

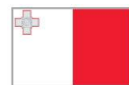
Update on Implementation

Operational Programme I
Cohesion Policy 2014-2020

*Fostering a competitive and sustainable economy to
meet our challenges*

Monitoring Committee Meeting

22nd May 2015



European Union
European Structural and Investment Funds



Overview

Progress registered under the 2014-2020 OP, since its launch in March 2015, will be provided as per Article 110 of Regulation (EU) No 1303/2013.

The following are the main updates to be provided:

- Launch of Calls under the OP
- Implementation of the Horizontal Obligations
- Preliminary outcomes of Access to Finance Market Assessment (AFMA)

Pre-announcement - Call for proposals

- **PA3 - Enhancing Malta's competitiveness through investment in SMEs. IP:** Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
- **PA4 - Promoting the production and distribution of energy derived from renewable sources. IP:** Promoting the production and distribution of energy derived from renewable sources
- **PA5 - Protecting our environment - investing in natural and cultural assets. IP:** Conserving, protecting, promoting and developing natural and cultural heritage
- **PA11 - Investing in TEN-T infrastructure IP:** Supporting a multimodal Single European Transport Area by investing in the TEN-T

Publication of Call for proposals

- Call for Proposals published on the 10th May on Sunday newspapers, PPCD website and through a DoI press release
- The deadline for submitting proposals is **11th September 2015, at noon**
- Guidance is available online on <http://eufunds.gov.mt/opencalls> (PPCD section) to determine the eligibility of the proposed projects

Information sessions

- 2nd June (general overview);
- 16th June (how to apply online);
- 23rd June (how to plan a project proposal);
- 30th June (how to implement a project proposal).

Applicants are invited to register online on

<http://eufunds.gov.mt/opencalls>

Deadline for registration: **27th May 2015, at noon**

Implementation of the Horizontal Priorities (Article 96(7))

The approach taken by the MA is to take this into account at project level, with an obligation placed on all applications and [eventual] Grant Agreements to contribute to:

- **Equal opportunities**
- **Sustainable development**

Additional marks will be awarded for concrete and effective measures proposed to address these priorities

AFMA - Preliminary Outcomes

Legal Basis:

Article 37 (2) – Support of financial instruments shall be based on an ex ante assessment which has established evidence of market failures and suboptimal investment situations, and the estimated level and scope of public investment needs, including types of financial instruments to be supported

Under OPI, Financial Instruments are planned under PA 3 and PA 4.

AFMA - Preliminary Outcomes

Background and objectives of the assessment:

- Analysing, identifying, and quantifying the market failures, suboptimal investment situations, and investment needs for SME and innovation policy areas in Malta
- Determining the need for Financial Instruments in the Maltese context and the type of instrument that would best address the needs of the local enterprises.

Context behind the study:

Importance of SMEs in the Maltese economy:

- 70,782 companies are SMEs whilst only 83 are large companies
- SMEs employ 76.3% of the labour force (EU average: 67.4%)
- Maltese SMEs contribute to 64.5% of national added value (EU average 58.1%)

Consultation Process:

- Online Survey with Enterprises

- Interviews with:
 - Banks and financial institutions
 - Associations
 - Public Administration and Managing Authorities
 - Accelerators / incubators
 - Equity investment providers

Preliminary Findings - Micro Enterprises:

Problems encountered in accessing the banking system:

- Demand for short term loans (working capital finance) higher than supply, when compared to demand and supply for medium to long term loans
- Microfinance market practically non-existent
- Micro-enterprises benefit from customised products in terms of amount, maturity and collateral requirements
- Lack of specialised institutions such as microfinance providers that could support these companies

Preliminary Findings – Small and Medium Enterprises:

- Costs of financing and other terms and conditions imposed by financial institutions are a growing cause of concern
- Medium sized enterprises have favoured short-term loans to medium and long-term loans over the past few years
- Supply for short, medium and long term loans exceeds the demand in 2014, but such loans are offered against collateral
- Banking system appears as the only financing source of SMEs and this is a market failure on its own

Preliminary Findings – Large Enterprises:

- Large companies in Malta do not face difficulty with access to finance
- 50% of large companies who in the study sought funding in the form of loans from the parent company
- Family-owned businesses have very strong relationships with commercial banks and are more likely to obtain financing
- **Still, over the last 2 years, it has become increasingly difficult to fund large projects**

Way Forward:

- Assessment is ongoing
- Once the assessment is finalised, this will be followed by a proposed Investment Strategy
- As per Article 37(3) the “*summary findings and conclusions of [the] ex ante assessment in relation to financial instruments shall be published within three months of their date of finalisation*”
- The Monitoring Committee will be kept informed of the outcome of the assessment

Conclusion

- The MA will continue to set-up the necessary structure for the Implementation of the Operational Programme in line with EC Reg. No. 1303/2013
- During the year under review, the MA will continue to issue Calls for proposals under OPI under all PAs
- Evaluation Plan expected will be submitted to the MC in October 2015, whilst the Communication Strategy is being presented to MC for approval during this meeting
- Update on progress re: ex-ante Conditionalities to be provided separately.

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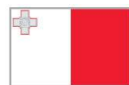
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