



Operational Programme I Cohesion Policy 2007-2013

Investing in Competitiveness for a Better Quality of Life

Annual Implementation Report

2009



Operational Programme I – Cohesion Policy 2007-2013
European Regional Development Fund (ERDF)
Cohesion Fund (CF)



Investing in your future

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List of Acronyms

AA	Audit Authority
AIR	Annual Implementation Report
CA	Certifying Authority
CBA	Cost Benefit Analysis
CIP	Competitiveness and Innovation Framework Programme
CF	Cohesion Fund
CSGs	Community Strategic Guidelines
DBO	Design-Build-Operate
DG REGIO	Directorate-General Regional Policy
DOC	Department of Contracts
DOI	Department of Information
DSWS	Department for Social Welfare Standards
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EE	Energy Efficiency
EEPR	European Energy Programme for Recovery
EFF	European Fisheries Fund
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIF	European Investment Fund
ENEA	European Network of Environmental Authorities
EPD	Environmental Protection Department (MEPA)
ERDF	European Regional Development Fund
ESF	European Social Fund
ESG	Evaluation Steering Group
ETC	Employment and Training Corporation
EU	European Union
FP7	7 th Framework Programme for R&D

FTE	Full Time Employee
IB	Intermediate Body
ICT	Information and Communication Technologies
IMCC	Inter- Ministerial Co-ordination Committee
IMU	Information Management Unit
IT	Information Technology
JASPERS	Joint Assistance to Support Programmes in European Regions
JEREMIE	Joint European Resources for Micro to Medium Enterprises
JESSICA	Joint European Support for Sustainable Investment in City Areas
MA	Managing Authority
MBT	Mechanical Biological Treatment
MC	Monitoring Committee
MCAST	Malta College of Arts, Science and Technology
MEDC	Ministry for Education, Culture, Youth and Sport
MEPA	Malta Environment and Planning Authority
MEU	Management Efficiency Unit
MFEI	Ministry of Finance, the Economy and Investments
MIMCOL	Malta Investment Management Co. Ltd.
MITC	Ministry for Infrastructure, Transport and Communications
MITA	Malta Information Technology Agency
MRA	Malta Resources Authority
MRRA	Ministry for Resources and Rural Affairs
MSOC	Ministry for Social Policy
MTAC	Ministry for Tourism and Culture
NCPD	National Commission for Persons with a Disability
NCPE	National Commission for the Promotion of Equality
NFRP	National Flood Relief Programme
NGO	Non-Governmental Organisation
NRP	National Reform Programme
NSRF	National Strategic Reference Framework

OHSA	Occupational Health and Safety Authority
OP	Operational Programme
OPI	Operational Programme I
OPII	Operational Programme II
OPM	Office of the Prime Minister
PA	Priority Axis
PDS	Project Description Statement
PPCD	Planning and Priorities Co-ordination Division
PPR	Project Progress Report
PPP	Public Private Partnership
PPS	Principal Permanent Secretary
PSAB	Project Selection Appeals Board
PSC	Project Selection Committee
RES	Renewable Energy Sources
SAMB	State Aid Monitoring Board
SFC	System for Fund Management in the European Community 2007-2013
SFD	Structural Funds Database 2007-2013
SD	Sustainable Development
SDO	Staff Development Organisation
SME	Small and Medium sized Enterprises
SOE	Statement of Expenditure
SPD	Single Programming Document
TA	Technical Assistance
TEN-E	Trans-European transport network Energy
TEN-T	Trans-European transport network Transport
ToRs	Terms of Reference
TSDU	Tourism and Sustainable Development Unit

01. Identification

OPERATIONAL PROGRAMME	Objective Concerned: Convergence
	Eligible Area Covered: Malta
	Programming Period: 2007-2013
	Programme number CCI No: 2007MT161PO001
	Programme Title: Operational Programme I – Investing in Competitiveness for a Better Quality of Life (Cohesion Policy 2007-2013)
AIR	Reporting Year: 2009
	Date of approval of the annual report by the Monitoring Committee: 9 th June 2010

02. Overview of the Implementation

02.1 Achievement and Analysis of the progress

While 2008 focused primarily on setting up the systems and processes necessary for the implementation of the Programme, 2009 saw the mobilisation of stakeholders (both vertical and horizontal) in the delivery of the Programme. During 2009, Malta continued with implementation of the Programme, issuing calls for proposals, approving new projects, finalising the Grant Agreements of approved projects and monitoring the implementation of projects on the ground. Beneficiaries as well as other horizontal stakeholders focused most of their resources on the procurement and planning processes. However, 2009 has also seen the first signs of infrastructural work on the ground as well as the much needed support for enterprises being mobilised.

The calls for proposals in the case of the ERDF projects focused primarily on PA 4 and 6 while the preparation of CF major and non-major projects under PA 3 and 5. This resulted in fourteen new projects¹ (for a total of €122,913,510.67 representing 14% of the Programme) being approved by the PSC during the year. Moreover one major project application *Improving the TEN-T Road Infrastructure (Phase 1)* was sent officially to the Commission in August 2009.² As at end 2009, 229 projects were under implementation.³

Following the approvals of projects in 2009, a wave of public tenders was published, covering different sectors of the economy. The Central Government Authority⁴ launched 144 procurement procedures.⁵ A substantial increase in the amount of payments was also made wherein €29,470,528.85 (€6,490,840.72 under ERDF and €22,979,688.13 under CF) total funding were paid as at 31st December 2009. Of these payments, the CA certified €21,810,248⁶ to the Commission on the basis of two verification processes carried out by the MA in April and November/December 2009.

Apart from the strengthening of the monitoring activities, the MA also undertook seven spot checks in relation to the verification process. Other highlights for 2009, included the inclusion of two new projects under the JASPERS action plan; further discussions with the EIF with regard to the launching of JEREMIE in Malta; ongoing information and publicity activities; further strengthening of the institutional capacity of the different stakeholders (through increase of human resources and diverse

¹ Of which, ten ERDF non-major projects, one ERDF aid scheme project, two CF non-major projects and one CF major project.

² Approval was received in February 2010.

³ Of which 176 projects were being implemented under ERDF aid scheme operations.

⁴ DOC, MFEI.

⁵ For public contracts whose value exceed €47,000.

⁶ This represents the EU share and MT share.

training programmes); and the setting up of an ESG which among others, supported the MA in the drafting of OPI and OPII Mid-Term Evaluation tender, published in November 2009.⁷

With regard to results, during 2009, the MA continued ascertaining the achievement of the targets set out in the OP. However, given that no projects were completed as at end 2009, limited information is available on the physical progress of the OP vis-à-vis indicators. The physical progress of the OP will continue to be monitored and updated on a regular basis as implementation of the projects progresses.

02.1.1 Information on the physical progress of the Operational Programme

Project Selection

▪ Calls for Project Proposals under ERDF OPI

Following the third call issued in July 2008, four calls were launched in 2009 for ERDF project proposals. In addition two restricted calls were also launched for non-major project proposals under CF. This brings the total number of calls issued under OPI as at end 2009 to nine calls: seven calls under ERDF and two calls under CF.

The fourth call for ERDF project proposals was launched on the 15th February 2009 under PA 6. The Focus Areas open under this call were: Internal Mobility; E-Accessibility; Education, Social and Health-related Infrastructure (Formal Education) and; Environmental Monitoring. Application forms and guidance notes were prepared by the MA. The call was published via a press release with advertisements in a number of leading newspapers (both in Maltese and English). A number of information sessions for potential Applicants were organised by the MA. These sessions were also announced in the media. The sessions were held on 28th April 2009 and 4th May 2009 and a total of seventy six participants attended. This call remained open for six weeks and thirty four applications were received.

The fifth call for ERDF project proposals under PA 4 with Focus Area– Energy was launched on the 4th May 2009. This call was restricted to interventions in Gozo focusing on energy efficiency and renewable energy sources. Application forms and guidance notes were prepared by the MA. The call was published via a press release with advertisements in a number of leading newspapers (Maltese and English). An information session was organized on 15th May 2009 and sixteen participants attended. The call closed on 12th June 2009 with six applications received.

The sixth call for ERDF project proposals was launched on the 17th September 2009 for proposals under PA 6 under Focus Area– Education, Social and Health-related Infrastructure. This call was restricted to interventions in Health infrastructure in Malta and Gozo. The call was published and an

⁷ Tender publication period closed on 12th January 2010 and was awarded in March 2010. The contractors are expected to start work by the second quarter of 2010.

information session was organized on 7th October 2009 for which twenty three participants attended. The call for proposal closed on 23rd October 2009 and one application was received.

The seventh call for proposals under ERDF was launched on the 16th October 2009. This Call was aimed at interventions under PA 4 – ‘Mitigation and Adaptation to Climate Change’. The Focus Area open under this call was Energy and was restricted towards actions aiming to improve air quality (reduction in airborne emissions). This call was also published in the media and remained open till 24th November 2009. One project proposal was received.

Two calls for CF non-major proposals were issued on the 9th March and 7th December 2009 respectively. Both call CF1 and CF2 were open under PA 3 ‘Developing the TEN-T (maritime sector projects only) and PA 5 ‘Safeguarding the Environment’. Two proposals were received under the first call.⁸

Moreover, a number of calls were launched under various Aid Schemes. Additional information concerning Aid Schemes can be found in this section, under sub-section ‘Progress in Programme Implementation’, under part ‘Aid Schemes implemented under Article 107 of the Treaty’.

Figure 1 Information Session held in Gozo on the 15th May 2009



⁸The second call for proposals closed on the 5th February 2010 and three proposals were submitted.

▪ **Project Selection Outcome**

During 2009, the PSC met 49 times: (8 times for Call 3⁹, 32 times for Call 4, 8 times for Call CF1 and once for Call 6).¹⁰ The PSC requested further clarifications in those cases where it was felt that further information was necessary in order to ensure a more comprehensive assessment of the project proposal. Such clarifications had to be addressed by the project proponents within the deadlines specified by the PSC. The relevant experts were consulted whenever the PSC required expert technical advice.

The PSC conducted the majority of its business in writing. This obviously led to some delays in concluding the process; however it has ensured transparency in the conduction of the PSC's functions. The PSC also held seven meetings with the Applicants. As at end 2009, the project selection process for Call 4 was still ongoing. The project selection processes (for Call 5 and Call 7) are scheduled to commence in the first quarter of 2010.

In 2009, a total of fourteen approval letters¹¹ were issued by the MA to the successful Applicants. Twenty two Grant Agreements, for projects arising from Calls 1 and 2, were signed during 2009. Furthermore, three covenants were signed with Intermediate Bodies. The relevant stakeholders, including the Line Ministries and DOC, were also notified in order to facilitate the start of implementation on the ground. On the other hand, unsuccessful Applicants were informed through a rejection letter and were given the possibility to appeal to the PSAB.

During 2009, five appeals were filed with the PSAB. One of the appeals was withdrawn by the Applicant while the other four appeals were evaluated by the PSAB and subsequently rejected.

Progress in Programme Implementation

▪ **Implementation of the 10% Commitment for Gozo**

Most of the Calls for project proposals and schemes issued during the year under review were open for Applicants across the whole territory of Malta (including Gozo). One call (Call 5) was issued specifically for Gozo based projects. This is in line with the Eco-Gozo proposed actions for 2010-2012 published by the Government in November 2009.

Among the projects which were approved during 2009, four ERDF projects and one CF project will be implemented in Gozo. In total these projects constitute €10,026,161 in eligible costs. Enterprises based in Gozo have also seen €711,690 in approved projects under the Malta Enterprise Aid Schemes as well as €485,953.95 through the Tourism scheme.

⁹ Call 3 was launched in 16 September 2008 and the evaluation spilt over into January and February of 2009.

¹⁰ One project was submitted with the total cost exceeding the €50 million. On 25th November 2009, the PSC considered this project as a major project and thus requested the proposal to be submitted on the relevant template prior to further review.

¹¹ Pending the finalisation of the Grant Agreement. One project was approved from the reserve list following Call 2 (Energy).

As at the end of the year, the total commitment for Gozo was close to €41 million, equivalent to nearly 5% of the OP allocation.¹² This is in line with the Programme's overall commitment rate as at end 2009.

▪ **Aid Schemes implemented under Article 107 of the Treaty**

During the course of 2009, three covenants were signed with three separate IBs, namely Malta Enterprise, the TSDU within the OPM, and the DSWS within the MSOC.¹³ The MRA and the OHSA ceased their functions as IBs. The energy scheme for enterprises (originally foreseen to be implemented by the MRA) was handed over to Malta Enterprise (as the organisation having the necessary framework in place and also to ensure synergies and co-ordination with other schemes – both those funded by the ERDF as well as national funds), whilst the scheme applied for by the OHSA was withdrawn by the same organisation.

Malta Enterprise launched two calls for applications for six of its ERDF grant schemes, namely, those for Small Start-ups; Innovation Actions (Environment); Innovation Actions (Innovation); e-Business Development; International Competitiveness; and the one for Energy. One call for applications was issued under the Research and Development Grant Scheme. During 2009, 144 projects were approved and contracted totalling to €9,034,010.30. As at the end of 2009, the evaluation of the second call for applications was in its final stages.

TSDU issued two calls for applications in 2009 under the Grant Scheme for Sustainable Tourism Projects by Enterprises. Four information sessions were held for which approximately 300 potential beneficiaries attended. The evaluation process of Call 1 was concluded in 2009. Twenty projects were approved and contracted totalling to €2,003,200.87. As at the end of 2009, the evaluation of the second call was still in process.

DSWS issued one call for applications in 2009. Twenty three projects proposals were submitted and twelve projects were eventually approved in January 2010 totalling €226,429. A second call is planned to be issued in the later half of 2010.

The setting up of the IB network, in 2008 has enabled the entities implementing aid schemes to come together to share experience, enhance coordination as well as ensure a degree of consistency in implementation measures. All IBs, including the ones for OPII participate in the network. The MA and the MRRA (as the public authority responsible for the implementation of the programmes financed by the EAFRD and the EFF) are also invited to these meetings. Four meetings were held in 2009, during which common issues such as demarcation, processing of claims, verifications and administrative issues, were discussed.

¹² This does not include the result of the targeted call (5) under PA 4.

¹³ In February 2010, due to a change in the Ministerial Portfolios, DSWS was transferred to the Ministry of Education, Employment and Family.

▪ JASPERS, JEREMIE and JESSICA

During 2009, Malta participated in meetings relating to the initiatives designed to help Member States in the preparation of major projects; financial engineering instruments; and the promotion of growth and jobs, in large urban areas.

JASPERS

JASPERS is designed to help Member States in the preparation of projects, especially major projects. During 2009, Malta signed the fourth Action Plan with the EIB regarding assistance from JASPERS.¹⁴ The projects identified for assistance were in the areas of:

- Waste water and solid waste (MBT plants, rehabilitation and restoration of former landfills, sewage treatment plants);
- Flood relief;
- TEN-T Road and Maritime Infrastructure and Promotion of Modal Shift;
- PPP-grant blending support for Tourism Zone Upgrade;
- Enterprise promotion infrastructure; and
- the Health sector.¹⁵

JASPERS expertise has provided valuable input in the preparation of the projects and has also provided the Maltese Authorities with wealth of new contacts in the different sectors. During 2009, thirteen missions took place mobilising a total of nineteen experts. The JASPERS missions were organized, mainly between March and July, and provided continuous assistance to the Beneficiaries as well as support to the MA. In certain cases, the EIB experts visited more often such as in the case of the flood relief project (May, July and September 2009).

The JASPERS experts also provided assistance to the MA in the drafting of tender specifications for the contracting of CBA expertise for the MA. It was also agreed to provide training on CBA related issues. The MA also attended the JASPERS Stakeholders Meeting in Poland in May.

JEREMIE

JEREMIE is an initiative designed to help Member States in mobilizing financial engineering instruments. Malta had indicated its intention to use JEREMIE at the time of programming the OP (Focus Area Financial Engineering, under PA 1).

Following the completion of the gaps analysis study *Analysis of the SME Access to Finance in Malta* in 2008, Malta confirmed Malta's intention to use JEREMIE and to use the EIF as the Holding Fund Manager. On 23rd January 2009, a meeting between stakeholders and the EIF was held to determine

¹⁴ The first Action Plan was signed in 2006.

¹⁵ The two projects falling under the latter two areas were added in the 2009 action plan and expertise was mobilized in January 2010.

the way forward for JEREMIE's mobilisation and implementation in Malta. Subsequently, the EIF sent a first draft of the Funding Agreement on which the local authorities¹⁶ sent comments in the first quarter of 2009. The EIF sent a second draft in August 2009 incorporating some of the comments from Maltese stakeholders. Malta informed the EIF in October 2009 the intention to increase the allocation from the OP to the Holding Fund to €10 million. Discussions between all stakeholders continued till the end of 2009¹⁷. Following further discussions with the stakeholders and the MA, a number of queries and request for clarifications were sent to the EIF.

Malta was also an active member in the Technical Working Team organized by DG REGIO and the EIF. In addition the JEREMIE contact person within the MA has attended three meetings of such Working Teams: in March, June and September 2009.

JESSICA

JESSICA is a financial engineering instrument – for very large integrated urban regeneration projects. Malta is currently following closely the implementation of JESSICA initiatives in other Member States through the JESSICA Network Platform.¹⁸

▪ Changes to the Operational Programme

The AIR 2008 reported the changes approved by the MC of the 17th October 2008. Although not sent to the EC for formal approval exactly thereafter, these changes remained valid, and were eventually included with the round of OP changes proposed during the MC of May 2009. The changes approved in May 2009 by the MC were as follows:

Change to title of PA 4

Following the MC of October 2008, the EC had informed that due to technical restrictions of the SFC 2007-2013, the title of PA 4 of OPI (Upgrading Services of General Economic Interest), could not be changed at the time. The MC members were informed via email on 14th January 2009. The new title of PA 4 (Mitigation and Adaptation to Climate Change) was subsequently approved during the MC of May 2009.

Changes to PA 6

The description of the interventions envisaged within the Health Sector under the Focus Area: Education, Health and Social related Infrastructure was made more general in order to take into consideration a wider range of projects within this sector. The relevant indicators have been changed

¹⁶ The MA; representatives from the MFEI – including the CA; the Attorney General's Office; the AA; Malta Enterprise; and MIMCOL.

¹⁷ The Agreement with the EIF was signed in Quarter 1 2010, following also consultations with the MC.

¹⁸ In 2009, the MA had the opportunity to attend the second meeting of the Networking Platform which was held in Brussels on the 17th June 2009.

accordingly introducing also a core indicator. The budget allocation within this PA remained unchanged.

Changes to PA 7

The changes proposed related to the adjustment and/or clarification of the text. Further emphasis has been made on the implementation of Cohesion Policy in general and the OP in particular. The budget allocation within this PA remained unchanged.

The revised OPI (with both the approved changes of the October 2008 and May 2009 MCs) was sent to the Commission for adoption on 15th May 2009. Admissibility receipt from the Commission was received on 27th May 2009.¹⁹ The Commission Decision adopting the revised OP on 5th August 2009 was received via email on 11th August 2009.

▪ Impact and core indicators

The table below depicts the achievements registered on the various indicators under OPI as at end 2009. Given that half of the OP allocation still has to be committed while the majority of the projects are still at the beginning of their implementation phase, no achievement could be registered in most of the indicators. Impact indicator number Imp04²⁰, and core indicator number A6R05²¹, were the only ones to register a marginal achievement in 2009.

¹⁹ A second version was sent to EC by MA in June 2009, following an oversight in the first submission.

²⁰ Impact indicator: Number of direct jobs created.

²¹ Result indicator: Pupils/students/trainees benefiting from upgraded and modernised facilities/services (per annum).

Table 1 – Physical progress of the OP, for each quantified impact indicator and core indicators

Indicators		2007	2008	2009	Total
Impact Indicators					
% Increase in RTDi expenditure as a percentage of GDP [Imp01]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	0.75%
	Baseline	0.3%	n/a	n/a	0.3%
% Increase of earnings from tourism [Imp02]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1.0%
	Baseline	n/a	n/a	n/a	n/a
% Increase of manufactured export earnings [Imp03]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	3.2 %
	Baseline	2.7%	n/a	n/a	2.7%
Number of direct jobs created [Imp04]	Achievement	0	0	16	16
	Target	n/a	n/a	n/a	1,400 FTEs
	Baseline	n/a	n/a	n/a	n/a
Transport weighted average [Imp05]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	75% increase
	Baseline	n/a	n/a	n/a	n/a
Environment weighted average [Imp06]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	500% increase
	Baseline	n/a	n/a	n/a	n/a
Quality of Life Weighted Average [Imp07]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	150% increase
	Baseline	n/a	n/a	n/a	n/a
CO2 equivalent emissions [Imp08]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	Low carbon with the ultimate aim of achieving carbon neutrality
	Baseline	n/a	n/a	n/a	n/a

Core Indicators					
Indicators		2007	2008	2009	Total
No of start-up businesses supported (core indicator number 8) [A1R02]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	35
	Baseline	n/a	n/a	n/a	n/a
No of enterprises involved in networking and new collaboration with other businesses and academia (core indicator number 5) [A1R08]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a
No of RTDi projects (core indicator number 4) [A1O04]	Achievement	0	0	0 ²²	0
	Target	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a
No of assisted tourism and cultural projects (core indicator number 34) [A2O01]	Achievement	0	0	0 ²³	0
	Target	n/a	n/a	n/a	308
	Baseline	n/a	n/a	n/a	n/a
Kms of (TEN T) roads upgraded (core indicator number 16) [A3O01]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	20Kms
	Baseline	n/a	n/a	n/a	n/a
No of storm water management (risk prevention) projects (core indicator number 31) [A4O04]	Achievement	0	0	0 ²⁴	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a
Pupils/ students/ trainees benefiting from upgraded and modernized facilities/services (per annum) (core indicator number 37) [A6R05]	Achievement	0	1,158	1,606	1,606
	Target	n/a	n/a	0	25,000
	Baseline	n/a	n/a	n/a	n/a

²² 11 projects approved by the MA (ERDF 012, 017, 018, 076, 077, 078, 079, 080, 081, 082, 083)

²³ 12 projects approved by the MA (ERDF 022, 024, 031, 032, 033, 039, 140, 142, 145, 147, 151, 155) and 30 projects approved through Aid Scheme.

²⁴ ERDF120.

Core Indicators					
Indicators		2007	2008	2009	Total
No of projects ensuring sustainability and improving the attractiveness of towns and cities (core indicator number 39) [A6O01]	Achievement	0	0	0 ²⁵	0
	Target	n/a	n/a	n/a	3
	Baseline	n/a	n/a	n/a	n/a
No of projects [Health] (core indicator number 38) [A6O06]	Achievement	0	0	0 ²⁶	0
	Target	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a

Further Guidance on Implementation

▪ Eligibility Rules

Subsequent to the drafting of the National Eligibility Rules (in line with Article 56 [4] of 1083/2006) in 2008, the Rules were amended during 2009 to reflect the changes which occurred in the General Regulation 1083/2006 and in the Implementing Regulation 1828/2006.

Section 6 of the rules was elaborated to clearly establish that only costs of an investment nature are eligible and that costs relevant to the operational aspect are not eligible. The revenue generation rule was streamlined and minor amendment in the drafting of Rule 5 and 16 were introduced. Amendments were also effected to Rule 7 (Indirect Cost) and to Rule 23 (Housing).

Furthermore, a new rule, (Rule 27), was added to reflect that, expenditure incurred on a major project could be certified to the Commission before a Commission decision is taken on the project's application.

▪ Manuals of Procedures 2007 – 2013

During 2009, the Manual of Procedures for Projects Implementation Cohesion Policy 2007-2013 Malta was updated to reflect the changes that became necessary as the implementation of the projects began in earnest. Two updates took place in 2009, one in April and another in August. The changes incorporated in these updates related mainly to public procurement and were made in accordance with the directions given by the DOC. Details of contact persons were also changed where required.

The second Manual of Procedures, entitled Manual of Procedures for Horizontal Stakeholders Cohesion Policy 2007-2013 Malta was published in 2009. Besides being uploaded on the PPCD website, it was also forwarded directly to horizontal stakeholders and practitioners. This (second)

²⁵ 1 project approved (ERDF 104).

²⁶ 1 project approved (ERDF 068).

Manual is designed to give an insight into the back end national procedures which are also part of the national system regulating the implementation of Cohesion Policy 2007-2013 programmes. This second manual complements the (first) Manual of Procedures for Projects Implementation Cohesion Policy 2007-2013 Malta. It provides, inter alia, a detailed explanation of the role and responsibilities of the various stakeholders – including the MA, the CA, the AA, the Treasury, and the DOC – amongst others. Finally, the Manual of Procedures II describes the role of evaluation exercises that will take place throughout the 2007-2013 programme to assess the effectiveness of the programme in achieving its objectives. It also provides an explanation of the structures set up for the implementation of TA.

Monitoring and Reporting

▪ Strategic Report 2009

Malta's Strategic Report 2009 fulfils Malta's obligations with respect to strategic reporting as outlined in Article 29 of EC Regulation 1083/06. The report was compiled by the MA, with the support of a number of Ministries and other organisations such as the National Statistics Office and the Economic Policy Division within MFEI.

The information and data provided is as at the cut of date of 30th September 2009. The outline of the report was presented to the MC on 20th November 2009, with the actual report being subsequently submitted to the EC on the 28th December 2009. Malta's Strategic Report 2009 is available on the PPCD's website.

The report provides a detailed update of the socio-economic as well as territorial situation in Malta since the drafting of the NSRF. Furthermore, the socio-economic section seeks to assess the impact (actual and expected) of Cohesion Policy on the Maltese economy and quality of life of the citizens. However, given that a number of large projects were still at contracting stage at the time of drafting of the report, no real impact could be quantified. This report also seeks to provide an insight into the implementation problems (mainly attributed to the global economic crisis) and the mitigating measures taken to address these issues. The report includes an update on the Lisbon (earmarking) commitments; an overview of the main financial data; as well as information with respect to the Territorial Cooperation objective, the latter as requested by the EC during the Annual Review Meeting held in November 2009.

The report touches upon the contribution of the OPs with respect to the European Economic Recovery Plan. Essentially both OPs were considered to be flexible and robust enough to include special measures such as increased support to enterprises. Moreover, a number of measures were undertaken to facilitate the absorption of Cohesion Policy resources. In a nutshell, these include:

- the Pre-financing of projects through national resources;
- the declaration of costs related to major projects;
- front loading of investment;

- improving access of finance;
- simplifying the implementation procedures such as the introduction of measures at a national level to accelerate the implementation of the OP; and
- accelerated public procurement procedures.

By way of conclusion, Malta's Strategic Report confirms that despite the unforeseen impact of the global crisis, the strategy and priorities as outlined in the NSRF and the OPs remain valid. It is also clear that the translation of the strategic priorities into tangible benefits to the economy and to citizens is ongoing and is expected to increase once more projects are concluded and therefore results become more apparent.

▪ **Annual Meeting**

The meeting with representative of the EC was held on the 19th November 2009. The MA gave an overview on the update of implementation of the OP, commitments and payments processed. Other issues discussed were the JEREMIE criteria, the Renewable Energy and Energy Efficiency scheme for households, and the Strategic Report 2009.

▪ **Structural Funds Database 2007 – 2013**

During 2009, the development of the Structural Funds Database 2007-13 (SFD 07-13) gained further momentum. Following the successful launch of the new SOE module which absorbed most of the time, effort and resources of both the developers and the team²⁷ of the first quarter of 2009 (due to the critical changes being made on an established framework), development focused on data gathering and reporting functionalities which were deemed critical for the development of the next modules. Meetings were held with MA practitioners, Treasury, CA, and AA on the new irregularities module which is planned to go live in 2010. Other meetings and presentations were held relating to other new modules e.g. indicators and Annex XXIII of EC Regulation 1282/2006.

A browser based interface to the database started being used for some new functionalities. This provides certain advantages over the application based interface.²⁸ A separate application was created for Treasury which will be utilised for Treasury-based functions such as reconciliation with the Government's Departmental Accounting System. Further to this, additional system administrative functionalities; modules and reporting relevant to the MA, AA, CA, Treasury and Beneficiaries are in the pipeline.

During the year under review, the Structural Funds Database Unit's human resources capacity was strengthened by an equivalent of one FTE. These resources enabled the unit to work on the SFD 07-

²⁷ The SFD team is composed of the IMU OPM, SFD unit within the MA as well as the programmer.

²⁸ For example, if a user is in a meeting and has access to a computer which does not have the SFD 07-13 installed, the user would still be able to generate reports from the system.

13 tutorials, website and to assist Grant Schemes and NGOs users in using the system as well as strengthen testing and tutorials of new modules, whilst, at the same time, providing user support. A number of modules, undergoing testing as at end 2009, are expected to be launched in 2010.

With the increase in approved projects and hence increased users, the MA increased the frequency of training sessions under the Train the Trainer programme, in which approximately ninety trainers took part. Moreover, over twenty sessions were organised for horizontal stakeholders. Apart from this, ongoing users' support is provided via tutorials, knowledge based articles, frequently asked questions on the website, meetings, emails, as well as over the phone.

The departmental tender for IT equipment and hardware launched in 2008 was re-issued in 2009 as no bidder was found to be administratively compliant. The second tender was successful and the contract was signed in November 2009 and the equipment is expected to be commissioned in early 2010. The new equipment is expected to result in improved performance, redundancy and scalability.

- **Other monitoring and reporting**

Further details relevant to monitoring and reporting undertaken by the MA are reported under Section 2.7.

Strengthening administrative capacity

- **Capacity within Stakeholders**

During 2009, capacity within the main stakeholders was monitored. The MA increased the capacity of the OPI unit with one Senior Manager and three junior officers. Additional capacity (six FTEs)²⁹ was also recruited within the Line Ministries; as well as two FTEs within the CA on OPI as reported in the MC of May 2009; and one FTE within the DOC in order to support the evaluation processes.

The Treasury and the AA saw no net increase in their capacity during 2009; however this is planned for 2010.

- **Capacity Building/Training**

A number of activities were set up in 2009 aimed at strengthening the administrative capacity within key horizontal stakeholders. A number of capacity building measures in line with PPCD's Structural Funds Stakeholders' Training Strategy have been undertaken during 2009. These include:

- Induction training sessions for 36³⁰ officers in the different stakeholders' organisations, were held between the 30th July and 18th August 2009. These were organised by PPCD in conjunction with the Government's central SDO. The training modules were spread over six days and covered the following areas:

²⁹ On both OPI and OPII

³⁰ 9 officers OPI and 27 officers OPI/OPII.

- A general overview of Cohesion Policy;
 - National governance structures and ways of working;
 - National Procurement Regulations & National Procurement in Practice;
 - Government administrative procedures;
 - Cohesion Policy: Stakeholders and Administrative Structures; Publicity Requirements; The Programme Cycle and General Principles of Eligibility;
 - Managing Programme/s and Project/s;
 - Manual of Procedures: forms and reports;
 - Public Sector Budget Process;
 - Payment Procedures;
 - Introduction to the First Level Of Control;
 - Certification;
 - Introduction to the Government Accounting System;
 - Second level of control;
 - How to prepare for an audit.
- A capacity building training programme for 12 new Cohesion Policy 2007-2013 Beneficiaries (NGOs). The sessions were held between the 18th and the 28th September 2009. Training was organised by PPCD in conjunction with SDO, and consisted of eight training modules spread over three days covering:
 - General Overview of Cohesion Policy;
 - Introduction to Cohesion Policy Administrative Structures;
 - Introduction to Payment Procedures;
 - Guidelines to Value Added Tax;
 - Cohesion Policy: Publicity Requirements;
 - Principles of National Procurement Regulations;
 - Retention of Documents and Various levels of Control;
 - Introduction to Project Management.

- A Train-the-Trainer Programme was held on the SFD 2007-2013. This was organised by PPCD and was held at the premises of the SDO. A total of 89³¹ participants were trained in 21 sessions.
- A two day workshop titled *Management Verifications for the MA and the Intermediate Bodies* was organised. A total of 27³² participants from PPCD and the Intermediate Bodies participated in the workshop which looked at EU legislation and Management Verifications and Internal Controls.

Members of staff from the different horizontal organisations working within the context of OPI participated in a number of conferences and training seminars which were organised abroad by foreign institutions/organisations. These included activities related to financial management; Strategic Environment Assessment; management and monitoring of Programmes; evaluation of public policies; CBA; management of TA funds; and management of indicators.

2.1.2 Financial information

Advance Payments

By virtue of Council Regulation EC284/2009, amending EC1083/2006, each Member State joining the EU on or after 1st May 2004 was allowed an additional 2% advance payment. Malta received the last two tranches of advance payments in 2009. Following the two tranches received in 2007 and 2008 (totalling €22,198,902 ERDF and €18,469,426 CF), Malta received €8,879,561 under ERDF and €11,365,801 under CF (on 26th January 2009). The last lot of €8,879,561 under ERDF was received on 16th April 2009.

Therefore, the total amount of advance payments received under each Fund, are the following:

ERDF: €39,958,023

CF: €29,835,227

No further advance payments are due to Malta.

Interim Payments

Expenditure increased during the year under review as project implementation gained ground. In April 2009, the process for the first SOE under the OPI was launched by the MA, with €1,636,873.17³³ being verified by the MA and certified by the CA under ERDF. This amount was reimbursed by the Commission in July 2009. No claim was made under the CF in this SOE.

³¹ 61 officers OPI, 28 officers OPI/OPII.

³² 18 OPI, 9 OPI/OPII.

³³ This represents the EU share reimbursed by the Commission.

The second SOE took place in November-December 2009, with the following amounts being verified and certified: €4,373,888 under ERDF and €15,510,521 under CF.³⁴ These amounts were certified by the CA on 11th December 2009 and reimbursed by the Commission in January 2010.

³⁴ibid.

Table 2 Priority Axes by source of funding (€)

	Expenditure paid out by the beneficiaries included in payment claims sent to the managing authority	Corresponding public contribution	Expenditure paid by the body responsible for making payments to the beneficiaries	Total payments received from the Commission
Priority Axis 1 Enhancing Knowledge and Innovation ERDF	703,258.40 ³⁵	572,684.18	572,684.18	-
Priority Axis 2 Promoting Sustainable Tourism ERDF	722,945.34	722,945.34	722,945.34	94,048.45
Priority Axis 3 Developing the TENT CF	27,199.00	27,199.00	27,199.00	-
Priority Axis 4 Mitigation and Adaptation to Climate Change ERDF	384,593.10	384,593.10	384,593.10	-
Priority Axis 5 Safeguarding the Environment CF	22,952,489.13	22,952,489.13	22,952,489.13	-
Priority Axis 6 Urban Regeneration and Improving the Quality of Life ERDF	4,343,629.89	4,343,629.89	4,343,629.89	1,369,240.53
Priority Axis 7 Technical Assistance ERDF	466,988.21	466,988.21	466,988.21	173,584.19
Grand total	29,601,103.07	29,470,528.85	29,470,528.85	1,636,873.17³⁶
Total in transitional regions in the grand total	N/A	N/A	N/A	N/A
Total in non-transitional regions in the grand total	29,601,103.07	29,470,528.85	29,470,528.85	1,636,873.17
ESF type expenditure in the grand total where the operational programme is co-financed by the ERDF	33,342.96	33,342.96	33,342.96	4,484.95
ERDF type expenditure in the grand total where the operational programme is co-financed by the ESF	N/A	N/A	N/A	N/A

³⁵ Includes private share for Aid Scheme projects.

³⁶ This represents the amount reimbursed by the Commission for the April 2009 SOE. The EU share of the full amount certified in November 2009 SOE (€4,373,888 ERDF and €15,510,521 CF) was reimbursed in 2010.

2.1.3 Information about the breakdown of use of the Funds

The breakdown including the categories by code of intervention is listed within the OPI. The table below indicates amounts committed relevant to each Priority Theme and Economic Activity as at 31st December 2009.

Table 3 Cumulative breakdown of allocations of the Community contribution by category³⁷

Priority Theme	Form of Finance	Territory	Economic Activity	Location	Amount
01	01	03	18	MT0 – Malta	€ 301,401.93
02	01	03	6	MT0 – Malta	€ 0.00
02	01	03	18	MT0 – Malta	€ 27,420,615.87
02	01	03	19	MT0 – Malta	€ 104,056.58
02	01	03	21	MT0 – Malta	€ 104,056.58
02	01	03	22	MT0 – Malta	€ 0.00
03	01	03	6	MT0 – Malta	€ 640,605.35
03	01	03	18	MT0 – Malta	€ 0.00
03	01	03	22	MT0 – Malta	€ 339,203.42
04	01	03	6	MT0 – Malta	€ 1,939,771.23
04	01	03	18	MT0 – Malta	€ 0.00
04	01	03	22	MT0 – Malta	€ 1,939,771.23
05	01	03	6	MT0 – Malta	€ 5,868,836.56
05	01	03	20	MT0 – Malta	€ 42,553.13
05	01	03	22	MT0 – Malta	€ 4,296,576.69
05	01	03	14	MT0 – Malta	€ 0.00
06	01	03	6	MT0 – Malta	€ 1,275,000.00
06	01	03	14	MT0 – Malta	€ 0.00
06	01	03	22	MT0 – Malta	€ 1,275,000.00
07	01	03	6	MT0 – Malta	€ 2,975,000.00
07	01	03	22	MT0 – Malta	€ 2,975,000.00
08	01	03	6	MT0 – Malta	€ 0.00
08	01	03	22	MT0 – Malta	€ 0.00
09	01	03	6	MT0 – Malta	€ 5,846,355.57
09	01	03	22	MT0 – Malta	€ 3,825,000.00
13	01	03	18	MT0 – Malta	€ 150,444.90
13	01	03	22	MT0 – Malta	€ 380,326.67
15	01	03	6	MT0 – Malta	€ 1,487,500.00
15	01	03	22	MT0 – Malta	€ 1,487,500.00

³⁷ The total value of the Aid Schemes (Article 107 of the Treaty) committed by the MA to the IB has been included under relevant categories (€57.5m) of which €11,263,640.17 is already committed in projects by the IB to the Beneficiaries as at end of 2009.

Priority Theme	Form of Finance	Territory	Economic Activity	Location	Amount
21	01	03	12	MT0 - Malta	€ 48,950,123.85
22	01	03	11	MT0 - Malta	€ 22,483,395.93
23	01	03	6	MT0 - Malta	€ 6,828,962.18
23	01	03	20	MT0 - Malta	€ 347,517.19
23	01	03	22	MT0 - Malta	€ 226,135.62
26	01	03	11	MT0 - Malta	€ 1,317,484.68
26	01	03	21	MT0 - Malta	€ 309,039.62
28	01	03		MT0 - Malta	
30	01	03	11	MT0 - Malta	€ 11,473,308.50
30	01	03	22	MT0 - Malta	€ 1,758,851.07
33	01	03		MT0 - Malta	
39	01	03	8	MT0 - Malta	€ 33,797.90
39	01	03	18	MT0 - Malta	€ 27,289.85
39	01	03	21	MT0 - Malta	€ 0.00
40	01	03	8	MT0 - Malta	€ 7,796,999.42
40	01	03	18	MT0 - Malta	€ 54,579.69
40	01	03	21	MT0 - Malta	€ 2,125,000.00
41	01	03	21	MT0 - Malta	
43	01	03	8	MT0 - Malta	€ 4,458,130.98
43	01	03	18	MT0 - Malta	€ 54,579.69
43	01	03	21	MT0 - Malta	€ 6,375,000.00
44	01	03	21	MT0 - Malta	€ 6,885,000.00
45	01	03		MT0 - Malta	
46	01	03	9	MT0 - Malta	€ 59,487,652.90
47	01	03		MT0 - Malta	
48	01	03		MT0 - Malta	
50	01	03	6	MT0 - Malta	€ 5,594,514.36
50	01	03	20	MT0 - Malta	€ 276,595.31
50	01	03	22	MT0 - Malta	€ 339,203.42
51	01	03		MT0 - Malta	
52	01	03		MT0 - Malta	
53	01	03	22	MT0 - Malta	€ 41,208,000.00
54	01	03	21	MT0 - Malta	€ 4,117,111.85
55	01	03	21	MT0 - Malta	€ 2,233,480.12
55	01	03	22	MT0 - Malta	€ 2,800,280.22

Priority Theme	Form of Finance	Territory	Economic Activity	Location	Amount
56	01	03	21	MT0 - Malta	€ 72,638.66
56	01	03	22	MT0 - Malta	€ 3,077,166.65
57	01	03	14	MT0 - Malta	€ 1,912,500.00
57	01	03	20	MT0 - Malta	
57	01	03	21	MT0 - Malta	€ 637,500.00
57	01	03	22	MT0 - Malta	€ 14,624,303.81
58	01	03	18	MT0 - Malta	€ 24,885.79
58	01	03	20	MT0 - Malta	€ 127,619.43
58	01	03	22	MT0 - Malta	€ 32,633,011.56
59	01	03	18	MT0 - Malta	€ 11,285.42
59	01	03	20	MT0 - Malta	€ 57,873.93
59	01	03	22	MT0 - Malta	€ 6,618,467.16
60	01	03	14	MT0 - Malta	€ 1,912,500.00
60	01	03	21	MT0 - Malta	€ 637,500.00
60	01	03	22	MT0 - Malta	€ 1,713,651.90
61	01	03	11	MT0 - Malta	€ 3,026,066.79
61	01	03	21	MT0 - Malta	€ 5,152,492.11
75	01	03	18	MT0 - Malta	€ 15,513,289.05
75	01	03	20	MT0 - Malta	€ 320,156.82
76	01	03	19	MT0 - Malta	€ 2,631,741.95
77	01	03	6	MT0 - Malta	€ 808,509.38
77	01	03	20	MT0 - Malta	€ 467,553.13
78	01	03		MT0 - Malta	
79	01	03	18	MT0 - Malta	€ 320,156.82
79	01	03	20	MT0 - Malta	€ 320,156.82
81	01	03		MT0 - Malta	€ 1,979,999.94
85	01	03	0	MT0 - Malta	€ 3,830,000.00
86	01	03	0	MT0 - Malta	€ 4,668,030.81
Total					€ 405,335,667.94

The amount indicated above is the total Community expenditure committed in 2009, of which €31,413,532.93 is actually paid.

2.1.4 Assistance by target group

Not applicable.

2.1.5 Assistance repaid or re-used

As at end 2009, Malta had not made any financial corrections/modifications to the use of assistance co-financed by the ERDF and the CF (i.e. assistance repaid or re-used following cancellation of assistance as referred to in Articles 57 and 98 [2] of the Regulation [EC] No 1083/2006).

2.1.6 Qualitative analysis

During 2009, Malta continued with implementation of the Programme, issuing calls for proposals, approving new operations, finalising the Grant Agreements of approved operations and implementing operations on the ground. The MA and the IBs (in case of aid schemes) led the process in the case of the first three activities whereas the beneficiaries were largely taken up with procurement (process led largely by the DOC) and processing of payments (under the leadership of the Treasury). This has meant that while implementation of the Programme in years 2007 and 2008 was largely driven by PPCD and mainly involved the finalisation and approval of the Programmes as well as the setting up of systems and processes dealing with implementation, 2009 has seen for the first time the mobilisation of all stakeholders – vertical (beneficiaries) and horizontal in the delivery of the Programme. As at end 2009, 53 operations were being implemented. Moreover, another 176 operations were being implemented under the different aid schemes (Article 107 of the Treaty). Despite this large scale mobilisation, limited results have been registered in terms of progress relating to the OP's indicators. This is due to the fact that during the year under review, most projects (with the exception of CF116) were either still at procurement stage or in the initial stages of implementation.

During 2009, the approach towards ascertaining the achievement of the targets set out in the OP was sustained. At application stage, Applicants are required to highlight how the proposed project intends to contribute towards the achievement of the OP targets and objectives. Furthermore, Applicants are also requested to quantify the contributions towards OP indicators which the project intends to address.

In 2009, achievements have been registered within five output, one result and one impact indicators, amongst which, two are core indicators. The two core indicators on which attainment has been registered are *Number of direct jobs created* (at Programme level); and *Pupils/ students/ trainees benefiting from upgraded and modernized facilities*.

Furthermore, achievement is to be registered on nine indicators (two on PA 1; two on PA 2; one on PA 4, and four on PA 6) which capture the number of projects being implemented within different sectors. The achievements to be registered are footnoted within the relevant sections and are mainly resulting from the projects approved during the first, second and fourth Call for Proposals.

Operational Programme towards the Lisbon Objectives

Malta is committed towards the achievement of the Lisbon Objectives through its OP. Notwithstanding that Malta is not bound by the targets of Earmarking, Malta has participated voluntarily in the Lisbon Earmarking exercise for this OP. OPI is targeting a number of Lisbon earmarked categories of expenditure as referred to in Article 9 (3) of 1083/2006 and identified in Annex IV of the same Regulation.

The total amount allocated for earmarking as per OPI amounts to €283,990,000. Out of this amount, €67,858,637 were committed in approved projects as at end 2009. This figure increases to €149,408,761 when one includes the allocation for aid schemes and one major project.³⁸ Thus, the total allocation of projects targeting Lisbon objectives amounts to €149,408,761, which is equivalent to 53%³⁹ of the total amount earmarked within the OP. Furthermore, it is worth noting that when comparing to 2008, OPI has registered an increase of 10.5%. This result is encouraging and efforts will continue to be sustained with a view to achieve Malta's earmarking targets.

In order to ascertain, that selected projects contribute towards the Lisbon objectives, the MA sustained its approach in establishing the link with the Lisbon Agenda as from the application process stage. In fact, Applicants are required to indicate and explain how the project will contribute towards the CSGs which will be addressed through the implementation of their project. Furthermore, in cases where the explanation put forward by the Applicants is not clear, the PSC has often sought further clarifications from the Applicant.

The approved projects for 2009 which fall under Priority Axes 2, 4 and 6 are addressing mainly the: Expand and improve transport infrastructure; Improve the environmental contribution to growth and jobs; and Address Europe's intensive use of traditional energy sources. All the mentioned CSGs fall under the heading 'Making Europe and its regions more attractive places to invest and work'. Under the other heading addressing 'Improving knowledge and innovation for growth', projects approved during 2009 will be addressing: Increase and improve investment in RTD; Facilitate innovation and promote entrepreneurship; and Promote the information society for all. As at end 2009, no projects have addressed Improve access to finance. Given that as at end of 2009, the project selection process for Call 4, 5, 6 and 7 was still underway, it is not possible to indicate definitively the CSG the selected projects will be targeting.

At a national level, Applicants are also requested to identify the link between the project and Malta's NRP.⁴⁰ This information is requested at application stage whereby, Applicants were required to indicate and describe how the project is linked and will contribute towards the achievement of the NRP Strategic Themes.⁴¹ ERDF Projects approved in 2009 mainly target the following strategic themes: Unlocking business potential; Investing in Knowledge and Competitiveness; Energy and Climate change; and Investing in people and modernising labour markets.

Environmental Sustainability

Environmental sustainability features on top of the Maltese Government's Agenda. The Maltese Government is committed towards ensuring environmental sustainability also through projects funded by Cohesion Policy. Within this context, the MA invites the relevant organisations mandated with environmental sustainability to attend the various information sessions held for prospective Applicants.

³⁸ CF 117 was eventually approved on 5th February 2010.

³⁹ It is to be noted that AIR 2008 incorrectly reports that €135,177,138 is equivalent to 53%. This should read 47.5% of the OP earmarked allocation.

⁴⁰ This refers to Malta's NRP 2005-2008 and also Malta's NRP 2008-2010.

⁴¹ The Malta NRP Strategic Themes for calls approved in 2008 include: the Sustainability of Public finances, competitiveness, employment, education and training and environment.

Such an approach aims to promote discussions between the project proponents and the experts at the project inception stage. The Applicants are requested to identify actions aimed to ascertain environmental sustainability. Through the inclusion of adequate environmental sustainability measures, Applicants may benefit up to a maximum of 15% of the marks during the project selection process. During information sessions, potential promoters are encouraged to include measures (e.g. installation of Photovoltaic's, solar water heaters, water reservoirs) within the project which aim to reduce the carbon impact with a view to contribute towards mitigating the impact of climate change. Twelve of the projects approved in 2009 had such measures incorporated into the project.

In an effort to improve on the Government's "environmental procurement", the MRRA has continued with the mechanism (set up in 2007) that would guarantee environmental awareness at the very early stages of the procurement process, through the review of tender dossiers (for works, services and supply contracts) before they are issued for publication. This review highlights opportunities to reduce the carbon footprint and the overall environmental performance of EU funded projects that may be incorporated in the tender dossiers, within an overall context of pragmatism and realistic options, also from a financial point of view.

Equal Opportunities

Another important horizontal priority within OPI is the promotion of equality between men and women, and the integration of the gender perspective and social inclusion in the wider sense. Malta is committed towards the promotion of equality through the implementation of Cohesion Policy. Within this context, actions aimed at promoting equal opportunities are encouraged at every stage of the programme. At the inception stage of the project, the relevant Commissions with respect to equal opportunities namely, the NCPD and the NCPE are invited to attend information sessions with a view to enable prospective Applicants to discuss different possibilities which could be included within their project proposal. Applicants are requested to include in their project proposals actions promoting equal opportunities, in its broadest sense.

Proposals showing extra efforts to integrate equal opportunities are awarded marks which contribute to the rating and selection of the project. Examples of measures promoting equal opportunities included in projects which were approved in 2009 include: improved accessibility for disabled persons, inclusive language in the publication of tenders, and interpretation panels providing both audio and visual information (some even in Braille).

Partnership

In line with the provisions of Article 11 of Regulation 1083/2006, the MA has worked in partnership in the different phases of the preparation of the OP. From a monitoring perspective, social and economic partners are represented within the MC with a view to monitor and assess the implementation and efficient spending of the funds under OPI as well as provide the business and civil society sectors' dimension to the process.

During the implementation process, efforts to partner with civil society have been sustained and Government has, in fact, supported project proponents from different partner organisations and civil society groups. These include cultural / heritage foundations and religious organisations involved in the tourism sector or intending to provide a tourism product. Following a restricted call for civil society groups in 2008,

in an effort to further improve the participation of local government, the MA discussed its intention to issue calls specifically aimed at Local Councils under PA 2. Within this context, Government has committed itself to co-finance the successful project proposals submitted by the same Local Councils. Furthermore, preparations were also undertaken to issue a Call for proposals targeting both NGOs and Local Councils under PA 4. It is the intention of the MA to publish these two calls in early 2010. It should be noted that in order to facilitate the participation of partner organisations, Government is providing the pre-financing of the ERDF component from the national budget.

2.2. Compliance with Community law

State Aid (Article 107 of the Treaty)

Calls issued by the MA are not open to projects involving state aid. All proposals are screened for state aid prior to these being approved by the MA. This screening is undertaken by the competent authority responsible for state aid in Malta, namely the SAMB. During 2009 the SAMB gave its opinion and state aid guidance on 98 project proposals which included the screening of 77 draft applications following calls by the MA under the ESF, the ERDF and the CF. In August 2009, the Delimara Boilers project was formally notified to the Commission (by the SAMB) for state aid clearance. As at end 2009, the state aid notification procedure was still ongoing. The MA relies on the opinion and decisions of the SAMB on all matters related to state aid.

During 2009 Malta had eight schemes being implemented under different state aid regimes, including: the general block exemption regulation⁴²; the *de minimis regulation*⁴³ and the framework for research, development and innovation.⁴⁴ All schemes were notified to the SAMB by the state aid grantor (Intermediate Bodies) prior to the launch of such schemes in line with the provisions set out in the State Aid Monitoring Regulations (LN 210 of 2004). The SAMB assessed the schemes and guided the IBs with regard to the applicable state aid *acquis* that was to be followed in the implementation of such schemes. These schemes, as required by the rules of procedure, were duly notified to the EC.

Public Procurement

Public Procurement in Malta is regulated by Subsidiary Legislation 174.04, Legal Notice 177/2005 and subsequent amendments. Most of the public procurement under OPI (all procurement above €47,000 procured by Beneficiaries listed under Schedule 2 the same Legal Notice) is steered by the Central Government Authority⁴⁵ that is responsible for vetting and launching of dossiers as well as approving tender evaluation reports and drawing up / signing of contracts on behalf of contracting authorities. Substantial changes to the contract, including issues related to variations beyond a threshold also have to be approved by the same Central Authority. This process does cause delays but guarantees a high degree of consistency in quality as far as public procurement is concerned. During the year under review, the Central Government Authority launched 144 procurement procedures of which 22 were cancelled due to unsuccessful tendering processes (some of which were re-launched as open or negotiated procedures), 70 were successfully contracted, while 35 were still ongoing as at end 2009. The MA relies on the advice and decisions of the Central Contracting Authority on matters related to public procurement in Malta.

⁴² e-Business Development scheme; Innovation Actions Grant Scheme (Innovation); Innovation Actions Grant Scheme (Environment) and Part of Grant Scheme for Sustainable Tourism Projects by Enterprises Scheme.

⁴³ Grant Scheme for Child Care Facilities; Energy Grant Scheme; International Competitiveness Grant Scheme and Part of Grant Scheme for Sustainable Tourism Projects by Enterprises Scheme.

⁴⁴ Research & Development Grant Scheme.

⁴⁵ DOC, MFEI.

Procurement of a lower amount (below €47,000) is undertaken by the Beneficiaries under the supervision of the Directorate responsible for Corporate Services / Financial Control / Procurement of the same organisation. The MA checks the procedure during its management verifications and on the spot checks.

In the case of those organisations not falling within the scope of the public procurement regulations (e.g. NGOs), these are asked to follow the spirit of the public procurement regulations for Cohesion Policy operations in order to ensure transparency and fair competition. In the case of private sector beneficiaries under state aid schemes – quotations are a requirement for most components to ensure value for money.

Environmental Legislation

During 2009, the environment and planning authority (MEPA) has sustained its assistance both to prospective Applicants as well as to the MA in terms of screening planning and environmental permitting related applications of operations submitted and / or approved under OPI. In order to ascertain the smooth implementation of the operations, the MA is constantly in contact with the environment and planning authority (that has appointed dedicated contact persons) with a view to monitor and track the progress of applications for environmental and planning permits, EIAs and authorizations as well as compliance issues.

Apart from direct support to the MA, during 2009, MEPA participated in the evaluation of two rounds of applications for ERDF environmental support scheme administered by Malta Enterprise. As part of the process, two MEPA representatives formed part of the scheme's Technical Evaluation Committee, providing advice and guidance on the environmental aspects of the investment proposals received.

During the reporting period, MEPA has also participated in two plenary meetings of the European Network of Environmental Authorities (ENEA), where it provided input on issues concerning the integration of the environmental aspects within the Cohesion Policy framework. During 2009, the network was broadened to include also the representatives of the Managing Authorities, and was thus renamed as ENEA-MA network. The MA also participates in this network.

The MA (and its IBs) relies on the advice and decisions taken by MEPA on all matters related to EIA as well as environmental and planning permitting.

Strategic Environmental Assessment Regulations

OPI falls within the scope of the Regulations and the Assessment undertaken *ex ante* opines that OPI takes environmental issues into account and that the environment stands to benefit from its implementation. The SEA prescribes the setting up of environmental monitoring arrangements that will enable the identification of corrective actions and establish how well the OP complies with the SEA objectives. This committee is in the process of being set up and the first meeting is foreseen to be held during 2010.

2.3 Significant problems encountered and measures taken to overcome them

During 2009 problems causing delays reported in the AIR of 2008, namely those related to project selection, the public procurement process and the planning permits (including EIA process where relevant), persisted despite the measures that were taken to address them.

The project selection process is lengthy. In 2009, 6 calls were launched and the evaluation of all calls spilt over into 2010. The PSC met 50 times, each session lasting an average of 4 hours. In 2008, the MA set up a second committee for OPII so that the original committee set up in 2007 could focus more on OPI calls. The system functioned well in 2008 and saw backlogs coming from 2007 being cleared, however due to movements in senior positions at the MA in late 2008 and 2009 as well as a number of substantial calls maturing in the last weeks of the first half of 2009, the process took much longer than expected and spilled into 2010. It should also be pointed out that a good number of the applications under Axis 6 involved multi-million projects with supporting cost-benefit analyses which took some time and several meetings with the proponents to evaluate.

The availability of the members of the PSC (that are all public officers and experts in financial management, environment, and public policy) is also a problem. It should be noted that despite the long process of project selection, Malta is still one of the countries that has high commitments in projects so although the process can be improved; it is not worrying for the implementation of the Programme as this stage. Given the competitive nature of the process, the process tends to be self-regulating apart from ensuring a higher degree of quality of projects selected. The MA is expecting to launch three more open calls for projects (two under Axis 2 and one under Axis 4) in 2010. The MA will discuss the process with the evaluators undertaking the mid-term evaluation with a view to making the process more efficient.

It is clear from the number of unsuccessful tendering procedures that the procurement process is taking up more than its fair share in the project implementation cycle. Given the centralised process, it is inevitable that backlogs are created at the various stages of the process. Attempts at increasing capacity have been made and are ongoing but it is clear that the availability of expertise on the Island is limited and that anyone joining the process (whether at the Beneficiary end or at the Central Contracting Authority) has a steep learning curve. Beneficiaries are also limited in the amount of experts that they can put at the disposal of the tendering process, resulting often in more delays at the level of tender drafting and tender evaluation. Moreover, 15 to 20 percent of procedures launched are unsuccessful.

The main reasons for unsuccessful tendering is lack of sufficient bidders, administratively incompliant bids (which result in potentially valuable bids being discarded) and bids going over the projected budgets. These issues often result in no valid bids remaining in the competition which then has to be re-launched under some procedure or other. In addition to these constraints, whose roots can be traced to the permanent territorial constraints of the market, a number of successful tenders go into appeal (largely also due to territorial characteristic of the market) which, on average, takes around 3 months for a decision. This means that the duration allocated for procurement in the project implementation period is often doubled, at least, with some procedures taking well over a year to complete. The highly centralised system as well as

capacity issues (within the Central Contracting Authority as well as Beneficiaries) is a cause of delay, however, once again, this is offset by a high degree of consistency in decisions and also quality. This ensures that the level of irregularities in procurement remains low and hence contributes, in the long term to a sustainable absorption of funds. It should be noted measures to address the issue of administratively incompliant bids are planned for 2010 and that that further calls for recruitment within the Central Contracting Authority are also part of the DOC's work plan for 2010.

The planning process of large scale infrastructure is difficult in any region, however Malta's territorial constraints are a critical factor in this process which requires the procedure to be supported by extensive studies; is often contested by various stakeholders and, at times, controversial. This often results in additional delays. Delays in the planning process automatically impact the procurement process as the Central Contracting Authority does not launch tender procedures without an approved planning permit. This measure, introduced in 2008, has inevitable negative impacts on the short term deadlines as procurement and planning procedures cannot be undertaken *pari passu*, but is a good governance measure that in the long term potentially reduces the possibility of variations in contracts arising from the planning process and hence also irregularities in the procurement process.

In 2009, in an effort to curtail delays related to the planning permits, MEPA intensified its co-operation with various Government Departments and Authorities. Moreover, structured co-operation has been set up in the form of regular updates being forwarded by MEPA to the MA to facilitate the monitoring process by the MA.

During 2009 MEPA approved 25 planning permits relevant to EU Funded operations; received 23 new applications for planning permits while 45 requests were still pending as at end of 2009. Furthermore, 24 planning applications have been referred to the EPD of which 3 needed an EIA while the rest were reviewed as part of the consultation process.

Within the context of counteracting delays encountered, and in a further effort to ensure a wider understanding and attract a wider range of projects, changes to the OP (as detailed within Section 2.1.1) were proposed to the MC. A call for proposals issued after the changes relevant to Axis 6, attracted a major project proposal while changes undertaken within Axis 7 made further emphasis on the implementation of Cohesion policy in general.

Further to the above, no serious problems have been identified under the procedure in Article 62 (1)(d)(i) of Regulation (EC) No 1083/2006.

2.4 Changes in the context of the Operational Programme implementation (if relevant)

Malta, as any other EU Member State has been faced by a number of challenges emanating from the international economic crisis. An impact has been felt in a number of sectors including tourism; manufacturing; and the labour market sectors amongst others.

The unforeseen challenges due to the international economic crisis have also had an impact on the project implementation process, whereby these challenges have been the main cause of the set-backs and delays. Within this context, the Maltese Authorities have embarked on a series of measures, financed through both national and Cohesion Policy funds, aimed at mitigating the impact of the crisis on the local economy. During this period, the Maltese Authorities deemed that Malta's OP was flexible enough to contribute towards these measures in particular with respect to increased support to enterprises. In fact, the objective of the additional measures was to promote business investment and provide support to enterprises with a view to ascertain a stronger business environment once the crisis would subside.

In an effort to further instil the need to invest within the local business community, the MA has approved an additional €12million (to a total value of €42 million) to be allocated to a number of aid schemes for the private sector targeting e-business development, R&D, international competitiveness, innovation and energy. In addition, the implementation of a number of large infrastructural projects in various sectors such as the roads and waste sectors, have contributed towards stimulating the local economy. Furthermore, the Maltese Authorities also continued to provide a pre-financing arrangement for payments (also for NGOs and local authorities) in order to mitigate delays arising from cash flow problems.

However, the impact of the crisis was strongly felt in the implementation of infrastructural projects which was further expounded due to Malta's market size and its territorial constraints. During 2009, the MA continued to monitor the impact of the crisis on the implementation of the Programme with a view to ascertain that necessary actions are taken immediately to address any negative impact on the OP.

During 2009, however some changes were needed following changes in ministerial portfolios as well as more in-depth analysis arising from feasibility and other studies and revised strategies (e.g. new transport strategy). These revisions were presented to the MC of October 2008 and subsequently presented to the EC for approval in May 2009 as outlined under section 2.1.1 and 2.7.2 of this report.

2.5 Substantial modification under Article 57 of Regulation (EC) No 1083/2006 (if relevant)

To date no substantial modifications have been made under Article 57 of the General Regulation (EC) No 1083/2006.

2.6 Complementarity with other instruments

In accordance with Article 9(4) of Regulation EC/1083/2006 the MA shall co-ordinate assistance from the OP co-financed by the ERDF and CF with assistance from the OP co-financed by the ESF, the programmes financed by the EAFRD and the EFF, the interventions of the EIB, where applicable, and of other existing financial instruments. In particular, OPI (ERDF and CF) is complemented by investments under OPII (ESF), primarily those areas addressing education and social infrastructure, research and enterprise support.

The PPCD has the overall responsibility for the co-ordination of all Cohesion Policy instruments (including territorial co-operation programmes). In addition the same Division also acts as National Focal Point for a number of bilateral instruments including the EEA/Norway Financial Mechanisms; and the Swiss-Maltese Cooperation Programme. The co-ordination and complementarity mechanisms are strengthened through centralised management which also ensures that there is no duplication in the activities funded.

Structures

The Operational Programme (Section 5.4) envisages the establishment of a number of co-ordination structures in order to enhance synergies and co-ordination between the different funding mechanisms as well as avoid overlap and duplication of effort and resources.

In this regard, in 2009, an IMCC was set up with regard to strengthen strategic co-ordination between the different EU funded Programmes and Initiatives dealing with Infrastructure and Productive Investment. The main function of the IMCC is to ensure synergy and complementarity between the different initiatives, maximisation of resources and that the priorities of the Cohesion Policy OP's are addressed with minimal risks with regard to overlaps and duplication of effort. In this regard the members of the IMCC provide necessary clarifications on the demarcation between each fund/Programme/initiative. The IMCC met twice during 2009.

The Committee draws up and exchanges periodically a list of interventions with the details of budgets, beneficiaries and duration pertaining to the operation falling under the responsibility of each Programme. Ad hoc consultation is undertaken between the members of the Committee when there is a possible overlap of activities. Members also exchange information about proposed changes to any of the EU Funding Programmes that could have an impact on the main objectives of the IMCC. Furthermore, the Committee discusses and informs members with regard to eligibility criteria and the eligible actions under the calls.

The members of the IMCC comprise of: The Head of Cohesion Policy MA (or designate) as Chairperson; a Representative from each of the relevant Intermediate Bodies under OPI; Representatives of the National Contact Point of the European Territorial Co-Operation Programmes; representatives from the following Managing Authorities of the EAFRD, EFF Programme and a Representative of the MA for the Programmes dealing with Migration and Asylum. Other members include National Contact Points of the following EU Programmes: Life +; FP7; CIP; URBACT II; TEN-T; TEN-E and Marco Polo II.

The IB Network mentioned under Section 2.1.1, sub-section 'Aid Schemes implemented under Article 107 of the Treaty' also discusses issues related to potential overlaps between aid schemes implemented under Article 107 of the Treaty of Lisbon.

Complementarity and consistency between different financial instruments

ERDF and CF

OPI is co-financed by both the ERDF and the CF with 5 Priority Axes financed through the former and 2 Axes financed through the latter. Together, the priorities proposed constitute a plan of action for the period 2007-2013.

The main focus of the CF is large major infrastructure in the transport and environment sectors. The CF is financing TEN-T transport in both the road and maritime sector. The ERDF is not co-funding maritime infrastructure in any of the TEN-T ports. With regard to roads, unlike the 04-06 ERDF (which also co-funded TEN-T infrastructure), the ERDF 07-13 is intervening to a limited extent in road infrastructure (not intervening in TEN-T routes) and restricted to national and regional roads. Under the 07-13 Programme the ERDF infrastructural works are more focused on supporting competitiveness (also in the tourism sector) as well as upgrading infrastructure in the social sector (education and health). With regard to environment all major infrastructure (waste and waste water) is being co-funded by the CF. The ERDF is being used to co-fund infrastructure related to climate change.

ERDF and ESF

Infrastructural investments in the social sector supported by OPI are complemented by human resources investments under ESF through OPII. Complementarities and synergies are particularly visible in those areas addressing education, training, employment, childcare and health. In this regard OPI (under Priority Axes 1 and 6) has approved a number of infrastructural projects and the purchasing of equipment for both the formal and informal education sector as well as RTDi, including projects for the University of Malta, the MCAST and the ETC as well as actions complementing the work-life balance activities under OPII, particularly in the area of childcare infrastructure (including support to the private sector).

ERDF and EAFRD / EFF

The agriculture and fisheries sectors have been separated from mainstream Cohesion Policy under the 2007-2013 Programmes. The sectors will be supported by the EAFRD and the EFF respectively. The NSRF highlights the consistency and complementarity between the Structural Funds and the EAFRD and the EFF. Meetings regarding demarcation issues continued to be held regularly between the ERDF IB and MA and the EAFRD MA prior to the launch of the call. During these meetings, possible overlaps are discussed and measures are taken on how to best guide Applicants and also avoid double funding. It is also worth noting that the OPI MA is a member of the EAFRD MC. It should also be noted that an informal network (as further explained under Section 2.7.1) of all ERDF and ESF IBs has been set up to co-ordinate issues and also exchange experience and best practice. The MAs for both the EAFRD and EFF and the SAMB, though not forming part of the informal network, are invited on ad-hoc basis to discuss issues requiring their input.

ERDF and other R&D Programmes, CIP, LIFE+

During the 2007-2013 period Malta is also benefitting from a number of Community Programmes. Of particular relevance to OPI are: the 7th Framework Programme for R&D (FP7); the Competitiveness and Innovation Framework Programme (CIP) and the environment Programme LIFE+. With respect to R&D, infrastructural actions under this OP will be directed towards building capacity of national research infrastructure including the procurement of equipment and the development of local centres of excellence. There will be no overlap with the FP7 Capacities Programme, since the latter has a wider scope and is aimed at the development of large-scale collaborative infrastructure for use of multiple Member States.

In ensuring access to the CIP, Malta is looking at OPI with a view to co-finance access to finance for SMEs and capacity building in the same area. In the field of financial engineering, Malta's use of JEREMIE will be complementary to opportunities under the CIP. The relevant institutions involved in the management of the CIP in Malta were also consulted in setting up of JEREMIE in Malta.

OPI and EIB

The EIB is lending its assistance to a number of projects co-funded under OPI. This is largely being done through the JASPERS initiative as explained above. Moreover, during 2009, the EIB was also supporting the implementation of one major project through an EIB loan.

ERDF and other financial instruments

No other financial instrument was being used, other than the EIB loan mentioned above, national funds and funds from Beneficiary resources.⁴⁶ However, a small number of projects are also contemplating public-private partnerships on which Malta is seeking assistance from JASPERS.

The ERDF interventions, however, are being complemented by interventions being implemented with the use of other financial sources, in particular the EEA/Norway Financial Mechanisms as well as the Swiss Financial Instrument. A number of interventions under the EEA/Norway Financial Mechanisms are supporting competitiveness in the tourism sector, including the funding of cultural heritage, whilst the main focus of the Swiss Fund is the health sector and the proposed projects are very much in line with the relevant OP Focus Areas, confirming a thrust to mobilise all resources in support of the national strategy.

⁴⁶ Although no co-funding is being sourced through the EEPR for ERDF-funded projects, complementarity with the OP (and Axis 4 in particular) has been ensured in order to avoid double funding.

2.7 Monitoring and Evaluation

2.7.1 Monitoring by the MA

The setting up of an effective and efficient monitoring system ensures the quality of the implementation of the OPs. In accordance with Art 66 of Council Regulation EC1083/2006, the MA has set up a monitoring system that permits the supervision of financial indicators and indicators referred to in Article 37(1)(c). The monitoring system in Malta is outlined in the Evaluation Plan for the Operational Programmes 2007-2013 presented to the MC in May 2008. The monitoring system includes different levels, mainly the following:

Day-to-Day

The desk-officer approach adopted by the MA has been sustained during 2009. Ongoing daily monitoring, both formal and informally, has been carried out via emails, phone calls and meetings. This has allowed officers with the OPI unit to keep a close eye on the implementation of the project/scheme; to report on progress and to bring to the attention of the senior staff any issues which might compromise implementation time frames. Day to day (financial) monitoring is also done via the SFD 2007-2013 where officers are able to monitor the contracting and disbursement progress. Further details on the improvements of the SFD are reported in Section 2.1.1.

Project Progress Reporting

On a more formal level, Beneficiaries are asked to draw up a Project Progress Report (PPR), every 4 months. Part of the data required is partly generated through the SFD. PPRs collate updated information and achievements with regard to: physical progress; implementation of project activities; contracting; financial disbursement and financial indicators; and output and results indicators. Beneficiaries are also expected to report on risk factors and relevant mitigation measures. Furthermore, within the context of this reporting obligation, Beneficiaries are invited to submit details of publicity measures undertaken during the reporting period. Regular reporting ensures the systematic monitoring of performance and financial indicators. During 2009, project progress reports were drawn up for 53 projects at the end of April, end of August and at the end of December.

Ministerial Steering Committees

In view of the recommendations made by the Mid-Term Update of the SPD 2004-2006, the MA has coordinated the setting up of a Ministerial Project Steering Committee within each Line Ministry to track project progress, deal with arising issues that are hindering progress and facilitate programme management at the MA level. The Committee monitors and guides projects which fall under its remit in order to ensure that their targets, both financial and physical, are achieved within budget and on time. During 2009, seven committees were set up – one within each of the Ministries benefitting from fund, namely MFEI, MSOC, MEDC, MRRA, MITC, MGOZ and OPM and 12 sessions were organised within which all projects falling with the relevant Ministry's remit were reviewed. The Committees are chaired by the Ministry and the MA participates as an observer.

Intermediate Bodies Steering Committees

The Covenants signed between the MA and the different Intermediate Bodies provides for the setting up of a Steering Committee for the relevant Aid Schemes. This Committee is tasked to monitor the implementation of the scheme. The MA is invited to act as an observer on this Committee.⁴⁷

Inter Ministerial Coordination Committees (IMCCs)

As per Article 9(4) of Regulation 1083/2006 the MA is responsible to coordinate assistance within the OPs as well as with other programmes and existing EU financial instruments. The OPs envisage the establishment of a number of coordination structures in order to enhance synergies and coordination. This is to ensure that priorities are addressed with minimal risks of overlap and duplication of efforts and resources. In this regard two Inter-Ministerial Coordination Committees have been set up. The one for OPII deals with Human Capital Investment Funding and the one for OPI looks at Infrastructure and Productive Investment.

These committees have been reconvened during 2009 and different issues arose mainly relating to the different mechanisms for avoiding and monitoring overlaps and double funding. Further information about the proceedings of this Committee has been provided in Section 2.6; sub-section 'Structures'.

High Level Meetings

During 2009, the PPS continued to chair high level monitoring meetings that started in 2008 when delays in the implementation process became apparent. The causes of the delays are outlined under section 2.3 and the focused monitoring on projects that are deemed to be incurring substantial delays has proved to be effective in ensuring that the sources of the problems are brought to the forefront of discussion and recommendations on the way forward made. The MA is responsible to set the agenda and present project issues which are then discussed with stakeholders who are invited depending on the agenda and the nature of the issues being raised. The meetings, which were intended to be held twice a year, are now being held on a more regular basis in an effort to monitor projects more closely especially with a view of the first N+3 year. During 2009, sessions were held in March/April, July, September, November and December. Each time, an average of 18 projects, were discussed. During the 2009 sessions, 29 projects were reviewed in depth with some projects being reviewed more than once.

Cabinet

As a means to further monitor the implementation of the OP at a more strategic level, during 2009, the Cabinet of Ministers started to report on progress achieved on projects within their Ministry's remit.⁴⁸ The combination of the High Level meetings and the Cabinet reporting allows the highest authorities to keep tab of project implementation on the ground and to act/decide accordingly.

2.7.2 Monitoring Committee

In compliance with Article 63 of Council Regulation (EC) 1083/2006 and amended by Council Regulation (EC) No 284/2009 of 7 April 2009, laying down general provisions on the ERDF, the ESF and the CF and in

⁴⁷ The first IB Steering Committee for DSWS held its first meeting in the first quarter of 2010.

⁴⁸ Reported three times during 2009.

compliance with the Commission Decision approving the Operational Programme, Malta has, in 2007, established the MC. The MC for the 2007-2013 Programme includes representatives of Government, socio-economic partners and civil society as well as the EC. During 2009, the MC met twice, on 12th May and on 20th November. During 2009, as was the case with the two previous years, the MC meetings were well attended and the meetings served as a good basis not only to discuss the formal business but also to provide participating organisations with other information relating to the implementation of the OP.

The items discussed during the May MC meeting included the AIR for 2008;⁴⁹ an update on the Programme's implementation (first 4 months of 2009); amended criteria for TA; the proposed changes to the OP as outlined in Section 2.2.1 (in addition to the ones adopted in October 2008) as well as an overview of the Annual Control Report (by AA). During the second meeting of the MC in November 2009, apart from an update on implementation and an overview of the Strategic Report delivered by the MA, the IBs for state Aid Schemes provided an update on the implementation of each scheme in light of the economic crisis. A more detailed description of both the Aid Schemes and the Strategic Report can be found in section 2.1.1.

Also in 2009, the MC members were informed (via email) about the handing over of the Energy Aid Scheme from MRA to ME. The main reason for this transfer is to create more synergies amid the administrative structures given that ME is more geared in its set up to provide support to enterprises. This will also contribute to the objective of a one-stop shop for enterprises.

2.7.3 Annual Review Meeting

In accordance with Article 68 of the General Regulation, the Annual Review meeting between the MA and the Commission took place on 19th November 2009. Given the update to be delivered the following day during the MC meeting, the discussion focused primarily on an update on overall progress on implementation – specifically commitments and payments, status of the major projects and feedback from the Commission on the TEN-T application form submitted earlier during the year. In addition, the MA and the Commission also discussed the JEREMIE criteria, the interventions in the areas of renewable and energy efficiency and the Strategic Report.

2.7.4 Evaluation

On 25th August 2009, the ESG was set up. The main tasks of the ESG include:

- Supporting the MA in executing the Evaluation Plan;
- Assisting the MA in drafting the ToR of evaluation activities;
- Assisting the MA in drafting evaluation questions;
- Supporting the MA in the selection of evaluators;

⁴⁹ The report was presented to the members and thereafter circulated amongst the members of the MC for approval by written procedure to allow sufficient time for review of the changes proposed prior to the MC meeting. These changes (proposed by the Commission) were presented and made available for the members during the meeting. The report for 2008 was subsequently approved on 10th June 2009 by the MC members. On 26th June 2009, the AIR 2008 was submitted to the EC and deemed admissible on 3rd July 2009. Following appraisal by the EC Services, the report was deemed in line with the requirements of Article 67(2) of Council Regulation EC/1083/2006 on 31st July 2009.

- Giving opinion on reports;
- Supporting the evaluation work along the process.

During the fourth quarter of 2009, the tender for the Mid-Term Evaluation targeting both OP I and OP II was launched. The call for tenders will close on 12th January 2010 and the contractors are expected to start work by the second quarter of 2010. The mid-term evaluation of both Programmes will be carried out by one evaluation team, who will provide three separate reports, one for each of the OPs and one reporting on areas in common between the two Programmes.

During 2009, a representative from the Evaluation Unit within the MA attended the two Evaluation Network meetings organised by DG REGIO. These meetings consisted of discussions related to methodological guidance, indicators, evaluation plans, progress in relation to evaluation being undertaken by the Commission and other MS.

In undertaking new evaluations the MA will also take into account the new evaluation methods which were discussed at the conference called “New Methods for Cohesion Policy Evaluation: Promoting Accountability and Learning” organised by DG REGIO in Poland between 30th November and 1st December 2009.

Two training seminars were attended during 2009 by a representative from the Evaluation Unit. The first seminar was entitled “Developing the evaluation of public policies: comparative experience” was organised by the European Institute of Public Administration. The seminar provided knowledge about evaluation systems of public policies in Europe and how to improve skills in designing and monitoring evaluation activities. The other seminar organised by the European Academy was entitled “Implementing Strategic Environment Assessment” which was also attended by the Chair, SEA Audit Team. The objective of this seminar was to learn on how to implement Strategic Environment Assessment in order to select the most sustainable and environment friendly option.

03. Implementation by Priority

03.1 Priority Axis (PA) 1 - Enhancing Knowledge and Innovation

03.1.1 Achievement of targets and analysis of the progress

Priority Axis 1 is the Lisbon Axis of the OP, in that it includes a number of measures which will directly address the Lisbon agenda. This Axis focuses on the promotion and the strengthening of high value-added economic activity, through investments in enterprise infrastructure; in providing assistance in the restructuring process of local industry; as well as investments in RTDi, RTDi-related infrastructure and ICT. As at end 2009, there were 16 projects and 6 Aid Schemes, the latter as per Article 107 of the Treaty, being implemented under this Priority Axis.

The 6 aid schemes are being implemented by an Intermediate Body. The MA has designated Malta Enterprise as an Intermediate Body (IB) on 6 schemes for the benefit of the Manufacturing and Service industries. During 2009, the IB published 2 calls for project proposals under 5 of the schemes (financed through this axis)⁵⁰ and 1 call for the R&D scheme. The financial allocation to the package of aid schemes under this Axis increased in 2009 from €20million to €27million as part of the contribution of the OP's mitigating measures to the impact of the global crisis.

This Priority Axis of the Operational Programme foresees the establishment of JEREMIE for financial engineering in Malta. To this end, in 2009 the MA continued to discuss with the EIF and local stakeholders the funding agreement for the establishment of JEREMIE in Malta. As at end 2009, the funding agreement was in the final stages of discussions and is expected to be signed by Q1 2010. During 2009, as part of the package of measures to combat the economic crisis, the Maltese Authorities approved an increase in the allocation to JEREMIE by 100% from the original €5 million to €10 million.

03.1.2 Information on the physical and financial progress

Physical progress

No calls for projects were issued by the MA under PA 1 during 2009. However, a total of 16 projects and 6 aid schemes were approved during previous years. Moreover, in 2009 the MA approved the increase in allocations to business support operations in order to address the crisis as well as ensure that businesses are well equipped for the post crisis period.

With regard to progress of the ongoing projects, efforts were focused on the preparation, publishing and evaluation of tenders by the Beneficiaries in conjunction (where relevant) with the Central Contracting Authority. Although no substantial physical progress was registered, a lot of preparatory work was ongoing in 2009, with around 76 tenders published. In 2009, only 14 contracts were signed. Further substantial progress is expected to be registered under this axis in 2010.

⁵⁰ Small Start-up Grant Scheme; Innovation Actions Grant Scheme (Innovation); Innovation Actions Grant Scheme (Environment); e-Business Development Grant Scheme; Research & Development Grant Scheme; International Competitiveness Grant Scheme. These are complemented by another scheme under Axis 4 which focuses on renewable energy and energy efficiency issues.

The IB published two calls for proposals under the following aid schemes: Small Start-up; Innovation Actions (Environment); Innovation Action (Innovation); E-business Development; and International Competitiveness. In total, till end of 2009, 246 beneficiaries (including both SMEs and larger enterprises) were selected under both calls. By the end of 2009, 87 Grant Agreements were signed with SMEs for a total value of €5,676,362.60⁵¹ while another 3 for a value of €153,137.50 were signed with larger enterprises. The Grant Agreements with beneficiaries for the second Call are expected to be signed in the first quarter of 2010. For the Research and Development Scheme only, one Call for applications was issued in 2009. During this call 17 Applicants were selected for a total value of €1,856,283.65. Grant agreements are also expected to be signed in Q1 2010.

Progress on Indicators

Table 4 – Priority Axis 1 indicators

Indicators		2007	2008	2009	Total
Output Indicators					
No of new/upgraded industrial zone projects by the end of 2013 [A1001]	Achievement	0	0	0 ⁵²	0
	Target	n/a	n/a	n/a	5
	Baseline	n/a	n/a	n/a	n/a
No of upgraded crafts villages [A1002]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a
No of SMEs receiving grants [A1003]	Achievement	0	0	87	87
	Target	n/a	n/a	n/a	450
	Baseline	n/a	n/a	n/a	n/a
No of RTDi projects (core indicator) [A1004]	Achievement	0	0	0 ⁵³	0
	Target	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a
No of new/modernized specialized learning facilities constructed/refurbished [A1005]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	22
	Baseline	n/a	n/a	n/a	n/a
Result Indicators					

⁵¹ Total Public Eligible.

⁵² 2 projects approved (ERDF 001 and ERDF 084) together with 12 of RTDI-enabling infrastructure projects. These include all projects contributing towards the achievement of code of intervention 2: RTD Infrastructure.

⁵³ 11 projects approved by the MA (ERDF 012, 017, 018, 076, 077, 078, 079, 080, 081, 082, 083).

No of new enterprises (local and foreign)/expansions in sites upgraded [A1R01]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	25
	Baseline	n/a	n/a	n/a	n/a
% increase in the number of tourists visiting the crafts villages [A1R02]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	37%
	Baseline	90,937 visitors	n/a	n/a	90,937 visitors
No of start-up businesses supported (core indicator) [A1R03]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	35
	Baseline	n/a	n/a	n/a	n/a
No of SMEs launching new or improved product or processes [A1R04]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	35
	Baseline	n/a	n/a	n/a	n/a
No of SMEs improving their use of ICT for e-business [A1R05]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	49
	Baseline	n/a	n/a	n/a	n/a
No of SMEs improving their market penetration efforts [A1R06]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	35
	Baseline	n/a	n/a	n/a	n/a
No of SMEs assisted in environmentally sensitive technologies, operating systems and processes [A1R07]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	100
	Baseline	n/a	n/a	n/a	n/a
No of enterprises involved in networking and new collaboration with other businesses and academia (core indicator) [A1R08]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a
% increase of students taking up S&T related studies at the Vocational / higher education levels at targeted intervention Institutions [A1R09]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	45%
	Baseline	3092	n/a	n/a	3092

Financial Progress

Priority Axis	Total	Financial progress
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	contribution	Commitments ⁵⁴	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 1 (ERDF) Enhancing Knowledge and Innovation	120,000,000.00	93,800,687.58	572,684.18	78.2%	0.5%

03.1.3 Qualitative Analysis

At the end of 2009, €93,800,688.58 of the total allocation for this Priority Axis was committed in 16 (€66,800,688) projects and 6 (€27,000,000) Aid Schemes. Of these, €10,485,401.04⁵⁵ was contracted and € 572,684.18 of the contracted amount was processed in payments. 70% of the payments made were verified in the Statement of Expenditure (SOE) of November 2009.

ERDF 011, 012, 017, 018, 76, 78, 83 and 87 have all started processing payments, albeit with varying progress and amounts. While the disbursement of one University of Malta project has reached and surpassed the €1million threshold, most projects have had little, or even negligible, disbursement (e.g. disbursement of €8000). Some projects have made no disbursement yet (ERDF 079, ERDF 080 and ERDF 081). The reasons are many, but are mostly related to delay in drafting of tender documents, stalled or failed public procurement, often leading to the reissue of tenders, which has moved the disbursement schedules by 2 or 3 quarters in most cases. On the other hand, disbursement of some projects was modest due to a delay in the formulation of the tender specifications by the Beneficiary.

Since projects have only started running during 2009, reportable progress made towards achievement of the indicators, namely indicator 3 and 4 has been negligible. This is clearly due to the fact that most projects are still at procurement stage, an early stage of implementation. Furthermore, in certain instances, progress on most of the indicators may only be registered once the projects are concluded. Thus, in such instances the physical progress of the priority is only visible from the indicators point of view at the end of the project.

During 2009, all approved projects under this Axis had launched their first tender. It is envisaged that of a total of 16 approved projects (University of Malta is the Beneficiary of 11 out of the 16 projects), collectively resulting in around 140 tenders, have had more than 50 of these tenders launched in 2009. As at end 2009, the rest of the tenders were either at design or vetting stage, while some of the aforementioned 50 had to be re-launched since they failed to be awarded first time round. This was due to the various problems encountered described in detail below.

Given the ongoing project activity, progress has also been made with regard to earmarked categories of expenditure (Annex IV of the Council Regulation no. 1083/2006). The National Reform Programme of Malta

⁵⁴ The committed amounts include both the projects approved by the MA as well as the commitments made by the MA to the IB with regard to the aid schemes. Re aid schemes, the amounts committed (through grant agreements) by the IB to the Beneficiary (enterprise) these are being described as amounts *contracted* and amount to € 5,829,500.1 as at end 2009.

⁵⁵ This figure is made up of the following: €4,655,900.94 contracted through projects; and €5,829,500.1 in projects approved under Aid Schemes.

and subsequently Malta's National Strategic Reference Framework document show a significant commitment towards the Lisbon Strategy. It is estimated that 39% of the total volume of EU Funds allocated to this programme will contribute to this process. With respect to Priority Axis 1, as at end of 2009, the amount committed under earmarked categories amounted to approximately €41.5million.⁵⁶

On the other hand, Aid Schemes have the tendency to move faster and disburse quicker. In Malta payments for aid schemes are processed following a request for reimbursement by the Beneficiary. In 2009, the claims of 2 Operations were processed following the successful completion of the projects. In addition, it is worth mentioning that €801,592 were expected to be presented in interim/final payment claims by end of 2009. Out of these, only € 241,846.44 were processed by the end of the year under review, given the backlog in undertaking the necessary checks by the IB and the nature of the reimbursement process which is slow in the initial phases as rules and procedures are tested on the ground. The disbursement that took place was all related to the Innovation Scheme.

03.1.4 Significant problems encountered and measures taken to overcome them

The delays in implementation and disbursement under this Axis differ according to the type of operation. The major delays registered for the mainstream operations are generally related to delays in the procurement process. In the case of aid schemes under Article 107 of the Treaty, the delays in disbursements were largely due to spending potential of beneficiaries most of whom were in some way or other effected by the crisis and also the volume of ex-ante checks that had to be undertaken by the IB.

In the case of many mainstream operations, given the technical nature of equipment being purchased there were repeated instances where bids failed to attract prospective bidders, or tenders submitted bids which were not compliant. Thus a number of tenders have to be re-issued in an effort to ensure that acceptable bids are received. In some cases there were issues with market research undertaken prior to submission of proposal, often resulting in bids coming in at a higher price than estimated. Following the first tendering attempt, many tenders were cancelled and had to be re-issued either due to non-compliance of bidders with administrative, technical and/or financial requirements of the said tender, resulting in projects falling behind schedule, in some instances by 2 – 3 Quarters.

Furthermore, at the start of 2009, some difficulties encountered were associated with the lack of experience in managing structural fund projects by some of the Beneficiaries. The University of Malta (UoM), being the Beneficiary of 11 out of 16 approved projects under this Axis, was a case in point. The UoM participates in a number of EU funded projects, but these are largely in the education and research programmes which have different rules and procedures. In 2009 UoM was using its existing structures to manage structural fund projects, resulting also in backlogs in a number of centralised units, particularly the centralised financial department which includes a central procurement unit. The pressure created by the large volume of work generated through ERDF projects resulted in UoM setting up a separate procurement and projects unit

⁵⁶ This amount does not include Aid Schemes. The amount committed under earmarked categories amounts to approximately €64 million when including Aid Schemes. This equivalent to 23% of the total OP allocation under the earmarked categories.

focusing on the EU funded projects and it is expected that this initiative should facilitate procurement issues linked to Structural funds projects.

Other delays that occurred with respect to the larger mainstream projects under this Axis were as a result of re-dimensioning of operations as a result of further studies, including cost benefit and environmental studies. Some of these issues have also had an impact on tender specifications including cost items – which obviously has led to a re-drafting of the tender dossiers. This has had an inevitable impact on and the duration of the project. In the case of one largish project, the Beneficiary decided to change the procurement procedure which also meant a total re-drafting of the tender dossier.

With regard to operations implemented under Article 107 of the Treaty, 2009 was the year characterised by the financial crisis and this had some impact at a local level on local enterprise. The Intermediate Body undertook some measures, including the granting of extension or changes to the grant agreement to mitigate against the effects of the financial crisis. This has resulted in delays in the implementation of operations. On a positive side, however, some operations were also concluded in 2009. The lack of progress on the ground in terms of payments is largely due to a backlog in processing requests for reimbursement.

3.2 Priority Axis 2 – Promoting Sustainable Tourism

03.2.1 Achievement of targets and analysis of the progress

The Tourism sector plays a very critical role in the Maltese Economy. Within this context, Axis 2 addresses the overall improvement of the tourism sector through investment in product development; niche market development and branding. As at end 2009 there were 13 projects and one aid scheme for tourism enterprises under implementation – 4 under product development and 9⁵⁷ projects addressing both product development and niche market development and branding.

The Tourism and Sustainable Development Unit, which is the IB responsible for the implementation of the Tourism scheme, launched 2 Calls for proposals in February 2009 and October 2009. The total amount launched in 2009 was €7.4 million (€3.9 million in February and €3.5 million in October). The total allocation in grants under the scheme is €8,945,209. The Aid Scheme approved under this Priority Axis addresses a specific focus area namely Aid Schemes to Tourism/Cultural Undertakings. The total amount committed by the MA under this Axis was €83,495,650 as at end 2009.

During 2009, the Managing Authority (following the recommendations of the Project Selection Committee) issued Letters of Approval to 6⁵⁸ NGOs with respect to projects submitted under Call 3.⁵⁹ In addition, relevant preparations were undertaken with a view to launch a Pre-Announcement for Priority Axis 2 restricted to Local Councils in January 2010.

03.2.2 Information on the physical and financial progress

Physical Progress

Despite this axis having been among the first to be launched in 2007 (and also with the highest budget) progress has been slow. Competition for funds is fierce given that the tourism sector is part of Malta's economic and social being and the whole territory is practically considered important for the tourism sector. Given Malta's territorial peculiarities, all actions whether big or small and in whichever sector will have a direct or indirect impact on tourism. During 2009, the 7⁶⁰ projects which were approved under Call 1 continued with the implementation on the ground. In fact, during 2009 58 tenders were launched, 38 contracts signed and works on 5 projects were initiated. In addition, Beneficiaries also continued with launching and drafting of tenders whose implementation is planned during 2010. Under this Axis a number of projects are supporting the restoration and interpretation of unique heritage sites. Of particular interest is ERDF 039 - Restoration and Rehabilitation of Historical Fortifications of Malta and Gozo and ERDF 032 - Archaeological Heritage Conservation Project. Given the nature and sensitivity of the projects (many of

⁵⁷ This figure includes NGO projects addressing both product development and specific niche markets such as cultural and religious sectors.

⁵⁸ 1 NGO has withdrawn its project in Q4 2009.

⁵⁹ Launched in 23rd July 2008

⁶⁰ This figure includes ERDF031- Upgrading of the Zewwieqa Waterfront which was submitted under Call 1 however approved in 2009 and excludes ERDF 26 - St John's Co-Cathedral Visitors' Centre & New Exhibition Spaces which was withdrawn on the 2nd March 2009.

world heritage importance) slow progress is inevitable, however the expected impact on the sector in the long term is deemed to be significant.

The civil society sector has an important role to play with regards to cultural heritage. Malta is keen to take a holistic approach to this niche market and while focus on world heritage sites is paramount, supporting smaller, less known, sites is also critical for the long term sustainability of the niche market. Call 3 (€6,013,469 of approved operations) was restricted solely to NGOs and non-public non-profit organisations that can contribute to the consolidation of the industry. The projects approved under call 3 (3 of which are in Gozo) are addressing the protection, development and preservation of cultural heritage with a view to ameliorate the (Gozitan) tourism product. The projects under this call were approved in quarter 1 of 2009 and for the remaining period of the year they were mostly involved in finalising the Grant Agreement with the Managing Authority as well as preparing the calls for tender.

During 2009, the Tourism and Sustainable Development Unit which is the IB responsible for the implementation of the Tourism scheme has launched 2 Calls, namely Call 1 which was launched in February 2009 and Call 2 which was launched in October 2009.⁶¹ In relation to these calls, 4 information sessions for prospective Applicants were organised by the IB. The response was positive whereby under Call 1 - 91 Applications were received and another 113 applications were submitted under Call 2. The evaluation of Call 1 was concluded in 2009 and 30 projects were successful. Out of these 30, 29 signed the Grant Agreement during 2009, while one of the successful Applicants opted out of the scheme. As at end 2009, the evaluation of Call 2 was still underway.

In analysing the indicators below, one may note that as yet no achievement with respect to indicators is being recorded within this Priority Axis. The MA envisages that the results and subsequent contribution towards the indicators will be registered upon the conclusion of the projects which is expected to yield significant impact on the ground. Within this context, it is foreseen that the achievements with respect to result, impact and output indicators will be registered once the finalisation of the projects is completed.

Progress on Indicators

Table 5 – Priority Axis 2 Indicators

Indicators		2007	2008	2009	Total
Output Indicators					
No of assisted tourism and cultural projects (core indicator) [A2001]	Achievement	0	0	0 ⁶²	0
	Target	n/a	n/a	n/a	8
	Baseline	n/a	n/a	n/a	n/a
No of new/upgraded beaches [A2002]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	5
	Baseline	n/a	n/a	n/a	n/a

⁶¹ Call 2 was originally planned to be launched in Q1 2010 however the IB requested permission to frontload.

⁶² 12 projects approved. 6 projects implemented by the public sectors. 6 projects implemented by NGOs.

Surface area of rampart elevation plan restored (m ²) [A2O03]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	135,000
	Baseline	n/a	n/a	n/a	n/a
No of marketing measures to penetrate/develop new/established niche markets [A2O04]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	4
	Baseline	n/a	n/a	n/a	n/a
No of projects implemented by NGOs/enterprises [A2O05]	Achievement	0	0	0 ⁶³	0
	Target	n/a	n/a	n/a	300
	Baseline	n/a	n/a	n/a	n/a
Indicators		2007	2008	2009	Total
Result Indicators					
% overall increase in the number of paying visitors at upgraded Sites [A2R01]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	4% increase
	Baseline	154,000	n/a	n/a	154,000
% of total tourists visiting upgraded cultural sites [A2R02]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	8% increase
	Baseline	62,333	n/a	n/a	62,333
% average increase in tourist departures for the established niche segments [A2R03]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	3% increase
	Baseline	36.6%	n/a	n/a	36.6%
No of enterprises/NGOs adopting new products and processes [A2R04]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	250
	Baseline	n/a	n/a	n/a	n/a

Financial Progress

Priority Axis	Total contribution	Financial progress			
		Commitments ⁶⁴	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)

⁶³ 30 Projects approved through the scheme within this Axis.

⁶⁴ The committed amounts include both the approved projects and the aid schemes.

Priority Axis 2 (ERDF) Promoting Sustainable Tourism	120,000,000.00	83,495,650.66	862,351.68	68.7%	0.7%
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03.2.3 Qualitative Analysis

At the end of 2009, € 83,495,650.66 of the total allocation for this Priority Axis was committed in projects and one aid scheme. Of these, €11,603,154.20 was contracted and € 862,351.68 of the contracted amount were processed in payments. 70.4 % of the payments (€ 607,145.12) were verified in the Statement of Expenditure (SOE) of both April and November 2009. 30 % of the projects have started processing payments.

ERDF 032, 039, 135 have all started processing payments, albeit with varying progress and amounts. The biggest disbursement effected in 2009 was for the ERDF 039 project which amounted for € 565,000. Very little or even negligible disbursement was carried out for the remaining projects. Some projects have made no disbursement yet (ERDF 151, ERDF 025, ERDF 033, ERDF 024 and ERDF 031). Reasons for such delays were mostly related to delays in drafting of tender documents or failed public procurement often leading to the re-issue of tenders, which has moved the disbursement schedules by 2 or 3 quarters in most cases. The longest delay in the processing of payments was registered for ERDF 033, due to a change in procurement method i.e. DBOT in November 2008 which impacted the tendering, implementation and operational aspects of the tender for the major component of the project, valued for € 7,500,000 (excl VAT).

With respect to projects undertaken by NGOs/ Local Councils, throughout 2009 only ERDF022⁶⁵ has managed to implement most activities and process payments amounting €148,447.68. Projects managed by NGOs were approved in April 2009; however no disbursement was carried out by NGO projects (ERDF 155,151,145⁶⁶, 142,140 & 147). ERDF 155 managed to publish all tenders although one tender had to be re-published since all bidders were non compliant. ERDF 147 did publish and award the Project Management tender and also managed to publish two works tenders. Unfortunately ERDF 140, 142 and 145 suffered from delays, mainly due to the finalisation of Feasibility Studies.

As at end 2009, progress has not been registered towards the achievement of the indicators. This is mainly due to the fact that the implementation of the projects on the ground is still in its initial phases. Notwithstanding, the projects approved have strong commitments in terms of the indicators of the OP.

As already highlighted earlier within this section, given the specific nature of most of the projects approved under this Axis, slow progress is inevitable. Restoration projects often necessitate studies and particular interventions which are usually time consuming. Furthermore, projects which are undertaken within archaeological sites tend to face high risks in terms of delays within implementation since there increased monitoring and supervision by the regulators of the site as there is a very high possibility of finding unscheduled archaeological remains.

⁶⁵ ERDF022 was approved in 2008.

⁶⁶ ERDF145 approved in October 2009.

Notwithstanding, it is envisaged that the implementation of these projects will still yield a significant impact on the tourism sector in the long term. The achievements registered within the indicators are envisaged to be highlighted later on within the implementation process given that the output, impact and result indicators can be measured once the projects will be finalised.

During 2009, 11 projects out of the 14 approved under this Axis had launched their first tenders. A total of about 154 tenders are distributed among the 14 projects of which 58 tenders have been launched in 2009 and 38 were awarded amounting to approximately € 11,603,154.20. Some of the tenders were divided into lots. As at end 2009, most of the other tenders were either at design or vetting stage. 10% of the tenders launched had to be re-issued since they failed to be awarded first time round.

As highlighted under Priority Axis 1, aid schemes are processed on a reimbursement basis. The scheme managed by TSDU is no exception. In fact, according to forecast only payments related to the management of the scheme were envisaged to be disbursed during 2009, however these were not processed due to pending guidance from the MA.⁶⁷

03.2.4 Significant problems encountered and measures taken to overcome them

The problems encountered in the implementation of the approved projects relate mainly to environmental and planning permits related to the sensitive heritage sites; studies that have to be completed prior to methodologies of restoration being determined; capacity issues within some Beneficiaries (particularly small ones); the usual procurement difficulties as well as the slow nature of the often manual labour involved. Many of these have already been mentioned in other sections of the report.

The permitting procedure for many of these projects has been slow due to the nature of consultation and the involvement of a large number of stakeholders. The general public has also been considerably vocal in relation to a number of planning issues.⁶⁸ This has resulted in the relevant authorities moving slowly and with extreme caution, often demanding long term data that has to be sourced from additional (often unplanned studies). These delays have generated further delays in the procurement process (as already explained under section 2.3.). The fact that most of these large restoration projects have multiple tenders (involving often sequential rather than simultaneous activities), has not helped in terms of project efficiency.

As was the case in Axis 1, one (largish) Beneficiary (ERDF033) has also changed the procurement procedure following discussions with the Central Contracting Authority. The procedure currently ongoing is that of a competitive dialogue which was deemed more appropriate for the project in question. The project has the potential of becoming the first project involving a public –private partnership under the Programme. Due to the very limited experience on the Island with such a procedure, extra caution is being taken to ensure that the procedure is undertaken correctly and also to ensure that the experience is educational to the system.

⁶⁷ Refer to Priority Axis 7 for further details.

⁶⁸ One flagship project of € 13,706,859 (net) approved in 2008 was withdrawn by the Applicant due to pressures from the general public.

Capacity is an issue for most stakeholders in Malta but this Axis represents some of the more difficult challenges given the number of small organisations (NGOs and local authorities) that are implementing projects. The MA is providing constant support and specific training is also being organised for these organisations. Despite the difficulties, the authorities believe that this Axis presents one of the best opportunities to implement a multi-level governance of Cohesion Policy

During 2009, the Tourism and Sustainable Development Unit which is the IB responsible for the implementation of the Tourism scheme has launched 2 Calls, namely Call 1 which was launched in February 2009 whereas Call 2 was launched in October 2009.⁶⁹ In relation to these calls 4 information sessions for prospective Applicants were organised by the IB. The response was positive whereby under Call 1 - 91 Applications were received and another 113 applications were submitted under Call 2. The evaluation of Call 1 was concluded in 2009 and 30 projects were successful. As at end 2009, the evaluation of Call 2 was still underway. As at end 2009, no issues with respect to payment claims have been encountered in the light that these are planned to be undertaken in 2010. However, issues encountered by Beneficiaries include: cash flow problems which in fact have resulted in one Beneficiary opting out of the scheme; changes in equipment specifications and suppliers; and changes in activities based on the findings of studies undertaken within the market. With respect to Call 1, Beneficiaries did not face any seasonality issues in the light that the Grant Agreements were signed in Q4 2009, however seasonality issues may be faced by successful Beneficiaries under Call 2 since, Call 2, is planned to be adjudicated by June 2010.

All stakeholders are conscious of the delays, however at the same time the projects present some of the best business cases for EU funding and the authorities feel that it would be a pity to miss out on this opportunity to give the Island's unique element within the overall tourism product such a boost, The projects are being closely monitored by the Managing Authority through the different monitoring options. The delays are also providing valuable input into the learning experience (for beneficiaries as well as for the Managing Authority) for the planning of new projects. It is clear that any further projects under this Axis will need to be in an advanced stage of development, prior to being submitted for funding as otherwise the remaining funds will not be absorbed in time.

⁶⁹ Call 2 was originally planned to be launched in Q1 2010 however the IB requested permission to frontload.

03.3 Priority Axis 3 – Developing the TEN-T

03.3.1 Achievement of targets and analysis of the progress

This Axis (co-financed by the Cohesion Fund) looks at the overall improvement of the connectivity between TEN-T road and maritime transport links. The OP foresees 2 major projects under the Focus Area 'Road Transport Links' with intervention on various parts of the TEN-T road network in Malta. The biggest highlight for 2009 under this Axis was the submission of the first major project (CF117) on the 26th August 2009⁷⁰ following approval by the Managing Authority on the 11th August 2009. The project also received considerable support from the EIB experts through the JASPERS initiative. The project is composed of a group of operations and envisages interventions in Luqa, Marsa, Mellieha and Gozo. The second major project was still in its preparatory phase as at end 2009.

The Axis also includes a focus area for TEN-T maritime infrastructure. During 2009, the first Call for Proposals for non-major Cohesion Fund projects was also launched by the Managing Authority in March 2009 and invited proposals from within the 'Maritime Transport Link' Focus Area.⁷¹ One proposal, which supports the upgrading of breakwaters and maritime infrastructure in the ports of Valletta and Marsaxlokk, was approved in August 2009. JASPERS assistance was also made available for this project (and other maritime projects in the pipeline) during 2009.

As at end 2009 there were 2 projects approved under this axis for a total value of €71,086,931, representing 42% of the allocation under the Axis.

03.3.2 Information on the physical and financial progress

Physical progress

In 2009, the progress registered on the TEN T major project relates mainly to the tendering process. One of the two Works tenders relevant to this project was published on 11th August 2009 and closed on the 19th November 2009. The tender for supervisory services was launched on 11th September 2009 and closed on 3rd November 2009. The total amount of tenders launched in 2009 had a value of €36,277,525. Four of the six planning permits required for this project were approved in 2009.

With regard to the maritime project approved in Q3 of 2009, CF124 *Refurbishment of the Valletta and Marsaxlokk Main Breakwaters*, the progress that has been registered on the ground relates mainly to the preparation and draft of tenders. The largest tender, equivalent to 87% of the total project value has been launched, evaluated and adjudicated in 2009. One other works tender is to be launched in 2010. All permits relevant to this project were approved during 2009.

Progress on Indicators

Table 6 – Priority Axis 3 Indicators

⁷⁰ Approval was received on 5th February 2010.

⁷¹ Same call included also the Solid Waste Focus Area (Priority Axis 5).

Indicators		2007	2008	2009	Total
Output Indicators					
Kms of roads upgraded (core indicator) [A3O01]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	20 Kms
	Baseline	n/a	n/a	n/a	n/a
Sq m of new/refurbished infrastructure [A3O02]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	76,200m ²
	Baseline	n/a	n/a	n/a	n/a
Construction of new sea passenger terminal [A3O03]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a
Result Indicators					
% increase in satisfaction rate of transport operators/users [A3R01]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	10%
	Baseline	n/a	n/a	n/a	n/a
Reduction in journey time (minutes) [A3R02]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	-5 mins
	Baseline	n/a	n/a	n/a	n/a
% reduction in traffic accidents in the areas of intervention [A3R03]	Achievement	0	0	0	0
	Target	0	0	0	10% reduction
	Baseline	193	n/a	n/a	193
% increase in cargo per annum [A3R04]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	2,0% increase
	Baseline	6,206,185	n/a	n/a	6,206,185
% increase in sea passengers per annum [A3R05]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	2,5% increase
	Baseline	3,804,221	n/a	n/a	3,804,221

Financial Progress

Priority Axis	Total contribution	Financial progress			
		Commitments	Payments	Commitments %	Payments %

	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 3 (CF) Developing the TEN-T	169,038,258.82	71,086,391.00	27,199.00	42.1%	0.0%

03.3.3 Qualitative Analysis

Progress has been made towards the achievement of the objectives as set out in the OP. Projects approved to date are expected to contribute both towards the achievement of objectives as well as indicators. On the other hand, as indicated above, to date, no achievement has been registered in terms of realisation of the indicators. This is mainly to due to the fact that the projects are still in their early stages and no works have yet started on the ground.

In the case of the TENT roads major project, the year has been characterised with preparatory work in relation to the proposal itself (submitted to the Commission in August 2009), planning permits; consolidation of costings and the drafting of tenders. Applications for four out of the six MEPA permits required were approved in 2009. The other two permits were still pending as at end of 2009.⁷² Tenders for the geotechnical studies, Road Users Satisfaction Survey, Project Management and Works (representing 63% of the value to be procured under the project) were all drafted, vetted and launched in 2009. The first 3 tenders were all adjudicated by the end of year while the evaluation tender of the Works tender was still ongoing.

During 2009, JASPERS assistance continued being provided to this major project mainly in the form of assistance in the drafting of the project proposal, the Development of "Support Document" to act as a bridging document between information contained in the initial Feasibility Studies carried out in 2004 and 2006 and the information contained in this Cohesion Fund application; consideration on the various options for supervision during the construction stage; and a Safety Audit study on the sub projects.

Preparations were also ongoing for the submission of the TEN T Phase II project proposals. Discussions were taking place and following an intense period of public consultations on the various options, the stretches of road to be undertaken through this project were identified. The relevant studies are now being identified that need to support the planning application. It is expected that the full impact, in terms of requirements and resulting time-frames for implementation, of the said studies would be known with more certainty in 2010.

Within the context of this Phase II proposal, JASPERS will be providing assistance to the Applicant by drawing up a bridging document between Feasibility study carried out in 2004 and 2006 (similar to that drafted for Phase I proposal), will carry out Road Safety Audits and will review any Terms of Reference for EIAs/EIS that might be required by the Planning Authority.

JASPERS also assisted in the maritime projects, particularly with regard to Cost Benefit Analysis. During Q4 of 2009, the MA also launched another call for non-major maritime projects.

⁷² Permits are expected to be approved in Quarter 2, 2010

Further interventions are envisaged within TEN T ports as outlined in the OP. Other project proposals are being prepared for submission during 2010 under the focus area Maritime Transport Links.⁷³

03.3.4 Significant problems encountered and measures taken to overcome them

A number of delays encountered for PA 3 relate mainly to delays in the finalisation of the application form and the relevant supporting studies for the major project. This is also due to the fact that in 2008, some of the components of the project were reviewed and significant changes undertaken which then had to be studied from scratch. The application was submitted over 12 months after its target date; however the sound preparation led to the project taking less than 6 months to be approved, with minor requests for clarification.

The general review with regard to the components of the project also holds true for the maritime sector where an exercise of re-prioritisation took place following the outcome of the initial studies. The identified priorities were then studied in detail in terms of cost benefit as well as environmental impacts. In both the road and maritime sectors, this has led to delays in the identification of projects; however the quality of the proposals submitted is commendable and is reflected in the relatively short approval period.

The delays in the procurement process are similar to those already explained under other Axes, however in this case detailed designs have led to changes in budgets which will inevitably impact the procurement process even further. In 2009, 6 tenders were launched under this axis. At the end of year, the evaluation of one tender worth €32,706,600 under the major project was still underway whilst the contract for the other tender launched under the maritime project was being drafted. It should be noted that for the first time the authorities have tried a consolidation of tenders in order to attract as many proposals as possible. Tenders for such high values are not a common sight so the tender has attracted a number of bids, albeit still rather limited. The timeframes for this tender to remain on the market were extended due to the complexity of the tender itself. The launching of so many tenders has also had an impact on the capacity of contractors, the majority of which remain local.

With regard to planning process, permits for 3 of the 5 components under the major project were approved in 2009 while the procedure for two more components (€15,280,386) was still underway. In parallel, however, detailed designs were being finalised in preparation to the launch of the tendering procedure. With regard to the maritime project, all planning permits were approved in 2009.

With regard to the major project, assuming the procurement process will come to an end in Q2 or Q3 of 2010,⁷⁴ the project will have lost an additional 3-6 months. The project may experience also further delays on the ground due to other projects being implemented in the relevant areas. This is once again a direct impact emanating from territorial constraints. The situation is being monitored and all efforts are being mobilised to limit delays to the minimum.

⁷³ One proposal relevant to intervention within the Cirkewwa port has been submitted in Q1, 2010.

⁷⁴ An appeal was logged in 2nd March 2010, following the evaluation of the technical component. Given the unusual high value of the tender, the appeal process is expected to take several months.

03.4 Priority Axis 4 – Mitigation and Adaptation to Climate Change

03.4.1 Achievement of targets and analysis of the progress

Climate Change features on top of the European and national agenda. In this regard the Government has ensured that this Axis takes a holistic approach to climate change issues targeting energy efficiency and renewable energy across all sectors – the public, the private and the domestic - as well as the causes and effects of climate change – namely emissions and changing patterns in climate (in Malta's case flooding). In order to maximise the impact on climate change from the OP, the Maltese Government has not only committed this Priority Axis to climate change operations but has made climate change at the heart of the OP by including a horizontal climate indicator which seeks to ensure that all project proponents consider climate change issues when developing a proposal. This has led to a situation where smaller climate change interventions are also being included under most operations co-funded under the OP. As at end 2009, there were 4 projects, 1 aid scheme under Article 107 of the Lisbon Treaty and 1 scheme for the domestic sector approved under this Axis. It is worth noting that in 2009, the title as well as some of the descriptive content under this Axis was changed and this Axis is featuring under this name and configuration for the first time in an annual report.

With specific regard to this Axis, during 2009, the Managing Authority has issued two calls for proposals. The first call, issued in the second quarter of 2009, was restricted towards interventions within the island of Gozo with a total indicative threshold amounting to € 5 million. This call was launched in the context of the Eco Gozo proposed actions for 2010-2012 published by the Government in 2009. The evaluation of the proposals was still underway as at end 2009. Another call was launched in the fourth quarter of 2009, which aimed to improve ambient air quality through interventions aimed at reducing air borne emissions. Only one submission was received under this call.

Under this Priority Axis, the Managing Authority approved one aid scheme under Article 107 of the Treaty amounting to €10 million.⁷⁵ The objective is to provide an opportunity to the business community to invest in actions which contribute towards climate change, such as investment in energy efficiency measures and renewable energy sources. The idea of such a scheme was initially proposed by the Malta Resources Authority, however in order to facilitate matters to the business community, a one stop shop approach was adopted and this scheme was subsequently handed over to Malta Enterprise on the 21st January 2009. The MC was informed of this change in January 2009.⁷⁶

With respect to this Aid Scheme, as at end 2009, 2 calls for proposals were published. The first call was published in February 2009 which attracted a total of 90 project proponents out of which 55 were successful amounting to €3.18m in terms of grant value. A second call was issued by Malta Enterprise in July 2009 and attracted a total of 107 Applicants. At end 2009 evaluation was still ongoing, however the response has been encouraging.

⁷⁵ Malta Enterprise has notified the scheme to the State Aid Monitoring Board under the De Minimis state aid regime. The Board approved the scheme in January 2009.

⁷⁶ Email sent to MC members on 21st January 2009.

As part of the comprehensive approach to climate change, one of the projects approved under this Priority Axis, namely ERDF 088 – Promotion of Renewable Energy Sources in the Domestic Sector, aims to contribute towards the mitigation of climate change through the installation of renewable energy equipment such as photovoltaics and solar water heaters on households with a view to contributing towards the reduction of carbon footprint emanating from households. In the light of territorial constraints which are a limiting factor for large scale solar or wind farms, the authorities are encouraging the use of space of households as one way of reaching national climate change targets.

The scheme is implemented by the Malta Resources Authority (MRA) that has experience from previous schemes funded through other sources. Within this context, MRA, in collaboration with MSA, drafted a notification entitled, 'Guidelines – Solar Water Heaters, Solar Collectors and Photovoltaic' (Notification No. 2009/230/MT) as per 98/34/EC procedure. The notification was subsequently received by the EC on 21st April 2009. During the notification period, the Commission has put forward a number of comments which were taken on board by the MRA. The notification period closed on 22nd July, 2009. This notification aims to lay down the specific standards for solar collectors, solar water heaters and photovoltaics. In the mean time, the MRA has undertaken all the necessary groundwork in preparation of the Calls expected to be launched in 2010. Such groundwork included the preparation of guidance notes and application form for prospective households applying under the scheme. In order to facilitate the implementation of this project, the MA, in line with Article 56(4) of Regulation (EC) 1083/2006, has defined the term eligible housing (in cases where projects are not considered to be network projects) and included this in Malta's eligibility rules in September 2009.

During 2009, extensive preparatory work was undertaken in relation to a Major Project Application, namely, the *National Flood Relief Programme* which will be proposed by the Services Division, Ministry for Resources and Rural Affairs. Preparatory work on this project has been ongoing since 2007 following the drafting of the Storm Water Master Plan which was co-financed by the Cohesion Fund 2004-2006 technical assistance project. In 2009, most of the work focused on the CBA and EIA requirements as well as some minor contracting of small components.⁷⁷ The Full Development Applications were submitted to MEPA in November 2009. JASPERS is providing support to the project. In 2009, three missions were organised – each of an average duration of two days. The application is expected to be formally submitted to the EC in Q3 2010.

As at end 2009, €24,462,606.20⁷⁸ was committed by the MA under this Axis.

03.4.2 Information on the physical and financial progress

Physical Progress

Physical progress was not the same for all types of operations being implemented under this Axis. The 4 mainstream projects approved in 2008/2009⁷⁹ under this Axis continued in their implementation. These

⁷⁷ One works departmental tender (the construction of storm water culverts) and one service tender (topographic survey).

⁷⁸ Includes Aid Scheme being implemented under Article 107 of the Treaty.

projects are currently in the initial stages with the preparation of the drafting, launching and evaluation of tenders. Two projects, namely ERDF 102 – Energy – Smart Authority and ERDF 120 – *National Flood Relief Programme* have also initiated the implementation of works. It is worth mentioning, that during 2009, funds were made available for an additional project⁸⁰ to be approved from the second call's reserve list.

During 2009, all projects within Priority Axis 4 were undertaking work vis-à-vis the tendering and permitting processes. With regard to tendering, 2009 saw the launching of 6 tenders⁸¹ under this Axis for a value of €2,852,152. Of these, 4 tenders were contracted for a value of €2,019,835. With regard to permitting, this was required for projects including the installation of wind turbines, the latter still being difficult from a policy perspective and subject to a number of guidelines issued by MEPA. As at end 2009 discussions with respect to the planning guidelines for wind turbines were still not finalised and this issue has had an impact on the implementation of projects, including the scheme for the domestic sector.

With regard to the RES /EE scheme for the domestic sector, following clarifications received from the European Commission, 2009 saw the finalisation of criteria for the scheme as well as final preparations for the launching of the call and guidelines. Despite the volume of work undertaken at the preparatory stage, no progress was registered on the ground in terms of implementation.

With respect to the Energy Grant Scheme to enterprises (Article 107 of the Treaty), 2 calls for project proposals were issued by Malta Enterprise in 2009. Two information sessions (1 in Malta and 1 in Gozo) were organised for Call 1. These information sessions were held in 26th and 27th February respectively. Two information sessions for Call 2 were undertaken on 30th July and 6th August respectively. As at end 2009 there were 55 Beneficiaries benefitting from the Energy scheme and by the end of the year a number of them had started implementation on the ground. Initial claims for payment are envisaged to be undertaken in Q1, 2010.

Progress on Indicators

Table 7 – Priority Axis 4 Indicators

Indicators		2007	2008	2009	Total
Output Indicators					
No of boilers (generation plant) upgraded [A4001]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a
Annual penetration rate of installed PV, micro-wind and solar (in kWpeak/annum or equivalent in energy saving) generating systems starting in 2009 (4 MW)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	340

⁷⁹ ERDF 090 – *Implementing Green Activities at the University of Malta* - was approved in October 2009, following savings registered from Call 2.

⁸⁰ ERDF 090.

⁸¹ Two of these tenders were issued under the €47,000 threshold as per Public Procurement Regulations.

	Baseline	n/a	n/a	n/a	n/a
No of energy efficiency schemes [A4O03]	Achievement	0	0	1	1
	Target	n/a	n/a	n/a	2 – 3
	Baseline	n/a	n/a	n/a	n/a
No of storm water management (risk prevention) projects (core indicator) [A4O04]	Achievement	0	0	0 ⁸²	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a
No of studies [A4O05]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a
Result Indicators					
Compliance with LN 329/2002 (Directive EC/80/2001) [A4R01]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	Full
	Baseline	In breach	n/a	n/a	In breach
Total annual electricity generated from small scale PV and micro-wind installations (MWh/annum) (core indicator) [A4R02]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	3,000
	Baseline	n/a	n/a	n/a	n/a
Total energy savings per year (MWh/annum) [A4R03]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	24,300
	Baseline	n/a	n/a	n/a	n/a
M ³ of new rain water retention and storage capacity in catchment areas [A4R04]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	300,000
	Baseline	n/a	n/a	n/a	n/a
Frequency of flooding within areas of intervention [A4R05]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1 every 5 years
	Baseline	5 per year	n/a	n/a	5 per year

Financial Progress

⁸² ERDF120.

Priority Axis	Total contribution	Financial progress			
		Commitments ⁸³	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 4 (ERDF) Mitigation and Adaptation to Climate Change	121,000,000.00	24,462,606.2 ^[5]	384,593.10	67.5%	0.3%

03.4.3 Qualitative Analysis

At the end of 2009, €24,462,606.20 of the total allocation for this Priority Axis were committed in four projects and one aid scheme. Of these, €98,234 were contracted and only €190.80 of the contracted amount was processed in payments all of which (€190.80) were verified in the Statement of Expenditure (SOE) of November 2009. As at the end of 2009, only one of the approved projects had started processing payments. As stated above, during 2009, the scheme for domestic RES /EE had not yet started contracting and therefore no payments were made.

Apart from the four approved projects and aid scheme, as at end 2009 there were €57,240,000 committed for the major project; namely the *National Flood Relief Programme* (NFRP). The amount is committed in principle (not yet approved) and is based on the latest available estimates calculated by the consultancy services contractor. Of these, €1,921,793 were contracted and €384,402.30 of the contracted amount was processed in payments, of which 36% (€136,697.50) were verified in the Statement of Expenditure (SOE) of November 2009.

Notwithstanding that as at end 2009 minor achievements have been registered with respect to indicators (namely the launching of one scheme), implementation on the ground has been sustained. In fact, Beneficiaries have during 2009 focused their efforts mainly on the procurement process as well as permitting, where necessary. In addition, some of the beneficiaries have also initiated the installation process of some equipment.⁸⁴ Achievements with respect to indicators are envisaged to be registered upon the completion and finalisation of projects whereby output, results and impact indicators will start being measured. In addition, it is worth mentioning that the two calls launched in 2009 by the Managing Authority will also contribute towards the achievement of the aforementioned indicators. Furthermore, the (revised) indicators approved by the Monitoring Committee in October 2008 were subsequently sent to the Commission for adoption in May 2009.

03.4.4 Significant problems encountered and measures taken to overcome them

This Axis has the largest variety of operations, ranging from mainstream operations to projects implemented by businesses as well as those involving, for the first time in Cohesion Policy in Malta, domestic users. This variety of operations has created a challenge for horizontal stakeholders as well as Beneficiaries. It should

⁸³ The committed amounts include the approved projects and the aid scheme.

⁸⁴ Installations were initiated by Beneficiaries benefitting from Energy Scheme managed by Malta Enterprise

be noted that during 2009, the other major project identified under the OP, *Modification of Boilers at the Delimara Power Station to Reduce Emissions* was removed from the major project list following more in depth studies related to cost benefit and revised investment costs.⁸⁵

As far as the mainstream projects are concerned the delays encountered relate mainly to delays in the procurement process and in the approval of planning permits (which also impact procurement). The delays under this Axis were dealt with in the same way as for other Axes. With regard to implementation of the domestic scheme, the main problems arose from delays in reaching an agreement between the MA and the MRA with regard to criteria for the EE scheme. These were finally agreed upon in late 2009 with work starting on the rest of the supporting documentation. Planning permits as well as other (resource-related) regulatory issues have also impacted the absorption of funds under the private enterprise scheme. Given that this is the first time that the country is undertaking such a comprehensive approach to RES and EE support, such problems were inevitable. As at end 2009, most of the issues had been resolved and payments are expected to start flowing in 2010.

⁸⁵ The project is still feasible but due to the level of investment cost, no longer qualifies as a major project in terms of Article 39 of the General Regulation.

03.5 Priority Axis 5 – Sustaining the Environment

03.5.1 Achievement of targets and analysis of the progress

Priority Axis 5 is the main axis of the OP dedicated solely to the environment. It aims at achieving a sustainable environment and foresees the implementation of primarily large infrastructural projects under the two Focus Areas of Solid Waste and Water. This Axis foresees 3 major projects for in terms of Article 39 of EC No 1083/2006

In 2009 the Managing Authority, in line with the recommendations made by the Project Selection Committee, conditionally approved one of the major projects foreseen under this Axis - *Urban Waste Water Treatment Plant for the South of Malta* (CF 116) and a non-major project was selected for the *Setting up of the Gozo Waste Treatment Facility*⁸⁶ under a call for non-major projects that was issued in Q4 of 2009. The formal submission of CF 116 to the European Commission was still pending by end of year due further amendments that needed to be undertaken with regard to the CBA as well as the pending approval of planning permits. In the fourth quarter of 2009 another Major Project *Rehabilitation and Restoration of Existing and Former Waste Dump Sites* was finalised and submitted to the MA for approval and onward transmission to the Commission. As at end 2009, the evaluation of the project was still ongoing.

As at end of 2009 there were 2 projects under this Axis that were approved by the MA for a total value of €78,085,474 however it should be noted that the bulk of the remaining funds are committed in principle to other major projects in the waste sector.

03.5.2 Information on the physical and financial progress

Physical progress

The *Urban Waste Water Treatment Plant for the South of Malta* (total project cost €69,985,474) is the project that is at the most advanced stage in terms of physical implementation on the ground. The first draft application was sent to the Commission in December 2007. Since then another two drafts were forwarded to the Commission. The PSC conditionally approved the application in April 2009. The application has still not yet been submitted to the Commission due to a pending environmental issue on one of the components. The Beneficiary is also benefitting from JASPERS assistance. JASPERS experts visited Malta 2 times during 2009 with the average mission lasting 3 days.

Apart from the effort and resources that have gone into the preparation of the application and the supporting documents, this project has also registered physical progress on the ground. The main tender for works and equipment tender was awarded and signed in August 2008. Till end of 2009 the construction was well underway with around €22 million disbursed, representing 31% of the project cost. 60% of expenditure paid in 2009 was included in the payment claim raised in November 2009. The remaining payments were made in December of the same year.

⁸⁶ Progress on this project was formally (in 2008) reported under Axis 4.

During 2009 the major project on the rehabilitation of closed landfills was also being prepared. In October 2009, the MA received the final application and the final recommendation by the project selection committee was sent to the Beneficiary in January 2010. Only the preparatory works were undertaken in 2009 (linked to the feasibility study, CBA and the project application). The works tenders were still at design stage in 2009 with a launch of tenders expected in March 2010. All environmental permits have been granted in 2010. JASPERS has been supporting the preparation of this project with one mission having taken place in 2009. The project is expected to be formally submitted to EC in Q2 2010.

In 2009 the PSC approved also a non-major project for the setting up of a *Transfer and a Mechanical Treatment Plant in Gozo* (CF 123). The project, although still in the initial phases of implementation for the greater part of the project has started physical implementation on the ground. During 2009, the access roads for the facility were constructed and upgraded in line with the relevant MEPA approval and payments of € 206,052 in public eligible costs were included in the last Statement of Expenditure of 2009. The rest of the project will be contracted in two tenders: a service tender for project management and a works tender for the design and build. The service tender for the project management tender was published in November 2009. The works tender will be published in the second half of 2010. The environmental and planning permit was granted on 21st May 2009. In 2009 JASPERS assisted the MA in reviewing the project CBA.

Progress on Indicators

Table 8 – Priority Axis 5 indicators

Indicators		2007	2008	2009	Total
Output Indicators					
No of solid waste treatment plants constructed [A5001]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a
No of landfills rehabilitated [A5002]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a
No of liquid waste treatment plants constructed [A5003]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a
Result Indicators					
Landfill volumes saved on an annual basis as at 2013 (m ³)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	130,000 m ³ ⁸⁷

⁸⁷ 130,000m³ is equivalent to 110,000 tonnes.

	Baseline	290,000 ts	n/a	n/a	290,000 ts
Total RES recovered from waste by 2013 (GWhrs/annum) [A5R02]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	17.0(GWhrs/yr)
	Baseline	n/a	n/a	n/a	n/a
Sq m of rehabilitated land from landfills [A5R03]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	300,000m ²
	Baseline	n/a	n/a	n/a	n/a
% decrease in national; sewerage effluent discharge / additional population served (core indicator) [A5R04]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	80%
	Baseline	n/a	n/a	n/a	n/a
Status of coastal waters in the South of Malta (from Class 3) [A5R05]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	Class 1
	Baseline	Class 3	n/a	n/a	Class 3

Financial Progress

Priority Axis	Total contribution	Financial progress			
		Commitments ⁸⁸	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 5 (CF) Safeguarding the Environment	165,250,000.00	78,085,474.00	22,952,489.13	47.3%	13.9%

03.5.3 Qualitative Analysis

Despite considerable progress on one of the projects, no tangible results on indicators can be ascertained as at end 2009 (due to the works in progress nature of the operations), however the projects under implementation are all expected to fulfil the commitments made by Malta under this Axis.

This Axis will address primarily large scale infrastructure in the environment sector. This number of projects expected to be funded under this Axis are few, albeit most with a multi-million Euro budget. Although the number of projects under implementation in 2009 was very limited, around 40% of the PA is already contracted with around 14% paid. This progress is mostly attributable to one major project, CF 116. The registered progress is largely due to the tendering process having taken place simultaneously with the preparation and finalisation of the application and supporting documentation.

⁸⁸ The committed amounts include major project CF116.

Most of the work in 2009 (both by the Beneficiary as well as by the MA and PSC) has been focused on the preparation of the major project applications, this being a challenge for the Maltese authorities as this is the first (and only) Structural Fund Programme with a number of major projects. The support of JASPERS in this regard has been extremely useful and has contributed significantly to the level of progress achieved. The result of most of this work will be seen in 2010 when a number of major projects are expected to be submitted formally to the EC. In addition to the projects mentioned above, another major project *Mechanical Biological Treatment Plant* is also being prepared by Wasteserv. In this regard, in 2009, the Beneficiary issued the project management tender for the design and preparation of the project application form and the project tenders. The procedure had to be cancelled and re-issued.⁸⁹ In order to accelerate the implementation of the project the Beneficiary, was as at end 2009, already discussing the environmental and planning permits with MEPA. The initial studies have been undertaken by Wasteserv and the environmental authority has already indicated that given that the proposed project is foreseen to be implemented in an area where environmental studies have been already carried out, Wasteserv will only need to update existing studies.⁹⁰

JASPERS has been supporting the preparation of this project with one mission having taken place in 2009.

03.5.4 Significant problems encountered and measures taken to overcome them

The main problems encountered under this Axis relate to environmental permits as well as related policy decisions. These issues, however, have not really hindered implementation of the ground as a large tender had been issued in 2008. The MA is pushing for the finalisation of the applications, however given the high volume of projects; a capacity issue is also a reality both at the Beneficiary as well as at MEPA's end. Long and extensive consultation periods also have to be taken into consideration. Most of these projects are in the category of high level monitoring which is ongoing for a number of projects, including all major projects.

As indicated above the Beneficiary of the other projects expected under this axis is in constant contact with the MEPA in order to initialise the studies needed for the environmental and planning permit in order to accelerate the implementation of projects when these are approved by the MA or the Commission as applicable.

⁸⁹ All bidders were not compliant and the tender was re-issued and is planned to be awarded in the beginning of 2010.

⁹⁰ The draft project application is expected to be ready for review by the MA in the first half of 2009.

3.6 Priority Axis 6 – Urban Regeneration and Improving the Quality of Life

03.6.1 Achievement of targets and analysis of the progress

By the end of 2008, total commitment within Axis 6 amounted to €59,975,968⁹¹, this constituting 40.2% of this PA allocation. During 2009, two Calls for Proposals (Call 4 and Call 6) were issued which should have resulted in the full commitment of funds available under the Axis. The evaluation process started on both calls and by the end of 2009 only part of the process was concluded (for two focus areas⁹²) which resulted in total funds committed under this Axis amounting to €66,133,958⁹³ (almost 45% of the PA allocation) and resulting in eighteen projects and one aid scheme under implementation. Due to the relatively large number of proposals received, the evaluation of proposals received under the other two focus areas⁹⁴ was still ongoing as at end 2009.

During 2009, a change within the Education, Social and Health-related Infrastructure Focus Area (and relevant indicators) was proposed and approved during the May 2009 MC. Following this change, the sixth Call for Project Proposals, restricted to projects within the Health sector, saw the submission of only one project. As reported in the Monitoring Committee of 20th November 2009, the total cost for the said project exceeded the €50 million threshold as per Article 39 of Regulation 1083/2006 and subsequently the Applicant was advised to submit the application under the major project procedure. In view of this, JASPERS assistance was also sought. The *Mater Dei Oncology Centre* is the only major project under this Axis.

During 2009, the first call for proposals for the one aid scheme under Article 107 of the Lisbon Treaty was launched on the 23rd March 2009 and closed on the 22nd May 2009. Two information sessions were organised by the Intermediate Body⁹⁵ for which 35 potential beneficiaries attended. Twenty-three projects were submitted and evaluation was nearing its conclusion in Quarter 4 of 2009. The objective is to support the private sector in providing quality childcare. This scheme is also intended to complement ESF operations related to better work life balance.

03.6.2 Information on the physical and financial progress

Physical progress

During 2009, 30 tenders⁹⁶ were launched and 16 contracts signed under this Axis. Although similar to other Axes where most of the resources and effort in 2009 went into procurement, a number of projects approved in 2008 registered physical progress on the ground. Nearly all projects with a works component had started implementation. Delays in contracting (unsuccessful procurement procedures, appeals submitted for works tenders, etc) have resulted in projects having to extend the timeframes for the implementation periods,

⁹¹ As reported in AIR 2008 (includes 16 projects and 1 scheme).

⁹² Internal Mobility and Environmental Monitoring.

⁹³ Additional 2 projects approved in December 2009.

⁹⁴ Education, Social and Health Infrastructure; and e-Accessibility.

⁹⁵ Department for Social Welfare Standards.

⁹⁶ Includes tenders below the €47,000 threshold as stipulated in the Public Procurement Regulations LN177.

however it is expected that all projects that were planned to be concluded before end 2010 will actually manage to adhere to this deadline. One project⁹⁷ was actually concluded.

On the other hand, the Childcare scheme being financed through this Axis saw the launch and evaluation of the first call for proposals. As at end of 2009, the selection process was nearing its conclusion.⁹⁸ Different types of projects were submitted. Some aim at setting up new childcare facilities while others target an upgrade of the facilities. In 2009, no physical works had started on the operations approved under this aid scheme.

Figure 2 - ERDF 048 – Works being undertaken within Phase 5 of Marsascala Road



⁹⁷ ERDF 066 Computer Systems and computer labs at MCAST Malta and Gozo

⁹⁸ Ten approval letters were eventually issued in January 2010 for the amount of € 274,936

Figure 3 - ERDF 057 – Extension of the Junior College**Progress on Indicators**

During 2009, a change in Health-related indicators for Priority Axis 6 was presented to and approved by the Monitoring Committee in May 2009. This change was motivated by the need to have less specific indicators at Axis level and also to include another core indicator. The revised Health indicators read as follows:

Type	Definition	Target
Output	No of projects [health] (core indicators)	2
Result	% of total patients [within intervention areas] using new/upgraded equipment/services	60%
Result	No of new services offered in the health sector	3

Table 9 – Priority Axis 6 Indicators

Indicators	2007	2008	2009	Total	
Output Indicators					
No of projects ensuring sustainability and improving the attractiveness of towns and cities (core indicator) [A6001]	Achievement	0	0	0 ⁹⁹	0
	Target	n/a	n/a	n/a	3
	Baseline	n/a	n/a	n/a	n/a

⁹⁹ One project has been approved

Km of upgraded roads (non TEN-T) [A6O02]	Achievement	0	0	0.75 ¹⁰⁰	0.75
	Target	n/a	n/a	n/a	7
	Baseline	n/a	n/a	n/a	n/a
No of projects promoting Modal Shift [A6O03]	Achievement	0	0	0 ¹⁰¹	0
	Target	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a
No of new e-services for the public and the business community [A6O04]	Achievement	0	0	0	0
	Target	n/a	n/a	0	4
	Baseline	58	n/a	n/a	58
No of existing learning facilities refurbished (with new equipment) / constructed within intervention areas by 2013 [A6O05]	Achievement	0	4	5	5
	Target	n/a	n/a	n/a	30
	Baseline	n/a	n/a	n/a	n/a
No of projects [health] (core indicators) [A6O06]	Achievement	0	0	0 ¹⁰²	0
	Target	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a
No of environmental monitoring projects [A6O07]	Achievement	0	0	0 ¹⁰³	0
	Target	n/a	n/a	n/a	4
	Baseline	n/a	n/a	n/a	n/a
Sq m of modernized facilities refurbished (with new equipment/constructed within intervention areas by 2013) [A6O8]	Achievement	0	1,302.4	1,671.40	1,671.40
	Target	n/a	n/a	n/a	2,040
	Baseline	n/a	n/a	n/a	n/a
Result Indicators					
Average % redevelopment of units in regeneration areas of total National regeneration [A6R01]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1,27%
	Baseline	0,03%	n/a	n/a	0,03%

¹⁰⁰ This amount refers to kms of roads upgraded by the end of Dec 2009. Total kms to be upgraded through approved projects is 7.2 kms

¹⁰¹ One project has been approved

¹⁰² One project has been approved

¹⁰³ Ibid.

Road surface condition of upgraded roads [A6R02]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1,0 – 1,5
	Baseline	4.66	n/a	n/a	4.66
% increase in use of non-car modes [A6R03]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	8%
	Baseline	29,745,123	n/a	n/a	29,745,123
% increase in use of e-services [A6R04]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	20% increase
	Baseline	80,545	n/a	n/a	80,545
Pupils/ students/ trainees benefiting from upgraded and modernized facilities/services (per annum) (core indicator) [A6R05]	Achievement	0	1,158	1,606	1,606
	Target	n/a	n/a	n/a	25,000
	Baseline	n/a	n/a	n/a	n/a
% of total patients [within intervention areas] using new/upgraded equipment/services [A6R06]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	60%
	Baseline	n/a	n/a	n/a	n/a
No of new services offered in the health sector ⁴ [A6R07]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	3
	Baseline	n/a	n/a	n/a	n/a
National monitoring programmes established A6R08]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	4
	Baseline	n/a	n/a	n/a	n/a

Financial Progress

Priority Axis	Total contribution	Financial progress			
		Commitments ¹⁰⁴	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 6 (ERDF) Urban Regeneration and Improving the Quality of Life	149,000,000.00	66,133,958	5,980,162.96	40.6%	4.0%

03.6.3 Qualitative Analysis

¹⁰⁴ The committed amounts include both the approved projects and the aid schemes.

At the end of 2009, €66,133,958 of the total allocation for this Priority Axis was committed in projects and one aid scheme. Of these, €14,540,970¹⁰⁵ was contracted and €5,980,162 (41%) of the contracted amount was processed in payments. 67% of the payments (€4,008,688) were verified in the Statement of Expenditure (SOE) of November 2009. Nearly all (75%) projects had started processing payments as at end 2009.

Since last year's Annual Implementation Report, further achievements (building on 2008 results) have been registered in 3 indicators (2 output indicators and 1 result indicator), of which 1 (result) is a core indicator (Pupils/ students/ trainees benefiting from upgraded and modernized facilities). Achievements relate to the educational infrastructure where additional square meters of modernized facilities have been created (Output Indicator Axis 6) which, in turn, has affected the result indicator (Axis 6) 'Pupils/ students/ trainees who are benefiting from upgraded and modernized facilities/services (per annum)'. Since additional space has been made available more students have been enrolled in relevant courses. This has also had a domino effect on the achievements reported in Chapter 2 on the impact indicator "Number of direct jobs created". The jobs that have been created are related to the upgraded educational facilities and are mainly knowledge workers, including lab technicians and academic lecturing jobs.

In 2009 achievement is also been registered on another output indicator where no progress had yet been achieved in the preceding year (Km of upgraded non-TENT roads).

Although no achievement is being registered on the other 4 indicators which quantify the number of projects in various thematic areas, the table above makes reference to the number of projects approved till the end of December 2009. These achievements are mainly resulting from the projects approved during the first, second and fourth open Call for Proposals in 2007, 2008 and 2009 respectively.

03.6.4 Significant problems encountered and measures taken to overcome them

The main problems encountered within this Axis are similar to those encountered in other Axes, namely the relatively complex approval process of projects, delays in tendering and in obtaining planning permits.

With regard to the project selection process, most of the delays were a result of the multiple calls for projects that were launched under this Axis. In fact, if approved, the calls launched in 2009 should result in the nearly full commitment of the Axis. Most of the projects required supporting documentation and several meetings were also held with project proponents to ensure a comprehensive assessment of the projects submitted.

The issue of delays in the procurement process has been described in detail under similar sections of other Axes. In this case, apart from backlogs that arise due to capacity issues, given that a good number of tenders under this Axis were launched in 2008 and 2009, some of the unsuccessful procurement procedures were due to bids being submitted over budget. Increase in the prices of imported raw material has hiked up costs of equipment and specific type of works when compared to estimates provided prior to the launch of tenders. Territorial constraints (especially due to several infrastructural projects starting at the

¹⁰⁵ € 14,314,541 in projects and €226,429 in schemes.

same time) have also hampered implementation and several considerations in this regard had to be factored into the start of new contracts.

The Childcare Aid Scheme faced its own set of problems. Being the first of its kind, the scheme attracted a lot of interest, however this has resulted in more proposals than expected being submitted. The total amount of project proposal was equivalent to the total budget allocated for the scheme. However several proposals were rejected since they failed to meet the eligibility criteria or failed to obtain 50% of the marks during the selection process.¹⁰⁶

Despite these hiccups, this Axis has registered considerable achievements when compared to other Axes (and projects which were approved within the same time periods). This is mainly due to the fact that several projects had launched tenders during 2007 and 2008.

¹⁰⁶ A presentation was made by all IBs to the November 2009 MC in this regard.

03.7 Priority Axis 7 – Technical Assistance

03.7.1 Achievement of targets and analysis of the progress

During 2009, this Axis continued to provide the necessary support to the overall implementation of the programme. Various initiatives were undertaken and financed through this Axis. A number of changes within this Axis were approved during the MC held in May 2009. These changes allowed for a wider utilisation of technical assistance funds. By end of 2009, the MA had approved 198 separate mini operations for technical assistance to the value of € 3,029,043.¹⁰⁷

03.7.2 Information on physical and financial progress

Physical progress

The MA considers the technical assistance budget as committed in line with the plan that was approved by the MC in December 2008. Each year the MA receives requests against those commitments. These are sometimes requests for one-off activities (e.g. procurement of equipment) or involving multi-annual disbursements (salaries). In 2009, the MA received 102 requests for use of technical assistance. These included requests related to capacity building in various stakeholders (salaries); project selection; equipment; monitoring and evaluation; information and publicity as well as training and participation in conferences/ meetings abroad.

The majority of these requests were related to Capacity Building, mainly overseas travel abroad, as well as the organisation of training seminars locally. Under the Implementation component there were a number of requests submitted by the SFD Unit, mainly related to the development of new modules of the SFD, as well as the tender to upgrade the hardware. Other requests were related to the Monitoring Committees and expertise.¹⁰⁸ There were also a number of requests related to Information and Publicity, mainly related to the Calls for Project Proposals. In this case, the adverts to publicise these calls are funded under TA, as are the venues required to organise the Information Sessions. The number of requests to fund salaries increased, mainly due to the increase in workload both within the MA as well as within the other stakeholders, which led to the need to recruit more staff which, in turn, has generated the need for small scale equipment such as desks and computers.

Financial progress

Priority Axis	Total contribution	Financial progress			
		Commitments	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)

¹⁰⁷ This includes multi-annual commitments (as per contract) related to salaries, but does not take into account possible extensions of contract till end of the programming period. This amount does not include the amount contracted in Q1, 2010 with respect to IB management related costs.

¹⁰⁸ The tender related to expertise on CBA was launched on the 7th April 2009.

Priority Axis 7 (ERDF) Technical Assistance	12,327,095.29	12,327,095.00	662,813.99	100.0%	5.4%
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03.7.3 Qualitative Analysis

As expected, in 2009, the bulk of the requests for funds related to salaries and the launch of the CBA tender (under the Implementation component), Evaluation and Capacity Building whilst the bulk of payments related to salaries arising also from commitments made in 2007 and 2008. Most of the requests, as expected, were generated by the different units within the Managing Authority. 2008 had seen a significant backlog with regards to requests for reimbursements from the different stakeholders that had been allocated funds. Following efforts from the MA to bring to term commitments made internally as well as those made in favour of other stakeholders, significant improvement has been registered during 2009 on the funds disbursed within this Axis. Moreover, the MA has allocated more resources to the implementation of technical assistance as has the Line Ministry in order to sustain the results achieved in 2009 over the rest of the period.

03.7.4 Significant problems encountered and measures taken to overcome them

The problems encountered under this Axis are somewhat different than those encountered under the other Axes. The issue of public procurement was restricted mainly to the largish tenders related to the annual event of 2009¹⁰⁹ and the request for expertise regarding cost benefit analysis. Other small scale procurement was processed relatively smoothly.

The main issue which caused delays concerned the processing of salaries, largely due to some minor errors in the calculations (given the volume) and incomplete submissions by some stakeholders.¹¹⁰ Several meetings were held between the different stakeholders in order to chart a way forward and find common understandings on a number of issues which should enable a more efficient processing of payments in 2010. Moreover, the finalisation of the TA section under the Manual of Procedures for Horizontal Stakeholders which also reflects lessons learned from the first 18 months of implementation; the updating of Travel Guidelines (for those activities co-financed through this Axis); as well as a revision of the application form and request for reimbursement templates should also enable a more efficient and streamlined processing of requests. Towards the end of 2009, the MA sought guidance from the Commission regarding expenditure related to Intermediate Bodies. It is expected that all supporting expenditure related to Intermediate Bodies (that are managing aid schemes under Article 107 of Lisbon Treaty) will be charged to technical assistance.

¹⁰⁹ The tendering procedure launched in 31st July 2009 ultimately failed.

¹¹⁰ This was restricted to contracts of horizontal stakeholders.

04. ERDF/CF Major Projects

According to Article 39 of Regulation 1083/2006, major projects are those whose total cost exceeds €25 million in the case of the environment and €50 million in other fields. Malta has identified 7 major projects under OPI.

04.1 Major Projects

The following table represents the progress registered as at end 2009 with respect to the implementation of the major projects.

Priority Axis	Title of Project	Remarks/Comments
Priority Axis 3 Developing the TEN- T (CF)	Improving the TEN-T Road Infrastructure (Phase 1) ¹¹¹	<p>This project was the first major project application submitted by Malta under the 2007-2013 Cohesion Policy framework.</p> <p>The application was sent officially to the Commission on 26th August 2009 following its formal approval by the Managing Authority on the recommendation of the Project Selection Committee as per national procedure. Almost all tenders related to the project have been launched.</p> <p>The Implementation of the project kicked off with the signing of a contract for the carrying out of geotechnical investigation at the Sea Passenger Terminal Access Road, Floriana/ Marsa on 11th May 2009 which was completed and paid in full by 22nd December 2009. The Service tender for the compilation of a Roads Satisfaction Users Survey was awarded on 14th December 2009.¹¹² The tender for Project Management services was also launched on the 11th September 2009 and closed on 3rd November 2009.¹¹³ One of the works tender (€32,706,600) for the reconstruction of 4 sections of the TEN-T road was launched on the 11th of August 2009 and closed on 19th November 2009.¹¹⁴</p> <p>It is clear that although there were delays in the finalisation of the major project application by the Beneficiary (as outlined under section 03.3.4 of this report), no time was lost in embarking on implementation. During 2009 63% of the value of the major project has been launched in tenders and as at end 2009, the evaluation process was well underway.¹¹⁵</p>

¹¹¹ Further details are available under section 04.2.

¹¹² Contract signed on the 28th January 2010.

¹¹³ As at end 2009 evaluation was still ongoing but contract has been awarded on the 26th January 2010.

¹¹⁴ As at end 2009, the evaluation process was still ongoing. In March 2010 an appeal was launched following the publication of the results of the technical evaluation.

¹¹⁵ As explained under section 03.3.4 of this report, further delays are now expected due to the appeals process.

		<p>€27,199 has been paid out by end 2009 of which €19,039.30 were included in an SOE in 2009.</p> <p>This project also received assistance from JASPERS in 2009 in relation to the Cost Benefit Analysis, mobilising 3 experts for 4 missions throughout 2009.</p>
	Improving the TEN-T Road Infrastructure (Phase 2)	<p>During 2009, preparations for the submission of the Application for Phase 2 are still in their initial stages.</p> <p>JASPERS experts are assisting the Applicant by reviewing the Terms of Reference for the EIA; drafting CBAs as well as carrying out Road Safety Audits. During 2009 most of the resources of the Beneficiary were focused on phase 1, however during 2009, the identification of the components that will be included under phase 2 was also included. Preliminary discussions were also held with MEPA in order to identify the best options for this project.</p> <p>More progress on the project is expected in 2010 when key decisions on environmental and technical issues will be taken.</p>
Priority Axis 4 Upgrading services of general economic interest(ERDF)	Modification of Boilers at Delimara Power Station to Reduce Emissions	<p>During 2009, this project was still in its final preparatory phase.</p> <p>Enemalta prepared a revised version of the CBA that was sent to JASPERS in March 2009. A copy of the draft major application form was also sent for JASPERS' initial reactions. A follow-up mission in April 2009 resulted in a number of key clarifications and updated relevant information on the sector (including the plans to build the interconnector¹¹⁶). The mission also included a site visit to the Delimara Power Station in Marsaxlokk. Following this updated information, it was concluded that since the total project costs are in the region of €20 million, this project does not constitute a major project in terms of Article 39 1083/2006. Enemalta subsequently produced a revised CBA in June 2009 based on the recommendations of the JASPERS team. JASPERS also recommended that Malta should seek clearance from the Commission with respect to State Aid implications which may arise from the implementation of this project. Meanwhile, the MA informed the MC and the EC that the project no longer constituted a major project during the MC meeting of November 2009. The project was submitted under a call published on 16 October 2009, under the usual national procedure. As at end 2009, evaluation was still ongoing.</p> <p>In August 2009, the Delimara Boilers project was formally notified to the Commission (by the SAMB) for state aid clearance. As at end 2009, the state</p>

¹¹⁶ Subsequently submitted as a project under the Economic Energy Programme for Recovery.

		<p>aid notification procedure was still ongoing.</p> <p>In parallel Enemalta also prepared and launched in May 2009 the tender for the Boiler Modification at Delimara Power Station (CT Notice 194/2009) which as at the end of 2009 was still being evaluated.</p> <p>The outline planning permit for the project (PA 3154/08) was also approved in September 2009 while the procedure for the clearance of state aid with the Commission was initiated in August 2009.¹¹⁷</p> <p>This project was supported by JASPERS. During 2009, one mission took place, mobilising two experts.</p>
	National Flood Relief Programme	<p>During 2009 this project was still in its preparatory phase.</p> <p>The deadline for the submission of bids for the Consultancy Services for the carrying out of EIA and CBA studies¹¹⁸ closed in January 2009. The contract was signed in April 2009. The EIA and CBA studies are being undertaken in parallel in order to ensure that the best option is also acceptable from a planning and environmental point of view. As at end 2009, both studies were still in draft format. During 2009 most of the work focused on the preparatory stages of the project, including data collection, drawings, simulations, designs and drafting of studies. In November 2009, full development planning applications were submitted to MEPA which cover all of the project components ((i) Birkirkara, Msida, Attard, Lija Balzan, Gzira, Ta' Xbiex; (ii) Qormi, Marsa; (iii) Zebbug; and (iv) Marsascala, Zabbar).</p> <p>With regard to physical progress, small works activities (stormwater culverts) were also undertaken in 2009. Apart from this departmental tender, the Beneficiary also carried out a valley topographic survey.</p> <p>As at end 2009 only 2.5% of the project was contracted, while other tenders were being drafted. Nearly €400,000 was spent on the project by end 2009.</p> <p>This project is receiving considerable support from JASPERS. During 2009 alone, three visits took place, mobilising three experts with each mission of average 2 days' duration.</p>

¹¹⁷ This procedure was still ongoing as at end 2009.

¹¹⁸ EIA study will be funded under technical assistance Cohesion Fund 2004-2006 whilst the CBA will be funded under ERDF 2007-2013.

Priority Axis 5 Safeguarding the Environment	Malta North Waste Treatment Facility	<p>During 2009 this project was still in its preparatory phase. The main efforts focused on concluding the necessary studies required for planning permission, particularly in designating the proposed site as part of a 20-year scheme for waste management operation. As at end 2009, formal approval was still pending.</p> <p>The tender for Engineering, Procurement and Construction management (EPCM) Consultancy Service for the design, EIA, contracting and management of the MBT plant was originally issued on 16th March 2009. This tender was re-issued on 20th October 2009 since participating tenderers were not compliant. The tenders for the MTP DBO and MBT DBO contractors will be drafted by the EPCM Consultant.</p> <p>As at end 2009, 0% of the project was contracted. Jaspers were not yet contracted for assistance by the end of 2009 since the EPCM tender is not yet awarded.</p>
	Rehabilitation and Restoration of Closed Landfills	<p>During 2009 this project was still in its preparatory phase.</p> <p>During the first quarter of 2009, the CBA tender and the tender for the provision of Landscape and Architectural Design Expertise for the preparation of an overall Master Plan for the closure and rehabilitation of Waste Management Sites around the Maghtab Waste area were contracted. The Project Management tenders and the Tender for Earthworks and Landscaping for the Marsascala landfill were submitted to DoC in September 2009. As at end 2009 2.7% of the project was launched for tendering and 2.6% of the overall project was contracted.</p> <p>A full development MEPA permit application for the proposed rehabilitation of the former Maghtab landfill was submitted to MEPA in June 2009.¹¹⁹ MEPA formally reviewed the application in December, 2009. A decision on the planning permits for the other components of the project was still pending.</p> <p>As at end 2009, the CBA and the compiling of the major project application form were in their final stages¹²⁰. The Managing Authority is expected to formally submit the major project application in Q2 2010.</p> <p>JASPERS also supported the preparation of this application during 2009. 2 missions mobilising a total of 4 experts were supporting the project in 2009.</p>

¹¹⁹ The development permit was approved in March 2010.

¹²⁰ The Project was formally approved by the Project Selection Committee in February 2010.

	Urban Waste Water Treatment Plant for the South of Malta	<p>During 2009, this project registered substantial progress in physical works. By end of 2009 87% of the project was contracted and €23 million disbursed (i.e. 22% of the project) of which €15,285,428.84 were verified to the EC.</p> <p>As at end 2009, the application form as well as the supporting documentation, were still being prepared. The application form was assessed by the PSC and on 2 April 2009 was conditionally selected for onward transmission to the EC for their appraisal as per Article 41 of Regulation 1083/2006. However, as at end 2009, the Beneficiary was still in the process of incorporating feedback from JASPERS with regard to environmental issues and the EIA procedures, as well as issues related to the approval of two pending MEPA permits. The issue of Polluter Pays Principle and subsequent impact on the CBA was also still under consideration.¹²¹</p> <p>JASPERS was also supporting this project in 2009 with 2 missions (February and August)</p>
PA 6 Urban Regeneration and Improving the Quality of Life	Mater Dei Oncology Centre (ERDF)	<p>As reported during the MC of 20th November 2009, the Mater Dei Oncology Centre project which was submitted under the 6th call for applications, had a total budget exceeding €50million, requiring it to be treated as a major project.¹²² In November 2009, the PSC informed the Applicant that a major project process was required.</p> <p>JASPERS assistance was immediately mobilised.¹²³ As at end 2009, the CBA was well underway.</p> <p>The planning permit was approved in 27th January 2010.</p> <p>A works tender for bulk excavations was launched on 24th November 2009.</p> <p>The project is expected to be submitted to the EC in Q3 2010.</p>

04.2 Ongoing Major Projects

Improving the TEN-T Road Infrastructure (Phase 1)

	Start date (A)	Completion date (B)
1. Feasibility studies:	Completed	Completed
2. Cost-benefit analysis (including financial	Completed	Completed

¹²¹ The formal application is expected to be submitted in Q2 2010.

¹²² In terms of article 39 of EC Regulation 1083/2006.

¹²³ A kick-off meeting was held on the 2nd of February 2010.

analysis):		
3. Environmental impact assessment:	N/A	N/A
4. Design studies:		
<i>Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa</i>	Completed	Completed
<i>Project 2 - Sea Passenger Terminal Access Road, Floriana/Marsa Phase A</i>	Completed	Completed
<i>Project 2 - Sea Passenger Terminal Access Road, Floriana/Marsa Phase B</i>	September 2008	February 2010
<i>Project 3 - Marfa Road, Mellieha</i>	Completed	Completed
<i>Project 4 - Mgarr Road, Gozo</i>	Completed	Completed
<i>Project 5 - p/o Mellieha By-pass, Mellieha</i>	June 2008	February 2010
5. Preparation of Tender documentation:		
<i>Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa</i>	October 2008	August 2009
<i>Project 2 - Sea Passenger Terminal Access Road – Phase A - Construction of Single Carriage road from Menqa to Sea Passenger Terminal¹²⁴</i>	October 2008	August 2009
<i>Project 2 - Sea Passenger Terminal Access Road – Phase B – Vehicular underpass at December 13th.</i>	August 2009	March 2010
<i>Geotechnical Investigations for Project 2B</i>	October 2008	December 2008
<i>Project 3 - Marfa Road, Mellieha</i>	October 2008	August 2009
<i>Project 4 - Mgarr Road, Gozo</i>	October 2008	August 2009
<i>Project 5 - p/o Mellieha By-pass, Mellieha</i>	August 2009	March 2010
<i>Construction Management (for all five projects)</i>	October 2008	September 2009
6. Expected launch of tender procedure(s)		
<p>The procurement of works for the five projects was carried out as follows:</p> <p>Call 1 includes four (4) lots, Lot 1- Project 1, Roadworks for Council of Europe Avenue and Garibaldi Avenue, Lot 2 – Project 2, Sea Passenger Terminal, Phase 1; Lot 3 – Project 3, Marfa Road, Mellieha, Lot 4 – Project 4, Mgarr road, Ghajnsielem/Xewkija/Victoria.</p> <p>Call 2 includes one (1) lot, Lot 1- Sea Passenger Terminal Access road,</p> <p>Call 3 includes one (1) lot, Phase 2 and Lot 2 – Mellieha by-pass, Mellieha.</p> <p>One tender document will be issued for Construction Management of the five projects.</p>		
<i>Project 1 - Council of Europe Avenue &</i>	August 2009	November 2009

¹²⁴ Project has to be split into two phases in view of the extensive telecommunication network that needs to be shifted prior to construction of the underpass. Currently ADT is identifying the routes and the type of intervention that must be carried out.

<i>Giuseppe Garibaldi Avenue, Luqa</i>		
<i>Project 2 - Sea Passenger Terminal Access Road- Phase A</i>	August 2009	November 2009
<i>Geotechnical Investigations for Project 2B</i>	December 2008	January 2009
<i>Project 3 - Marfa Road, Mellieha</i>	August 2009	November 2009
<i>Project 4 - Mgarr Road, Gozo</i>	August 2009	November 2009
<i>Project 2 - Sea Passenger Terminal Access Road- Phase B</i>	March 2010	November 2010
<i>Project 5 - p/o Mellieha By-pass, Mellieha</i>	March 2010	November 2010
<i>Road User Satisfaction Survey (Pre-construction)</i>	September 2009	November 2009
<i>Construction Management (for all five Projects)</i>	September 2009	November 2009
7. Land acquisition:		
<i>Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa</i>	Completed	Completed
<i>Project 2 - Sea Passenger Terminal Access Road, Floriana/Marsa (Phase A&B)</i>	Completed	Completed
<i>Project 3 - Marfa Road, Mellieha</i>	Completed	Completed
<i>Project 4 - Mgarr Road, Gozo</i>	Completed	Completed
<i>Project 5 - p/o Mellieha By-pass, Mellieha</i>	Completed	Completed
8. Construction phase / contract¹²⁵:		
<i>Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa (including an allowance 24 weeks project closure)</i>	May 2010	November 2011
<i>Project 2A - Sea Passenger Terminal Access Road – Phase A (including an allowance 24 weeks project closure)</i>	May 2010	November 2011
<i>Project 3 - Marfa Road, Mellieha (including an allowance 24 weeks project closure)</i>	May 2010	November 2011
<i>Project 4 - Mgarr Road, Gozo (including an allowance 24 weeks project closure)</i>	May 2010	November 2011
<i>Project 2B - Sea Passenger Terminal Access Road – Phase B (including an allowance 24 weeks project closure)</i>	December 2010	May 2012
<i>Project 5 -p/o Mellieha By-pass, Mellieha (including an allowance 24 weeks project closure)</i>	December 2010	July 2012
<i>Construction Management (for all five Projects)</i>	March 2010	December 2012
<i>Road User Satisfaction Survey (Pre-construction)</i>	November 2009	April 2010
<i>Geotechnical Investigations for Project 2B</i>	May 2009	October 2009

¹²⁵ Works tender for 4 the following roads Council of Europe Avenue and Garibaldi Avenue, Sea Passenger Terminal, Phase 1; Marfa Road, Mellieha, Mgarr road, Ghajnsielem/Xewkija/Victoria of the road is in final stages of Appeal as has been noted in section 3.3.4

9. Operational phase¹²⁶:		
<i>Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa</i>	November 2011	
<i>Project 2 - Sea Passenger Terminal Access Road- Phase A</i>	November 2011	
<i>Project 3 - Marfa Road, Mellieha</i>	November 2011	
<i>Project 4 - Mgarr Road, Gozo</i>	November 2011	
<i>Project 2 - Sea Passenger Terminal Access Road- Phase B</i>	May 2012	
<i>Project 5 -p/o Mellieha By-pass, Mellieha</i>	July 2012	

Source of total investment costs (€)					Of which (for Information)
Total investment cost	Community assistance	National public (or equivalent)	National Private (Ineligible Costs Utilities + Land Purchase)	Other sources (specify)	EIB/EIF loans:
a)= b)+c)+d)+e)	b)	c)	d)	e)	f)
€77,205,881	€ 48,950,124	€8,638,257	€19,617,500	0	0

04.3 Completed Major Projects

None of the major projects were completed in 2009. The bulk of these were in the final stages of preparation with a number of applications expected to be formally submitted to the EC in 2010. The *Urban Waste Water Treatment Plant for the South of Malta* project was the most advanced in terms of physical implementation on the ground with 87% contracted and 22% of the contracted amount disbursed. Payments with respect to a number of major projects¹²⁷ were included in the last SOE of 2009.

04.4 Change in the indicative list of Major Projects in the Operational Programme

The *Modification of Boilers at Delimara Power Station to Reduce Emissions* project has been removed from the Major Project list following conclusion of the detailed studies which have resulted in a total investment cost less than €25 million. On the other hand, in 2009, the *Mater Dei Oncology Centre* project under PA 6 was deemed to classify as a major project. This was notified to the MC and will form part of the next round of OP modifications expected to be submitted in Q2 2010.

¹²⁶ Vide Footnote 123.

¹²⁷ Three Major Projects: CF 116 *Urban Waste Water Treatment Plant for the South of Malta*; CF 117 *Improving the TEN-T Road Infrastructure (Phase 1)*; and ERDF 120 *National Flood Relief Programme*.

05. Technical Assistance

Throughout 2009, Technical Assistance (TA) continued to support and facilitate the overall implementation of OPI, optimising the Programme's quality and efficiency. In this context, TA has financed costs relating to expertise, monitoring, information and publicity, capacity building, equipment and other expenditure necessary to support the implementation of the Programme. During the year under review, the implementation of technical assistance has seen the clearing up of a backlog with regard to payments of commitments made in 2007 and 2008 as well as two decisions: one related to the use of technical assistance for matters related to Cohesion Policy in general and the other concerns expenditure incurred by the Intermediate Bodies.

In 2009, changes within this Axis were approved which allow technical assistance to support Cohesion Policy and the Operational Programme in particular. These changes were reflected in the TA Criteria in the TA Forms as well as in the relevant text within the OP. The TA criteria were amended to take account of the extension of the 2004-2006 programme as well as to provide for a wider utilisation of technical assistance funds. This permits the inclusion of other foreseen activities necessary to guarantee the efficient and effective implementation of Cohesion Policy in Malta.

This Axis also supports the relevant management, administration and publicity costs of the Intermediate Bodies implementing Aid Schemes being financed under Axes 1, 2 and 6. During 2009, the MA decided that all costs related to IB expenditure in their function as grantors of state aid under Article 107 of the Lisbon Treaty, would be financed under technical assistance. This decision was taken following clarifications sought informally from DG Regio and also formally from DG Employment (latter with regard to OPII). The decision includes all costs related to salaries of personnel involved in the management of the scheme/s; information and publicity; and control activities amongst others. This decision has had an impact on the level of contracted amounts under TA in 2009, however the MA is confident that the costs can be absorbed within the current Axis' budget allocation

During 2009, the MA continued to implement technical assistance using the block allocation method with annual plans that are revised from time to time. All requests for use of technical assistance continue to be channelled through the MA with pre-financing allocations under the Office of the Prime Minister (OPM). During 2009, Head OPI approved (or rejected) most of the requests for technical assistance. These requests are then dealt with and monitored by the relevant officer / s within the MA in liaison with the Directorate for Corporate Services (DCS) and Directorate for Programme Implementation (latter acting in the LM function) OPM . Separation of functions in line with Article 58 of EC Regulation 1083/2006 is ensured. Head OPI approves and manages the budget whilst DG PPCD is responsible for first level of control.

With regard to expenditure type, the MA continued to update its technical assistance plan drafted in January 2008. An annual review of the expenditure is undertaken each year in order to take into account intelligence from the procurement process; the position of the programme cycle as well as requests coming in from different stakeholders. The annual forecast of the plan is then prepared in order to enable a more efficient and focused monitoring of the allocation.

2009 saw a consolidation of capacity in a number of organisations involved in the management and implementation of the Programme. This has increased commitments under the TA Component "Implementation of the Programme," whereby a substantial amount of the Implementation budget was committed to salaries¹²⁸. This cost has also been accompanied by a parallel increase in equipment for use by the new recruits. The increase in this type of expenditure is normal given that the Programme is reaching its peak with more operations being approved (requiring capacity in organisations such as the DoC and Treasury), considerable increases in demand with regard to the first level of control function (as payments accelerate¹²⁹) and the strengthening of the monitoring process, all of which are very resource intensive. Within this context it is also worth noting that the MA has also made efforts in 2009 to allocate internal resources to the implementation of technical assistance not only to ensure a clearing of accumulated backlogs and an efficient take-up of the funds in the future, but more importantly to ensure that the Programme can quickly mobilise resources to address requests.

Throughout 2009, the Managing Authority continued with the development of new modules of the Structural Fund Database (SFD 07). A number of requests received in 2008¹³⁰ as well as activities arising from regulatory process were implemented in 2009, some modules taking longer than expected to finalise due to the nature of the exercise, at times considered to touch the core of the system. This was the case, for example, with regard to the Statement of Expenditure module which practically hijacked further developments throughout the first quarter of 2009. Following the successful implementation of this module (which was considered the main priority for the first half of 2009), work started on a number of other modules, including the irregularities module, data capturing for Annex XXIII¹³¹ and the indicators module, amongst others. A number of these were concluded in 2009 while others were still under development or undergoing testing. During 2009, a public procurement process was launched to upgrade the hardware. As at end 2009, the system had 380 user accounts.

¹²⁸ In the last quarter of 2009, the MA also sought guidance from the Commission on expenditure related to IBs which will now be transferred to Axis 7.

¹²⁹ This is also generating demand for resources in the Treasury through which all payments are processed.

¹³⁰ Particularly by the Treasury and the Certifying Authority.

¹³¹ Important for OPII, however as the system is considered to be one for both programmes, the mobilizing of resources for one module (even if less relevant to OPI) inevitably has an impact on the other Programme.

TA funds were also used for a number of publicity related activities. These included the Annual Event (whereby two conferences were organised – one in Malta and one in Gozo in December) as well as the launches of the 4th, 5th, and 6th Calls for Project Proposals. In 2009, 4 information sessions for potential Beneficiaries were held, 2 in Malta and 2 in Gozo, with the participation of 148 interested persons. These were advertised on the local newspapers.

Technical Assistance has also financed a number of local training events both for staff members of the Horizontal Stakeholders as well as potential and current beneficiaries. Training organised locally included Induction Training for new recruits; management checks; and Training for Beneficiaries (NGOs and Project Leaders / contact persons). In total 196 officers attended one or more training sessions. Moreover, given the limited capacity locally, a number of officers within the different stakeholder organisations attended training seminars and conferences abroad, covering topics such as Cost Benefit Analysis; Use of Indicators for Monitoring; Maximising the use of Technical Assistance; Evaluation and Strategic Environment Assessment amongst others. This Axis has also financed the attendance at meetings relevant to the Certifying and the Audit Authority.

As indicated in section 03.7.2 the amount paid during 2009 amounted to € 466,410.28 (public eligible amount). This is equivalent to 3.78% of the amount allocated for Axis 7. As at end 2009, there was €3,029,043 contracted¹³² and € 662,813.99 disbursed (public eligible) within this Axis.

¹³² This includes multi-annual commitments (as per contract) related to salaries, but does not take into account possible extensions of contract till end of the programming period. This amount does not include the amount contracted in Q1, 2010 with respect to IB management related costs.

06. – Information and Publicity

06.1 Measures taken to provide information and publicity on the Operational Programme

The objectives of the information and publicity activities are to increase visibility and awareness of OPI, to both potential beneficiaries as well as to the general public, and to provide transparent information to Beneficiaries and stakeholders. Such awareness not only improves the transparency of the use of the Funds but also supports absorption.

In line with the obligations of the implementing Commission Regulation (1828/2006), during 2009 the MA has continued with the implementation of the Communication Plan following its official approval by the EC on 21st January 2008. The Plan largely comprises information and promotional measures using a number of tools which will be financed under OPI. During 2009, the MA also monitored closely the implementation of the Plan and gathered data on activities carried out with a view to be able to revise the Plan in 2010.

The main highlight of 2009 was expected to be the annual event. In line with its obligations under Article 7(2)(b) of EC Regulation 1828/2006, the MA issued a tender for contracting the planning, design and implementation of the Event, which was to feature a concert as the background for the information activities. The tender was launched on the 30th July 2009, however the procurement process failed as all bidders were found to be administratively non-compliant. Given the limited time left (which would not have been sufficient to re-launch the tender), the MA decided to organise an alternative event.

The annual event consisted of two national conferences. One was held in Malta on the 1st December 2009 and another one was held in Gozo on the 4th December 2009. Both conferences featured discussion panels on a number of themes of the Programme namely, Education, Employment and Training, Competitiveness (Assistance to Enterprise and Tourism), Quality of Life (Accessibility, Urban Regeneration and Climate Change) at the Malta event and Competitiveness, and Quality of Life at the Gozo event. Each theme was covered by a number of keynote speakers and experts. Presentations on the progress of the Programme with regard to these themes were delivered by the MA's Senior Management team in order to set the context. A number of questions were then asked by journalists to the key speakers and experts that also included comments from the floor. The conferences were hosted by two renowned former television newscasters.

The conferences also included high level speakers. The Malta conference was opened by the Honourable Parliamentary Secretary for Public Dialogue and Information and concluded with a speech by the Principal Permanent Secretary. The conference in Gozo was opened by the Honourable Minister for Gozo and

concluded by the Honourable Parliamentary Secretary for Public Dialogue and Information. 200 persons registered to participate in the conferences. The events also captured the attention of the media and were covered by several TV stations' newsrooms¹³³ as well as the Government's DOI.

Intermediate bodies have complemented the actions carried out by the MA through a series of activities to promote and further disseminate information on the Grant Schemes they manage.

A number of other information and publicity measures to promote OPI were carried out during 2009. These included:

- Media relations and participation of OPI staff from both the MA and the IBs on local radio to provide information on the OP to the general public;
- Regular networking of the MA's Communications Unit with the INFORM network of DG REGIO for Information Officers in Managing Authorities;
- Launch of Calls for Project Proposals through various adverts and press releases on the local newspapers;
- Various information sessions were organised with respect to the Calls for Project Proposals launched by the MA during 2009. Information sessions were held on 28th April and 4th May for the Call launched under Priority Axis 6 with a total of 73 participants. Sixteen persons have attended the information session which was held on 15th May in Gozo for the Gozo-restricted Call launched under Priority Axis 4. Another information session was organised for project proposals under Priority Axis 6 on the 7th October 2009 with a total of 34 participants. The adverts were published in the local newspapers in English and Maltese;
- Similarly, the Intermediate Bodies held information sessions or meetings with potential beneficiaries in order to give further information on the respective calls they issued;
- The MA's website www.ppcd.gov.mt and the respective IB websites are being updated on a continuous basis with all information relating to open calls for project applications together with any other information related to Operational Programme I;
- Publication and updating of list of beneficiaries and projects on the MA's website www.ppcd.gov.mt/op1 and linked to DG REGIO website;
- Received and processed around 90 queries through the Email Helpdesk (info.ppcd@gov.mt) during 2009;
- Distribution of various publications on Cohesion Policy, including the OPs, and the respective schemes during the various events (please refer to Figure 6.2 below); and
- Display of the EU flag outside the MA's premises during the week of the 9th May 2009.

The Intermediate Body has complemented the actions carried out by the MA through a series of activities to promote and further disseminate information on the Aid Schemes they manage. These measures included publicity in the media, websites¹³⁴ as well as one to one marketing and information measures with potential Beneficiaries.

¹³³ TVM, NET and Favourite

¹³⁴ <http://www.20millionforindustry.com/> ; https://secure2.gov.mt/TSDU/grant_scheme;
<http://www.msp.gov.mt/services/subpages/content.asp?id=2118>

During 2009 a number of publicity actions were also implemented by the Beneficiaries. As at end 2009 a total of €990,000 was committed by the MA for publicity actions under the operations. The MA monitors this activity through the project progress reports which are submitted 3 times a year to the MA. In 2009 many of the activities related to ERDF/CF concerned calls for departmental tenders, upgrade of websites, setting up of billboards as well as installing permanent plaques.

Communications 2009: Operational Programme I - Indicators as per Communication Plan

Communications Measures	Target until 2015 ¹³⁵	Output Indicators				Result Indicators				
		Achieved 2007	Achieved 2008	Achieved 2009	Total Achieved 2007-2009	Targeted until 2015	Achieved 2007	Achieved 2008	Achieved 2009	Total Achieved 2007-2009
Media advertising										
Total no. of TV and radio spots created:	21 ¹³⁶	0	1	0	1	Coverage ratio: 25% of the population ***	0%	28.1%	0%	28.1%
Total no. of spots aired on TV channels/radio stations:	375	0	0	0 ¹³⁷	0					
Total no. of adverts designed:	20	3	8	9	20	Coverage ratio: 45% of newspapers/magazines readers targeted ***	30% of the pop.	46% of the pop.	51.5%* of the pop.	41.1%
Total no. of adverts published on newspapers and magazines:	681	20	89	69	178					
Posters and Outdoor advertising										
Total no. of posters and outdoor adverts designed [<i>including marquees, banners, billboards, bus-stop advertising, bus-wraps</i>]:	43	1	12	0	13	Coverage ratio: 30% of localities [Malta and Gozo] targeted with outdoor adverts (#) ****	0%	+1.47% ¹³⁸	0%	+1.47%
Total no. of posters/backdrops produced:	5,000	1	261	0	262					

¹³⁵ The output target indicators within the Communication Plan cover both OPI and OPII and thus values have been amended to cover OPI only unless otherwise marked with a (#).

¹³⁶ Typing error from AIR 2007. Half of 42 should read 21 not 24 to cover OPI only.

¹³⁷ At this stage this does not include figures from IBs.

¹³⁸ (+) indicates that posters distributed in one locality also indirectly target other localities through members of the general public.

Branded promotional material										
Total no. of items created [including pens, folders, caps, mouse-mats, mugs and other branded items]:	30	1	5	0	6	Distribution ratio: 10% ¹³⁹ of the population ****	0.125%	2.125%	0%	2.224%
Total no. of items produced:	30,000	500	8,000	0	8,500					
Informative publications and collateral materials										
Total no. of informative material/publications created [including flyers, leaflets, postcards, booklets, presentations, key documents and reports]:	30	2	6	7	15	No. of informative publications downloaded: 25,000 (#) ****	N/A	N/A ¹⁴⁰	10	10
Total no. of items printed:	210,000	610	0	0	610					
No. of informative material/publications uploaded:	30	1	6	10	17					
Audio-visual products										
No. of documentaries produced:	5	2	0	0	2	No. of featuring times: 35 ¹⁴¹ ****	2 (1 each documentary)	2 (1 each documentary)	0	4 (2 each documentary)
No. of documentaries [on DVD] to be distributed:	250	2	0	0	2					
Media Relations										
Total no. of press releases issued:	28	7	8	7	22	Total no. of press releases published: 84 ¹⁴² ****	7*	8*	7*	23
						Coverage ratio: 15% per	35% ¹⁴³	7.5%	4.31%	15.3%

¹³⁹ Communication Plan reads 20% not 30%. The figure has been amended to cover OPI only.

¹⁴⁰ In 2007 web data statistics were not available – New website was re-launched in 2008. Downloading statistics were still not available in 2008 due to works and testing being carried out.

¹⁴¹ The figure featuring in AIR 2007 covered both OPI and OPII. Thus this has been amended to cover OPI only.

¹⁴² The figure featuring in AIR 2007 covered both OPI and OPII. Thus this has been amended to cover OPI only.

Total no. of press conferences organised:	10 ¹⁴⁴	1	2	0	3	press release Total no. of newsrooms covering each event: 5 Total no. of media mentions: 50 ¹⁴⁵ **** Coverage ratio: 25% of population ***	8	3	0	11
Total no. of media interviews/features:	18	3	3	8	14	No. of viewers/readers: 25% of population ***	12	6	8	26
No. of articles and advertorials issued:	18	0	1	0	1	No. of viewers/readers: 25% of population ****	80%**	40%	0%	39.3%
No. of media queries answered:	18	3	6	7	16	Coverage ratio: 25% of population ***	23%	29%	31.5%	27.6%
Information Events										
No. of information sessions [including information sessions, conferences, seminars] organised:	21	3	4	6	13	No. of participants: 1,400 ¹⁴⁶ participants	138	300	219	657
No. of days duration*: [*half day sessions are taken as 0.5 of a day]	21	1.5	2.0	3.5	7	Satisfaction rate of participants: 60% ***	N/A ¹⁴⁷	N/A	92%	92%
MA participation in events organised by others:	18 ¹⁴⁸	2	1	1	4					
Networks and Exchange of Experience										
Participation at EU level Network meetings:	2	1	2	1	4	No. of participants at EU level network meetings: 2 ***	1	1	1	3

¹⁴³ High % reached due to the OP Launch which was followed by a very high % of local media agencies.

¹⁴⁴ The figure featuring in AIR 2007 covered both OPI and OPII. Thus this has been amended to cover OPI only.

¹⁴⁵ The figure featuring in AIR 2007 covered both OPI and OPII. Thus this has been amended to cover OPI only.

¹⁴⁶ The figure in AIR 2007 covers both OPI and OPII. Thus it has been amended to cover OPI only.

¹⁴⁷ Data not available to date.

¹⁴⁸ Figure should read 18 not 17.5 as stated in AIR 2007. The 0.5 value is an unrealistic value.

No. of Communications network meetings at project level:	4	0	0	0	0	No. of participants at local network meetings: 50 per session	0	0	0	0
OP launch event¹⁴⁹										
No. of newsrooms covering the launch:	10 (#)	5	0	0	5	No. of media publicizing event: 10	10	0	0	10
						No. of participants at launch: 250	10	0	0	10
No. of info seminars organised:	6 (#)	6	0	0	6	No. of participants at the info seminars: 300	300	0	0	300
Website and Helpdesk										
No. of website pages:	20 EN	8 EN	8 EN	8 EN	8 EN ¹⁵⁰	No. of page views: 1,500 per day	N/A	2,100 ¹⁵¹	2,818	4,918
						No. of visitors' sessions: 100 per day	N/A	182	260	442
	20 MT ¹⁵²	N/A	4 MT	4 MT	4 MT ¹⁵³	No. of queries: 150 per year	66	135	90	291
List of Projects and Beneficiaries	1 ¹⁵⁴	1	0	1	1 ¹⁵⁵					
* Conservative value. Includes press releases published on the DOI website through which media agencies extract official governmental press releases. Figure does not include press releases featured in the press itself. Figures exclude Media Today newspapers										
** press releases published on the DOI website										
*** The percentage covers the average for the 7-yr period.										
**** The percentage covers the total for the 7-yr period.										
<i>Malta population taken as 363,275 (aged 12 and over as per Broadcasting Authority surveys)</i>										

¹⁴⁹ Event took place in July 2007. Achievement can be registered only for 2007 since these indicators are specific to the event and are not applicable to following years.

¹⁵⁰ This figure is not cumulative since the same pages (as of 2008 – new website) are updated on a regular basis.

¹⁵¹ Data extracted from the URCHIN website statistics available through the Malta Information Technology Agency Ltd. (MITA)

¹⁵² AIR 2007 did not cover the MT versions of the website. These were still in their setting-up stage.

¹⁵³ This figure is not cumulative since the same pages (as of 2008 – new website) are updated on a regular basis.

¹⁵⁴ The List of Projects and Beneficiaries is updated regularly every year on the same template used through the 7-year period.

¹⁵⁵ This figure is not cumulative since the same list which is updated on a regular basis.

07. Concluding Remarks

Apart from the usual ongoing activities (calls for proposals and approval of new projects), 2009 was characterised by the finalisation of Grant Agreements of projects approved in 2008 and the intense monitoring of the implementation of the first phase of mobilisation of projects. In principle Beneficiaries as well as other horizontal stakeholders focused most of their resources on finalising detailed planning processes and procurement. At programme level, the main *administrative highlights* of 2009 were the submission of the first major project '*Improving the TEN-T Road Infrastructure (Phase 1)*' to the Commission as well as the first statement of expenditure resulting in the first claim of interim payment on the Programme.

During 2009 there were 229 projects (including aid scheme operations) under implementation. These bring the Programme's overall commitment rate as at end 2009 to around 50%. It should also be noted that during 2009 the Programme started realising its first results on the ground; the first signs of infrastructural work on the ground; equipment being procured as well as the much needed support for enterprises being mobilised. One project was completely finalised.

Public tenders relevant to the 14 new projects (approved in 2009) and to projects approved in 2007 and 2008 continued to be published, covering different sectors of the economy. A substantial increase in the amount of payments was also made wherein €29,470,528.85 (€6,490,840.72 under ERDF and €22,979,688.13 under CF) total funding were paid as at 31st December 2009. Of these payments, the CA certified €21,810,248 of eligible public expenditure to the Commission on the basis of two verification processes carried out by the MA in April and November/December 2009.

Apart from the strengthening of the monitoring activities, including the day to day monitoring and the high level meetings, the MA undertook seven spot checks in relation to the verification process. Other highlights for 2009, included the inclusion of two new projects under the JASPERS action plan; further discussions with the EIF with regard to the launching of JEREMIE in Malta; ongoing information and publicity activities; further strengthening of the institutional capacity of the different stakeholders (through increase in human resources and diverse training programmes); and the setting up of a number of committees at line Ministry level, IB level and other committees of a more horizontal nature such as the ESG, the IMCCs and the IB network.

Despite the achievements mentioned above, the implementation of the Programme continued to be plagued by delays and bottlenecks in a number of critical stages, including the securing of MEPA planning permits as well as the launching of public tenders and their eventual successful conclusion. The reasons (and the action being taken) have been explained in detail in other sections of the report, however the over optimism of Beneficiaries in dealing with these issues when planning and scheduling operations remains a critical matter. The high level monitoring process (complementing that undertaken in the normal course of business) which was started in 2008 was strengthened in 2009 and discussions became more intense. This process has started to bear some results, however, the extent of how much this is reflected in works on the ground as well as payments remains the biggest challenge for 2010.

Annex 1 – Cumulative Expenditure Table¹⁵⁶

Priority Axes	Total contribution	Financial progress			
		Commitments ¹⁵⁷	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 1 Enhancing Knowledge and Innovation ERDF	120,000,000.00	93,800,687.58	572,684.18	78.2%	0.5%
Priority Axis 2 Promoting Sustainable Tourism ERDF	120,000,000.00	83,495,650.66	862,351.68	69.6%	0.7%
Priority Axis 3 Developing the TEN-T CF	169,038,258.82	71,086,391.00	27,199.00	42.1%	0.02%
Priority Axis 4 Mitigation and Adaptation to Climate Change ERDF	121,000,000.00	24,462,606.20	384,593.10	20.2%	0.3%
Priority Axis 5 Safeguarding the Environment CF	165,250,000.00	78,085,474.00	22,952,489.13	47.3%	13.9%
Priority Axis 6 Urban Regeneration and Improving the Quality of Life ERDF	149,000,000.00	66,133,958	5,980,162.96	44.4%	4.0%
Priority Axis 7 Technical Assistance ERDF	12,327,095.29	12,327,095.00	662,813.99	100.0%	5.4%
Grand Total	856,615,354.11	486,631,862.44	31,442,294.04	49.3%	3.67%

¹⁵⁶ Quoted figures represent progress as at end 2009 and are expressed in total public eligible cost.

¹⁵⁷ The committed amounts include both the approved projects (including major projects) and the aid schemes.