneration; (iii) investing in human capital; (iv) addressing Gozo's regional distinctiveness.
- The distinctiveness of the island of Gozo and the additional difficulties emerging from its double insularity has led the Maltese government to pay it particular attention by allocating 10% of Cohesion Policy resources towards it.
- The country's priorities are re-affirmed in other policy documents, namely the National Reform Programme (NRP) and the Pre-Budget document. The national policy documents are backed up by other sectoral documents<sup>4</sup> that explicitly target the needs of specific sectors and policy areas. These documents help to ensure a consistent strategy between national and sectoral policy although they fail to contain an in-depth assessment of interventions required, including cost-benefit studies, at a strategy level. This would help to ensure the successful implementation of policy.
- The NSRF 2007–2013 is the basis upon which two operational programmes were drawn up. This report focuses on the achievements under OP I<sup>5</sup>, and therefore analyses the projects funded under the ERDF and Cohesion Fund only. The funds attributed to OP I are allocated under the following priority axes:
  - Priority Axis 1 – Enhancing Knowledge and Innovation;
  - Priority Axis 2 – Promoting Sustainable Tourism;
  - Priority Axis 3 – Developing the Trans-European Network for Transport;
  - Priority Axis 4 – Mitigation and Adaptation to Climate Change;
  - Priority Axis 5 – Safeguarding the Environment;

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<sup>4</sup>These include, among others, the "Tourism policy for the Maltese islands 2007–2011", "The National ICT Strategy for Malta 2008–2010", the "National Strategic Plan for Research and Innovation 2007–2009", "National Strategy for policy and abatement measures relating to the reduction of Greenhouse Gas Emissions (September 2009)", "A proposal for an Energy Policy (April 2009)", the "National Climate Change adaptation strategy, climate change committee for adaptation, Malta (November 2010)", "National Energy Efficiency Action Plan 2008", "National Policy and Strategy for the Attainment of core competencies in primary education (January 2009)", and the "Draft National Cultural Policy 2010".

<sup>5</sup>OP I: "Investing in Competitiveness for a Better Quality of Life"

- Priority Axis 6 – Urban Regeneration and Improving the Quality of Life;
  - Priority Axis 7 – Technical Assistance.
- The EU allocated EUR 728.1 million to Malta under OP I for the period 2007–2013. Total funds, therefore, amount to EUR 856.6 million when including the portion of funds to be co-financed by Malta. Malta allocated most of its funds (approximately 38%) to the area of 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. Malta is currently participating in six Territorial Cooperation programmes.<sup>6</sup> The priorities of funding under this objective, which are specific for each of the six programmes, are mainly to strengthen competitiveness; promote territorial cohesion and protect the environment; encourage socio-economic and cultural cooperation; reinforce the exchange and transfer of knowledge and good practice and sustain cross-border cooperation between SMEs.

Some changes have taken place since the submission of the 2010 country report. Firstly, in April this year, the Maltese authorities were asked to submit an updated NRP covering three years (2011–2014) with the aim to create sustainable growth and job opportunities in line with the new EU 2020 growth strategy for smart, sustainable and inclusive jobs. The NRP 2011–2014 addresses two aspects of the EU 2020 strategy, namely macro-economic surveillance and thematic coordination. The former addresses specific bottlenecks to growth for Malta, including long-term sustainability of public finances, wage developments, diversification of economic activity, increasing labour participation rates, improving the skills base of the labour force, as well as addressing weaknesses in the business environment. Most of these commitments are re-affirmed in the thematic sections – particularly those discussing employment, R&D, environment and education – and as such brought about no specific changes to regional development policy.

The Pre-Budget Document 2012 essentially continues to highlight national objectives within the context of maintaining fiscal sustainability and economic stability while aiming at enhancing economic growth. In addition, from a national policy perspective, a notable effort has recently been undertaken to address the regional specificities of the island of Gozo through the Eco-Gozo vision document published by Government, which lays out a strategy to make Gozo an eco-island by 2020.

With specific reference to funding allocations under OP I, only minor changes took place since the submission of the 2010 country report. These did not constitute a change to the strategic direction of the OP since no change took place to funding allocations by priority axis, as verified by Tables 3 in the Excel file and Annex Table A. The changes that took place within the priority axes mainly reflect additional assistance given to SMEs in the aftermath of

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<sup>6</sup>These include the Italia-Malta programme, the Med programme, the Interreg IVC programme, the ESPON II programme, the Interact II programme, and the European Neighbourhood Partnership Instrument (ENPI).

the global economic recession as well as a change to the status of a project under PA 4<sup>7</sup> being raised to a major project. In addition, OP I is currently being modified with the aim to further increase the number of students undertaking science subjects.

In terms of the ERDF, particularly under PA 1, funds have assisted the government in its response to challenges emanating from the economic crisis at a time when public finances were under particular strain. The sectors mainly affected by the economic crisis include tourism, manufacturing and labour market sectors and the measures introduced aimed at sustaining and boosting investments with a view to generating economic growth and jobs. In this respect, the government decided to double the allocation available to JEREMIE from EUR 5 million to EUR 10 million, so as to allow SMEs greater access to finance, whilst increasing the funds available to the six Aid Schemes approved under this priority axis. In addition, the ERDF Energy Aid scheme under PA 4 was also allocated an additional EUR 5 million (to a total of EUR 15 million) with a view to further reach national and EU targets pertaining to energy efficiency and renewable energy sources.

Although no changes to fund allocation have been made by priority axis, the MA occasionally feels the need to allocate funds differently given the smallness of the Maltese economy and its proportionately larger exposure to external shocks, as well as the relatively long time span covered by the programming period which can result in various developments in the international scenario, leading to new challenges to the local economy. As a result, more flexibility to fund allocation can help a small, peripheral and open economy like Malta's to better overcome these shocks.

## **POLICY IMPLEMENTATION**

The main findings from the 2010 country report can be summarised below:

- The Cohesion implementation system in Malta is characterised by (i) highly centralised programme management, and (ii) extensive cooperation with different Ministries and agencies involved at several levels of the projects.
- Considerable delays in the implementation of the OP are experienced at different stages of project implementation namely, project selection, public procurement and planning permission.
- Backlogs are mainly the result of (i) limited number of experts within the administration, (ii) the recurrent need to re-launch tenders, (iii) lengthy appeals procedure often taking up to 3 months.
- At the end of 2009, 53 operations were being implemented but limited results were recorded with respect to progress by indicators.
- 56% of allocated funds had been committed by the end of 2009.
- EUR 120 million was allocated to enterprise support with commitments amounting to 67% of total allocation; EUR 169 million was allocated to transport, of which 51% was

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<sup>7</sup>This reflects the development of an oncology department at Mater Dei hospital

committed; 51% of funds allocated towards the environment and energy were also committed; and 60% of the EUR 120 million allocated towards territorial development had been committed.

Substantial progress in project implementation was witnessed in 2010. As at the end of last year a total of sixty-five projects, nine in 2010, 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<sup>8</sup> with approximately 70% of allocated funds committed by the end of 2010.<sup>9</sup> Significant improvements have taken place under PA 4 and 6 whilst a decline in committed funds has been registered under PA 2, mainly reflecting the withdrawal of one project (ERDF 25) that had an impact on the reduction in priority theme 55, namely the promotion of natural assets. Apart from PA 7, for which the funds allocated have all been committed, PA 1 and 6 show the highest percentage of committed-to-allocated funds at 88.1% and 89.6% respectively.

The increased commitments under PA 1 in 2010 mainly reflect the financial agreement between the EIF and the Maltese authorities for the JEREMIE holding fund, formalising the allocation from the OP of EUR 10 million, as well as the increased allocation approved by the MA following the merging of two projects into one that reflect the setting up of a life science centre. The improvement witnessed under PA 3 reflects the approval of two projects in 2010, bringing the total number of approved projects up to three, whereas seven projects, one major project and one aid scheme reflect the total commitments under PA 4. During 2010 the Project Selection Committee (PSC) approved a project that constitutes the second phase of the closure and rehabilitation of three landfills in Malta that were operational before Malta's accession to the EU, which accounts for the improvement under the fifth axis, while the improvement under PA 6 is explained by the approval of three projects in 2010, two of which address education and training and one targeting sustainable growth.

AIR 2010 reports that other decreases have occurred vis-à-vis 2009 under all priority areas as a result of savings made during project implementation. According to interviews carried out, however, recent developments in North Africa are expected to have a negative impact on the take-up and contracting of projects under the International Competitiveness Grant Scheme funded through ERDF in 2011. This is due to the fact that a proportion of businesses in Malta were expanding operations in North Africa and engaging in higher trade with the region prior to the turmoil experienced in Libya.

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<sup>8</sup>It is important to note that for 2009, the amounts stated to have been committed by priority axis by the MA, are just 6% higher than what DG Regio report by policy area (as illustrated in Annex Table B and Table 4 in the Excel file). This would imply that EU funds amounted to approximately 94% of total funds. This discrepancy necessarily implies that an error exists in the amount of funds committed as compiled either by the MA (by priority axis) or DG Regio (by policy area). For the purpose of discussion within this section, and for the sake of comparison to the 2010 AIR, the amounts reported in the 2009 AIR will be considered in this analysis.

<sup>9</sup>Refer to Annex Table B and Table 4 in the in the Excel file.

Improvement was also registered in the amount of disbursements that took place in 2010 with EUR 98.7 million disbursed solely last year.<sup>10</sup> This reflects a tripling in the level of disbursements over the total till 2009 and constitutes approximately 20% of all funds committed. This improvement is mainly attributable to an increase in payments to a major project under PA 5, namely Malta's south sewage treatment infrastructural project (CF 116), amounting to approximately EUR 40 million. Although in percentage terms the changes witnessed under each priority axis are substantial, it must be noted that for most axes these are mainly the result of a base effect given the extremely low level of disbursements that took place till 2009. As a result, the utilisation and disbursement ratios still show weak performance for some of the priority axes so far<sup>11</sup>.

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. In addition, Malta's size limitations results in a limited number of officers in the public sector and potential beneficiaries, limited expertise both in administering as well as applying for funds (with the process requiring a steep learning curve), and a small number of quality bidders for tenders with administratively incompliant bids often leading to appeals that create additional delays. As a result, considerable delays occur at project selection and public procurement stages. In addition, frequent changes to templates, procedures and award criteria, reluctance to proceed with contracting in the absence of a final Grant Agreement, delays in disbursement, as well as timeline compression were also outlined in the mid-term evaluation report<sup>12</sup> as adding further pressures at procurement stage.

In order to facilitate the programme implementation, during 2010 the MA launched consultation procedures with stakeholders with the aim to streamline and further explain complex elements of the procedure. The DoC also issued new contracting procedures in 2010 in order to provide better guidance to economic operators when submitting offers in response to a call for tenders. In addition, five circulars were issued by the MA during 2010 to provide beneficiaries with clarifications. A number of information sessions were also organised in 2010 that targeted members of staff at the MA and IBs, beneficiaries, NGOs as well as social partners. Members of staff from different organisations working on OP I were also invited to participate in training seminars abroad. In addition, additional capacity was approved for one IB and in some line ministries in order to address capacity constraints.

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<sup>10</sup> Refer to Annex Table C.

<sup>11</sup>The amount of certified expenditure is lower than the amounts disbursed particularly for projects financed under ERDF. The AIR 2010 explains that this discrepancy arises since most disbursements are made in the last quarter each year, in line with government's financial year end, but no statement of expenditure for ERDF funded projects is made in quarter 4. As a result, most of the payments processed in the last months of 2010 could not be verified and certified by year end. This has an obvious impact on the implementation rates and explains the divergence between the utilisation ratio and implementation rates in the Annex Table C and D.

<sup>12</sup>"Mid-term Evaluation Report - Operational Programme I (Cohesion Policy 2007-2013)", 7th April 2011, KPMG

These and similar efforts are needed in general terms to enhance the efficiency of the system in Malta. It is not perceived that special efforts have been undertaken in this regard to meet the effects of the recession which in Malta has been relatively less pronounced compared to other countries and where the rate of programme implementation continues to compare favourably with the average of other countries.

As mentioned in the 2010 country report, a substantial number of studies require a planning and environmental permit which results in additional delays with a consequent effect on tenders that cannot be published prior to obtaining approved planning permits. Territorial constraints amplify their importance. In this regard, the MA is constantly in contact with MEPA with a view to monitor the progress of applications for environmental and planning permits, EIAs and compliance issues. An Environment Committee was also set up in 2010 which is responsible to assess the impact that OP I initiatives will have on trends and to provide recommendations to the MA on mitigating actions.

Problems related to policy implementation mainly stem once again from the small size of the local economy. Certain issues are hard to address, including capacity issues, limited expertise in various fields as well as high turnover of people working within the MA and IBs. These problems are further accentuated given the steep learning curve required in this field. However, some bottlenecks could be addressed at strategy level and policy design by avoiding fragmentation in policy. Coherent overarching strategies could be developed by policy area that would include an in depth assessment of the interventions required, including cost-benefit studies at strategy level, which would have helped to reduce regulatory burdens on individual small interventions.

## **ACHIEVEMENTS OF THE PROGRAMMES SO FAR**

The 2010 country report highlights the following achievements stemming from Cohesion Policy in the current programming period till the end of 2009.

- During 2009 there were a total of 229 projects being implemented, which included interventions under the different aid schemes.
- Enterprise support – these projects are included under Priority Axis 1 and aim to address a lack of entrepreneurship and risk taking and the need to popularise science and technology in education. The report states that as at the end of 2009, 16 projects and 6 aid schemes had been launched. The financial allocation to the aid schemes increased by EUR 7 million in 2009 (over the previous year) to EUR 27 million.
- Human and social development – these projects are included under PA 6. As at the end of 2009, 18 projects and one Aid Scheme were being implemented under the areas of urban regeneration, internal mobility, e-accessibility, education, social and health infrastructure, and environmental monitoring. Achievements were recorded by means of four indicators, namely (i) 1,606 children, students or trainees benefiting

from upgraded and modernised facilities or services; (ii) 5 existing learning facilities refurbished; (iii) 0.75 kms of upgraded (non TEN-T) roads; (iv) 1,671.4 sq.m. of facilities modernised and refurbished.

- Transport and telecommunications – these projects are included under PA 3. Four road transport projects had been implemented at the end of 2009 to upgrade 12 kms of road in urban areas (Phase 1), namely (i) widening a single lane carriageway to a dual carriageway, (ii) improving the link with the port of Valletta and upgrading the road leading to the ferry terminal, (iii) completing the road that links the capital of Gozo to the ferry terminal, (iv) upgrading the road in the northern part of Malta. Other projects aimed at bettering Malta and Gozo's sea transport. These projects were still in their early stages and as a result no progress had yet been recorded.
- Environment and Energy – these projects are included under PA 4 and PA 5. Three projects were approved under PA 4 as at the end of 2009 and another three under PA 5. Total allocations under PA 5 were higher than those under PA 4 and mainly reflected the urban waste water treatment plant for the south of Malta. The indicators, however, did not record any progress as at the end of 2009 since efforts were mainly focussed on the procurement process.
- Territorial development – these projects are included under PA 2. As at the end of 2009 there were 13 projects and one aid scheme for tourist companies being implemented. Implementation of projects on ground was still at an initial phase and as a result the indicators did not record any progress.

Based on the 2010 AIR, the total number of projects implemented under the OP I as at December 2010 stood at 65, six of which financed by the Cohesion Fund. Of these, two projects were withdrawn in the first six months this year and nine have been completed. The AIR 2010 states that nine aid schemes, all co-financed by ERDF, were also implemented adding substantially to the total number of projects. Latest data shows that since the start of 2011 an additional five projects, under ERDF, have been implemented.

As at the end of 2010, the 2010 AIR reports that positive results were registered for 17 output indicators and seven result indicators from the beginning of the programming period. Ten of the output indicators and six of the result indicators only experienced positive results in 2010. Six of these indicators target PA 1, three PA 2, four PA 4, and four PA 6. Therefore, until 2009, results were only registered for seven output indicators. Of the indicators mentioned above, the following eight are core indicators, the results of which will be discussed in greater detail in Table A below:

- Number of RTDi projects (PA 1);
- Number of enterprises involved in networking and new collaboration with other businesses and academia (PA 1);
- Number of assisted tourism and cultural projects (PA 2);
- Number of storm water management (risk prevention) projects (PA 4);

- Total annual electricity generated from small scale PV and micro-wind installations (MWh/annum) (PA 4);
- Number of projects ensuring sustainability and improving the attractiveness of towns and cities (PA 6);
- Number of health projects (PA 6); and
- Pupils/students/trainees benefitting from upgraded and modernised facilities/services (per annum) (PA6)

**Table A – Main physical indicators and achievements**

Policy Area	Main indicators (Core indicators) as at 31st December 2010	Comments
Enterprise support and RTDI	(PA 1) ( <b>Output</b> indicator) No. of RTDi projects [A1O04]: <ul style="list-style-type: none"> <li>• 8 RTDi projects were completed in 2010.</li> <li>• The target for this indicator is that of 10 RTDi projects.</li> </ul>	<ul style="list-style-type: none"> <li>• The AIR reports that 12 out of the 16 projects implemented under the first PA aim at investments in RTDI and ICT.</li> <li>• The completed projects addressed by this indicator mainly relate to the upgrading of teaching, research and ICT facilities at the University of Malta, upgrading of a lighthouse in Gozo for atmospheric research, increasing industry-academia collaboration as well as creating a material testing and rapid prototyping R&amp;D facility.</li> <li>• The 2010 AIR also mentions that R&amp;D expenditure as a % of GDP grew by 0.27% as a result.</li> </ul>
(i) RTDI and linked activities (ii) Support for innovation in SMEs (iii) Other investment in firms (iv) ICT and related services	(PA 1) ( <b>Result</b> indicator) <i>No. of start-up businesses supported</i> [A1R04]: <ul style="list-style-type: none"> <li>• The targeted number is 35.</li> <li>• So far no project has been completed.</li> </ul>	n/a
	(PA 1) ( <b>Result</b> indicator) <i>No of enterprises involved in networking and new collaboration with other businesses and academia</i> [A1R08]: <ul style="list-style-type: none"> <li>• Eleven enterprises were involved in networking and new collaboration with other business and academia.</li> <li>• The results were all reaped last year which exceeded that targeted of 10.</li> </ul>	<ul style="list-style-type: none"> <li>• The projects captured by this indicator relate to projects already addressed by the core indicator on RTDi projects.</li> <li>• They mainly reflect improvements in Malta's university laboratories and ICT faculty that are available for use by industry.</li> <li>• These cover areas of research such as energy, design and innovation of products, research in transforming manufacturing activities from low to high value-added, as well as the development of a super computer laboratory at the University of Malta that will be accessible to SMEs.</li> </ul>
Human Resources (ERDF only)  (i) Education and training (ii) Labour market	(PA 6) ( <b>Result</b> Indicator) Pupils/ students/ trainees benefitting from upgraded and modernised facilities/ services (pa) [A6R05]: <ul style="list-style-type: none"> <li>• 7883 students are</li> </ul>	<ul style="list-style-type: none"> <li>• Education and training is an area that is greatly targeted particularly in PA 6.</li> <li>• Projects include the extension of training centres, extension of lecturing capacity at the most populated post-secondary institution (Junior College) to reduce over-crowdedness, building and</li> </ul>



Policy Area	Main indicators (Core indicators) as at 31st December 2010	Comments
policies	benefitting from modernised facilities (7541 in 2010 alone). <ul style="list-style-type: none"> <li>The target for this is 25000 students.</li> </ul>	expansion projects at the UoM and MCAST. <ul style="list-style-type: none"> <li>Particular emphasis is given to multimedia training, mechanical and electrical engineering, science and technology, and IT.</li> </ul>
Transport and telecommunications  (i) Road (ii) Rail (iii) Other	(PA3) ( <b>Output</b> Indicator) <i>Kms of roads upgraded</i> [A3O01]: <ul style="list-style-type: none"> <li>Target = 20 kms;</li> <li>Achievement = 0 kms.</li> </ul>	n/a
Environment and energy  (i) Energy infrastructure (ii) Environmental infrastructure	(PA 4) ( <b>Output</b> Indicator) No. of storm water management (risk prevention) projects [A4O04]: <ul style="list-style-type: none"> <li>1 storm water management prevention project was implemented in 2010</li> <li>Target = 1 completed.</li> </ul>	<ul style="list-style-type: none"> <li>The project captured by this indicator is ERDF 120 (National Flood Relief Project). The AIR 2010 reports that the work completed to date reflects feasibility studies, cost-benefit analysis, EIAs, design studies as well as the preparation and launch of the tender procedure.</li> <li>The project is to be dividing into 5 parts with the construction stage commencing in May-June this year. The earliest completion date is set for May 2012.</li> </ul>
	(PA 4) ( <b>Result</b> Indicator) <i>Total annual electricity generated from small scale PV and micro-wind installations (MWh/annum)</i> [A4R02]: <ul style="list-style-type: none"> <li>The amount of electricity generated in 2010 was 2463.95 MWh/annum</li> <li>The target set is that of 3000 MWh/annum</li> </ul>	<ul style="list-style-type: none"> <li>Following the completion of a number of projects including support schemes to households to install RES equipment, energy aid schemes to enterprises, as well as converting public administrative offices into eco-friendly, smart buildings, positive results have been achieved in 2010 by means of 1,643.70 KWp of solar energy equipment (PVs) installed.</li> <li>This as well as other measures under PA 4 and PA 5 have helped to reduce the amount of CO<sub>2</sub> emissions by 1,537,342 kg in 2010.</li> <li>Results are expected to improve in the coming years in line with Malta's commitment to the environment and energy targets under the EU 2020 growth strategy.</li> </ul>
	(PA 5) ( <b>Result</b> Indicator) % decrease in national sewerage effluent discharge/ additional population served [A5R04]: No achievement has yet been made although a major project addressing this indicator was completed in 2011.	<ul style="list-style-type: none"> <li>Although the indicator still shows no achievements made, the Malta South Sewerage Treatment Infrastructure project has been completed this year which brings Malta in line with the EU directive on the need to treat all urban wastewater entering collecting systems before discharge.</li> </ul>

Policy Area	Main indicators (Core indicators) as at 31st December 2010	Comments
<b>Territorial development</b> (urban areas, tourism, rural development, cultural heritage, health, public security, local development)  (i) Tourism and culture (ii) Planning and rehabilitation (iii) Social infrastructure (iv) Other	(PA2) ( <b>Output</b> Indicator) <i>No. of assisted tourism and cultural projects</i> [A2O01]: <ul style="list-style-type: none"> <li>• 12 tourism/cultural sites were assisted (all in 2010) – 6 assisted by the public sector and 6 by NGOs</li> <li>• The target set (of 8) has already been superseded.</li> </ul>	<ul style="list-style-type: none"> <li>• A substantial amount of funding is ear-marked towards tourism and cultural activities given its obvious importance to the local economy.</li> <li>• Projects undertaken with respect to this indicator relate to upgrading the product offered to tourists including through embellishment and restoration projects, improving accessibility to tourist sites, reconstruction works, and upgrading of exhibition spaces.</li> </ul>
	(PA 6) ( <b>Output</b> Indicator) <i>No. of projects ensuring sustainability and improving the attractiveness of towns and cities</i> [A6O01]: <ul style="list-style-type: none"> <li>• 1 project has been approved in 2010</li> <li>• Target = 3.</li> </ul>	<ul style="list-style-type: none"> <li>• The achievement reported by this indicator relates to an approved project that has not yet been completed.</li> <li>• This project aims to address different aspects of regeneration including physical, social and economic, by integrating various nodes and upgrading inner urban cores through cleaner and more efficient transport links.</li> <li>• This project is planned to be completed in 2012.</li> </ul>
	(PA 6) ( <b>Output</b> Indicator) <i>No. of health projects</i> [A6O06]: <ul style="list-style-type: none"> <li>• 2 health projects have been approved</li> <li>• The target is that of completing 2 health projects.</li> </ul>	<ul style="list-style-type: none"> <li>• The first project refers to the purchasing of a CT scan and mammography for use at the Gozo General Hospital that would cut down on patients being transferred to the Mater Dei hospital in Malta. This project is due to be completed this year.</li> <li>• The second project is a major project that has been recently approved and concerns the development of an oncology centre at Mater Dei Hospital that will offer advanced cancer treatment modalities and a new service through the establishment of a Palliative Care Unit.</li> </ul>

The AIR 2010 lays out information concerning the progress of the indicators by priority axis. This information is being mapped to the different policy areas as outlined in table A. The achievements of the programme so far will therefore be assessed according to each policy area. An indication of the funds allocated and committed by priority area is also illustrated in table E of the annex in order to assess the investment made that helped achieve the results displayed. General considerations will be made at the end of this section with respect to the effectiveness of the indicators in place.

### 1. Enterprise Support and RTDI

The projects addressing this policy area are included under PA 1 within OP I. These aim to promote and strengthen business competitiveness by investing in plant and equipment as well as in RTDI and ICT, whilst tackling important bottlenecks namely a lack of entrepreneurship and risk-taking outlook as well as the low uptake of science and technology subjects by students.

By the end of 2010, 16 projects, including one financial engineering instrument (JEREMIE), as well as six aid schemes were approved and are currently being implemented to address this priority axis. In addition two projects, namely the “Expansion of the Kordin Business Incubation Centre” (ERDF 04) and “Setting up a Life-Sciences Centre” (ERDF 84) were amalgamated into one. Two of the projects under this axis have already been completed and ten are due to be completed this year, while only one new project – namely the JEREMIE financial engineering instrument – became operational in 2010.

The indicators for this policy area show vast improvements over 2009. While in 2009 one output and one result indicator yielded positive results, also resulting from the increased funding given to SMEs in 2009 to address the crisis, in 2010 positive results were reported with respect to four (out of five) output indicators and in four (of the nine) result indicators, although one of which only marginally. In total there are three core indicators under this area, two of which having yielded positive results thus far. This is in line with an increase of approximately 40% of committed funds over the previous year and shows how policy is reaping the intended benefits.

When assessing the latter indicators in line with the funding commitments attributed to them, the positive results achieved under RTDI – wherein 8 out of 10 targeted projects were reported as having been completed by 2010 (with another 3 projects approved last year) – is in line with the relatively high funding commitment comprising 9.2% of all committed funds and more than half of those awarded to this policy area. In fact, 12 out of the 16 projects implemented aim at investments in RTDI and ICT. Lower funds were so far committed to address SMEs, with 4 of the 16 projects (including JEREMIE) directed towards enterprise infrastructure and support. The results are thus far divergent. Results have not yet been witnessed for the indicator assessing the number of start-up businesses supported whereas the number of enterprises involved in networking and new collaborations with business and academia, reportedly 11, has exceeded that targeted. With regard to the former, however, the lack of achievements registered thus far reflects the drawback of the result indicators that can only be assessed once a project is terminated, as mentioned earlier.

Changes to some indicators have taken place last year. A new output indicator addressing the “Number of enterprises assisted” has been created, whilst the targets of some indicators, namely those focussing on start-up businesses and SMEs and the number of RTDI projects, have been scaled up in order to reflect the increased commitment. In addition, however, the target of one of the result indicators was lowered to reflect the lower take-up of the Innovation Actions (Environment) Grant Scheme that was most likely not deemed to be a priority intervention by enterprise during these challenging times.

## 2. Human resources (ERDF only)

European Regional Development Funds (ERDF) that are earmarked towards the development of human resources are addressed under PA 6 of OP I. According to AIR 2010, twelve projects targeting education and training were implemented till December 2010 for a total cost of approximately EUR 79 million. Ten of these projects are supporting investments in secondary and tertiary level institutions through extensions as well as upgrading of existing services in state secondary schools, at the University of Malta, the Junior College and Malta College of Arts, Science and Technology (MCAST). The total amount committed to this sector as at the end of 2010 stood at EUR 25.4 million, or 17% of the Axis' allocation. Of these twelve projects, four have already been completed, three of which in 2010 and one in 2009, with another six projects due to be completed this year.

The achievements witnessed to date include the completion of the new training centre at the Employment, Training Corporation, the installation of equipment, including computer systems and labs at MCAST and the upgrading and expansion of the Electrical and Electronics Engineering Institute also at MCAST. Other projects due to be completed shortly include the completion of the infrastructural development of the Junior College as well as that of the Independent Living Centre for the Commission for Disabled Persons. The new IT centre at the University of Malta is also being built, while a new floor at the Institute of Mechanical and Engineering at MCAST is nearing completion. Equipment was delivered and installed in four entities namely the Gozo General Hospital, Junior College, Malta College for the Arts, Science and Technology, and the Employment & Training Corporation. Moreover science laboratories in secondary schools in Malta and Gozo were being revamped.

Under PA 6, two indicators address education and training specifically. One of these is an output indicator that sheds light on the progress related to the "number of existing learning facilities refurbished (with new equipment)/constructed within intervention areas by 2013". To date 39 facilities have reportedly been refurbished or constructed and captured within this indicator, with 31 of these completed in 2010. This result already exceeds the target set of 30 facilities although this indicator includes the refurbishment of science and technology laboratories in 31 schools that is distorting the achievement recorded. A result indicator, which is also a core indicator and shown in table A above, records the number of pupils/ students/ trainees benefiting from upgraded and modernised facilities/services (per annum). According to the 2010 AIR, a total of 7,883 are benefitting from improved facilities compared to a target of 25,000 students. Again the bulk of the improvement took place in 2010 with approximately 7,500 students reportedly benefitting from improved facilities solely last year. However this indicator may include students/users who utilise more than one facility and hence are potentially accounted for more than once.

The progress in the implementation of these initiatives is not reflected in the figures (allocated and committed resources) shown in tables 3 and 4 of the Annex which have been constructed on the basis of FOI codes and are reproduced in table A above. The codes,

which may capture the progress of PA 6, have been associated to the territorial development policy area. Hence the table, despite providing some information on implementation, gives no information on real progress with respect to human resources. In addition, other relevant initiatives (education and training, labour market policy etc.) are financed by ESF. The achievements of these are not discussed here since they fall outside the scope of this report.

### **3. Transport and telecommunications**

The projects addressing this policy area are included 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. In total three projects have been approved under this PA, one of which in 2010, comprising one major project (under road transport) and two smaller projects (both under the maritime sector). These projects are envisaged to upgrade a total of five strategic sections of the TEN-T road network in Malta amounting to 14 kms or close to 30% of the whole network, as well as refurbish the Valletta and Marsaxlokk breakwaters and development a new ferry terminal in the port of Cirkewwa.

Fourteen tenders, valued at EUR 24.8 million, were published in 2010 bringing the total of published tenders up to 23 under this priority axis. Ten of these tenders were contracted in 2010 raising the total value of contracted funds up to EUR 12.9 million under this priority axis. Although approximately 19% of all funds committed address this policy area, none of these projects have been completed so far, with their completion dates set between 2012 and 2014, and as a result, no achievements in the core indicators have yet been recorded. This is also reflected by the fact that the increase in funds committed over 2009, of approximately 2%, has been very marginal. Notwithstanding this, however, the importance of road and sea transport is being given due consideration with visible improvements being made.

One change has been made to a result indicator under this policy area, namely “% increase in cargo per annum” by adding “within intervention areas” in order to capture more precisely the outcome of the interventions being financed.

### **4. Environment and energy**

This policy area is addressed by two priority axis under OP I, namely PA 4 “Mitigation and adaptation to climate change” co-financed by ERDF and PA 5 “Safeguarding the environment” co-financed by Cohesion Fund. A total of 33.4% of all funds committed have been addressed at this policy area, 84% of which towards environmental infrastructure. This reflects an increase in committed funds of 22% over 2009.

The objectives of PA 4 are that of mitigating the effects of climate change with a view to increasing competitiveness and enhance the quality of life. The authorities aim at targeting energy efficiency, increased use of renewable energy sources as well as minimising the effects of storm water, reduce the incidence of flash flooding, and develop storm water catchments and re-use facilities. During 2010, the MC approved the undertaking of studies

with a view to provide more flexibility in the achievement of these objectives. In total seven projects and one aid scheme were developed under this axis. Four of these projects and the aid scheme are currently being implemented, two have been withdrawn and one was completed in 2010. Of the projects currently under way, two were launched in 2010 and three are due to be completed this year. In addition, one project in the area of flood relief, which is a major project, has been approved by the PSC in 2010 and is soon to be submitted for Commission approval.

Five output and five result indicators have been assigned to this priority axis. The 2010 AIR reports that five indicators achieved positive results in 2010 with just one of these also having yielded results a year earlier. The latter is related to the energy scheme which has experienced increased funding as a measure to address the recent crisis. Two of the ten indicators are considered to be core indicators, namely measuring the total annual electricity generated from small scale PV and micro-wind installations and the number of storm water management projects developed. Both of the core indicators have reportedly achieved positive results in 2010, with the latter also achieving the target set. Having said this, however, the results achieved with respect to the storm water management project reflects feasibility studies, cost-benefit analysis, EIAs, design studies as well as the preparation and launch of the tender procedure with the earliest completion date for construction set for May 2012.

PA 5 is co-financed by the Cohesion Fund and is solely dedicated to environmental projects, particularly waste management. It consolidates the work undertaken in the previous programming period focussing extensively on the rehabilitation of landfills, extending the capacity for waste treatment, energy recovery and recycling, as well as raising sewage treatment capacity in Malta. A total of three projects are currently underway under this priority axis, two of which being major projects approved by the EC in 2010.

None of these projects had yet been completed by the end of 2010 and as a result no achievements are as yet seen under this axis. One major project has, however, been completed this year. This particular project is directly captured by the core indicator under this axis, namely the decrease in national sewerage and increase in population served. Therefore the results of this indicator will likely be reported in the 2011 AIR.

## **5. Territorial development**

Territorial development encompasses tourism and cultural development, targeted under PA 2, as well as urban regeneration, addressed under PA 6. Approximately 22% of all allocated funds address this policy area with precedence given to tourism and culture, as a result of its importance to the local economy, followed by social infrastructure and lastly planning and rehabilitation. So far, however, more funds have been committed under PA 6 with just under half the total funds committed under this policy area targeting just social infrastructural projects. In fact, approximately 70% of the improvement in committed funds over 2009 is attributable to PA 6. In addition, total committed funds exceed the amounts

allocated at the start of the programming period for the social infrastructural sub-component. This results from the increased investment in the development of an oncology department at Mater Dei hospital.

The scope of the investment undertaken under OP I to assist the tourism industry is three-fold namely, upgrading the product offered, promoting the Maltese islands, and offering direct support to tourism and culture operators. A total of 12 projects and one aid scheme are currently being implemented under this priority axis. In 2010, one project was withdrawn and one completed with another six projects due to be completed in 2011. Six of the projects under implementation, as well as the one completed in 2010, entirely address Gozo while another two projects do so in part.

Five output and four result indicators were drawn up to monitor the progress of the projects implemented under this priority axis with only one of the output indicators being a core indicator. According to AIR 2010, three output indicators began showing positive results in 2010, one of which being the core indicator that appears to have exceeded the target originally set, namely the number of assisted tourism and cultural projects. This results from the fact that the achievements of the project that was completed in November 2010 were captured by this indicator. However, the AIR 2010 states that the target of this indicator will be increased. In addition, one output indicator namely showing the “number of new/upgraded beaches” has been deleted. The AIR 2010 reports that the reason for doing so was that the core indicator already captures these results. In addition, this indicator monitored directly the results of the project that was withdrawn in 2010 (ERDF 25) and as a result its usefulness was questionable.

The 2010 AIR describes PA 6 as a multi-sectoral axis that supports all the pillars of Cohesion Policy. Investments under this axis address e-accessibility, transport, urban regeneration, environment, education and social sectors. Excluding projects addressing education and training, a total of 10 projects and one aid scheme have been implemented under this axis with one of these projects having been completed in 2010 and another one due for completion this year. According to AIR 2010, seven of the projects under implementation address sustainable growth, one aims at improving social infrastructure more directly and one addresses urban regeneration. When mapping this to the sub-components of the territorial development policy area, it is clear that the vast majority of these projects target social infrastructure<sup>13</sup> more broadly whilst only one of the projects addresses planning and regeneration, namely the urban regeneration project. This is also congruent to the investment made under these sub-components.

Excluding the indicators targeting education and training, a total of 14 indicators<sup>14</sup> – 7 output and 7 result indicators – have been chosen to monitor progress under this priority

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<sup>13</sup>Commitments towards education and training feature here.

<sup>14</sup> In total 16 indicators monitor results under this priority axis although two of these – one output and one result indicators – relate to education and training and are discussed in the section related to human resources above.

axis, with two of the output indicators being core indicators. The 2010 AIR reports that six output indicators have so far achieved positive results. Four of these indicators have shown positive results prior to 2010 with three of these also yielding some positive results in 2008. Positive results have reportedly been witnessed under both core indicators; these are more prominent for the indicators reflecting progress in social infrastructure – as is expected by the investment that has been made in this regard – with one of these meeting the target set. However upon greater analysis, one can see that the results reported for the core indicators under this PA relate to projects that are still at implementation stage and that have not yet been completed. These are reported in Table A above.

In addition, the AIR 2010 describes the results of the eight impact indicators that also reflect the achievements of the OP I till December 2010. Until 2009 only one impact indicator showed marginal positive results, namely that reflecting the total number of jobs created, whilst in 2010 an additional two indicators began to witness some achievements. These relate to the percentage increase in RTDi expenditure (as a % of GDP), and the reduction in CO<sub>2</sub> equivalent emissions.

The largest proportion of funds committed so far under the 2007–2013 funding framework have been attributed to PA 6, namely towards urban regeneration and quality of life.<sup>15</sup> In particular, most funds address social infrastructure with particular focus on education that has witnessed visible improvements over the current programming period. In fact most projects completed to date target educational infrastructure. Notwithstanding this, however, the benefits of EU funding to education can only be seen in tandem with other efforts being made, including the ESF, since infrastructural improvements in this policy area would have limited benefits to the community at large unless commensurate investment is made in other direct ways to human capital. In particular Malta needs to make substantial progress to reduce early school leaving and enhance life-long learning. These are objectives which may take some years to actually materialise in a measureable manner and while structural funding under PA6 is providing necessary infrastructures, it will on its own not be sufficient to guarantee results.

Assistance to SMEs has also absorbed a high proportion of funds available. This finance was of particular relevance during the economic recession which proved to be successful in allowing SMEs to utilise the slowdown in activity towards efforts aimed at undertaking capital investments and build the foundations towards venturing into new business areas. There were, however, comments expressed by representatives of small businesses that certain schemes were late in being launched and did not meet the requirements of firms at the time of highest need.

PA 5, namely that of safeguarding the environment, is next in line in terms of amount of funds committed. Although no project had yet been completed till the end of 2010, the recent completion of a major project that aims to treat sewage in Malta, namely the “Malta

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<sup>15</sup>Refer to Annex Table B.



south sewage treatment plant”, is producing positive effects on Malta’s environment particularly on the quality of bathing waters with important implications for tourism and the quality of life in general. The treated water being produced has the potential for further treatment, so as to substitute the abstraction of ground water, which is a major environmental concern in Malta.

A lot has also been done on the energy front, which is targeted under PA 4. Of particular importance is the aid scheme launched in 2008 that has two scopes, namely investments for the implementation of energy saving solutions and lighting as well as investments in renewable energy sources that had a very successful take-up possibly due to the increase in international oil prices in recent years. This has already had a marked effect on the rate of growth of electricity production from fossil fuels in Malta which has fallen from an average of 2% p.a. to around 0.5% p.a.

With respect to tourism, numerous projects were implemented over the current programming period although the economic crisis has made it extremely hard to achieve the intended effects of a rise in tourist arrivals given the harsh impact on this sector. It may furthermore be commented that national resources directed to the tourist industry have been more prioritised towards finding short-term remedies to the drop in arrivals on account of the recession (e.g. through the opening of new routes for low cost airlines) rather than at focussing on longer-term projects aimed at improving the quality of the local tourism product.

Lastly the improvements to Malta’s road infrastructure have been visible over the programming period notwithstanding the fact that no achievements are displayed in the indicators shown above. The discussion on the limitations of the current indicators below explains that this is due to the fact that an indicator’s achievement is only recorded once a project is finalised which may take many years with respect to the TEN-T projects.

The measures implemented followed very much the standard patterns of financing employed in similar programs across the EU. However, their implementation featured a number of innovative elements from the Maltese perspective. The most prominent example of this would be the enterprise aid schemes which for Malta represented innovative ways in which SMEs as well as the tourism sector were assisted during the economic downturn.

A number of concerns related to the indicators discussed above emanate from the 2010 AIR, the mid-term evaluation as well as the interviews carried out. Firstly, given that the results ensuing from impact and result indicators can only be assessed once a project is completed, most of the indicators show minimal results at this current juncture. These indicators will, therefore, illustrate a better picture at the end of 2011 when 26 projects financed by ERDF and one financed by Cohesion Fund are due to be completed. In addition, the desire to adopt more core indicators so as to better compare the performance of different regions may go against the very nature of cohesion funds which are there to address specificities and constraints of certain regions. As a result, core indicators may not always capture the

results of policies implemented by local policy makers to address these specificities. In addition, data methodology could differ among regions which could make this comparison even harder. An example of this is the core indicator under PA 6 “number of projects ensuring sustainability and improving the attractiveness of towns and cities” that could result in very different measurement methodologies adopted. Lastly, the fear of non-achievement of the targets may lead to the targets being set too low at the outset.

Therefore, it is safe to conclude that a one size fits all approach to indicators is not ideal. Too many differences exist between the regions of the member states reflecting the different priorities that these set at the start of the programming period. A variety of indicators should be made available to all member states at a more macro level so as to ensure that the achievements of the projects implemented are at least captured in part by some of these. Indicators should not be used to gauge the success of programme implementation but should be broader in scope and capture the true worth of the programme to the economy at large.

Given that the starting point of the member states is sometimes substantially different, the targets set should also be country specific<sup>16</sup>. As a result, it would be more useful to gauge the progress made by countries in achieving the target rather than the target itself. In addition, in some cases, maintaining the status quo could be considered an achievement in itself. If targets are not achieved, countries should be given the opportunity to explain their reasons for such deviations and suggest ways in which corrections can be made.

However, no indicator can be perfect and can only allow for an approximate measurement of the true benefits of the programme’s implementation to society. This is because increasing the relevance of an indicator often comes at the expense of reducing the ease of its measurement. Therefore, it is important not to be overly scientific in developing these indicators and ensure that these indicators illustrate their achievement from a macro perspective, in line with the sub-components of the policy areas developed by DG Regio.

### 3. EFFECTS OF INTERVENTION

The 2010 EEN report makes reference to the following issues in discussing the effects of intervention as at the end of 2009:

- In relation to infrastructure, the ERDF and Cohesion Fund were considered to have a key role in strengthening territorial cohesion whilst meeting needs concerning environment and transport.
- Promoting and strengthening high value-added activities, such as investments in plant and equipment as well as RTDI and ICT, improve Malta’s competitiveness.

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<sup>16</sup>This is similar to the policy currently being adopted for the EU 2020 strategy for better growth and jobs

- Urban regeneration measures were also considered to contribute to improving the quality of life across the island and to strengthen environmental monitoring and awareness. They also helped to improve the competitiveness of the tourist industry.
- In order to address the recession more specifically, support to SMEs was increased through the aid schemes in place.
- Specific projects were also highlighted as examples of good practice, which include the ERDF grant scheme for small start-ups, the urban waste water treatment plant, extending the lecturing capacity at Junior College, as well as the restoration and rehabilitation of historical fortifications of Malta and Gozo.

The impact of the projects on the region's economic and social development is hard to assess since such a short span of time has elapsed since the programme's commencement. A small number of projects designed have as yet been implemented and even fewer have been completed. In addition to this, the positive effects of projects are often felt over a longer time span, perhaps even beyond the time frame of the programming period. However, when assessing the projects that have been completed so far<sup>17</sup>, one can conclude that the areas that have been mostly targeted and, as a result, benefitted most so far were education, tourism, energy efficiency and accessibility through the upgrading of some arterial and distribution roads. In addition, SMEs have benefitted from a number of aid schemes that have helped them to better overcome the problems experienced as a result of the economic downturn.

Malta's medium-term potential growth prospects are constrained by a number of factors, namely low participation rates in the labour market particularly of women and older workers, low educational attainment levels, low levels of research and innovation, as well as low levels of private investment possibly due to impediments in Malta's business environment. EU funding has helped the Maltese authorities to address these bottlenecks in an attempt to sustain and raise economic development and growth.

Measures targeting education and training, most of which addressed through OP II, have helped improve educational attainment levels as well as re-train workers, particularly women and older workers, to re-enter the labour market or learn new skills that will allow them to remain active participants in the Maltese economy. However, education was also targeted extensively through PA 6 of OP I with various infrastructural projects being undertaken and already completed. Apart from improving economic development, this has the added benefit of improving 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 also benefitting from the possibility of developing research and innovation opportunities that will help to improve Malta's total factor productivity and

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<sup>17</sup>Refer to Annex Table E.

potential growth prospects. Private investment is also being directly addressed through OP I through the various aid schemes in place as well as indirectly by improving human capital as well as capital infrastructure mainly under PA 3 and 6, as is discussed further below. In addition, PA 6 also foresees the completion of an oncology department at the national hospital with obvious positive implications for the quality of life of cancer patients and their families.

Apart from the challenges mentioned above, Malta faces other long-term challenges that have been outlined by the European Commission<sup>18</sup>. These include the need to ensure the long-term sustainability of public finances, the need to enhance Malta's competitiveness position, the importance of reducing market imperfections and improving the quality of the environment. The latter is also important in order to improve the quality of life of Malta's citizens. The investment being made under PA 4 and 5 that target energy efficiency and the environment will also allow citizens to enjoy cleaner air as well as safer and cleaner water particularly now that the south sewage treatment plant has been completed.

The long-term sustainability of Malta's public finances faces challenges particularly given the significant increase in projected long-term age related expenditure as forecasted by the European Commission<sup>19</sup>. Cohesion Policy is helping to address this challenge by incentivising people to participate further in the labour market, thereby increasing Malta's working age population. As already discussed above, the childcare centres being developed are directly addressing this issue. Cohesion Policy is improving Malta's competitiveness position through investments being made in the tourism sector as well as by bettering Malta's infrastructure, such as sea and road transport, apart from improving the efficiency of energy and ICT infrastructure that help to improve the efficiency in production of Maltese and foreign-owned enterprises in Malta. These developments are also key to encouraging more private sector investment in the local economy that will raise capital accumulation and Malta's growth potential. In addition, the incentives being given to firms to invest in renewable energy sources will allow these to reduce their dependence on imported oil for energy thereby allowing them to become more competitive in the long-term. Malta is currently almost exclusively dependent on imported fossil fuels for its energy production.

In addition, in 2011 a number of projects are due for completion. These will result in additional benefits to the Maltese economy again largely in education, as well as in the areas of tourism and environment.

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<sup>18</sup>European Commission, Commission Staff Working Paper – Assessment of the 2011 national reform programme and stability programme for Malta, June 2011

<sup>19</sup>European Commission (DG ECFIN) and the Economic Policy Committee (AWG), The 2009 Ageing Report: Underlying Assumptions and Projection Methodologies for the EU Member States (2007–2060), 7/2008

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

The main conclusions from the 2010 country report can be summarised below:

- The main gap regarding evaluation in Malta is the lack of an evaluation culture in public administration resulting in few evaluations of public policy being undertaken.
- In fact, until the end of 2009, only the ex-ante evaluation of OP I was undertaken during the current programming period which showed that the ERDF and Cohesion Fund programme is suitable for tackling the main structural problems and is in line with the Lisbon Strategy, as well as EU and national policy guidelines.
- The Mid-term evaluation of the OP I 2007–2013 was still underway, which was due to analyse the achievements of the programme and formulate specific recommendations for corrective measures at programme and project level.
- The evaluation carried out under the 2004–2006 programming period entitled “Analysis of the effectiveness of projects co-financed by the Structural Funds in 2004–2006” was considered worth mentioning.

The Maltese Authorities consider evaluations to be a useful tool in designing and managing Cohesion Policy programmes. However, few evaluations have taken place to analyse the effects of interventions co-financed by ERDF and the Cohesion Fund<sup>20</sup> which reflects the lack of an evaluation culture within public administration in Malta. It is however to be considered that the smallness and proximity of the local economy enables policy-makers to be relatively well informed of progress in policy implementation. This reduces the need for numerous formal evaluations given the strong link that exists between design, monitoring and programme implementation in such a small economy.

Apart from the ex-ante evaluation of the OP I, the only other external evaluation during this programming period was the mid-term evaluation of the OP I 2007–2013 which was carried out by KPMG Malta during the second quarter last year with the report being completed and presented in April this year. The project was organised in 5 main phases: inception; data collection, verification and analysis; findings and recommendations; reporting and closure. The evaluation relies on various techniques in order to obtain the insight and information necessary to carry out the analysis: document review; on-line questionnaires; one to one interviews; workshops and focus group sessions. The MTE assesses the progress of implementation by focus area of intervention, economic activity, by priority themes of intervention as well as by those funds entirely attributable to the island region of Gozo.

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<sup>20</sup>The ex-ante and mid-term evaluation of OP I 2007–2013 have so far been carried out during the current programming period.

The main findings of the MTE are considered below:

### **1. Relevance**

The OP I is considered to be a suitable tool for tackling the main structural problems that were highlighted in the strategy document, both in term of its broadness and flexibility. Only minor changes to the programme's design are currently being undertaken mainly addressing the need to increase science popularisation. In its review, the external evaluators mention that a relatively short time period has elapsed between the development of the OP and the drawing up of its mid-term review, thereby making the programme still relevant. This relevance, according to KPMG, has become even more pronounced following the recent economic crisis. It acknowledges, however, that a time lag exists between policy implementation and the achievement of results, also due to inertia of some supply-side variables.

The mid-term evaluation report provides reasons for the difficulties encountered at implementation stage and in meeting the projected targets, most of which have already been outlined earlier, namely (i) Malta's size limitations that result in a limited number of public officers and potential beneficiaries, limited sectoral expertise, and a small number of quality potential bidders for tenders; (ii) challenges, such as limited cash flow, resulting from the economic crisis; (iii) other external factors that gave rise to cost escalations (including oil and other raw materials), as well as exchange rate fluctuations and technological development.

### **2. Efficiency**

The evaluators assessed the efficiency at the various stages of the programme's implementation. The MTE report concludes that the process leading up to the selection of the application is not a major bottleneck. In fact, the number of requests for grants, as well as the number of those requests that were eligible for the grant, is considerably high. Approved grants have also increased substantially in number in 2010. However, potential issues exist in the actual utilisation of the funds as a result of a relatively low approval ratio and disbursement levels. With regard to the former, problems outlined include insufficient quality of submissions, withdrawal of applications, insufficient funds at call level, and low administrative capacity. Similar problems were given to explain the low disbursement ratio including capacity, capability and administrative issues, among others.

Beneficiaries have also outlined challenges at public procurement stage, namely the limited expertise in drafting tender documents; changes to templates, procedures and award criteria; delays in the appeals process and capacity shortages at the Department of Contracts (DoC); capacity and capability constraints related to project resources; reluctance to proceed with contracting in the absence of a final Grant Agreement; delays in disbursement also due to excessive red tape; and timeline compression that adds pressure at procurement stage.

In addition, in its study, KPMG mentions that the Managing Authority (MA) and Intermediate Bodies (IB) have different levels of efficiency in processing applications. In comparing the IBs, Malta Enterprise (ME) is found to be the most efficient whereas the Department for Social Welfare Standards (DSWS) the least efficient.

### 3. Effectiveness

The analysis drawn up by KPMG highlights the fact that there has been a general underperformance in the actual achievement reported by the impact indicators, although, the evaluators state, that these are more likely to be measurable in the longer term. In addition, some indicators may not truly reflect the progress made since, in the majority of cases, indicator attainment can only be fulfilled upon project completion. Improvements have, however, occurred in some output and result indicators, some of which exceeding planned amounts. However, it has been noted that some of the impact indicators are characterised by poor quality of measurability and sensitivity.

In conclusion, the evaluators feel that the instruments and interventions used are appropriate and will likely produce the expected effects.

**Table B – Mid-Term Evaluation Report**

Title and date of completion	Policy area and scope	Main objectives	Main findings	Full reference or link to publication
Mid-term evaluation report – Operational Programme I (Cohesion Policy 2007–2013), 7 <sup>th</sup> April 2011 (KPMG)	Likely achievements of OP I with a cut-off date set at 30 <sup>th</sup> April 2010. The final inception report was submitted on 23 <sup>rd</sup> August 2010 with a final approval by MA on 6 <sup>th</sup> September 2010.	To provide an independent review with respect to the progress attained towards the key objectives (relevance, efficiency and effectiveness) of the OPs under review	(As discussed above) 1. Relevance 2. Efficiency 3. Effectiveness	n/a

The main recommendations, drawn up by KPMG, that emerge from the evaluation relate to the following:

#### 1. Speeding up of implementation

A number of recommendations have been drawn up in this regard, including the need to prioritise calls in 2011 to increase the level of approved grants whilst focussing these calls on areas that reflect poor performance in the respective output and result indicators. These in turn should be revised upward once expected or over-achievement is realised. The process of project selection should be speeded up as well as the time lag between the letter of offer and grant agreement. Lastly, KPMG suggests that the IBs ensure quality of applications so as to minimise bottlenecks at disbursement stage and beneficiaries in turn should ensure realistic implementation schedules.

## **2. On relevance**

The report mentions the need to encourage entities to propose projects in the areas of culture and creative industries, supporting science popularisation, as well as strengthening the IP framework. In addition, KPMG feel that in view of the synergies between OP I and OP II, the 10% funding commitment for Gozo should not be tied at Programme level but across the three sources of funding (ERDF, CP and ESF).

## **3. Administrative capacity and efficiency**

According to KPMG's mid-term evaluation, a number of factors affecting the programme's administrative capacity and efficiency need to be addressed. Firstly, administrative requirements and burdens need to be simplified and any changes in operational and administrative procedures must be phased in. Capacity shortfalls must be identified in beneficiary organisations, line ministries and intermediate bodies that should be allowed to resort to fixed-term recruitment or outsourcing. In addition, the Project Selection Committee (PSC) should be broadened to a minimum of eight people in order to minimise delays and multiple PSCs can be set up to handle submissions arising from different concurrent calls. These must in turn select the projects that will provide Malta with the maximum socio-economic benefits. Lastly, proper guidance and training is required, possibly in conjunction with an educational institution such as MCAST, so as to allow project leaders to be more knowledgeable about application, public procurement, project management, budgeting and other relevant areas.

## **4. Public procurement**

In order to address the main problems concerning public procurement, such as low quality tender submissions and draft procurement documents, as well as delays in the procurement procedures, KPMG recommend enhancing the capacity and capability of the Department of Contracts (DoC) as well as ensure that the DoC, in conjunction with a specialist educational institution, provide specialist training to line ministries responsible for submitting tenders or implant key public procurement experts in some line ministries. In addition, the capacity of the Review Board should be increased in order to minimise delays emanating from the appeals procedure.

## **5. Maximising the potential of IT**

KPMG also suggest some improvements to the IT system in order to facilitate entries and extraction of necessary data. Firstly, the Structural Funds Database (SFD) should introduce an automated process that does not rely on manual date stamping input for the invoice payment process. Secondly, a web-based front-end interface should be introduced for aid schemes to facilitate entry by beneficiaries. Lastly, the utilisation of a central database and document management system should be exploited as a single depository for all documents that are submitted by beneficiaries.



## 6. Development permitting

The award of development permits is considered to be a major reason for delays in project implementation. KPMG recommended that a review be conducted in order to assess the outcome of reforms at the Malta Environment and Planning Authority (MEPA) and its impact on EU funded projects. In this regard, the Project Selection Committee (PSC) should ensure that MEPA is in line with the submitted timelines in the implementation schedule to reduce delays in awarding permits. However, applicants in turn should ensure that enough lead time is included in their timeline or implementation schedule that allows for development control related consultations, as well as permit, clearance and certification attainment. Another recommendation in this regard is that of considering waiving bank guarantees or fees associated with applying for a development permit financed through Cohesion Policy or making the applicability and recoverability of such fees dependent upon the eventual approval of the project by the MA.

Although it is too early to determine whether this evaluation is one of good practice, one can mention two issues that have emerged from the interviews carried out, namely that (i) the problems identified by the evaluators are not always the most pressing concerns; (ii) the recommendations emerging from these evaluations are not always sufficiently well developed to enable their effective implementation. As a result, as well as since the evaluation was only just published in April 2011, it is not clear how these recommendations will feed into policy implementation. In fact, the likelihood is that these recommendations, if any, will feature in the 2011 AIR that will be published next year. It is known, however, that the MA intends to take on at least one recommendation, namely to introduce new measures to increase science popularisation, that was suggested in the mid-term evaluation review.

The MTE report mostly addresses the operational programme in its entirety, thereby making it difficult to extract information by policy area. However annex 11 to the document gives a more detailed analysis, broken down by theme, of the findings within the 'relevance' section to assess the appropriateness of the OP in relation to the socio-economic context. The themes broadly cover the priority axes within OP I namely the labour market, education, environment, competitiveness, the island of Gozo, infrastructure, as well as tourism. Thus, the policy areas seem to be adequately covered within the 'relevance' section of the MTE's findings as well as in the recommendations made subsequent to the analysis of this section, although no mention by policy area is made in the other sections of this report. While we have no evidence that there is any policy area that has not been addressed in the evaluation, it is not always clear whether the evaluation is addressing each of the policy areas in a sufficient way particularly with regards to the efficiency and effectiveness aspects.

In addition to the Mid-Term Evaluation, the MA participated in the following studies and evaluations:

- Expert Evaluation Network led by Ismeri Europa Consultants, focusing on the performance of innovation policy;

- Study about Cohesion Policy and Sustainable Development led by Institute for Ecological Economy Research;
- Mid-Term Evaluation of the JEREMIE Initiative led by European Investment Bank;
- Project Impact Assessments – EU Structural and Cohesion Funds led by TNO Innovation & Ruimte.

Furthermore, during 2010, a representative from the Evaluation Unit within the MA attended two Evaluation Network Meetings organised by DG Regio. These meetings mainly consisted of discussions related to guidance on methodology, indicators, evaluation plans, as well as progress in relation to evaluations being undertaken by the Commission and other Member States.

Other than the ex-post evaluation of the OP I 2007–2013, there are no indications of plans being made to carry out other evaluations during the current programming period. This reflects the limited resources within the MA with the latter choosing to focus on monitoring the program whilst leaving its evaluation to external sources.

During the interview carried out with the MA, it was brought to our attention that an evaluation carried out during the previous programming period (2004–2006) entitled “Analysis of the effectiveness of projects co-financed by the Structural Funds in 2004–2006” is considered by the MA to be one of good practice. The study assessed a sample of 13 projects financed under three of the Single Programme Document measures<sup>21</sup> (primarily in terms of effectiveness and impact) and provided an analysis of monitoring and evaluation. The main recommendations can be divided in two sets: the first set were of a horizontal nature and focused on improving data collection (analysis of data needs, availability of statistics from already established sources); the second set of recommendations were related to specific projects and focused on setting up quality assurance and quality control procedures; development of an integrated policy plan for the environmental projects and of a concrete plan based on the monitoring results. More details of this evaluation are outlined in table C below.

The main conclusions that can be drawn out from the interviews and literature referred to throughout this analysis are listed below:

- Although the MA is committed to carrying out evaluations, with a sound evaluation plan being implemented, formal evaluations are considered to be administratively cumbersome, especially given the limited resources at hand;
- Given that the problems identified by the evaluators are not always considered to be the most pressing concerns, more interaction is needed between the evaluator and the MA in drawing up recommendations. The experience of the MA must be considered an asset and be given due consideration by the evaluator;

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<sup>21</sup>Measure 1.1 – Improving the Environment Situation; Measure 4.1 – Basic Infrastructure and Development of the Tourism Sector; Measure 4.2 – Human Resources

- The recommendations need to be better developed to enable their effective implementation;
- Within the MTE, it may be more beneficial to discuss the progress in the launch and approval of projects rather than the absorption of funds. Therefore, the scope of the MTE should be shifted towards the planning, preparation, and launching stages and whether execution is on track.
- An evaluation culture needs to be developed in Malta to ensure that recommendations feed into policy implementation;
- Notwithstanding this, evaluations carried out in Malta 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;
- In determining the effectiveness of evaluations, the MA appears to put significant emphasis on the importance of its involvement and participation.

**Table C – Evaluation grid for examples of good practice in evaluation**

<b>BASIC INFORMATION</b>
<b>Country – Malta</b>
<b>Policy area – Environment, Infrastructure, Tourism</b>
<b>Title of evaluation and full reference – Analysis of the Impact and Effectiveness of Projects Structural Funds 2004–2006</b>
<b>Intervention period covered – 2004–2006</b>
<b>Timing of the evaluation – October–November 2008</b>
<b>Budget – EUR 33,000</b>
<b>Evaluator – External evaluator</b>
<p><b>Method :</b> Data and information concerning the Effectiveness and Impact of interventions was collected and analysed. Data was obtained through stakeholder consultation, individual interviews plus Focus Groups, the use of secondary source and administrative data, beneficiary surveys, observational techniques, input/output analysis, analysis of indicators, and through a case study.</p>
<p><b>Main objectives and main findings :</b> The objectives of this study were to assess and verify the achievements registered by projects as identified by the Managing Authority; to conduct an analysis of the effectiveness and impact of the sample of projects, with reference to the output, result and impact indicators at project level; to propose recommendations for the future in terms of monitoring and collection of data in order to facilitate future evaluation exercises. The study showed that as at the end of 2007, Measures 4.1 (Basic Infrastructure and Development of the Tourism Sector) and 4.2 (Human Resources ) were found to be the second best performing with respect to measure implementation and the best performing measure of the fourteen measures in the Single Programming Document (SPD) for Malta 2004–2006 in terms of disbursed funds. Measure 1.1 (Improving the Environment Situation), on the other hand had a slow start in terms of disbursement of funds, although the situation improved considerably by the end of 2007 with disbursement of 57.4% taking place. With regard to the measures' effectiveness and impact, all the output and result indicators of both measures have been fully or partially achieved.</p>
<p><b>Appraisal :</b> This evaluation study, apart from studying a number of specific issues to the 2004–2006 Programme, was also intended to provide input into the evaluation activities planned under the 2007–2013 programming period. In this regard, the evaluators made some recommendations on how best to improve evaluations and data collection taking into account the constraints and limitations of small business administrations, as well as other territorial specificities which impinge on planning and implementations of programmes and projects. Such recommendations were taken up for the 2007–2013 programming period.</p>

CHECK LIST	YES	NO
<b>UTILITY</b>		
<b>Report Clarity and Balance</b>		
Are the objectives, methods and findings of the evaluation clearly described? <sup>a</sup>		
Are the conclusions and recommendations clearly supported by the analysis?	X	
Are the strengths and weaknesses of the intervention being evaluated fairly assessed and reported? ANS: Most applicable to the Data Collection System	X	
Is the outcome of the intervention clearly reported?	X	
<b>RELIABILITY OF FINDINGS</b>		
<b>Evaluation design</b>		
Is the approach adopted by the evaluation and method used clearly set out? <sup>b</sup>		
Is the approach and methods suitable given the objectives of the valuation and the intervention being assessed?	X	
Are the details of the operation of the intervention clearly described? ANS: There is a detailed project description.	X	
Are the mechanisms through which the intervention is intended to achieve its objectives clearly identified?	X	
<b>Context<sup>c</sup></b>		
Is the socio-economic and policy context clearly set out?		
Are the effects of the economic and/or policy context on the outcome of the intervention clearly described?		
<b>Information Sources</b>		
Are the quantitative and/or qualitative data used suitable for the purpose for which they are used?	X	
Is the reliability of the data fairly assessed and described? <sup>d</sup>		X
<b>Analysis<sup>e</sup></b>		
Are appropriate procedures/techniques used to analyse the data and/or qualitative information?		
Are suitable procedures used to check the validity of findings?		X
Is the validity of the findings reached clearly demonstrated?		
Do the policy recommendations follow clearly from the findings of the analysis?		

<sup>a</sup> The objectives and methods, although not clearly raised in the report itself, are found in the Terms of Reference and Inception Report of the tender for this study.

<sup>b</sup> They are clearly set out in the Inception Report, as the Final Report only mentions 'a measure specific and a project specific approach'.

<sup>c</sup> Such evaluation was carried out at project level rather than at programme level.

<sup>d</sup> No such explanation is given in the report, however most data was documented through the Managing Authority or other stakeholders. In addition, the assessment was limited due to time constraints since such evaluation was carried over a short period of time. However most data was provided through the Managing Authority or other stakeholders.

<sup>e</sup> Although no formal analysis was actually carried out, the findings and recommendations were taken on board for the programming period 2007–2013.

## 5. CONCLUDING REMARKS – FUTURE CHALLENGES

The 2010 country report made the following conclusions:

- The focus made in the development strategy 2007–2013 is consistent with local needs although increased effort is needed to strengthen competitiveness.
- Some of the major challenges include:
  - The need to keep tackling the lack of innovation and entrepreneurial culture and increasing the capability of Malta to generate new science and new technologies through (i) investment in physical infrastructure and further encouraging young people to take up science disciplines, (ii) supporting investment in technology-intensive firms;
  - The need to increase awareness of environmental problems and implement large-scale projects with a significant environmental impact;
  - The need to develop an evaluation culture in public administration, make the evaluation reports available and disseminate them among stakeholders;
  - The need to improve cooperation between administrative bodies as well as final recipients of funding, improve the allocation of staff to reduce administrative bottlenecks and accelerate financial procedures and payment systems.

The above conclusions are still broadly valid today although two remarks need to be made, namely (i) as discussed within the report, the MA intends to slightly modify the OP I to introduce measures that will further encourage the take-up of science subjects; (ii) staff limitations, as discussed in the conclusions below, are an inherent characteristic of a small economy and the redistribution of staff within the public sector may not be an easy task to accomplish given that shortfalls of high skilled workers exist in most government departments, although this may to some extent be contemplated through e-government initiatives.

The small size of the local economy has been a recurring theme throughout this report, explaining a number of deficiencies and also providing scope for a number of recommendations. In addition, the programming period covers a relatively long time span which can result in various developments in the international scenario, leading to new challenges to the local economy. Malta's proportionately higher exposure to these shocks than those faced by other EU member states results in the need to adopt more flexibility in the manner in which funds are allocated during the programming period.

With respect to policy implementation, the main bottlenecks that have emerged in last year's country report are similar to the ones that can be drawn out here. Some of these issues are very hard to address and overcome since they are inherent characteristics of a small economy. These relate in most part to capacity issues such as a lower number of people, in absolute terms, working in the public sector with a commensurately higher per capita

workload than in larger member states. This characteristic was also one of the reasons used to explain the relatively low level of disbursements that have taken place so far. In addition, expertise is limited and the high turnover of workers adds to these difficulties, particularly given the relatively steep learning curve involved.

Although it is not possible to overcome these inherent challenges, the problems experienced at implementation stage can be reduced at strategy level when strategic policy is being designed. Given the limited resources available and the limited possibility to benefit from economies of scale, it is important to avoid the implementation of small and disjointed projects so as to reduce the incidence of administrative and regulatory burdens. National policy documents should be backed up by policy documents at sectoral level (by sub-component of the policy areas developed by DG Regio) that include an in-depth analysis of the interventions required, including cost-benefit analysis at strategy level.

Various concerns have also been raised about the effectiveness of the indicators in place. These include their timeliness, since the positive effects of some projects take time to be reaped, the difficulties in adopting a one-size-fits-all approach for core indicators, and the fear of non-achievement that leads to policy-makers setting their targets too low. Indicators should not be used to gauge the success of project implementation but should be broader in scope thereby capturing the true worth of the programme to the economy at large. In addition, targets should be country specific and should assess the progress that a country makes towards reaching them rather than assessing the target itself. Countries should also be given the possibility to explain the non-achievement of targets whilst suggesting ways in which they plan to rectify such shortfalls.

Lastly, given the lack of an evaluation culture in Malta, formal evaluations are generally seen as an administratively cumbersome exercise, particularly given the limited resources at hand. In addition, the outcome and policy recommendations emerging from such evaluations are not easily taken into account for two reasons; (i) a vacuum appears to exist between the concerns of the MA and the recommendations put forward by the evaluators, (ii) the recommendations emerging from the MTE were not always sufficiently well developed to enable their effective implementation. Notwithstanding this, however, evaluations carried out in Malta 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. The MA highlighted no evaluations of good practice for this programming period although it considers worth mentioning an evaluation carried out in the programming period 2004-06. It is also worth noting that evaluations carried out within a programming period, such as the MTE, should be used as an opportunity to assess the launch of projects and whether their execution is on track rather than assess the progress made in absorbing the available funds.

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- European Commission (DG ECFIN) and the Economic Policy Committee (AWG), The 2009 Ageing Report: Underlying Assumptions and Projection Methodologies for the EU Member States (2007–2060), 7/2008

## INTERVIEWS

- Mr. Jonathan Vassallo, Director General (Planning and Priorities Co-ordination) – Office of the Prime Minister;
- Mr. Marco Abela, Chief Officer, Malta Enterprise;
- Mr. Mark Bamber, Partner, KPMG Malta.

## TABLES

See Excel file for Tables 1–4:

Table 1 – Regional disparities and trends

Table 2 – Macro-economic developments

Table 3 – Financial allocation by main policy area

Table 4 – Commitments by main policy area (by end-2010)

### Annex Table A – Allocation of total funds 2007–2013 by Priority Axis

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

### Annex Table B – Commitments of total funds by Priority Axis 2009–2010

Priority Axis	Commitment				
	EUR million		% change	Progress Ratio	
	2010	2009	2010–2009	% of total allocation	
	2010	2009	2010–2009	2010	2009
1. Enhancing Knowledge and Innovation	105.7	93.8	12.7	88.1	78.2
2. Promoting Sustainable Tourism	77.3	83.5	-7.5	64.4	69.6
3. Developing the TEN-T	82.4	71.1	15.9	48.7	42.1
4. Mitigation and Adaptation to Climate Change	81	24.5	231.7	67.1	20.2
5. Safeguarding the Environment	104.3	78.1	33.6	63.1	47.3
6. Urban Regeneration and Improving the Quality of Life	133.6	66.1	102.1	89.6	44.4
7. Technical Assistance and Administrative Capacity Building	12.3	12.3	0.0	100.0	100.0
<b>Total</b>	<b>596.7</b>	<b>429.4</b>	<b>39.0</b>	<b>69.7</b>	<b>50.1</b>



**Annex Table C – Payments by Priority Axis 2009–2010**

Priority Axis	Payments						
	EUR million		% change	Utilisation Ratio		Disbursement Ratio	
	2010	2009	2010–2009	% of total allocation		% of commitment	
	2010	2009	2010–2009	2010	2009	2010	2009
1. Enhancing Knowledge and Innovation	25.9	0.57	4419.4	21.6	0.5	24.5	0.6
2. Promoting Sustainable Tourism	7.1	0.86	727.3	5.9	0.7	9.2	1.0
3. Developing the TEN-T	2.0	0.03	7170.9	1.2	0.02	2.4	0.04
4. Mitigation and Adaptation to Climate Change	2.5	0.38	556.8	2.1	0.3	3.1	1.6
5. Safeguarding the Environment	63.4	23.0	176.1	38.4	13.9	60.8	29.4
6. Urban Regeneration and Improving the Quality of Life	27.5	6.0	360.2	18.5	4.0	20.6	9.0
7. Technical Assistance and Administrative Capacity Building	1.7	0.66	149.1	13.4	5.4	13.4	5.4
<b>Total</b>	<b>130.1</b>	<b>31.4</b>	<b>313.7</b>	<b>15.2</b>	<b>3.7</b>	<b>21.8</b>	<b>7.2</b>

**Annex Table D – Certified expenditure and implementation rates 2009–2010**

Priority Axis		2009			2010		
		Total amount of <u>certified</u> eligible expenditure paid by beneficiaries (EUR million)	Corresponding public contribution (EUR million)	Implementation rate (%)	Total amount of <u>certified</u> eligible expenditure paid by beneficiaries (EUR million)	Corresponding public contribution (EUR million)	Implementation rate (%)
1	Enhancing Knowledge and Innovation	0.5	0.5	0.4	15.3	15.3	12.8
2	Promoting Sustainable Tourism	0.6	0.6	0.5	3.7	3.7	3.1
3	Developing the trans-European network for transport	0.0	0.0	0.0	1.7	1.7	1.0
4	Mitigation and adaptation to climate change	0.1	0.1	0.1	0.7	0.7	0.6
5	Safeguarding the environment	15.5	15.5	9.4	60.0	60.0	36.3
6	Urban regeneration and improving quality of life	4.7	4.7	3.2	14.9	14.9	10.0
7	Technical Assistance	0.4	0.4	3.0	0.4	0.4	3.2
	<b>Total</b>	<b>21.9</b>	<b>21.8</b>	<b>2.6</b>	<b>96.6</b>	<b>96.6</b>	<b>11.3</b>

**Annex Table E – Funds allocated and committed by policy area (as a % of total)**

<b>Policy Area</b>	<b>Mapping to priority axes</b>	<b>Allocation to policy area as a % of total allocation of funds</b>	<b>Commitment to policy area as a % of total committed funds</b>
Enterprise support and RTDI  (i) RTDI and linked activities  (ii) Support for innovation in SMEs  (iii) Other investment in firms  (iv) ICT and related services	<b>PA 1</b> (ERDF): Enhancing Knowledge and Innovation	97/728.1 = 13.3%  (i) 42.5/728.1 = 5.8%  (ii) 21.5/728.1 = 3%  (iii) 8/728.1 = 1.1%  (iv) 25/728.1 = 3.4%	90.2/507.2 = 17.8%  (i) 46.6/507.2 = 9.2%  (ii) 23.7/507.2 = 4.7%  (iii) 4.3/507.2 = 0.8%  (iv) 15.7/507.2 = 3.1%
Human Resources (ERDF only)  (i) Education and training  (ii) Labour market policies	<b>PA 6</b> (ERDF): Urban regeneration and improving the quality of life	0%	0%
Transport and telecommunications  (i) Road  (ii) Rail  (iii) Other	<b>PA 3</b> (Cohesion Fund): Developing the trans-European network for transport	184.3/728.1 = 25.3%  (i) 132.3/728.1 = 18.2%  (ii) 0  (iii) 52/728.1 = 7.1%	95.7/507.2 = 18.9%  (i) 73/507.2 = 14.4%  (ii) 0  (iii) 22.7/507.2 = 4.5%
Environment and energy  (i) Energy infrastructure	<b>PA 4</b> (ERDF): Mitigation and adaptation to climate change	273.9/728.1 = 37.6%  (i) 34.8/728.1 = 4.8%	169.4/507.2 = 33.4%  (i) 26.7/507.2 = 5.3%

Policy Area	Mapping to priority axes	Allocation to policy area as a % of total allocation of funds	Commitment to policy area as a % of total committed funds
(ii) Environmental infrastructure	<b>PA 5</b> (Cohesion Fund): Safeguarding the environment	(ii) 239.1/728.1 = 32.8%	(ii) 142.7/507.2 = 28.1%
<b>Territorial development</b> (urban areas, tourism, rural development, cultural heritage, health, public security, local development)  (i) Tourism and culture  (ii) Planning and rehabilitation  (iii) Social infrastructure  (iv) Other	<b>PA 2</b> (ERDF): Promoting sustainable tourism  <b>PA 6</b> (ERDF): Urban regeneration and improving the quality of life	162.4/728.1 = 22.3%  (i) 93.5/728.1 = 12.8%  (ii) 9.8/728.1 = 1.3%  (iii) 59.1/728.1 = 8.1%  (iv) 0	141.4/507.2 = 27.9%  (i) 65.6/507.2 = 12.9%  (ii) 6.4/507.2 = 1.3%  (iii) 69.4/507.2 = 13.7%  (iv) 0

**Annex Table F – List of Projects completed as at December 2010**

Priority Axis	Name of Operation	Description
1. Enhancing Knowledge and Innovation	Refurbishing the signal processing laboratory for the University of Malta	This project aims to refurbish the Signal Processing Laboratory within the Department of Communications and Computer Engineering at the University of Malta with state of the art equipment to capture, process and present multimedia signals for various applications within the realm of ICT. The laboratory will be used to train undergraduate and postgraduate students as well as researchers in this area.
	A super computer laboratory for the University of Malta	This project aims to build a state of the art computing facility for the University of Malta and for use by research-performing SMEs. This facility will be equipped with the latest modelling software in environmental, discrete element, protein, urban, climate, financial and fluid dynamic modelling. It will also provide a system for the development of multi-core programming and grid computing systems.
2. Promoting Sustainable Tourism	Wied il-Mielah – towards an ecologically and culturally sensitive, sustainable tourism	This project will recognise the environmental and ecological value of Wied il-Mielah natural asset by: Improving accessibility through road resurfacing and building of bridges; Carrying out cleaning works, reconstruction of derelict rubble walls etc..
3. Developing the TEN-T	n/a	n/a
4. Mitigation and adaptation to climate change	Energy-Smart Authority	Energy Smart Authority includes the conversion of the offices of Housing Authority in Floriana into eco-friendly, energy smart building. The project consists of a RES installation through a 3.48 kWp Photovoltaic system to generate 5,232 kWh p/a and the installation of Energy Efficient lighting system through lighting optimisers aiming to save 10,212 kWh p/a on energy consumption.
5. Safeguarding the environment	n/a	n/a
6. Urban regeneration and improving the quality of life	Extension of ETC skills and development centre	The project involves an extension to the training centre already in place so to better target the current and future labour market needs. The extension will incorporate a number of new training rooms equipped with the latest teaching technologies which will enable the applicant increase the number of training initiatives already on offer.
	Upgrading of arterial and distribution roads	This project will involve the upgrading of the arterial and distributor road network to improve the quality and efficiency of the roads that have a strategic linking function to the TEN in Malta. The proposed roads will include M'Scala By-pass part of distributor road no.26 – total 3km, and Valletta Road – Zurrieq distributor Road No. 31 – total 1.7km. i.e. a total of 4.7km of roads upgraded.
	Language lab with contact	The proposed project involves the setting up of a 'Language

Priority Axis	Name of Operation	Description
	centre facility at MCAST Institute of Business and Commerce	Laboratory' training facility within the Institute of Business and Commerce as well as contact training facilities. The scope being the teaching of languages and contact centre skills post secondary students.
	Expansion of MCAST Institute of Electrical and Electronics Engineering	This project involves the upgrading and expansion of the Electrical and Electronics Engineering Institute. This will involve the upgrading of the PLC Software Development/Applications lab and the upgrading of four new labs namely electronics, microelectronics, precision electronic training and electrical training lab.
	Computer systems and computer labs at MCAST Malta and Gozo	This project involves the setting up of new computer systems/labs for MCAST Institutes both in Malta and in Gozo. This will involve the setting up of 5 new labs in Malta and 1 in Gozo and the upgrading of another 10 labs in Malta and 2 in Gozo.

## Annex Table G – 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 investment in firms	08	Other 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	

Policy area		Code	Priority themes
2. Human resources (Cont.)	Labour market policies (Cont.)	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	Railways
		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
		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



Policy area		Code	Priority themes
		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
		77	Childcare infrastructure
		78	Housing infrastructure
	Tourism and culture	79	Other social infrastructure
		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
	Planning and rehabilitation	60	Other assistance to improve cultural services
	Other	61	Integrated projects for urban and rural regeneration
		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	