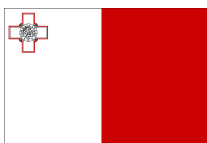


Operational Programme I Cohesion Policy 2007-2013

Investing in Competitiveness for a Better Quality of Life

Annual Implementation Report

2010



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
DAS	Departmental Accounting System
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
EFF	European Fisheries Fund
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIF	European Investment Fund
ENEA - MA	European Network of Environmental Authorities and Managing Authorities
ERDF	European Regional Development Fund
ESF	European Social Fund
ETC	Employment and Training Corporation
EU	European Union
FA	Focus Area
FAQ	Frequently Asked Questions

FP7	7 th Framework Programme for R&D
FTE	Full Time Employee
GA	Grant Agreement
IAID	Internal Audit Investigation Department
IB	Intermediate Body
ICT	Information and Communication Technologies
IMCC	Inter- Ministerial Co-ordination Committee
IEE	Intelligent Energy Europe
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
MCST	Malta Council for Science and Technology
ME	Malta Enterprise
MEAT	Most Economically Advantageous Tender
MEDC	Ministry for Education, Culture, Youth and Sport
MEEF	Ministry for Education, Employment and the Family
MEPA	Malta Environment and Planning Authority
MFEI	Ministry of Finance, the Economy and Investments
MIEMA	Malta Intelligent Energy Management Agency
MITA	Malta Information Technology Agency
MHECC	Ministry for Health, the Elderly and Community Care
MOP	Manual of Procedures
MPSC	Ministerial Project Steering Committee

MRA	Malta Resources Authority
MRRA	Ministry for Resources and Rural Affairs
MSOC	Ministry for Social Policy
MTA	Malta Tourism Authority
NCPD	National Commission for Persons with a Disability
NCPE	National Commission for the Promotion of Equality
NFRP	National Flood Relief Project
NGO	Non-Governmental Organisation
NREAP	National Renewable Action Plan
NRP	National Reform Programme
NSRF	National Strategic Reference Framework
OP	Operational Programme
OPI	Operational Programme I
OPII	Operational Programme II
OPM	Office of the Prime Minister
PA	Priority Axis
PAHRO	Public Administration Human Resource Office
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
PVs	Photovoltaics
RDP	Rural Development Programme
RES	Renewable Energy Sources

SAMB	State Aid Monitoring Board
SFD	Structural Funds Database 2007-2013
SME	Small and Medium sized Enterprises
SOE	Statement of Expenditure
SWH	Solar Water Heater
TA	Technical Assistance
TEN-E	Trans-European transport network Energy
TEN-T	Trans-European transport network Transport
TFEU	Treaty of the Functioning of the Euro V
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: 2010
	Date of approval of the Annual Report by the Monitoring Committee: 20 June 2011

02. Overview of the Implementation

02.1 Achievement and Analysis of the progress

While 2009 saw the first signs of infrastructural work on the ground, 2010 was characterised with a *substantial* amount of projects at implementation stage as well as an increasing, albeit modest, number of completed projects. Disbursements increased accordingly as did the activity related to first level of control by the Managing Authority (MA) and Intermediate Bodies (IBs) and the expenditure certified by the Certifying Authority (CA) to the Commission. More importantly results were becoming visible and citizens and businesses in Malta and Gozo started to experience the benefits of the investments.

The MA continued with the implementation of the Programme, issuing new calls for proposals,¹ approving new projects (from calls spilling over from 2009), finalising Grant Agreements of approved projects, monitoring (and reporting on) the implementation of projects on the ground, and verifying expenditure. In 2010, the MA issued two (2) calls for proposals for both the European Regional Development Fund (ERDF).² Submission of ERDF applications were received for both Priority Axis (PA) 2 and PA 4 while submissions of CF non-major projects were received under PA 3 and PA 5. The work carried out by the Project Selection Committee (PSC) resulted in seven (7) projects being approved under PA 3, PA 4 and PA 6.³ The PSC also endorsed one Major Project under PA 6 for onward transmission to the EC.⁴ Looking at commitments, the MA also recorded a modest increase (of 13%) in the Lisbon *earmarking categories* bringing the total of earmarked categories committed to 66% of the overall *earmarked* allocation. During the year under review, the EIF and the Maltese Authorities signed the Funding Agreement formalising the allocation from the Operational Programme of €10 million to the Holding Fund for the implementation of the Joint European Resources for Micro to Medium Enterprises (JEREMIE) First Loss Portfolio Guarantee product. Overall, this activity resulted in eight projects being approved and one project endorsed for onward transmission to the Commission for a total public eligible amount of €98,590,116.30 (representing circa 11% of the OP allocation).

An important highlight achieved during the year was the approval by the EC of three (3) major projects one (1) under PA 3 and two (2) under PA 5 amounting to €153,798,237.31 in public eligible cost.⁵ The newly approved projects in 2010 increased the total number of projects being implemented under Operational Programme I (OPI) (ERDF⁶ and CF) to sixty five (65), of which nine (9) projects were actually completed by

¹ Calls under ERDF, in 2010, were limited in financial terms when compared to previous years

² In addition a Call for Cohesion Fund non-major projects was issued in December 2009 and closed on 5 February 2010

³ Projects approved by the PSC in 2010 refer to: CF 198 under PA 3; ERDF 190, 192, 193 under PA 4; ERDF 159, 164, 189 under PA 6. One should note that the evaluation of projects received under PA 4 (for Calls 5, 7 and 9) and PA 5 (for CF Non-major Call 2) was still ongoing as at end of year. On the other hand, as at end of year the evaluation of projects received under PA 2 (for Call 8) was concluded, however publication of results was pending the outcome of the Appeals Process

⁴ During 2010, the PSC also endorsed CF 116 Major Application. However the project was approved by the Commission on the same year and thus financially it is being analysed with the Major Projects approved by the Commission in 2010, as per footnote below

⁵ Projects approved by the Commission in 2010 refer to CF 117 under PA 3, and CF 116 and CF 118 under PA 5

⁶ This amount does not include projects referring to Aid Schemes implemented under Article 107 of the Treaty

end of year.⁷ Furthermore, nine (9) different aid schemes were being implemented under Article 107 of the Treaty with an additional four hundred and forty eight (448) operations of which fifty five (55) operations were concluded as at end of year. In all, the projects being implemented under ERDF and CF, and the expenditure committed by the MA to the different aid schemes, amount to €596,694,651.14 of public eligible cost, representing 70% of the OP's financial allocation. Given that as at end 2010, the Programme still had slightly more than 50% of its implementation life-span to go, one can safely say that implementation was on track.

Procurement continued to present the usual challenges, however, despite the non-abating difficulties 245⁸ procurement procedures were launched and 287 contracts signed. The increase in expenditure in 2010 is also significant. Total payments for 2008 and 2009 amounted to €31,420,607.19 (public eligible), whilst the amount of payments processed during 2010 were more than three times as much, totalling €98,652,423.28 (under ERDF and under CF) with €74,828,287 (76% of expenditure) verified by the MA and certified by the CA to the Commission during the same year; a sharp increase when compared with €21,810,142 certified as at end 2009. In this regard the MA increased significantly its first level of control verifications with seventy nine (79) spot checks carried out in 2010⁹ (when compared to the ten spot checks carried out in 2009) and over ninety (90)¹⁰ spot checks by IBs. These statistics are clearly indicative of the increased level of activity on the ground by Beneficiaries and stakeholders alike.

Other highlights for 2010 include: JASPERS assistance to four (4)¹¹ new projects; the launch of the first financial engineering instrument under Cohesion Policy in Malta through the signing of the Funding Agreement between Malta and the EIF (and the subsequent Call for Expression of Interest by the EIF for Financial Intermediaries under the JEREMIE First Loss Portfolio Guarantee instrument); the implementation of the first public private partnership under Cohesion Policy;¹² the involvement for the first time of residents and households in Cohesion Policy implementation;¹³ the launch of the mid-term evaluation as well as the annual information and communications event. The MA also recorded an increase in terms of results and attainment of targets. Achievements were registered for ten output indicators and seven result indicators, of which four are core indicators. Three impact indicators also started to show signs of positive movement.

By way of conclusion to this overview, it is fair to say that the achievements registered in 2010 are demonstrative of the fact that implementation is now well underway and on its way to reaching its peak. 2010 will also be remembered as the year when Malta registered a number of *firsts* in the implementation of

⁷ One project was completed as at end 2009 while eight projects were completed during 2010

⁸ Of which 53 procurement procedures were re-issued procedures

⁹ This amount refers to sixty three (63) Documentary Spot Checks and sixteen (16) Physical Check reports carried out during the year of which fifty five (55) on the spot checks were concluded as at end of year. This data excludes any Follow up checks conducted by year end

¹⁰ Ninety three (93) were undertaken in 2010. These OTS by IB are generally undertaken prior to payment

¹¹ ERDF 196 and ERDF 199 were formally included in the JASPERS Action Plan. However assistance was also given on ERDF 32 and ERDF 33 although these were not included under the JASPERS Action Plan for that year

¹² ERDF 33 Tourism Zone Upgrade with Landscaped Urban Spaces and other Facilities

¹³ ERDF 88 Promotion of Renewable Energy Sources in the Domestic Sector

Cohesion Policy with the first major projects being approved, the launch of the first financial engineering instrument, the start of implementation of the first public private partnership with Cohesion Policy support as well as the challenge of broad involvement of many citizens in the implementation of an operation under the Programme.

02.1.1 Information on the physical progress of the Operational Programme

Project Selection Process

- **Calls for Project Proposals**

Following the seventh call for proposals under ERDF issued in October 2009, three (3) Pre-Announcements¹⁴ were published and two (2) calls were launched under ERDF for project proposals in 2010 addressing Priority Axes 2, 4 and 6.¹⁵ This brings the total number of calls issued under OPI as at end 2010 to eleven (11) calls: nine (9) calls under ERDF and two (2) restricted calls under CF. The calls launched under the ERDF in 2010 were largely directed towards Local Councils and civil society organisations. This was done not only to give some time for the (larger national) ongoing projects to gain some momentum (given that the main Beneficiaries in Malta are the same *somewhat larger* public entities), but also to create some targeted opportunities for other stakeholders in the different levels of governance to participate in the implementation of Cohesion Policy. Without underestimating the difficulties of issues such as capacity of these largely smaller organisations, the presence of multi-level governance in the Programme not only enriches the Programme with new insights and challenges, but increases ownership by citizens. The calls are published via a press release as well as press adverts in local newspapers (both in English and Maltese), Government Gazette and the PPCD website. In addition, Application Forms and Guidance Notes are prepared by the MA for each call and are accessible through the MA's website.

The eighth call for ERDF project proposals was launched on the 3rd March 2010 under PA 2. The Focus Areas open under this call were: Product Development; and Niche Market Development. This call was restricted to interventions relating to upgrade of the physical environment by Local Councils, in an effort to direct investment also to local communities and pave the way for a more balanced and equitable distribution of the many tourists that visit the Islands each year as well as the benefits arising from this important sector of the economy. Two information sessions (12th¹⁶ and 16th March) for prospective Applicants were organised by the MA with the participation of a number of stakeholders, including the Department of Contracts (DoC), Malta Environment and Planning Authority (MEPA), State Aid Monitoring Board (SAMB), National Commission Persons with Disability (NCPD) and National Commission for the Promotion of Equality (NCPE). A total number of sixty four (64) participants attended these information sessions. The call closed on the 19th April and a total of twenty seven (27) project proposals were received.

¹⁴ The Pre-Announcement for Call 10 was published on 10 September 2010 related to PA 2 'Product Development & Niche Market Development and Branding', Call 11 was published on 26 October 2010 on PA 6 'Internal Mobility', while Call 12 was issued on 12 November 2010 on PA 4 'Energy' specifically for Gozo public entities

¹⁵ No calls were launched under PA 6 – only the pre-announcement under internal mobility as reported in previous footnote

¹⁶ This session was held in Gozo

The ninth call for ERDF project proposals under PA 4, Focus Area 'Energy', was launched on the 2nd June 2010. This call was restricted to interventions relating to energy efficiency and renewable energy infrastructure by Local Councils and Non-Governmental Organisations (NGOs). An information session for prospective Applicants was organized on the 14th June 2010 attracting 72 participants. A list of Frequently Asked Questions was uploaded on the PPCDs website on the 16th June 2010. The call closed on 6th August 2010,¹⁷ with sixteen (16) applications received; four (4) from Local Councils and twelve (12) from civil society organisations.

The second restricted call for CF non-major proposals issued on 7th December 2009, closed on 5th February 2010. This call was open for two PAs, namely: PA 3 'Developing the TEN-T' (Maritime sector projects only); and PA 5 'Safeguarding the Environment'. Being a restricted call, no public information sessions were held and the call was published solely through the PPCD website as well as amongst the relevant ministries.¹⁸ By closing date, three proposals were received.¹⁹ Moreover, a number of calls were launched under various Aid Schemes by the Intermediate Bodies. Additional information concerning Aid Schemes can be found in this section, under 'Aid Schemes implemented under Article 107 of the Treaty'.

- **Project Selection Outcome**

During 2010, the PSC met fifty four (54) times: (ten (10) times for Call 4²⁰, ten (10) times for Call 5,²¹ one(1) time for Call 7,²² twenty two (22) times for Call 8, four (4) times for Call 9 and seven (7) times for CF Non-Major Call 2). As in previous years, the PSC requested further clarifications in writing in those cases where it was felt that certain issues were not clearly explained in order to ensure a more comprehensive assessment of the project proposal. Such an approach has ascertained the continued transparency achieved in previous years. The clarifications had to be addressed by the project proponents within the deadlines specified by the PSC. Furthermore, the PSC also held five (5) meetings directly with Applicants, in cases where this was deemed to be necessary, while relevant experts in the specific sector were consulted whenever the PSC required expert technical advice. As at end 2010, the project selection process for Call 5, Call 7, Call 9 and CF Non-Major Call 2 was still ongoing.²³

The project evaluation process is long and is often the start of delays in the implementation process. In its attempt to ensure a fair and competitive process, discussions are often long drawn and detailed clarification letters are sent to Beneficiaries in an effort to avoid the unnecessary cancellation of calls which ultimately have to be re-launched with the greater possibility of submissions by the same Beneficiaries (given the limitations of the territory) and most likely of the same proposals. In this context the PSC seeks to "save"

¹⁷ The deadline for financial feasibilities and CBAs was 13th October 2010

¹⁸ MRRA and MITC in this particular case

¹⁹ One application was received under PA 3 and two applications were received under PA 5

²⁰ Call 4 closed in 2009 with the evaluation being concluded in April 2010

²¹ Call 5 closed in 2009, however the evaluation started in January 2010

²² Call 7 closed in 2009. As at end 2010 evaluation was pending Commission decision in relation to State Aid

²³ As at end of year the evaluation of projects received under PA 2 (for Call 8) was concluded however publication of results was pending the outcome of the Appeals Process

rather than reject proposals, however despite these efforts a good part of the proposals are still failing to make the pass-mark with calls still planned to be issued in 2011 under all Axes of the OP.

During the year under review, a total of nine (9) approval letters²⁴ were issued by the MA which committed around two thirds²⁵ of the funds available under the different calls. Unsuccessful Applicants were informed through a rejection letter.²⁶ Almost half of the proposals that were not given funding under Call 4²⁷ had actually made the pass-mark and were placed on the reserve list due to full take-up of the budget available under the call. The other half did not make the pass-mark or were found ineligible. This outcome is typical of a call with a relatively high number of proposals received. The main reason for such a relatively high number of *failed* applications is largely due to the lack of expertise and capacity in compiling good quality applications. In the case of the 2010 calls, given the restricted nature of the calls, a number of proposals were good projects in themselves, however the prime requisites for Cohesion Policy funding, such as strong anchoring in the overall strategy of the Axis and concrete results in terms of the objectives to be achieved, were largely missing, thereby rendering the project weak in its justification for ERDF support. The unsuccessful Applicants were given the possibility to appeal to the Project Selection Appeals Board (PSAB). In fact, during 2010, six (6) appeals²⁸ were filed with the competent authority. Three (3) of the appeals were not considered by the Appeals Board²⁹ while the other three (3) appeals were evaluated and subsequently rejected. In 2010, six (6) Grant Agreements³⁰ were concluded and signed by the MA and Beneficiaries.

Progress in Programme Implementation

- **Territorial Earmarking: Progress on Implementation of the 10% Commitment for Gozo**

OPI has a territorial commitment to spend 10% for the benefit of socio-economic development in Gozo. The Calls for project proposals and schemes issued under OPI during the year under review were open for Applicants across the whole territory of Malta, including Gozo. In 2010 there were fourteen (14) projects which are being implemented in Gozo, (thirteen (13) ERDF projects and one (1) CF project), which amount to a total of €28,150,996.29 in eligible costs. Four (4) of the ERDF projects were approved during 2010.³¹ As at end 2010, there were a further ten (10) projects, (eight (8) ERDF projects and two (2) CF projects),

²⁴ Project Numbers ERDF 159, 164, 189 (under Call 4), ERDF 190, 192, 193 (under Call 5) and CF 198 (under CF Non-Major Call 2) were approved by the PSC in 2010. In addition in 2010 the PSC issued a letter for CF 118 and ERDF 196 endorsing the Major Applications for onward transmission to the Commission

²⁵ The figures represent an average. In some focus areas there is a 100% commitment while others are more difficult. The projects committed refer to ERDF 159, 164 and 189 amounting to €27,739,070.15 under Call 4 'Educational Infrastructure' and 'e-accessibility' with allocation of €35 million. But also projects ERDF 190, 192 and 193 amounting to €768,387.16 under Call 5 which call allocation was of €5 million

²⁶ 23 rejection letters were issued during 2001. The rejection letters issued per call are as follows: 9 letters in relation to Call 4; 1 letter in relation to Call 5; 13 letters in relation to Call 8

²⁷ No projects were put on the reserve list under Call 5

²⁸ Five of the appeals referred to projects which were submitted under Call 2 while one was submitted under Call 4.

²⁹ The projects were not evaluated by the PSAB given that: project was submitted late; Ministry did not endorse the proposed appeal; Appellant did not provide a detailed justification as to why they did not agree with the PSC's decision

³⁰ These refer to: ERDF 31 submitted under Call 1 PA 2; CF 124 submitted under Call CF1 PA 3; and ERDF 140, 142, 147, 155 submitted under Call 3 PA 2

³¹ Projects approved in 2010 refer to ERDF 189 which was approved under Call 4 PA 6; and ERDF 190, 192 and 193 which were approved under Call 5 PA 4. These projects total to €1,074,420.31 public eligible costs

which entail components targeting both Islands, totalling an additional €24,537,592.51. Moreover, as at end 2010 a number of aid scheme projects are being implemented by enterprises based in Gozo – twenty five (25) in total for a value of €2,015,421.26.³² It is worth noting that special provisions were inserted in the selection criteria to encourage Gozitan take-up of the JEREMIE instrument. This is in line with the territorial earmarking initiative referenced in the OP.

Table 1 – Gozitan Enterprises Benefiting from Aid Schemes

Grant Scheme	No. of Gozo Enterprises Benefitting from Scheme	Total Grant Value (Scheme) benefitted in Gozo
ERDF 127 Small Start-Up	1	€ 28,135.89
ERDF 128 Innovation and Environment Actions	9	€ 917,478.16
ERDF 133 Energy	8	€ 404,126.26
ERDF 134 International Competitiveness	2	€ 167,727.00
ERDF 135 Sustainable Tourism Projects by Enterprises	5	€ 497,953.95

As at end of the year, the total commitment for Gozo (including schemes) was close to €55 million, equivalent to approximately 10% of the approved public eligible costs which total €596,694,651. This is in line with the Programme's overall commitment rate as at end 2010.³³ During 2010, the MA started working on a new feature in the Structural Funds Database which will allow a more structured and accurate tracking of expenditure related to Gozo in order to facilitate monitoring and reporting as well as follow-up measures.

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

During 2010, the three (3) Intermediate Bodies (IBs)³⁴ continued to issue calls, evaluate applications, approve projects, prepare grant agreements, carry out documentary and physical verifications as well as process payments. On 15th January 2010, Malta Enterprise (ME) issued the second call for applications under the Research and Development scheme and the third call under all the other schemes.³⁵ Both calls closed on 26 March 2010 with a total of six hundred and twenty six (626) applications received. During

³²The total amount refers to € 1,113,341.05 in aid to the Manufacturing and Services Industries, € 497,953.95 for Sustainable Tourism Projects and € 404,126.26 for the promotion of energy efficiency and development of RES in enterprises

³³ If one considers the amount of Gozo approved projects as a percentage of the OP Commitment this will total to 6.4% of the OP Allocation

³⁴ Malta Enterprise; the Tourism and Sustainable Development Unit (TSDU) within the Office of the Prime Minister (OPM), and the Department for Social Welfare Standards within the Ministry of Education, Employment and Family (MEEF)

³⁵ A total of: 28 applications were received for Research and Development; 108 applications were received for e-Business; 43 applications for Small Start-up; 77 applications for Competitiveness; 97 applications for Innovation; 23 applications for Environment and 246 applications for Energy

2010 twenty seven (27) Grant Agreements (GAs) were signed.³⁶ As at end of 2010, the IB had concluded the evaluation of the applications submitted under the third call for E-Business, Small Start-up and International Competitiveness Schemes. The approval letters to successful Beneficiaries of the Small Start-up and International Competitiveness Schemes were issued in the same year.³⁷ As at end of year, Malta Enterprise had issued three hundred and ninety nine (399) Grant Agreements (under all schemes) for a total value of €24,385,625.26.³⁸ In 2010 forty six (46) operations³⁹ were concluded, seventy one (71) on the spot checks undertaken and by end of year €2,975,869.75 were disbursed, of which €846,882.12 was certified to the Commission.

Tourism and Sustainable Development Unit (TSDU) issued the third call for applications on the 29th October under the Grant Scheme for Sustainable Tourism Projects by Enterprises.⁴⁰ Two information sessions were held⁴¹ for which approximately one hundred and twenty (120) potential Beneficiaries attended. In 2010, the IB also concluded the evaluation process of Call 2 (which was issued during 2009) with sixty projects approved totalling to €4,874,633.42. A total of forty three (43) grant agreements were signed as at end of year and the amount committed under the scheme reached €6,728,633.42. Nine operations were concluded by end of year and twenty (20) on the spot checks were carried out which resulted in a disbursement of €568,308.05.

In 2009 Department for Social Welfare Standards (DSWS) issued one (1) call for applications with twenty three projects proposals submitted, from which six projects were chosen. The projects were eventually approved in January 2010 for a value of €171,485. The Grant Agreements were signed with the six Beneficiaries in the second quarter of 2010. A second call was issued on the 19th December 2010 with an allocation of €328,515.⁴² Two spot checks were conducted in preparation for the claims that were submitted in 2010, however as at end of year, no payments were made.

It is clear that the implementation of aid schemes is a very challenging experience for all the IBs, however in particular for TSDU and DSWS. This is evident in the different levels of implementation of the schemes. The MA acknowledges the fact that Malta Enterprise is, structurally as well as legally, better equipped to deal with the implementation of aid schemes, however TSDU has the benefit of the 04-06 experience as well as the technical expertise in the tourism sector (which Malta Enterprise does not have), while DSWS is the main driver of childcare policy in Malta and the Ministry is also responsible for employment and this link

³⁶ One GA under Call 2 of the Innovation Scheme, one under Call 2 of the Environment Scheme, five Grant Agreements under Call 3 of the Start up Scheme, and another twenty Grant Agreements under Call 3 of the International Competitiveness Scheme

³⁷ The issuing of approval letters to successful applicants of the E-Business Aid Scheme was delayed due to appeals. Grant Agreements were subsequently issued in 2011

³⁸ As at end of 2010 a total of: 26 Grant Agreements amounting to €1,718,577.83 were signed for Small Start-up; 50 Grant Agreements amounting to €3,859,557.66 under Innovation; 11 Grant Agreements amounting to €607,837.45 under Environment; 58 Grant Agreements amounting to €2,465,042.15 under e-Business; 17 Grant Agreements amounting to €1,856,283.65 under Research and Development; 100 Grant Agreements amounting to €6,061,024.01 under International Competitiveness; and 137 Grant Agreements amounting to €7,817,302.51 under Energy

³⁹ Operations concluded as at end of 2010: 23 under Innovation; 5 under Environment, and 18 under Energy

⁴⁰ The third call closed on 14 January 2011

⁴¹ One information session was held in Malta on the 3rd November 2010 and one in Gozo on the 11th November 2010

⁴² This call closed on the 28th January 2011 with information sessions held on the 5th and 6th January 2011

is deemed to be very valid for the attainment of the right results on the ground. The MA seeks to support its IBs in a very direct manner, providing constant advice and guidance as well as training and support in the first level of control function. In order to share and revolve the limited experience on the ground, the MA has set up the IB network which provides a forum for not only ERDF IBs to come together and share experience, but also include the ESF IB, to ensure a more integrated approach and common positions, where possible, on the ground.

IB Network

In 2010 the IB network was transformed into a formal structure (from its previous informal and loose nature in 2008 and 2009). With implementation of aid schemes gathering momentum, it was felt that a more formal forum was needed to discuss implementation issues and also seek to find common solutions. The network is chaired by the MA and is attended by all IBs under Cohesion Policy. During 2010, two meetings were held: one (1) in February and one (1) in September. The IB network 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. MRRA as the public authority responsible for the implementation of the programmes financed by the EAFRD and EFF, are also invited to these meetings. During these meetings common issues such as demarcation, processing of claims, verifications, on the spot checks and administrative issues, are discussed.

- **Joint assistance to Support Programmes in European Regions (JASPERS)**

Similar to previous years, JASPERS continued to assist Malta in the preparation of a number of projects, both major and non-major. Malta was the first Member State to sign the fifth Action Plan for 2010 with the European Investment Bank regarding assistance from JASPERS.⁴³ The projects identified for assistance were in the following areas:

- Waste water and solid waste (Mechanical and Biological Treatment (MBT) plants, rehabilitation and restoration of former landfills, sewage treatment plants);
- Flood relief;
- Energy and Water sector;
- Trans European Network (TEN-T) Road and Maritime Infrastructure and Promotion of Modal Shift;
- Public Private Partnership (PPP)-grant blending support for Tourism Zone Upgrade;
- Enterprise promotion infrastructure; and
- the Health sector.⁴⁴

JASPERS expertise has supported the preparation of a number of important projects and has also provided the Maltese Authorities with a wealth of new contacts in the different sectors. During 2010, eleven missions (and two (2) teleconferences) took place mobilising a total of fifteen (15) experts. The JASPERS missions

⁴³ The first Action Plan was signed in 2006. The fifth Action Plan was signed on the 18th December 2009

⁴⁴ The two projects falling under the latter two areas were added in the 2009 action plan and expertise was mobilized in January 2010

took place at different times of the year with the first taking place in February and the last mission held in December. The main objectives of the missions were to provide specialised assistance to the Beneficiaries as well as update the MA on the progress of the various ongoing assignments. The JASPERS experts also provided the MA with training on CBAs to fill the gap until the experts are procured. The MA also attended the JASPERS Stakeholders Meeting in Sofia in June where a presentation was also made on Malta's experience on the submission of major projects.

- **Joint European Resources for Micro to Medium Enterprises (JEREMIE)**

Following the conclusions of discussions and negotiations in 2009, Malta confirmed its intention to launch JEREMIE and to appoint the European Investment Fund (EIF) as the Holding Fund Manager as from 2010. In fact, on the 25th March 2010, the Hon Minister for Finance, Economy and Investment and the President of the EIF signed the Funding Agreement which formalised the allocation from the OP of €10 million to the Holding Fund. The disbursement of this €10 million took place on the 3rd May 2010. An Investment Board was set up in April 2010, chaired by the Ministry of Finance, the Economy and Investment. During the first Investment Board meeting held in June 2010, the Members approved the implementation of a First Loss Portfolio Guarantee product. This decision was based on the fact finding exercise carried out by EIF with the main players of the Maltese market. The criteria were approved by the MC in May 2010 and the Call for Expression of Interest for Financial Intermediaries was launched by the EIF on 14th September (deadline 15th November 2010). The EIF received three applications from Financial Intermediaries and the evaluation as at end December 2010 was still ongoing.

In October 2010, Malta was approached by the EIB to participate in an evaluation exercise (through telephone interview) and to provide feedback on a number of JEREMIE related issues, such as *inter alia* -

- Perceived needs for SME finance at the time of JEREMIE inception;
- Alternative approaches and similar initiatives;
- Prior experience of financial engineering in the country;
- JEREMIE's perceived suitability to solve the problems (at onset);
- Suitability of EIF as a partner;
- Role of the EC in the process; and
- Value and quality of the Grant Agreement ("JEREMIE Evaluation").

Malta was also an active member in the Technical Working Team organized by Directorate General Regional Policy (DG REGIO) and the European Investment Fund (EIF) and representatives from Malta attended two meetings in Brussels (in March and June).

- **Joint European Support for Sustainable Investment in City Area (JESSICA)**

As in previous years, Malta continued to follow closely the implementation of JESSICA initiatives in other Member States through the meetings coordinated by the EC in co-operation with the EIB group.⁴⁵

⁴⁵ In 2010, the MA had the opportunity to attend the third and fourth meeting of the JESSICA Networking Platform which were held in Brussels on the 12th March and 8th June, in addition to the attendance of the JEREMIE and JESSICA Conference 'Towards Successful Implementation' which was held in Brussels on the 29th and 30th November

- **Changes to the OP**

In 2010 a number of changes to the OP were proposed by the MA. These changes were presented during the Monitoring Committee (MC) of May 2010. The EC had considered these changes as not significant in their nature given that they do not constitute a change in the strategic direction of the OP and had guided the MA to present these changes formally to the EC when other significant changes are submitted. A synopsis of the changes per PA which were approved in May 2010 by the MC follows:

Changes to PA 1

The economic crisis is a major challenge which required a rapid response to counter act the impacts on the whole Maltese economy. Governments were required to introduce active measures to sustain and boost investments with a view of generating economic growth and jobs. In this respect, the Government of Malta decided to double the allocation available to JEREMIE in order to facilitate Small and Medium Enterprises (SME) access to finance in addition to increasing the funds available to the six (6) Aid Schemes approved under PA 1. These changes, apart from changing the allocation of JEREMIE from €5 million to €10 million, resulted also in: the introduction of a new output indicator focusing on the '*Number of Enterprises Assisted*'; an increase in the targets of a number of result indicators focusing on start-up businesses and SMEs; and a change in the amounts allocated to the Codes for the forms of Finance.

To facilitate the reporting at a European Union (EU) level, this PA also made a change in one (1) of the output indicators in favour of the core indicator '*Number of projects*' (Direct investment aid to SME). Furthermore, the MA felt the need to increase the targets of one (1) of its core output indicators '*Number of RTDi projects*' in order to reflect the commitment actually made. On the other hand the targets of one (1) of the result indicators have been reduced to reflect lower take-up by enterprises under the Innovation Actions (Environment) Grant Scheme administered by Malta Enterprise.

Changes to PA 2

One (1) output indicator '*Number of new/upgraded beaches*' was deleted from the Axis given that this indicator can be captured in the core output indicator '*Number of assisted tourism and cultural projects*' which captures interventions across the entire Axis. The target of this core indicator is also being increased. In addition this Axis amended one (1) of its objectives to bring it in line with Malta's territorial specificities and niche market potential.

Changes to PA 3

The result indicator '*% increase in cargo per annum*' has been further defined by adding 'within intervention areas' to capture more precisely the outcome of the interventions being financed.

Changes to PA 4

The changes proposed under this Axis relate to the removing of the 'Reduction of Emissions from the Delimara Power Station' project from the Major Project list since it no longer qualifies as a major project following a revised investment cost which is lower than the threshold pertaining to Major Projects as laid down in Art 39 of Council Regulation (EC) No 1083/2006.

Further changes were made to: the description of one of the objectives in order to make it more general and flexible but still keeping focus on the priorities concerned; to include additional text following clarification by the Commission on network projects but also to reflect the amendment made to Regulation (EC) No 1080/2006; to include and amend footnotes of specific result indicators for clarity purposes.

Changes to PA 5

A minimal change was recommended to the title of CF 116 from 'Urban Waste Water Treatment Plant for the South of Malta' to 'Malta South Sewage Treatment Infrastructure' to better reflect all the activities planned in the project.

Changes to PA 6

This Axis saw the inclusion of the 'Mater Dei Hospital Oncology Centre' under the Major Project List since the investment costs of this project which was originally submitted under ERDF Call 6 exceeded the threshold as per Article 39 of Council Regulation (EC) No 1083/2006 pertaining to Major Projects.

- **Impact and Core Indicators**

The table below depicts the achievements registered on the various indicators (Impact and Core) under OPI as at end 2010. Although implementation has picked up significantly in 2010, by year's end most of the projects were still at different stages of the implementation process hence most of the achievements in the Impact and Core indicators⁴⁶ are minimal given that the majority of the indicators are considered to be achieved once a project is complete. Yet Impact indicator Imp04⁴⁷ and Core indicator A6R05⁴⁸ registered further increase in 2010 while during 2010 Impact indicators Imp01⁴⁹ and Imp08⁵⁰ and Core indicator A2O01⁵¹ registered a marginal increase. On a positive note, substantial achievement was registered on Core indicator A1O04⁵² while the target of Core indicator A1R08⁵³ was surpassed in 2010.

The indicators Transport weighted average,⁵⁴ Environmental weighted average,⁵⁵ and Quality of life weighted average⁵⁶ will be calculated at the end of the programme, however the monitoring system is indicating that some feeders contributing to these indicators are already registering progress. During 2010 the *Transport weighted average impact indicator* has been partially achieved by the Output indicator under PA 6 Upgraded non Ten-T network (4.7Km) and the *Quality of Life weighted average* has been partially

⁴⁶ After further clarifications received from the EC, the number of projects approved by the MA, are being reported within a number of indicators.

⁴⁷ Impact indicator: Number of direct jobs created

⁴⁸ Result indicator: Pupils/students/trainees benefiting from upgraded and modernised facilities/services (per annum)

⁴⁹ % Increase in RTDi expenditure as a percentage of GDP

⁵⁰ CO₂ equivalent emissions

⁵¹ Output indicator: Number of Assisted tourism and cultural projects

⁵² Output indicator: Number of RTDi projects

⁵³ Result indicator: Number of enterprises involved in networking and new collaboration with other businesses and academia

⁵⁴ The indicators contributing to the Transport weighted average are as follows: Upgraded non Ten-T roads; No of total sea passengers; Tonnes of sea cargo

⁵⁵ The indicators contributing to the Environment weighted average are as follows: RES Energy produced; Share of Population equivalent with complete wastewater treatment; Total amount of waste treated

⁵⁶ The indicators contributing to the Quality of life weighted average are as follows: Pupils /students/training benefiting from upgraded educational facilities and services; Redevelopment of unit in urban regeneration areas; Children benefiting from childcare facilities; Population making use of e-services

achieved through the Result indicators under PA 6: Children benefiting from childcare facilities (28 children) and Students benefiting from new/upgraded education facilities (7,883 students).

Table 2 - Physical progress of the OP, for each quantified impact indicator and core indicators

Impact Indicators						
Indicators		2007	2008	2009	2010	Total
% Increase in RTDi expenditure as a percentage of GDP [Imp01]	Achievement	0	0	0	0.2746%	0.2746%
	Target	n/a	n/a	n/a	n/a	0.45% ⁵⁷
	Baseline	n/a	n/a	n/a	n/a	0.3%
% Increase of earnings from tourism [Imp02]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	1.0%
	Baseline	n/a	n/a	n/a	n/a	n/a
% Increase of manufactured export earnings [Imp03]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	0.5 % ⁵⁸
	Baseline	n/a	n/a	n/a	n/a	2.7%
Number of direct jobs created [Imp04]	Achievement	0	0	16	36	36
	Target	n/a	n/a	n/a	n/a	1,400 FTEs
	Baseline	n/a	n/a	n/a	n/a	n/a
Transport weighted average [Imp05]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	75% increase
	Baseline	n/a	n/a	n/a	n/a	n/a
Environment weighted average [Imp06]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	500% increase
	Baseline	n/a	n/a	n/a	n/a	n/a
Quality of Life Weighted Average [Imp07]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	150% increase
	Baseline	n/a	n/a	n/a	n/a	n/a
CO ₂ equivalent emissions [Imp08]	Achievement	0	0	0	1,537,342 Kg of CO ₂ reduction	1,537,342 kg of CO ₂ reduction
	Target	n/a	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	n/a

⁵⁷ Target including baseline amounts to 0.75%⁵⁸ Target including baseline amounts to 3.2%

Core Indicators						
Indicators		2007	2008	2009	2010	Total
No of start-up businesses supported (core indicator number 8) [A1R02]	Achievement	0	0	0	0 ⁵⁹	0
	Target	n/a	n/a	n/a	n/a	35
	Baseline	n/a	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	11	11
	Target	n/a	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a	n/a
No of RTDi projects (core indicator number 4) [A1O04]	Achievement	0	0	0	11	11 ⁶⁰
	Target	n/a	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a	n/a
No of assisted tourism and cultural projects (core indicator number 34) [A2O01]	Achievement	0	0	0	12 ⁶¹	12
	Target	n/a	n/a	n/a	n/a	8
	Baseline	n/a	n/a	n/a	n/a	n/a
Kms of (TEN T) roads upgraded (core indicator number 15) [A3O01]	Achievement	0	0	0	0 ⁶²	0
	Target	n/a	n/a	n/a	n/a	20Kms
	Baseline	n/a	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	1 ⁶³	1
	Target	n/a	n/a	n/a	n/a	1
	Baseline	n/a	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	7883	7883
	Target	n/a	n/a	n/a	n/a	25,000
	Baseline	n/a	n/a	n/a	n/a	n/a

⁵⁹ One project approved by the MA (ERDF 199) and 24 projects approved through Aid Scheme

⁶⁰ This is recording the number of supporting infrastructures financed

⁶¹ Twelve projects approved by the MA (ERDF 022, 024, 031, 032, 033, 039, 140, 142, 145, 147, 151, 155) and 87 projects approved through Aid Scheme

⁶² One project approved (CF 117)

⁶³ One project approved (ERDF 120)

Core Indicators						
Indicators		2007	2008	2009	2010	Total
No of projects ensuring sustainability and improving the attractiveness of towns and cities (core indicator number 39) [A6001]	Achievement	0	0	0	1 ⁶⁴	1
	Target	n/a	n/a	n/a	n/a	3
	Baseline	n/a	n/a	n/a	n/a	n/a
No of projects [Health] (core indicator number 38) [A6006]	Achievement	0	0	0	2 ⁶⁵	2
	Target	n/a	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a	n/a

⁶⁴ One project approved (ERDF 104)

⁶⁵ 2 projects approved (ERDF 068 and ERDF 196)

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. No further amendments were made during 2010, however an internal exercise was being undertaken. The revised rules, which generally constitute clarifications based on queries received in the first years of implementation, are expected to be adopted in 2011.

- **Manuals of Procedures (MoP) 2007 – 2013**

During 2010, the MA launched consultation procedures with vertical and horizontal stakeholders as part of the regular revisions of the *Manual of Procedures for Projects Implementation Cohesion Policy 2007-2013* (MoP) which was last updated in August 2009. Stakeholders were invited to present proposals. The MoP, however, remains faithful to the core systems outlined in Malta's *Description of Management and Control Systems – Operational Programmes I and II (2007-13)* and the revisions to it are mainly an effort to streamline and further explain complex elements of procedure. The revised version of the MoP is expected to be published by the MA in 2011 and will be accessible from http://ppcd.gov.mt/links_and_downloads?l=1

- **MA Circulars**

Apart from the various updates referred to above, the MA also issued five (5) circulars during 2010 with the scope of providing Beneficiaries with clarifications and reminding them of important requirements. MA Circular 01/2010, issued 16 February 2010 was issued with respect to the minimum standards for Renewable Energy Sources (RES). This circular was also transmitted to European Social Fund (ESF) Project Leaders given the possibility of small RES components in ESF projects under the ERDF cross-financing mechanism. Through this circular, all Project Leaders implementing projects under the 2007-2013 Structural Funds Programme are required to observe Government Notice No. 52 issued by the Ministry for Resources and Rural Affairs (MRRA) on 15 January 2010 entitled Registration of Solar Water Heaters (SWHs), Solar Collectors and Photovoltaic Systems.

MA Circular 02/2010 was issued on 24 February 2010 providing guidance on the documents to be uploaded by the MA, IBs, Beneficiaries and Treasury in the SFD. This circular was issued with the objective of ensuring consistency of information which is required for control purpose, as well as providing clear guidance to eliminate unnecessary duplication of work, reducing administrative burdens and mitigating the impact on SFD 07-13 hardware capacity. The circular is considered to be an effort towards simplification and harmonisation of activities. In this regard, this circular referred to the obligations relating to the retention of documents as stipulated in Article 90 of EC/1083/2006 (and subsequent amendments), the Grant Agreement and the MoP which are to remain valid and effective.

MA Circular 03/2010, issued on 30th March 2010 (following a data protection audit on the electronic management system) highlighted the nine (9) data protection principles as defined in the Data Protection Act 2001 as well as the importance of informing Beneficiaries that data will be shared amongst the various stakeholders involved in the implementation of Structural Funds.

MA04/2010 was issued on the 5th November 2010 for four (4) different kinds of Beneficiaries (i.e. Local Councils, Government Entities, Intermediate Bodies and NGOs) with the aim to clarify the obligations to maintain a separate accounting system or an accounting code for all transactions. The last circular for 2010, i.e. MA05/2010, was issued in November with a view to re-iterate the responsibilities of those officers nominated by their respective organisations to carry out the function of SFD 2007-13 trainers. The above circulars may be found on the following link: http://www.ppcd.gov.mt/links_and_downloads?l=1

Strengthening administrative capacity

- **Capacity within Horizontal Stakeholders**

During 2010, capacity within the main stakeholders has continued to be monitored. Some changes were made within the MA, following new appointments, however no net increases. Following the unexpected success (in terms of proposals received) under the aid schemes, additional capacity was approved for one Intermediate Body, Malta Enterprise, however the recruitment process was still ongoing as at end of year. Horizontal stakeholders had a number of changes during the reporting period. In 2010 a number of horizontal stakeholders within the MFEI experienced some changes in capacity with both the Treasury and the DoC registering slight increases (1.85FTE and 0.5 FTE respectively) whilst the Certifying Authority recorded minor temporary drops. A number of Line Ministries have also requested an increase in capacity, given the increase in payments. Some internal re-allocations were made to meet current demand, however as at end 2010 calls for applications for EU Fund Managers and EU Fund Officers were being processed by the Personnel and Human Resources organisations within OPM.

- **Capacity Building/Training**

A number of activities were organised in 2010 aimed at strengthening the administrative capacity within key horizontal stakeholder organisations. These include:

- In-house training sessions on '*Project Management Tools for Monitoring*' for OPI - a total of 26;⁶⁶ members of staff within the MA, were held between the 19th January and 19th February 2010.
- A training course for Cohesion Policy 2007-2013 for Beneficiaries entitled: '*Introduction to Payment Procedures; Guidelines to VAT*' – a total of sixty three (63) participants. The sessions were held between the 3rd and the 5th March 2010.
- A two (2) day workshop entitled '*Understanding the ABC of CBAs*' was delivered by JASPERS. A total of seventeen (17) participants from the MA participated in the workshop. This was delivered on the 17th and 18th of March 2010.

⁶⁶ 15 officers for OPI and 11 officers for OPI/OPII

- A course on the '*Project Progress Report for NGOs and Social Partners*' was held on the 29th March 2010. A total of eight OPI related NGOs and Social Partners attended.
- An In-house training session on '*Eligibility: Simplified Costs*' was held for MA staff on the 28th July 2010. A total of fifteen OPI related officers participated.
- Training was also provided for new Beneficiaries in 2010 entitled '*Start Up Training for New Beneficiaries*'. The training modules were spread over five days, between the 26th July and the 4th August 2010, and covered the following areas:
 - General overview of Cohesion Policy;
 - Introduction to Administrative Procedures: Who's who in Cohesion Policy in Malta;
 - Introduction to Project Management;
 - Publicity Requirements;
 - National Procurement Regulations;
 - Introduction to Payment Procedures;
 - Guidelines on the VAT implications for Maltese entities implementing projects financed through EU Structural Funds;
 - Document Retention and Basic Principles of Control; Preparing for a Spot Check; and
 - Reporting requirements.

A total of eighteen (18) OPI related Beneficiaries attended.

- A two-day training course was organised for staff of the MA and of Intermediate Bodies entitled '*Monitoring of Horizontal Policies*' with a total of fourteen (14) participants trained. This was held on the 25th and 26th of October.
- A Train-the-Trainer Programme was again held on the SFD 2007-2013. As in the previous year, this was organised by the MA. A total of sixty eight (68) OPI related participants were trained in ten (10) sessions.

Members of staff from different stakeholder organisations working on 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; management and monitoring of Programmes; and management of Technical Assistance (TA) funds.

02.1.2 Financial information

Advance Payments

No further advance payments were due to Malta in 2010. The total amount of advance payments received on the Programme under each Fund remains the same as in 2009:

ERDF: €39,958,023

CF: €29,835,227

Interim Payments

The implementation of project activities has gained momentum in 2010 and the expenditure increased significantly. The MA launched the Statement of Expenditure process on four (4) separate occasions in 2010: March (CF), June (ERDF), September (ERDF & CF) and December (CF). The following table indicates the public share (EU + MT) that was verified by the MA, the amounts certified by the CA and amounts received from the EC during the calendar year 2010.

In addition it is important to note that given that the government financial year ends in the last quarter most disbursements were made in the last quarter (see Figure 1 under Section 2.7.1) and given that there was no Statement of Expenditure in the last quarter of 2010 for ERDF most of the payments processed in the last months of 2010 could not be verified and certified by year end.

Table 3 - Summary of Verified, Certified and Received Amounts

Summary - Verified, Certified and Received	Verified by MA in 2010	Certified by CA in 2010	Received from EC in 2010
	(public share, €)	(public share, €)	(EU share, €)
ERDF November 2009	N/A	N/A	3,717,805 ⁶⁷
ERDF June 2010	20,393,673	20,393,673	17,334,622
ERDF September 2010	8,292,538	8,292,538	7,048,657
ERDF Total	28,686,211	28,686,211	28,101,084
CF November 2009	N/A	N/A	13,183,943
CF March 2010	14,307,743	14,307,743	12,161,582
CF September 2010	8,462,187	8,462,187	7,192,859
CF December 2010	23,372,146	23,372,146	N/A ⁶⁸
Cohesion Fund Total	46,142,076	46,142,076	32,538,384
Total	74,828,287	74,828,287	60,639,468

⁶⁷ Amount received from the EC on 14 January 2010

⁶⁸ Amount received from the EC on 18 February 2011

Table 4 - Priority Axes by source of funding (€)

	Total funding of operational programme (Union and national)	Basis for calculating Union contribution (Public or Total cost)	Total amount of certified eligible expenditure paid by beneficiaries ⁶⁹	Corresponding public contribution (CERTIFIED ONLY)	Implementation rate in %
	a	b	c	d	e = c/a if T or e = d/a if P
Priority Axis 1 Enhancing Knowledge and Innovation ERDF	120,000,000.00	P	15,305,146.05	15,305,146.05	13%
Priority Axis 2 Promoting Sustainable Tourism ERDF	120,000,000.00	P	3,707,294.63	3,707,294.63	3%
Priority Axis 3 Developing the TEN-T CF	169,038,258.82	P	1,663,376.92	1,663,376.92	1%
Priority Axis 4 Mitigation and Adaptation to Climate Change ERDF	121,000,000.00	P	666,402.82	666,402.82	1%
Priority Axis 5 Safeguarding the Environment CF	165,250,000.00	P	59,989,220.27	59,989,220.27	36%
Priority Axis 6 Urban Regeneration and Improving the Quality of Life ERDF	149,000,000.00	P	14,912,965.37	14,912,965.37	10%
Priority Axis 7 Technical Assistance ERDF	12,327,095.29	P	394,023.08	394,023.08	3%
Grand total	856,615,354.11	P	96,638,429.14	96,638,429.14	11%

⁶⁹ This is the amount certified by the CA to the EC. It also corresponds to the amount verified by the MA

Annual Control Report

One should note that the examination carried out by the Internal Audit Investigations Department during the period July 2009 to December 2010 and reported in the annual control report pursuant to Article 62 (1)(d)(i) of Regulation (EC) No 1083/2006, opined that the management and control system established for OP I complied with the applicable requirements of Articles 58 to 62 of Council Regulation (EC) No 1083/2006 and Section 3 of Commission Regulation (EC) No 1828/2006 and functioned effectively so as to provide reasonable assurance that statements of expenditure presented to the Commission are correct and, as a consequence, reasonable assurance that the underlying transactions are legal and regular.

In addition, a systems audit on operations was carried out on the MA during the audit period covered by this annual control report. The control report states that '*...the systems audit carried out to date show that the system is working well and that only minor improvements are needed.*' Moreover the high level of assurance derived from the systems was confirmed by the audits. Nonetheless, IAID confirmed that most recommendations put forward to the MA in the systems audit report had already been implemented accordingly.

02.1.3 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 2010.

Table 5 - Cumulative breakdown of allocations of the Community contribution by category⁷⁰

Priority Theme	Form of Finance	Territory	Economic Activity	Location	Amount
01	01	03	18	MT0 - Malta	€ 301,401.93
02	01	03	18	MT0 - Malta	€ 27,224,331.84
02	01	03	19	MT0 - Malta	€ 104,056.58
02	01	03	21	MT0 - Malta	€ 104,056.58
03	01	03	06	MT0 - Malta	€ 1,219,466.54
04	01	03	06	MT0 - Malta	€ 3,136,586.16
04	01	03	22	MT0 - Malta	€ 1,912,500.00
05	01	03	06	MT0 - Malta	€ 12,895,056.82
05	01	03	20	MT0 - Malta	€ 42,553.13
06	01	03	06	MT0 - Malta	€ 1,275,000.00
06	01	03	22	MT0 - Malta	€ 1,275,000.00
07	01	03	06	MT0 - Malta	€ 2,975,000.00
07	01	03	22	MT0 - Malta	€ 2,975,000.00
08	02	03	22	MT0 - Malta	€ 4,250,000.00

⁷⁰ 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 (€52.5 million) of which € 30,764,419.42 is already committed in projects by the IB to the Beneficiaries as at end of 2010

Priority Theme	Form of Finance	Territory	Economic Activity	Location	Amount
09	02	03	22	MT0 - Malta	€ 4,250,000.00
09	01	03	06	MT0 - Malta	€ 3,825,000.00
09	01	03	22	MT0 - Malta	€ 3,825,000.00
13	01	03	17	MT0 - Malta	€ 15,111,284.70
13	01	03	18	MT0 - Malta	€ 181,895.49
13	01	03	22	MT0 - Malta	€ 370,383.47
15	01	03	06	MT0 - Malta	€ 1,487,500.00
15	01	03	22	MT0 - Malta	€ 1,487,500.00
21	01	03	12	MT0 - Malta	€ 48,950,123.85
22	01	03	11	MT0 - Malta	€ 16,493,764.53
23	01	03	06	MT0 - Malta	€ 7,214,869.64
23	01	03	20	MT0 - Malta	€ 347,517.19
26	01	03	11	MT0 - Malta	€ 1,317,484.68
26	01	03	21	MT0 - Malta	€ 309,039.62
30	01	03	11	MT0 - Malta	€ 21,061,308.50
39	01	03	08	MT0 - Malta	€ 365,288.05
39	01	03	18	MT0 - Malta	€ 65,495.63
40	01	03	08	MT0 - Malta	€ 16,111,673.19
40	01	03	11	MT0 - Malta	€ 30,458.51
40	01	03	18	MT0 - Malta	€ 16,373.91
40	01	03	21	MT0 - Malta	€ 51,861.78
43	01	03	08	MT0 - Malta	€ 9,218,368.06
43	01	03	11	MT0 - Malta	€ 274,126.57
43	01	03	18	MT0 - Malta	€ 54,579.69
43	01	03	21	MT0 - Malta	€ 466,756.04
44	01	03	21	MT0 - Malta	€ 6,885,000.00
46	01	03	09	MT0 - Malta	€ 59,487,652.90
50	01	03	06	MT0 - Malta	€ 6,479,397.09
50	01	03	20	MT0 - Malta	€ 276,595.31
50	01	03	22	MT0 - Malta	€ 22,290,724.70
53	01	03	21	MT0 - Malta	€ 43,267,184.50
54	01	03	21	MT0 - Malta	€ 4,055,940.97
55	01	03	21	MT0 - Malta	€ 314,746.15
56	01	03	21	MT0 - Malta	€ 72,633.73
56	01	03	22	MT0 - Malta	€ 1,785,115.60
57	01	03	14	MT0 - Malta	€ 1,710,771.17
57	01	03	21	MT0 - Malta	€ 570,257.06

Priority Theme	Form of Finance	Territory	Economic Activity	Location	Amount
57	01	03	22	MT0 - Malta	€ 18,162,641.79
58	01	03	22	MT0 - Malta	€ 33,273,113.69
59	01	03	22	MT0 - Malta	€ 5,893,878.14
60	01	03	14	MT0 - Malta	€ 1,710,771.17
60	01	03	21	MT0 - Malta	€ 570,257.06
60	01	03	22	MT0 - Malta	€ 1,520,685.48
61	01	03	11	MT0 - Malta	€ 2,375,763.57
61	01	03	21	MT0 - Malta	€ 4,045,219.05
75	01	03	18	MT0 - Malta	€ 22,462,791.96
76	01	03	19	MT0 - Malta	€ 44,208,363.99
77	01	03	06	MT0 - Malta	€ 808,509.38
77	01	03	20	MT0 - Malta	€ 467,553.13
78	01	03	11	MT0 - Malta	€ 365,502.09
78	01	03	21	MT0 - Malta	€ 622,341.39
79	01	03	20	MT0 - Malta	€ 451,348.70
81	01	03	22	MT0 - Malta	€ 16,764.85
85	01	03	22	MT0 - Malta	€ 7,741,169.12
86	01	03	22	MT0 - Malta	€ 2,720,096.78
Total					€ 507,190,453.15

In 2010, changes were recorded in both priority themes and total amounts. In some cases a decrease was recorded as compared to the amounts recorded for the individual priority themes in the AIR 2009 which are attributable to a number of reasons these include:

- changes to the project values emanating from **savings** incurred during the project implementation. This had an impact on the following Priority Themes 2 (a reduction of €196,284); 22 (a reduction of €5,989,631); 54 (a reduction of €61,171); 79 (a reduction of €188,964);⁷¹
- withdrawal of ERDF 025 which had an impact on a reduction in Priority Theme 55;
- re-alignment of Priority Themes based on new information acquired during the implementation of projects as well as the merging of two projects⁷². This had impact on the following Priority Themes 43; 55; 56; 59; 60; 61, 81 and 86.⁷³

In 2010 10 new projects were approved contributing to the general increase in project values as reported above⁷⁴

02.1.4 Assistance by target group

Not applicable.

02.1.5 Assistance repaid or re-used

As at end 2010, 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).

02.1.6 Qualitative analysis

As in previous years, 2010 was characterised with further calls for proposals, approval of new projects, finalisation of GAs, publication of tenders and the actual implementation of projects on the ground. This process which included the continued effort of the MA (or IB in case of Aid Schemes under Article 107 of the Treaty) but also of other stakeholders, in particular the DoC, the Treasury and the Beneficiary, resulted in further quantifiable progress in the implementation of the Programme.

⁷¹ Substantial savings registered during the implementation (contracting of main tenders under the projects): ERDF 033; 045; 047; 048; 056; 057; 058; 062; 065; 066; 068; 072; 080 and 159

⁷² ERDF 004 and 084 subsequently merged into ERDF 199 which mainly resulted in the non contribution to Priority Theme 9

⁷³ The following are the projects that contributed to the reduction in values in these Priority Themes, ERDF 24, 31, 088, 090, 104, 133, 135, 140, 145 and 151. In addition there was a realignment in the allocation of technical assistance between Priority Themes 81,85 and 86

⁷⁴ New projects approved in 2010 include ERDF 159; 164; 189; 190 (subsequently withdrawn in 2011); 192; 193; 196; 200; CF 198 and CF 118

As at end 2010 a total of sixty five (65)⁷⁵ projects and nine (9) different Aid Schemes were approved under OP I with a total public eligible amount of €596,694,651. This amount totals to 70% of the OP allocation and results in an increase of 13 percentage points on the amount which was allocated as at end of 2009.⁷⁶ An analysis of the status of the projects as at end of year shows a further impetus in the actual implementation of the projects. In fact out of the sixty five (65) projects, only eighteen (18) projects were still at procurement or contracting stage while another eighteen (18) projects had started implementation, thirteen (13) projects were at an advanced stage of implementation, five (5) projects were close to completion and nine (9) projects were actually completed. Furthermore, four hundred and forty eight (448) operations were being implemented under the different Aid Schemes of which fifty five (55) operations were concluded as at end of year.⁷⁷

The progress in the implementation of projects resulted in further payments being processed and paid by Treasury, with €98,630,736.43 payments (public eligible amount) processed during 2010, of which €74,828,287 were verified by the MA and certified by the CA to the EC during the same year. The figures represent a tripling of payments in 2010 over the cumulative total amount for 2008 and 2009 so clearly activity has increased and the implementation process has surpassed its initial hurdles. Although a number of delays still persist, largely as a result of new persons coming on board, in general one can safely say that the learning curve has started to level out.

In terms of performance and results, achievements were registered on ten output indicators and seven result indicators, amongst which four are core indicators. In addition achievement was also registered for three impact indicators. This is a significant improvement on 2009. The core indicators on which achievement has been registered in 2010 are:

- Number of enterprises involved in networking and new collaboration with other businesses and academia;
- Number of RTDi projects;
- Number of assisted tourism and cultural projects; and
- Pupils/students/trainees benefitting from upgraded and modernized facilities/services (per annum).

Furthermore, the aforementioned ten (10) output and seven (7) result indicators are subdivided as follows: six (6) indicators targeting PA 1; three (3) indicators targeting PA 2; four (4) indicators targeting PA 4; and four indicators targeting PA 6. One should note that the registered achievements mainly result from projects approved under the first Call for Proposals with data coming in on projects that are either completed or close to completion. Despite the clear improvement, however, physical progress is still limited

⁷⁵ As at end of 2009 the figure was of fifty seven (57) operations. This figure excludes Aid Schemes but includes ERDF 999 Technical Assistance. One should note that one project – ERDF 25 – was withdrawn during 2010 while eleven new projects were approved in 2010. ERDF projects refer to 199 (which refer to the merging of ERDF 04 and 84), 200 (JEREMIE), 190, 192, 193, 159, 164, 189, and CF 198. In addition Major Projects ERDF 196 and CF 118 were endorsed by the PSC in 2010. The latter was also approved by the Commission in 2010. However please note that ERDF 200 and ERDF 999 are not being included in the analysis dealing with implementation since their closure date coincides with the end of the programming period and their current statuses are thus not relevant for the analysis

⁷⁶ As at end 2009 the OP I committed amount was of €486,631,862.44

⁷⁷ One should note that as at end of 2009 only one operation under the different aid schemes was concluded

given that the nature of a number of indicators is achievable only once the project is commissioned and operational. A more detailed analysis with respect to the indicators of each Axis can be found in Chapter 3 of this Report.

Operational Programme towards the Lisbon Objectives

Notwithstanding that Malta is not bound by the targets of Earmarking, Malta has participated voluntarily in the Lisbon Earmarking exercise for this OP. OP I targets twenty (20) Lisbon earmarked categories of expenditure as referred to in Article 9 (3) of 1083/2006 and identified in Annex IV of the same Regulation. Within this context, the total Community amount allocated for earmarking as per OP I to be achieved by the end of the Programme amounts to €283,990,000. Current commitments (Community amount) sums up to €188,521,511 (66% of the Programme's earmarked amount) spread over twenty eight (28) ERDF projects, six ERDF Aid Schemes and three CF projects as at end 2010.⁷⁸

The MA sustained its approach in monitoring the earmarking process. As at end 2010 only three categories of those selected by Malta had not registered a commitment of funds. These refer to Code 28 'Intelligent transport systems', Code 41 'Renewable energy: biomass' and Code 52 'Promotion of clean urban transport'. In order to rectify this situation the MA launched a pre-announcement for a call for proposals under the Focus Area of Internal Mobility of PA 6. This call is expected to be launched in 2011 and is likely to produce some results with regard to Code 28 and possibly also Code 29. Regarding Code 41, this Code will register some commitments once the relevant major projects foreseen under Axis 5 are approved.

Table 6 provides a snapshot of the projects⁷⁹ approved in 2010 and the relative Community Strategic Guidelines (CSGs) and National Reform Programme (NRP) Strategic Themes.

⁷⁸ Out of the twenty eight (28) ERDF projects, five (5) projects were approved in 2010: ERDF 159, 190, 192, 193, 200. The ERDF aid schemes refer to the Aid Schemes administered by Malta Enterprise which support the Manufacturing and Service Industries. The CF projects include CF 117 Major Project Improvement of the TEN-T Road Infrastructure (PHASE I) which was eventually approved by the Commission on 5 February 2010. In addition Non-major project CF 198 was approved by the PSC in 2010

⁷⁹ Approved projects include JEREMIE and three CF Major Projects (CF 116, 117 and 118) which were approved by the Commission in 2010. However table does not include Major Project ERDF 196 Mater Dei Hospital Oncology Centre which was endorsed in 2010 by the PSC for onward transmission to the Commission given that the said project was still not submitted (and thus not approved by the Commission) as at end 2010

Table 6 - Targeted CSGs and NRP Strategic Themes under Projects approved in 2010

PA Number	Project Reference	Project Title	Community Strategic Guidelines	National Reform Programme Strategic Themes
PA 1	ERDF 200	JEREMIE	Improved access to finance	Competitiveness (financial support framework)
PA 3	CF 117	Improvement of the TEN-T Road Infrastructure (PHASE I)	Expansion and improvement of transport infrastructure	Competitiveness
PA 3	CF 198	Cirkewwa Ferry Terminal	Expansion and improvement of transport infrastructure	Unlocking Business Potential
PA 4	ERDF 190	Energy Generation and Conservation Project	Address Europe's intensive use of traditional energy sources	Energy and climate change
PA 4	ERDF 192	Photovoltaic System at the University of Gozo Centre	Address Europe's intensive use of traditional energy sources	Energy and climate change
PA 4	ERDF 193	Gozo Diocese's contribution to turn Gozo into an Eco-island	Address Europe's intensive use of traditional energy sources	Energy and climate change
PA 5	CF 116	Malta South Sewage Treatment Infrastructure	Strengthen the synergies between environmental protection and growth	Environment
PA 5	CF 118	Rehabilitation of closed Landfills	Strengthen the synergies between environmental protection and growth	Environment
PA 6	ERDF 159	eServices: Accessibility for all (eXS4ALL)	Promote Information society for all	Investing in knowledge and innovation
PA 6	ERDF 164	Masterplan: Development of Applied Science and Business and Commerce Institutes	Address Europe's intensive use of traditional energy sources Facilitate innovation and promote entrepreneurship	Energy and climate change Investing in people and modernising labour markets
PA 6	ERDF 189	Educational Infrastructure Development at Bishop's Conservatory Secondary School (Phase 2)	Increase and improve investment in RTD Facilitate innovation and promote entrepreneurship	Investing in knowledge and innovation Investing in people and modernising labour markets

Sustainable Development

Sustainable Development features on top of the Maltese Government's Agenda and this is reflected in various national and sectoral policies.⁸⁰ The Maltese Government is committed towards ensuring sustainability and the promotion of cleaner energy with a view to contribute towards mitigating the impact of climate change. This commitment is also reflected in a number of projects funded by Cohesion Policy.

⁸⁰ Sectoral policies including Public Consultations on Environmental Sustainability are available from MRR (http://www.mrra.gov.mt), MEPA (www.mepa.org.mt) and MRA websites (http://www.mra.gov.mt)

Project Proponents are asked to identify, at the onset, the contribution of the project to environmental sustainability, such as reduction of resource consumption, minimisation of CO₂ production, the use of more energy efficient means, waste minimisation as well as water conservation. 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. In order to further assist prospective Applicants, the MA supports this process with the co-operation of MEPA, as the Authority mandated with sustainable development.

Analysing the projects approved in 2010,⁸¹ one notes that: five (5) of the projects⁸² will specifically install photovoltaic panels to generate electricity and solar-heating panels for the heating of water; one(1)⁸³ of the projects will install a wind turbine to generate electricity for use by Cirkewwa Ferry Terminal; one (1)⁸⁴ of the projects will reduce the carbon footprint of its energy requirements through anaerobic sludge digestion, thus reducing the carbon footprint of the plant from a renewable energy source (i.e. the equipment of 1 MW biogas generation facility which will minimize the energy dependence on the grid); two of the projects⁸⁵ are implementing a waste management policy for reduction and recycling of waste; and one of the projects,⁸⁶ through services being provided online, will substantially reduce paper and will as a consequence require less customer care offices therefore indirectly contributing to the preservation of landscape, biodiversity and historical features.

In an effort to improve on the Government's 'sustainable procurement', the MRRA continues to guarantee environmental awareness at the very early stages of the procurement process.⁸⁷ The process involves the review of tender dossiers⁸⁸ before they are published. This review highlights opportunities/recommendations to reduce the carbon footprint and the overall environmental performance of OP funded projects taking into consideration the overall project context including the financial context. However, the MRRA may also object to the publication of a tender if deemed environmentally unsustainable.

Equal Opportunities

Equal opportunities is a horizontal objective within Malta's OP. Interventions aimed at promoting equal opportunities are encouraged in every project being implemented through Cohesion Policy. In fact, projects contributing towards equal opportunities gain additional marks during the project selection process. During 2010, a total of 44⁸⁹ prospective applicants contacted NCPE for advice on how best to integrate equal

⁸¹ Eleven projects were approved in 2010 however ERDF 200: (JEREMIE) is not analysed above due to its specific attributes

⁸² CF 198 under PA 3; ERDF 192, ERDF 193 under PA 4; ERDF 164, ERDF 189 under PA 6

⁸³ CF 198 under PA 3

⁸⁴ CF 116 under PA 5

⁸⁵ CF 118 under PA 5 and ERDF 189 under PA 6

⁸⁶ ERDF 159 under PA 6

⁸⁷ The process was set up in 2007

⁸⁸ For works, services and supply public contracts whose estimated value equals or exceeds €47,000 and which are drafted by a Contracting Authority (i.e. Beneficiary) falling under Schedule 2 of the Public Contracts Regulation

⁸⁹ This figure refers to both OP I and OP II prospective applicants

opportunities in their proposal and another twenty three (23)⁹⁰ prospective applicants contacted the NCPD. The process includes informing the applicant of the guidelines provided by both Commissions and which are accessible from their respective websites. In case of infrastructural projects, design plans are also vetted by the NCPD, through the planning process. It is also worth mentioning that projects approved in previous years, namely ERDF 72 and ERDF 114, were at an advanced stage of implementation and these are expected to make a qualitative leap forward in terms of services for disabled persons. The list below provides an idea of the measures (to address this horizontal principle) that Beneficiaries of projects approved in 2010 have committed to:⁹¹

- the extension of the child care services provided at MCAST to the new Institutes being financed under ERDF 164;
- new opportunities for students considered to be low achievers under ERDF 189;
- access to eServices through internet overcoming barriers of mobility/insularity under ERDF 159;
- a request from potential bidders to include the company's policy in relation to the principle of equality within their company under CF 198; and
- technical specifications of tenders procuring the eServices include technologies which will make content accessible to a wider range of people with disabilities, including blindness and low vision, deafness and hearing loss, learning disabilities, cognitive limitations, limited movement, speech disabilities, photosensitivity and combinations of these under ERDF 159.

Partnership

In line with the provisions of Article 11 of Regulation 1083/2006, the Maltese authorities have continued to work in partnership with different stakeholders in the different phases of the Programme cycle. 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 include various levels of governance as well as civil society and other partners in the implementation of projects was sustained in 2010 with more targeted calls for project proposals. A number of projects from partner organisations as well as NGOs are currently under implementation and include various sectors, such as cultural / heritage foundations and religious and social organisations involved in the tourism and the social sector, the latter including education. The OP has also sought to support efforts by these organisations to move into energy efficient and renewable energy infrastructure. In 2010 two restricted calls were issued, one under PA 2 specifically for Local Councils with the aim of further improving the participation of local government and one under PA 4 specifically for Local Councils and NGOs. Within this context, Government has committed itself to co-finance a substantial component of the successful project proposals submitted by the same Local Councils. It should be noted

⁹⁰ This figure refers to OP I prospective applicants

⁹¹ Monitoring is also undertaken during OTS checks

that in order to facilitate the participation of partner organisations, Government is providing the pre-financing of the ERDF component from the national budget.

02.2. Compliance with Community law

State Aid (Article 107 of the Treaty)

All proposals received under calls for proposals issued by the MA are screened for compliance with state aid rules prior to these projects being approved by the MA.⁹² The competent authority responsible for state aid in Malta, is the SAMB which acts also as the national contact point on state aid related issues with respect to EU funded projects. The SAMB seeks to provide its expertise to any prospective Beneficiaries interested in applying for EU funds under both Programmes through the participation in the information sessions organised by the MA. During these sessions participants are encouraged to discuss their ideas and projects with the SAMB representative in order to ascertain, from an early stage, whether their proposed project would involve any state aid implications or otherwise. The involvement of the SAMB continues even during the evaluation process where the PSC requires state aid assistance on an ad hoc basis. Furthermore, all projects approved for funding are requested to re-confirm their position vis-à-vis state aid implications prior to the signature of the GA. During 2010, the SAMB gave its opinion and state aid guidance on 21 project proposals including screening of 16 draft applications following calls by the MA, and a further 3 projects under the CF.

Besides its involvement with calls issued by the MA, the SAMB is also in continuous close collaboration with IBs administering state aid schemes under Article 107(1) of the Treaty of the Functioning of the European Union (TFEU) financed through EU funds. The schemes administered by the Intermediate Bodies of OPI are being implemented under different state aid regimes, including the General Block Exemption Regulation; the *De Minimis* Regulation and the framework for research, development and innovation. 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 notified proposed 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.

The SAMB has noted positive developments in relation to state aid matters vis-à-vis EU funded projects as potential applicants tend to approach the Board for guidance at a comparatively early stage. This is partly a reflection of the importance underlined during information sessions organised by the MA as well as greater general awareness among different economic operators. In this regard, a number of meetings have been requested by interested applicants for EU funds with the SAMB. Such preliminary meetings help to ensure that a proposed project is from its inception given an indication on whether state aid could possibly be involved and provide guidance to Applicants accordingly. It is also interesting to note that following the recommendation made by the MA, most applicants are submitting to the SAMB more detailed information about their proposed project. Such information ensures that a formal position regarding state aid is obtained prior to Applicants submitting their project to the MA.

⁹² Calls issued by the MA generally exclude projects involving state aid

Public Procurement

The DoC is the expert on public procurement matters in Malta and assists the MA on a regular basis through the provision of expertise in the matter. New legislation (Legal Notice 296 of 2010)⁹³ governing public procurement was introduced in May 2010 with the aim of increasing the overall strategic supervision of DoC as well as ensuring a more competitive and inclusive process. The new Regulations became effective as from 1st June 2010. The revisions include adjusted internal thresholds⁹⁴ and an increase in the devolution of functions in some instances to contracting authorities.

The responsibility of the Director of Contracts is to vet and publish tenders, vet tender evaluation reports prior to submission to the General Contracts Committee, as well as the drawing up of the actual contract and the signing of the contract on behalf of the Contracting Authority. During 2010 DoC⁹⁵ launched fifty four (54) procurement procedures of which thirty eight (38) procedures spilt over onto 2011. Ten (10) procedures launched in 2010 were re-issued during the year while eight (8) procedures were cancelled. This occurred either due to bids being above the estimated tender value or because the bidder was either administratively or technically non-compliant. In all during 2010, one hundred and fifty nine (159) contracts were successfully signed for ninety two (92) tenders launched.⁹⁶ The Department of Contracts is also responsible for certain issues arising post contract signature, in particular variations. The 2010 Regulations did not alter the provisions relating to variations, with anything exceeding the 5% of the awarded contract value still requiring the ex-ante approval of the Department.

During the year under review, DoC issued new contracting procedures⁹⁷ with the aim of providing better guidance to economic operators when submitting offers in response to call for tenders. These procedures also provide for solutions in cases of minor administrative failures, although no changes were made with respect to former provisions relating to technical compliance and the financial offer. The DoC has published on its website updated tender templates which should act as a template for tender documents for the procurement of works, supplies and services, also for those organisations managing their own procurement. In addition to these templates, DoC has also published a Manual of Procedures for members of the Evaluation Committees. This Manual is also available online, on the DoC website.

Circular 13/20 retained the departmental thresholds for EU funded tenders, although the new legislation (296/2010) did establish a new committee, i.e. Departmental Contracts Committee⁹⁸ which has the role to approve the Evaluation Committee recommendations prior to award of tender. In the case of departmental

⁹³ The new Public Procurement Regulations of 2010 were formally published in the Government Gazette on 20 May 2010 and a Circular (Contracts Circular No 13/2010) issued by DoC followed on 26 May 2010

⁹⁴ Circular 13/2010 retains previous thresholds for the purpose of EU funds

⁹⁵ Source of Data: DoC

⁹⁶ One should note that Contracts signed in 2010 include also tenders which were issued in the previous years. The number of tenders mentioned above refers to the Contract Reference Number. However there are instances where a Contract Reference Number includes a number of lots which require a separate Contract for each lot. The number of contracts signed includes contracts for different lots under the same CT reference

⁹⁷ These procedures were introduced through Contracts Circular No 11/2010 issued on 16 April 2010. However procedures were first announced during an information meeting held on 12 March 2010

⁹⁸ This committee is composed of the Director Corporate Services or his representative, an officer appointed by the Permanent Secretary and a representative of the Department of Contracts

tenders, contracting authorities manage their own procurement for tenders below €47,000 (excl VAT). During 2010 there were one hundred and thirteen (113) tenders of such departmental tenders launched and forty one (41) tenders re-issued during the year. The re-issued tenders, which also include multiple re-issuing of the same tender, were mainly due to under-estimated budgets which did not reflect market prices. This resulted in either financially non-compliant bids (in particular due to an increase in prices of imported raw material, hiked up costs of equipment and specific type of works, the effect of higher transport / commissioning costs when compared to the estimates) and in some instances lack of bidders (although the latter can also be attributable to lack of economies of scale). In all during the year there were one hundred and six (106) Departmental Contracts signed.

Those organisations not falling within the scope of the Public Procurement Regulations (primarily NGOs) are still required to follow the spirit of the Public Procurement Regulations in order to ensure that common procurement principles such as transparency and fair competition are upheld. During the year under review, NGOs issued a total of twenty five (25) procurement procedures, three (3) of which were cancelled (2 tenders were re-issued during the same year). As at end of year twenty two (22) contracts were successfully signed by the NGOs participating in the Programme. In the case of Beneficiaries benefitting from aid schemes, quotations are still a general requirement to ensure value for money of the approved project.

Environmental Legislation

The MA (and its IBs) rely on the advice and decisions taken by MEPA on all matters related to Environmental Impact Assessment (EIA) as well as environmental and planning permits. During 2010, the 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 MEPA with a view to monitor and track the progress of applications for environmental and planning permits, EIAs and authorisations as well as compliance issues.

In 2010, 34 planning applications under EU funded applications⁹⁹ were approved¹⁰⁰ and a total of seventeen (17) new applications were submitted. Out of the applications submitted in 2010, nine (9) applications were still pending as at end of year given that the applications required the endorsement of environmental studies which take considerable time to be prepared. MEPA also received a total of seventeen (17) requests from different local councils to enquire about prospective applications involving ERDF funds. Within this context, only one local council was required to apply for a permit.

Apart from direct support to the MA, in 2010, MEPA participated in the evaluation of the Environment and Energy Scheme Call administered by Malta Enterprise. As part of this process, one MEPA representative formed part of the scheme's Technical Evaluation Committee, providing advice and guidance on each application for which their input is relevant or those applications of concern. During the reporting period,

⁹⁹ These applications refer to ERDF and CF projects

¹⁰⁰ The approved applications refer to: 18 applications which were submitted in 2009; 6 applications which were submitted in 2008; 2 applications which were submitted in 2007; and 8 applications which were submitted in 2010

MEPA, together with the MA has also participated in a plenary meeting of the European Network of Environmental Authorities and Managing Authorities (ENEA-MA) held in October 2010, where issues concerning the integration of the environmental aspects within the Cohesion Policy framework are discussed.

Strategic Environmental Assessment (SEA) Regulations

OP I has been subjected to a SEA. The Environmental Report 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. Given the increased rate of implementation, an Environment Committee was set up by the MA in 2010, in accordance with the recommendations of the Strategic Environment Assessment of Malta's Operational Programmes 2007-13. The Committee, which is composed of officials from the MA, Office of the Prime Minister (OPM), MRRA, Malta Resources Authority (MRA) and MEPA, held its first meeting in October 2010. The Committee is responsible to assess, on an annual basis, the impact that OPI initiatives will have had on the trends and is tasked to provide recommendations to the MA on mitigating actions if and when this is required.

During the first meeting, the Chairperson gave an overview to all the Committee members on the tasks of the Committee, which mainly arise from the SEA undertaken on the OP in July 2006. A discussion ensued on the obligations emanating from the relevant Environmental Report and each member was informed on the data that would need to be gathered on the specific areas and on the feedback that would be expected in order for the analysis to take place. The forthcoming meetings will see the drafting and the conclusion of the first report. Since the implementation of the majority of the projects took off in full swing in 2010, it was considered more appropriate to have one report covering 2009 and 2010. The next meeting is due in Q1 2011.

02.3 Significant problems encountered and measures taken to overcome them

The implementation of the Programme has been mainly hindered due to delays experienced in three particular processes: the project selection process, the public procurement process, the planning and environmental permitting process. These processes have been a major concern throughout the Programme's implementation, with discussions to mitigate possible excessive delays held each year and measures being subsequently taken. 2010 was no exception and further measures were taken by the MA during the project selection process and by the DoC in the public procurement process, as part of the continuous efforts to improve programme efficiency. With regards to the financial aspect of the Programme, the payment flow is so far coping well, although the Statement of Expenditure procedure can be processed much faster.

02.3.1 Project Selection Process

The calls issued in 2010 were less in comparison to the amount of calls issued in previous years. The main reason was the pending conclusion of evaluations of three calls issued in 2009 (which spilled over to 2010). As expected the calls restricted to NGOs and Local Councils attracted considerable interest, also due to the support provided by Malta EU Steering Action Committee (MEUSAC) in the compilation of projects. The downside of this success was the fragmentation of the projects received as well as the volume of work created (when compared to the amount of funds available and the potential commitments arising from the conclusion of this evaluation). In fact in 2010 the PSC met fifty four (54) times (an increase of four meetings when compared with 2009). In order to pre-empt unnecessary delays, the PSC undertook some revisions in its procedures, however delays persist largely due to availability of the members of the Committee as well as the complex nature of the projects, often requiring multiple clarifications and or the compilation of additional data and / or changes in studies before they can be approved. On a positive note, although the project selection process is quite taxing on the system, still 2010 saw the closure of the evaluation of two calls out of a total six that were open, while an additional call was concluded in January 2011.

One should also note that during the year some delays were also experienced in the selection of operations under the state aid schemes. In the case of the Childcare Aid Scheme, apart from the limited experience in EU funding of the DSWS, the IB also misjudged the amount of interest that the scheme would attract. While in the case of the Aid Schemes administered by Malta Enterprise, delays arising from national decisions on issues related to the applicable feed-in-tariff (FIT)¹⁰¹ as well as the *untimely* re-organisation process within the IB itself (including the appointment of a new Project Leader for all ME schemes), lead to delays in the project selection process.

02.3.2 Public Procurement Process

The procurement process takes a substantial toll on the implementation of the programme. The centralisation of the procurement process without doubt creates backlogs at the various stages of the process with a number of months required from the vetting of tender by the Director of Contracts to the actual publication of the tender. Although centralisation inevitably causes delays, when considering the

¹⁰¹ Relevant to energy scheme and explained below

benefits of consistent quality assurance, this centralised system is still considered to have an overall positive impact on the implementation of the Programme.

A significant problem encountered during the year under review (but also in previous years) is the relatively high number of unsuccessful tendering procedures. In 2010 around 17 percent of the procedures launched were cancelled. One of the main reasons for an unsuccessful procedure was administratively non-compliant bids, often due to issues not considered critical to the core of the tendering process. This led to many appeals, compounding further the delays. In an effort to address this issue, in April 2010, the DoC issued revised contracting procedures which would allow the possibility of an additional two working days for the bidder to rectify its administrative compliance position instead of being eliminated from the tendering process. In addition, during the same year the Department published updated and simplified tender templates in order to reduce administrative errors by the economic operators. Whilst it is too early to assess whether the desired impact of the legislation will materialise, in the short term the change has been counterproductive, as no transition periods were established, resulting in Beneficiaries having to start again on new templates, even if they had almost concluded the compilation of the tender dossier on the old ones. The MA has drawn the attention of the DoC to seek to ensure, where possible, that such changes are phased in.

A considerable amount (approximately 25%) of unsuccessful tendering is due to financially non-compliant bids or lack of bidders. The reasons are the result of a complex interaction of a number of issues, including the territorial constraints of the market, despite the openness of the Maltese economy. The country's size limitation not only causes a problem at the economic operators' end but also at the Beneficiary and DoC side. Attempts at increasing capacity have been made and are still ongoing, however the availability of expertise on the Island is limited and anyone joining the process experiences a steep learning curve. Whilst in 2008 and 2009, the main bottlenecks were at the vetting and evaluation stages, in 2010 due to capacity issues at the Central Government Authority (made even more acute because of the many different procedures coming to a close at the same time), the main backlog was in the finalisation of contracts, with a number of weeks passing from the award of the contract to the actual signature by both parties. In particular such delay was felt in the implementation of projects submitted both under PA1 and PA6.

Lastly, one should note that procurement by the NGOs has presented challenges of its own especially due to the limited expertise available in the area. As a consequence the MA has sought to provide constant support and specific training was organised for these organisations.

02.3.3 Planning and Environmental Permitting Process

The planning process of large scale infrastructure necessitates a number of studies – in particular an *EIA* and a *Traffic Impact Statement* – and a consultation process with a number of stakeholders, including civil society stakeholders and citizens at large. In Malta the complexity of this process is compounded by its territorial profile and constraints with most planning procedures (even those which are not considered of national importance) are often contested by various stakeholders and, at times, end up becoming highly controversial issues. This contestation results in additional delays in the planning

and environmental permitting process. As a consequence this delay immediately impacts the procurement process given that tenders cannot be published without an approved planning permit.¹⁰²

Beneficiaries are well aware of the substantial time required for the issuance of the necessary development consent. In order to advance on time, Beneficiaries sometimes start the preparation of baseline studies prior to the contracting of the EIA and even consult MEPA to issue draft Terms of Reference (ToRs) until the Project Description Statement (PDS) is approved by the Authority and the final ToRs are issued. Once the EIA is approved by MEPA the necessary consultation needs to be undertaken leading to any revisions as deemed appropriate, following which the development consent process can start. In certain instances the Beneficiary seeks to pre-empt problems by holding consultations *a priori* with the relevant stakeholders, undertaking required changes to the plans prior to the start of the official consultation process.

Finally, same as in previous year, MEPA continued its co-operation with various Government Departments and Authorities, also through the High Level monitoring meetings in order to help the MA monitor implementation as well as provide guidance to Beneficiaries on how pending issues / showstoppers. Further information on the meeting is provided under Section 2.7.1.

02.3.4 The Payment Process

The payment process has, so far, failed to be the cause of major delays in the process. The only delays being registered in 2010 concern reimbursement requests related to salaries which requires many computations and is extremely time-consuming, however these were later on resolved and there was an improvement in the processing of these payments by end of year. There are some delays in the processing of payments under aid schemes however these are largely due to internal reasons and constraints within the IB, not the Treasury. Overall one can safely say that, at least for the time being, the Treasury is considerably well equipped with regard to capacity, seems to be coping well and provides solid and pragmatic guidance to Beneficiaries.

02.3.5 Specific Problems related to PA 4

Problems in 2010 were also encountered in the selection and implementation of energy efficiency and renewable energy projects under PA 4. The current Regulation (Article 55) establishes that revenue generation projects are subject to the funding gap methodology. Even though change in the Regulation sought to provide some simplifications to the Rule, EC Guidance Notes¹⁰³ still obliged managing Authorities to adhere to sound financial management principles, which in practice, still required Beneficiaries to present a feasibility study in order for the MA to ensure that the projects were receiving sufficient (but not unnecessary) funding. In 2010, the MA had sought clarifications from the Commission on the matter and the original interpretation was confirmed. This has resulted in a number of organisations, public and NGOs, in not being able to provide the relevant match funding and hence withdraw the project. Whilst it is clear that projects that have the potential to raise revenue should not be given public funds that can be obtained through other sources, this logic is not consistent with

¹⁰² Few exceptions have been made with the provision of a no objection letter in principle

¹⁰³ COCOF 07/0074/09 dated 30 November 2010

pressures being made to adopt Renewable Energy Sources (RES) and Energy Efficiency (EE) measures in the immediate term.

Another issue which delayed the implementation of RES projects approved under PA 4, including those approved under the aid scheme, is the national discussion and the development of the FIT policy. The policy was announced in July 2010 and subsequently the legal notice was issued in September. This has delayed the signature of Grant Agreements under the (State) Aid scheme, the domestic scheme as well as other project proposed by Government Entities/NGOs/Local Councils. Whilst this gave rise to delay in the preparation and finalisation of Grant Agreements, it is positive that the policy is now in place and operational and provides a bigger incentive for Beneficiaries to undertake such investments.

02.4 Changes in the context of the Operational Programme implementation

The global recession brought about by difficulties in the world financial markets continued to give rise to a number of challenges, with the impact being felt in a number of sectors of the Maltese economy, but mainly in tourism, manufacturing, and the labour market sectors. As a result, these challenges required a rapid and concrete response from Government in order to counter act the impact felt on the whole Maltese economy.

In general the international economic crisis had a negative impact on the project implementation process resulting in difficulties both at the Beneficiary's and the Contractor's side. The crisis also caused concern with regard to the disposal of public finances. Within this context and the observed limitations, same as in previous years, the Maltese Authorities continued introducing a series of active measures, financed through both National and Cohesion Policy resources in order to mitigate the impact of the crisis on the local economy. The aim of these measures is to sustain and boost investments in order to continue generating economic growth and jobs. With this concept in mind, the Maltese Authorities, through the OP, allocated additional funds in order to increase the support to enterprises, with particular attention given to SMEs in particular micro-enterprises.

In this respect, the MA has approved an additional €5 million (to a total value of €10 million) to be allocated to the JEREMIE initiative and thus further facilitate SME access to finance. An additional €5 million (to a total value of €15 million) was also allocated to the ERDF Energy Aid Scheme.¹⁰⁴ This increase in resources will provide further assistance to enterprises to invest in energy efficiency and renewable energy solutions in line with the national and EU targets. Additional funds will, in the short term, leverage additional private funds in energy efficiency and renewable energy projects and improve business sentiment, while in the long term, ensure that the Maltese enterprises will be a step ahead once Europe comes out of the recession. Furthermore, during 2010 a number of changes were proposed to the targets of output and result indicators in order to reflect an increase in the allocation to aid schemes. These changes were presented to the MC of May 2010 as outlined under section 2.1.1 of this report. Similar to what was reported in previous years, in 2010, the Maltese Authorities continued to provide pre-financing arrangement for payments – including to Local Councils and NGOs – in order to mitigate delays arising from possible cash flow problems.¹⁰⁵

¹⁰⁴ AIR 2009 erroneously stated that the MA had approved additional funds to the ERDF Energy Aid Scheme. Instead € 5 million allocated to ERDF Energy Aid Scheme were approved in January 2010, decreasing the additional funds approved for Aid Schemes in 2009 to € 7 million from € 12 million

¹⁰⁵ The pre-financing arrangement for payments is not applicable to Aid Schemes implemented under Article 107 of the Treaty

02.5 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.

However, during the course of 2010, one IB was faced with a possible case involving Article 57 and requested the guidance of the MA. One of the Beneficiaries of the ERDF Energy Scheme was concerned with the fact that the company benefitting from a grant was eventually split into two companies owned by the original two owners. The MA proposed a set of clarification queries which the IB could ask in an effort to make a case to establish the correct application of Article 57. As at end 2010, the IB was still in the process of gathering the necessary information. The MA is closely monitoring the situation.

02.6 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 European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF), the interventions undertaken by 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 related infrastructure, research and enterprise support.

The PPCD has the overall responsibility for the co-ordination of all Cohesion Policy instruments, including European Territorial Co-operation (ETC[i]) programmes. The same Department 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 ultimately aim to ensure that there is no duplication in the activities funded.

02.6.1 Structures

The OPI (Section 5.4.6) 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. During 2010, the MA has continued to strengthen strategic co-ordination between the different EU funded Programmes and Initiatives dealing with Infrastructure Programmes through the Inter-Ministerial Co-ordination Committee (IMCC) on EU Infrastructure and Productive Funding Programmes which met on the 13th September 2010. One should note that the IMCC is chaired by Head OP I. Through this meeting, the MA further ensured synergy and complementarity between the different initiatives, the 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 addition, each Fund / Programme / Initiative representative on the Committee provides a list of the projects which in itself is a desirable exchange of information as it enhances awareness and knowledge of what the different Programmes are financing, minimizes the risk of double-financing while ensuring complementarity. The list includes details such as name of Beneficiary, a short project description, project time-frame, total project value and amount of EU co-financing given. Members present during the IMCC of September 2010 included IBs and representatives of the following Programmes: ESF; OPI representative; European Territorial Programmes; EFF, EAFRD; Trans-European Network Energy; Trans-European Network Transport; Life+ Programme; Competitiveness and Innovation Framework Programme (CIP); Marco Polo II; The Seventh Framework Programme; Migration and Asylum Programmes; Malta Enterprise Grant Schemes; and Grant Scheme for Childcare facilities. Members representing Grant Scheme for Sustainable Tourism Projects and URBACT II programme were excused.

During the IMCC meeting of 2010 the Chairperson gave a brief overview of the functions of the Committee for the benefit of the new appointed representatives. A strong emphasis was made on the main aim of the meeting which is to ensure that complementarity takes place and no overlaps between funds occur. The meeting continued with a discussion of the list of approved projects falling under their respective Programmes and Initiatives. This list was compiled by the Members themselves and circulated before the IMCC. The Committee Members couldn't identify any overlaps. Members having programmes which can possibly overlap with others were encouraged to discuss directly with each other to identify any overlaps and if these are present to take the necessary measures to rectify the situation with the Committee being kept informed. One should note that with respect to aid schemes, where the risk of overlaps is deemed to be higher, there is an additional discussion through the IB Network (vide Section 2.1.1). The IMCC on EU Infrastructure and Productive Funding Programmes was convened again in February 2011 and an additional meeting will be held during the last quarter of the year.

02.6.2 Complementarity and consistency between different financial instruments

ERDF and CF

OPI is co-financed by both the ERDF and the CF with five (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 major infrastructure in the transport and environment sectors. The CF is financing the TEN-T transport infrastructure in both the road and maritime sector. The ERDF is not co-financing maritime infrastructure in any of the TEN-T ports. With regard to roads, unlike the ERDF 04-06 (which also co-funded TEN-T infrastructure), the ERDF 07-13 is intervening to a limited extent in road infrastructure (however 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 through 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 investments in the human resource under ESF through the implementation of OPII. Complementarities and synergies are particularly visible in those areas addressing education, training, employment, childcare and health. In this regard, during 2010 OPI (under Priority Axes 1 and 6) has approved three infrastructural projects. One project includes the development of an e-Learning solution and the supply of interactive whiteboards both to primary and secondary schools.¹⁰⁶ Another involves the construction of premises for the Institute of Applied Science and the Institute of Business and Commerce and the equipping of the same with modern teaching resources and equipment at MCAST.¹⁰⁷ The other project involves the construction of a Design and Technology Workshop, gym/dance studio and sport facilities.¹⁰⁸ These projects complement actions under OPII particularly in the areas of education and employment.

ERDF and EAFRD / EFF

The agriculture and fisheries sectors have been separated from mainstream Cohesion Policy under the 2007-2013 Programmes. The sectors are 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. A formal network, i.e. the IB Network (as further explained under Section 2.1.1), 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 formal network, are invited on ad-hoc basis to discuss issues requiring their input.

During the IB network meeting held in 2010, demarcation issues regarding possible overlaps between Measure 313 '*Encouragement of tourism activities*' of the Rural Development Programme (RDP) and the TSDU Scheme under ERDF were discussed between the MA (OP I) and the MA (EAFRD). The network finally concluded that it is highly unlikely that demarcation issues between the two Programmes will arise, as agri-tourism projects do not fall within the remit of TSDU.

Another potential overlap was hinted between Measure 123 '*Adding value to agricultural products*' of the RDP financed through EAFRD and Malta Enterprise schemes. RDP supports enterprises using Annex 1 input¹⁰⁹ and investments related to quality certification, traditionality, cottage industry and new market outlets. ERDF supports investments for innovation in the production chain across the whole manufacturing sector through horizontal aid schemes and it is not linked to specific sectors/products. Consequently, it was concluded that support for investments aimed at increasing the efficiency of the general operations of the enterprise, if not contributing to the above mentioned objectives under Measure 123, will not be eligible under the said measure but will be eligible under ERDF.

In addition, under OP I, PA 2 might also overlap with Measure 323 '*Conservation and upgrading of the rural heritage*' of the RDP. This measure supports the drawing up of management plans for Natura 2000 sites. ERDF supports the implementation of management plans considered important in

¹⁰⁶ ERDF 159 eServices: Accessibility for all (eXS4ALL)

¹⁰⁷ ERDF 164 Masterplan: development of Applied Science and Business and Commerce Institutes

¹⁰⁸ ERDF 189 Educational Infrastructure Development at Bishops' Conservatory Secondary School – Phase II

¹⁰⁹ Annex I referred to in Article 32 (ex-38) of the EC Treaty

communities that are dependant on tourism and are related to areas identified as Tourism Zones. Measure 323 supports investments on heritage sites of lesser grandeur than world heritage sites that are located in rural areas, which have a clear association with the rural environment, and where the rehabilitation of such sites contributes to the upgrading of the surrounding rural area. ERDF supports investments in urban areas, and will only support investments in rural areas if associated with world heritage sites or sites of national importance. Due to the above, the MA for EAFRD and that for ERDF have made a commitment to consult each other before approving projects, wherever a potential for overlap is perceived.

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

During the 2007-2013 programming period Malta is also benefitting from a number of Community Programmes. Of particular relevance to OPI are: 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. So far no overlaps have been identified 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. This has also been confirmed during the IMCC meeting for Infrastructure held on 13th September 2010 from the circulated list of approved projects.

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 and are involved in the JEREMIE Investment Board through the relevant Ministry representative.

On the 21st April 2010, OPI also attended an information event organised by the CIP Malta National Contact Point, in collaboration with MEUSAC, on the Intelligent Energy Europe (IEE) Call for Proposals. The presence of the MA during this event was to ascertain itself that no potential overlaps exist between the IEE call for proposals and the calls for proposals under PA 4. During the event, local entities benefiting from IEE funding have put forward some examples of best practices explaining what their project entails and what the tangible benefits are.

OPI and EIB

As at end 2010 the EIB was providing its assistance to one Major project CF 116 co-funded under OPI. One should note the EIB assistance is largely being done through the JASPERS initiative as explained above.

ERDF and other financial instruments

Further to the financial resources commonly used to finance the implementation of projects, in particular national funds, Beneficiary's own resources, private resources and EIB loans, the MA approved a PPP in order to make possible the financing of the operation of a project approved under PA 2 'Promoting Sustainable Tourism'. The competitive dialogue procedure to adjudicate the PPP was still underway in 2010. JASPERS assisted in the complex procurement procedure. In 2010 Malta confirmed its intention

to launch JEREMIE and to appoint the European Investment Fund (EIF) as the Holding Fund Manager. On the 25th March 2010, the Hon Minister for Finance, Economy and Investment and the President of the EIF signed the Funding Agreement which formalised the allocation from the OP of €10 million to the Holding Fund. This will see a portfolio of circa €51.8 million created through ERDF, national public and private resources for the benefit of enterprises.

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

02.7 Monitoring, Reporting and Evaluation

02.7.1 Monitoring and Reporting by the MA

The setting up of an effective and efficient monitoring system ensures the adequate implementation of the OPs. In accordance with Article 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). Same as in previous years, the MA continued to carry out its intense monitoring activity of the programme, making full use of all the means and resources at its disposal, in particular:

Structural Funds Database 2007 – 13

Throughout 2010, the Structural Funds Database Unit focused on increasing and improving the features of the management information system whilst at the same time providing an efficient user support level. The SFD Core Group¹¹⁰ met consistently during the year to prioritise the tasks, discuss the work programme and monitor the status of the development. In addition, regular meetings were held with the respective stakeholders depending on the module under development.¹¹¹

During the year under review, a number of modules were introduced in the Structural Funds Database 2007-13 (SFD 07-13). These refer to the Irregularities and Adjustments modules; the Annex III: Data on Operations and Debtor's ledger modules; and the Indicators and Annex XXIII: Data on Participants modules. In early 2010, the *Irregularities and Adjustments modules* were released. The Irregularities module gives the possibility for stakeholders to record irregularities but also monitor the progress on the irregularity. The adjustment module provides the facility to the Financial Control Unit within the MA to make financial adjustments within projects. These adjustments could be either due to an irregularity (e.g. payments which should not have been effected) or financial changes within the system which although may not necessarily be classified as irregular, a financial adjustment may still be required (e.g. a payment processed under the wrong component).

Following the AA's System Audit Report¹¹², the *Annex III: Data on Operations'* and the *Debtor's ledger* was developed. The Data on Operations report required new fields to be captured as well as data related to On the Spot checks. The Debtor's Ledger used data collected from the Irregularities and Debtor's Ledger module. New development also took place related to the Treasury's separate application in order to be able to reconcile payments made from the SFD 07-13 with the Government's Departmental Accounting System (DAS).

Following a need indicated by both Operational Programme units, the *Indicators and Annex XXIII: Data on Participants modules* were updated to a new version in April 2010, which has also resulted in a direct involvement of the evaluation unit within the MA in the monitoring of indicators. In the case of the

¹¹⁰ The SFD Core Group is composed of the CIO OPM, representatives of the MA, the SFD unit and the system's software engineer

¹¹¹ For example, in the case of the Irregularities module development, meetings were held with the MA (with representatives of the Financial Control Unit and experienced managers), the CA, the Treasury (with the officers who receive the funds returned by the Beneficiary) and the AA

¹¹² In April 2010, the IAID presented the findings of the Systems Audit on the MA in its report covering both OPI and OPII

Annex XXIII module, this module captures information which will be of particular benefit to OP II but also to ERDF projects that have ESF expenditure approved within the project.

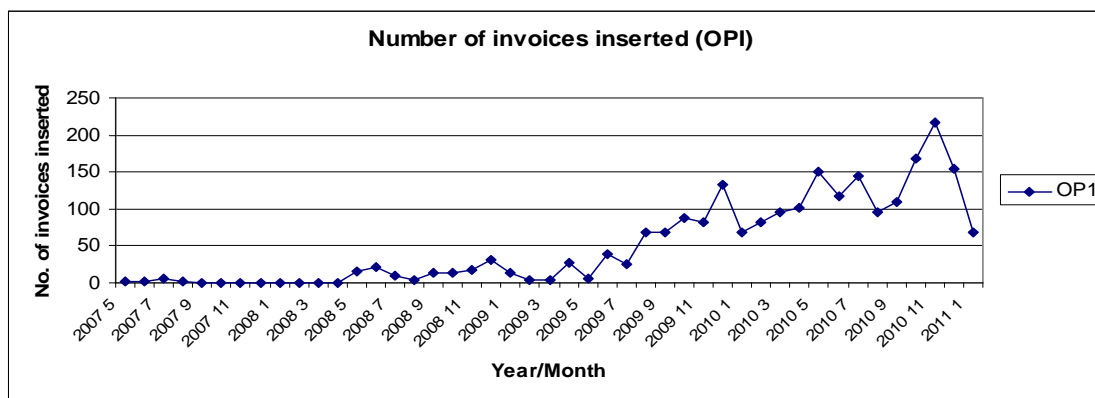
The development team also focused on new reporting facilities. Two new reports were designed for the Financial Control Unit: one related to the sampling of the Statement of Expenditures and the other one on the invoices within the system. A report on the *Priority Axis expenditure* and the *Project expenditure* were developed to aid the MA in monitoring the projects' and Priority Axes' expenditure. A report on the *rejection of invoices* was also developed. This report has two levels: at a project level, the user is able to compare the rejection rate of a project's invoices with other projects in the database; whilst at an invoice level, the user would have useful information and the reason as to why the invoice was rejected. Another report that was developed is the *Detailed Invoices Report* which gathers data related to an invoice. The user first selects a number of search criteria, and then the report would list data in over 28 different columns related to the invoices, together with the totals at project, Priority Axis and Fund level when requested by the user. A number of these reporting modules and reports were concluded in late 2010 and released in February 2011.

Two MA circulars were released upon the initiative of the SFD Unit. MA Circular 3/2010 relates to the Data Protection Act and MA Circular 05/2010 relates to the SFD Train the Trainers programme, as also outlined under section 2.1.1 '*Further Guidance on Implementation*'. During 2010, training sessions for new Beneficiaries were organised, whilst experienced Beneficiaries and IBs were invited for intermediate level sessions in order to make better use of the system and cover new modules that have been released. During the year, six (6) Train the Trainer sessions¹¹³ at Beneficiary and LM level were organised. Another four (4) sessions were organised to train the MA users on the newly released modules. Similar to previous years, the user guides, frequently asked questions and knowledge based articles were regularly updated. Usage of the system also increased during the year. The following diagram illustrates the number of newly inserted invoices¹¹⁴ under the OP which gives an indication of the usage of the system by the users. As expected the peak time was in November (the month before the Government accounts are closed for the financial year 2010).

¹¹³ Covering both OPI and OPII

¹¹⁴ Including adjustments

Figure 1 - Number of invoices inserted (OPI)



Day-to-Day

The desk-officer approach adopted by the MA has been sustained during 2010. Given that the Programme is now well into implementation, the importance of daily monitoring has continued to increase throughout 2010. In this regard, 2010 saw an increase in the number of on-the-spot checks carried out.¹¹⁵ Although the purpose of OTS is not monitoring, it is clear that a thorough check of the relevant project documents as well as on site visits are very beneficial to the monitoring capacity. Daily monitoring, both formal and informal, is carried out via emails, phone calls and meetings with updates provided on a weekly basis recording any issues encountered, follow-up needed and the action required by the relevant stakeholders. This has allowed officers within the OPI unit to keep a close eye on the implementation of the project/scheme; to report regularly on progress and to bring promptly to the attention of senior staff any issues which might compromise implementation time frames. In addition day to day monitoring is also done via the SFD 07-13 where officers are not only able to monitor the contracting and disbursement progress but also progress on indicators, as was explained above.

Project Progress Reporting

On a more formal level, during 2010, Beneficiaries continued to formally submit a Project Progress Report (PPR) to the MA. The PPR is an essential monitoring tool designed with a specific template to ensure the continuous availability of reliable project data. This report, which is endorsed also by the relevant Line Ministry, is submitted by the Beneficiary every four (4) months¹¹⁶ and collates updated information and achievements with regard to: physical progress; implementation of project activities; contracting; disbursements; indicators; and publicity measures undertaken during the reporting period. In addition the report highlights any risk factors and relevant mitigation measures undertaken / planned.

Throughout 2010, dates for the circulation and collection of PPR Reports were fixed and agreed upon by both Units (i.e. OP I & II) to ensure a common approach in the management of this exercise. As part

¹¹⁵ Sixty three (63) Documentary and sixteen (16) Physical on the spot checks reports were carried out by the MA during 2010 of which fifty five (55) on the spot checks were concluded as at end of year. This data excludes any Follow up checks conducted by year end.

¹¹⁶ The reporting period are January-April, May-August and September-December.

of the continuous effort to enhance as well as simplify reporting procedures, MA desk officers were invited to provide their recommendations on findings from previous PPRs which led to a revision of the PPR Template subsequently circulated to stakeholders in April 2010. Minor changes were made to the sections regarding Project Intervention Codes, Pending & Forecasted Invoices and Publicity.

Two (2) training seminars were held during the year with focus on the compilation of the PPR and which were of particular benefit to new Beneficiaries. A training session was held on the 29th March and was restricted to NGOs and Social Partners. The second session was held on the 27th July addressing all stakeholders with the exception of NGOs and Social Partners, but including Local Councils. Representatives of Line Ministries were also invited at PPCD for an information session on the 12th April 2010 for an informal briefing on the compilation of the PPR, following the revisions. During 2010, 175 project progress reports were received for review: 54 reports for the period September-December 2009 (received in January 2010); 59 reports for the period January-April 2010; 62 reports for the period May-August 2010. It is worth noting that, during the year under review, the MA worked with the SFD team to seek to make most of the data related to this reporting, available using the electronic system.

Ministerial Project Steering Committee (MPSC)

During 2010, the Ministerial Project Steering Committee within each Line Ministry continued to monitor projects under the respective portfolio. In this context, the MA encouraged Line Ministries to hold regular meetings in order to track project progress and deal with arising issues that might be hindering project progress. This monitoring, in turn, facilitates the programme management at the MA level. In 2010 two Committees were set up, in addition to those already set up in 2009.¹¹⁷ There were twenty-two (22)¹¹⁸ sessions held in 2010 with regard to OPI. A number of emails were sent by the MA urging Line Ministries to hold more meetings. In relation to Ministry for Education Culture Youth and Sports (MEDC) and MSOC (Ministry for Social Policy) Ministerial Project Steering Committees (MPSCs), in February 2010, due to changes in ministerial portfolio, a new Committee was constituted.¹¹⁹

Intermediate Bodies Steering Committees

A Steering Committee, one for each IB, was set up as per Article 11.2 of the Covenants¹²⁰ signed for each Aid Scheme between the MA and the different IBs. The objective of these Committees is to complement other fora where aid schemes are discussed and to give the MA and IB yet another opportunity to catch up on issues related to the scheme (a kind of sub-committee of the MPSC focused solely on the aid scheme). Both the MA and the Line Ministries are invited as observers to the Committee in order to support the IB on the issues raised.

In 2010, Malta Enterprise held two IBSC meetings on the 14th October and on the 20th December 2010 respectively. During these meetings an update on all the Aid Schemes administered by Malta Enterprise were presented. The issues discussed concerned the possibility of improving the evaluation process of calls, the status of Call 3 and issues concerning the payment process. DSWS also held two

¹¹⁷ In all nine Committees were set up: MFEI, MSOC, MEDC, MRRRA, MGOZ, MITC, OPM, MHEC and OPM (Tourism) .

¹¹⁸ In 2010, a further 2 meetings were held under the MFEI MPSC.

¹¹⁹ The last meeting for either of these 2 MPSCs in 2010 held on the 20 December 2010 was a partial meeting.

¹²⁰ A covenant was signed for each ERDF Aid Scheme.

IBSC meetings on the 12th February and on the 20th October 2010. These meetings mainly discussed general issues related to the administration of the scheme. Both meetings were chaired by Dr Sandra Hili Vassallo, Director (DSWS) and Project Leader of the Aid Scheme. On the other hand TSDU did not set an IBSC meeting during the year. However one should note that although a formal IBSC was not conducted, the IB, the MA and the LM met on a monthly meeting organised by the Permanent Secretary to discuss progress of the scheme.

High Level Meetings

During 2010, the Principle Permanent Secretary (PPS) continued to chair High Level monitoring meetings which had been initiated in 2008 when delays in the implementation process became apparent. These meetings continued to prove to be effective in ensuring that causes of delay in the projects¹²¹ 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. These issues are discussed at the meeting with relevant stakeholders who are invited to attend depending on the nature of the issues being raised. During 2010 the meetings were held on a monthly basis¹²² in an effort to monitor projects more closely. During the year, forty four (44) projects were reviewed in depth, with some projects being reviewed more than once, and with an average of eleven (11) projects being discussed in each meeting.

Cabinet

As a means to further monitor the implementation of the OP at a more strategic level, during 2010, the Cabinet of Ministers continued to report on progress achieved on projects within their Ministry's remit. In this regard, meetings were held in February and May 2010.¹²³ The combination of the High Level meetings and the Cabinet reporting continues to ensure that any issues are brought to the attention of the relevant decision makers and decisions are taken.

02.7.2 Monitoring Committee

Following from previous implementation updates, during 2010, the members of the MC were informed by the Secretariat of the Committee about the finalisation of the Agreement with the European Investment Fund (EIF) for the establishment of JEREMIE in Malta. The note, seeking the members' endorsement, recalled that in accordance with Article 44 (b) (i) of Council Regulation (EC) No. 1083/2006, the Member State may decide to implement financial engineering through a direct contribution to the EIF.

In the course of 2010, the MC was convened twice: on 20th May and 17th November. The items discussed during the May MC meeting included:

- A presentation on the AIR for 2009;

¹²¹ These causes are outlined under Section 2.3.

¹²² With the exception of January and August 2010

¹²³ This practice had started in 2009.

- An overview of the progress achieved from end December 2009 to the meeting date;
- Changes in the TA financial plan¹²⁴;
- The proposed changes to the OP as outlined in Section 2.1.1;
- An update on the implementation of the communication plan together with an overview of some publicity activities to be held in 2010. A number of proposals for the review of the Communication Plan were also introduced to the Members;¹²⁵
- A presentation¹²⁶ on the main features of the Mid-Term Evaluation with a summary of what was planned to be achieved; as well as
- An overview of Annual Control Report and the unqualified opinion approved by DG Regional Policy and DG Employment on the 22nd February 2010 and 9th March 2010 respectively. Within this context, MC Members were informed on the AA¹²⁷ conclusions included in the report according to which the management and control systems of the OPs function well and only minor improvements were needed.

During the days following the May MC, the revised AIR (2009) was re-circulated to the members for approval, inclusive of a note denoting the main changes effected since its first circulation for members' ease of reference. Together with the report, the changes to the OP were also re-circulated with a view to allow the members extra time for review. The selection criteria for the JEREMIE were also re-distributed incorporating the changes presented during the MC meeting together with the recommendations of the EIF. All of the mentioned documents were approved by the members.¹²⁸

The second meeting of the MC, which took place in November 2010, presented:

- An update on physical and financial progress of the programme; and

¹²⁴ The changes in TA budget involved: an increase under the implementation of Cohesion Policy Component; a decrease in allocation under furniture and equipment, capacity building, evaluation and the information and publicity components.

¹²⁵ The MA informed MC Members that formal changes of the Communication Plan will be presented to EC following the outcome of the mid-term evaluation which would also assess the effectiveness of the Plan and make recommendations.

¹²⁶ This presentation was carried out by one of the evaluators of the KPMG, i.e. the service provider.

¹²⁷ The IAID

¹²⁸ The AIR 2009 and the changes to the OP were circulated amongst the members of the MC for approval by written procedure on 26th May. In the absence of further comments, both the report and the OP changes were approved by the MC on 9th June. Due to technical hurdles with the uploading of the AIR 2009 via SFC, the report was submitted to the EC on 1st July and deemed admissible on 12th July. 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 25th August 2010. As regards the modification of the OP, the MA, also via SFC on 10th August 2010, informed the EC that in line with the discussion held during the May MC and within the context of Article 33 of Regulation 1086/2006 where the changes approved by the MC do not constitute a change in the strategic direction of the OP, the submission of the changes for the ECs acceptance will be delayed to a later stage. Notwithstanding this, the MA clarified that it will continue with the implementation of the Programme. The MA also re-iterated the undertaking of a Mid-Term Evaluation exercise as envisaged under the Evaluation Plan for Cohesion Policy 2007-2013 out of which further changes to the OP might be forthcoming. Therefore the MA proposed the submission of the May's approved changes together with any other arising from the evaluation exercise after the latter ones would have been approved by the MC. The Commission agreed to the MAs proposal via letter dated 10 September 2010. The JEREMIE criteria, re-circulated for adoption via written procedure on 8 June 2010 were adopted with no objections on 21 June 2010.

- A specific update on the Major Projects¹²⁹ (a more detailed description of the Major Projects can be found in Chapter 4).

A slightly revised version of the ToR and Rules of Procedure has been approved by the Members.

As in the three previous years, the MC meetings were well attended in 2010 and they 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. All the presentations are available on http://www.ppcd.gov.mt/monitoring_committees_all_funds.

02.7.3 Annual Review Meeting

There was no real need to hold a formal annual meeting with the Commission in 2010, however informal discussions as well as site visits were held on the fringes of both MCs and both sides were in continuous contact via telephone calls, electronic correspondence and letters. On the fringes of the May MC, a site visit was carried out on CF 116 Malta South Sewage Treatment Infrastructure,¹³⁰ at that time being largest the project at such an advanced stage of implementation. The same project was visited again by the EC representative in November together with two University of Malta projects – ERDF 012 Developing an Interdisciplinary Material Testing and Rapid Prototyping R&D Facility and ERDF 064 Construction and Equipping of University Computing Services Centre Building; as well as an NGO project ERDF 155 Construction of Main Exhibition Hangar & Run Off Reservoir.

02.7.4 Evaluation

During the second quarter of 2010, the tender for the Mid-Term Evaluation was awarded to KPMG. OP I MC members were provided with an overview of the overall approach, methodology and proposed work plan during the MC meeting held on 20th May 2010. The bulk of the mid-term evaluation tasks during 2010 revolved around the collection of data via various research methods which included:

- A preparatory meeting in April with the participation of the key expert and project manager as nominated in KPMG's technical offer and the MA's representatives. The cut-off date for the purposes of the mid-term was agreed at this meeting and set at the 30th April 2010.
- The drawing up of the Inception Report by the evaluators and its acceptance by the MA.¹³¹
- A kick-off workshop in May 2010 in order to inform the stakeholders about the intended methodology, approach and timeframes for the evaluation process.
- A number of consultations held during the year with the MA in order to further analyse what data was to be collected and to devise a number of data collection templates such as the data request sheet and the capacity, capability and cost sheet.
- A survey questionnaire, addressed to all Beneficiaries, with the aim of obtaining additional insight into various factors relevant to the evaluation criteria as set out in the ToRs. The survey was available online from 27th September to 15th October 2010.

¹²⁹ A specific update was done on all major projects submitted to the Commission as at 2010, i.e. CF 116, CF 117 and CF 118

¹³⁰ A CF 2004-2006 project was also visited on the same day.

¹³¹ Which in itself lasted from 12th April to 6th September 2010

- A total of 26 beneficiaries of mainstream projects co-financed through OP I were selected for consultation during the course of the MTE. Interviews were scheduled between 10th November up to 2nd December 2010.
- Other consultations carried out with a number of senior policy executives from across Line Ministries and senior executives of the Malta Council for Science & Technology as well as Malta Enterprise for the purpose of addressing the evaluation criteria of relevance.
- Three consultation meetings, held during December 2010 and January 2011 with the Department of Contracts (DoC), the Malta Environment and Planning Authority (MEPA) and Treasury.¹³²
- Additional expenditure data as at the end of December 2010 was collected from the MA and reflected in the analysis.

Due to a number of reasons, not least the delays in agreeing on the Inception Report, the implementation of this contract went well into Q1 2011 and a presentation of the report is expected at the first MC in 2011.

In addition to the Mid-Term Evaluation, the MA participated in a number of other evaluations undertaken by DG Regio namely:

- Expert Evaluation Network led by Ismeri Europa Consultants, focusing on the performance of innovation policy. Three interviews were conducted by the evaluators with twelve (12) representatives from different entities together with six (6) representatives from the MA between 4th and 6th August 2010;
- Study about Cohesion Policy and Sustainable Development led by Institute for Ecological Economy Research. During October, six telephone interviews and two written questionnaires were held with representatives from the MA and from different beneficiaries;
- Mid-Term Evaluation of the JEREMIE Initiative led by European Investment Bank. For this evaluation a telephone interview was conducted with DG PPCD on 14th October 2010.
- Project Impact Assessments – EU Structural and Cohesion Funds led by TNO Innovation & Ruimte. During May 2010 a list of ex-ante and ex-post studies at project level, relevant to the study, were forwarded to the evaluator.

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

¹³² An internal factors workshop, held on 14th January 2011 with a number of horizontal stakeholders such as Line Ministries, DoC, MEPA and Treasury etc in order to present the key findings of the MTE and elicit feedback thereon, with a view to explore potential solutions to the issues discussed.

03. Implementation by Priority

03.1 Priority Axis 1 - Enhancing Knowledge and Innovation

03.1.1 Achievement of targets and analysis of the progress

Priority Axis (PA) 1 is the primary Axis within OPI which contributes towards the achievement of the Lisbon objectives of economic growth and job creation. Various interventions currently being implemented under this Axis are aimed at reinforcing and restructuring existing industries as well as channelling new public and private investments to the *Lisbon earmarked categories* of research and innovation. By the end of 2010, a total of fifteen(15) projects¹³³, six(6) Aid Schemes¹³⁴ and one(1) financial engineering instrument (JEREMIE), were approved and are being implemented under this Axis.

The fifteen (15) projects currently under implementation address two different focus areas of the Axis: three (3) projects¹³⁵ fall under the focus area *Enterprise Infrastructure*, whilst the remaining twelve (12)¹³⁶ projects fall under the focus area *Investment in RTDi and RTDi related infrastructure and ICT*. During 2010, significant progress was registered in terms of the implementation of these projects on the ground. In fact, two (2) projects, *ERDF 076 - Refurbishing the Signal Processing Laboratory within the Department of CCE* and *ERDF 80- A Super Computer for the University of Malta*, have been completed and the majority¹³⁷ of the remaining projects are nearing completion with most of the tenders forming part therein having been launched and / or awarded.

Manufacturing and Service industries are also benefitting from funds within this Axis. In fact, the Manufacturing and Services sector is benefitting from six(6) Aid Schemes (implemented under Article 107 of the Treaty) namely Small Start-ups, Innovative Actions targeting Innovation, Innovative Actions targeting the Environment, e-Business Development, Research & Development, and International Competitiveness. These (grant) schemes are being implemented by Malta Enterprise (ME) as the designated IB. As at end of 2010, two hundred sixty two (262) GAs¹³⁸ were signed between ME and Beneficiaries, committing €16,568,322.75 from the €27 million available under this Axis for these schemes. By the end of 2010, thirty seven (37)¹³⁹ of the projects financed through the schemes had been completed.

¹³³ These include ERDF 001,11,12,17,18,76,77,78,79,80,81,82,83,87,199. It is worth noting that former ERDF004 and ERDF084 have been amalgamated under one project namely ERDF199.

¹³⁴ As per Article 107 of the Treaty

¹³⁵ ERDF001 "Upgrading & Embellishment of Industrial Estates"; ERDF87 "Developing National Metrology Capacity in Support of Industry"; ERDF199 "Setting up a Life Sciences Centre".

¹³⁶ ERDF 11, 12,17,18,76,77,78,79,80,81,82,83,

¹³⁷ 57% of the Projects approved under Axis 1 (8 of the 14 projects).

¹³⁸ ERDF 127: 26 GAs, ERDF 128: 61 GA's, ERDF 129: 58 GAs, ERDF 130: 17 GAs, ERDF 134: 100 GAs

¹³⁹ ERDF 128 (Innovation) – 22 operations completed; ERDF 128 (Environment) – 5 operations completed; ERDF 134 (International Competitiveness) – 9 operations completed

In order to complement the investment in research and innovation in the public sector and the grant operations in the private sector, the OP provides for a new instrument of financial engineering which Malta is implementing with the support of the EIF. The JEREMIE financial engineering instrument was officially launched in March 2010,¹⁴⁰ following the conclusion of the discussions held during 2009, and provides for a Holding Fund amounting to €10,000,000 aimed at improving access to finance for the development of micro, small and medium-sized enterprises and resulting in a portfolio of circa €51.8 million created through ERDF, national public and private resources for the benefit of enterprises. An Investment Board was subsequently set up in April 2010¹⁴¹ as part of the Funding Agreement to act as an interlocutor to the EIF on matters related to the instrument. A Call for Expression of Interest to select Financial Intermediaries was launched by the EIF on the 14th September 2010 and closed on the 15th of November 2010. As at end 2010, an assessment of the proposals received was still ongoing. The assessment of the proposals including the negotiation and signature of Operational Agreements with a Financial Intermediary is expected to be concluded by beginning of Q2 2011.

During the course of 2010, the MA did not issue any calls under this Axis, however, a call is planned in 2011. On the other hand, the IB published six (6) calls, one for each of the following schemes: ERDF Small Start-Up, International Competitiveness, E-Business, Research and Development, Innovation Actions (Innovation) and Innovation Actions (Environment).¹⁴² The total budget made available for these six (6) schemes during 2010 amounted to approximately € 11.4 million.¹⁴³

03.1.2 Information on the physical and financial progress

Physical progress

Considerable progress was registered in terms of implementation on the ground, mostly in the finalisation of the procurement process. In fact during 2010, forty (40) tenders of the seventy six (76) tenders published in 2009 were re-issued in 2010; this was mainly due to the submission of over budgeted bids or because no bids were received. In addition to these re-issued tenders, sixty (60) new tenders were launched on the market during 2010. This led to two hundred and nine (209) contracts being signed by the end of 2010, resulting in the delivery of equipment installed in the various laboratories at the University of Malta, providing further research capacity in the Health sector as well as, Engineering, Information, Communications & Technology (ICT) and Metrology. Four (4) major works tender were amongst the contracts signed and works have commenced on the building of a new ICT Faculty at the University of Malta and the upgrading and embellishment of the Hal-Far Industrial Estate.

¹⁴⁰ The Ministry of Finance, the Economy and Investment (MFEI) signed the JEREMIE Funding Agreement with the European Investment Fund on the 25th March 2010.

¹⁴¹ The first Investment Board meeting being held on 4th June 2010.

¹⁴² This was the 3rd call for the ERDF Small Startup, International Competitiveness, E- Business, Innovation, Environment and the 2nd call for the Research & Development Scheme

¹⁴³ Budget Split as follows: €3 million (Small Start-up Grant Scheme); €2.2 million (Innovation Grant Scheme); € 1.6 million (Environment Grant Scheme); €1 million (E-Business Grant Scheme); €1 million (Research and Development Aid Scheme); €2.6 million (International Competitiveness Aid Scheme).

Another call for proposals for all six (6) Aid Schemes was published by the IB, Malta Enterprise, in 2010. With exception to the Research and Development Grant Scheme, this was the third call being published for all the other schemes; whilst, this was the second call being issued for the Research and Development Grant Scheme. In 2010, twenty seven (27)¹⁴⁴ new operations were selected under this Axis bringing the total, by the end of 2010,¹⁴⁵ to two hundred and sixty two (262) Beneficiaries (including both SMEs and large enterprises, i.e. two hundred fifty two (252) GAs were issued to SMEs amounting to a total value of of € 15.82 million¹⁴⁶ and ten (10) GAs amounting to € 0.75 million were issued to large enterprises).

¹⁴⁴ ERDF 127(small startups) = 5; ERDF 128 (Innovation) = 1; ERDF 128 (Environment) = 1; ERDF 134 (Competitiveness) = 20

¹⁴⁵ Cumulative figures; this includes 2009 & 2010 data

¹⁴⁶ Total Public Eligible.

Progress on Indicators

Table 7 - Priority Axis 1 Indicators

Indicators		2007	2008	2009	2010	Total
Output Indicators						
No of new/upgraded industrial zone projects by the end of 2013 [A1O01]	Achievement	0	0	0	6 ¹⁴⁷	6
	Target	n/a	n/a	n/a	n/a	5
	Baseline	n/a	n/a	n/a	n/a	n/a
No of upgraded crafts villages [A1O02]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a	n/a
No of SMEs receiving grants [A1O03]	Achievement	0	0	235	262	262
	Target	n/a	n/a	n/a	n/a	450
	Baseline	n/a	n/a	n/a	n/a	n/a
No of RTDi projects (core indicator) [A1O04]	Achievement	0	0	0 ¹⁴⁸	8	8 ¹⁴⁹
	Target	n/a	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a	n/a
No of new/modernized specialized learning facilities constructed/refurbished [A1O05]	Achievement	0	0	0	12	12 ¹⁵⁰
	Target	n/a	n/a	n/a	n/a	22
	Baseline	n/a	n/a	n/a	n/a	n/a
Result Indicators						
No of new enterprises (local and foreign)/expansions in sites upgraded [A1R01]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	25
	Baseline	n/a	n/a	n/a	n/a	n/a

Result Indicators

¹⁴⁷ This reflects projects approved that will intervene in 6 different industrial estates in Malta and Gozo.

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

¹⁴⁹ ERDF 012, ERDF078, ERDF077, ERDF080, ERDF082 (x1 each); ERDF018 (x3)

¹⁵⁰ ERDF 11,12,18 (x2 each); ERDF 76,78,77,79,80,81 (x1 each)

% increase in the number of tourists visiting the crafts villages [A1R02]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	37%
	Baseline	n/a	n/a	n/a	n/a	90,937 visitors
No of start-up businesses supported (core indicator) [A1R03]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	35
	Baseline	n/a	n/a	n/a	n/a	n/a
No of SMEs launching new or improved product or processes [A1R04]	Achievement	0	0	1	22	23 ¹⁵¹
	Target	n/a	n/a	n/a	n/a	35
	Baseline	n/a	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	0
	Target	n/a	n/a	n/a	n/a	49
	Baseline	n/a	n/a	n/a	n/a	n/a
No of SMEs improving their market penetration efforts [A1R06]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	35
	Baseline	n/a	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	5	5 ¹⁵²
	Target	n/a	n/a	n/a	n/a	100
	Baseline	n/a	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	11	11 ¹⁵³
	Target	n/a	n/a	n/a	n/a	10
	Baseline	n/a	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	0.169	0.169 ¹⁵⁴
	Target	n/a	n/a	n/a	n/a	45%
	Baseline	3092	n/a	n/a	n/a	3092 ¹⁵⁵

As can be seen from Table 7 above, some of the indicators have started to be reached given the advanced implementation stage of a number of projects. In addition, results have been achieved for two

¹⁵¹ These are all SMEs

¹⁵² These are all SMEs

¹⁵³ ERDF 012, ERDF077, ERDF080 (x1 each); ERDF 83 (x8) (this indicator excludes SMEs)

¹⁵⁴ In 2010, two research students were admitted to the MSC course, one in March and one in October. The baseline quotes in the OP is 1185 students (for UoM). Therefore, 2 students are increase of 0.169%

¹⁵⁵ This includes 1,185 UoM students and 1,907 MCAST

output indicators namely the No of new/upgraded industrial zone projects by the end of 2013 and No of RTDi projects. Such results have been included for reporting purposes based on further clarifications from the Commission in relation to the reporting method utilised.

However, in certain instances, some indicators (e.g. no of start up businesses supported) are only achievable upon project completion. Thus, in such cases, whilst physical progress may be at an advanced stage, this may not necessarily yet be translated into the achievement of the said indicators.

Financial Analysis

Table 8 - Priority Axis 1 - Financial Progress

Priority Axis	Total contribution	Financial progress			
		Commitments ¹⁵⁶	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 1 (ERDF) Enhancing Knowledge and Innovation	€120,000,000.00	€105,730,471	€25,881,701.03	88.1%	21.6%

03.1.3 Qualitative Analysis

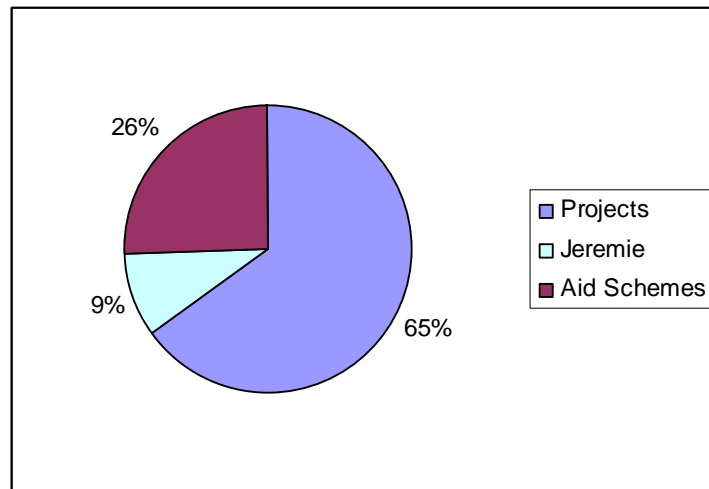
By the end of 2010, the amount committed under this Axis was €105,730,471¹⁵⁷ (or 88% of the allocation under the same Axis). The balance is expected to be allocated in a future call to be launched in 2011. Although there were no calls for projects during 2010, the amount committed has increased following the signing of the financial agreement for the JEREMIE Holding Fund and the increased allocation approved by the MA following the merging of two projects¹⁵⁸ into one project.¹⁵⁹ Figure 2 below shows the split between the different interventions being undertaken through Axis 1. A closer analysis reveals that 35% of the amount committed under this Axis is directed towards the private sector.

¹⁵⁶ 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 € 16,568,322.75 as at end 2010

¹⁵⁷ Made up of 15 projects, 6 Aid Schemes and 1 Financial Engineering Instrument

¹⁵⁸ Namely ERDF 04 Expansion of the Kordin Business Incubation Centre (KBIC) and ERDF 84 Setting-up a Life Sciences Centre

¹⁵⁹ ERDF 199 Setting up a Life Sciences Centre

Figure 2 - Priority Axis 1 Commitments

Notwithstanding the fact that no calls were issued by the MA for project proposals under Axis 1, an increase in earmarked categories of expenditure (as per Annex IV of the Council Regulation No. 1083/2006) was registered through the JEREMIE initiative, whereby a further €8.5 million¹⁶⁰ was committed in 2010. This is in addition to what was achieved by end of 2009, whereby the amount committed under earmarked categories with respect to PA1 amounted to approximately €41.5million.¹⁶¹

In terms of procurement, the projects actively commenced their procurement with €49,368,210.32¹⁶² being contracted by all projects (including JEREMIE) in 2010. As outlined in Figure 3, this resulted in 62% of the total committed amount for all projects (including JEREMIE) having been contracted by the end of 2010. On the other hand, €1,366,927.35 was further contracted by Aid Schemes during 2010, resulting in 61%¹⁶³ of Aid Schemes having been contracted by the end of 2010.

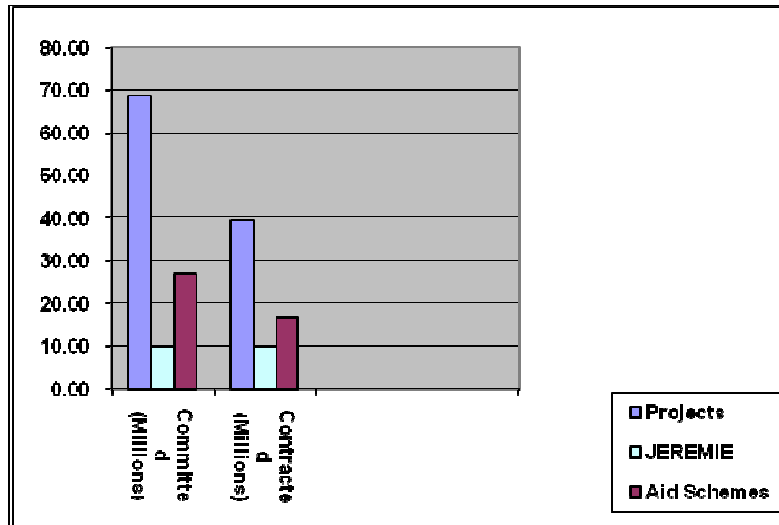
¹⁶⁰ €8.5 million EU Share; €1.5million National Funds amounting to €10 million.

¹⁶¹ AIR 2009 pg 44; this figure does not include Aid Schemes

¹⁶² This includes all projects under Axis 1 and JEREMIE. i.e. Project & JEREMIE 62% (49,368,210.32/78730471.18)

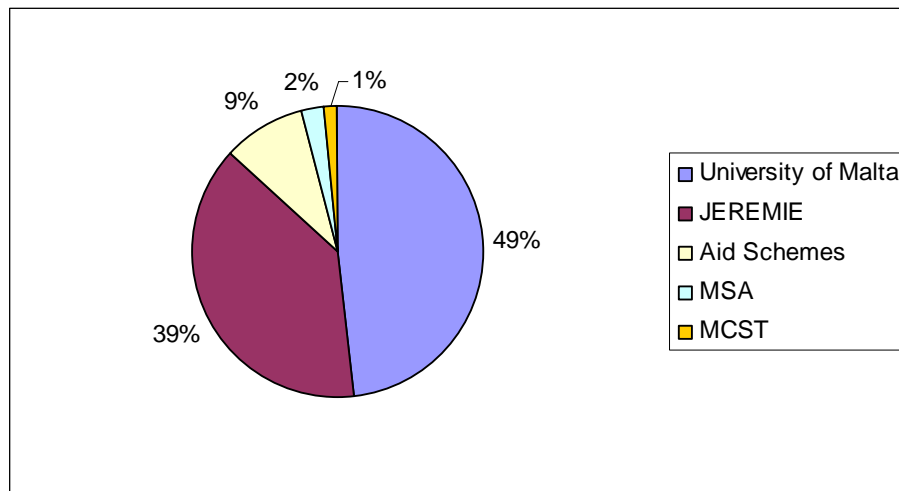
¹⁶³ Aid schemes Commitment amounts to €16,568,322.75 out of the Total Aid Scheme Commitment €27,000,000.

Figure 3 - Committed and Contracted (Projects under Axis 1 including JEREMIE)



In tandem to the contracting of tenders mentioned above, progress has also been registered with respect to disbursement. In 2010 € 25,309,017.45 million¹⁶⁴ were paid under this Axis bringing the total amount disbursed by end of 2010 to € 26,003,358.04. Figure 4 below shows the disbursement undertaken by entity under Axis 1.

Figure 4 - Disbursement undertaken by entity under Axis 1



It is clear that the majority of payments were made by the mainstream projects. The second largest is represented by the financial engineering instrument, due to the nature of the operation. Disbursement was registered also by Aid Schemes, with €2,010,835.02 worth of payments to thirty one (31) Enterprises¹⁶⁵. The amount of reimbursements made with respect to Aid Schemes is still relatively low; with only 13% of the contracted amount having been paid out to Beneficiaries. Low disbursement is

¹⁶⁴ Disbursement made as up to 2010 is €25,881,701.63; AIR 2009 reported that by the end of 2009 (pg 95), €572,684.18 were disbursed in 2009. The difference, i.e. €25,309,017.45 were paid in 2010.

¹⁶⁵ Disbursement made during 2010 was in relation to the ERDF Innovation Actions (Innovation), Innovation Actions (Environment) and E-Business Schemes.

mainly attributable to a considerable backlog in relation to the amount of checks being undertaken by the IB, largely due to capacity issues. Within this context, corrective action is being undertaken by the IB to increase capacity.

During 2010, the MA proceeded with its verifications. In total, twenty eight (28)¹⁶⁶ *On the Spot checks*, including two (2) physical checks, were undertaken. The IB, ME, also carried out forty one (41) *On the Spot Checks* during 2010. Two (2) SoE¹⁶⁷ were carried out for this PA during 2010. In total, by the end of 2010, 58%¹⁶⁸ of the contracted amount for PA 1 (i.e. €25,881,701.03) had been certified.

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. In 2010, a substantial number of operations had completed the procurement process and gathered momentum in implementation, especially in the light that many of the projects under PA 1 consist of procurement of equipment. Once the procurement stage was completed and the contracts with the successful bidder signed, delivery of equipment was carried out in a matter of weeks, or at most, a few months. Nevertheless, it must be noted that the finalisation of contracts took more time than expected, with, at times, a number of weeks passing from the award of the contract to the actual signature by both parties. This was largely due to a capacity issue at the Central Contracting Authority, in view of many different procedures coming to a close at the same time.

A significant problem encountered was the relatively high number of unsuccessful tendering procedures due to various reasons, including administratively non-compliant bids (also a product of the small, fairly fragmented local market), financially non-compliant bids (the bids were higher than the estimated budget published – at times also an effect of higher transport / commissioning costs) and in some instances lack of bidders (also attributable to lack of economies of scale). Consequently, such tenders had to be re-launched (many spilling over from 2009) resulting in a lengthier project implementation process; with many of the projects requesting an extension in project duration. This is a real natural limitation of the size (and therefore also capacity) of the market, despite the openness of the Maltese economy. The DoC has sought to address the administrative compliance issue through changes in the legal framework which allow for some rectification by the bidder instead of outright exclusion. This measure is described in more detail under Sections 2.2 and 2.3 of this report.

Other delays that occurred with respect to the larger mainstream projects under this Axis were as a result of MEPA applications, including environmental studies and the re-dimensioning of operations in particular the recommendation to merge two projects¹⁶⁹ falling under ME which resulted in further

¹⁶⁶ This includes OTS' which were started in 2010 (these were either (1) closed in 2010 (2) still open/to be concluded in 2011).

¹⁶⁷ May 2010; December 2010

¹⁶⁸ PA1 committed is €25,844,621.63. The amount of projects certified (including JEREMIE) is €14,494,487.32 & certified Aid Schemes is €536,349.56. This constitutes 58% of total amount committed.

¹⁶⁹ The projects refer to ERDF 04 'Expansion of the Kordin Business Incubation Centre' and ERDF 84 'Setting-up a Life Sciences Centre' which were merged into ERDF 199. This merge followed a Beneficiary's internal Board Meeting and a CBA review which showed the additional benefits and reduced costs of including an incubation centre within the Life Sciences Centre, in San Gwann rather than in Kordin, due to the synergies and networking possibilities between the Centre, the University of Malta and the Mater Dei Hospital.

studies, in particular a new cost benefit analysis. Although the analysis concluded that higher benefits would be achieved through the merging of projects, this decision had a major impact on the tender specifications including cost items – which ultimately has led to the re-drafting of the tender dossiers, causing unexpected delays.

In the case of Aid Schemes under Article 107 of the Treaty, the delays in disbursements are largely attributed to initial teething problems (disbursements started in 2009 and picked up in 2010) as well as lack of capacity within the IB (also due to a re-organisation process within the IB thereby not capitalising on existing experience) which made it difficult for the officers involved in ex-ante and OTS checks to successfully follow up (in good time) queries and concerns raised by the MA with respect to pending claims. The ensuing discussions between the MA and the IB, with clarifications requested from the Beneficiaries, resulted in delays spilling into the reimbursement of claims (and consequently in the disbursement of funds allocated to Grant Schemes). However, one must also note that implementation and disbursement has picked up and the MA is confident that the IB has gathered enough confidence and experience to deal with pending claims in a timelier manner in 2011.

03.2 Priority Axis 2 – Promoting Sustainable Tourism

03.2.1 Achievement of targets and analysis of the progress

Tourism is one of the pillars of the Maltese economy with over a million visitor each year and the industry employs close to one third of the workforce.¹⁷⁰ Investing in the tourism sector is, therefore, considered critical in ensuring economic growth as well as more and better jobs. The OP addresses the need for investing in this important economic activity and Priority Axis 2 specifically targets the tourism sector through a number of measures, namely:

- (i) the upgrading of the product, particularly through investments in areas where Malta is considered to have a competitive advantage such as cultural heritage;
- (ii) the promotion of the Maltese islands as a prime and multi-faceted tourist destination; and
- (iii) direct support to tourism and culture operators in consolidating their competitiveness.

As at the end 2010, there were twelve (12) *mainstream* projects¹⁷¹ being implemented under this Priority Axis as well as one (1) state aid scheme under Article 107 of the Treaty. Amongst the twelve Beneficiaries there were six (6) NGOs, all active in the heritage niche sector, whilst the rest were public entities (including a local council¹⁷²) and the projects were largely targeting niche markets in the cultural heritage and diving niche sectors as well as general upgrading of panoramic urban spaces within tourism zones. The aid scheme, as at end 2010 included forty-three Beneficiaries implementing projects in product upgrade & equipment, environmentally friendly measures, ICT, entrepreneurship & marketing. The mix of measures and operators of various levels of governance give this Axis a unique flavour in that all relevant stakeholders, namely the public, the private as well as the civil society sectors are working together towards a shared goal.

During the period under review eleven (11)¹⁷³ (of the twelve) projects under implementation gained momentum, whilst one project (ERDF022 Wied il-Mielah - towards an ecologically & culturally sensitive, sustainable tourism) completed all the activities and had effected all payments by end of November 2010. Six (6) of the mainstream projects are holistically being implemented in Gozo (including ERDF 22) while another two have a component in Gozo. This demonstrates the territorial spread of the interventions approved so far and also highlighting the importance of the sector for the entire territory of the Maltese Islands. In line with the aims of the Tourism Policy for the Maltese Islands 2007-2011, as part of Government's efforts to seek to have the whole territory actively participating in the consolidation

¹⁷⁰ Operational Programme 1 V2 pg 20

¹⁷¹ The number of projects under this PA has decreased from 2009 due to the withdrawal in 2010 of ERDF 025.

¹⁷² Another local council was actively involved in the implementation of ERDF033

¹⁷³ This refers to ERDF24, ERDF31, ERDF32, ERDF33, ERDF39, ERDF140, ERDF142, ERDF145, ERDF147, ERDF151, ERDF155

of the sector as well as its benefits, in Q1 of 2010¹⁷⁴, the MA launched another call for applications (for an indicative value of €2 million), specifically targeting local authorities. Twenty seven (27) applications were received¹⁷⁵. Apart from this call, a pre- announcement was also published in Q3 2010 (with an indicative value of €42 million) paving the way for a new call to be launched in 2011.¹⁷⁶

The state aid scheme aims to provide assistance to tourism services operators to encourage investment in a number of areas including environmentally friendly measures, ICT, entrepreneurship & marketing¹⁷⁷. In 2010, the IB was actively involved in the signing of agreements with Beneficiaries that were awarded a grant under the first call (launched in February 2009) as well as the evaluation of the second call for proposals (launched in October 2009). Twenty-Seven (27) Grant Agreements were signed for projects approved in 2009 under the first call whilst a further sixty (60)¹⁷⁸ projects (out of the hundred and thirteen (113) applications submitted) were approved from the second call. The grants approved will provide, amongst others, the setting up of a bread museum, the introduction of new operating systems in a number of hotels, refurbishment works in restaurants, upgrading of educational facilities in language schools aimed at foreign students and the upgrading of facilities in diving centres. In the final quarter of 2010,¹⁷⁹ the TSDU launched the third Call for proposals for the approximate value of €2million. The IB organised two information sessions for prospective Applicants (one on the 3rd of November in Malta and another one on the 11th of November in Gozo) for which a positive response was registered with over one hundred and twenty attendees. The results of the call are expected in Q3 of 2011.

03.2.2 Information on the physical and financial progress

Physical Progress

Implementation of the projects continued with the launching of forty-four tenders in 2010, reaching a total of ninety-six (96)¹⁸⁰ tenders launched under this PA. The progress in this regard in 2010 is evident with the amount of tenders launched representing a 71% increase over the whole 2007-2009 period. Out of the tenders launched by end of 2010, 16%¹⁸¹ had to be re-issued (under some procedure or

¹⁷⁴ Published on 3rd March 2010

¹⁷⁵ As at end 2010, evaluation was still ongoing.

¹⁷⁶ It is expected that this would be the last call under the Axis if sufficient projects are received and selected.

¹⁷⁷ Examples include ICT oriented upgrade for the purpose of improved competitiveness and enhanced customer facilities - Paradise Bay hotel, Improvement of Facilities and Services and Dive systems for an exceptional diving experience and Lime stone Heritage Park and Garden

¹⁷⁸ Of which 16 Grant Agreements signed

¹⁷⁹ Launched 29 October 2010 and closed on 14th January 2011

¹⁸⁰ 44 tenders launched in 2010 & 62 tenders launched in total for 2007, 2008 & 2009.

¹⁸¹ 7 tenders out of a total of 44 tenders.

other); whilst four (4) other tenders were withdrawn.¹⁸² On the positive side a total of eighty-nine (89) contracts were signed by the end of 2010 and works had not only commenced on a number of projects,¹⁸³ but one or two¹⁸⁴ were well on their way towards completion.

Works on one of the flagship projects under this Axis¹⁸⁵ continued throughout 2010, with the consolidation of restoration works on the fortifications in Mdina, Valletta, and Birgu and the start of preliminary works on the Citadelle ramparts in Gozo. JASPERS has contributed significantly to this project through the provision of experts for the vetting of the revised studies submitted to the MA following the identification of new components in the project. In the case of ERDF 32, which is an archaeological heritage conservation and interpretation project, progress focused mainly on finalising designs, culminating in the approval of the development permits in relation to the three (3) sites.

With respect to the Grant Scheme for Sustainable Tourism Projects by Enterprise the sixty (60) projects approved in 2010 following the conclusion of the evaluation of Call 2 committed €4,874,142.06,¹⁸⁶ bringing the total number of projects approved by end 2010 to eighty seven (87) for a total value of €6,728,633.42.¹⁸⁷ Of these forty three (43) beneficiaries had signed a GA with the IB as at end 2010, raising the amount *contracted* by the IB to a total of €3,635,227.93.¹⁸⁸ This amount is expected to increase following the signature of more GAs with the approved beneficiaries from Call 2 and others which will be approved under Call 3.

¹⁸² Three tenders were withdrawn in relation to ERDF 039 the employment of a Project Manager through an employment contract which was issued two times unsuccessfully. In the mean time 3 officers; 1 Senior Principal and 2 Principals joined the Restoration Department who had the necessary skills and a decision was taken for these duties to be undertaken by these officers. The other two departmental tenders were in relation to publicity with no prospective bidders for these two tenders. Subsequently, MRRA decided to issue requests for quotations along the duration of the project. The other employment contract was for a project executive for ERDF 33 and ERDF25 (who was working on both projects).The project executive resigned after 6 months and was replaced by another employee who is being paid through MTA budget.

¹⁸³ ERDF 142, ERDF 140, ERDF 147, ERDF 24, and ERDF 33.

¹⁸⁴ ERDF 155 and ERDF 22, the latter actually completing all payments by November 2010..

¹⁸⁵ ERDF 39 - Restoration and Rehabilitation of Historical Fortifications of Malta and Gozo

¹⁸⁶ Public Eligible

¹⁸⁷ Call 1 €1,854,491,36(Public Eligible); Call 2 €4,874,142.06 (Public Eligible)

¹⁸⁸ 27 in 2009 amounting to €1,743,589.84 and 16 in 2010 amounting to €1,891,638,.09

Progress on Indicators

Table 9 - Priority Axis 2 Indicators¹⁸⁹

		2007	2008	2009	2010	Total
Output Indicators						
No of assisted tourism and cultural projects (core indicator) [A2O01]	Achievement	0	0	0	12 ¹⁹⁰	12
	Target	n/a	n/a	n/a	n/a	8
	Baseline	n/a	n/a	n/a	n/a	n/a
No of new/upgraded beaches [A2O02]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	5
	Baseline	n/a	n/a	n/a	n/a	n/a
Surface area of rampart elevation plan restored (m ²) [A2O03]	Achievement	0	0	0	18,900	18,900
	Target	n/a	n/a	n/a	n/a	135,000
	Baseline	n/a	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	0
	Target	n/a	n/a	n/a	n/a	4
	Baseline	n/a	n/a	n/a	n/a	n/a
No of projects implemented by NGOs/enterprises [A2O05]	Achievement	0	0	0 ¹⁹¹	93	93 ¹⁹²
	Target	n/a	n/a	n/a	n/a	300
	Baseline	n/a	n/a	n/a	n/a	n/a

¹⁸⁹ For reporting purposes the MA is only including indicators in relation to projects which have been completed.

¹⁹⁰ 12 projects approved. 6 projects implemented by the public sector. 6 projects implemented by NGOs.

¹⁹¹ 87 Projects approved through the aid scheme within this Axis (Call 1 and Call 2).and 6 Projects approved by NGO

¹⁹² This refers to enterprises and NGOs

Indicators		2007	2008	2009	2010	Total
Result Indicators						
% overall increase in the number of paying visitors at upgraded Sites [A2R01]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	4% increase
	Baseline	n/a	n/a	n/a	n/a	154,000
% of total tourists visiting upgraded cultural sites [A2R02]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	8% increase
	Baseline	n/a	n/a	n/a	n/a	62,333
% average increase in tourist departures for the established niche segments [A2R03]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	3% increase
	Baseline	36.6%	n/a	n/a	n/a	36.6%
No of enterprises/NGOs adopting new products and processes [A2R04]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	250
	Baseline	n/a	n/a	n/a	n/a	n/a

As can be seen from Table 9 above, some of the targets have started to be reached. The indicator showing the number of assisted tourism and cultural projects achieved was twelve(12)¹⁹³ with one project, ERDF022, was completed in November 2010. The indicator listing down the surface area of rampart elevation plan restored has been achieved by 18,900m² through the restoration of some parts of the fortifications under ERDF 039. The number of projects implemented by NGOs and enterprises stood at ninety-three (93), consisting of eighty seven (87) projects approved under the Grant Scheme for Sustainable Tourism Projects and six (6) projects approved by the Managing Authority.

Financial Analysis

Table 10 - Financial Analysis

Priority Axis	Total contribution	Financial progress			
		Commitments ¹⁹⁴	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 2 (ERDF) Promoting Sustainable Tourism	120,000,000.00	€77,272,606.28	€7,133,920.92	64.39%	5.94%

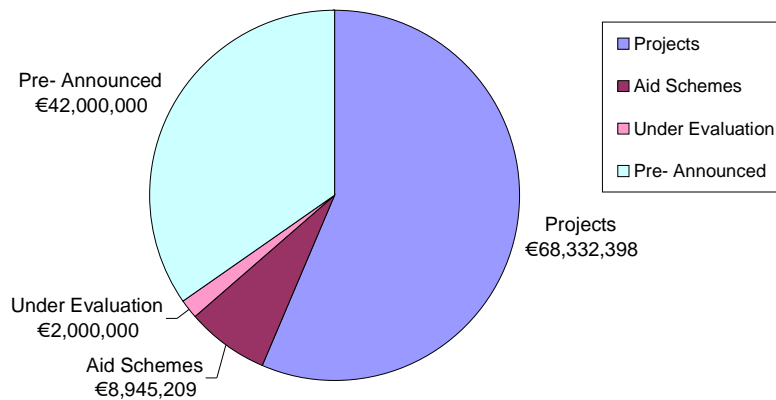
¹⁹³ After further clarifications from the CION, the No. of Assisted tourism and cultural projects refers to the number of projects approved by the Managing Authority.

¹⁹⁴ The committed amounts include both the approved projects as well as the full amount of the aid scheme which the MA has committed to the IB.

03.2.3 Qualitative Analysis

The total amount committed under this Priority Axis as at the end of 2010 stood at € 77,272,606.28¹⁹⁵ (or 64 % of the total allocation) - €68,327,397.57 in mainstream projects and €8,945,208.71 representing the Aid Scheme. It should be noted that the commitments decreased (when compared to 2009) due to the withdrawal of one project, (ERDF 025), however the amount is expected to increase upon the award of €2 million under Call 8 (Local Councils call mentioned earlier in this section of the report) as well as the (last) Call which is expected to be launched in 2011 (for an indicative value of €42 million).

Figure 5 - Priority Axis 2 Commitments

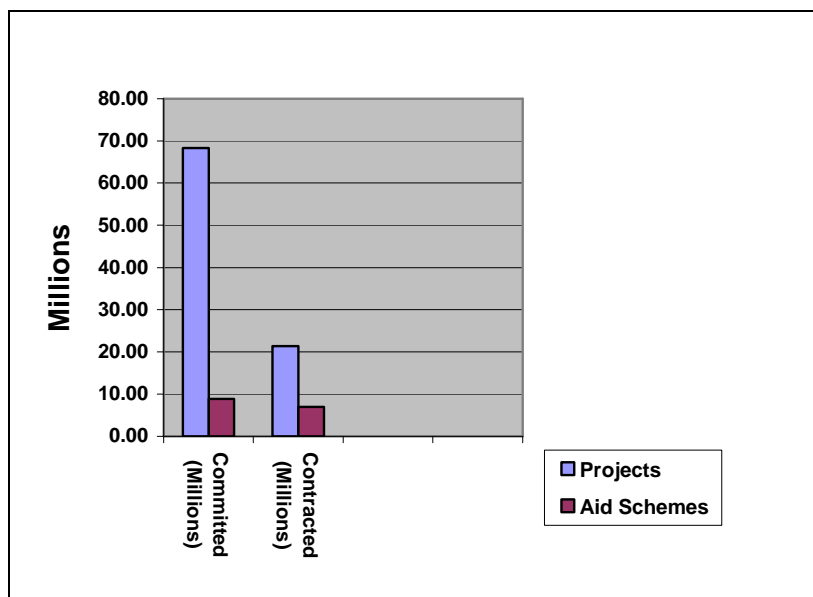


As at end 2010, €28,083,202.75 (of the € 77,272,606.28 committed) were considered *contracted* - €21,354,569.33 in public contracts for the approved mainstream projects and € 6,728,633.42 in terms of approved projects by the IB. Hence, in total €28,083,202.75. Of these €16,480,048.55 were *contracted* in 2010 alone, representing an increase of over 140% when compared to the total amount *contracted* in the 2007-2009 period. A good part of this progress is due to the approvals issued by the

¹⁹⁵ This Figure refers to the total projects committed under this Axis and the Aid Scheme.

IB which as at end of 2010 were registering 75%¹⁹⁶ of the committed amount. This is clearly a sign that while difficulties in the contracting phase (be it public procurement or approval of projects at IB level) are not lacking and should not be underestimated, as was the case in the 2004-2006 period, implementation on the ground now seems to have picked up in earnest.

Figure 6 - Committed and Contracted (Projects under Axis 2)



By end of 2010, out of the amount contracted, €7,133,920.92,¹⁹⁷ were processed in payments, 88% of these in 2010, showing a sharp increase in progress when compared to the state of affairs in 2009. This also means that by end of 2010, 25% of the total contracted amount (€28,083,202.75) had been paid.¹⁹⁸ The larger portion of the disbursement was made with respect to ERDF 39 (over €4 million), followed by ERDF 22 (€566,789.44) which actually completed disbursement in the same year. With respect to the rest of the projects, only four projects had not yet commenced payments (ERDF140, ERDF142, ERDF145, and ERDF151) by end of year but are expected to do so in 2011. In this respect it should be noted that NGOs face severe challenges when having to implement procurement which, albeit not identical, but follows the spirit of the public procurement regulations. There were also some cash flow problems (relating to NGO co-financing) arising from the effects of the crisis. The disbursement under this PA is expected to pick up in 2011, especially following the award of the pending tenders under ERDF 33 as well as the start of the projects approved in 2010. However, the delays brought about through the procurement process (including the need to often issue tenders more than once) will not be all absorbed in the existing implementation schedules of the projects and requests for extensions are an expected reality.

¹⁹⁶ The amount allocated for the calls is of € 8,945,208.71. The number of beneficiaries benefiting from the scheme under Call 1 and Call 2 are 87 with a total amount of €6,728,633.42 Committed under call 1 €1,854,491.30 under call 2 €4,874,142.09. By 2010 16 Beneficiaries under call 2 signed the Grant Agreement.

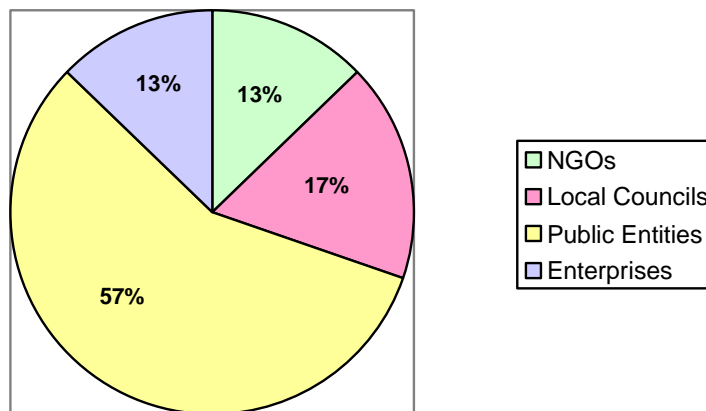
¹⁹⁷ This amount consists of €862,351,68 paid in 2009 and €6,271,569,24 paid in 2010.

¹⁹⁸ €6,565,623.97 were paid in relation to the projects (excluding Aid Schemes),

The projects under the Aid Scheme also initiated the disbursement process. As at end 2010, an amount of €6,728,633.42 had been committed as grants, out of which €568,308.05 were paid out.¹⁹⁹ Reimbursements are still low, with only 8.45%²⁰⁰ of the contracted amount under the scheme paid out. This low disbursement is mainly attributed due to the fact that only payments for Call one had started to be processed, since call 2 Beneficiaries were still in the process of signing Grant Agreements with the IB (only 16 Grant agreements signed as at end 2010 out of 60 projects approved). Payments in relation to the aid scheme are also expected to accelerate in 2011, not only because there will be more Beneficiaries and projects approved, but also because the teething problems experienced by the IB with the first claims and the lessons learnt should, by now, be well incorporated into the system.

Out of the payments processed, 52%²⁰¹ (or €3,707,294.63) were certified in a SOE till the end of 2010. €607,145.02 were certified in 2009 while the bulk, €3,100,149.61 (or 84%) were certified in 2010.

Figure 7 - Disbursement undertaken by entity under Axis 2



Given the specific nature of most of the projects approved under this Axis, as has been noted in previous years, 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 in implementation since there is increased monitoring and supervision by the regulators of the site as there is a very high possibility of finding unscheduled archaeological remains. However, almost all the studies that had to be conducted have now been concluded, which means that implementation should accelerate.

¹⁹⁹ This corresponds to payments to 9 enterprises following the presentation of 19 claims.

²⁰⁰ Grants paid in 2010 amount to €568,308.05, while the total committed amount as at end 2010 is € 6,728,633.42

²⁰¹ Paid amount of €3,707,294.63. Certified amount €7,133,920.92

03.2.4 Significant problems encountered and measures taken to overcome them

Projects being implemented under PA 2 encountered difficulties mainly related to environmental and planning permits; internal staff capacity as well as the usual procurement challenges. Another issue is the nature of some of the works involved such as manual labour which tends to be time consuming. The approval of environmental and planning permits for most of these projects has been slow due to lengthy public consultations and the involvement of many stakeholders in this process. This has resulted in requests for additional information, often demanding long term data that had to be sourced from additional (often unforeseen) studies. With regard to the projects managed by NGOs, the limited resources of these organisations, depending largely on volunteers has posed unprecedented challenges for these Beneficiaries. Limited expertise in areas such as public procurement, feasibility studies as well as the general demands of reporting that come with *package* has inevitably led to some delays on the ground, however the public authorities are seeking to provide constant support (coupled with some training) in order to ensure that the projects remain somewhat on track. Despite these difficulties, the Authorities believe that this Axis presents one of the best opportunities to implement a multi-level governance and ensure ownership of Cohesion Policy at grass-root level.

Delays with respect to the procurement process were a common factor causing difficulties in project implementation. For instance, some projects suffered delays due to the filing of appeals. By way of example, ERDF 39 Restoration and Rehabilitation of Historic Fortifications of Malta and Gozo had delays in various tenders due to the appeals process. To mention two tenders BRG 6 Tender for the Restoration of St. James Cavalier and Bastions and VLT 12 Restoration of St. James Counterguard had two appeals and delayed the tender by a year.²⁰² In the case of NGOs, the setting up of additional structures such as independent appeals boards was also a requirement which contributed to some delays. In the particular case of ERDF033 which as at end 2010 was still under tendering (a competitive dialogue procedure) was further delayed due to the evaluation by the EC for issues related to State Aid. The projects are being closely monitored by the MA through the different monitoring options with a view to mitigate the delays encountered.

²⁰² Another example is ERDF 031 – Upgrading of Zewwieqa Waterfront – the major Works tender had an appeal and tender adjudication was delayed by seventeen (17) months.

03.3 Priority Axis 3 – Developing the TEN-T

03.3.1 Achievement of targets and analysis of the progress

Priority Axis 3 is one of two Axes in the OP co-financed through the Cohesion Fund. This Axis supports the overall improvement of the Trans-European Network-Transport (TEN-T) network infrastructure in Malta, which consists of a total of 51kms of road network, the four ports of: Valletta, Marsaxlokk, Ċirkewwa, and Mgarr (Gozo) as well as the airport. The interventions under the OP envisage the upgrading of 14 kms (close to 30%) of the TEN-T road network as well as projects in the maritime sector, including the upgrading of breakwaters, Grand Harbour passenger Infrastructure and quays as well as the construction of a new sea passenger terminal. Two projects were approved in 2010, bringing the total of projects approved under the Axis to three²⁰³ (one major project under road transport and two smaller ones under the maritime sector), for a total of €82,366,391.00 in public eligible cost. In 2010, Malta also started working on the relevant studies concerning a second major project related to road infrastructure (CF 125), which is expected to be submitted to the EC in late 2011 / early 2012.

As reported in last year's Annual Implementation Report (AIR), the major road-infrastructure project, CF117, was approved by the EC in Q1 2010.²⁰⁴ This project is the first major project submitted (by Malta) and approved (by the EC for Malta) under the EU's Cohesion Policy. It has a total value of €77,205,881 of which €57,588,381 are being considered as public eligible cost and will benefit from 85% of co-financing from the Cohesion Fund. This project will upgrade, through reconstruction a total of five strategic sections of the TEN-T road network in Malta providing better links to the:

- Air Passenger Terminal in Gudja;
- Sea Passenger terminal and Ro-Ro Terminal in the Grand Harbour;
- Tourist areas in the northern part of Malta;
- Access to the internal seaports at Ċirkewwa ;and
- Continuation of the main road link from Mgarr Ferry Terminal and Victoria, Gozo's capital city.

During 2010, Transport Malta, the Beneficiary of CF 117, was mainly in the tendering and contracting stage of the major works tender which took a total of 15 months from launch of tender to signature of the contract (further information in this regard will be provided under Section 3.3.2 of this report). In the meantime, the same Beneficiary was also heavily engaged in the preparatory work for CF 125, including the start of the EIA process and other related studies. During 2010, the MA also sought and obtained approval for further JASPERS assistance for this project. This assistance has been instrumental for the contracting/compilation of the relevant studies, in preparation to the EIA process.

Towards the end of 2010, the PSC formally approved the second non-major CF project under this Axis, namely CF 198 - Ċirkewwa Ferry Terminal. The project involves the development of a new ferry

²⁰³ CF117, CF198 and CF124.

²⁰⁴ 5th February 2010

terminal in the port of Ċirkewwa, comprising, amongst others, a passenger-handling building with gangway connections to the ships for foot passengers; vehicular marshalling areas; parking and land transport facilities; access and circulation roadways as well as additional berthing capacity. This project is expected to be the main contributor of the OP towards an improved inter-island transport – both in terms of increased efficiency in throughput processing as well as safety and comfort for the ever increasing number of commuters. One should note that although this project was not considered to be a major project in terms of Article 39 of EC Regulation 1083/2006, JASPERS assistance was also made available for this operation, providing expertise in relation to the assessment and revision of the CBA, as well as advice in relation to the preparation of tender documents.

Transport Malta was established on the 1st January 2010,²⁰⁵ thus merging together the previous authorities responsible for air, land and sea transport, assuming the functions previously exercised by the Malta Maritime Authority, the Malta Transport Authority, and the Directorate of Civil Aviation, as well as roles related to roads; transport by air, road, or sea within ports and inland waters; and merchant shipping. The same organisation has also assumed all the roles and obligations as Beneficiary of the projects approved in the transport sector that pertained to the different transport organisations. Although the newly set up agency is not expected to have any major effects on the projects, ultimately, this will ensure that there are more synergies and enhanced complementarity between the projects, as well as greater co-ordination on the prioritisation of transport projects on the Maltese Islands.

03.3.2 Information on the physical and financial progress

Physical progress

In 2010, all three (3) (approved) projects were actively engaged in implementation. A total of fourteen (14)²⁰⁶ tenders for an overall value of €24,765,630.04 were published during the course of 2010, raising the number of tenders published under PA 3 since 2007 to twenty-three (23).

Ten (10) tenders²⁰⁷ were contracted in 2010 bringing the total contracted amount under the Axis to €12,861,705.13 (15.61% of the committed amount or 7.61% of the total available under the Axis). Moreover, efforts were made to engage additional capacity to manage the projects. In this regard, five (5) calls for fixed-term employment were issued in 2010 with two (2) contracts being signed in the same year, namely the resident engineer for CF 124 and the project manager for CF 117. Two employment calls for CF 124, one for Assistant Engineer (Marsaxlokk Breakwater) and another for Project Manager (Valletta Breakwater) will be re-published in 2011 since the calls were unsuccessful. A number of studies (geotechnical investigations - sea and land investigations and the Roads User Satisfaction Survey) were initiated in 2010 with respect to CF 198 and CF 117, respectively.

²⁰⁵ As per ACT XV of 2009, Chapter 499 of the Laws of Malta

²⁰⁶ In 2010, eleven tenders were launched under this Axis targeting the maritime sector whereas another three were launched targeting the road transport sector.

²⁰⁷ 10 were contracted in 2010, while 3 were contracted in 2009.

Out of the fourteen (14) tenders published in 2010, ten (10) of them were still under evaluation and the other four (4) were contracted by the end of the year. Moreover, another six (6) tenders were awarded in 2010 but they were published in 2009.

Project Physical Progress

CF 117 - Improvement of the TEN-T Road Infrastructure (PHASE I)

During 2010, this project made clear and visible progress on the procurement side. As expected, the tender evaluation was very time-consuming and very taxing on existing resources. The process also had to deal with an appeal, which in itself delayed the procedure by an additional three (3) months. However, despite the inherent difficulties and problems when dealing with such large tenders, one (1) of the three (3) works tenders relevant to this TEN - T major project (CF 117), i.e. 'The Reconstruction and Upgrading of Four (4) Sections of the TEN - T Roads Network', launched in 2009, was successfully awarded on the 14th of December, 2010 for a total value of €32,706,600 (representing 56.79% of the total eligible project cost). The contract is envisaged to be signed in the 1st Quarter of 2011. The other two (2) works tenders were also launched in 2010. The tender for the reconstruction and upgrading of the Mellieħa By-Pass was launched on the 29th October 2010 and closed on the 21st December 2010, whilst the tender for the reconstruction and upgrading of the Sea Passenger Terminal was launched on the 20th August 2010 and closed on the 21st October 2010.²⁰⁸ The evaluation of the aforementioned two (2) tenders commenced immediately, however, evaluation was still ongoing as at end of the year under review.

It is expected that by end of Quarter 1 of 2011, 62.7% of the total eligible cost of the project will be contracted, whereas, by end Q4 of 2011 all of the project is expected to be contracted.

A service tender for the supervision of the works was awarded in February 2010, however, the signing and implementation of the contract was kept on hold until the works tender was awarded, as foreseen in the conditions to tenderers. The contract is expected to be signed in Q1 2011. A survey on road satisfaction of the current state of the roads (pre-project) amongst the transport operators commenced in 2010 and is expected to be concluded in Q2 of 2011. Furthermore, considering that works on five (5) critical stretches of the main network will start more or less at the same time, (in parallel) measures have been taken by the Beneficiary to ensure that the adequate skills and expertise are on board prior to the start of works, and in this regard capacity was increased in an effort to support timely implementation and minimum delays.

CF 124 - Refurbishment of the Valletta and Marsaxlokk Main Breakwaters

This project, approved in 2009, was also largely involved in procurement activities for most of 2010. Four (4) tenders were launched in 2010 for the total value of €1,200,000, including the works tender for the refurbishment of the Valletta Breakwater and three (3) smaller monitoring tenders.²⁰⁹ All of these four (4) tenders are expected to be contracted in 2011.

²⁰⁸ Originally it was planned that these tenders had to be launched by March 2010 as per Approved Proposal.

²⁰⁹ Ecological Monitoring and Video Surveyance; Water Quality monitoring and Operational Monitoring.

In addition, the tender for the refurbishment works for the Marsaxlokk Breakwater that was launched in 2009, was contracted in May 2010. This tender was awarded for €9,320,125.67, representing 69% of the allocation under this project. In addition, the resident engineer was employed in the same year. As a result, CF 124 had contracted more than 70% of the total eligible cost by end 2010.

CF 198 Ċirkewwa Ferry Terminal

As reported earlier, this project was approved towards the end of 2010 and hence most of the activity during this year revolved around the preparation of tenders. In fact, despite delays in the project approval process,²¹⁰ seven (7) tenders were launched in 2010, representing over 70% of the total project cost. These tenders include: three (3) (service) agreements covering temporary passenger handling, temporary sanitary facilities and a temporary Police Station; a study related to the Geotechnical Investigation of the Sea-bed; Project Management Services and two (2) works tenders. Only 2% of the total eligible costs were contracted as at end of 2010, however this is expected to increase significantly in 2011.

Progress on Indicators

Table 11 - Priority Axis 3 Indicators

Indicators		2007	2008	2009	2010	Total
Output Indicators						
Kms of roads upgraded (core indicator) [A3O01]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	20 Kms
	Baseline	n/a	n/a	n/a	n/a	n/a
Sq m of new/refurbished infrastructure [A3O02]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	76,200m ²
	Baseline	n/a	n/a	n/a	n/a	n/a
Construction of new sea passenger terminal [A3O03]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a	n/a

²¹⁰ Largely due to clarifications from the PSC on the CBA.

Indicators		2007	2008	2009	2010	Total
Result Indicators						
% increase in satisfaction rate of transport operators/users [A3R01]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	10%
	Baseline	n/a	n/a	n/a	n/a	n/a
Reduction in journey time (minutes) [A3R02]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	-5 mins
	Baseline	n/a	n/a	n/a	n/a	n/a
% reduction in traffic accidents in the areas of intervention [A3R03]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	10% reduction
	Baseline	n/a	n/a	n/a	n/a	193
% increase in cargo per annum [A3R04]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	2,0% increase
	Baseline	n/a	n/a	n/a	n/a	6,206,185
% increase in sea passengers per annum [A3R05]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	2,5% increase
	Baseline	n/a	n/a	n/a	n/a	3,804,221

The projects are still at an early implementation stage; hence, no major achievements could be recorded as far as achievement of indicators is concerned.

Financial Progress

Table 12 - Financial Analysis

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	€82,366,391	€1,977,621.47	48.73%	1.17%

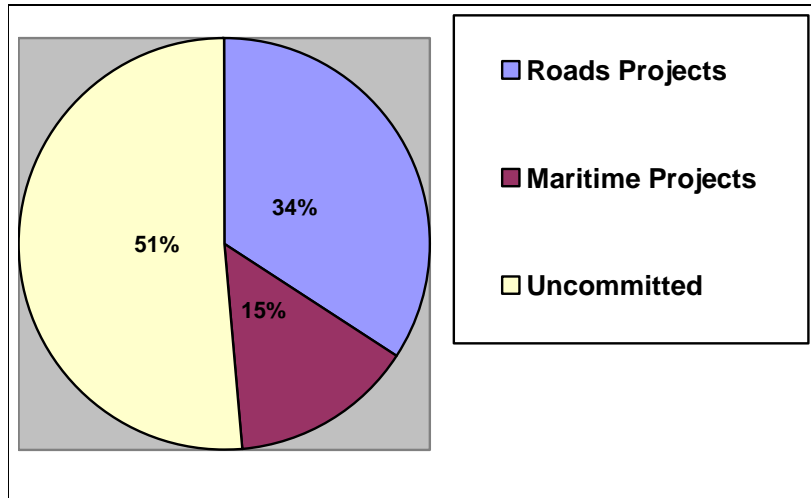
03.3.3 Qualitative Analysis

At end of 2010, a total of €82,366,391²¹¹ (48.73% of the allocation under the Axis – in public eligible cost) was approved for the three (3) projects.²¹² The remaining unallocated amount is expected to be

²¹¹ In total public eligible cost.

absorbed by the second major project on the TEN-T Roads Network and other projects in the maritime sector, to be submitted in 2011. As at end 2010, 51% of the Axis still remains to be committed. Figures 8 and Figure 9 below depict the commitments and contracted (respectively) as at end 2010.

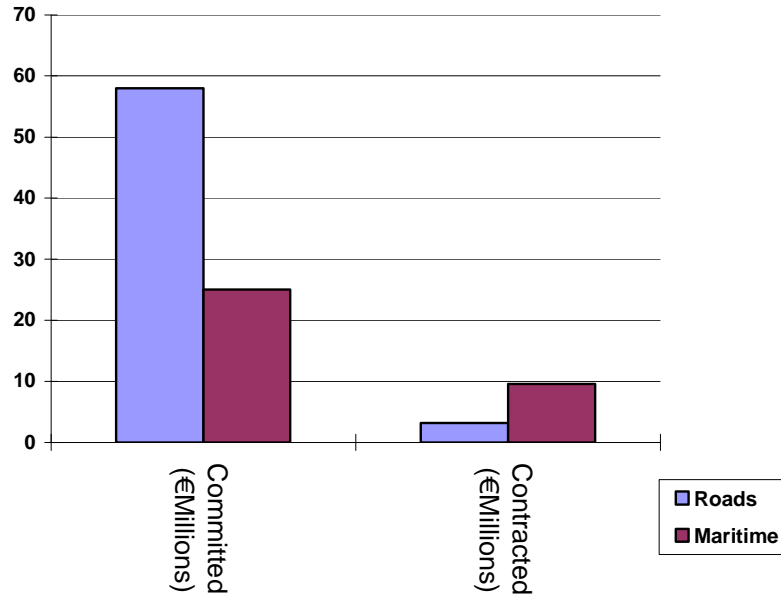
Figure 8 - Priority Axis 3 Commitments - Details



Out of the €82,366,391 allocated in projects, €12,861,704.29 (or 15.61%) was contracted by the end of 2010. Although this amount represents contracting undertaken with respect to twenty (20) different contracts, the main contributor to the progress was the contract signed in relation to the refurbishment of the Marsaxlokk Breakwater, which was contracted on the 14th of May 2010 for a value of €9,320,125.60 (representing 72.5% of the contracted amount). Undoubtedly the figures will increase rapidly in 2011 following the signing of the works contract on five (5) sections of the TEN-T roads network which was awarded in December of 2010 for a value of €32,706,600 (incl. ineligible costs) and the Ċirkewwa Ferry civil works tender, also awarded in December 2010 for €4,953,125.75.

²¹² €57,588,381 for CF117 - Improvement of the TEN-T Road Infrastructure (PHASE I), €11,280,000 for CF198 - Ċirkewwa Ferry Terminal and €13,498,010 for CF124 - Refurbishment of the Valletta and Marsaxlokk Breakwaters

Figure 9 - Committed and Contracted



Of the €12,861,704.29 contracted so far only €1,977,621.47²¹³ (representing 15.38% and 1.17% of the contracted amount and of the overall allocation of the PA 3 respectively) has been paid out by 2010, with €1,663,376.92 (representing 84% of payments under PA 3) certified through SoE undertaken in 2010. It is clear that by the end of 2010, the amount paid remains significantly low, albeit not worrying at this stage in terms of N+3 for the Fund.²¹⁴ The low expenditure is due to a number of reasons amongst which:

- the majority of the contracts were awarded/contracted during the 3rd or 4th Quarter of 2010;
- a substantial number of tenders were still under evaluation as at end 2010;
- Most tenders in relation to CF 198 were launched in late 2010 as this project was only approved in December 2010.

03.3.4 Significant problems encountered and measures taken to overcome them

The delays in 2010 were largely spill-overs from 2009 and related primarily to procurement and to a lesser extent the finalisation of studies. The average duration for works tenders from launch of tender to award of contract was 7.5 months, with the minimum time taken being four (4) months and the maximum being fifteen (15) months. The Valletta Breakwater civil works tender was planned to be awarded in the last quarter of 2010, however, on the 22nd November 2010, an appeal was lodged by

²¹³ This amount is the total amount paid till 2010. €27,199 out of this has been paid in 2009.

²¹⁴ Given that by end of 2010 €59,005,439.04 had already been certified under the Fund, largely from projects under PA5.

one of the unsuccessful bidders. The adjudication process was inevitably put on hold and as at end of 2010; the Public Contracts Appeals Board had not yet heard the case, compounding existing delays.

With regard to the major project under this Axis (CF 117), two (2) tenders (one (1) works and the other a service contract) together with another one departmental tender were awarded in 2010, amounting to 54% of the project). The procurement process of the larger tender took fifteen (15) months from market launch to award, a delay of seven (7) months over the expected schedule. This delay is mainly attributed to the size (€32.7 million) and nature of the tender (consolidation of various lots under one (1) tender). Due to the unique (for Malta) size and nature of this tender, an extension of the publication period was granted in order to allow the market to mobilise sufficient capacity and prepare the complex bids. *In keeping with tradition*, an appeal was submitted by one (1) of the bidders following the technical evaluation, which derailed the process for almost three (3) months. The issue of capacity was also encountered from the Beneficiary side. The bids came in large boxes containing volumes of documents and supporting literature. The evaluation of this larger road tender took forty five (45) evaluation sessions (by the relevant committee) to conclude, spanning eleven (11) months. One should also note that capacity is also being bolstered within the Beneficiary organisation to seek to mitigate the problems that are inevitable when works will commence, more or less simultaneously, on a number of arterial stretches of the road network.

Apart from the tendering process, the other predominant activity in 2010 for this PA was the launching of a number of studies for both approved and new projects. The main concerns in this regard, remained the preparatory studies for the second TEN-T road project which is expected to be submitted at the end of 2011. Given the potential impact of some stretches on the local community, a parallel consultation process with the residents was initiated to support the usual consultation process of the EIA and planning process. The lack of expertise at a national level in areas such as sound and visual monitoring, are indicative that delays might be experienced in 2011. In order to mitigate against this, Transport Malta has sought the support of JASPERS in this matter. Moreover, the situation is being monitored and all efforts are being mobilised to limit delays to the minimum.

03.4 Priority Axis 4 – Mitigation and Adaptation to Climate Change

03.4.1 Achievement of targets and analysis of the progress

Priority Axis 4 aims to undertake interventions with the objective of mitigating the effects of Climate Change with a view to increase competitiveness and enhance the quality of life. Within this context, operations undertaken through this Axis include interventions aimed at promoting a comprehensive framework of measures resulting in energy efficiency and an increase in the use of renewable energy sources at various levels of the economy and society, namely the public sector, at enterprise level as well as in the domestic sector. PA 4 also aims to mitigate the inevitable effects of Climate Change through the development of infrastructure to minimise the effects of storm water and reduce the incidence of flash flooding as well as, develop storm water catchments and potential re-use facilities. In May 2010, the MC also approved the undertaking of studies (as operations per se) in areas related to the objectives of the PA. This change was undertaken with a view to provide more flexibility in the achievement of the objectives outlined above, also in the long term.

As at end 2010, there were seven (7)²¹⁵ projects and one (1) Aid Scheme approved under the focus area of *energy*, one of which was completed²¹⁶ during the course of the year under review. The operation being implemented in the domestic sector²¹⁷ for Photovoltaics (PVs) was successfully re-launched following some initial difficulties (with 1,857 residences benefiting as at end 2010) whilst the IB²¹⁸ implementing the Aid Scheme under Article 107 of the Treaty²¹⁹ launched the third call for proposals in 2010, following the approval of 137 operations in 2009,²²⁰ of which a total of eighteen (18) completed the interventions in 2010. In order to emphasise the *all inclusive participatory approach* towards the issue of Climate Change, the MA has sought to reach out to organisations pertaining to various levels of governance in order to attain the PA's objectives. A call for applications specifically targeting Gozo (as part of the national efforts towards Eco-Gozo) was issued in 2009 and another one for NGOs and Local Councils in 2010. Following the call issued in 2009, six (6) Applications were submitted out of which three (3) were approved for funding in 2010.²²¹ The 2010 call launched in June²²² for a value of €3.5 million attracted sixteen (16) projects, largely from civil society organisations; however as at end 2010, this call was still under evaluation.

²¹⁵ ERDF88, ERDF90, ERDF101, ERDF102, ERDF190, ERDF192, ERDF193. ERDF 120 was only approved in principle at national level and is therefore being excluded from the list given that it still required Commission Decision to be considered as formally and conclusively approved.

²¹⁶ ERDF 102

²¹⁷ ERDF 88

²¹⁸ The IB for this scheme is Malta Enterprise

²¹⁹ ERDF 133

²²⁰ The IB has approved 142 Beneficiaries, out of which 2 from Call 1 withdrew while another 3 from Call 2 did not sign the Grant Agreement

²²¹ ERDF 190, ERDF192 and ERDF193

²²² Closing on the 6th August 2010

By way of summary, four (4) calls have been launched by the MA under this PA since the start of the Programme till end 2010. In this regard one should note that the evaluation of the second call (launched under this PA in Q4 of 2009 for actions improving ambient air quality through interventions aimed at enhancing the eco-friendliness of electricity generation plant), was still not concluded as at end 2010 since state aid clearance from the EC was still pending. In addition to these four (4) calls, another call for proposals (5th under the Axis) was pre-announced at the end of Q4 2010, with a total indicative value of €5 million, for interventions undertaken by public entities having the aim of increasing energy efficiency and installing renewable energy sources infrastructure in Gozo. This call is envisaged to be published in 2011.

With respect to the Aid Scheme implemented by ME, three (3) calls for proposals (two in 2009 and one in 2010) had been issued as at end 2010. The aim is to provide an opportunity to the business community to invest in actions which contribute towards the mitigation of Climate Change, through investment in energy efficiency measures and renewable energy sources. The impressive take up of the ERDF Energy Grant Scheme calls launched in 2009 (197 applications received) led to a commitment of 87% out of the total allocated budget of €10 million, thus leaving a mere €1.3 million for the 2010 call. The need for further assistance for enterprises to invest in energy efficiency and renewable energy solutions in line with national and EU targets is essential, more so when the local economy has not experienced fully the expected rebound from the unabated pressures of the global recession. Within this context, ME proposed an injection of an additional €5 million (amounting to 50% increase of the original allocation) for the 2010 call which the MA approved. The Maltese authorities are of the opinion that these additional funds made available under the ERDF Energy Grant Scheme will, in the short term, leverage additional private funds in energy efficiency and renewable energy projects (operations approved under the 2009 calls alone have already mobilised nearly another €8 million²²³ of private sector investment in these areas) as well as improve business sentiment, while in the long term, enhance competitiveness of Maltese enterprises as well as provide a considerable contribution to Malta's RES targets.

The third call for proposals was launched by the IB on 15th January 2010 and closed on 26th March 2010 with two information sessions held on the 25th and 26th of February 2010, in Malta and Gozo respectively. Given the large number of proposals received under this call (246 in total) as well as delays arising from national decisions on issues related to the applicable FIT and the re-organisation process within the IB itself (including the appointment of a new Project Leader for all ME schemes), evaluation was still underway as at end of the year under review.

The overwhelming response is clearly indicative of the needs on the ground and the level of priority that industry is attaching to investments in the sector, despite the fact that the effects of the global crisis are still very present and cash-flow problems are very real. The IB has also ensured that information on the scheme is available to as wide an audience as possible. Over €16,000 were spent in total in 2009 and 2010 by the IB out of its own resources in adverts in newspapers, website banners, adverts in publications and information sessions to give the scheme the necessary visibility.

²²³ The Energy Grant Scheme has an aid intensity of 50%

In 2010, it was clear that disbursements had to be brought to the forefront of the IB's priorities – not only for programme management reasons, but also to ensure that enterprises are not kept waiting unnecessarily to be reimbursed, thus resulting in negative impacts on competitiveness. The IB embarked on the reimbursement process and undertook twenty nine (29) on-the-spot checks (OTS) on Beneficiaries (50% of which were done jointly with the MA to ensure that the IB is rigorous enough in its checks and set the scene for a more *independent* approach in the future) as part of its delegated functions with regard to first level verifications. These OTS checks (covering both the physical and documentary dimension of the first level of control checks) cover claims for a total grant value of €1,702,749.49 of which €927,954.73 (54%) were disbursed as at end 2010. The pace has not been as fast as desired, however a decision was taken to undertake this ex-ante “one-stop-shop” check to avoid multiple visits to the enterprises as well as ensure that funds reimbursed will not be recovered at a later stage. On the negative side, this has led to inevitable delays, not least because of capacity issues, however it is believed that once the initial difficulties are overcome, the pace of checks and reimbursements will accelerate substantially in 2011.

Apart from the seven (7) projects and the Aid Scheme mentioned above, this PA includes a major project²²⁴ which targets the focus area of *Flood Relief*. During 2010, implementation focused almost entirely on the drafting of the necessary preparatory work (EIA and CBA studies). In fact, out of the four (4) full development applications (required for the various components of the project) submitted in November 2009, two permits were issued in 2010 while two other permits covered by an EIA are expected to be ready for a decision in the first half of 2011, at which point the project will be officially submitted to the EC. The project continued to receive JASPERS assistance for the review of the Feasibility/CBA/EIA studies and review of the ERDF major application form. The JASPERS draft Completion Note was sent on 30th September 2010 and the Application Form was submitted informally to DG REGIO in October 2010.²²⁵

03.4.2 Information on the physical and financial progress

Physical Progress

In total, since the start of the Programme, eleven (11) contracts (total value of €8,673,258.89) were signed in relation to the approved *mainstream* projects,²²⁶ eight (8) of which were signed during 2010 and included project management, equipment as well as works.²²⁷ The remaining three (3) contracts were signed in 2009 in relation to the National Flood Relief Project (NFRP).²²⁸ This activity is a sign

²²⁴ ERDF 120, National Flood Relief Project

²²⁵ The Completion Note is to be revised once the project is finalised (and ready for submission) with all comments from different stakeholders as well as any further information coming from the planning process.

²²⁶ Projects approved by the MA

²²⁷ A small departmental tender in relation to ERDF 090 was launched in 2010 but was still under evaluation as at end of year

²²⁸ The 3 contracts signed were in relation to the provision of work on storm water culverts, the carrying out of a topographic survey and consultancy service needed for the EIA / CBA/ Application Form.

that physical progress has increased²²⁹ in the case of a number of projects, albeit not to the same desired intensity in all cases. Most projects support the procurement of RES and EE installations and therefore once the procurement process is settled, the rest of the implementation (delivery, installation and commissioning) proceeds rather fast. One project²³⁰ was put on hold pending clarification replies from the Beneficiary on the issue of revenue and therefore, could not continue with the implementation process apart from the compilation of technical designs and studies.

Significant progress was registered in 2010 on ERDF 088 – Promotion of Renewable Energy Sources in the Domestic Sector – following long discussions (also with the EC) in 2008 and 2009. The project aims to contribute towards the mitigation of Climate Change through the installation of renewable energy equipment such as PVs and SWHs in households.²³¹ The project is implemented by the Malta Resources Authority (MRA) and following the notification period (Notification No. 2009/230/MT) as per 98/34/EC procedure, calls were launched in February 2010. The first round of calls for PVs was cancelled due to potential misunderstandings in the call. In an attempt to mitigate against re-occurrence of the same, various corrections were made to the original application forms / guidance notes and information sessions to the sector were undertaken jointly by the MA and the Beneficiary managing the operation. A new (successful) call for application for PVs (network projects) was issued in July which was met positively by the public and the sector with more than 2,000 applications submitted. Out of these, 1,857 were awarded a grant; for a total grant value of €5,481,626.18. With respect to the call for applications for the procurement of SWHs, there were 344 households benefiting as at end of 2010, for a total grant amount of €186,620.10. Due to the restrictions on the eligible applicants (the social criteria established to satisfy Article 7 of Regulation EC/1080/2006 as amended by EC/397/2009), the take up of the non-network installations was, as expected, considerably low.

Following the call for applications launched by the MA in 2009 for projects to be carried out in Gozo, three projects (with NGO Beneficiaries) were approved in 2010.²³² By end of year implementation was not significant, with all three projects focusing on the finalisation of feasibility studies (to determine the funding gap) and procurement documentation. The application of Article 55 for RES / EE projects is inevitably acting as a disincentive for further investments by the NGOs and also local government and there is a strong possibility that some of these projects will withdraw due to a possible low co-financing rate.

With respect to the major project, ERDF 120, implementation has continued – mainly on the preparatory work while the contracting and implementation of two departmental tenders, involving works on storm water culverts and a topographic survey were, as at end 2010, completed. The tender for the excavation works of a reservoir was contracted in November 2010, however works are expected to start in April 2011, due to more favorable weather conditions. In addition, the works tenders for the

²²⁹ One project, ERDF102, was completed

²³⁰ ERDF 090

²³¹ 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

²³² ERDF 190, ERDF 192 and ERDF 193

two main project parts including the underground tunnels, canals and bridges (Birkirkara, Msida, Zebbug, Marsa, Marsascala and Zabbar) were in their final stage of design and are expected to be launched in Quarters 1 and 2 of 2011.

With respect to the (state-aid) Energy Grant Scheme (for enterprises), out of the one hundred thirty nine (139) Beneficiaries who had a signed GA in 2009, two (2) withdrew²³³ the project, leaving a total of one hundred thirty seven (137) enterprises with a grant as at end of 2010, for a total commitment on the scheme of €7,817,302.51. This level of public investment has leveraged the equivalent amount in private investment. The nature of projects co-funded includes photovoltaic systems, solar water heating, intelligent lighting systems and heat pump water heating.

²³³ The 2 withdrawals come from Call 1 which is reduced to 53 Beneficiaries from the original 55

Progress on Indicators

Table 13 - Priority Axis 4 Indicators

Indicators		2007	2008	2009	2010	Total
Output Indicators						
No of boilers (generation plant) upgraded [A4O01]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	2
	Baseline	n/a	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 2008 (kWp/annum) [A4O02]	Achievement	0	0	0	1,643.70	1,643.70
	Target	n/a	n/a	n/a	n/a	340
	Baseline	n/a	n/a	n/a	n/a	n/a
No of energy efficiency schemes [A4O03]	Achievement	0	0	1 ²³⁴	2 ²³⁵	2
	Target	n/a	n/a	n/a	n/a	2 – 3
	Baseline	n/a	n/a	n/a	n/a	n/a
No of storm water management (risk prevention) projects (core indicator) [A4O04]	Achievement	0	0	0	1 ²³⁶	1
	Target	n/a	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a	n/a
No of studies [A4O05]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	1
	Baseline	n/a	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	0
	Target	n/a	n/a	n/a	n/a	Full
	Baseline	In breach	n/a	n/a	n/a ²³⁷	In breach

²³⁴ ERDF133 Energy Grant Scheme as per Article 107 of the Treaty

²³⁵ Including ERDF88 Promotion of Renewable Energy Sources in the Domestic Sector

²³⁶ Refers to ERDF120

²³⁷ The sole project submitted under Call 9 by Enemalta Corporation (issued and closed in 2009) was the main/sole contributor to this indicator (and the related output indicator targeting the upgrade of 2 boilers). However, in the first part of 2011, the project proponent informed the MA that the submitted project is to be considered as withdrawn following the successful implementation of other mitigation measures

Indicators		2007	2008	2009	2010	Total
Result Indicators						
Total annual electricity generated from small scale PV and micro-wind installations (MWh/annum) (core indicator) [A4R02]	Achievement	0	0	0	2,463.95	2,463.95
	Target	n/a	n/a	n/a	n/a	3,000
	Baseline	n/a	n/a	n/a	n/a	n/a
Total energy savings per year (MWh/annum) [A4R03]	Achievement	0	0	0	2,479.82	2,479.82
	Target	n/a	n/a	n/a	n/a	24,300
	Baseline	n/a	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	0
	Target	n/a	n/a	n/a	n/a	300,000
	Baseline	n/a	n/a	n/a	n/a	n/a
Frequency of flooding within areas of intervention [A4R05]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	1 every 5 years
	Baseline	5 per year	n/a	n/a	n/a	5 per year

As can be seen from Table 13 above, following the completion of ERDF 102 Energy – Smart Authority and the issuance of grants to households as part of ERDF 088 – Promotion of Renewable Energy Sources in the Domestic Sector, as well as through the grants allocated to enterprises under the ERDF Energy Aid Scheme (ERDF133), some of the targets in relation to energy have, in 2010, started to be reached.²³⁸ In fact, by means of the PVs installed through the above mentioned projects,²³⁹ 2,463.95MWh per year have been generated by means of 1,643.70KWp of solar energy equipment (PVs) installed while the same projects have also contributed towards saving 2,479.82MW/h of energy. The achievements under this Axis are expected to increase substantially in 2011 following the installation of other RES and EE equipment under the different operations, already approved. With regard to the indicators pertaining to the NFRP, one should note that the achievement registered is based on the project identified within OPI which is at an advanced stage of application²⁴⁰.

With regard to the achievement of targets and results under this Axis, it is to be noted that there are a considerable number of projects implemented under the various Axes of the OP, which whilst primarily targeting the objectives of the respective Axes, include also small RES/EE components in the projects (e.g. PV panels, SWHs, energy-efficient equipment and power-saving software, double-glazing and solar-powered gear; construction/upgrading of water reservoirs) as part of the overall effort to reduce

²³⁸ Targets recorded as achieved pertain to actual generation of commissioned installations and not to projections based on approved projects

²³⁹ ERDF 102, ERDF 133 and ERDF 088

²⁴⁰ Indicator has been included based on further clarifications with the EC in terms of reporting.

the carbon impact of the OP's implementation. It must be stressed, however, that the reported achievements of the indicators under Table 13 above, are not inclusive of these other projects, but solely attributable to PA 4 operations. The results of the aforementioned projects / PA 4 operations were also transmitted to the Energy Regulator in Malta (MRA) as part of a request for data in the drafting of the National Renewable Action Plan (NREAP) required by Directive 2009/28/EC on the promotion of the use of energy from renewable sources. Malta has a mandatory target of 10% of the share of energy from renewable sources over the gross final consumption and a further mandatory target of 10% share of renewable sources in energy consumed in road transport, by the year 2020.

Financial Analysis

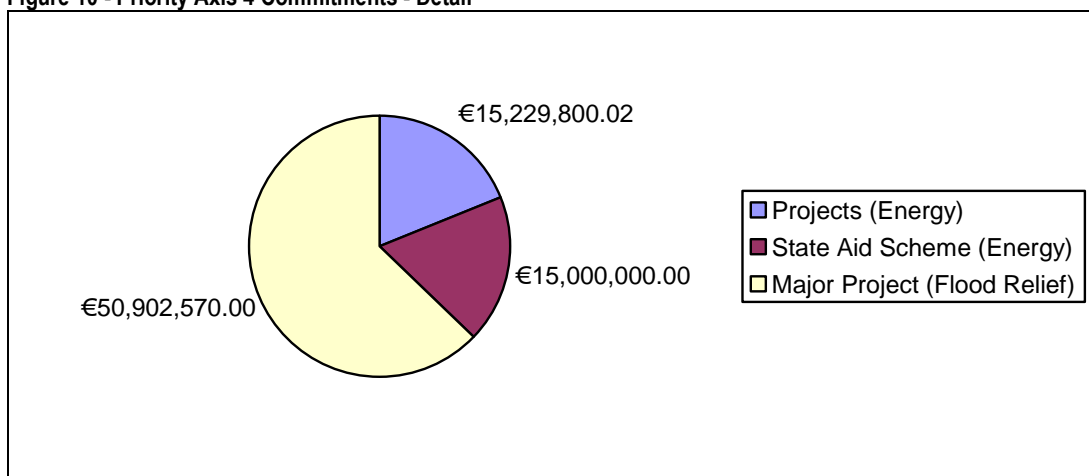
Table 14 - Priority Axis 4 Financial Progress

Priority Axis	Total contribution	Financial progress			
		Commitments ²⁴¹	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 4 (ERDF) Mitigation and Adaptation to Climate Change	€121,000,000	€81,132,370.02	€2,526,025.93	67.05	2.09

03.4.3 Qualitative Analysis

At the end of 2010, €81,132,370.02 of the total allocation for this PA were committed in seven (7) projects (€15,229,800.02), one (1) major project (€50,902,570)²⁴² and one (1) aid scheme (€15,000,000²⁴³). The latter had a further one hundred thirty seven (137) operations as at end 2010.

Figure 10 - Priority Axis 4 Commitments - Detail



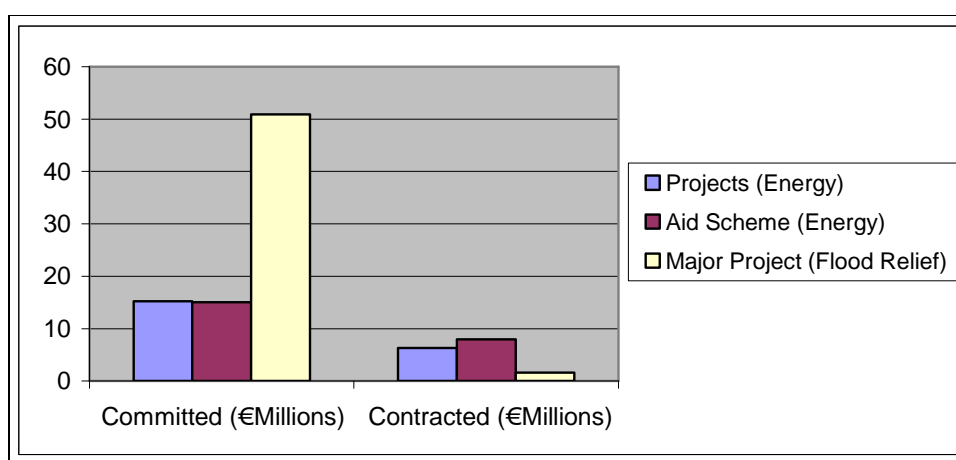
²⁴¹ The committed amounts include the approved projects, the aid schemes and major project, the latter (ERDF120) not yet formally approved by the EC

²⁴² With respect to the NFRP the estimated amount of €57,240,000 declared in 2009, was reduced to €50,902,570 in 2010 to be in line with the final workings submitted by the Consultant contracted as part of the project

²⁴³ All figures are in public eligible cost

Of the, €81,132,370.02,²⁴⁴ mentioned above, €15,813,372.86 were contracted by the end of 2010. The contracted amount can be divided in the following manner: €6,278,879.90 were contracted in relation to the energy projects,²⁴⁵ €1,640,007.29²⁴⁶ were contracted through the major project, while €7,894,485.67 were contracted with Beneficiaries through GAs under the Energy Grant Scheme run by ME. It should be pointed out that the figures remain fluid and there will always be variances between the committed amounts and the contracted values, due to savings registered in the procurement process and / or withdrawal of operations, the latter primarily at enterprise / domestic level. Moreover, the delays reported earlier in this section pertaining to ERDF 090 have also had an impact on the contracted value under the Axis.

Figure 11 - Committed and Contracted (Projects under Axis 4)



From the €15,813,372.86 contracted, €2,526,025.93 (16%) were paid out by the end of 2010. Of the €2,526,025.93 in payments, 85% (or €2,141,433) were paid in 2010, largely on the preparatory work relating to the major project and the state aid scheme. From the total amount of payments as at end of 2010, €316,496.23 (13%) were disbursed on *mainstream* projects, €1,281,574.97 (50%) were paid out on the major project and €927,954.73 (37%) were reimbursed to enterprises through the aid scheme. The amount certified in a SOE during 2010 amounted to only €529,514.52, reflecting the low disbursement, and bringing the total amount certified under the Axis (as at end of year) to €666,402.82, well beyond the expected target which is present in the approved project schedules.

It is clear that the disbursement is very low in relation to the projects approved, largely due to the fact that the project dealing with the domestic sector was, by end of year, still at the initial stages of receiving and evaluating the claims for payment. The IB has also been slow to progress on payments, mainly due to reasons mentioned already above. It should also be noted that the evaluation and

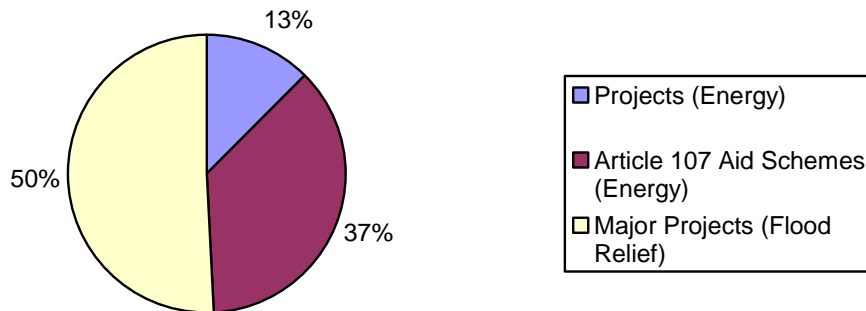
²⁴⁴ It is to be noted that in Figure 11, the Projects (Energy) commitments includes ERDF 088 – Promotion of Renewable Energy Sources in the Domestic Sector while the commitment State Aid Scheme (Energy) of €15 million includes only ERDF 133 – ERDF Energy Grant Scheme implemented under Article 107 of the Treaty

²⁴⁵ Includes grant letters signed between the MRA and residents under ERDF 88

²⁴⁶ The contracted includes MEPA fees and adverts. The decrease in the contracted amount declared in 2009 is due to a misprint in AIR 2009

approval of RES projects was delayed (not least) due to the national discussion on the FIT issue with some clarity coming out in July 2010²⁴⁷ through a press release issued by the Department of Information with legal certainty being forthcoming only in September²⁴⁸ with the publication of Legal Notice 422 of 2010. Payments on RES equipment in the domestic sector was delayed due to the volumes concerned and the ad hoc procedure that had to be agreed upon between the relevant stakeholders to ensure an adequate balance between timely payments to households and minimal duplication of paper-work for the Beneficiary.

Figure 12 - Disbursement undertaken by type of intervention under Axis 4



03.4.4 Significant problems encountered and measures taken to overcome them

The main obstacle in the implementation/uptake of projects under this Axis is related to the interpretation of Article 55. In fact, the MA sent a letter dated 14th July 2010 addressed to DG REGIO requesting clarification on Malta's interpretation of the COCOF Note (Guidance Note on Article 55 of Council Regulation EC No 1083/2006: revenue-generating projects – 07/0074/04-EN²⁴⁹) on the issue of operating cost – savings and the funding gap methodology and whether these constitute revenue generating projects for the purpose of Article 55. The reply received (which has been translated in the MA's Guidance Notes to Applicants) has inevitably discouraged suitable applicants from responding to calls launched by the MA and it is likely that some Beneficiaries (particularly NGOs) that have dared trying to submit applications may withdraw their projects as they cannot co-fund the investment.

The take-up of the SWHs²⁵⁰ was, as expected,²⁵¹ low and funds were expected to be re-allocated to the RES component of the operation.²⁵² This shift has the potential of resulting in an over-achievement of

²⁴⁷ On the 21st July 2010, Government announced a feed-in tariff scheme for electricity produced through photovoltaic systems. Amongst other provisions, the scheme established the rates payable for every kWh exported to the grid

²⁴⁸ Legal Notice 422 of 2010: Feed-In Tariffs (Electricity Generated from Solar Photovoltaic Installations) Regulations, dated 10th September 2010

²⁴⁹ The note was subsequently updated and the new reference number is 07/0074/09-EN

²⁵⁰ The energy efficiency component of ERDF 88

²⁵¹ Due to the criteria set

²⁵² Discussions had already started in 2010 between the MA and the Beneficiary

the performance indicators pertaining to electricity generation whereas the targets for the indicators pertaining to energy savings will, most likely, need to be modified to reflect this modification.

Other problems encountered during 2010 were mainly due to technical issues, including those related to a change in national legislation with regard to the feed-in-tariff, as already identified above. Up to September 2010, there was no FIT for energy fed to the grid, but merely a *net metering* procedure with a pay-back-period of 20 years or more. This clearly had hitherto not provided sufficient incentive to investors to move into this technology. The rise in oil prices and also the strong commitment by Government to try to provide *real* incentives to all citizens and businesses to invest in RES (also in the light of the national targets) led to a discussion on the matter with a decision taken only in July 2010 which was subsequently translated into legal provisions in September 2010.

It is clear (from the take-up under both the (State) Aid scheme as well as the domestic scheme) that whilst the new legislation provided the right incentive and interest amongst the target groups, the new FIT created other problems with regard to the expectations of the level of funding to be provided.

Locally, 2010 experienced further inter-Ministerial as well as supply bottlenecks. Apart from the issue concerning the FIT, mentioned above, a further administrative *ordeal* has been the documentation required for grid-connected RES technologies installations. In fact, apart from the normal stakeholders in mainstream projects, this category of projects further requires the involvement of the regulator and the operator/distributor in the process which, therefore, adds on to an already burdensome process. The volume of the paper-work (for Beneficiaries and recipients alike), especially considering that the schemes (both state-aid and others) are very fragmented, should also not be dismissed and whilst all efforts are being employed to seek to maintain these at a minimum, striking the balance between minimal paper-work and securing the audit trail required by the system will, most likely, remain a challenge. In this regard, the MA provided several recommendations/guidance/direction to the IBs as the issues were arising as well as shared its good practices with other stakeholders in the system. At times this has resulted in delays until procedures were adjusted to reflect the agreements reached between the various stakeholders. In terms of physical constraints, the demand for this equipment at a global level has given rise to supply bottlenecks, resulting in a shortage of inverters on the international market which delayed the installation and commissioning of equipment also in Malta.

Despite the difficulties, the financial support provided for RES and EE equipment and infrastructure under this Axis has undoubtedly generated a lot of interest amongst various sectors of the economy and the population at large that had hitherto not considered investing in this technology. This has not only yielded immediate impacts - such as the significant result in terms of leverage effect (in fact the €30,229,800²⁵³ of public investment committed has the potential of generating another €23 million of additional investment from the private / domestic / civil society sectors) and long awaited policy reforms (as was the case of the FIT), but will also contribute considerably (in the medium to long term) to Malta's national targets on climate change.

²⁵³ Figure includes the Energy Grant Scheme and *mainstream* projects but excluding the major project

03.5 Priority Axis 5 – Sustaining the Environment

03.5.1 Achievement of targets and analysis of the progress

Priority Axis 5 is the Axis dedicated solely to environmental projects, focusing in its greater part on the waste sector – both solid and liquid. Waste management projects were also the main target of the environmental projects undertaken with Cohesion Policy funding in the 2004-2006 period and this Axis seeks to consolidate and complete, to a certain extent, the results achieved in the first round of Cohesion Policy funding. The rehabilitation of landfills and extending the capacity for waste treatment, energy recovery and recycling purposes as well as increasing (and completing) sewage treatment capacity in Malta are the main targets of the Axis, in line with the national strategies in the same sectors. During 2010, two Major Projects²⁵⁴ were formally submitted to the EC for approval following months of preparatory work undertaken in 2008 and 2009. Both projects were approved in the same year for a total eligible cost of €96,209,856²⁵⁵ in total. By the end of the year, there were two major projects and one non- major project²⁵⁶ approved under this Priority Axis bringing the total of commitments under this Axis to € 104,309,856 (or 63% of the Axis).

Following the submission of the project *The Rehabilitation and Restoration of Closed Landfills* (CF118) for PSC approval (in Q4 2009) by the Beneficiary, the PSC approved the project in Q1 2010, paving the way for onward submission to the EC early during 2010. The total public eligible cost value for this project amounts to €26,224,382²⁵⁷. The project constitutes the second phase of the closure and rehabilitation of three Maltese Landfills which were operational before the date of Malta's accession to the European Union, namely Magħtab and Marsascula landfills in Malta and Qortin landfill in Gozo. Implementation on the project is progressing slowly as will be described later on under this section.

The second Major Project, *Malta South Sewage Treatment Infrastructure*, was formally submitted to the EC in July and approved by the European Commission on the 18th November 2010 with a total public eligible cost of €69,985,474²⁵⁸. The project is the last (and also by far the largest) of a series of wastewater infrastructure established in Malta over the last eight (8) years. The project will also bring Malta in line with the EU Urban Wastewater Directive 91/271/EC thus complying with the need to treat all urban wastewater entering collecting systems, before discharge. All contracts foreseen under this project are signed and as at end 2010 the project was in a very advanced stage of implementation.

²⁵⁴ CF116 – Malta South Sewage Treatment Infrastructure & CF118 – Rehabilitation and Restoration of Closed Landfills. The latter – submitted to EC in May and approved on 28 July 2010; whilst the former was submitted to EC on 2 July 2010 and approved in 18 November 2010

²⁵⁵ CF118 – eligible cost is €26,224,382; ineligible cost is €4,720,389 resulting in a total project cost of €30,944,771. CF 116 – eligible cost is €69,985,474; ineligible cost is €23,597,385 resulting in a total project cost of €82,582,859.

²⁵⁶ CF123 - Setting up of the Gozo Waste Treatment and Transfer Facility approved by the PSC in 2009. This project involves the setting up of a controlled facility for the reception, sorting, processing, interim storage and transfer of wastes originating from Gozo and Comino.

²⁵⁷ CF118 – eligible cost €26,224,382; ineligible cost is €4,720,389; total project cost amounts to €30,944,771.

²⁵⁸ CF 116 – eligible cost is €69,985,474; ineligible cost is €23,597,385; total project cost amounts to €82,582,859.

In addition to the above, in 2010, the second call for non major project applications was launched and two (2) projects were submitted in the area of solid waste management. As at end 2010 the projects were still under evaluation with discussions ongoing between the Beneficiary and the PSC mainly relating to the CBA. This PA also foresees a third Major Project, namely, a Mechanical and Biological Treatment Plant in the North of Malta. In 2010, the contract for the preparatory studies (including the CBA and project application) was signed and implementation (of the contract) started in August with the participation also of JASPERS assistance, the latter providing continuous (and timely) guidance to the Beneficiary. It is clear that the preparation of such projects is very time and resource consuming and includes multiple studies and analysis. Barring any unforeseen issue, the project should be ready for submission to the EC in Q4 2011.

03.5.2 Information on the physical and financial progress

Physical progress

In total, since the start of the programme, twenty eight (28) contracts were signed for a total value €70,440,377.90 (or 42.6% of the amount available under the Axis), twelve (12) of which were signed in 2010 for total value €7,891,084.17 (representing 11% of the amount contracted so far). The nature and type of the contracts vary from project management and supervision to the supply of equipment and works. The value of the different contracts signed in 2010 is also diverse ranging from €4,067 (service contract for site investigation related to waste infrastructure) to €6,998,734 (related to sewage infrastructure).

As at end of 2010, the Malta South Sewage Treatment Infrastructure was at a very advanced stage of implementation. Up to December 2010, 98% of the project was contracted and works on the ground were also progressing at a fast rate. By the end of year under review, the construction of a new Urban Water Waste Treatment Plant at Ta' Barkat limits of Xghajra (Component 1) was 91% complete, the new wastewater pumping station at Rinella in Kalkara (Component 2), the Xghajra pumping station (Component 3) and the 1.7 km wastewater gallery from Rinella to Ta' Barkat limits of Xghajra (Component 4) were completed. The construction of the 1 km submarine outfall (Component 5) suffered delays due to bad weather conditions. 89%²⁵⁹ of the project was paid. Notwithstanding some delays, the project is expected to be operational in 2011.

The Rehabilitation of Closed Landfills project proceeded with the initial phases of implementation and during 2010, launched three project service management tenders for all three (3) landfill sites together with two (2) major works tender for the M'Scala and Maghtab site. Two (2) of the project service management tenders were awarded during 2010, whereas the remaining tenders were still under evaluation as at end of year. During 2010, a mere €324,348.45 (representing 0.46 % of the contracts launched) was contracted under the project, bringing the total amount contracted under the project to €960,638 by the end of 2010, less than 3.7% of the project total being contracted. The project registered its first disbursement in 2010, with the total amount disbursed by end of the same year under the project summing up to €542,740 (0.77% and 2.1 % respectively of the total amount contracted under the Axis and funds available for the project).

²⁵⁹ Disbursed as at end of 2010 of €62,319,429.45 out of a public eligible cost of €69,985,474

The Gozo Waste Treatment & Transfer Facility²⁶⁰ (CF 123) was also in its initial phases of implementation and in 2010 continued the contracting process. The procurement for Engineering, Supervision and Project Management services for the Gozo Waste Treatment Facility in Tal Kus l/o Xewkija, Gozo was signed on 28th June 2010. The main works tender for the Design and Build of the Gozo Waste Treatment Facility was drafted and submitted to the Department of Contract for vetting in Q4 of 2009, however by end of year under review, the tender was still not launched on the market, largely due to administrative instructions issued by the DoC.²⁶¹. This is explained further in Section 3.5.4 *Significant problems encountered and measures taken to overcome them*.

During 2010, preparations for the submission of the other proposed Major Project, the *Malta North Mechanical Biological Treatment Plant*, were well underway. The tender for the preparation of the CBA, project application, other environmental studies, project management and procurement documentation of the works contract was awarded in April 2010. JASPERS assistance for the preparation of the cost benefit analysis was also provided with the first kick off meeting being held in Malta in July 2010. Following this kick off meeting, JASPERS assistance continued through correspondence during subsequent months. The possibility of another JASPERS mission to be scheduled during 2011 is not excluded to ensure that the necessary studies are complete for submission of project application by end 2011.

²⁶⁰ Previously called Transfer and a Mechanical Treatment Plant in Gozo

²⁶¹ Changes in procurement template, and subsequent guidance by the Department of Contracts to issue this tender on the basis of *Cheapest Technically Compliant* and not using the *Most Economically Advantageous Tender (MEAT)*.

Progress on Indicators

Table 15 - Priority Axis 5 Indicators

Indicators		2007	2008	2009	Total
Output Indicators					
No of solid waste treatment plants constructed [A5O01]	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 [A5O02]	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 [A5O03]	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) [A5R01]	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	130,000 m ³ ²⁶²
	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

²⁶² 130,000m³ is equivalent to 110,000 tonnes.

As can be seen from Table 15, there were no tangible results on indicators since the projects were still under implementation and none of the three (3) approved projects were completed by the end of 2010. The nature of the indicators in Table 15 above, do not assume interim results and hence the actual reporting of the achievements can only be undertaken upon completion of the projects. It is clear, however, from the qualitative analysis above that implementation is progressing at a good rate and that whilst targets are still far away from attainment in the case of the solid waste projects, it is expected that given the state implementation of CF 116, achievement will be recorded from 2011 onwards in the case of the waste water indicators.

Financial Analysis

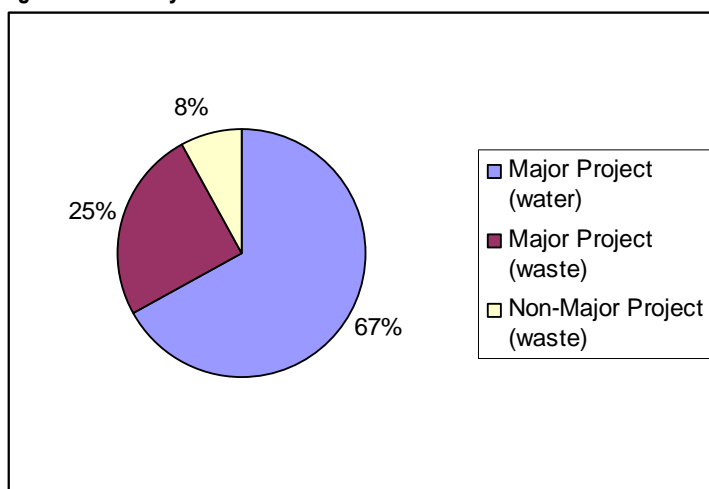
Table 16 - Priority Axis 5 -Financial Progress

Priority Axis	Total contribution	Financial progress			
		Commitments ²⁶³	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 5 (CF) Safeguarding the Environment	165,250,000.00	104,309,856.31	63,379,874.07	63.12%	38.35%

03.5.3 Qualitative Analysis

Figure 13 below shows that by the end of 2010, €104,309,856.31 (or 63% as shown in **Table 16**) of the total allocation for this Priority Axis was committed in the three approved projects mentioned above. This amount is expected to increase in 2011 with a decision on the two pending non-major projects submitted in 2010 and possibly in 2012 with the approval of the remaining major project under the Axis.

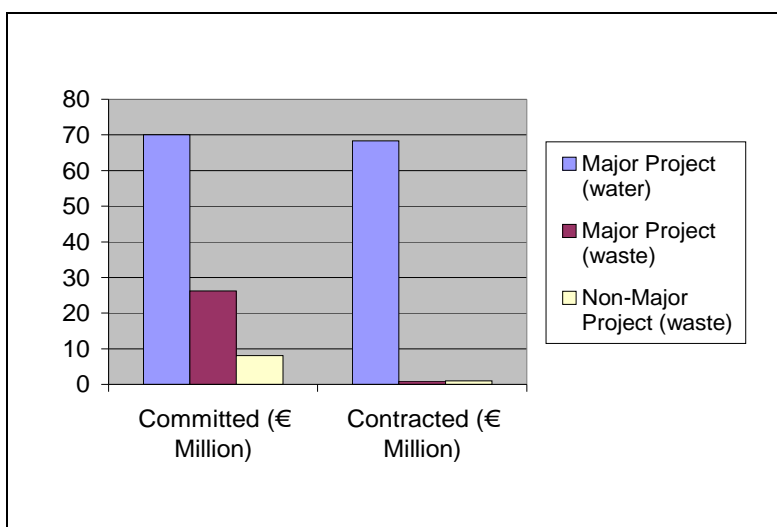
Figure 13 - Priority Axis 5 Commitments - Details



²⁶³ The committed amounts include major project CF116.

The projects proceeded with procurement activities with €7,891,084.17²⁶⁴ being contracted by all projects during 2010; bringing the total amount contracted under the Axis to €70,245,274.83 (or 67.3% of the total amount committed)²⁶⁵ as shown in **Figure 14**. The greater majority of the contracts signed were in relation to the Malta South Sewage Treatment Infrastructure project (CF 116),²⁶⁶ which by end of 2010 had completed all procurement under the project. The other two (2)²⁶⁷ projects have only contracted small amounts, mainly related to the preparation of the necessary studies and preliminary works. Still, for both these projects, 2010 was characterised with ongoing work for the preparation and launching of the main tenders. It is expected that the amount contracted will increase considerably in 2011, assuming the works tenders will be successful.

Figure 14 - Committed and Contracted (Projects under Axis 5)



Progress has also been registered with respect to disbursement. In 2010, CF118 project recorded its first disbursements with a total of €542,740.58 paid up to the end of the year (2.1% disbursed of the total project eligible cost). On the other hand, the CF123 project proceeded with disbursement, with an additional €311,651.15 being disbursed in addition to the €206,052.89 disbursed in 2009, bringing the total disbursed under the project to €517,704.04 (or 6.4% disbursed of the project's public eligible cost). In both cases (CF 118 and CF 123), the disbursement in 2011 is expected to increase once the major tenders are awarded. The project under this PA which registered the highest rate of disbursement in 2010 was CF116, with €39,572,993.21 being disbursed, bringing the total amount disbursed under the project to €62,319,429.45 (or 89% disbursed of the project's public eligible cost).

²⁶⁴ CF118 – contracted €324,348.45 in 2010 (CT2568/09; CT2722/09,WSM122,/10,WSM123/10;WSM126/10); CF123 – contracted €359,174 (CT2418/09); CF116 – contracted €7,207,561.73

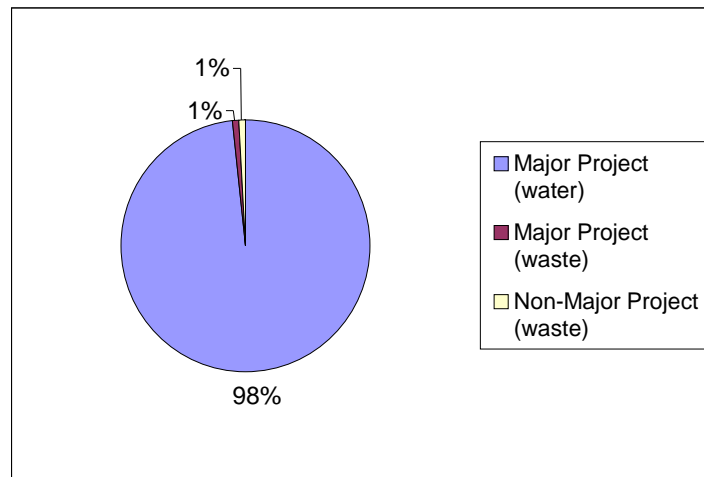
²⁶⁵ €104,309,856 were committed as at end 2010; therefore, €70,245,274.83

²⁶⁶ CF116 contracted the amount of € 68,471,770.06

²⁶⁷ CF118 contracted the amount of € 960,637.52 and CF123 procured the amount of € 1,007,970.32

By the end of 2010, out of the overall amount contracted under the Axis²⁶⁸, €63,379,874.07²⁶⁹ was paid out. This amounts to approximately 90.2% of the contracted amount and 60.7% of the committed amount under PA5. The amount certified under the Axis in 2010 was €44,497,738.54²⁷⁰ bringing the total amount certified under the Axis by the end of 2010 to €59,989,220.27, that is 94.7% of the payments paid out and 57.5% of the total amount committed in projects under this Priority Axis. This is clearly demonstrating considerable achievement, particularly in the light of the many sensitivities and difficulties encountered in the implementation of such large projects, both in the planning and procurement stages (with many resources – local and foreign - mobilised for the finalisation of related studies and tender documents and specifications) as well as in the implementation phases (given their size and nature).

Figure 15 - Disbursement undertaken by type of intervention under Axis 5



03.5.4 Significant problems encountered and measures taken to overcome them

The projects under this Axis are all relatively large infrastructural projects which have long preparation phases, particularly as a result of the tight environmental and planning legislation and also the inherent territorial constraints. The nature of the projects involves long consultation processes, particularly in the EIA procedure, and coupled with the technical difficulties on the ground (often with high dependencies of external consultants), the delays are really and truly inevitable. In order to keep track of delays, particularly in the planning and contracting phases, the projects are often discussed at high level bilateral monitoring meetings where both MEPA and the Director General for Contracts are present.

Apart from the usual lengthy and contentious planning process, administrative bottlenecks have also not been lacking, such as the extreme case of the main tender related to CF 123, which took over fifteen (15) months from submission of the dossier to DoC by the Beneficiary (December 2009) to

²⁶⁸ Amount contracted by the end of 2010 under PA5 is €70,245,274.83.

²⁶⁹ CT116 = €62,319,429.45; CF118 = €542,740.58; CF123= €517,704.04. total is €63,379,874.07

²⁷⁰ €44,497,738.54 is public share. (SoE April 2010 - €14,299,583.55; SoE June 2010 - €0; SoE September -€7,459,610.60; SoE December 2010 - €22,738,544.39.

launch of tender by DoC (March 2011). The main reasons for the delay were a change in the procurement templates in April 2010 (so the Beneficiary had to review completed work) and subsequent guidance by DoC in June 2010 to all relevant public entities that public contracts are to be issued on the basis of the Cheapest Technically Compliant basis (without the possibility to use the Most Economically Advantageous Tender, MEAT). This change required substantial tightening of the ToRs and tender specifications prepared – not once but twice. Whilst this experience is not unique, the extreme nature of this case has alerted the authorities to seek to introduce similar changes in phases to allow for *works in progress* to be completed as well as sufficient notice for those in the process of starting the compilation of the dossier.

At this stage of the implementation, capacity, primarily at the technical level, is also stretched, to say the least. The quality of some of the first drafts of the studies provided, particularly for the non-major projects, also leads to delays as usual multiple clarifications are sought by those assessing the proposal and revisions have to be undertaken by the Beneficiary and / or experts. The latter's availability and also experience in such projects is also, often, a limiting factor, however JASPERS assistance as well as MA guidance are being provided to help in this regard.

On a positive note, it should be noted that the Maltese Authorities have learned from the 04-06 experience and have sought to balance the inherent delays with a degree of calculated risks. The launch of the larger tenders under CF 116²⁷¹ very early on in the project evaluation process is clearly a case in point. Whilst there is a degree of risk in not having the project approved, the fact that the project is typical of the type of CF projects financed under Cohesion Policy for many years, render the risk very much a calculated one, in that while modifications were, in fact, necessary, the project itself was never put in question. While it is clear that not all organisations can engage in similar procedures, it important that a number of public entities are encouraged and supported to do so, following the relevant assessments, in order to mitigate against other delays which are either unforeseen at the stage of planning or which are inevitable and hence need to be off-set by expenditure in other projects, if money is not to be lost.

²⁷¹ Major contract awarded already in September 2008

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

03.6.1 Achievement of targets and analysis of the progress

Priority Axis 6 is unique under the OP, in that it is multi-sectoral and aims to support all the pillars of Cohesion Policy, as outlined in the Lisbon Treaty, namely the economic and the social with a strong addition of the territorial dimension. This is being achieved through investments in key areas of smart, sustainable and inclusive growth, namely e-accessibility, transport, urban re-generation, environment, education and social sectors. As at end of 2010 there were twenty two approved projects²⁷² being implemented under this Axis and one approved grant scheme under Article 107 of the EC Treaty. No new calls were issued in 2010²⁷³ under this Axis; however three (3) new projects were approved from calls issued in 2009. As at end of 2010 €133,555,861.35 were committed, representing 89.6% of the total amount available under the Axis. During the year under review, four (4) projects²⁷⁴ were completed - bringing the total of completed projects under this Axis to five (5).

During 2010 there were twelve (12)²⁷⁵ projects under implementation in the education and training sector for a total cost of €78,967,652.54. Ten (10)²⁷⁶ out of these projects are supporting investments in secondary²⁷⁷ and tertiary level institutions²⁷⁸ through extensions as well as upgrading of existing services in state secondary schools, at the University of Malta, the Junior College and Malta College of Arts, Science and Technology (MCAST). The total amount committed to this sector as at end 2010 stood at € 25,380,603.55 (or (17% of the Axis' allocation). As far as sustainable growth is concerned, seven (7)²⁷⁹ projects targeting accessibility (road infrastructure, modal shift and e-accessibility) as well as environmental monitoring were under implementation in 2010, with one (1)²⁸⁰ actually managing to conclude. As far as inclusive growth²⁸¹ and other social infrastructure²⁸² (primarily health) is concerned,

²⁷² Includes 5 completed projects; 1 project was completed in 2009 and 4 projects completed in 2010.

²⁷³ A pre-announcement was issued for Focus Areas: Internal Mobility in quarter 4 2010, the respective call was not launched in 2010.

²⁷⁴ The total number of projects completed under this Axis amount to five. In 2009, one educational project that is ERDF66: Computer systems and computer labs at MCAST Malta and Gozo, was completed on the 30th June 2009. ERDF 45: Extension of ETC Skills and Development Centre, Phase 2, ERDF 48: Upgrading of Arterial and Distribution Roads, ERDF 62: Language Lab with Contact Centre Facility at MCAST Institute of Business and Commerce and ERDF 65: Expansion of MCAST Institute of Electrical and Electronics Engineering were completed in 2010.

²⁷⁵ ERDF 45, ERDF 54, ERDF 56, ERDF 57, ERDF 58 ERDF 62, ERDF 64, ERDF 65, ERDF 66, ERDF 72, ERDF 164, and ERDF 189. Out of these twelve projects, 3 projects were finished in 2010 (ERDF 45, ERDF 62 and ERDF 65), whereas 1 project was finished in 2009 (ERDF 66).

²⁷⁶ ERDF 54, ERDF 56, ERDF 57, ERDF 58 ERDF 62, ERDF 64, ERDF 65, ERDF 66, ERDF 164, and ERDF 189.

²⁷⁷ ERDF 189 and ERDF 58

²⁷⁸ ERDF 54, ERDF 56, ERDF 57, ERDF 58, ERDF 64, ERDF 62, ERDF 64, ERDF 65, ERDF 66 and ERDF 164.

²⁷⁹ ERDF 47, ERDF 48, ERDF 183, ERDF 109, ERDF 159, ERDF 114, and ERDF 156.

²⁸⁰ ERDF 48

²⁸¹ ERDF 72 and ERDF 114. ERDF 114 also falls under e-accessibility.

there were four (4) projects under implementation as well as one small aid scheme under Articles 107²⁸³ of the Treaty. With regard to the territorial dimension, this Axis is not only targeting urban re-generation²⁸⁴ but is also one of two Axes with a number of projects being implemented in Gozo.²⁸⁵ One²⁸⁶ urban regeneration project is also being implemented.

Apart from the projects that were completed in 2010, a number of other projects under the various Focus Areas were nearing completion²⁸⁷ by end of year. The three (3)²⁸⁸ new projects approved in 2010 started the process to conclude the GA, in parallel to preparing to launch the procurement procedure. The Axis also has one major project - ERDF 196 – Mater Dei Hospital Oncology Centre – which was approved by the PSC in 2010. A number of recommendations were made by the PSC and as at end of year and the project is expected to be submitted formally to the EC in Q2 2011, following also the receipt of the JASPERS completion note. This project will be providing a contemporary oncology facility as an extension to the present Mater Dei Hospital offering advanced cancer treatment modalities and a new service through the establishment of a Palliative Care Unit. The total public eligible cost of the project is €48, 802, 722.²⁸⁹

There is one aid scheme being implemented under Article 107 of the Treaty targeting the area of child care. The objective is to support enterprises in setting up child care centres. A call was issued in 2009 and evaluated in 2010. The IB approved 13 request for grants in 2010 (out of the 23 applications submitted), although only 6 Beneficiaries accepted the grant. Out of the six (6) child care centres benefitting from a grant, three (3) will provide for new child care facilities, two (2) are upgrades of existing child care facilities while another child care centre has utilised the grant to relocate premises. A second call for applications was launched on the 19th of December 2010, which is expected to be evaluated in 2011.

²⁸² ERDF 68 and ERDF 196.

²⁸³ ERDF136

²⁸⁴ ERDF 104

²⁸⁵ ERDF 47, ERDF 68 and ERDF 189 are fully being implemented in Gozo. Meanwhile, ERDF 56, ERDF 58, ERDF 62, and ERDF 66 are projects with a Gozo Component are equally targeted at Maltese and Gozitan citizens. In addition, under the ERDF 136 scheme the exact eligible amount for Gozo is not available. Project is equally targeted at Maltese and Gozitan participants. The amount specifically contracted by cut-off date on Gozo applicants is available and is being provided.

²⁸⁶ ERDF 104

²⁸⁷ ERDF 47, and ERDF 56.

²⁸⁸ ERDF159, ERDF164, and ERDF189. This does not include the major project (ERDF 196).

²⁸⁹ Total project cost is €59,773,018. Amount includes ineligible costs of €10,970,296.

03.6.2 Information on the physical and financial progress

Physical progress

Substantial progress was registered by projects financed under this PA. Although not all of the projects that were meant to finish by the end of 2010 managed to do so, all the projects that were approved in 2008 or 2009 had all their tenders launched and almost all were contracted. In addition to the thirty (30) tenders²⁹⁰ launched in 2009, another twenty five (25) tenders²⁹¹ (83% increase over 2009 levels) were launched in 2010, bringing the total value of tenders launched under the Axis to € 101,293,426.24 (or 70% of the amount committed). There were a total of thirty five (35) contracts (for the value €42,201,042.89 or 31.6% of the amount committed) signed under this Axis in 2010. By the end of 2010, there were eighty one (81) tenders which were launched under this Priority Axis, which resulted in ninety one (91) contracts²⁹², forty one (41) of which (for a total value of €18,777,051.14 or 44.5% of the amount contracted) were completed and paid in full by the year under review.

By the end of 2010, the new Training centre at the Employment, Training Corporation (ETC [ii]) (ERDF45) had been completed, whereas the infrastructural development of the Junior College Building extension (ERDF 57) was completed but still awaiting the installation of equipment and the fitting of furniture. Meanwhile, the infrastructural development of the Independent Living Centre for the Commission for Disabled Persons (ERDF 72) was completed but the installation of the equipment was not ready. The new IT centre at the University of Malta (ERDF64) was being built, while a new floor was being finished at the Institute of Mechanical and Engineering at MCAST (ERDF56). Equipment was delivered and installed in four entities (Gozo General Hospital (ERDF68), Junior College (ERDF57), Malta College for the Arts, Science and Technology (ERDF56, 62, 65, 66), and the Employment & Training Corporation (ERDF45). Moreover, under ERDF 58, science laboratories in secondary schools in Malta and Gozo were revamped. With respect to road infrastructure, two critical links in the road network (Marsasclala Bypass and Valletta road Zurrieq) were reopened following re-construction (ERDF48).

²⁹⁰ Includes tenders below the €47,000 threshold as stipulated in the Public Procurement Regulations LN177.

²⁹¹ Includes one call for employment.

²⁹² A number of tenders had multiple lots; hence a number of tenders resulted in more than 1 contract. Also includes one employment contract.

Progress on Indicators

Table 17 - Priority Axis 6 Indicators

Indicators		2007	2008	2009	2010	Total
Output Indicators						
No of projects ensuring sustainability and improving the attractiveness of towns and cities (core indicator) [A6O01]	Achievement	0	0	0	1 ²⁹³	1
	Target	n/a	n/a	n/a	n/a	3
	Baseline	n/a	n/a	n/a	n/a	n/a
Km of upgraded roads (non TEN-T) [A6O02]	Achievement	0	0	0.75 ²⁹⁴	4.7	4.7
	Target	n/a	n/a	n/a	n/a	7
	Baseline	n/a	n/a	n/a	n/a	n/a
No of projects promoting Modal Shift [A6O03]	Achievement	0	0	0	1 ²⁹⁵	1
	Target	n/a	n/a	n/a	n/a	2
	Baseline	n/a	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	0
	Target	n/a	n/a	n/a	n/a	4
	Baseline	58	n/a	n/a	n/a	58
No of existing learning facilities refurbished (with new equipment) / constructed within intervention areas by 2013 [A6O05]	Achievement	0	4	4 ²⁹⁶	31	39 ²⁹⁷
	Target	n/a	n/a	n/a	n/a	30
	Baseline	n/a	n/a	n/a	n/a	n/a
No of projects [health] (core indicators) [A6O06]	Achievement	0	0	0	2	2
	Target	n/a	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a	n/a

²⁹³ One project has been approved ERDF 104.

²⁹⁴ 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.

²⁹⁵ One project has been approved ERDF183.

²⁹⁶ Corrigendum: amount quoted in 2009 AIR was 5. This amount included a facility which was nearly completed but not totally completed.

²⁹⁷ This indicator includes the refurbishing of the science and technology laboratories of 31 schools (122 laboratories) which is distorting the achievement recorded.

Indicators		2007	2008	2009	2010	Total
Output Indicators						
No of environmental monitoring projects [A6O07]	Achievement	0	0	0	1 ²⁹⁸	1
	Target	n/a	n/a	n/a	n/a	4
	Baseline	n/a	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	11,842	11,842 ²⁹⁹
	Target	n/a	n/a	n/a	n/a	2,040
	Baseline	n/a	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	0
	Target	n/a	n/a	n/a	n/a	1,27%
	Baseline	0,03%	n/a	n/a	n/a	0,03%
Road surface condition of upgraded roads [A6R02]	Achievement	0	0	0	0	1.0 – 1.5
	Target	n/a	n/a	n/a	n/a	1,0 – 1,5
	Baseline	4.66	n/a	n/a	n/a	4.66
% increase in use of non-car modes [A6R03]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	8%
	Baseline	29,745,123	n/a	n/a	n/a	29,745,123
% increase in use of e-services [A6R04]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	20% increase
	Baseline	80,545	n/a	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	7,541	7,883 ³⁰⁰
	Target	n/a	n/a	n/a	n/a	25,000
	Baseline	n/a	n/a	n/a	n/a	n/a

²⁹⁸ One project approved – ERDF156

²⁹⁹ Data Captured is at class room / laboratory level which leads to fragmentation. Includes also the area of a number of facilities where only equipment has been installed and given the nature of the project such as ERDF58 where equipment bought for the science and technology laboratories of 31 schools (122 laboratories) is distorting the figure. The MA is currently looking at the possibility of clustering data at school or institutional level.

³⁰⁰ This indicator includes students/users who utilise more than one facility and hence are potentially accounted for on more than one instance. Similarly students/users could be utilising the same facility more than once for different subjects.

Indicators		2007	2008	2009	2010	Total
Result Indicators						
% of total patients [within intervention areas] using new/upgraded equipment/services [A6R06]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	60%
	Baseline	n/a	n/a	n/a	n/a	n/a
No of new services offered in the health sector ⁴ [A6R07]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	3
	Baseline	n/a	n/a	n/a	n/a	n/a
National monitoring programmes established [A6R08]	Achievement	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	4
	Baseline	n/a	n/a	n/a	n/a	n/a

As indicated in Table 17 above, a number of targets have started to be reached following the approval and in some instances the completion of a number of projects. So far, from the seven (7) kms of roads that need to be upgraded, 4.7kms have been reconstructed and opened for the public (ERDF 48). The target of the No. of square meters of upgraded educational facility has been exceeded by 9,442 square meters leading to 11,842 square meters³⁰¹ of modernized facilities (a considerable overachievement) refurbished with new equipment or reconstructed by the end of 2010. This figure captures the upgraded science laboratories with new equipment as part of ERDF58, the upgraded computer labs at MCAST as part of ERDF66, the new language lab with contact centre facilities at MCAST as part of ERDF62, the upgraded electrical engineering laboratories at MCAST as part of ERDF65, the upgraded and the setting up of new mechanical and engineering labs at MCAST as part of ERDF56, the new training facilities at ETC[iii] as part of ERDF45, part of ERDF189³⁰² and the new independent living centre as part of ERDF72³⁰³. As a result of the equipping of a total of thirty nine (39) new laboratories and lecture rooms at MCAST, and various secondary schools³⁰⁴ seven thousand

³⁰¹ The projects contributing towards this indicator are: ERDF 58, ERDF 66, ERDF 62, ERDF 65, ERDF 56, ERDF 45, and ERDF 72. ERDF 58 includes an intervention in 31 schools

³⁰² This refers to the setting up of a design and technology workshop, dance studio at the Bishop's Conservatory - the component that was finished by end of 2010

³⁰³ Not all these projects were fully completed as at 31st December 2010. Indicator records achievement of works in progress

³⁰⁴ ERDF66, ERDF65, ERDF56, ERDF45, ERDF58

eight hundred eighty three (7,883) pupils ³⁰⁵ benefitted from these new investments by the end of 2010.³⁰⁶

Another output indicator which is being exceeded refers to the number of existing learning facilities refurbished and is recording an extraordinary over-achievement. In both cases of overachieved output indicators, it is ERDF 58 that is distorting the achievements reported under this Axis. One should note that the project is predominantly the purchasing of science equipment for thirty one (31) secondary and post secondary schools which although falls within the parameters as defined by both indicators the spread of the equipment in different class/lecture rooms as well the spread on a number of schools is resulting in an overachievement. In order to mitigate this, the MA will be proposing an OP change to clarify and record the achievement.

The achievements mentioned earlier, have also had a corresponding 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. It should be noted that 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. Further progress on this impact indicator is expected in 2011 when more projects will be concluded.

Financial Progress

Table 18 - Priority Axis 6 - Financial Progress

Priority Axis	Total contribution	Financial progress			
		Commitments ³⁰⁷	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	€133,555,861.35	€27,522,614.06	89.6%	18.47%

03.6.3 Qualitative Analysis

By the end of 2010, the total commitment within this PA amounted to €133,555,861.35 (or 89.6% of the PA allocation) - represented by twenty two (22) projects and one (1) aid scheme. This shows a drastic increase (a doubling) in the commitments in relation to this PA when compared to the amount committed in 2009.³⁰⁸

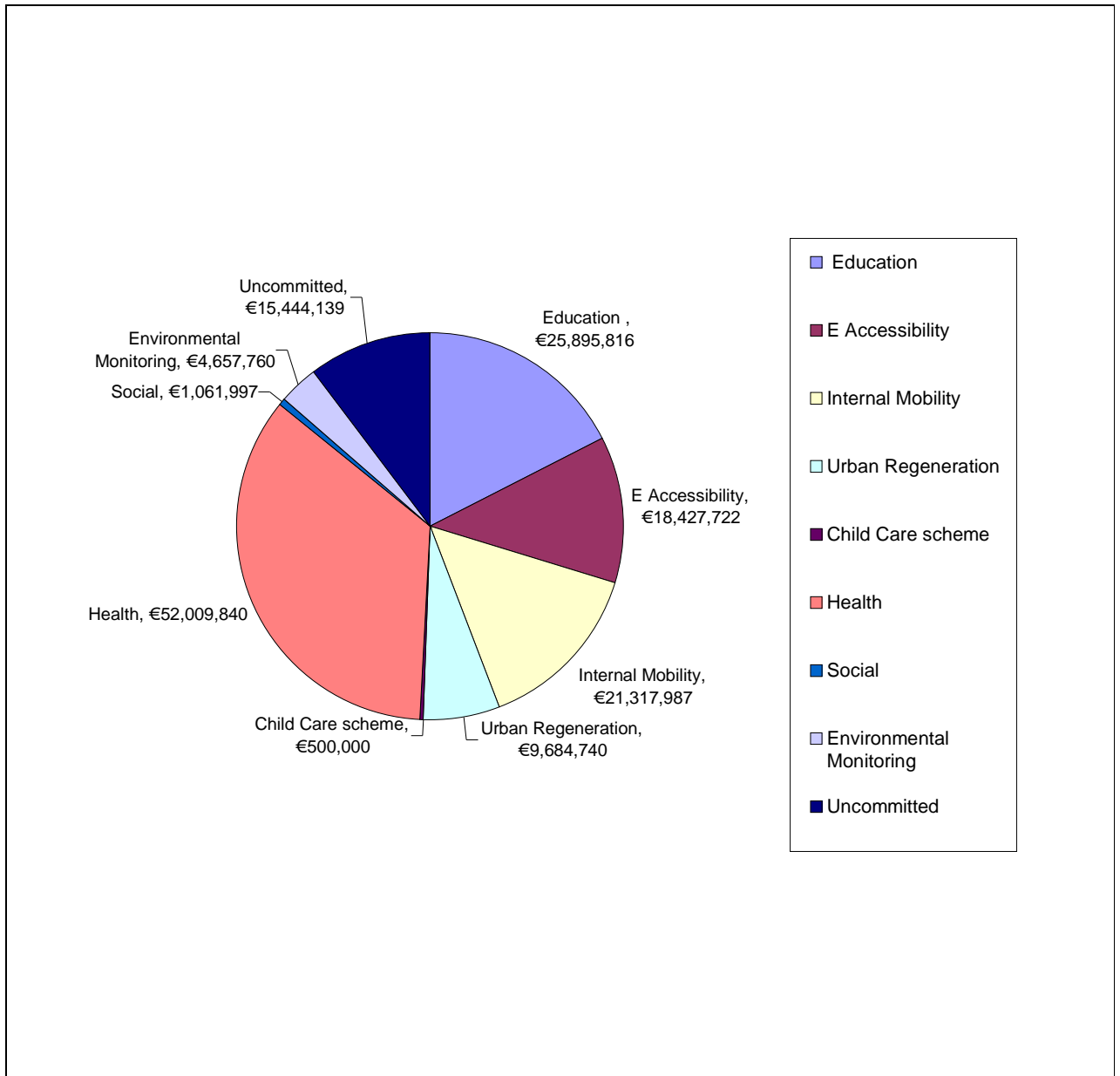
³⁰⁵ The following projects contributed towards the achievement of this indicator:- ERDF 66, ERDF 65, ERDF 56, ERDF 45, ERDF 58, and ERDF 189. ERDF 66, ERDF 65 and ERDF 45 were completed by the end of 2010

³⁰⁶ The infrastructural development under ERDF 189 was not fully completed as at end of year 2010, however, the dance floor and the design and technology workshop were fully completed and hence students using this infrastructural development were considered as contributing towards the relevant indicators

³⁰⁷ The committed amounts include both the approved projects and the aid schemes.

³⁰⁸ The commitments in 2009 stood at €66,133,958,

Figure 16- Priority Axis 6 Commitments – Details

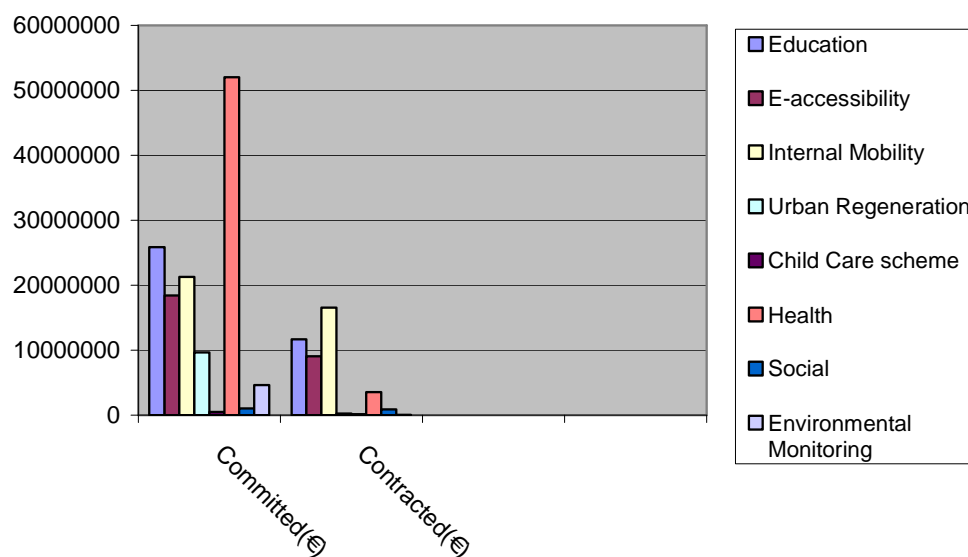


Out of the €133,555,861.35 committed €42,201,042.89 were contracted by the end of 2010. As a matter of fact, almost all projects that had awarded tenders and by the beginning of Q4 of 2010

contracts were signed by almost all projects except for ERDF54³⁰⁹ - Multimedia Training Centre at MCAST's Institute of Art and Design, and ERDF183 -Vertical Connection, ERDF 164 – Masterplan: Development of Applied Science and Business and Commerce Institutes.

A total of €15,444,139 remains uncommitted from this Priority Axis. However, in Quarter 4 of 2010 a pre-announcement call of €10M on Internal Mobility was published by the MA and thus a new call should be launched by the end of Quarter 1 of 2011. Moreover, the remaining €5.4M together with any savings that may be registered throughout the coming year could be published in another future call.

Figure 17 - Committed and Contracted (Projects under Axis 6)

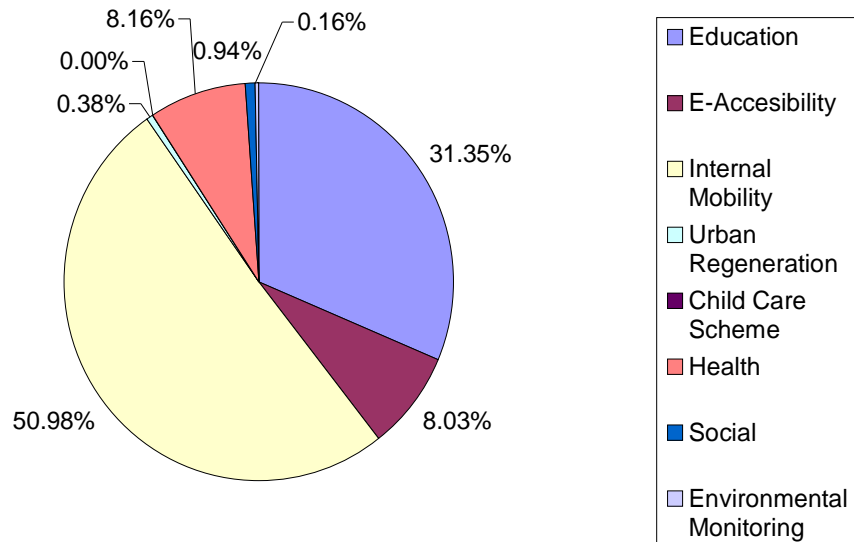


Nearly all projects (with the exception of four (4)³¹⁰ since they have just signed the contracts with the contractors by the end of 2010) had started processing payments as at end 2010. By the end of 2010, €27,522,614.06 (65.2%) of the contracted amount was processed in payments. 54.8% of the payments (i.e. €15,070,644.62) were verified in the SoE till end 2010. There were projects³¹¹ which had a significant expenditure which was disbursed after the September 2010 SoE (the last one for 2010).

³⁰⁹ Tender had to be re-launched in 5th February 2010, closed on the 25th March 2010 under the accelerated procedure and then an appeal was lodged following the technical evaluation. The appeal was heard on the 18th August 2010.

³¹⁰ ERDF 54: Multimedia Training Centre at MCAST's Institute of Art and Design, ERDF 164: Masterplan: development of Applied science and Business and Commerce Institutes, ERDF 183: Vertical Connection: Better Accessibility through Innovation and Cleaner Transport and, ERDF 189: Educational Infrastructure Development at Bishop's Conservatory Secondary School.

³¹¹ € 3,105, 641.75 under ERDF 47; €77,397.75 under ERDF 114, € 659,681.88 under ERDF 196; and €4,135,750.14 under ERDF 159, totalling to €7,978,471.52 were all disbursed after the September 2010 SOE.

Figure 18 - Disbursement undertaken by type of Infrastructure under Axis 6

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 some of the (larger) projects, delays in tendering and in obtaining the necessary planning permits, the latter compounding delays on the former. With regard to the project selection process, most of the delays were a result of a number of calls being evaluated in parallel, causing some bottlenecks, due largely to capacity of the PSC. The clarifications of the PSC were considerably detailed, particularly in the larger projects where studies had to be revised, which inevitably took some time, also due to new data that had to be collected and the availability of the consultants. As a result of the delays in the approval process, a good number of projects were still at tendering stage during 2010.

The issue of delays in the procurement process has been described in detail under similar sections of other Axes. However, one should also note that the increase in prices of imported raw material 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 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 and this has resulted in more proposals than expected being submitted with the total amount of project proposals being 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. In fact, from the twenty-three (23) applications submitted, only six (6) Beneficiaries are currently in the process of implementing projects. The large number of project applications submitted caused some backlogs within the PSC and grant agreements with the Beneficiaries were signed in April 2010 with the first claims for reimbursement submitted in November 2010. The presentation of the claims to the IB by the Beneficiary also proved to be a challenge in itself since some did not present their claims in time or did not present a complete request. In 2010 a Mini Manual was issued which together with other relevant documents³¹² contributed towards mitigating some of these issues. The limited experience of the IB in dealing with this kind of operation should also not be underestimated and there was a lot of *hand holding* by the MA throughout this first experience.

Despite the issues faced under this Axis, considerable achievements have been registered when compared to other Axes (and projects which were approved within the same time periods). This is mainly attributable to the fact that the procurement process of some of the projects was launched at a very early stage (2007 and 2008). The backlog in the amount of tenders at the Contracting Authority awaiting vetting, launching, and contracting was not at that time as acute as in the later stages of 2008 and 2009 because there were fewer projects approved. It should be noted that projects financed under this Priority Axis relate to sectors that were backed up by national strategic policy documents and studies that were concluded and published pre-2007, thus most of the proposed projects already had MEPA permits in hand. Moreover, in a good number of cases³¹³ the projects consisted only in the purchase of equipment and no MEPA permits or environmental studies that have been the major cause of delays in other projects.

³¹² These documents are the: Guidance Notes to the applicants which were issued in 2009, and the Covenant which was signed in 2009.

³¹³ ERDF 65, ERDF 66, ERDF58, and ERDF 109.

3.7 Priority Axis 7 – Technical Assistance

3.7.1 Achievement of targets and analysis of the progress

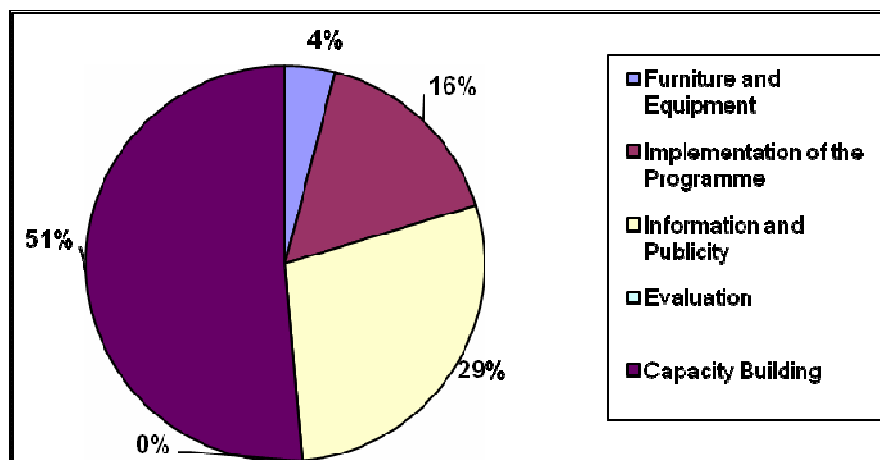
Throughout 2010, TA continued to provide the necessary support to the overall implementation of the Programme. Various initiatives were undertaken and financed through this Axis. A change in the budget breakdown was adopted during the MC held in May 2010, in order to allow for the increase in expenditure under the Implementation component. By the end of 2010, the MA had approved operations for TA amounting to a total value of € 4,729,627.80.³¹⁴

3.7.2 Information on physical and financial progress

Physical progress

During the year under review, activities under TA continued to be implemented in all budget components. In fact, eighty two (82)³¹⁵ requests were approved by the Head of Unit during 2010, following the assessment carried out in conjunction with the TA Project Manager in order to ensure that applications were in line with the relevant criteria. **Figure 19** below shows the percentage of requests received per component.

Figure 19 - Percentage of Requests Per Component



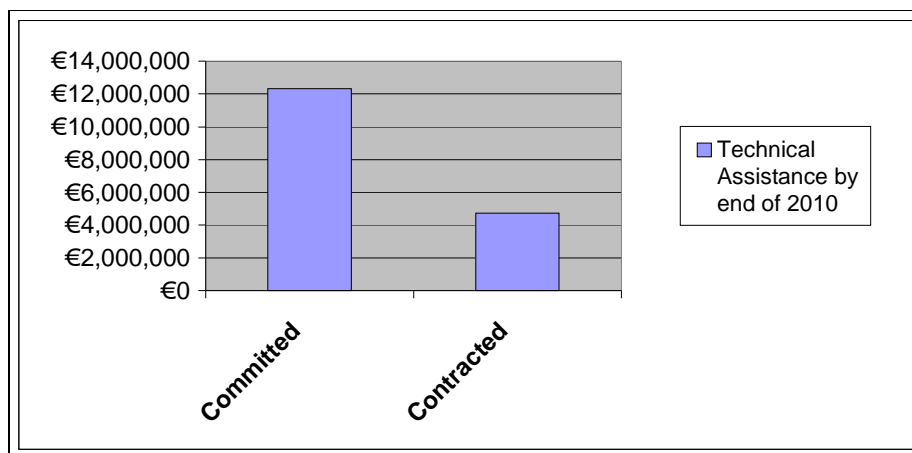
Apart from numerous requests for quotations, during 2010 four (4)³¹⁶ tenders were launched under TA and four (4)³¹⁷ were awarded in 2010. A total of €1,651,272.39 were paid by the end 2010 of which €394,023.08 (or 23.9% of payments made) were verified by the MA and certified by the CA.

³¹⁴ 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.

³¹⁵ Technical Assistance is demand-driven. Eligible Applicants for TA are those stakeholders involved in the management, implementation and control of the relevant OP/Cohesion Policy. These include the MA, CA, AA, Treasury Department, DoC, IBs and LMs.

³¹⁶ 2 Open Tenders for the provisions of technical expertise for the appraisal, guidance and monitoring of CBAs/Financial Feasibility Studies and the Provision of Surveyor Services required for the Control and Monitoring of the Beneficiaries of the Grant Scheme for Sustainable Tourism Project by Enterprises and 2 Departmental Tenders for the annual event per se, and another for the procurement of promotional materials

Figure 20 - Committed and Contracted



Given the advanced stage of the Programme's implementation, TA saw an increase in both the contracted (Refer to Figure above) and paid amounts. The bulk of the payments related to expenditure of personnel working on the Programme in the different horizontal stakeholder organisations. However, modest expenditure was also approved and paid under capacity building³¹⁸ (which largely consists of overseas travel in order to attend meetings, workshops or training seminars, as well as the organisation of training in Malta) implementation (including the organisation of MC meetings, costs related to the SFD and stationary), as well as furniture and equipment.³¹⁹

As expected a large number of requests were also related to *Information and Publicity*, mainly with regard to the Calls for Project Proposals (whereby the adverts to publicise these calls), as well as the Tender for the Supply of Promotional Items and the Tender for the Organisation of the Annual Event. The amount of requests approved in 2010 under this component is twenty one (21), amounting to €72,791.67.³²⁰ The payments under this line item were largely all requested in 2010 and also paid in the same year. Furthermore, under the *Evaluation* component, TA supported the Mid-Term Evaluation which started in 2010 and it is expected to be concluded in the first quarter of 2011. In this regard, the pre-financing of the Tender of the Mid-Term Evaluation was paid during 2010.

As highlighted in other sections of this report, the budget breakdown within this plan was slightly amended in 2010 – this amendment comprised of shifting funds to accommodate the needs on the ground, particularly those arising from an internal review of the Communications Plan as well as the decision to finance IB expenditure (management, administration and publicity costs of the IBs) under

³¹⁷ The 2 Departmental Tenders for the annual event per se, and the other for the procurement of promotional materials and 2 Open tenders: the provision of technical expertise for mid-term evaluation and the other one for the appraisal, guidance and monitoring of CBAs/Financial Feasibility Studies.

³¹⁸ 38 requests amounting to €56,350.59 in total of which € 17, 513.27 still forecasted as per form A whilst € 38,837.32 is actual amount

³¹⁹ 3 requests amounting to € 2,518.66

³²⁰ € 1,140 still forecasted as per Form A whilst € 71,651.67 is actual amount

TA. A detailed analysis of the activities carried out under TA in 2010 is also provided in Chapter 5 of this report.

Financial progress

Table 19 - Priority Axis 7 - Financial Progress

Priority Axis	Total contribution	Financial progress			
		Commitments	Payments	Commitments %	Payments %
Priority Axis 7 (ERDF) Technical Assistance	€ 12,327,095	€ 12,327,095	€ 1,651,272.39	100 %	13.4 %

3.7.3 Qualitative Analysis

In the course of 2010, 91.38%, i.e. € 1,394,940.05³²¹ of the expenditure undertaken related to the Implementation component, including the strengthening and development of the Structural Funds Database (2007-2013) and the staff salaries requests both within the MA and stakeholders, as well as the requests to fund activities related to Aid Schemes. However, as pointed out above, twenty one (21) requests for payment amounting to € 72,791.67 (4.77%) were made also under Information and Publicity and thirty eight requests amounting to € 56,350.59 (3.69%) under Capacity Building. There were only three (3) requests amounting to € 2,518.66 under Furniture and Equipment (0.16%) and no requests under Evaluation.

In 2010, the MA saw a significant increase in the payments, representing 112 percentage points when compared to 2009 figures.

3.7.4 Significant problems encountered and measures taken to overcome them

During 2010, the main issue which continued to cause delays in the processing of payments concerned the reimbursement requests related to salaries. Regrettably, the method used by numerous stakeholders in the computation of salaries continued to be erroneous. In this regard, a series of meetings with the relevant stakeholders were held during 2010 in order to establish a cohesive approach for the compilation and reimbursement of salaries through TA. A common database, created by the Treasury Department within the MFEI, was utilised. The Treasury Department also carried out a series of meetings in order to inform how the template should be used. Further to these meetings, the processing of salaries reimbursements progressed and notable improvements took place in this regard.

³²¹ Total of Form As received – amount shows both actual amounts as well as forecasted amounts which amount to €1,526,600.97

04. ERDF/CF: Major Projects

04.1 Progress in the implementation of Major Projects

As at end 2010, work had started on all seven (7) Major projects foreseen under the OP. Five (5) of these had been approved at a national level, three (3) of which were also approved projects by the EC.

04.1.1 Major Projects Approved by the Commission

Considerable progress has been registered in 2010 with respect to Major Projects under OPI. All three (3)³²² major projects submitted to EC so far were all approved in 2010. These are:

- CF 117 - Improving the TEN-T Road Infrastructure (Phase 1);³²³
- CF118- Rehabilitation and Restoration of Closed Landfills;³²⁴ and
- CF116 - Malta South Sewage Treatment Infrastructure.³²⁵

CF 117 - Improving the TEN-T Road Infrastructure (Phase 1)

This project was submitted to the EC in August of 2009 and was the first major project proposal submitted by Malta under the 2007-2013 Cohesion Policy framework. The CION approved this project in February 2010. With a total public eligible cost value of €57,588,381,³²⁶ this project will upgrade, through reconstruction, a total of five (5) strategic sections of the Trans-European Network-Transport (TEN-T) road network in Malta providing better links to the Air Passenger Terminal in Gudja; the Sea Passenger terminal and Ro-Ro Terminal in the Grand Harbour; tourist areas in the northern part of Malta; better access to the internal seaports at Cirkewwa; and continuation of the main road link from the Mgarr Ferry Terminal (in Gozo) to Victoria, the Island's capital city.

During 2010, CF 117 was mainly in the tendering and the contracting stage of its major works tender which took a total of fifteen (15) months from launch of tender to signature of the contract. This works tender (which is one (1) of the three (3) works tenders foreseen under the project) i.e. the reconstruction and upgrading of four sections of the TEN-T roads network launched in 2009, was successfully awarded on the 14th December, 2010 for a total value of €34,794,325 (including ineligible costs). The other two (2) works tenders were also launched in 2010. The tender for the reconstruction and upgrading of the Mellieha By-Pass was launched on the 29th October 2010 and closed on the 21st December 2010, whilst the tender for the reconstruction and upgrading of the Sea Passenger Terminal

³²² CF117, CF116, CF118

³²³ Formally submitted in August 2009 and approved in February 2010

³²⁴ Formally submitted in May 2010 and approved in July 2010

³²⁵ Formally submitted in July 2010 and approved in November 2010

³²⁶ Total cost €77,205,881

was launched on the 20th August 2010 and closed on the 21st October 2010.³²⁷ The evaluation of the aforementioned two (2) tenders commenced immediately, however, evaluation was still ongoing as at end of the year under review.³²⁸ Once these are contracted, the project will have contracted all the tenders forming part of this project.

A tender for the supervision of the works, awarded in February 2010, was kept on hold until the main works tender was awarded, as foreseen in the conditions to tenderers. The contract is expected to be signed in Q1 2011. A Survey on Road Satisfaction of the current state of the roads (pre-project), amongst the transport operators commenced in 2010 and is expected to be concluded in Q2 of 2011, with the survey to be paid in full by mid-2011. Table 20 below shows the Project Timetable for CF117.

Table 20 - CF 117: Improving the TEN-T Road Infrastructure (Phase I) Project Timetable³²⁹

	Start date (A)	Completion date (B)
1. Feasibility studies:	Completed	Completed
2. Cost-benefit analysis (including financial analysis):	Completed	Completed
3. Environmental impact assessment:	N/A	N/A
4. Design studies:		
Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	Completed	Completed
Project 2 - Sea Passenger Terminal Access Road, Floriana/Marsa Phase A	Completed	Completed
Project 2 - Sea Passenger Terminal Access Road, Floriana/Marsa Phase B	September 2008	September 2010
Project 3 - Marfa Road, Mellieha	Completed	Completed
Project 4 - Mgarr Road, Gozo	Completed	Completed
Project 5 - p/o Mellieha By-pass, Mellieha	June 2008	September 2010
5. Preparation of Tender documentation:		
Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	October 2008	August 2009
Project 2 - Sea Passenger Terminal Access Road – Phase A - Construction of Single Carriage road from Menqa to Sea Passenger Terminal	October 2008	August 2009
Project 2 - Sea Passenger Terminal Access Road – Phase B – Vehicular underpass at December 13th.	August 2009	September 2010
Geotechnical Investigations for Project 2B	October 2008	December 2008

³²⁷ Originally it was planned that these tenders had to be launched by March 2010 as per Approved Proposal, however since there were a number of delays in the issuance of the necessary planning approvals, the tenders were launched in August and October 2010 respectively.

³²⁸ Evaluation is not expected to conclude before end of Q2 2011.

³²⁹ Table as per Art 5 of Annex XVIII Annual and Final reporting of Regulation 1828/2006

	Start date (A)	Completion date (B)
Project 3 - Marfa Road, Mellieha	October 2008	August 2009
Project 4 - Mgarr Road, Gozo	October 2008	August 2009
Project 5 - p/o Mellieha By-pass, Mellieha	August 2009	October 2010
Construction Management (for all five projects)	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>		
Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	August 2009	December 2010
Project 2 - Sea Passenger Terminal Access Road- Phase A	August 2009	December 2010
Geotechnical Investigations for Project 2B	December 2008	January 2009
Project 3 - Marfa Road, Mellieha	August 2009	December 2010
Project 4 - Mgarr Road, Gozo	August 2009	December 2010
Project 2 - Sea Passenger Terminal Access Road- Phase B	March 2010	June 2011
Project 5 - p/o Mellieha By-pass, Mellieha	March 2010	June 2011
Road User Satisfaction Survey (Pre-construction)	September 2009	November 2009
Construction Management (for all five Projects)	September 2009	February 2010
7. Land acquisition:		
Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	June 2007	June 2011
Project 2 - Sea Passenger Terminal Access Road, Floriana/Marsa (Phase A&B)	August 2009	Completed
Project 3 - Marfa Road, Mellieha	July 08	June 2011
Project 4 - Mgarr Road, Gozo	September 09	June 2011
Project 5 - p/o Mellieha By-pass, Mellieha	Completed	Completed
8. Construction phase / contract]:		
Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa (including an allowance 24 weeks project closure)	March 2011	March 2012
Project 2A - Sea Passenger Terminal Access Road – Phase A (including an allowance 24 weeks project closure)	March 2011	March 2012
Project 3 - Marfa Road, Mellieha (including an allowance 24 weeks project closure)	March 2011	March 2012
Project 4 - Mgarr Road, Gozo (including an allowance 24 weeks project closure)	March 2011	March 2012
Project 2B - Sea Passenger Terminal Access Road – Phase B (including an allowance 24 weeks project closure)	December 2011	March 2012
Project 5 -p/o Mellieha By-pass, Mellieha (including an allowance 24 weeks project closure)	January 2012	December 2012

	Start date (A)	Completion date (B)
Construction Management (for all five Projects)	March 2010	December 2012
Road User Satisfaction Survey (Pre-construction)	November 2009	April 2010
Geotechnical Investigations for Project 2B	May 2009	October 2009
9. Operational phase:		
Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	December 2012	
Project 2 - Sea Passenger Terminal Access Road- Phase A	December 2012	
Project 3 - Marfa Road, Mellieha	December 2012	
Project 4 - Mgarr Road, Gozo	December 2012	
Project 2 - Sea Passenger Terminal Access Road- Phase B	December 2012	
Project 5 -p/o Mellieha By-pass, Mellieha	December 2012	

CF118 - Rehabilitation and Restoration of Closed Landfills.

This project was submitted to the Commission on 11 May 2010, and was subsequently approved (without interruptions) through Commission Decision dated 28 July 2010. The total public eligible cost value for this project amounts to €26,224,382.³³⁰ The project constitutes the final stage of the closure and rehabilitation of three (3) landfills which were operational before the date of Malta's accession to the European Union, namely Magħtab and Marsascala landfills in Malta and Qortin landfill in Gozo. This project constitutes the second stage of a three stage programme; of which, the first stage was funded by 2004 -2006 ERDF funds and involved the installation of aerial emissions and control systems (only required at Magħtab, Qortin), while the third stage involves the further development of the sites. This second phase of the rehabilitation will provide for the installation of an engineered capping with the objective of improving control of gas emissions and reducing rainfall infiltration and the surface water run-off will be controlled by using a drainage system with attenuation ponds.

During 2010 three (3) project service management tenders were launched for all three (3) landfill sites together with two (2) major works tender for the M'Scala and Magħtab site (representing 33%³³¹ of the amount to be contracted under the project). Two (2) of the project service management tenders were awarded in the same year, whereas the remaining tenders were still under evaluation as at end of year. During 2010, a mere €324,348.45 (representing 0.46% of the contracts launched) was contracted under the project, bringing the total amount contracted under the project to €960,638 by the end of 2010, less than 3.7% of the project total being contracted. The project registered its first disbursement in 2010, with the total amount disbursed by end of the same year under the project summing up to €542,740 (0.77% and 2.1 % respectively of the total amount contracted under the Axis and funds available for the project). Table 22 shows the project timetable in relation to CF118.

³³⁰ Total cost of €30,944,771

³³¹ €8,611,965 (3 Project Managers plus the 2 works tenders)

Table 21 - CF 118: Rehabilitation and Restoration of Closed Landfills Projects Timetable

	Start date (A)	Completion date (B)
Feasibility studies:	November 2008	April 2010
Cost-benefit analysis (including financial analysis):	April 2009	April 2010
Environmental impact assessment:	Not applicable	Not applicable
Design studies:	March 2009	August 2009
Preparation of Tender documentation:	June 2009 (Marsascala) February 2011 (Qortin) January 2010 (Magħtab)	October 2009 (Marsascala) July 2011 (Qortin) January 2011 (Magħtab)
Expected launch of tender procedure(s)	June 2010 (Marsascala) June 2011 (Qortin) January 2011 (Magħtab)	October 2010 (Marsascala) November 2011 (Qortin) July 2011 (Magħtab)
Land acquisition:	Not applicable	Not applicable
Construction phase / contract:		
Magħtab Works Phase 1	October 2010	January 2012
Magħtab Works Phase 2	July 2011	July 2013
Marsascala Works	October 2010	February 2012
Qortin Works	November 2011	May 2013
Operational phase (locally funded)	2013 Onwards	Not applicable
Items 1,2 and 4 undertaken under the following contracts: Engineering Design Contract (Scott Wilson) – CT 2349/2008 Landscape Design Contract (Melitopia) – CT 2269/2008		

CF116 - Malta South Sewage Treatment Infrastructure

This project was formally submitted to EC on the 2nd July 2010 and was subsequently approved after some technical clarifications by the EC in 18 November 2010. The total public eligible cost of this project amounts to €69,985,474.³³² The project is the largest (and last) major infrastructure to be constructed as part of the Sewage Master Plan of 1992. This project will provide wastewater treatment facilities for the Southern and Northern Harbour Areas as well as the South Eastern and Western Areas of the island of Malta. These areas are home to some of the heaviest industrial areas of the country, the airport, the main ports, the power stations. Furthermore, the area is also very densely populated. Once this project is completed, Malta will be in line with Directive 91/271/EC, concerning urban waste water treatment.

All contracts foreseen under this project were signed by end 2010 and the project is expected to be operational in 2011. Substantial progress has been registered in physical works with some of its components being complete and others close to completion as at end of year. By end of 2010, the status of works was as follows:

- 91% of works completed on the South Sewage Treatment Plant;
- 98% of works completed on the Rinella Sewage Pumping Station; and
- 62% of works completed on the Submarine Outfall.

It is worth mentioning that two (2) components were completed as at year end, namely the Xghajra Pumping Station and Transmission Gallery. The progress made on the implementation of the project made it possible that €62,319,429.45 (of eligible expenditure) be paid on the project by end of 2010 of which €59,005,439.04 were certified. Certification prior to the EC's Decision was made possible through the simplification process introduced in relation to major projects, whereby following the MA's approval, payments could be processed in a SoE (and then rectified if the EC rejects the project) in line with Section 78(4) of Regulation 1083/2006 as amended by Council Regulation (EC) No 284/2009 of 7 April 2009). This simplification has been very beneficial to Malta and the country's finances. The Project timetable in relation to CF116 may be found Table 23 below.

³³² Total cost is €82,582,859

Table 22 - CF116 - Malta South Sewage Infrastructure: Project Timetable

COMPONENT 1 - URBAN WASTEWATER TREATMENT PLANT	Start date (A)	Completion date (B)
1. Feasibility studies:	Completed	Completed
2. Cost-benefit analysis (including financial analysis):	Completed	Completed
3. Environmental impact assessment:	Completed	Completed
4. Design studies:	Completed	Completed
5. Preparation of Tender documentation:	Completed	Completed
6. Expected launch of tender procedure(s)	Completed	Completed
7. Land acquisition:	Completed	Completed
8. Construction phase / contract:	Dec 2008	<i>Start-up:</i> February 2011 <i>Full completion:</i> 2 nd Quarter 2011
9. Operational Phase	2 nd Quarter 2011	

COMPONENT 2 - RINELLA PUMPING STATION	Start date (A)	Completion date (B)
1. Feasibility studies:	Completed	Completed
2. Cost-benefit analysis (including financial analysis):	Completed	Completed
3. Environmental impact assessment:	Not Applicable ³³³	Not Applicable
4. Design studies:	Completed	Completed
5. Preparation of Tender documentation:	Completed	Completed
6. Expected launch of tender procedure(s)	Completed	Completed
7. Land acquisition:	Completed	Completed
8. Construction phase / contract:	Completed	Completed
9. Operational Phase	2 nd Quarter 2011	

COMPONENT 3 - XGHAJRA PUMPING STATION UPGRADING	Start date (A)	Completion date (B)
1. Feasibility studies:	Completed	Completed
2. Cost-benefit analysis (including financial analysis):	Completed	Completed
3. Environmental impact assessment:	Not applicable ³³⁴	Not applicable
4. Design studies (M/E Installations):	Completed	Completed
5. Preparation of Tender documentation - Supply of M/E equipment:	Completed	Completed
6. Expected launch of tender procedure – Mechanical/Electrical Supply of equipment	Completed	Completed

³³³ During EIA screening it was determined that the project would not require an EIA given that it did not fall within the scope of the then EIA Regulations 2001, also noting that the thresholds stipulated by the same Regulations were not exceeded. Application was assessed in terms of other environmental considerations.

³³⁴ An EIA was not found to be necessary, as the component consists solely in the purchase of equipment

7. Land acquisition:	Not applicable	Not applicable
8. Construction phase / contract: ³³⁵	Completed	Completed
9. Operational Phase	2 nd Quarter 2011	

COMPONENT 4 – GALLERY FROM RINELLA TO TA' BARKAT	Start date (A)	Completion date (B)
1. Feasibility studies:	Completed	Completed
2. Cost-benefit analysis (including financial analysis):	Completed	Completed
3. Environmental impact assessment:	Completed	Completed
4. Design studies:	Completed	Completed
5. Preparation of Tender documentation:	Completed	Completed
6. Expected launch of tender procedure(s)	Completed	Completed
7. Land acquisition:	Completed	Completed
8. Construction phase / contract:	Completed	Completed
9. Operational Phase	2 nd Quarter 2011	

COMPONENT 5 – SUBMARINE OUTFALL	Start date (A)	Completion date (B)
1. Feasibility studies:	Completed	Completed
2. Cost-benefit analysis (including financial analysis):	Completed	Completed
3. Environmental impact assessment:	Completed	Completed
4. Design studies:	Completed	Completed
5. Preparation of Tender documentation:	Completed	Completed
6. Expected launch of tender procedure(s)	Completed	Completed
7. Land acquisition:	Not applicable	Not applicable
8. Construction phase / contract: (marine works to be undertaken during spring/summer season)	May 2010	May 2011
9. Operational Phase	2 nd Quarter 2011	

³³⁵ The scope of the component is the supply of the equipment which was completed as at end of year.

04.1.2 Major Projects in the Pipeline discussed by National Authorities

Apart from the three (3) major projects approved by the EC mentioned above, another two (2) very advanced major projects have been discussed by the relevant national authorities and which are expected to be forwarded to the EC in the first half of 2011, i.e.:

- ERDF 196 – Mater Dei Oncology Centre; and
- ERDF120 - National Flood Relief Project.

ERDF 196 – Mater Dei Oncology Centre.

By end of 2010, the project was at a very advanced stage of preparation. The PSC approved the project (with some recommendations to be undertaken prior to formal submission to EC) in 2010. The project, having a total eligible cost of €48,802,722,³³⁶ will be providing a contemporary oncology facility as an extension to the present Mater Dei Hospital offering advanced cancer treatment modalities. The centre will also be providing a new service through the establishment of a Palliative Care Unit.

During 2010, the proposal was revised following assistance from JASPERS with respect to the compilation of the project proposal as well as the CBA. Within this context, the proposal was revised even taking into consideration the PSC's conditions and recommendations and is expected to be submitted to the Commission following JASPERS submission of the completion note, in Q2 of 2011. As at end 2010, two (2) tenders were under implementation (one in relation to the CBA which was completed) and one (1) works tender in relation to the Bulk Excavation Works which was awarded in June 2010 and is expected to be concluded by end Q1 2011. Furthermore, the Design, Development and Build Tender (for a total eligible value of €36,829,998) was published during Q4 2010 and was still on the market as at year end.³³⁷ Once this tender is concluded, 78% of the projects procurement will have been completed. The project timetable for this project can be found below.

Table 23 - ERDF196 - Mater Dei Oncology Centre Project Timetable

	Start date (A)	Completion date (B)
1. Feasibility and Options Analysis (included in CBA):	October 2009	May 2010
2. Cost-benefit analysis (including financial analysis):	October 2009	May 2010
3. Environmental impact assessment:	Not Required	Not Required
4. Design studies:	January 2009	September 2009
5. Preparation of Tender documentation:	May 2007	February 2011

³³⁶ Total cost of €59,773,018.

³³⁷ Tender expected to close in February 2011.

6. Expected launch of tender procedure(s)		
Bulk Excavations	November 2009	August 2010
Design, development and Build	November 2010	July 2011
Medical Equipment	May 2011	November 2011
Furniture & loose fittings	January 2012	December 2012
7. Land acquisition ³³⁸ :	October 2009	July 2010
8. Construction phase / contract:		
Bulk Excavations	August 2010	April 2011
Design, development and Build	July 2011	June 2013
Medical Equipment	November 2011	October 2013
Furniture & loose fittings	January 2013	October 2013
9. Operational phase:	October 2013	N/A

ERDF120 National Flood Relief Project

Another project which is being prepared for submission is **ERDF120- National Flood Relief Project**. 2010 started off with a JASPERS mission between 26 and 28 January 2010 aimed at reviewing the timeframes deliverables including the CBA, the finalisation of the major project proposal as well as the procurement strategy. Substantial progress was registered during the year on all three (3) as well as the relevant studies supporting the planning (and EIA) and procurement processes, with two (2) planning permits issued in 2010, another two (2) expected in the first half of 2011 and the works tenders for the two (2) main project parts including the underground tunnels, canals and bridges (Birkirkara, Msida, Zebbug, Marsa, Marsascala and Zabbar) expected to be launched in Quarters 1 and 2 of 2011. Implementation has also started on the ground, albeit limited to two (2) departmental tenders involving works on storm water culverts and the excavation works of a reservoir, the latter to start in Q2 2011³³⁹. As at end of year €1,640,007.29 were contracted under the project and €1,295,592.35 disbursed. As is the case with all major projects submitted by Malta, informal discussions with the EC have been ongoing for a number of months, however the project proposal is expected to be submitted formally to the Commission in Q2 of 2011. Table 25 shows the planned timetable in relation to this project.

Table 24 - ERDF 120 - National Flood Relief Project Timetable

	Start date (A)	Completion date (B)
1. Feasibility studies:	April 2009	May 2010
2. Cost-benefit analysis (including financial analysis):	April 2009	May 2010
3. Environmental impact assessment:	April 2009	June 2010
4. Design studies:	April 2009	July 2010
5. Preparation of Tender documentation:	February 2010	October 2010

³³⁸ This refers to a very small piece of land that had to be expropriated as it fell within the new Oncology's footprint.

³³⁹ Contracted in November 2010, however works require more favourable weather conditions.

	Start date (A)	Completion date (B)
6. Expected launch of tender procedure(s)*	July 2010	
Supervision Overall Project (Resident Engineer)	September 2010	May 2011
Project Scheme 1 Part 1 - Tunnels: Birkirkara Msida-Gzira-Marsa Part 2 – Gzira Reservoir Part 3 –Marsa Bridges and Canals (in Lots) Part 4 – Tunnel: Marsa-Zebbug	September 2010 September 2010 August 2010 August 2010	June 2011 June 2011 May 2011 May 2011
Project Scheme 2 Part 5 –Tunnel: Marsascala-Zabbar	October 2010	July 2011
NFRP Operating and Maintenance Part 6 –Supply of Machinery	January 2012	March 2012
7. Land acquisition:	May 2010	May 2011
8. Construction phase / contract:		
Construction phase Project Scheme 1 Part 1 - Tunnels: Birkirkara Msida-Gzira-Marsa Part 2 – Gzira Reservoir Part 3 –Marsa Bridges and Canals (in Lots) Part 4 – Tunnel: Marsa-Zebbug	June 2011 June 2011 May 2011 May 2011	July 2013 May 2012 November 2012 May 2012
Construction phase Project Scheme 2 Part 5 –Tunnel: Marsascala-Zabbar	August 2011	February 2013
9. Operational phase:	2014	2043

04.1.3 Other Major Projects in the Pipeline

In addition, 2 other major projects were being prepared in 2010, namely:

- CF 125 Improving the TEN-T Road Infrastructure (Phase 2); and
- CF119 Malta North Waste Treatment Facility.

CF 125 Improving the TEN-T Road Infrastructure (Phase 2)

During 2010, Transport Malta, as the Beneficiary, has been heavily engaged in the preparatory work for CF 125, including the start of the EIA process and other related studies. The project will involve long and difficult consultations, particularly with the residents in the effected area. The Authorities are in full cognisance of the issue and have therefore initiated a parallel consultation process prior to the start of the EIA official procedure in order to address the most important issues within the EIA studies. A coordinator of all the relevant studies has also been engaged to ensure a more comprehensive and all inclusive process – rather than a number of *stand- alones*. During 2010, the MA also sought and obtained approval for further JASPERS assistance for this project, which has been instrumental for the contracting/compilation of the relevant studies, in preparation to the EIA process. This project is still undertaking the necessary studies and it is expected to be submitted to the EC in late 2011 / early 2012.

CF119 Malta North Waste Treatment Facility

As at end 2010 the project was in its preparatory phase. On the 30th March 2010 the tender was awarded for the procurement of Engineering Project and Construction Management Consultancy Services for the design, the carrying out of an Environmental Impact Assessment, as well as the

contracting and managing of the construction and operation of a Mechanical and Biological Treatment plant in the North of Malta. The tender also included necessary consultancy needed in relation to the CBA. Implementation of this contract started in August 2010 with the participation also of JASPERS assistance, the latter providing continuous (and timely) guidance to the Beneficiary.

A JASPERS mission was, in fact, held in Malta on 28 July 2010 in order to make the consultants aware of any secondary data available which needs to be taken into account, as well as the information which needs to be present in the CBA as outlined in the Guide to Cost-Benefit Analysis of investment projects issued by the EC. It is clear that the preparation of such projects is very time and resource consuming and includes multiple studies and analysis. Barring any unforeseen issue, the project should be ready for submission to the EC in Q4 2011.

04.2 Progress in the financing of major projects

The following table shows the total investment costs of the relevant major projects³⁴⁰ as well as the contracting, disbursement, verification and certification of amounts carried out since the beginning of the programming period till end of 2010. Table 26 shows the sources of co-financing.

Table 25 - Sources of Co-financing³⁴¹

Source of total Investment costs (€)						
Project No & Name	Total Investment Cost	Union Assistance	National public (or equivalent)	National private	Other sources (specify)	EIB/EIF Loans For Information purposes only
CF 117 - Improving the TEN-T Road Infrastructure (Phase 1)	€77,205,881.00	€ 48,950,124	€28,255,757 ³⁴²	nil	nil	nil
CF118 Rehabilitation and Restoration of Closed Landfills	€30,944, 771	€ 22,290,725	€ 8,654,046 ³⁴³	nil	nil	nil
CF116 - Malta South Sewage Treatment Infrastructure	€82,582,859.69	€59,487,653.16	€23,095,206.53 ³⁴⁴	nil	nil	€10,497,821.15

³⁴⁰ Those approved by EC and also discussed and endorsed at a national level.

³⁴¹ Table as per Article 5 of Annex XVIII Annual and Final reporting of Regulation 1828/2006

³⁴² €8,638,257 are national public and €19,617,500 are ineligible costs

³⁴³ €3,933,657 is national public while € 4,720,389 is non eligible VAT Recovery

³⁴⁴ €10,497,821.15 are national public and €12,597,385.38 are ineligible costs

Proposed financial breakdown of projects still to be submitted to EC for approval						
Project No & Name	Proposed total Investment Cost	Proposed Union Assistance	Proposed National public (or equivalent)	National private	Other sources (specify)	EIB/EIF Loans
ERDF 120 – National Flood Relief Project	€60,245,513	€43,267,184.50	€16,978,328.50 ³⁴⁵	nil	nil	nil
ERDF196 – Mater Dei Oncology Centre	€59,773,018	€41,482,314	€18,290,704 ³⁴⁶	nil	nil	nil

Table 26 below gives an overview of the financial situation of the Major Projects Approved by the EC as at end of 2010. On the other hand, Table 27 shows the financial situation of the Major Projects (endorsed locally) which still need to be formally submitted to EC for a Decision.

Table 26 - Major Project Financial

Project No. and Name	Total Public Eligible	Contracted	Disbursed	Verified	Certified
CF 117 - Improving the TEN-T Road Infrastructure (Phase 1)	€57,588,381	€ 3,164,842.60	€ 97,763.00	€ 97,763.00	€ 97,763.00
CF118 Rehabilitation and Restoration of Closed Landfills	€26,224,382	€960,637.52	€542,740	€ 483,780.58	€ 483,780.58
CF116 - Malta South Sewage Treatment Infrastructure	€69,985,474	€ 68,471,770.06	€62,319,429.45	€ 59,005,439.04	€ 59,005,439.04

³⁴⁵ €7,635,385.50 are national public and €9,342,943.00 are ineligible costs

³⁴⁶ €7,320,411 are national public and €10,970,296 are ineligible costs

Table 27 - Major Projects approved by the Project Selection Committee but not yet submitted to EC

Project and Name	No.	Total Public Eligible	Contracted	Disbursed	Verified	Certified
ERDF 120 – National Flood Relief Project		€50,902,570	€ 1,640,007.29	€ 1,281,574.97	€ 598,087.47	€ 598,087.47
ERDF196 – Mater Dei Oncology Centre		€48,802,722	€106,276.45	€106,276.45	€ 0	€ 0

Figure 21 below shows a snapshot of the current situation of approved Major Projects by EC. One may note that out of a Total Public Eligible Cost of € 153,798,237,³⁴⁷ 47 % has been contracted. Out of the contracted amount 87% has been disbursed, 95% of which has been verified by the MA. As at year end, 100% of the verified amount was certified by CA.

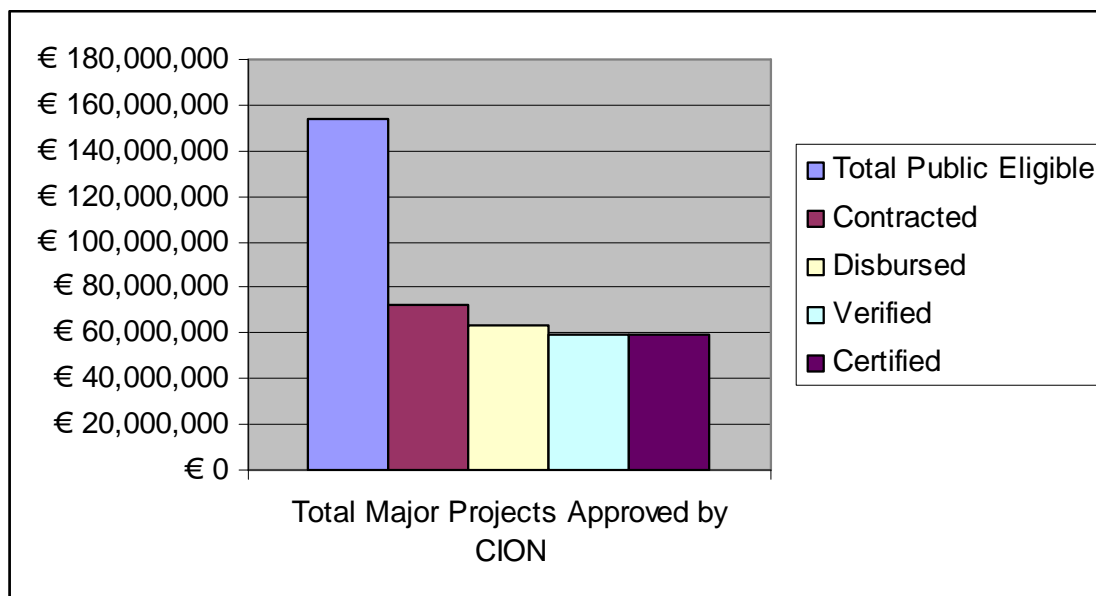
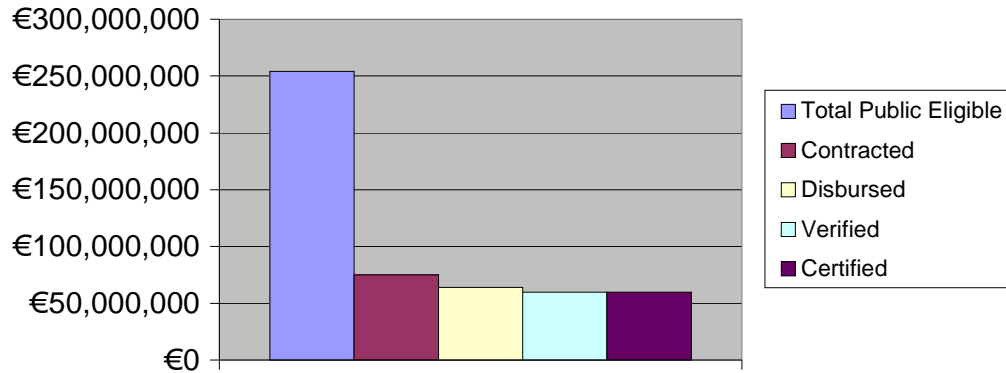
Figure 21 - Committed and Contracted for Major Projects

Figure 22 below shows the current situation vis-à-vis not only the approved Major Projects by the EC but taking into account also those which are endorsed locally and will be forwarded to EC in Q2 2011. One may note that out of a Total Public Eligible Cost of €253,503,529.30, 30% has been contracted. Out of the contracted amount 85% has been disbursed, 94% of which has been verified by the MA. As at year end, 100% of the verified amount was certified by CA.

³⁴⁷ This refers to the Total Public Eligible of CF116, CF117 and CF118.

Figure 22 - Committed and Contacted Major Projects



As at end 2010, the percentage (of public eligible expenditure) committed in the EC approved Major Projects out of the Total OP allocation³⁴⁸ amounts to 18%³⁴⁹ (as can be seen from Figure 23 below), representing 46% of the Cohesion Fund³⁵⁰ from which they will be part-financed. The percentage in relation to the OP allocation increases (from 18%) to approximately 30% when one considers also the other two projects that are at very advanced stage (Figure 24).³⁵¹

³⁴⁸ €856,615,354.11

³⁴⁹ The percentage refers to CF117 (€57,588,381), CF116 (€69,985,474.31), CF118 (€26,224,382)

³⁵⁰ €334,288,258.82

³⁵¹ The percentage refers to CF117 (€57,588,381), CF116 (€69,985,474.31), CF118 (€26,224,382), & ERDF196(€48,802,722) & ERDF120 (€50,902,570)

Figure 23 - Share of Approved Major Projects Out of the Total OP Allocation

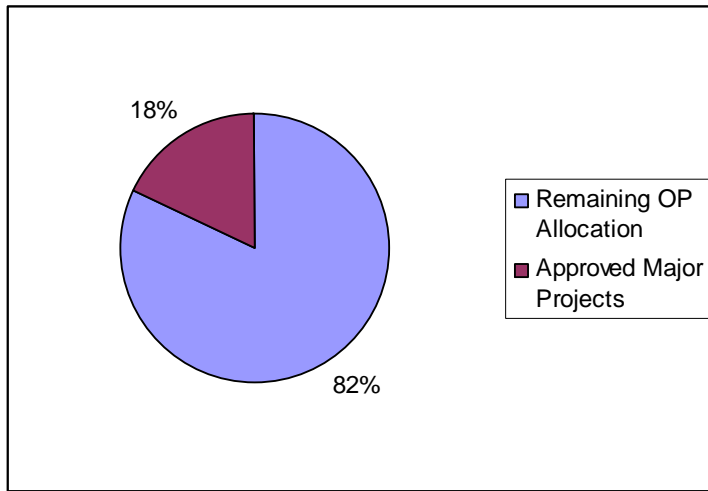
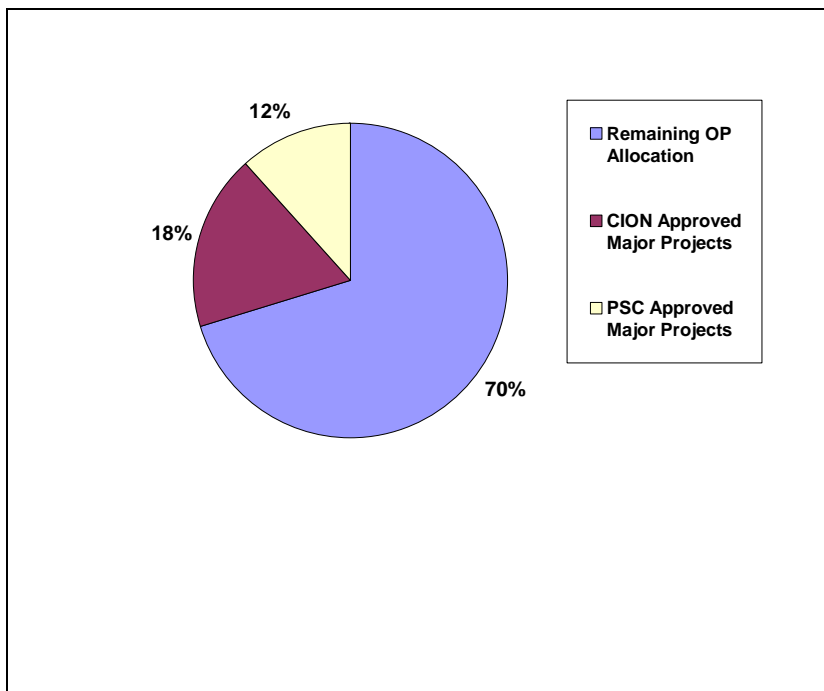


Figure 24 - Share of EC approved Major Projects & Major Projects³⁵² to be submitted to CION for approval out of the Total OP Allocation



³⁵² CF116, CF117, CF118 and ERDF 120 and ERDF 196

04.3 Major projects Completed

As at end 2010, there were no major projects which were totally completed, although CF116 i.e. Malta South Sewage Treatment Infrastructure, was at a very advanced stage of implementation on the ground with 98% contracted and 89% of the contracted amount disbursed. This project is expected to be fully operational in 2011. The indicative time line for completion for the other approved (by EC) major projects is Q3 of 2012 and Q3 of 2013 for CFCF 117 and CF 118 respectively.

04.4 Any change in the indicative list of major projects in the operational programme

During 2009, following further studies and analysis of the costs, the Mater Dei Oncology Centre (ERDF 196) was deemed to classify as a major project in terms of Article 39 of Regulation 1083/2006. Within this context, the MC was informed of this change in May 2010. Further information in relation to this project may be found above as well as in Chapter 3 under PA 6. During the same meeting, the MC members were also informed of the removal of ERDF 197 "Reduction of Emissions from the Delimara Power Station" from the Major Project list since it no longer qualified as a major project following a revised investment cost which was lower than the threshold pertaining to Major Projects.

All in all one can say that 2010 has been a very successful year for major projects under Malta's Cohesion Policy. Not only is the experience itself a first for Malta (as Malta had no major projects under the 2004-2006 period), but Malta was also the only Member State in 2010 to have two (2) major projects approved by the EC without any interruption. This success is not least due to the excellent work undertaken by the local Beneficiaries and stakeholders as well as the expertise and support provided by JASPERS and the EC.

05. Technical Assistance

During the fourth year of implementation of the Programme, TA related expenditure increased by 112 percentage points when compared to 2009.³⁵³ In 2010, the MA succeeded to not only clear any remaining backlogs but also to process payments for the majority of commitments made in the same year. This rise in expenditure has contributed towards the provision of adequate support in implementing the Programme with a view to ascertain that the implementation of the programme is undertaken in the most efficient and effective manner leading towards better quality and increased efficiency in terms of response time to requests as well as processing of payments. In ensuring that these objectives are achieved, during 2010, TA has financed costs relating to equipment, information and publicity, capacity building, evaluation and other expenditure required to facilitate the overall implementation of the Programme. The most cost consuming activities were reimbursement of salaries for capacity, information and publicity and requests for training abroad.

Following the clarifications received in 2009 regarding IB management costs,³⁵⁴ it was agreed that all costs related to the IB expenditure in their function as grantors of State Aid under Article 107 of the Treaty on the Functioning of the EU, would be financed under TA. The OP has three such Intermediate Bodies managing aid schemes under Axes 1, 2 and 6. These costs include human resources required to manage and monitor the schemes as well as undertake necessary checks and controls.

As already explained in previous sections of this report, the implementation of the Programme increased in momentum during the year under review. As has been described earlier in this report, several contracting procedures were concluded, leading also to an acceleration of payments. This, in turn, has given rise to a considerable increase in demand in the first level of control function, at both MA and IB level, which has generated a demand for additional capacity. This demand to increase capacity in a number of horizontal stakeholders, coupled with the re-allocation of IB management costs to the TA Axis, brought about the need for a change in the indicative budgetary allocations within the Axis which was endorsed during the MC in May 2010.³⁵⁵ Within the context of OPI, this has resulted in a change in budgetary allocation under various components including Furniture and Equipment as well as the Information and Publicity components with the overall aim of increasing funds under the Implementation component. The changes were also the result of revised calculations of the various line items following the contracting of tenders in some areas such as publicity and evaluation, also because of the joint co-financing arrangement between ESF and ERDF in case of common activities.

During 2010, all requests for the utilisation of TA funds received by the MA, were processed (approved or otherwise) in that same year. During 2010, 82 applications for TA were received, largely from the different units within the MA, but also from horizontal stakeholders, including the CA, the AA, the DoC and Treasury. The bulk of the requests were for actions worth less than €2,000 in the area of Capacity

³⁵³ Refers to percentage increase in amount paid through TA during 2010. (Figure in 2009 amounted to € 466,410.28; figure in 2010 amounts to € 988,458.40). Out of € 988,458.40 of expenditure paid in 2010, 18.94% was incurred before 2010 whilst 81.06% was incurred during 2010 and paid in 2010.

³⁵⁴ This decision was undertaken based on clarifications provided by the CION and communicated its Letter 24374 dated 15th December 2009.

³⁵⁵ The original indicative financial plan was endorsed during the Monitoring Committee held on 5th December 2007.

Building (mainly overseas training). This inevitably results in a fragmentation of implementation which has its own administrative burden on a number of organisations, not least the MA itself as well as the Directorate for Corporate Service within OPM and the Treasury.

With respect to implementation on the ground, TA has continued to provide important support to the overall management and implementation of the Programme. In 2010, the bulk of the expenditure was, as expected, costs related to capacity activities, including personnel and training, in the various horizontal stakeholders' organisations as well as for Beneficiary organisations.³⁵⁶ In 2010, five training sessions were held, including two sessions of induction training activities for new recruits in the system; training for Beneficiaries (NGOs, Social Partners of both OPs and other Structural Funds Stakeholders) joining the implementation process; as well as training on Horizontal Policies: environment, gender and non-discrimination rules. Moreover, given the limited capacity nationally, a number of officers within the different stakeholder organisations utilised TA to attend training seminars and conferences abroad, covering various topics such as financial management, management of technical assistance and train the trainers seminars organised by the EC for Managing and Certifying Authorities (Eligibility: Simplified Costs and Management Verifications).

During 2010, there were a number of new developments with regard to the SFD 2007-2013 (SFD07-13). Following the Audit Authority's Systems Audit Report in April 2010, the SFD Unit within the MA, together with Malta Information Technology Agency (MITA), as the contractors on the system, implemented a number of changes that have enhanced substantially the support provided by the electronic management system. During the same year, a number of updates on previously released modules as well as minor enhancements on the system were carried out, based on feedback by users. As at end of 2010, the system had four hundred twenty five (425) user accounts registered.

Technical Assistance is also an important source of funding for information and communication related activities at Programme Level. In this regard one should also keep in mind that a number of information and publicity actions are also being undertaken by Beneficiaries and Intermediate Bodies in relation to the actions and operations being funded under the different Axes of the Programme. These actions, some of which are nationally funded, have increased in line with the accelerated rate of implementation. As explained in the MC of May 2010, it was in this light that the MA has decided to reduce its planned activities for 2010, in order to avoid information overkill and potentially ending up with undesirable effects. The mid-term evaluation has also looked into this matter and the relevant recommendations (expected in 2011) are planned to feed into the revised Communications Plan, which the MA is expected to submit to the EC in 2011.

During 2010, the bulk of the expenditure in this regard concerned the organisation of the Annual Event. The mE&U fest was the main activity held in 2010 aimed at increasing awareness and providing information on Cohesion Policy 2007-2013 programming period. Two separate events, one in Malta and one in Gozo, were held. The mE&U Fest in Gozo was held on 5 September 2010 whereas, the Malta event was held on 8 September 2010. The main target groups of this event were families with children and the event was geared to provide information, whilst at the same time portray examples of projects

³⁵⁶ In the case of Beneficiary organisations, it is mostly training.

that are currently being implemented through the Structural Funds 2007-2013. To complement the event, a tender was launched for the supply of promotional items, including water calculators, shower (water) timers (energy efficiency), high visibility bands (health and alternative transport), calico bags (waste management), pen drives, sticky notes, biros and pencils, pad folios (training and education) and stress balls (occupational health). The items chosen had links with the objectives of Malta's two Operational Programmes. As in previous years, technical assistance was also used to support the publication of calls for project proposals as well as related information sessions targeting prospective Applicants.

There was an increased intensity in evaluation activities in 2010. The contract for the Mid-Term Evaluation was signed in June 2010 and following the approval of the inception report by the MA in September 2010, the first payment in relation to the pre-financing of the same tender was also paid. The Mid-Term Evaluation mobilised a considerable number of stakeholders, including various units within the Managing Authority; horizontal stakeholders (including Intermediate Bodies) as well as Beneficiaries and their staff. As at end 2010, the exercise was still ongoing although most of the fieldwork and gathering of data had been largely concluded. The exercise is expected to be concluded in Q1 2011 when the remaining expenditure is also expected to be effected.

It is worth mentioning that during 2010, the MA has signed a contract amounting to €558,000³⁵⁷ for the provisions of technical expertise for the appraisal, guidance and monitoring of CBAs/Financial Feasibility Studies. This contract signed in November 2010, will provide formal assessment and ad hoc expertise to the MA on CBAs and Financial Feasibility Studies. Furthermore, this tender will assist the MA through the development of a sound monitoring to keep track of revenue-generation in line with Article 55 of Regulation 1083/2006 as well as providing the necessary capacity building to the MA in relation to CBA and financial feasibility studies.

Furthermore, another major tender for the services of a quality control surveyor, a mechanical and structural engineer and an IT engineer in relation to the Grant Scheme for Sustainable Tourism Projects by Enterprises was launched by TSDU. The tender was launched during Q3 2010 for the amount of over €312,000.

The expenditure paid during 2010 amounts to € 988,458.40 (public eligible amount). This is equivalent to 8.02% of the amount allocated for Axis 7. As at end 2010, there was €4,729,627.80 contracted³⁵⁸ (or 38.37% of the Axis' allocation) and €1,651,272.39 (or 13.40 % of the allocation and 34.91% of the contracted) disbursed³⁵⁹ (public eligible) within this Axis. During 2010, two on-the-spot checks³⁶⁰ were carried out by the Financial Control Unit on the TA Axis. The spot checks were successfully concluded and no major issues were identified. Another spot check was carried out on one of the IBs – Malta Enterprise. More spot checks are planned to take place in the coming year.

³⁵⁷ Figure excluding VAT.

³⁵⁸ This includes multi-annual commitments (as per contract) related to employment contracts, but does not take into account possible extensions of such contracts till end of the programming period.

³⁵⁹ This figure refers to all expenditure paid under TA since the beginning of the Programme.

³⁶⁰ During these spot checks a total of 136 invoices amounting to €401,982.50 were checked

Overall, one can say that the TA implementation system is now well established and the learning curve amongst the various stakeholders within the MA, the Line Ministry and other stakeholders is levelling out, resulting in a more efficient processing of requests and payments.

06. Information and Publicity

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

In line with the obligations emanating from the Implementing Commission Regulation (EC) No. 1828/2006, the objectives of the information and publicity activities are to increase visibility and awareness of both OPs. This approach ascertains that expenditure undertaken is in line with the principle of transparency whilst ensuring an increase in the awareness of EU Funds amongst the general public, potential beneficiaries and stakeholders. Information and Publicity actions are specifically governed by Regulation (EC) No. 1828/2006, Section 1. Article 4 (2) thereof stipulates that:

The annual implementation report for the year 2010 and the final implementation report shall contain a chapter assessing the results of the information and publicity measures in terms of visibility and awareness of operational programmes and of the role played by the Community, as provided for in point (e) of Article 2 (2).³⁶¹

This chapter of this AIR addresses this requirement.

In line with the obligations of the implementing Commission Regulation (1828/2006), during 2010 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 2010, the MA continued to monitor closely the implementation of the Plan and whilst also gathering data on the activities carried out with a view to be able to revise the Plan in 2010 following any recommendations made after the mid-term Evaluation.

0.6.1.1 Analysis of Activities carried out in 2010

Annual Information Event:

The highlight of 2010 was the Annual Event which consisted of two Information Festivals entitled **mE&U fest** held in Gozo and Malta on the 5th and 8th September respectively. The total cost of the event, including its promotion was just over 31% of total budget allocated for the year. The Information Festivals consisted of a family-oriented activity where citizens visiting the events received information, by visiting the MA and project stands, about what is being implemented in Malta and Gozo through Cohesion Policy 2007-2013. Participants were able to see examples of projects that are currently being implemented, all set against a showcase of local talent. The themes chosen for this year's event were Employment Opportunities; Education and Health; Science and Technology; and the Natural and Built Environment. These themes are overarching on both OPs and therefore their presentation further promoted the complementarities of the OPs and the integrated approach of the way Cohesion Policy is implemented in Malta. To further enhance the appreciation and comprehension of the themes, as well as a promotional tool for the events themselves, an information leaflet was produced and distributed to

³⁶¹ Article 2 (2) (e) requires "an indication of how the information and publicity measures are to be evaluated in terms of visibility and awareness of operational programmes and of the role played by the Community."

all households a week prior to the event. The leaflet provided information about the different projects contributing towards each theme. The leaflet also featured a children's painting competition in which participants had to complete a drawing to represent one of themes covered in the leaflet. The winners of the four best drawings, selected by a judging panel, were each presented with a book token prize and a gift pack of promotional items.

The Parliamentary Secretary for Consumer Affairs, Fair Competition, Local Councils and Public Dialogue within the OPM visited both festivals. Both events were given coverage by the media and a press call was also organised prior to the Malta event.

Image 1 below highlights some elements from ***mE&U fest***.

Image 1: Collage of photos from *mE&U* fest



Other Publicity Measures undertaken in 2010:

Other information and publicity measures to promote OP I carried out during 2010 were:

Participation of OP I staff from the MA on local TV and radio shows to provide information about the OP to the general public;

- Participation in the INFORM network of DG REGIO for Information Officers in MAs;
- Launching of Calls for Project Proposals through adverts and press releases in the national newspapers, Department of Information website and PPCD website;
- Continuous updating of PPCD website with news, calls for projects, approved project lists and events;
- Creation of a page on a popular social networking site to further supplement the website;
- Procurement of various promotional items as giveaways to be distributed during events, meetings and information sessions;
- Flying of the EU flag outside the MA's premises during the week of the 9th May 2010;
- Processing around 84 queries³⁶² through the Email Helpdesk (info.ppcd@gov.mt) during 2010;
- Distribution of various publications relating to EU funds during the Annual Event; and
- Three information sessions were held during 2010 in conjunction with two calls for project proposals under Priority Axis 2 and Priority Axis 4 of OPI respectively. A total of 135 persons attended these sessions. Adverts for the information sessions were published in all newspapers and also on the PPCD website.

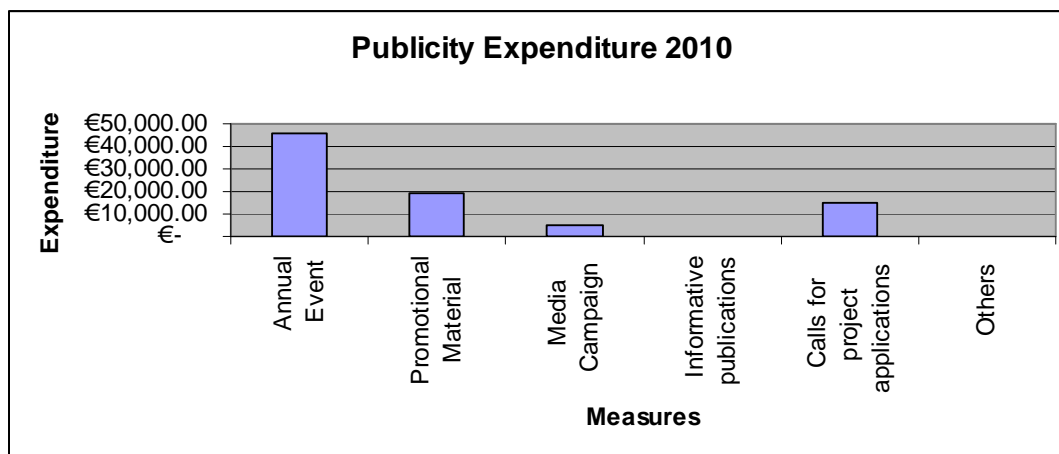
06.1.2 Expenditure during 2010

In 2010, almost €100,000³⁶³ was spent with the bulk of the expenditure consisting of: 38% dedicated to information events consisting of information sessions (9%) and the annual information event entitled **mE&U fest** (28%). This was followed by branded promotional items which accounted for 12% of total Publicity Expenditure incurred in 2010. The promotional items included the purchase of executive padfolios, pens and pencils, amongst others. 3% of the Publicity Expenditure was aimed at media advertising was dedicated mostly to adverts announcing calls for project proposals. This activity does not include the many articles in national newspapers and media slots on TV and radio undertaken by the Beneficiaries on numerous projects, at times at a charge to the Programme under the relevant Axis, but also free of charge.

³⁶² This is the number of emails received on info.ppcd@gov.mt. There are other, additional queries which come to officers' personal accounts.

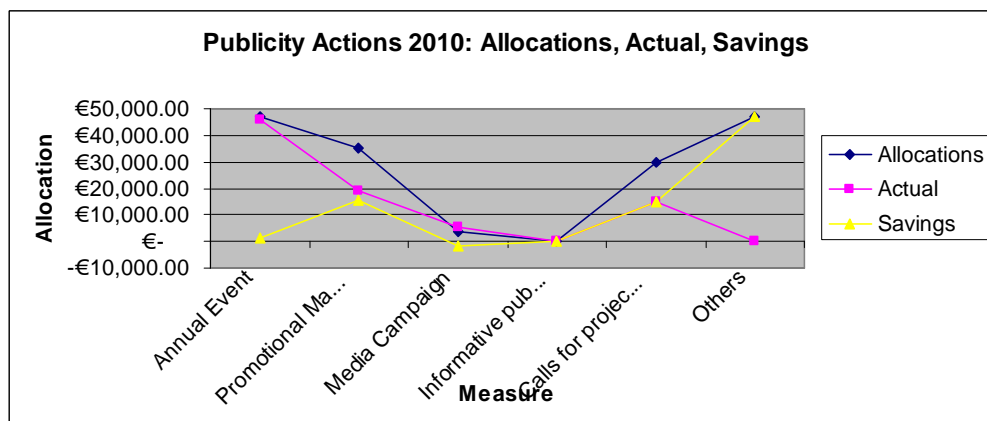
³⁶³ This figure includes the total expenditure for both OPs

Figure 25 - Publicity Expenditure 2010



When analysing the actual expenditure made during the year³⁶⁴ against the amounts allocated per measure, one notices that there were substantial savings in a number of categories as can be seen in Figure 26 below.

Figure 26 - Publicity Actions 2010 by MA: Comparison of Allocations, Actual and Savings



The most substantial savings were made in three particular measures:

- Promotional items: savings of 47% were recorded since some of the lots failed to attract bidders or the bids received were not compliant and therefore could not be contracted;
- Calls for projects proposals: Three calls were expected to be issued during the last weeks of 2010; however, these were postponed and therefore the allocations made in their respect were not utilised; and
- Others: This includes adverts issued through the Government Gazette which are at a minimal charge as well as an amount which is retained and carried forward from one year to the next

³⁶⁴ The actual expenditure reported here takes into consideration both OPI and OPII since most activities in 2010 were jointly co-financed

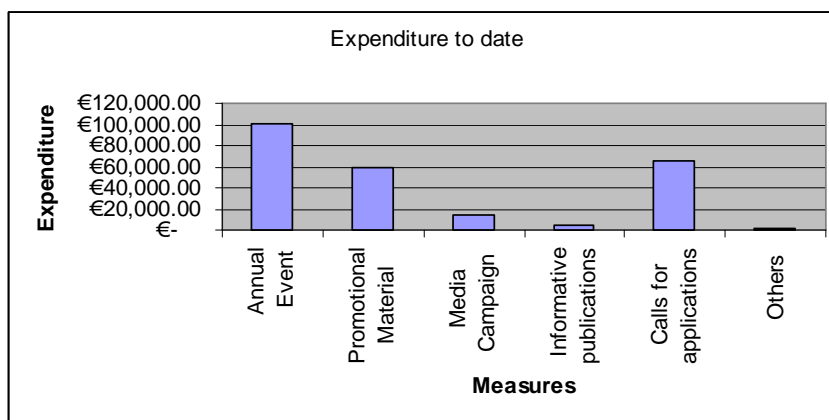
for 'ad hoc' publicity purposes which are not pre-planned. An example of such would be participation in the Open Days organised by DG REGIO for which participation depends on invitations received and accepted by the MA. During 2010, there were no such instances and therefore savings from that allocation were carried forward.

Savings incurred in one year are carried forward to the following year³⁶⁵ in order to ensure good quality and effective implementation of information and publicity measures and absorption of funds allocated.

06.2 Expenditure to Date:

As expected, when bearing in mind the yearly obligation that the MA has to carry out at least one major information activity per year, as set out in the Communication Plan, presenting the achievements of the OPs,³⁶⁶ the largest share of expenditure to date has been on information events. One should note that in Malta where the annual event is virtually held twice – (once in Gozo and once in Malta), the real costs of such events have so far been rather modest. This is evident in the figures below which illustrate the expenditure on publicity measures to date and the expenditure against the budget allocations per measure (Figure 27).

Figure 27 - Publicity Expenditure per Measure to date



The expenditure on audio-visual material and publications has so far been limited, given that due to the cost of production together with limited available information³⁶⁷ to present, it was not deemed (financially) feasible to resort to such actions until there are sufficient examples of tangible results across the implementation of the Programme. Thus, expenditure on these items has been put on hold

³⁶⁵ This is the case, for example of funds earmarked for the publication of a call projects (which generally would be needed if postponed from one year to another) but would not be the case in instances where the activity is carried out but savings are registered on contracting

³⁶⁶ EC1828/2006, Section 1 Information and Publicity, Art. 7 (2) (b)

³⁶⁷ So far this was largely limited to information on the tendering stage of the various projects and schemes and although implementation has picked up this was not deemed to be sufficient in the course of 2010 to warrant (in time) expenditure in this regard

until more *demonstrative* phases of the Programme are forthcoming and when more polished productions can be made since there would be more to showcase in terms of *completed* projects.

06.3 Information and Publicity by Intermediate Bodies in 2010

The IBs have complemented the actions³⁶⁸ 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, websites³⁶⁹ as well as one-to-one marketing and information measures with potential Beneficiaries. There are three (3) IBs that manage the Aid Schemes falling under OPI, namely ME, TSDU and DSWS.

ME is the IB for seven (7) Aid Schemes, and it published one (1) call in 2010 for each of these Aid Schemes. 7 information sessions for applicants were held during the year,³⁷⁰ namely:

- the e-Business Development Grant Scheme (Call 3) on the 2nd March which had 26 attendees;
- the Small Start-up Grant Scheme (Call 3) on the 16th February which had 18 attendees;
- the International Competitiveness (Call 3) on the 9th February which had 23 participants;
- the Innovation Action Grant Scheme (Environment) (Call 3) held on the 11th February having 4 attendees;
- the Innovation Action Grant Scheme (Innovation) (Call 3);
- the Energy Grant Scheme (Call 3) held on the 2nd March attracting 7 participants;
- the Research and Development Grant Scheme (Call 2) held on the 25th February 2010 at which attended 19 participants;
- and finally the Gozo Information Session which was open to all schemes and was held on the 26th February 2010.

Four (4) other meetings were held for Beneficiaries:

- the Research and Development Grant Scheme meeting (Call 1) held on the 12th June 2010 for 13 attendees;
- the Energy Grant Scheme meeting (Call 2) held on the 27th January 2010 having 39 attendees;
- the Small Start-up Grant Scheme (Call 3) held on the 19th November 2010 attracting 13 participants; and
- the International Competitiveness Grant Scheme (Call 3) held on the 3rd December with 16 attendees.

The above information sessions and meetings dealt with all Schemes, with particular attention to Call 3; with the exception of the R&D Scheme which is at its second Call.

A total of €10,594.84³⁷¹ in terms of publicity was spent in 2010 on the seven (7) Aid Schemes falling under ME. €3,597.40 out of this amount was spent on the Energy Scheme under PA4, with the remaining €6,997.44 being spent on the other six schemes falling under PA 1.

³⁶⁸ It should be noted that funds for IB publicity are provided by the IBs concerned

³⁶⁹ Websites providing information in relation to schemes include: (ME) <http://www.20millionforindustry.com/>; (TSDU) https://secure2.gov.mt/TSDU/grant_scheme; (DSWS) <http://www.msp.gov.mt/services/subpages/content.asp?id=2118>

³⁷⁰ There was an 8th information session for Gozo open to all schemes

ME carried out further publicity actions in 2010. In fact, ME used logos/emblems in all its communications with Beneficiaries especially within the GAs; ME provided information to Beneficiaries in the form of Notes to Beneficiaries and through its website which publicised the ERDF schemes; and it published its list of Beneficiaries. Over and above this, ME, as the major IB for the ERDF Grants Schemes placed newspaper adverts and issued a press release,³⁷² the latter referring to all Schemes, and specifically to Call 3 of all except for the R&D Scheme which is Call 2. ME also updated its website with the necessary information on the schemes; made available brochures on the subject; and held business and information meetings³⁷³ all in connection with Call 3 of the Schemes. Furthermore, through spot-checks, ME ensured that the aided cost items carry EU logos.

TSDU carried out a number of publicity activities in 2010. There was only one (1) Call published during the course of 2010 which was the 3rd Call for which two (2) information sessions³⁷⁴ were organised, one (1) in Malta and one (1) in Gozo. The Malta session was held on 3rd November 2010 attracting one hundred and four (104) prospective applicants, whilst the one in Gozo was held on the 11th November 2010 for thirty five (35) attendees. In addition, TSDU also organised 'Ad hoc' seminars with the tourism associations such as the Malta Hotels and Restaurants Association and the Gozo Tourism Association as well as with MEUSAC. The total amount contracted and disbursed by TSDU on publicity in 2010 amounted to €3,396.70. This value was for the information sessions and publicity that took place for the 3rd Call. Furthermore, during the year, TSDU together with Malta Tourism Authority and MEUSAC organised an information session specifically for 3 star and lower accommodation establishments in relation to the third call. TSDU also worked together with MEUSAC on articles in the printed media mainly newspaper with a view to provide information to prospective applicants. There were also four (4) adverts³⁷⁵ in relation to Call 3 of the Scheme in the main newspapers and an online banner on a newspaper's website. This banner was made available for six weeks prior to the closure of the Call.

These measures were implemented with a view to ascertain maximum visibility for the Calls and ensure that prospective applicants are informed with the necessary details in relation to the information seminars. TSDU also dedicated a series of pages on its website to the Grant Scheme with direct access through the URL www.tourismschemes.gov.mt. This website contains all documentation and information pertaining to the scheme and the calls issued. Furthermore, in order to provide better assistance to prospective applicants, TSDU (prior to the issuance of Call 2 in 2009) had published booklets with general information on the prospective call. This booklet was distributed during the seminars held prior to Call 2 and during the one-to-one meetings held at TSDU's offices. In addition to

³⁷¹ The Six Schemes falling under '20 million for industry; News Paper Adverts: €4804.2; Web Adverts: €388; CD Branding: €448.40; CD printing: €598.84; Website Maintenance €350; Artwork: €413. The Energy Aid Scheme: News Paper Adverts: €2801.4; Web Adverts: €383; Artwork: €413

³⁷² There were 4 adverts and 1 press release in 2010

³⁷³ 7 business meetings; 4 information meetings at BOV, 2 at HSBC and the Chamber of Commerce and the one-to-one meetings as requested

³⁷⁴ The information sessions consisted of presentations on the Scheme, the Application process including the evaluation procedure and Beneficiaries' responsibilities

³⁷⁵ There were 7 Adverts for the Introductory Seminar in 2008 prior to the launch of the scheme. There were 2 adverts for the Seminar specifically for 3 star and lower accommodation establishments in 2008. Moreover, there were 4 adverts for Call 1 in 2009, 2 adverts for Call 2 in 2009 and 4 adverts and 1 online banner for Call 3 in 2010

the booklet, TSDU also created a Press DVD of best practices projects under Call 1. A similar DVD is being created for best practice projects under Call 2. As in other schemes, all equipment purchased through the scheme has stickers which acknowledge the Community's financial contribution as well as a plaque.

DSWS is the IB for the Aid Scheme 'The Regeneration of Childcare in Malta'. Only Call 2 was published late in 2010, and more specifically on the 19th December. Although the Call was launched in 2010, the information sessions for interested parties were held in January 2011. A total of twenty (20) persons attended for both information sessions held, one on the 5th January and the other on the 6th January. Payments amounting to €2,254.29 were disbursed on publicity in 2010.

Further publicity actions were taken by DSWS in 2010. Firstly, DSWS provided information measures for potential beneficiaries through the use of its website.³⁷⁶ https://secure2.gov.mt/socialpolicy/SocProt/family/dsws/child_day_care_services/erdf_scheme.aspx. From this link, the potential applicants can access details of financial contribution, and also download the application, guidance notes³⁷⁷ and FAQs regarding this Aid Scheme. The advert³⁷⁸ for information sessions on Call 2 and the Mini Manual issued to beneficiaries are other examples of information provision to potential beneficiaries. DSWS also communicated electronically with all registered childcare centres in relation to Call 2 by sending e-adverts to all centres, thus informing potential applicants about assistance that can be obtained through Structural Funds. An entire section of DSWS' Mini Manual for Beneficiaries was dedicated to publicity obligations. Furthermore publicity obligations were checked during on the spot checks (two on-the-spot checks were conducted in 2010).

06.3.1 Information and Publicity by Beneficiaries

During 2010 a number of publicity actions were also implemented by the Beneficiaries. Beneficiaries of OP I have been carrying a good mix of publicity actions in order to promote their respective projects as well as attracting prospective bidders to tender. Figure 28 below gives an overview of the publicity measures implemented during the year.³⁷⁹

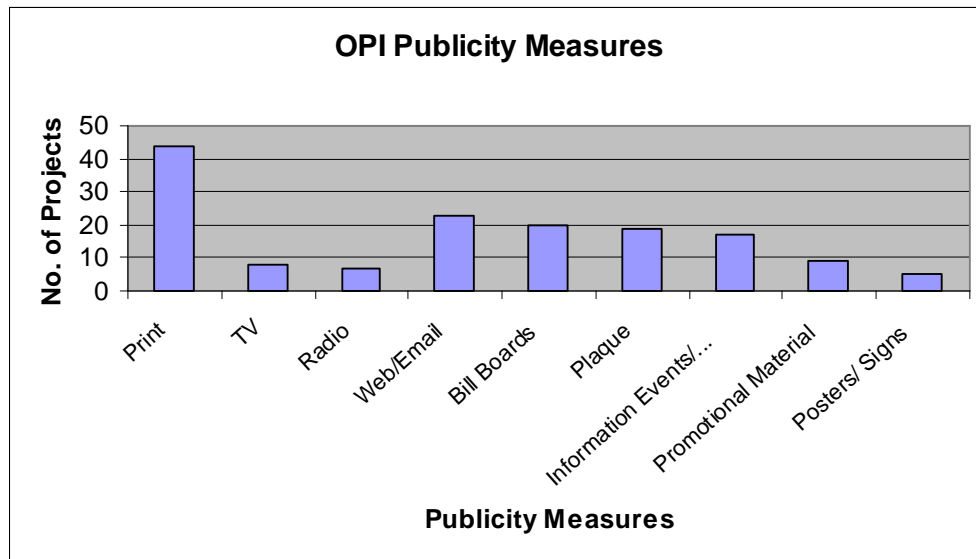
³⁷⁶ The uploading on the website of the list of beneficiaries of Call 1 took place in 2010

³⁷⁷ The issuing of guidance notes for beneficiaries of Call 1 and the issuing of application and guidance notes for applicants for Call 2 took place in 2010

³⁷⁸ The advert for information sessions was issued on the 19th December 2010 in 7 local newspapers. These were Sunday Times, Independent on Sunday, Kulhadd, Mument, Torċa, Malta Today and Illum

³⁷⁹ It is important to note that projects exercise more than one publicity measure

Figure 28 - Publicity Actions carried out by OPI Beneficiaries



The data shown above is not exhaustive given that there are projects that are still in the initial stages and will be carrying out more promotional measures in the near future. In addition, it is worth noting that not all projects have the same budgetary allocation towards publicity actions; therefore it is difficult to benchmark and compare such activities. Furthermore, since projects are at different stages of implementation, it is to be expected that in some cases, an increase in the implementation of publicity measures will be seen at a later stage of implementation.

06.4 Communications 2010: Operational Programme I - Indicators as per Communication Plan³⁸⁰

Communication Measures	Output Indicators						Result Indicators					
	Target until 2015	Achieved 2007	Achieved 2008	Achieved 2009	Achieved 2010	Total Achieved 2007-2010	Targeted until 2015	Achieved 2007	Achieved 2008	Achieved 2009	Achieved 2010	Total Achieved 2007-2010
Media Advertising												
Total no. of TV and radio spots created:	21	0	1	0	2	3	Coverage ratio: 25% of the population ***	0%	28.1%	0%	5.5%	8%
Total no. of spots aired on TV channels/radio stations:	375	0	0	0	40	40						
Total no. of adverts designed:	20	3	8	9	12	32	Coverage ratio: 45% of newspapers/magazines readers targeted ***	30% of the pop.	46% of the pop.	51.5% of the pop.	51% of the pop.	44%
Total no. of adverts published on newspapers and magazines:	681	20	89	69	75	253						
Posters and Outdoor advertising												
Total no. of posters and outdoor adverts designed [including marquees, banners, billboards, bus-stop advertising, bus-wraps]:	43	1	12	0	6	19	Coverage ratio: 30% of localities [Malta and Gozo] targeted with outdoor adverts (#) ****	0%	+1.47%	0%	N/A	+1.47%
Total no. of posters/backdrops produced:	5,000	1	261	0	1	263						
Branded promotional material												
Total no. of items	30	1	5	0	8	14	Distribution ratio:	0.125%	2.125%	0%	0.21%	2.0%

³⁸⁰ The figures in the 2007, 2008 and 2009 columns are as reported in previous AIRs

created [including pens, folders, caps, mouse-mats, mugs and other branded items]:							10% ³⁸¹ of the population ****					
Total no. of items produced:	30,000	500	8,000	0	6,850	15,350						
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	1	16	No. of informative publications downloaded: 25,000 (#) ****	N/A	N/A	10	1,134	1,144
Total no. of items printed:	210,000	610	0	0	164,000	164,610						
No. of informative material/publications uploaded:	30	1	6	10	16	33						
Audio-visual products												
No. of documentaries produced:	5	2	0	0	0	2	No. of featuring times: 35 ³⁸² ****	2 (1 each documentary)	2 (1 each documentary)	0	0	4 (2 each documentary)
No. of documentaries [on DVD] to be distributed:	250	2	0	0	0	2						
Media Relations												
Total no. of press releases issued:	28	7	8	7	16	38	Total no. of press releases published: 84 ³⁸³ **** Coverage ratio: 15% per press release	7	8	7	16	38
Total no. of press conferences	10	1	2	0	1	4	Total no. of newsrooms covering each event: 5	35%	7.5%	4.31%	9.9%	13.0%
								8	3	0	5	16

³⁸¹ Communication Plan reads 20% not 30%. The figure has been amended to cover OPI only.

³⁸² The figure featuring in AIR 2007 covered both OPI and OPII. Thus this has been amended to cover OPI only.

³⁸³ The figure featuring in AIR 2007 covered both OPI and OPII. Thus this has been amended to cover OPI only.

organised:							Total no. of media mentions: 50 ³⁸⁴ ****	12	6	8	8	34
							Coverage ratio: 25% of population ***	80%	40%	0%	11.7%	32.0%
Total no. of media interviews/features:	18	3	3	8	8	22	No. of viewers/readers: 25% of population ***	23%	29%	31.5%	18.6%	25.0%
No. of articles and advertorials issued:	18	0	1	0	0	1	No. of viewers/readers: 25% of population ****	0%	3.13%	0%	0	3.1%
No. of media queries answered:	18	3	6	7	3	25	Coverage ratio: 25% of population ***	53%	26.7%	31.15%	6.9%	30.0%
No. of information sessions [including information sessions, conferences, seminars] organised:	21	3	4	6	3	16	No. of participants: 1,400 ³⁸⁵ participants	138	300	219	135	792 ³⁸⁶
No. of days duration*: [*half day sessions are taken as 0.5 of a day]	21	1.5	2.0	3.5	0.5	7.5	Satisfaction rate of participants: 60% ***	N/A	N/A	92%	72.5	82.2%
MA participation in events organised by others:	18	2	1	1	0	4						
Networks and Exchange of Experience												
Participation at EU level Network meetings:	2	1	2	1	1	5	No. of participants at EU level network meetings: 2 ***	1	1	1	1	4
No. of Communications network meetings at project level:	4	0	0	0	0	0	No. of participants at local network meetings: 50 per session	0	0	0	0	0
OP launch event												
No. of newsrooms covering the launch:	10	5	0	0	0	5	No. of media publicizing event: 10	10	0	0	0	10

³⁸⁴ The figure featuring in AIR 2007 covered both OPI and OPII. Thus this has been amended to cover OPI only

³⁸⁵ The figure in AIR 2007 covers both OPI and OPII. Thus it has been amended to cover OPI only

³⁸⁶ This figure takes into consideration activities implemented by the MA

							No. of participants at launch: 250	10	0	0	0	10
No. of info seminars organised:	6	6	0	0	0	6	No. of participants at the info seminars: 300	300	0	0	0	300
Website and Helpdesk												
No. of website pages: ³⁸⁷	20 EN	8 EN	8 EN	8 EN	8 EN	8 EN	No. of page views: 1,500 per day No. of visitors' sessions: 100 per day No. of queries: 150 per year	N/A	2,100	2,818	5,910	10,828
	20 MT	N/A	4 MT	4 MT	4 MT	4 MT		N/A	182	260	411	853
									66	135	90	84
List of Projects and Beneficiaries	1 ³⁸⁸	1	0	1	1	1						

³⁸⁷ This figure takes into consideration only the MA website

³⁸⁸ The List of Projects and Beneficiaries is updated regularly every year on the same template used through the 7-year period

06.5 Communication Plan Review

The implementation of the Communication Plan continued throughout 2010 (as has been described above), however given that the overall Programme implementation was deemed to be moving slower than originally forecasted, the data coming in from Beneficiaries and IBs (with regard to publicity being undertaken by the different projects), as well as information from the market in terms of more accurate pricing, the MA decided, at the end of 2009, to undertake an internal review of the Communication Plan in order to make the measures contained therein correspond better to the level of activity ongoing in the Programmes during the year in question. This internal review exercise was carried out in order to come up with a way forward for a revised Communication Plan that would reflect better the current pace of Programme implementation. The revised plan would also take into consideration any recommendations that would come out of the mid-term evaluation.

The proposed changes to the Communication Plan were notified to and discussed by the MC in May 2010. The MA also informed the MC that the proposed changes would be finalised after the mid-term evaluators had reported so that such amendments would also take into account their recommendations.

The justifications for the proposed changes to the Communications Plan as presented to the MC were as follows:

- *the pace of project implementation:* the extent of the publicity actions/activities has been re-dimensioned in order to take into account the level of demonstrable results;
- *publicity at IB and Beneficiary level:* activities/actions taken by such entities to advertise and market the different aid schemes under implementation in both Programmes. The Beneficiaries and IB's are implementing a good number of publicity actions which in turn complement the activities undertaken by the MA as indicated in the relevant section further down this chapter. Thus it is considered that a fair share of targeted visibility is already being achieved;
- *overexposure and repetition of publicity actions:* The MA feels that in the context of the Maltese scenario – with approximately 400,000 inhabitants, nine television stations and thirteen nationwide radio stations,³⁸⁹ as well as the geographical size of the country itself – intense publicity on variations of essentially the same subject, albeit through different media, could lead to overkill and be counter productive. Information and Publicity campaigns by the Beneficiaries and IB's that are underway tend to run concurrently, thus heightening the risk of over exposure and repetition which can cause monotony and turn interest into disaffection among the target audience;
- *limiting print publications:* making greater use of electronic dissemination of information in preference to printed material, where possible to adopt a more environmentally friendly approach. Publications to be printed will focus on being more informative rather than promotional and will be utilised for reference;

³⁸⁹ Source: <http://www.ba-malta.org/stations>

- o *use of in-house resources* for certain activities such as the design of publicity material, translation, etc has resulted in a real reduction in costs; and
- o A number of activities which were listed in the Plan have already been implemented. These activities were mostly one-time events (e.g. the OP launches and accompanying activities) that could be accounted for (in the review) in terms of actual costs. Activities of a repetitive nature could also be accounted for more accurately in estimating the cost of similar future actions. Thus, this data was used to forecast the cost of potentially similar activities over the next five years.

06.5.1 Proposals for modifications to the Communication Plan

The proposed main modifications to the Communication Plan may be summarised as follows.

In terms of future actions, the bulk of activities in the Plan, as well as the expected commitment of funds, will remain allocated towards the Annual Events, however one of the outcomes of this review has been the re-phasing of the relatively *larger-scale* activities so that they coincide with years when more tangible results would be visible from the projects being implemented under the OPs. In this regard two 'key' years targeting larger-scale Annual Events have been identified, while the other years will have comparatively smaller events in line with the progress of the Programmes. The 'key' years identified are:

- a. 2012, representing the interim period since the majority of projects (that started in 2008/2009) would have registered good progress and considerable results are expected to already be visible and therefore, enabling the possibility of having expansive audio-visual coverage; and
- b. 2014 or 2015, marking the effective final stages of implementation of the Programmes when operations selected in 2011 and 2012 would also be in the concluding phase and the public would have already started feeling the tangible benefits of the Programme as a whole.

The graph and comparative timeline below denotes this 'peaking' in budgetary allocations to provide for enhanced Information and Publicity activities during the identified 'key' years. While provisionally the bulk of funds have been earmarked for 2015 around closure, it is to be noted that should implementation of the Programmes accelerate and reach closure in 2014, activities and related financial allocations would be brought forward to that year. This is in line with Section 2.9 'Timing' in the proposed revisions to the Communication Plan which allows flexibility in conducting such activities either in 2014 or 2015.

Figure 29 - Proposed Yearly Projections 2010-2015

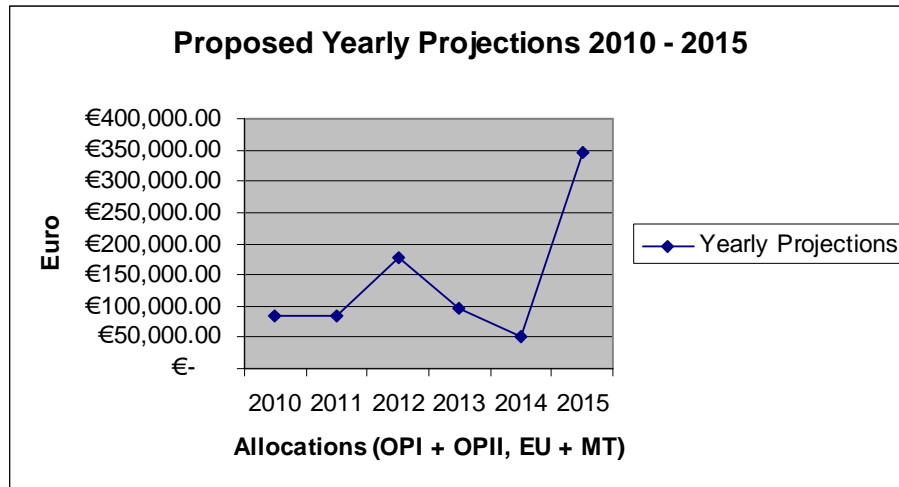


Table 28 - Comparative timeline Original vs. Proposed Revised Communication Plans

Timeline Comparison		2007	2008	2009	2010	2011	2012	2013	2014	2015
Development of a Visual Identity	Original CP									
	Proposed revised CP									
Advertising	Original CP									
	Proposed revised CP									
Promotional Material	Original CP									
	Proposed revised CP									
Informative Publications	Original CP									
	Proposed revised CP									
Media Relations	Original CP									
	Proposed revised CP									
Informative Public Events	Original CP									
	Proposed revised CP									
Launching of Ops	Original CP									
	Proposed revised CP									
Audio-Visual Products	Original CP									
	Proposed revised CP									
Website	Original CP									
	Proposed revised CP									
Helpdesk	Original CP									
	Proposed revised CP									
Mail-shots	Original CP									
	Proposed revised CP									

Colour Code:

Light Blue: actions already carried out from 2007 to 2010 which are actual and bordered in colour red.

Dark Blue: proposed future actions.

The proposed revised Communication Plan timeline takes account of actions as they were actually executed during the period 2007-2010; hence it is noticeable that already in 2008 there had been a shift from the Original Plan with regard to the production of Audio-Visual material given that the first projects were approved for funding only in 2008.

The proposed changes to the Communication Plan are envisaged to have impact mostly on the following publicity measures/actions:

1. in the case of Annual Events, large scale events will be held in the 'key' years as indicated above while more targeted, smaller scale events will be held in the other years;
2. given that promotional items are procured in quantity, there is a tendency for items to be left over from one year to the next. Hence the procurement of such items may not be necessary every year;
3. the production of audio-visual material such as documentaries or adverts would be limited to the years when the larger scale Annual Events are to take place since such promotion would be more in proportion to such events than the smaller-scale ones; and
4. Limiting of print publications as stated above.

06.5.2 Indicators

From the internal review carried out by the MA, it has transpired that the majority of the indicators were defined on the assumption that the implementation of the Programmes would reach a certain degree of intensity during 2010 which would be accompanied by the corresponding level of intensive publicity actions. Hence, given the actual implementation on the ground as at end 2009, it became evident that the figures were over-inflated. Thus, the MA will be proposing changes to the indicators that will render the monitoring and estimation of achievement of the indicators more user-friendly and will also evidence the proposed adoption of a more targeted approach on activities that will focus on key implementation years as described above.

The MA had informed the MC during its meeting in May 2010 that its proposals would be assessed by the evaluators as part of the mid-term evaluation. Hence the revisions to the Communications Plan including modifications to the indicators, would be finalised after receipt and acceptance of the mid-term evaluator's final report and, in this way, the modified Plan would also take into account any recommendations emerging from the evaluation.

06.6 Evaluation of the Communication Plan

The Communication Plan were evaluated as part of the Mid-Term Evaluation on Operational Programmes I and II – Cohesion Policy 2007-2013 which at the cut-off date of this report was still underway but which has now been concluded. The Mid-Term Evaluation includes also a high level review of the publicity actions implemented by the MA, stakeholders and beneficiaries and to review the appropriateness of the indicators as defined in the Plan. In addition, the evaluators of the Communication Plan for Malta's OPs 2007-2013 performed a qualitative and quantitative assessment

of the effectiveness of the measures implemented by the MA and an assessment of one communication measure in further detail. The Annual Event 2010 was identified for this purpose.

Given that the MA had already undertaken its own internal review of the Plan, this was also presented and discussed with the evaluators who also undertook an assessment of the revisions that were presented to and discussed by the MC in May of 2010.

06.6.1 Annual Events - Evaluators' Observations

The Evaluators observed and acknowledged that both events were well organised and successful in providing a pleasant atmosphere. Overall attendance to the event in Gozo was better than the one in Malta mainly due to the choice of location in Gozo. The fact that the event was held in the newly inaugurated village recreation area also contributed towards attracting both persons from within the locality and also visitors. The Malta event attracted less visitors possibly due to the fact that the event was located outside the village core and that the date of the Event coincided with a popular religious feast and cultural events associated with it.³⁹⁰

Various suggestions were put forward by the evaluators from their analysis of the event. These include:

- the provision of headphones at stands showing documentaries given that the high volume emanating from the entertainment area could create disturbance to those persons visiting the stands;
- encourage project representatives at their respective stands to take a more proactive approach with visitors and provide information in a more interactive manner;
- the inclusion of more educational activities relating to Cohesion Policy for both adults and children alike during events by having children's entertainment (such as plays and games) revolve around the themes of Cohesion Policy; an onsite campaign on the main facts of Cohesion Policy; and by organising a Cohesion Policy themed quiz/competition for adults or families.

Recommendations by the Evaluators for future events include:

- the adoption of a stronger 'Pull-marketing' strategy to attract more people to the information events which includes more aggressive marketing (leaflets, TV spots, radio, billboards) which must be delivered in a timely manner;
- the choice of date and place of Events needs to be assessed properly during the planning stages in order to attract as many attendees as possible and avoid clashing with other events of national importance;
- maintaining the standard of a well organised high quality event throughout, in order to encourage higher levels of attendance, or re-attendance; and

³⁹⁰ It was conceived to hold the event on a public holiday to seek to attract more visitors

- adopting a 'Push-marketing' tactic whereby attendees, once present, are approached by 'guides' to either direct them towards booths or give them information on the spot in the form of leaflets should be encouraged.

06.6.2 Budgetary Review by the Evaluators

In terms of the budgetary review the evaluators recommended that:

1. the budget should reflect the monitoring needs so that the quantities and costs that need to be monitored are adequately planned for by the MA. Monitoring data needs should be anticipated during the budgeting stage, so that any information that needs to be monitored in line with the Communication Plan is available. In addition, future procurement of any goods and services relating to the Communication Plan (output indicators) should request an itemised cost breakdown and/or any other information that may be needed for cost monitoring purposes;
2. consistency in the categorisation of each cost item by measure should be maintained and ensured throughout the implementation period in order to avoid issues of different classification and allocation of costs as well as any monitoring issues; and
3. A formal methodology or model for the communication budget should be introduced in order to add value to the Communication Plan. A working model with clearly documented underlying assumptions that would also help the communications team make adjustments and identify areas of improvement during revisions should also be introduced.

06.6.3 Analysis of Indicators

From the Mid-Term Evaluation carried out, a number of indicators resulted in negative percentages in terms of achievement (planned vs. actual) due to the fact that apart from the original Communication Plan being over-ambitious (as indicated above), the majority of publicity activities are not implemented in a linear manner, on a yearly basis. The evaluators observed that the context and scope of implementation has changed considerably since the drafting of the Communication Plan. Furthermore, the evaluators noted that the MA has already embarked on the initiative to revise the output and result indicators in order to align them with the proposed revised strategy.

The evaluators suggested that a better system should be implemented to monitor the indicators more effectively. The evaluators recommended that the Communications Plan budget should reflect monitoring needs and a separate budget line should be introduced for this activity if human resources do not permit it to be carried out in-house. They also proposed that the MA should consider introducing a formalised, centralised project-level monitoring system or regular communication between the Communications Team and the OP Units on publicity measures carried out. Finally, they also recommended that consistency in the categorisation of cost items by measure or output indicators should be ensured.

The MA already has its own system of monitoring indicators; however these suggestions will be taken into consideration and an appropriate methodology to render such monitoring more effective will be explored.

07. Concluding Remarks

The clear and unequivocal message of the report is that implementation is now well underway. Bottlenecks and delays continue, however the system is still managing to register considerable success and this increase in activity is not only showing in terms of contracts signed and payments effected, but also in terms of results and tangible outcomes on the ground. The year 2010 also registered a number of *firsts* for Cohesion Policy in Malta, a sign that the authorities are becoming more *adventurous* with the implementation, in order to maximise leverage as well as increase efficiency.

A total of sixty five (65)³⁹¹ projects and nine (9) aid schemes were under implementation during 2010 bringing the Programme's overall commitment rate as at end 2010 to around 70%. Over one hundred and sixty (160) tendering procedures were launched in 2010 leading to a substantial increase in the payments totalling €128,421,758.08 (€63,064,262.54 under ERDF and €65,357,495.54 under CF) as at end of year. Out of these payments, €96,638,429.12 of eligible public expenditure to the EC have been certified by the CA. Four hundred ninety (490)³⁹² Beneficiaries were participating directly in the Programme – of which there is a mix of public sector organisations, Local Councils, NGOs and private enterprises. Another two thousand two hundred and one households (2201) households were in some way direct recipients of the Funds, thereby spanning the benefits of Cohesion Policy across the entire economic and social fabric of Malta and Gozo.

The MA would like to hereby thank all those directly (or indirectly) involved in the implementation and that have in some way contributed to the various success stories of 2010. The challenge for the years ahead will be to sustain and consolidate efforts so that the Programme can continue to register more positive results in the months and years to come. The main challenges for the next year will be to commit the Programme (possibly entirely) as well as sustain the flow of tenders, contracts and payments to ensure not just financial absorption which is an important objective in itself, but primarily the delivery of outcomes and results which will impact the lives of citizens and companies for years to come.

³⁹¹ Including JEREMIE, the financial engineering measure and Technical Assistance

³⁹² 42 Public Entities/NGOs/Local Councils (including TA's stakeholders) and 448 Enterprises benefitting through Aid Schemes

Annex 1 – Cumulative Expenditure Table³⁹³

Priority Axis	Total Contribution	Financial Progress			
		Commitments ³⁹⁴	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 1 (ERDF) Enhancing Knowledge and Innovation	120,000,000.00	105,730,471.18	25,881,701.63	88.11	21.57
Priority Axis 2 (ERDF) Promoting sustainable Tourism	120,000,000.00	77,272,606.28	7,133,920.92	64.39	5.94
Priority Axis 3 (ERDF) Developing the trans-European network for transport	169,038,258.82	82,366,391.00	1,977,621.47	48.73	1.17
Priority Axis 4 (ERDF) Mitigation and Adaptation to climate change	121,000,000.00	81,132,370.02	2,526,025.93	67.05	2.09
Priority Axis 5 (ERDF) Safeguarding the environment	165,250,000.00	104,309,856.31	63,379,874.07	63.12	38.35
Priority Axis 6 (ERDF) Urban regeneration and improving quality of life	149,000,000.00	133,555,861.35	27,522,614.06	89.63	18.47
Priority Axis 7 (ERDF) Technical Assistance	12,327,095.29	12,327,095.00	1,651,272.39	100.00	13.40
Grant Total	856,615,354.11	596,694,651.14	130,073,030.47	69.66	15.18

³⁹³ Figures quoted represent progress as at end 2010 and are expressed in total public eligible cost

³⁹⁴ The committed amounts include both the approved projects (including major projects) and the aid schemes

Annex 2 – List of Projects and Aid Schemes as at end December 2010

Projects

ERDF/01	Upgrading and Embellishment of Industrial Estates
ERDF/11	Furnishing and Equipping of Chemistry & Biology Building Extensions
ERDF/12	Developing an Interdisciplinary Material Testing and Rapid Prototyping R&D Facility
ERDF/17	Construction, Finishing and Equipping of ICT Faculty Building
ERDF/18	Strengthening of Analytical Chemistry, Biomedical Engineering and Electromagnetics RTDI Facilities
ERDF/22	Wied il-Mielah - towards an ecologically and culturally sensitive, sustainable tourism
ERDF/24	Upgrading of Villa Rundle Gardens
ERDF/31	Upgrading of Zewwieqa Waterfront
ERDF/32	Archaeological Heritage Conservation Project

ERDF/33	Tourism Zone Upgrade with landscaped urban spaces and other facilities
ERDF/39	Restoration and Rehabilitation of Historical Fortifications of Malta and Gozo
ERDF/45	Extension of ETC Skills and Development Centre (phase 2)
ERDF/47	Reconstruction of part of Xlendi Road and Ta' Pinu Road
ERDF/48	Upgrading of Arterial and Distribution Roads
ERDF/54	Multimedia Training Centre at MCAST's Institute of Art and Design
ERDF/56	Upgrading and expansion, MCAST Institute of Mechanical Engineering at Malta/Gozo
ERDF/57	Junior College Building Extension
ERDF/58	Purchase of Science and technology laboratory equipment for state schools
ERDF/62	Language Lab with Contact Centre facility at MCAST Institute of Business and Commerce

ERDF/64	Construction and Equipping of University IT Services Building
ERDF/65	Expansion of MCAST Institute of Electrical and Electronics Engineering
ERDF/66	Computer systems and computer labs at MCAST Malta and Gozo
ERDF/68	Upgrading of Operating Theatre and Setting Up of Radiology Unit
ERDF/72	Construction and Equipping of an Independent Living Centre
ERDF/76	Refurbishing the Signal Processing Laboratory within the Department of CCE
ERDF/77	Electrical Energy and Efficiency Laboratory for the University of Malta
ERDF/78	Upgrading of Giordan Lighthouse global Atmospheric Watch (GAW) Research Station
ERDF/79	Setting up of Mechanical Engineering Computer Modelling and Simulation Laboratory
ERDF/80	A Super Computer Laboratory for the University of Malta
ERDF/81	Enhancing the Health Biotechnology facilities at the University

ERDF/82	Modernizing the University of Malta's Control Systems Engineering Laboratory
ERDF/83	Manufacturing Research Platform
ERDF/87	Developing National Metrology Capacity in Support of Industry
ERDF/88	Promotion of renewable energy sources in the domestic sector
ERDF/090	Implementing Green Activities at the University of Malta
ERDF/101	Installation of Renewable Energy Sources at MCAST
ERDF/102	Energy-Smart Authority
ERDF/104	Stronger Cottonera Communities - The Citizen's right to accessibility and mobility
ERDF/109	Digitization Strategy and Framework for the National Library of Malta
ERDF/114	Maltese Text to Speech Synthesis
ERDF/120	National Flood Relief Project
ERDF/140	Discovering Cultural & Religious Tourism in Gozo

ERDF/142	The Making of a People - A cultural and Historical Eco-Museum
ERDF/145	Reviving Cospicua's Architectural Soul through a Series of Museum Spaces
ERDF/147	Restoration of San Lawrenz Church to enhance cultural tourism
ERDF/151	RE.VI.VE- Renewed Visitors Venues
ERDF/155	Construction of main exhibition hangar and run off water reservoir
ERDF/156	Developing National Environmental Monitoring Infrastructure and Capacity
ERDF/159	eServices: Accessibility for all (eXS4ALL)
ERDF/164	Masterplan: Development of Applied Science and Business and Commerce Institutes
ERDF/183	Vertical Connection: Better Accessibility through Innovation and Cleaner Transport
ERDF/189	Educational Infrastructure Development at Bishop's Conservatory Secondary School - Phase 2
ERDF/190	Arka Foundation Gozo - Energy Generation and Conservation Project

ERDF/192	Photovoltaic System at the University of Gozo Centre
ERDF/193	Gozo Diocese's Contribution to turn Gozo into an Eco-Island
ERDF/196	Mater Dei Hospital Oncology Centre
ERDF/199	Setting-up a Life Sciences Centre
ERDF/200	JEREMIE – Joint European Resources for Micro to Medium Enterprises
ERDF/999	Technical Assistance - ERDF
CF/116	Malta South Sewage Treatment Infrastructure
CF/117	Improvement of the TEN-T Road Infrastructure (PHASE I)
CF/118	Rehabilitation of closed Landfills
CF/123	Gozo Waste Treatment & Transfer Facility
CF /124	Refurbishment of the Valletta and Marsaxlokk Breakwaters

CF /198 Cirkewwa Ferry Terminal

Aid Schemes

ERDF 127 ERDF Small Start-up Grant Scheme

ERDF 128
(A) ERDF Innovation Actions Grant Scheme (Innovation)

ERDF 128
(B) ERDF Innovation Actions Grant Scheme (Environment)

ERDF 129 ERDF e-Business Development Grant Scheme

ERDF 130 Research & Development Grant Scheme

ERDF 134 ERDF International Competitiveness Grant Scheme

ERDF 135 Grant Scheme for Sustainable Tourism Projects by Enterprises

ERDF 133 ERDF Energy Grant Scheme

ERDF 136 Grant Scheme for Childcare Facilities