

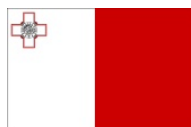


# Operational Programme I Cohesion Policy 2007-2013

*Investing in Competitiveness for a Better Quality of Life*

Annual Implementation Report

2011



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
BOV	Bank of Valletta
CA	Certifying Authority
CBA	Cost Benefit Analysis
CIION	European Commission
CIP	Competitiveness and Innovation Framework Programme
CF	Cohesion Fund
CO <sub>2</sub>	Carbon Dioxide
CSGs	Community Strategic Guidelines
DAS	Departmental Accounting System
DBO	Design-Build-Operate
DCS	Directorate for Corporate Services
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
CIION	European Commission
EE	Energy Efficiency
EFF	European Fisheries Fund
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIF	European Investment Fund
EIS	Environmental Impact Statement
ENEA - MA	European Network of Environmental Authorities and Managing Authorities

EPCM	Engineering, Procurement, and Construction Management
EPD	Environment Protection Directorate (MEPA)
ERDF	European Regional Development Fund
ESF	European Social Fund
ETC	Employment and Training Corporation
EU	European Union
FA	Focus Area
FAQ	Frequently Asked Questions
FEI	Financial Engineering Instrument
FIT	Feed-in Tariff
FP7	7 <sup>th</sup> Framework Programme for R&D
FTE	Full Time Employee
GA	Grant Agreement
GAW	Global Atmospheric Watch
IAID	Internal Audit Investigation Department
IB	Intermediate Body
ICT	Information and Communication Technologies
IMCC	Inter- Ministerial Co-ordination Committee
IMT	Innovation Management Techniques
IEE	Intelligent Energy Europe
IPPC	Integrated Pollution Prevention and Control
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
KNPD	Kunsill Nazzjonali Persuni b'Dizabilita
LIIP	Local Informal Information and Publicity Network
LM	Line Ministry



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MA	Managing Authority
MBT	Mechanical Biological Treatment
MC	Monitoring Committee
MCAST	Malta College of Arts, Science and Technology
MCCAA	Malta Competition & Consumer Affairs Authority
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
MIP	Malta Industrial Parks Ltd
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
MSW	Municipal Solid Waste
MTA	Malta Tourism Authority
NA	Not Applicable
NAO	National Audit Office
NCPD	National Commission for Persons with a Disability
NCPE	National Commission for the Promotion of Equality

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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
OTS	On – the - spot
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
R&D	Research and Development
RDP	Rural Development Programme
RES	Renewable Energy Sources
RTDi	Research, Technological Development and Innovation
SAMB	State Aid Monitoring Board
SEA	Strategic Environmental Assessment
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 European Union
ToRs	Terms of Reference
TSDU	Tourism and Sustainable Development Unit
UoM	University of Malta
VAT	Value Added Tax
VO	Voluntary Organisation

## 01. Identification

OPERATIONAL PROGRAMME	<b>Objective Concerned:</b> Convergence
	<b>Eligible Area Covered:</b> Malta
	<b>Programming Period:</b> 2007-2013
	<b>Programme number CCI No:</b> 2007MT161PO001
	<b>Programme Title:</b> Operational Programme I – Investing in Competitiveness for a Better Quality of Life (Cohesion Policy 2007-2013)
AIR	<b>Reporting Year:</b> 2011
	<b>Date of approval of the Annual Report by the Monitoring Committee:</b> 6 <sup>th</sup> June 2012

## 02. Overview of the Implementation

### 02.1 Achievement and Analysis of the progress

While 2010 was characterised by a substantial amount of projects at implementation stage and the completion of the first infrastructural works, not only was this continued and intensified in 2011, but there were also the first signs of final disbursements for thirteen (13) projects<sup>1</sup>, with nine (9) others close to completion. The number of (mainstream) projects continued to increase from seventy-four (74) in 2010 to eighty-eight (88) as at end 2011<sup>2</sup>. The same can be said for the number of operations under Aid Schemes (Article 107 of the treaty), increasing from 448 in 2010 to 634 in 2011. As far as support to SMEs is concerned, in 2011 progress was registered under *JEREMIE*, the financial engineering instrument which was characterised by an intense campaign by the Financial Intermediary as well as by the sanctioning of 179 loans by December 2011. Overall contracting and disbursements increased substantially when compared to 2010, with a 66% and 63% increase over 2010 respectively. There was also a considerable increase in the certification of funds to the EC (90% over 2010). These are all signs of the intensity of activity in 2011 which is also reflected in the results achieved.

New projects continued to be approved. Implementation of projects continued steadily throughout the year and disbursement of the European Regional Development Fund (ERDF) in 2011 alone amounted to €62,625,657 which is almost €6.3 million more than what was actually disbursed under ERDF in 2010.<sup>3</sup> This brought the total amount paid in 2011 under ERDF to €127,341,192 which represents more than 24% of the total ERDF allocation.<sup>4</sup> Disbursements in 2011 under the Cohesion Fund (CF) amounted to €19,152,751. The decrease, when compared to 2010,<sup>5</sup> was mostly due to the abnormal high payments<sup>6</sup> in the first years of the Programme and compounded by the limited activity on the ground with regard to other CF projects since most of these were still at tendering stage or at an early stage of implementation. This brought the total amount paid under the CF to €84,510,247 by the end of the year, which represents slightly over 25% of the total CF allocation.<sup>7</sup> This means that by end 2011, disbursements under both Funds amounted to €211,851,439 representing almost 25% of the total OPI allocation. The activity related to first level of control by the Managing Authority (MA) and Intermediate Bodies (IBs) continued steadily. In 2011 alone, a total expenditure amounting to €87,174,031 was, in fact, verified by the MA and certified by the Certifying Authority (CA). This brought the certified total public eligible amount for both ERDF and CF to €183,812,460, representing 21% of the total OP allocation.<sup>8</sup> To achieve this, the MA increased its first level

<sup>1</sup> ERDF 11, 12, 18, 54, 56, 58, 72, 77, 78, 79, 82, 101 and 155. Only ERDF 155 is considered as fully closed since it has its closure report ready and signed. The other projects are awaiting the verification and certification of the last payments made and the drafting and signing of the final reports.

<sup>2</sup> Including nine (9) Aid Schemes implemented under Article 107 of the Treaty, JEREMIE, TA and the two (2) approved Major Projects at a local level ERDF 196 and ERDF 120. Sixteen (16) new projects were approved in 2011; five (5) under PA 2, ten (10) under PA 4 and one (1) under PA 6, with an allocation close to €14 million (Public Eligible).

<sup>3</sup> During 2010, €56,252,929 had been disbursed under ERDF.

<sup>4</sup> €522,327,095

<sup>5</sup> During 2010, €42,377,807 had been disbursed under CF

<sup>6</sup> Arising from the implementation of CF116 originally foreseen under the ERDF

<sup>7</sup> €334,288,259

<sup>8</sup> Total ERDF certified €108,036,733; total CF certified €75,775,726. Total ERDF and CF €183,812,459.

of control verifications activities with 192 checks undertaken in 2011<sup>9</sup> (when compared to the fifty-nine (59) spot-check reports concluded in 2010) and 152 spot-checks (which include both a physical and a Documentary check) done by IBs on their Beneficiaries, compared to ninety-three (93) checks in 2010. These statistics are clearly indicative of the increased level of activity on the ground by Beneficiaries (implementation of activities on the ground and payments) and stakeholders alike (processing of payment, verification and certification of payments).

Throughout the year, the MA continued committing operations under the Programme, with the issuing of new calls for proposals, approving new projects (the latter also from calls spilling over from 2010), and finalising Grant Agreements of approved projects. In this respect, in 2011, the MA issued four (4) calls for proposals under the ERDF (Axes 2, 4 and 6) with a total indicative budget of €67 million, and one (1) for non-Major Projects under the CF (Axes 3 and 5). In total, forty-two (42) proposals were submitted in 2011. The Project Selection Committee (PSC) approved five (5) projects under PA 2,<sup>10</sup> ten (10) projects under PA 4<sup>11</sup> and one (1) project under PA 6.<sup>12</sup> As at end 2011, the CF non-major proposals were still under evaluation. With regard to Major Projects, preparatory work continued on ERDF 196<sup>13</sup> and ERDF 120,<sup>14</sup> (with the former being submitted in January 2012 and approved in April) as well as on CF 119<sup>15</sup> and CF 125<sup>16</sup> continued, with JASPERS assistance being provided on both projects. The PSC is expected to start reviewing the two Major Projects in the first half of 2012.

By the end of 2011, there were seventy-seven (77) approved *mainstream* projects which were being co-financed<sup>17</sup> with a total commitment of €545,269,776, nine (9) Aid Schemes implemented under Article 107 of the Treaty,<sup>18</sup> and the JEREMIE initiative being managed through the European Investment Fund (EIF). All nine (9) Aid Schemes, are administered by three (3) Intermediate Bodies (IBs)<sup>19</sup> which by end 2011 resulted in 634<sup>20</sup> operations implemented by enterprises for a total of around €39.5 million<sup>21</sup> (Public Eligible). In 2011 alone, 227 Grant Agreements were concluded with Beneficiaries amounting to slightly less than €20 million.<sup>22</sup> With regards to the JEREMIE initiative on the 6<sup>th</sup> of April, EIF signed an agreement with Bank of Valletta (BoV) as the Financial Intermediary. BoV started with an extensive media campaign and this gave immediate results. By the end of 2011, a total of 179 loans were sanctioned involving 165 SMEs for a total

<sup>9</sup> Hundred and seventy-one (171) documentary and twenty-one (21) physical on-the-spot checks.

<sup>10</sup> Related to Call 8 (launched and closed in 2010). In total, twenty-seven (27) applications were received, five (5) were approved: ERDF 205, ERDF 212, ERDF 213, ERDF 221 and ERDF 226 with a total public eligible cost of €2,508,636. Another five (5) projects were put on the reserve list (ERDF 204, ERDF 206, ERDF 209, ERDF 220 and ERDF 225). More details provided below.

<sup>11</sup> Related to Call 9 (restricted to NGOs and Local Councils, launched and closed in 2010). In total 16 applications were received. Six (6) were rejected and ten (10) were approved (seven (7) in Malta and three (3) in Gozo): ERDF 228, ERDF 229, ERDF 230, ERDF 234, ERDF 235, ERDF 236, ERDF 238, ERDF 239, ERDF 241 and ERDF 243. The total public eligible cost approved under this call amounted to € 1,766,143.

<sup>12</sup> Related to Call 11 (launched, closed and evaluated in 2011). In total, (four) 4 applicants were received: one (1) was approved, being ERDF 256 and the other three (3) applications received were all rejected by the PSC.

<sup>13</sup> Mater Dei Hospital Oncology Centre, under PA 6, with a public eligible expenditure of €48,802,722.

<sup>14</sup> National Flood Relief Project (NFRP), at the time under PA 4, with a public eligible expenditure of €50,722,090.

<sup>15</sup> Malta North Mechanical and Biological Treatment Plant, under PA 5, with a public eligible expenditure of €33,000,000.

<sup>16</sup> Improvement of the TEN-T Road Infrastructure (Phase II), under PA 3, with a public eligible expenditure of €52,000,000.

<sup>17</sup> Including two (2) Major Projects: ERDF 196 and ERDF 120, but excluding Technical Assistance (TA).

<sup>18</sup> Including Aid Schemes that are being implemented under the De Minimis.

<sup>19</sup> The Tourism and Sustainable Development Unit (TSDU) implementing ERDF 135; Malta Enterprise (ME) implementing ERDF 127, ERDF 128a (Innovation), ERDF 128b (Environment), ERDF 129, ERDF 130, ERDF 133, ERDF 134, and the Department for Social Welfare Standards (DSWS) implementing ERDF 136.

<sup>20</sup> Seven (7) under DSWS scheme, seventy-seven (77) under TSDU scheme and 550 under ME schemes. The amount of Grant Agreements changes from time to time due to project withdrawals.

<sup>21</sup> This represents 72% of the total public eligible amount allocated for Aid Schemes under OPI which amounts to €54.8 million.

<sup>22</sup> Four (4) under DSWS scheme, forty-four (44) under TSDU scheme and 181 under ME schemes.

investment amount of €15.8 million (or €25.5 million if we include customer contribution), thus managing to build 31% of the portfolio that the FI is obliged to create within the three year period<sup>23</sup>. In total, by end 2011, there were eighty-eight (88) operations<sup>24</sup> being financed under OPI with a total commitment of €609,042,079 which represents 71% of the total OPI allocation (€856,615,354), with PA 6 having the highest commitment rate, standing at 95% by end 2011, followed by PA 1 with 90%.<sup>25</sup> The lowest commitment rate is registered under PA 3 with less than 50%.<sup>26</sup>

Procurement continued to present the usual challenges. However, despite the difficulties, more than a 100<sup>27</sup> procurement procedures were launched and 110 contracts signed.<sup>28</sup> Overall, this compares negatively to last year's amount of procedures launched (245) and contracts signed (287). However, this is perfectly understandable considering that a good number of projects had either completed or were close to finalising their tenders, and others were still at project selection or at the very start of implementation (just approved).

With the increase in committed<sup>29</sup> contracted and disbursed amounts, and the resulting activities related to verification and certification of expenditure, one can safely say that implementation is not only on track but also reaching its peak.

## 02.1.1 Information on the physical progress of the Operational Programme

### Project Selection Process

- Calls for Project Proposals

Following the ninth call for proposals<sup>30</sup> and the four (4) Pre-Announcements<sup>31</sup> published under ERDF in June 2010<sup>32</sup>, 2011 saw the launch of five (5) calls addressing Priority Axes 2, 3, 4, 5 and 6,<sup>33</sup> resulting in 42 proposals. This brings the total number of calls issued under OPI as at end 2011 to sixteen (16): thirteen (13) under ERDF and three (3) calls under the CF. All calls<sup>34</sup> are published via a press release as well as press adverts in local newspapers (both in English and Maltese), the Government Gazette, the PPCD website, the PPCD social networking page and also on the Malta-EU Steering & Action Committee (MEUSAC) website. All documentation related to the calls for proposals is accessible through the MA's website.

<sup>23</sup> With the signature of the contract, BoV was entrusted with the task of creating a portfolio of €51.04 in eligible loans.

<sup>24</sup> Including the nine (9) Aid Schemes and the Technical Assistance (TA) operation

<sup>25</sup> Excluding TA which is considered to be fully committed

<sup>26</sup> Full commitment under this PA is expected with the approval of the remaining TEN-T (PHASE II) Major Project.

<sup>27</sup> Including fifty-one (51) DOC tenders and fifty-eight (58) Non-DOC (i.e. Departmental, Local Councils and NGOs / Voluntary Organisations).

<sup>28</sup> Including tenders launched in 2010 and contracted in 2011 forty-six (46) DOC contracts and sixty-seven (67) non – DOC).

<sup>29</sup> In 2011 and in the first part of 2012.

<sup>30</sup> Issued in June 2010

<sup>31</sup> The Pre-Announcement for Call 10 was published on 10<sup>th</sup> September 2010 and was related to PA 2 'Product Development & Niche Market Development and Branding', that for Call 11 was published on 24<sup>th</sup> October 2010 and was related to PA 6 'Internal Mobility', Pre-Announcement for Call 12 was published on 12<sup>th</sup> November 2010 and was related to PA 4 'Energy' specifically for Gozo public entities, while that for Call 13 was issued on 29<sup>th</sup> June 2011 and was also related to PA 4 'Energy' specifically for voluntary organisations.

<sup>32</sup> This was the last call published in 2010.

<sup>33</sup> Non-Major Call 3 was targeting both PA 3 and PA 5.

<sup>34</sup> This is not applicable in the case of CF Non-Major calls since projects under the CF are inherent to a limited number of entities within the public sector, and thus calls are issued through a restricted procedure.

Table 2.1 – Proposals submitted in 2011

Call	Priority Axis	Indicative Budget	Proposals submitted
ERDF Call 10	PA 2 – Promoting Sustainable Tourism	€42,000,000	12
ERDF Call 11	PA 6 - Urban Regeneration and Improving the Quality of Life	€10,000,000	4
ERDF Call 12	PA 4 - Mitigation and Adaptation to Climate Change	€10,000,000	5
ERDF Call 13	PA 4 - Mitigation and Adaptation to Climate Change	€5,000,000	19
CF Non-Major Call 3	PA 3 – Developing the Trans-European Network for Transport and PA 5- Safeguarding the Environment	Not applicable	2

The publication of ERDF calls are generally preceded by pre-announcement and accompanied by information sessions undertaken by the MA and that include the participation of other stakeholders such as Department of Contracts, the State Aid Monitoring Board, MEPA, amongst others. As was the case in previous years, in 2011 some calls were targeted at different project proponents (to facilitate access). Targeted calls were issued for public entities in Gozo (Call 12) and voluntary organisations (Call 13) to create some specific opportunities for Gozitan stakeholders and other small organisations 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 and territorial spread in the Programme not only enriches the Programme with new insights and challenges, but increases ownership by citizens. The 10<sup>th</sup> call for ERDF project proposals was launched on the 18<sup>th</sup> March 2011 under PA 2. The Focus Areas open under this call were: *Product Development* and *Niche Market Development*. Two (2) information sessions (4<sup>th</sup> and 5<sup>th</sup> April,) for prospective applicants were organised by the MA. The call closed on the 6<sup>th</sup> May 2011 and a total of twelve (12) project proposals were received.

The 11<sup>th</sup> call for ERDF project proposals was launched on the 18<sup>th</sup> March 2011 under PA 6, Focus Area *Internal Mobility*. One information session was held on the 11<sup>th</sup> April 2011 for prospective applicants. The call closed on 6<sup>th</sup> May 2011 and a total of four (4) project proposals were received. The 12<sup>th</sup> call under ERDF was launched on 17<sup>th</sup> June 2011 under PA 4, Focus Area *Energy*. This call was restricted to proposals by public entities with the aim of increasing energy efficiency and installing renewable energy sources in infrastructure in Gozo. The information session was held on 8<sup>th</sup> July 2011 in Gozo. The call



closed on 2<sup>nd</sup> September 2011 and a total of five (5) project proposals were received. The last call (13<sup>th</sup>) under the ERDF to be issued in 2011 was launched on 30<sup>th</sup> September 2011, under PA 4, Focus Area *Energy*. This call was restricted to interventions undertaken by Voluntary Organisations<sup>35</sup> in both Malta and Gozo. Two (2) information sessions (13<sup>th</sup> and 14<sup>th</sup> October 2011), one in Malta and the second one in Gozo were held. The call closed on 2<sup>nd</sup> December 2011 and a total of nineteen (19) project proposals were received.

Only one call (non-major) was issued under the Cohesion Fund in 2011. It was launched on 22<sup>nd</sup> August 2011 targeting both PA 3 and PA 5, the former restricted to the maritime sector. The call closed on 28<sup>th</sup> October 2011 and a total of two (2) projects were received (one under each axis).

- Project Selection Outcome

During 2011, the PSC met thirty seven (37) times.<sup>36</sup> As in previous years, the PSC requested further clarifications in writing or through clarification meetings<sup>37</sup> 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. The project evaluation process is long and often the start of delays in the implementation process. In an attempt to ensure a fair and competitive process, discussions are often long drawn. Efforts have been made to speed up the process, particularly in view of the fact that the Programme is now in the latter half of the implementation period. The PSC is limiting itself to clarifications related to eligibility issues and occasionally when the PSC cannot proceed with the ranking because it requires clarity on some of the activities being proposed<sup>38</sup> ask the applicant is invited to attend a clarification meeting.

During the year under review, sixteen (16) approval letters were issued by the MA which committed in total more than 90%<sup>39</sup> of the funds available under the ERDF calls. Five (5) proposals that had passed the 50% pass-mark could not be funded under Call 8 (due to budget limitation) and were placed on the reserve list. Unsuccessful applicants<sup>40</sup> were informed through a rejection letter and were given the right of appeal.<sup>41</sup> The most common reasons for rejection include failure to meet gateway eligibility criteria, weak rationale for the grant (justification not sufficiently robust) as well as the inability to demonstrate strong linkages with the overall strategy.

In 2011, six (6) Grant Agreements<sup>42</sup> were concluded and signed and one project was withdrawn.<sup>43</sup>

<sup>35</sup> In order to create a level playing field and ensure adequate participation by small organisations in the implementation of the OP.

<sup>36</sup> Seventeen (17) times for Call 9,<sup>36</sup> thirteen (13) times for Call 10,<sup>36</sup> four (4) times for Call 11<sup>36</sup> and three (3) times for CF Non-Major Call 2. By end of year CF Non Major call 2 was still under evaluation.

<sup>37</sup> Meetings were held with applicants under Call 11 (1) and CF Non-Major Call 2 (2)

<sup>38</sup> In particular for borderline projects

<sup>39</sup> The figures represent an average.

<sup>40</sup> Including those that are placed on the reserve list.

<sup>41</sup> In 2011, one (1) appeal was submitted under Call 8, two (2) were submitted under Call 9 and one (1) was submitted under Call 10.

An additional two (2) appeals were submitted under Call 10 in early 2012 but were subsequently withdrawn by the applicants.

<sup>42</sup> These refer to: ERDF 212, 221 and 226 submitted under Call 8 (PA 2), CF 198 submitted under CF Non-Major Call 2 (PA3), and Major Projects CF 117 and CF 118.

<sup>43</sup> ERDF 197 submitted under call 7.

## Progress in Programme Implementation

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

Government has a territorial commitment to spend 10% of the Funds on projects related to Gozo's socio-economic development. Five (5) Calls for project proposals were issued under OPI in 2011. Four (4) of these<sup>44</sup> targeted both Malta and Gozo while the fifth<sup>45</sup> one was open just for Gozo. In most calls issued since the start of the programme, Gozo proposals were always very represented. As at end 2011, there were sixteen (16)<sup>46</sup> Gozo-based projects: fifteen (15) ERDF projects and one (1) CF project, which together amount to €26,611,334 in public eligible costs.<sup>47</sup> Three (3) of the fifteen (15) ERDF projects were approved during 2011.<sup>48</sup> In addition, as at end 2011, there were a further twelve (12) projects (ten (10) ERDF projects and two (2) CF projects), which had a component targeting Gozo, totalling an additional €23,950,962.<sup>49</sup> Moreover, as at end 2011, fifty (50) Gozo-based enterprises were benefitting from grants amounting to €3,469,403. The efforts with regard to the Gozo territorial earmarking continue. In fact special provisions were inserted in the selection criteria for Financial Intermediary (FI)<sup>50</sup> to ensure that the selected FI is able to serve Gozo-based enterprises. The selected FI has held two (2) information sessions in Gozo during May and June 2011 and at end 2011, four (4) SMEs had taken four (4) loans for a total drawn amount of €162,840 (with the average loan size being of €40,710) under the Guarantee instrument. As at end of the year, the total commitment for Gozo (including Aid Schemes) was €54,031,699, equivalent to almost 9% of the total committed public eligible under OPI.<sup>51</sup> This is in line with the Programme's overall commitment rate as at end 2011. Tables below indicate the projects that are contributing to the Gozo commitment.<sup>52</sup>

Table 2.2 – Projects being implemented fully in Gozo as at end 2011

Project	Title	Public Eligible amount
ERDF 022	Wied il-Mielah	€566,789
ERDF 024	Villa Rundle	€2,093,599
ERDF 031	Upgrading of Zewwieqa Waterfront	€3,947,841
ERDF 047	Reconstruction of part of Xlendi Road and Ta' Pinu Road	€5,752,336
ERDF 068	Upgrading of Operating Theatre and Setting Up of Radiology Unit	€3,261,267

<sup>44</sup> Call 10, Call 11, Call 13 and CF Non-Major Call 3.

<sup>45</sup> Call 12.

<sup>46</sup> One (1) project (ERDF 190 approved under PA 4) was withdrawn in March 2011. Total public eligible cost for this project amounted to €298,554.04.

<sup>47</sup> When compared to AIR 2010, though the number of projects increased, the total amount of eligible costs decreased, mainly due to ten (10) projects having recorded a decrease following actual contracting (ERDF 022, ERDF 024, ERDF 031, ERDF 047, ERDF 078, ERDF 142, ERDF 147, ERDF 189, ERDF 192, and ERDF 193).

<sup>48</sup> Projects approved in 2011 are ERDF 236, ERDF 238 and ERDF 239, all approved under Call 9 (PA 4). These projects have a Public Eligible value of €235,537.67.

<sup>49</sup> When compared to AIR 2010, though the total number of projects increased, the total amount of eligible costs decreased. This is mainly due to the reporting of one (1) project (ERDF 088), which in 2010 showed the total eligible amount for the whole project (€8.9m), whereas now the amount as actually contracted for Gozo based intervention is being correctly reported (€2m). In addition, two (2) projects recorded a decrease following actual contracting for Gozo component (ERDF 039 and ERDF 117)

<sup>50</sup> Selection of FI with respect to the JEREMIE instrument.

<sup>51</sup> €609,042,079.

<sup>52</sup> Lists of Beneficiaries are available on <http://ppcd.gov.mt/home?l=1>

ERDF 078	Upgrading of Giordan Lighthouse global Atmospheric Watch (GAW) Research Station	€444,824
ERDF 140	Discovering Cultural & Religious Tourism in Gozo	€344,091
ERDF 142	The Making of a People - A cultural and Historical Eco-Museum	€910,607
ERDF 147	Restoration of San Lawrenz Church to enhance cultural tourism in Gozo	€337,132
ERDF 189	Educational Infrastructure Development at Bishop's Conservatory Secondary School - Phase 2	€261,455
ERDF 192	PV system at the University of Malta (Gozo Centre)	€124,850
ERDF 193	Gozo Diocese Contribution to turn Gozo into an Eco-Island	€231,006
ERDF 236	Photovoltaic Panel System at Ghajnsielem Band Club	€64,767
ERDF 238	PV system for the Leone Band Club	€124,915
ERDF 239	Installation of Photovoltaic's System on Oratory Don Bosco	€45,856
CF 123	Gozo Waste Treatment & Transfer Facility	€8,100,000
<b>Total</b>		<b>€26,611,334</b>

Table 2.3 – Projects with components targeting Gozo as at end 2011

ERDF 001	Upgrading and Embellishment of Industrial Estates (Xewkija)	€ 1,680,000
ERDF 032	Archaeological Heritage Conservation Project (Ggantija Temples, Xaghra)	€2,744,567
ERDF 039	Restoration and Rehabilitation of Historic Fortifications of Malta and Gozo (Citadella)	€5,111,255
ERDF 056	The Upgrading and expansion of MCAST Institute of Mechanical Engineering at Corradino Malta and Xewkija Gozo	€115,455
ERDF 058	Purchase of Science Laboratory Equipment for State Schools	€91,526
ERDF 062	Language Lab with Contact Centre Facility at MCAST, IBAC Malta and Gozo	€69,826
ERDF 066	Computer Systems & Computer Labs at MCAST Malta and Gozo	€37,542
ERDF 088	Promotion of Renewable Energy Sources in the Domestic Sector	€2,029,162
ERDF 159	EXS4ALL	€436,240
ERDF 228	Green Energy Schools	€34,765

CF 117	Improvement of the TEN-T Road Infrastructure Phase 1	€8,236,429
CF 118	Rehabilitation and restoration of closed landfills	€3,364,195
<b>Total</b>		<b>€11,600,624</b>

Table 2.4 – Gozitan Enterprises benefiting from Aid Schemes as at end 2011

Grant Scheme	No. of Gozo Enterprises	Total Grant Value
ERDF 127 Small Start-Up	1	€28,136
ERDF 128 Innovation Actions	7	€417,545
ERDF 128 Environment Actions	2	€235,856.41
ERDF 133 Energy	23	€1,264,349
ERDF 134 International Competitiveness	2	€167,727
ERDF 135 Sustainable Tourism Projects by Enterprises	15	€1,355,790
<b>Total</b>	<b>50</b>	<b>€3,469,403</b>

- Aid Schemes implemented under Article 107 of the Treaty

Implementation of the nine (9) Aid Schemes under Article 107 of the Treaty continued steadily throughout 2011. Commitments (by the IBs) stood at €39.5 million,<sup>53</sup> resulting in 634<sup>54</sup> operations implemented by private enterprises. The work of the three (3) IBs<sup>55</sup> focused primarily on evaluation of applications, preparing grant agreements, undertaking management verification as well as processing payments.<sup>56</sup> In 2011 alone, 227 Grant Agreements were concluded with Beneficiaries by the IBs, amounting to slightly less than €20 million.<sup>57</sup> Below is a summary of the main activities undertaken by each IB.

<sup>53</sup> This represents 72% of the total public eligible amount allocated for Aid Schemes under OPI which at end 2011 amounted to €54.8 million.

<sup>54</sup> Seven (7) under DSWS scheme, seventy seven (77) under TSDU scheme and five hundred and fifty (550) under ME schemes. Note that the amount of Grant Agreements is constantly changing due to project withdrawals.

<sup>55</sup> Malta Enterprise (ME); the Tourism and Sustainable Development Unit (TSDU) within the Office of the Prime Minister (OPM), and the Department for Social Welfare Standards (DSWS) within Ministry for Justice, Dialogue and the Family (MJDF).

<sup>56</sup> The DSWS also issued new calls during 2011.

<sup>57</sup> Four (4) under DSWS scheme, forty four (44) under TSDU scheme and one hundred and eighty one (181) under ME schemes. Note that the amount of Grant Agreements is constantly changing due to project withdrawals.

By the end of 2011, Malta Enterprise, (the IB managing the largest number of schemes and volume of funds) had issued 550 grant agreements (under all schemes) with a total grant value of €33,292,309. In 2011 alone, seventy-four (74) operations concluded their activities - bringing the total number of completed operations to 120. This gave rise to 113 on-the-spot (OTS) checks. In 2011 €5,096,344 were paid bringing the total amount disbursed by the end of 2011 to €8,072,214. Certification of payments increased considerably when compared to previous years. In 2011, €3,558,424, were certified bringing the total amount certified to the EC to €6,116,441 by end of year. New calls are planned for 2012.

For the best part of 2011, TSDU was engaged in the evaluation of call 3. As at end 2011, a total of seventy-seven (77) operations were being implemented<sup>58</sup> under the scheme for a value of €5,958,448 (public eligible), which is nearly 67% of the €8.9 million allocated for this scheme. A total of forty (40) Beneficiaries had completed their projects by the end of the year. The IB also managed to undertake thirty-six (36) on-the-spot checks on Beneficiaries during 2011. As regards disbursements, in 2011 alone, over €2 million were processed, bringing the total payments under the scheme to €2,605,451 of which €938,201 were also certified to the EC by the end of the year.<sup>59</sup>

In 2011, the Department for Social Welfare Standards (DSWS) issued two (2) further calls for applications under the Child Care scheme, one in May and another one in October. Twenty (20) project proposals were submitted,<sup>60</sup> from which thirteen (13) projects were selected for co-financing.<sup>61</sup> By the end of 2011 a total of seven (7) Grant Agreements were signed, with a grant value of €215,829.<sup>62</sup> Ten (10) on-the-spot checks (both physical and Documentary) were undertaken in 2011.<sup>63</sup> Disbursement in 2011 amounted to €37,663<sup>64</sup> of which €22,646 were certified to the CION.

The implementation of Aid Schemes by IBs is a very challenging experience for the organisations as well as Beneficiaries alike. The whole course of action – the launching of the calls for proposals, the evaluation and ranking of applicants, the checks that need to be undertaken to verify claims made by the Beneficiaries (which at times are poorly presented and fragmented), and the payment process, is extremely time-consuming. IBs tend to run into difficulties particularly when it comes to obtaining the correct Documentation to evaluate applications and to process claims, often stalling the payment and verification processes for months. Beneficiaries in Malta are largely small or even micro enterprises and hence limited in the capacity. Beneficiaries often tend to complain that the processes are over-engineered and too heavy in terms of administrative burden, particularly for such small organisations in the last months that have to continuously grapple with the effects of the crisis. In some cases delays in obtaining the relevant planning permits (particularly in case of the child care scheme) also delayed implementation.

On their part the IBs have had their issues which have compounded delays in 2011. ME's relocation (to make way for the construction of the Life Sciences centre), capacity issues resulting also from the relatively

<sup>58</sup> A total of twenty-seven (27) Beneficiaries were originally approved under Call 1 and sixty (60) Beneficiaries under Call 2. Ten (10) Beneficiaries decided to stop implementing the approved project and informed the IB that they will be refusing the grant.

<sup>59</sup> All certifications took place in 2011.

<sup>60</sup> Seven (7) applications were received for the call issued in May 2011 and thirteen (13) for the call issued in October 2011

<sup>61</sup> The Grant Agreements for the October 2011 call were issued on 31<sup>st</sup> January 2012.

<sup>62</sup> Four (4) Grant Agreements were signed in 2011, which have a total grant value of €88,284.

<sup>63</sup> These ten (10) visits include both prior-to-approval and verification visits conducted on seven (7) different Beneficiaries approved under all of the three (3) calls. By end 2011, a total of thirteen (13) on-the-spot checks have been undertaken.

<sup>64</sup> There were no payments in 2010.

high staff turnover, and delays in procuring relevant expertise, have all negatively affected implementation. On a positive note, all IBs are now beyond the half way mark in the scheme's implementation and at the peak of their learning curve. The MA seeks to support its IBs in a very direct manner, providing constant advice and guidance as well as training and support especially in relation to the first level of control checks. The setting up of the IB network<sup>65</sup> proved to be a step in the right direction, enabling IBs from ESF and ERDF to come together and share their experiences to ensure that an integrated and common approach is adopted as much and whenever possible.

- IB Network

In 2011 two (2) meetings were held, one (1) in February and one (1) in September. Presentations were given by all three (3) ERDF IBs, highlighting particular aspects of implementation and procedures being adopted to facilitate the process. In both meetings, the MA provided guidance making particular reference to the publicity regulations and to MA Circulars which should further help the IBs in their routine administration of the schemes. Other issues which were addressed during these meetings included the submission of quotations by applicants, the guidance notes provided by the IBs to the applicants, the verification checks prior to the Statement of Expenditure and unannounced spot-checks by the IBs on Beneficiaries.

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

JASPERS continued to assist Malta in the preparation of a number of projects, both major and non-major, but unlike other years, the Action Plan 2011 also included interventions aimed at possible projects to be included in the next programming period, 2014-2020. In 2011, Malta was the second Member State to sign the sixth Action Plan for 2011 with the European Investment Bank (EIB) regarding assistance from JASPERS. The projects identified for assistance in 2011 were in the following areas:

2007-2013 Programming period:

- Solid Waste (Mechanical and Biological Treatment (MBT) plants);
- Flood relief;
- Trans European Network (TEN-T) road and maritime infrastructure and promotion of modal shift;
- Enterprise promotion infrastructure;
- The health sector; and
- Horizontal tasks.

2014-2020 Programming period:

- Energy: security of supply and second interconnector;

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<sup>65</sup> The IB network was transformed into a formal structure in 2010.

- Roads: public transport, TEN-T and a road link between Malta and Gozo;
- Ports: strategic review of Maltese ports and support to port development in Gozo;
- Education,<sup>66</sup> and
- Telecommunications – broadband rollout.

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 2011, nine (9) missions (and a number of teleconferences) took place, mobilising a total of nine (9) different experts. The JASPERS missions took place at different times of the year with the first taking place in February<sup>67</sup> and the last mission held in November.<sup>68</sup> The main objectives of the missions were to provide specialised assistance to the Beneficiaries as well as updating the MA on the progress of the various ongoing assignments. Apart from assisting Beneficiaries in the preparation of projects, in 2011, JASPERS also assisted the MA in its task of simplifying the requirements and application of Article 14 of EC/1083/2006 for small energy projects. This assistance was sought following the experience gained in approving a number of energy projects (involving the installation of RES and/or EE measures) which had a total budget of less than €1 million. Given that such projects still have an element of revenue-generation (related to the Feed-In Tariff rate in case of RES) and/or cost-savings (related to EE measures), the MA still had to observe the principle of sound financial management. In 2011, the MA also attended the JASPERS Stakeholders Meeting in Budapest held in April intended to provide stakeholders from the twelve (12) new Member States an opportunity to share their experience of the work with the JASPERS team during the first five (5) years of this initiative, and also to participate in roundtable discussions. The topics discussed included the JASPERS Strategy for 2011 – 2013, improving the quality and timing for the application process, and future projects within the context of the next programming period.

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

Following the appointment of the European Investment Fund (EIF) as the Holding Fund Manager and the launch of the Call for Expression of Interest for Financial Intermediaries (FIs), Bank of Valletta (BoV) was chosen to act as the FI for the JEREMIE instrument in Malta. The negotiations with BoV were concluded in March 2011, and the Operational Agreement for the implementation of a First Loss Portfolio Guarantee (FLGP) instrument was signed between EIF and BoV on 6<sup>th</sup> April 2011. The agreement signed with BoV is a thirty-six (36) month agreement within which BoV is entrusted with the task to build up a portfolio of €51.04 million in eligible loans (in order for the €10 million allocated to JEREMIE through Operational Programme I to be deemed eligible). By December 2011, 179 loans were signed for a total investment of €25.5 (including customer contribution) representing €15.8 million of the JEREMIE portfolio (or 31%). In 2011 the total disbursements amounted to €7.78 million. Out of the 179 loans sanctioned in 2011, 80 loans were related to

<sup>66</sup> No missions were held in 2011 but the sector is identified in the action plan.

<sup>67</sup> In relation of waste and energy within the same mission.

<sup>68</sup> In relation to transport.

Start-Up companies<sup>69</sup> (representing a portfolio commitment of €6.6m), whilst fifty-five (55) were micro-loans (<€25,000) representing a commitment of €820.362 of the JEREMIE portfolio.

Part of the success of this quick build-up of the portfolio was the result of the intense PR and marketing efforts by the selected FI. The following are amongst some of the activities carried out:

- Electronic Banners on the Bank of Valletta website, as well as on popular news sites such as that of the *Times of Malta*.
- Billboards;
- Features on radio channels;
- Press conference and press release;
- Information sessions;
- Video features;
- Special Supplement of *Malta Business Weekly* and other magazines;
- Television interview, features and adverts;
- Stands;
- Mention in the budget speech;
- Bus-stop adverts;
- Brochures; and
- Pop-Up boards.

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

As reported in previous years, Malta is not implementing the JESSICA initiative but it is still following closely the implementation of this initiative in other MS through the meeting coordinated by the EC in co-operation with the EIB group.<sup>70</sup>

- Changes to the OP

A number of changes to the OP were proposed by the MA to the Monitoring Committee (MC) in November 2011. These changes were mainly triggered by three (3) factors: (i) the availability of funds under the Cohesion Fund (Axis 3) registered following the savings during the contracting of the TEN-T Phase I road infrastructures as well as the withdrawal of one of the maritime projects that was foreseen through the OP (the latter following a MEPA decision that the project could not be undertaken because of heritage issues related to the site of the proposed project); (ii) the outcome of the Mid – Term Evaluation and (iii) the need to further align available funds under the ERDF with the EU 2020 targets. These changes were, in part,

<sup>69</sup> Defined as SMEs carrying out their main business for a maximum of 24 months.

<sup>70</sup> The MA participated in the 3rd Annual JEREMIE and JESSICA conference which was held in Poland on the 28th October 2011. This conference brought together representatives of the public and private sectors from all Members States to discuss issues regarding access to finance for SMEs and sustainable urban development



bounced off with the Commission during the Annual Review Meeting of 28<sup>th</sup> April and subsequently consolidated and presented during the MC of 17<sup>th</sup> November 2011. Following the MC's approval, the MA finalised the SEA screening and in March 2012, the revised OP was submitted to the EC for approval.<sup>71</sup>

The main changes presented and approved by the MC in 2011 include the transfer of the NFRP Major Project from PA 4 to PA 5 (releasing substantial funds under PA 4 to be used for climate change initiatives); linked to this, is the transfer of funds from PA 3 to PA 5 (between the two Cohesion Fund Axes); the introduction of a new focus area under PA 4 (Resource Efficiency); and lastly, an overall increase in the earmarked categories of intervention. The following is a detailed synopsis of the changes to the OP which were actually approved in December 2011<sup>72</sup> by the MC:

#### Changes to Chapter 3 – Table 3.3 of the OP

Table 3.3 of the OP which illustrates the breakdown by categories of intervention, has been revised to align the Priority Themes with the projects and activities approved on the ground and to reflect the other changes proposed to the revised OP. In the OP as amended, PA 4 will focus solely on addressing the Priority Themes related to climate change and resource efficiency. As a consequence, the themes linked to renewable energy sources have all increased their portion of funds. Overall, out of the twenty (20) earmarked categories which OPI is expected to target, eleven (11) have seen an increase in their indicative allocation. In total, the earmarked categories now make up more than 45% of the Community funds.<sup>73</sup>

#### Changes to Chapter 4 – Priority Axis 1

The main changes undertaken in Priority Axis 1 arise from the Mid-Term Evaluation. One of the recommendations by the MTE was that of including 'initiatives (projects) in support of science popularisation' with the purpose to increase the potential S&T pool and in the long-term strengthening the R+D base for Malta. The Axis has therefore been beefed up with additional text to enable the anchoring of potential projects with the OP. In doing so, a new operational objective has been included while the other existing objectives have been tweaked to better reflect the text as revised in the OP. The MA also felt the need to add a new output indicator – *No. of SMEs benefitting from JEREMIE financial instruments (500)*.

#### Changes to Chapter 4 – Priority Axis 2

The changes made to PA 2 were only meant to clarify the way achievement was being captured by existing indicators and ensure that the indicators and their baselines are in line with the approved projects or projects expected in future calls.

#### Changes to Chapter 4 – Priority Axis 3

This Axis only experienced two modifications: to amend the text of the OP to reflect the fact that the implementation of the TEN-T Phase II project was expected to start in 2012 (rather than in 2010) and

<sup>71</sup> As at the time of writing, the revised OP is still not approved by the EC.

<sup>72</sup> A revised version of the OP changes was circulated via written procedure after the MC meeting of November. The ten-day period for comments ended on 6<sup>th</sup> December 2011. The OP was subsequently sent to the Commission in March 2012.

<sup>73</sup> The revised categories as proposed and endorsed by the MC members add up to €337,489,889, (i.e. €337,489,889/€728,123,051\*100=46.4%).

secondly to shift funds from this Axis to Axis 5 (a shift of €24,038,258) due the savings recorded and the withdrawal of the maritime project.

#### Changes to Chapter 4 – Priority Axis 4

Priority Axis 4 was revised and now focuses solely on Climate Change initiatives. In fact, the title of the PA was amended to read: *Climate Change and Resource Efficiency*. As indicated earlier within this chapter, the NFRP Major Project was shifted to Axis 5 and a new Focus Area ‘Resource Efficiency’ was included in the revised PA. This change was driven by Malta’s need to achieve its 2020 RES targets. The removal of the project related to the Delimara Power Station was deleted as a measure to be undertaken through the OP funds due to the fact that mitigation measures were undertaken by the applicant (Enemalta) from other resources.

The output and result indicators were also amended to reflect the revised focus of the PA. The original targets dealing with renewable energy and energy efficiency measures have all been boosted in line with the revised (increased) allocation to such measures. This revision to PA warranted also the inclusion of four (4) new indicators, one (1) of which is categorised as a core indicator. The indicators linked to the NFRP (together with all the details related to the Major Project) have been shifted to Axis 5.

#### Changes to Chapter 4 – Priority Axis 5

The two (2) main changes effected to this Axis have been the (re-)introduction of the NFRP Major Project: bringing with it from PA 4 the related description, background information, objectives, focus area and indicators (with the result indicator slightly re-worded) and the revised budget under this Axis. The amount of €24,038,258 was transferred from Axis 3 to Axis 5, renamed *Environment and Risk Prevention*. One of the result indicators has been identified as a core indicator (area rehabilitated expressed in km<sup>2</sup>) while an additional core indicator has been added summing up the number of waste projects being funded through the Cohesion Fund.

#### Changes to Chapter 4 – Priority Axis 6

The only adjustments made to this Priority Axis were to update it with more accurate information given the availability of additional data gained through the application for the Oncology project. There were also amendments to two (2) output indicators to capture better the projects’ activities and ensure consistency in the way achievement will be measured and reported.

#### Changes to Chapter 4 – Priority Axis 7

The only change to the Technical Assistance Priority Axis has been to allow the financing of actions related to the Future of Cohesion Policy and Territorial Cohesion, including activities related to national co-ordination and monitoring of the 2014 – 2020 regulatory package.

- Impact and Core Indicators

Table 2.5 below outlines the achievements registered on the impact and core indicators under OPI as at end 2011. During the year under review, a number of projects were completed and therefore there is now a noticeable increase in the targets achieved. In this regard a substantial increase was recorded in impact indicators Imp01,<sup>74</sup> Imp04<sup>75</sup> and Imp08.<sup>76</sup> The increase in Imp01 was principally attributable to the projects undertaken by the University of Malta under PA 1 related to research and development. On the other hand, achievement of Imp04 was realised through numerous projects implemented under Axes 1, 2, 5 and 6 with the main contributors being the ERDF136 child-care scheme<sup>77</sup> followed by CF116<sup>78</sup> in relation to waste water management. Regarding the CO<sub>2</sub> equivalent emission savings (Imp08), ERDF088 under PA 4 made substantial contribution towards this increase by means of the RES and EE installations carried out across numerous households in Malta and Gozo.

An increase for the first time in core indicator A1R02<sup>79</sup> was recorded in 2011 as well as an increase in A1R08<sup>80</sup> and A6R05.<sup>81</sup> Eleven (11)<sup>82</sup> operations targeting RTDi projects were approved by the MA of which eight (8) were completed in 2011 contributing to the core indicator A1O04.<sup>83</sup> Core indicator A2O01,<sup>84</sup> has also registered an increase with a further five (5) projects being selected for co-financing as at end 2011. The *Number of Assisted Tourism and Cultural Projects* has reached seventeen (17). The indicators *Transport weighted average*,<sup>85</sup> *Environmental weighted average*,<sup>86</sup> and *Quality of life weighted average*<sup>87</sup> will be calculated at the end of the programme.

Some of the changes proposed to the OP (as described further above in this section) have affected both the performance (including the identification of new core indicators) and impact indicators,<sup>88</sup> however the Tables below reflect the Core and Impact indicators as per last approved OP<sup>89</sup> (not as revised).

<sup>74</sup> % Increase in RTDi expenditure as a percentage of GDP.

<sup>75</sup> Number of direct jobs created.

<sup>76</sup> CO<sub>2</sub> equivalent emissions.

<sup>77</sup> Twenty-five (25) direct jobs created as at end 2011. Child Care standards require that for every six (6) children there has to be a child carer.

<sup>78</sup> Eighteen (18) direct jobs created as at end 2011.

<sup>79</sup> No of start-up businesses supported. ERDF 127 contributed to an achievement under this indicator with first operations completed in 2011.

<sup>80</sup> No of enterprises involved in networking and new collaboration with other businesses and academia. Completed UOM projects under PA contributed to this indicator.

<sup>81</sup> Pupils/students/trainees benefitting from upgraded and modernised facilities/services (per annum). Project completed under PA 6 contributed to this indicator.

<sup>82</sup> ERDF 012; 017; 018; 076; 077; 078; 079; 080; 081; 082; 083.

<sup>83</sup> No of RTDi Projects.

<sup>84</sup> No of assisted tourism and cultural projects.

<sup>85</sup> 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.

<sup>86</sup> 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.

<sup>87</sup> The indicators contributing to the Quality of life weighted average are as follows: Pupils /students/training benefitting from upgraded educational facilities and services; Redevelopment of unit in urban regeneration areas; Children benefitting from childcare facilities; Population making use of e-services.

<sup>88</sup> Limited to the calculation of one of them and defining the impact indicator *Number of Jobs created* as a core indicator.

<sup>89</sup> Version 2, August 2009.

Table 2.5 - Physical progress of the OP, for each quantified impact and core indicator

Impact Indicators							
Indicators		2007	2008	2009	2010	2011	Total
% Increase in RTDi expenditure as a percentage of GDP [Imp01]	Achievement	0	0	0	0.2746%	0.48%	0.48%
	Target	n/a	n/a	n/a	n/a	n/a	0.45% <sup>90</sup>
	Baseline	n/a	n/a	n/a	n/a	n/a	0.3%
% Increase of earnings from tourism [Imp02]	Achievement	0	0	0	0	0 <sup>91</sup>	0
	Target	n/a	n/a	n/a	n/a	n/a	1.0%
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
% Increase of manufactured export earnings [Imp03]	Achievement	0	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	n/a	0.5 % <sup>92</sup>
	Baseline	n/a	n/a	n/a	n/a	n/a	2.7%
Number of direct jobs created [Imp04]	Achievement	0	0	16	36	109	109
	Target	n/a	n/a	n/a	n/a	n/a	1,400 FTEs
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
Transport weighted average [Imp05]	Achievement	0	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	n/a	75% increase
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
Environment weighted average [Imp06]	Achievement	0	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	n/a	500% increase
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
Quality of Life Weighted Average [Imp07]	Achievement	0	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	n/a	150% increase
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
CO <sub>2</sub> equivalent emissions [Imp08]	Achievement	0	0	0	1,537 Tonnes of CO <sub>2</sub> reduction	4,700 Tonnes of CO <sub>2</sub> reduction	4,700 Tonnes of CO <sub>2</sub> reduction
	Target	n/a	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	n/a

<sup>90</sup> Target including baseline amounts to 0.75%<sup>91</sup> An increase of 0.00013% has been achieved by means of ERDF155<sup>92</sup> Target including baseline amounts to 3.2%

Core Indicators							
Indicators		2007	2008	2009	2010	2011	Total
No of start-up businesses supported (core indicator number 8) [A1R02]	Achievement	0	0	0	0	3	3
	Target	n/a	n/a	n/a	n/a	n/a	35
	Baseline	n/a	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	36	36
	Target	n/a	n/a	n/a	n/a	n/a	10
	Baseline	n/a	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	11 <sup>93</sup>
	Target	n/a	n/a	n/a	n/a	n/a	10
	Baseline	n/a	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 <sup>94</sup>	17	17
	Target	n/a	n/a	n/a	n/a	n/a	308 <sup>95</sup>
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
Kms of ( <i>TEN T</i> ) roads upgraded (core indicator number 16) [A3O01]	Achievement	0	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	n/a	20Kms
	Baseline	n/a	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	1	1
	Target	n/a	n/a	n/a	n/a	n/a	1
	Baseline	n/a	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	8550	8550
	Target	n/a	n/a	n/a	n/a	n/a	25,000
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
No of projects ensuring sustainability and improving the attractiveness of towns and cities (core indicator number 39) [A6O01]	Achievement	0	0	0	1	1	1
	Target	n/a	n/a	n/a	n/a	n/a	3
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a

<sup>93</sup> This is recording the number of supporting infrastructures financed

<sup>94</sup> Twelve (12) projects approved by the MA (ERDF 022, 024, 031, 032, 033, 039, 140, 142, 145, 147, 151, 155) and eighty-seven (87) projects approved through the Tourism Aid Scheme.

<sup>95</sup> Since the core indicator *No. of assisted tourism and cultural projects* and the non-core indicator *No. of projects implemented by NGO's and enterprises* are referring to No. of projects, the targets and achievements of both was being reported cumulatively. As from AIR 2012, the target of the core indicator *No. of assisted tourism and cultural projects* will read 20 and not 308, in line with the OP as modified.

No of projects [health] (core indicator number 38) [A6O06]	Achievement	0	0	0	2	2	2
	Target	n/a	n/a	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a

- Further Guidance on Implementation

#### Eligibility Rules

Version 3 of the ERDF and CF Eligibility Rules was published on 7<sup>th</sup> October 2011, following a period of internal consultation. The changes mainly reflected recent developments in EU Regulations (affecting EC1083/2006, EC1081/2006, EC1082/2006, EC1084/2006 and EC1828/2006) and the experience gathered so far on programme and project implementation, together with the further refinement and clarification of existing Rules. The Rules are accessible from: [http://ppcd.gov.mt/links\\_and\\_downloads?l=1](http://ppcd.gov.mt/links_and_downloads?l=1).

#### Manuals of Procedures (MoP) 2007 – 2013

After a series of consultations with vertical and horizontal stakeholders spanning over 2010 and the first half of 2011, the MA circulated version 4 of the *Manual of Procedures for Projects Implementation: Cohesion Policy 2007–2013 (Malta) - Guide to Beneficiaries (MoP)*. Various modifications have been made to better represent new developments in National and Community Regulations and to streamline the text with the prevailing procedures being adopted during implementation. The fields affected mostly concerned financial management and payments, public procurement, irregularities, publicity and the retention of documents. Despite the seeming substantial changes in text and presentation, the substance of the revised MoP remains faithful to the core systems outlined in Malta's *Description of Management and Control Systems – Operational Programmes I and II (2007-13)*. The MoP is accessible from: [http://ppcd.gov.mt/links\\_and\\_downloads?l=1](http://ppcd.gov.mt/links_and_downloads?l=1).

#### MA Circulars

During the year under review, the MA issued two updates to existing circulars with the scope of providing clarifications and recalling important requirements and obligations. The first update was issued through MA Circular 04/2010/IB (v.2)<sup>96</sup> providing '*Clarifications on the obligation to maintain a separate accounting system or accounting code for all transactions*' in accordance with Article 60 (d) of Council Regulation EC 1083/2006. A second update was issued through MA Circular 02/2010<sup>97</sup> on '*Documents to be uploaded in the Structural Funds Database 2007-13 – Aid Schemes*' intended to further reduce administrative burdens on the IBs at claim stage without limiting the scope and intensity of management verifications.

These updates were deemed to be necessary following an impact assessment of the uploading procedure on the day-to-day operations carried out by the MA and IBs. Constraints were identified, largely due to the fragmentation of the schemes, resulting in potentially damaging effects on the timely processing of reimbursement claims to Beneficiaries. This ongoing goal towards more simplification and better regulation is in line with the ongoing drive for simplification and proportionality across the European Union. All the above circulars may be found on the following link: <http://ppcd.gov.mt/circulars>.

<sup>96</sup> MA Circular 04/2010/IB (v.2), 25<sup>th</sup> May 2011.

<sup>97</sup> MA Circular 02/2010 (update 1) 31<sup>st</sup> May 2011.

- Strengthening administrative capacity

#### Capacity within Horizontal Stakeholders

During 2011, given the crucial juncture of the implementation period, the MA continued to monitor the capacity within its own structures and the structures of the main stakeholders. Significant changes took place within the MA, during 2011. There was a change in the Head of the MA and a new Permanent Secretariat was established within OPM as part of the consolidation process for the management of EU Funds in Malta. At the end of year the Head of the OPI also resigned to assume new duties at the Ministry for Gozo.<sup>98</sup> In addition there was a noticeable increase in staff turnover. This triggered off a number of calls targeting different levels of personnel (Senior Managers, Projects Managers and EU Fund Officers). Overall, in 2011, the OPI unit had registered a net increase of two (2) FTE, although this was off-set by reductions in the horizontal units.<sup>99</sup> The capacity situation of other important stakeholders remained largely unchanged with the only net increases being in the Treasury and the horizontal units of the DOC. There were also some capacity changes within the ERDF IBs during 2011. ME experienced a net increase of two (2) executives, while there were no changes at TSDU and DSWS in terms of capacity.

#### Capacity Building/Training

A number of training activities<sup>100</sup> were organised in 2011 aimed at strengthening the administrative capacity within key horizontal stakeholder organisations. These included:

1. An in-house training session on '*The Assurance Model & Modification to Article 55 – Revenue generating Projects*' organised by the *Financial and Control Unit (PPCD)* held on 12<sup>th</sup> January 2011 with the participation of 5 OPI staff .
2. Three (3) workshops entitled '*Cost Benefit Analysis (CBA) of Structural and Cohesion Funds Projects*' were delivered by London Economics throughout the year (between March and September) with broad participation from the MA.
3. A course entitled '*The Line Ministry's Role on Monitoring and Public Procurement*' was organised by the MA and held on 16<sup>th</sup> and 30<sup>th</sup> May 2011, targeting different Line Ministries.
4. The *Capacity Building 2007 – 2013: Induction Training for New Beneficiaries* organised by the MA and targeted towards new Beneficiaries within different ministries and organisations was held on 12<sup>th</sup>, 14<sup>th</sup>, 16<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> September 2011. Nineteen (19) participants (related to OPI) attended this course which covered the following areas:
  - General overview of Cohesion Policy;
  - Introduction to Administrative Procedures: Who's who in Cohesion Policy in Malta PPCD;

<sup>98</sup> New Head OPI was appointed in 2011 and took office in January 2012.

<sup>99</sup> CET (Communication Evaluation and Training), FCU (Financial Control Unit) and SFDU (Structural Funds Database Unit).

<sup>100</sup> Repeat participants are included in the total numbers of participants. Training sessions were either funded through TA OPI or both TA OPI and OPII. Some of the training sessions held incurred no costs at all.



- Introduction to Project Management to include: Project Scheduling & Monitoring; and Drafting and Researching Terms of Reference and Specifications;
  - Cohesion Policy: Publicity Requirements;
  - National Procurement Regulations: Overview of main tenets; Tendering procedures for Services, Supplies and Works; Evaluation of Tenders;
  - 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;
  - Reporting requirements (Project Progress Report [PPR])\Indicators\Annex XXIII.
5. On 26<sup>th</sup> September 2011 an in-house course on *Public Relations* was held and seven (7) officers (related to OPI) from the MA attended.
  6. Two (2) internal training sessions titled *Document Retention and Basic Principles of Control: Preparing for a Spot Check* were organised by the *Financial Control Unit* were held on 4<sup>th</sup> and 7<sup>th</sup> November 2011. A total of twenty-four (24) officers (related to OPI) attended.
  7. Three (3) courses on the *Project Progress Report Template* were organised by the MA and held as follows:
    - 14<sup>th</sup> December 2011 – targeted towards NGOs (Gozo area);
    - 15<sup>th</sup> December 2011 – targeted towards NGOs (Malta area);
    - 21<sup>st</sup> December 2011 – a *question and answer* session targeted towards different Ministries' representatives.<sup>101</sup>

A total of thirty-three (33) participants (related to OPI)<sup>102</sup> attended the mentioned three (3) courses.
  8. 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 thirty-one (31) OPI related participants<sup>103</sup> were trained in six (6) sessions.
  9. Training abroad: A number of officers from various stakeholders also attend training sessions abroad.

<sup>101</sup> Meeting aimed at improving the quality of the Project Progress Reports submitted by Beneficiaries through better understanding of the requirement obligations.

<sup>102</sup> From various NGOs and LMs.

<sup>103</sup> From various NGOs, the MA, Local Councils and IBs.

## 02.1.2 Financial information

### Advance Payments

No further advance payments were due to Malta in 2011. The total amount of advance payments received under ERDF and CF remained unchanged, namely €39,958,023 and €29,835,227 respectively (both expressed in EU share only).

### Interim Payments

Implementation and disbursements continued to gain ground in 2011. The MA launched the Statement of Expenditure (SoE) process on five (5) separate occasions in 2011: January (ERDF), April (CF), May (ERDF), September (ERDF and CF) and November (ERDF and CF) and the total of interim payments received in 2011 amounted to €44,371,149<sup>104</sup> under ERDF and €27,096,878<sup>105</sup> under CF. Table 2.6 below indicates the total public share (EU and MT) that was verified by the MA, the amounts certified by the CA (public share) and the funds received from the CION during 2011.

Table 2.6 - Summary of Verified, Certified and Received Amounts

Summary - Verified, Certified and Received	Verified by MA in 2011	Certified by CA in 2011	Received from EC in 2011
	<i>(public share, €)</i>	<i>(public share, €)</i>	<i>(EU share, €)</i>
ERDF – January 2011	14,812,875.89	14,812,875.89	12,590,944.53
ERDF – May 2011	23,419,990.59	23,419,990.59	19,906,992.00
ERDF – September 2011	13,968,484.85	13,968,484.85	11,873,212.15
ERDF – November 2011	20,849,550.21	20,849,550.21	N/A <sup>106</sup>
<b>ERDF Total</b>	<b>73,050,901.54</b>	<b>73,050,901.54</b>	<b>44,371,148.68</b>
CF – December 2010	N/A <sup>107</sup>	N/A <sup>108</sup>	19,866,323.88 <sup>109</sup>
CF – April 2011	5,095,102.70	5,095,102.70	4,330,837.29
CF – September 2011	3,411,431.58	3,411,431.58	2,899,716.84
CF – November 2011	5,616,595.25	5,616,595.25	N/A <sup>110</sup>
<b>CF Total</b>	<b>14,123,129.53</b>	<b>14,123,129.53</b>	<b>27,096,878.01</b>
<b>Grand TOTAL</b>	<b>87,174,031.07</b>	<b>87,174,031.07</b>	<b>71,468,026.69</b>

<sup>104</sup> This represents 60% of ERDF interim payments received cumulatively until end 2011 (€74,109,106).

<sup>105</sup> This represents 45% of CF interim payments received cumulatively until end 2011 (€59,635,261).

<sup>106</sup> Amount eventually reimbursed by the CION on 6<sup>th</sup> February 2012.

<sup>107</sup> Amount verified in this SoE was €23,372,145.74 9 (Public Eligible). This is not being reported since it relates to 2010 data.

<sup>108</sup> Amount certified in this SoE was €23,372,145.74 9 (Public Eligible). This is not being reported since it relates to 2010 data.

<sup>109</sup> Amount relating to the December 2010 SOE, reimbursed by the EC on 18<sup>th</sup> February 2011.

<sup>110</sup> Amount eventually reimbursed by the EC on 10<sup>th</sup> February 2012.

Table 2.7 - Financial information

	Total funding of operational programme (Union and national)	Basis for calculating Union contribution (Public or Total cost)[1]	Total amount of certified eligible expenditure paid by Beneficiaries[2]	Corresponding public contribution	Implementation rate in %
	a	b	C	d	e = c/a if T or e = d/a if P
Priority axis 1 <i>Enhancing knowledge and innovation (ERDF)</i>	120,000,000.00	P	34,128,381.95	34,128,381.95	28%
Priority axis 2 <i>Promoting sustainable tourism (ERDF)</i>	120,000,000.00	P	21,446,472.55	21,446,472.55	18%
Priority axis 3 <i>Developing the TEN-T (CF)</i>	169,038,258.82	P	10,478,244.06	10,478,244.06	6%
Priority axis 4 <i>Mitigation and adaptation to climate change (ERDF)</i>	121,000,000.00	P	8,744,725.42	8,744,725.42	7%
Priority axis 5 <i>Safeguarding the environment (CF)</i>	165,250,000.00	P	65,297,482.66	65,297,482.66	40%
Priority axis 6 <i>Urban regeneration and improving the quality of life (ERDF)</i>	149,000,000.00	P	41,719,900.61	41,719,900.61	28%
Priority axis 7 <i>Technical assistance (ERDF)</i>	12,327,095.29	P	1,997,253.06	1,997,253.06	16%
<b>Grand total</b>	<b>856,615,354.11</b>	<b>P</b>	<b>183,812,460.31</b>	<b>183,812,460.31</b>	<b>21%</b>

#### First Level of Control (Management Verifications by the MA)

In accordance with Article 60(b) of EC/1083/2006 and Article 13 of EC/1828/2006, the MA has the responsibility of setting up procedures for the verification of co-financed products and services and related expenditure. Administrative verifications are effected on each invoice or claim for reimbursement (payment claims) paid by Treasury, in order to verify, amongst others, the eligibility of the intervention, validity and relevance of the Documents supporting payments, and compliance with national and Community rules. These verifications are conducted through both desk-based and on-site Documentary checks, together with physical on-the-spot checks. All checks are carried out throughout the year and payment claims are recommended for reimbursement from the CION only after being verified satisfactorily by the MA and

subsequently accepted by the CA. During 2011, the MA conducted 108 Documentary checks in preparation for the five (5) SoE (excluding desk-based administrative checks on all 1,610 invoices presented for the SoE). The MA conducted fourteen (14) physical on-the-spot checks on the mainstream projects (i.e. excluding Aid Schemes). It is pertinent to note that physical monitoring is also carried out during the Documentary on-site checks and during regular meetings between MA officials and the Project Leaders.

The process for the launch of an SoE is at the discretion of the MA, guided by the provisions of Articles 78 and 87 of EC/1083/2006, normally at three month intervals. The first step of the SoE process (internally called SoE by Project) consists of a declaration raised by each Project Leader (Beneficiary) in which invoices considered eligible for reimbursement from the CION are identified and selected. The MA then evaluates these declarations and provides its recommendations to the CA (SoE by Priority Axis), based on the assurances obtained from its ongoing management verifications. This process (between the SoE by Project to the SoE by PA) normally takes around twenty (20) working days. The SoEs by PA are then forwarded to the CA for its final considerations before transmitting the request for reimbursement to the CION (SoE by Fund). This step normally takes around twenty (20) days. In order to accelerate the time lag between the verification by the MA and the certification by the CA, the CA started doing checks concurrently with the MA. Following the recommendations of the MTE, soon after that the MA verifies expenditure, the CA sends out the results of its verification and asks the MA for clarifications in order to conclude and verify expenditure. Reimbursement from the CION has always been effected within the two-month period stipulated by Article 87(2) of EC/1083/2006.

### Annual Control Report

The 2010 Annual Control Report and Opinion for both Programmes (OPI and OPII), based on systems audits, were submitted by IAID prior to 31<sup>st</sup> December 2010, in terms of Article 62 (1) (d) (i) and (ii) of Council Regulation EC/1083/2006. An unqualified (clean) opinion accompanied the 2010 Annual Control Report whereby on the basis of the systems audits and audits on operations carried out, IAID as the sole audit authority responsible for the carrying out of systems audits, concluded that the management and control systems of the Operational Programmes functioned effectively so as to provide reasonable assurance that Statements of Expenditure presented to the Commission were correct and that the underlying transactions were legal and regular. The Annual Control Report and Opinion were approved by the CION in letter dated 21<sup>st</sup> February 2011.

### 02.1.3 Information about the breakdown of use of the Funds

The breakdown including the categories by code of intervention is listed under Chapter 3 of the OP. As reported under section 02.1.1, during the November 2011 MC, the 'Categorisation of Intervention by Priority Theme' (Table 3.3 of the OP) was amended to align the categories of interventions to the revised activities included in the OP. Considering that the Operational Programme is dynamic and subject to changes, the following is a comparison between section 02.1.3 of the AIR for 2010 and the current reporting period to explain any changes. In 2011, 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 AIR 2010 which are attributable to a number of reasons. These can be grouped in four (4) categories:

(i) Actual contracted amounts were less than originally forecasted. This had an impact on priority themes 02<sup>111</sup> (ERDF 011, 012, 018, 076, 077, 078, 079, 080 and 082) and 13<sup>112</sup> (ERDF 109 and 159); code 05<sup>113</sup> (ERDF 087), code 22<sup>114</sup> (ERDF 047 and 048), code 30<sup>115</sup> (CF 124 and CF 128), code 039<sup>116</sup> (ERDF 101 and 077), code 043<sup>117</sup> (ERDF 077), code 054<sup>118</sup> (ERDF 022), code 055<sup>119</sup> (ERDF 022), code 056<sup>120</sup> (ERDF 022 and 024), code 058<sup>121</sup> (ERDF 155), code 75<sup>122</sup> (ERDF 056, 057, 062, 072 and 189) and code 79<sup>123</sup> (ERDF 072);

(ii) Irregularities resulting in an automatic reduction to the project allocation led to a decrease in code 058 (ERDF 147);

(iii) The withdrawal of projects ERDF 090 and ERDF 190 in 2011 led to a decrease in code 043; and

(iv) A re-alignment exercise of the expenditure with priority themes contributed to a decrease in code 23<sup>124</sup> (ERDF 001), code 05 (ERDF 001), code 039 (ERDF 133 and 088), code 043 (ERDF 088 and 133), code 050<sup>125</sup> (ERDF 001), code 058 (ERDF 039 and 151), code 077<sup>126</sup> (ERDF 001) and code 53<sup>127</sup> (ERDF120).

In total, by 2011 the total amounts committed to €514,284,190 (excluding the two major projects that were in the process of being submitted to CION), an increase of over €7 million from 2010 figures. Of these €514,284,190, €44,263,756 are being invested in MT002-Gozo and Comino (though no funds were being attributed to Comino), representing 9% of the contributions by category.

#### 02.1.4 Assistance by target group

Not applicable.

#### 02.1.5 Assistance repaid or re-used

As at end 2011, 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, 2011 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 included not only the continued effort of the MA and of the IBs (in case of Aid Schemes under Article 107 of the Treaty) but also of other stakeholders, in particular the DOC, the Line Ministries, the

<sup>111</sup> Code 02 decreased by €944,568

<sup>112</sup> Code 13 decreased by €525,308

<sup>113</sup> Code 05 decreased by €117,214

<sup>114</sup> Code 022 decreased by €1,172,006

<sup>115</sup> Code 30 decreased by €3,082,722

<sup>116</sup> Code 039 decreased by €340,163

<sup>117</sup> Code 043 decreased by €6,917,072

<sup>118</sup> Code 054 decreased by €491

<sup>119</sup> Code 055 decreased by €1,595

<sup>120</sup> Code 056 decreased by €5,925

<sup>121</sup> Code 058 decreased by €4,337,055

<sup>122</sup> Code 75 decreased by €310,822

<sup>123</sup> Code 079 decreased by €149,138

<sup>124</sup> Code 023 decreased by €49,688

<sup>125</sup> Code 050 decreased by €39,548

<sup>126</sup> Code 077 decreased by €6,084

<sup>127</sup> Code 053 decreased by €153,408

Treasury and the Beneficiaries themselves, resulting in further quantifiable progress in the implementation of the Programme. As at end 2011 a total of eighty-eight (88)<sup>128</sup> projects (including nine (9) Aid Schemes implemented under Article 107 of the Treaty) were ongoing under OPI with a total public eligible amount of €609,042,079. This amount totals to 71% of the OP allocation and represents a negligible increase of 1.5% on 2010. An analysis of the status of the projects as at end of year shows increased momentum in the actual implementation of the projects. In fact out of the eighty-eight (88) projects, only twenty eight (28) reported limited implementation on the ground (fourteen (14) projects were still at procurement or contracting stage while another eighteen (14) projects were at the initial stages of implementation), twenty-one (21) projects were around mid-way in their implementation, seven (7) were at an advanced stage of implementation, nine (9) projects were close to completion and twenty-three (23) projects were actually completed. With regards to Aid Schemes, out of 634 operations being implemented, 160 operations were completed.<sup>129</sup>

The progress in the implementation of projects resulted in further payments being processed and paid by Treasury, with €81,613,396 (public eligible amount) processed during 2011. At the same time, the MA verified over €87 million which were then certified to CION in 2011 by the CA. This is €12.3 million more than what was certified in 2010, bringing the total certified amount by end 2011 to €183,812,460 representing 21.46% of the total OPI allocation. This clearly shows that despite the usual problems that continue to persist, the system still manages to gain result on the ground.

In terms of performance, results are slowly starting become more visible, including the number of start-up businesses supported an increase (over 2010). Projects under PA 6 also contributed towards a net increase of 667 pupils, students and trainees benefiting from upgraded and modernised facilities and services per year when compared to 2010, bringing the total number of students benefiting from upgraded and modernised facilities to 8,550. Research and Development projects undertaken by the University of Malta, coupled by other various projects practically across all axes, contributed largely towards a substantial increase in the impact indicator related to the number of direct jobs created with almost twice as much jobs created in 2011 as that registered in 2010.

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<sup>128</sup> Including two (2) major projects (ERDF 196 and ERDF 120) not yet submitted to the CION, ERDF 200: JEREMIE and ERDF 999: TA.

<sup>129</sup> TSDU: forty (40) operations and ME: 120 operations. No operations were completed by 2011 for the scheme implemented by DSWS.

## Operational Programme towards the Lisbon Objectives

Whilst in line with the Conclusions of the European Council of December 2005 Malta was not bound by the targets of earmarking, Malta has always been committed to making an effort towards earmarking categories of intervention. Following the OP changes approved by the Members of the MC in December 2011, Malta is increasing its efforts towards the earmarking process. Once the proposed OP changes are approved, the indicative Community allocations from OPI to the earmarking categories will add up to €337.48 million which is roughly equivalent to 40.17% of the NSRF's Community funds.<sup>130</sup>

The contribution by the eighty-eight (88) approved operations (including the Aid Schemes) to earmarking by December 2011 was of €196,471,765 (69% of the Programme's earmarking target).<sup>131</sup> The balance in commitment is going to be addressed once projects under Axes 1 (related to the RTD codes), 3 (related to TEN-T codes) and 4 (related to the energy codes) are approved and funds committed thereto. Throughout 2011, the MA continued to monitor the earmarking process. As at end 2011 only two Lisbon-related categories remained untapped. The categories that did not register a commitment of funds were code 41 'Renewable energy: biomass' and code 52 'Promotion of clean urban transport'. However, it is expected that CF 119 (Malta North Waste Treatment Facility) will address code 41 while ERDF 256 (MODUS: Encouraging a Modal Shift in Land Transportation) will be targeting code 52.

To further link the approved projects with the Lisbon objectives, the projects approved in 2011 addressed both the Community Strategic Guidelines (CSGs) and National Reform Programme (NRP) Strategic Themes. Five (5) projects approved for co-financing under PA 2 mainly targeted the CSG: *Improve the environmental contribution to growth and jobs*<sup>132</sup> and also *Address Europe's intensive use of traditional energy sources*<sup>133</sup> where the operation foresees the implementation of energy-related activities. These same projects addressed the NRP's Strategic Themes: *Unlocking business potential* and *Energy and Climate Change*. All of the ten (10) projects approved for co-financing under PA 4,<sup>134</sup> addressed the CSG: *Address Europe's intensive use of traditional energy sources* and the NRP theme of: *Energy and Climate Change*. Finally, the sole project approved for co-financing under PA 6 in 2011,<sup>135</sup> addressed the Strategic Guideline: *Expand and improve transport infrastructure* and both *Competitiveness* and *Environment* as regards the NRP's themes.

<sup>130</sup> The percentage is derived by calculating the total Community allocation of €337,489,889 out of the total Community funding of €840,123,051 (€728,123,051 for OPI and €112,000,000 for OPII).

<sup>131</sup> €337,489,889

<sup>132</sup> ERDF 205, ERDF 212, ERDF 213, ERDF 221 and ERDF 226.

<sup>133</sup> ERDF 212, ERDF 213, ERDF 221 and ERDF 226.

<sup>134</sup> ERDF 228, ERDF 229, ERDF 230, ERDF 234, ERDF 235, ERDF 236, ERDF 238, ERDF 239, ERDF 241 and ERDF 243.

<sup>135</sup> ERDF 256.

## Sustainable Development

Sustainable Development has been featuring on top of the Maltese Government's Agenda for a number of years and this is regularly reflected in various national and sectoral policies.<sup>136</sup> Furthermore, the increasing number of projects receiving endorsement for funding under Cohesion Policy also reflects the commitment of the Maltese Government towards ensuring sustainability and the promotion of cleaner energy with a view to contribute towards mitigating the impact of climate change.

As part of the application process, 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 CO<sub>2</sub> 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, with a maximum of 5% for Environmental Sustainability and 10% for Carbon Impact activities. The latter category is in turn subdivided into Energy Efficiency, Water Reuse and Renewable Energy Sources actions. In order to further assist prospective applicants, MEPA has identified a person that can guide prospective applicants on sustainable development.

A comprehensive analysis of all projects selected for implementation in 2011,<sup>137</sup> shows that two (2) of the five (5) projects<sup>138</sup> approved under Priority Axis 2 and which include a significant amount of construction works will include an obligation on the contractors to produce an integrated waste management plan and requirements to limit energy use and emissions. The ten (10) projects funded through Priority Axis 4<sup>139</sup> will specifically install photovoltaic panels or utilise the best available RES technology to generate electricity. Two (2) of the ten (10) projects<sup>140</sup> will between them target fourteen (14) different schools in order to reduce their dependency and use of non-renewable energy sources. The project approved under Priority Axis 6<sup>141</sup> promotes modal shift and aims to reduce the use of private car to travel (and opt for buses) which will, in turn, result in a reduction of fuel consumption and GHG emissions. This project also includes other measures such as the construction of a reservoir for the collection of surface water run-off, the installation of light emitting diodes (LEDs) in traffic signals, and the re-use of stones recovered from existing walls as well as the re-use of scarified material from old road stretches in road construction.

The Environmental Sustainability and Carbon Impact measures indicated by the project proponents in project approved in previous years have been achieving results in energy efficiency, water collection and re-use and renewable energy. In an effort to improve the Government's 'sustainable procurement', the MRRA continues to guarantee environmental awareness at the very early stages of the procurement process.<sup>142</sup> The process involves the review of tender dossiers<sup>143</sup> before they are published. This review highlights opportunities/recommendations to reduce the carbon footprint and the overall environmental

<sup>136</sup> Sectoral policies including Public Consultations on Environmental Sustainability are available from MRRA (<http://www.mrra.gov.mt>), MEPA ([www.mepa.org.mt](http://www.mepa.org.mt)) and MRA websites (<http://www.mra.gov.mt>)

<sup>137</sup> Sixteen (16) projects were approved in 2011, five (5) under PA 2, ten (10) under PA 4 and one (1) under PA 6.

<sup>138</sup> ERDF 212 and ERDF 221.

<sup>139</sup> ERDF 228, ERDF 229, ERDF 230, ERDF 234, ERDF 235, ERDF 236, ERDF 238, ERDF 239, ERDF 241 and ERDF 243.

<sup>140</sup> ERDF 228 and ERDF 235

<sup>141</sup> ERDF 256

<sup>142</sup> The process was set up in 2007.

<sup>143</sup> 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.



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 another horizontal objective within Malta's OP and interventions aimed at promoting equal opportunities continue to be encouraged in every project being implemented through Cohesion Policy with additional marks being awarded during the project selection process. It is worth noting that the interventions undertaken under this horizontal priority are less evident than those undertaken for the achievement of the environmental sustainability targets.

In order to guide applicants on how to integrate equal opportunities within the project application, the MA has identified a direct contact point at both the National Commission for Persons with Disability (NCPD) and the National Commission for the Promotion of Equality (NCPE). Applicants are encouraged, both during the information sessions and explicitly written in the guidance notes to applicants, to contact both entities and integrate initiatives within the project design. Both NCPE and NCPD report encouraging activity in this regard and also in the increase of awareness on issues that go beyond the obligations set by law. Apart from the horizontal application of equal opportunities, OPI is also contributing to equal opportunities in a vertical manner (ERDF 72, ERDF 109, and ERDF 114).

Access to education to all, including parents, is being further enhanced through projects promoting family-friendly measures such as the inclusion of childcare centre facilities in learning institutions.<sup>144</sup> Staff working at the University will all benefit from the newly constructed CSC building at the University of Malta. The proposed project will give the flexibility to allow persons (in particular parents) to benefit from tele-working opportunities.<sup>145</sup> Furthermore, the childcare scheme that is currently being implemented for enterprises wishing to relocate, upgrade or start-up a business in childcare facilities, is also encouraging more women<sup>146</sup> to remain or enter the labour market.

### Partnership

As in previous years, and in line with the provisions of Article 11 of Regulation EC/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 continue to be 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 are being made to include various levels of governance in the implementation of projects. This was sustained in 2011 with the call for indicative allocations of €5 million targeting directly Voluntary Organisations and Local Councils; whilst a second call with an allocation €10

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<sup>144</sup> ERDF 164.

<sup>145</sup> ERDF 064.

<sup>146</sup> Being offered the chance to work on a part-time basis or reduced hours.

million was targeting specifically Gozitan Beneficiaries. A significant number of projects from partner organisations as well as NGOs are currently under implementation and include various sectors, such as cultural/heritage foundations, religious, educational and social organisations. In addition, it should be noted that in order to facilitate the participation of partner organisations and their ability to access funds, Government is providing the pre-financing of the ERDF component from the national budget and additional support in the compilation of proposals through MEUSAC.

Finally, a Private and Public Partnership (PPP) is currently in place for the construction of a public aquarium attraction in order to make possible the financing of the operation under Priority Axis 2 *Promoting Sustainable Tourism*. This PPP involves a contract between the public sector and a private party, in which the latter shall be responsible for the design, build and operation of the attraction for a 50-year lease period (including part of the financing).

## 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. The State Aid Monitoring Board (SAMB) acts as the national contact point on State Aid issues involved in EU funded projects and provides its expertise in the area to any prospective Beneficiaries interested in applying for EU funds. For this reason the SAMB participates in the information sessions organised by the MA to provide guidance and assistance with regards to State Aid issues in the application process. During these sessions participants are encouraged to discuss their ideas and projects with the SAMB in order to ascertain from an early stage whether their proposed project would involve any State Aid implications. The involvement of the SAMB continues even during the evaluation process on an ad hoc basis. In addition, once a project is approved, prior to the finalisation of the Grant Agreement, the SAMB is asked to re-confirm, on the basis of the finalised project description, that the projects in question do not involve State Aid. During 2011, the SAMB gave its opinion and State Aid guidance on forty-two (42)<sup>147</sup> project proposals.

Besides its involvement with calls issued by the MA, the SAMB liaises with the IBs administering State Aid Schemes financed through OPI. The schemes administered by the IBs 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 (IBs) 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 CION.

The SAMB has noted positive developments in the area of State Aid concerning 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 as well as a greater general awareness among different economic operators. In this regard a number of meetings have been requested by interested applicants for EU funds. Such preliminary meetings help to ensure that a proposed project is from its inception given an indication and guidance on potential State Aid issues.

### Public Procurement

The DOC is the competent authority on public procurement matters in Malta and assists the MA and Beneficiaries on a regular basis through the provision of expertise in the matter. 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 (GCC), as well as the drawing up of the actual contract and the signing of

<sup>147</sup> Two (2) projects under the Non-Major Cohesion Fund Call, twelve (12) projects under Call 10, four (4) projects under Call 11, five (5) projects under Call 12 and nineteen (19) projects under Call 13. The forty-two (42) is in addition to the opinions provided on projects whose Grant Agreements (GA) were signed in 2011.

the contract on behalf of the Contracting Authority. A total of fifty-one (51)<sup>148</sup> ERDF and Cohesion-funded tenders were published by DOC during 2011 with a total budget of almost €118 million. During the same year, a total of forty-six (46) contracts – thirty-eight (38) funded from ERDF and eight (8) funded from the Cohesion Fund - were awarded. In total, they amount to over €55.5 million. Over 80% of these contracts (in terms of contracted amounts) relate to works (over €44.5 million); 15.6% relate to supplies (over €8.6 million), while slightly less than 5% were of a service nature (just over €2.2 million).

As a result of new procedures introduced in 2010, the rejection rate due to administrative omissions has significantly decreased. Nevertheless there are still cases where bidders fail to submit certain Documentation. In its endeavor to assist bidders 'to get it right', the Department held a series of information sessions for potential bidders in order to guide them on tender submissions and on the requirements of selection criteria. These information sessions saw a very high turnout with every session always being fully booked. This led to an improvement in the quality of the tender offers but it was still observed that a relatively small percentage of bidders repeatedly failed to provide the requested 'standard' information. On a positive note, an increase in the number of new participants in several fields was observed. This was due to an increased exposure that the concerned Department is giving to tenders through various means, including online tools. The amount of enquires, and even bids received from countries outside Malta goes to show the increase exposure and access being provided by DOC, resulting in increased competition and best use of funds available.

In 2011 the Department of Contracts also launched the electronic portal which opened the doors to a full e-tendering solution. This was an upgrade to the electronic procurement management system (EPMS). The old EPMS only gave online access to bidders to view/purchase the tender Documents, seek clarifications and view results of awards. With the new e-procurement solution, bidders can now also submit tender offers electronically. The system went live in late 2011 and to test the system in the real environment, only five (5) small value tenders were selected to be published through it so as to limit any setbacks. The tenders received were opened online by the GCC who still opened them in front of the public (by means of a projector) and the scheduling phase of each tender took less than 5 minutes per call for tenders, whereas before scheduling could take a number of hours. The system continued to be further fine-tuned to take on board the findings made during the first real test. The system is designed to eventually incorporate all tenders issued by Government Departments and public organizations, irrespective of threshold, type, award criteria and package number. The Malta Information Technology Agency (MITA) will start issuing e-tenders concurrently with the DOC; other Contracting Authorities will start issuing e-tenders in the coming months. In time, the system will be the single point of reference of public procurement activities in Malta.

With regards to the system of award, DOC showed a clear inclination towards the preference of using the *cheapest compliant offer* as opposed to the *most economically advantageous offer* (MEAT). Although this decision has encountered some criticism from Beneficiaries, DOC contended that this decision would lead to more savings and lower the number of appeals.

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<sup>148</sup> Forty-two (42) tenders funded from ERDF with a budget of almost €88.3 million, and nine (9) tenders funded from the Cohesion Fund with a budget of €29.8 million.

In December 2011, DOC also issued a circular<sup>149</sup> notifying that the implementation of the 'Green Public Procurement' (GPP) shall take effect in January 2012. By means of this new procedure, eighteen (18) products and service groups were subject to the specifications as provided by the body within the Office of the Prime Minister<sup>150</sup> having the overall responsibility of the GPP policy. Such specifications were aimed to reduce the environmental impact throughout their product life cycle when compared to goods, services and works with the same primary function that would otherwise be procured. The National Action Plan on GPP and a dedicated website ([www.gpp.gov.mt](http://www.gpp.gov.mt)) was set-up and launched in August 2011.

### 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 2011, 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 (studies such as Environment Impact Assessment) and planning permits as well as operational permits.

In 2011, MEPA received a total of thirty-four (34) permitting applications related with EU funded Projects,<sup>151</sup> twenty-one (21) of which were still pending as at end of year. This was mainly due to: ongoing consultations with stakeholder organisations (including NCPD); pending outcome/assessment of environmental studies; or pending clarification on Documents submitted. In 2011 a total of twenty-two (22) planning applications were approved (some related to applications submitted in 2009 and 2010 which were still pending at the beginning of 2011).<sup>152</sup> Given the territorial constraints, the planning and permitting process is long and rigorous. It should be noted that the DOC does not launch tenders if MEPA permits are still pending, hence compounding the potential delays that can arise.

In order to improve the quality of project applications submitted to the MA, applicants are encouraged to consult MEPA before the submission of the Project Application to the PSC. In order to facilitate this, a contact point within MEPA has been identified (applicants can ask for guidance on the permitting requirements related to their application). Fifteen (15) requests from different entities were received in 2011. Most of these requests were related to applications involving the installation of PV panels (linked to the ERDF Energy calls under Axis 4). To further strengthen environmental considerations and in line with the Strategic Environmental Assessment (SEA) Regulations, an Environment Committee has been established by the MA to ensure the integration of environmental considerations into the Programme, throughout its lifecycle. In 2011 MEPA was being represented on this Environment Committee and actively contributed by providing reports and advice on the drafting of the Monitoring Report. Further details on the composition

<sup>149</sup> Circular CT 5021/2011

<sup>150</sup> Now this falls under the Minister for Tourism, Culture and the Environment

<sup>151</sup> These applications refer to ERDF and CF projects where the applicant indicated the projects as EU-funded in the development application form.

<sup>152</sup> One (1) of these was submitted in 2009 (this relates to the NFRP whereby the application submitted in 2009 involved an Environmental Impact Assessment which was concluded in November 2010 and approved in March 2011), eight (8) submitted in 2010 and the remaining thirteen (13) submitted in 2011.

and objectives of this meeting are found below under *Strategic Environmental Assessment (SEA) Regulations*. Furthermore, 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 December 2011, where issues concerning the integration of the environmental aspects on the future Cohesion Policy were discussed.

#### Strategic Environmental Assessment (SEA) Regulations

OPI was subjected to an SEA in 2006. In its report, the SEA laid out a number of proposals to monitor a set of given environmental indicators, which required the setting up of an Environmental Committee and the eventual drafting of monitoring reports to provide an analysis of the effects on the environment of the activities proposed under OPI. The aim of such reports is to provide options and recommendations to enhance likely positive impacts on the environment whilst reducing potential negative impacts thereupon. The Committee is chaired by the Head OPI and is composed of representatives from the SEA Focal Point, the Ministry responsible for the Environment, the Ministry responsible for the implementation of waste management, the Malta Resources Authority and the Malta Environment and Planning Authority (MEPA). An introductory meeting of the Environmental Committee was held in 2010; however, discussions on the SEA indicators took off in 2011. During the year under review a total of three (3) Environment Committee meetings were held.

The committee closely analysed the SEA's environment indicators and acknowledged a number of challenges which had to be tackled before it could start drafting the first monitoring report covering the first four (4) years of the implementation of the OP. One of the challenges encountered by the Committee was indeed pre-empted in the Environment Report which stated that the relevance of a number of environment indicators could be questionable as regards their applicability to the different PA of the OP. Data collection was another challenge which was discussed during these meetings. It was agreed that data will be gathered through the National Statistics Office (NSO) or any other competent and relevant authority. Discussions focused on the need to receive input from various stakeholders, including Beneficiaries, for the collection of relevant data to be in a position to prepare a consolidated monitoring report. It was also established that some data required by the indicators is already collected under other regulatory obligations and this could hence facilitate the data collection process for the compilation of the monitoring report.

In preparation for the Monitoring Report, the Environmental Committee identified the list of projects approved until end of the year 2010 as the first monitoring report will cover the years 2007-2010. This decision was based on the fact that since the majority of the projects under the current OP took off during the years 2009 and 2010, it would be more appropriate to have a comprehensive report covering the first four (4) years, with subsequent annual reports thereafter. A preliminary exercise was subsequently carried out to identify how each project's output, result and impact indicator was contributing to any of the environment indicators. The compilation of data and the drafting of the first monitoring report started in 2011 and is expected to be completed in the first half of 2012.

### SEA screening of the proposed OP Changes

The Managing Authorities are expected to provide the CION with information on how they consider the requirements of the SEA Directive when amending their OPs.<sup>153</sup> To this effect, the MA issued a Departmental Tender for the provision of Technical Expertise for the SEA screening of the proposed changes to OPI, in the second half of 2011. Such an exercise was necessary in order to determine whether the proposed changes required a new SEA. The preliminary outcome of this screening was presented to the MC in November 2011. The final SEA screening document was issued on 2nd December 2011 and it concluded that an SEA was not required because the proposed changes to the OP were unlikely to have any significant environmental effects. The MA presented the findings to the SEA Focal Point and a reply with the focal point's position was received at the end of January 2012.

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<sup>153</sup> As confirmed through the CION letter dated 7<sup>th</sup> December 2011.

## 02.3 Significant problems encountered and measures taken to overcome them

The biggest challenges facing the Maltese administration, in the implementation of the Programme during 2011 remained more or less the same as in previous years, namely the very time-consuming project selection process, bottlenecks in procurement and delays arising from the very complex planning and environmental permitting processes. This section of the report will seek to highlight the main bottlenecks that occurred throughout the implementation of OPI during 2011 and the measures taken by the MA or other stakeholder to address them as part of the continuous efforts to improve programme efficiency.

### 02.3.1 Project Selection Process

In comparison with the previous year (2010), in 2011 more calls for project proposals were issued by the MA. The five (5) calls issued in 2011 resulted in the submission of forty-two (42) proposals, which gave rise to increased workload on the Project Selection Committee who apart from evaluating the projects submitted under the 2011 calls, had to also finalise the evaluations of calls spilling over from 2010. The selection process is very time-consuming in itself and often compounded by the fragmentation of projects received. To evaluate calls published in 2011 and projects from previous calls, in 2011, the PSC had to meet thirty-seven (37) times resulting in the approval of 16 projects. The lengthy process, coupled by the quality of submissions received, inevitably lead to delays and make the process slower and arduous. The availability of the members of the Committee is also a factor in the delays.

In order to reduce some of the delays registered during the selection process in previous years and during the evaluation of 2010 calls, the MA proposed changes to both the PSC membership as well as to the procedures adopted during the selection process. These changes came into effect for the first time during the evaluation of Call 10 projects. One of the most notable changes was the inclusion of alternate members and ad hoc experts. Moreover, revisions were made with regards to the terms of reference and rules of procedure, including the required *quorum* for the PSC sessions. These changes have improved the speed of the evaluation process. Another important decision which started to be implemented in 2011 was to refrain from the past practice of sending numerous requests for clarifications to the applicants.

One should also note that during the year, similar delays (due to similar problems) were also experienced in the selection of operations under the State Aid Schemes.

### 02.3.2 Public Procurement Process

Notwithstanding the experience acquired in the last years, public procurement remains a major bottleneck and takes a substantial toll on the implementation of the Programme. The centralisation of the procurement process, albeit providing quality assurance, inevitably causes major delays to the implementation of the programme on the ground. The benefits of a consistent quality assurance, however, still outweigh the disadvantages of having a fully centralised system.



The problems encountered during 2011 (largely spill-over from previous years) and include: delays in the vetting process prior to launch; delays due to the non-compliance of presented bids with the Instructions to Tenderers (ITT) or the technical requirements which lead to the re-issuing of tenders; delays in the vetting of the evaluation report; delays due to appeals as well as the lengthy preparation of contracts. The cancelling and re-issuing of tenders can be a very time-consuming process. In 2011, around 16% of tenders had to be cancelled and re-published for various reasons but mainly as a result of: technical non-compliance of the bids received which accounted for almost 50% of the re-launched tenders; followed by financial non-compliance (25%); and administrative non-compliance (12.5%). The reasons can be the result of a complex interaction of a number of issues, including the territorial constraints of market players, despite the openness of the Maltese economy.

Nonetheless, as already highlighted in section 02.2, the DOC continued to take various corrective measures in order to decrease administrative omissions, and by offering them as much as possible assistance through information sessions to “get it right” in the first place. In fact, it is worth pointing out that despite the fact that delays continue to hinder implementation, DOC has observed that a good number of bidders have improved the overall quality of their submissions. Through these measures, together with the launching of the e-procurement facility in 2011, the DOC aimed at further simplifying the tendering process and to cut through unnecessary delays in the tendering process. Still, many “traditional” problems persist.

Another challenge which has become quite problematic during the year under review is the procurement carried out by organisations which fall outside the scope of the Public Procurement Regulations – such as NGOs and Local Councils. Despite the continuous support offered by the MA (to fill in the void of the DOC) sometimes even on a bilateral basis, the procurement carried out by these organisations has not always been to a satisfactory level to withstand the detailed checks of Cohesion Policy projects. The MA is trying to address this through more training and awareness.

### 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* (amongst the most common) – together with consultation with 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 which has a direct impact on the progress on the ground and in most cases results in delays in the procurement process (given that tenders cannot be published without an approved planning permit).<sup>154</sup>

Beneficiaries are well aware of the substantial time required for the issuance of the necessary development consent. In order to advance on time, Beneficiaries (especially in the case of bigger projects) sometimes start the preparation of baseline studies prior to the contracting of the EIA and

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<sup>154</sup> Few exceptions have been made with the provision of a no objection letter in principle.

even consult MEPA to issue draft Terms of Reference (ToRs) until the Project Description Statement (PDS) is approved and the final ToRs are issued. Once the EIA is certified by MEPA the necessary consultations need to be undertaken (including public consultation was necessary) leading to revisions to the EIA as required. Following revisions and eventual approval of the EIA, development consent process can start. In order to mitigate against any potential delays, 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 and other organisations, also through participation in the High Level monitoring meetings in order to help the MA monitor implementation as well as provide guidance to Beneficiaries.

#### 02.3.4 The Payment Process

Despite that the payment process *per se* is not to be considered as a major cause for delay, severe delays were noted in the processing of reimbursement claims by the IBs to the Beneficiaries of Aid Schemes. These were caused by a number of reasons but mainly due to: the insufficient administrative capacity at the IBs' end; the poor quality of the claims submitted; issues related to the implementation of the operation by the private Beneficiaries; and the time-consuming checks that need to be done on both the physical implementation of the project and documentation maintained at Beneficiary end. Through bilateral meetings, the MA monitored the backlog of claims and suggested simplified ways on how these can be processed quicker without undermining the frequency, the level and quality of the checks.

## 02.4 Changes in the context of the Operational Programme implementation

The long-term impacts of the financial crisis continue to give rise to a number of challenges. In 2010, considering the impact of the crisis (in particular access to finance), Government reacted by providing the right incentives<sup>155</sup> to ensure that growth and investment levels are maintained. The need for such incentives was particularly evident in 2011 from the response rate to the JEREMIE initiative following its launch in April of 2011. This is also a testimonial that the OP continues to be a tool to mitigate against these economic challenges.

Growth and environment protection are also closely linked, and in order to address these challenges, in 2011, the MA together with the IB implementing the ERDF Energy Grant Scheme, started an assessment of the need for further assistance for enterprises to invest in energy efficiency and renewable energy solutions. The assessment conducted by the MA and the IB led to a further injection of funds (of more than €3 million) which was approved in early 2012.

On a wider scale, the need to invest in line with the EU 2020 targets was identified and to this effect, an extensive exercise was undertaken in 2011 to better realign the available funds with such targets.

In this respect Axis 4 will be entirely focussing on actions targeting Climate Change and Resource Efficiency. Similarly, a further change to the OP was triggered by unutilised funds under Axes 3 and 5. In the execution of major works operations on the ground, mainly concerning the roads network, the several economic players involved, have enabled more competitive prices with the result that the same targets have been achieved through lower funds. The prospective of 'doing more with the same budget' has triggered the MA, in consultation with its stakeholders, to propose the shifting of funds between the Axes co-financed through the CF. Likewise, this will allow the co-financing of a Major Project previously intended under Axis 4 to fit in a revised Axis 5, while consenting Axis 4 to exclusively address the ever-increasing EU attention on the Climate Change agenda.

## 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/1083/2006.

## 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

<sup>155</sup> Additional funds both to support the enterprises through the ERDF Aid Schemes implemented under Article 107 of the Treaty and to support SMEs through the JEREMIE initiative.

investments under OP II (ESF), primarily those areas addressing education and social related infrastructure, research and enterprise support. Although the PPCD no longer coordinates funding under the European Territorial Co-operation (ETC) programmes or bilateral instruments, close cooperation is maintained with the relevant Division within OPM responsible for such funds.

### 02.6.1 Structures

As part of the monitoring process, during 2011 the MA continued with the organization of the Inter-Ministerial Co-ordination Committee (IMCC) meetings on EU Infrastructure and Productive Funding Programmes. Just like the IB network meetings, the IMCC is organized twice in a year. As in the previous year, each Fund/Programme/Initiative's representative on the Committee provides a list of the projects to both the MA and the other relative representatives. The purpose behind such procedure is to detect any possibility of double-financing whilst ensuring complementarity between the various funds. Through this process, the MA succeeded in identifying potential overlaps between a number of funds / schemes implemented under Cohesion Policy (mainstream and ETC) as well as with others, including the EAFRD and a number of Community Programmes, such as FP7 and CIP. The outcome of the checks internal undertaken was that there was no double funding. One issue relating to possible overlap between operations under the Seventh EU Framework Programme (FP7) and the Research and Development Scheme run by ME was still being evaluated as at year end.<sup>156</sup>

During the first IMCC which was held in February, presentations were made by representatives of the EAFRD MA and the contact for LIFE+. This provided an opportunity for other representatives to learn about other Funds/ Programmes/Initiatives and about any other possible overlaps that might exist. The meeting continued with a discussion on the list of approved projects with possible overlaps. Nevertheless, no potential overlaps were identified. The Chairperson informed the Committee, that should an overlap be identified this should be bilaterally investigated further by the parties concerned, with the Committee being kept informed. It was also stressed that although exchange of data is a requirement, data protection principles must be adhered to. A further meeting was held in September 2011. No presentations were delivered, but the Malta Council for Science and Technology (MCST) representative was asked to provide an overview of the FP7 programme for the benefit of the other Committee members. As a suggestion, it was proposed that in each funding agreement, a clause is to be inserted that a Beneficiary is to ensure that the same project/activities is/are not claimed through other funding sources.

Under this heading, it is worth noting that a new structure was set up by Government in 2011 to co-ordinate most EU Funds in Malta to facilitate the co-ordination, synergies and supervision of the actions being financed under the different Funds and Programmes / Initiatives. A second division has in fact been set up within OPM that acts as the MA for the EFF, the Responsible Authority for the SOLID funds, and the National Contact point for all ETC Programmes, the Focal Point for EEA / Norway Financial Mechanisms as well as the overall co-ordinator of the many contact points that exist

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<sup>156</sup> MCST which administers the FP7 programme was prompted to enquire with the CION.

for centralised funds. The work of this Division is expected to strengthen and consolidate the activities already being undertaken.

## 02.6.2 Complementarity and consistency between funds and 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 two (2) Axes financed through the latter. Together, the priorities 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. Two (2) Major TEN-T Projects<sup>157</sup> are envisaged under the 07-13 programme to strengthen Malta's backbone road infrastructure. Complementing these interventions, ERDF is financing the upgrading of a number of arterial, distributor and residential roads that connect these nodal points with the hinterland. 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 infrastructures (waste and waste water) are 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 OP II. Such linkages are clearly visible in those areas addressing education, training, employment, childcare and health. An example of this is the approval of two (2) projects under OPI<sup>158</sup> (PA 6) which was complemented by the approval of another two (2) ESF projects<sup>159</sup> (approved in 2011). One of the projects under OPI includes the development of an e-learning solution and the supply of interactive whiteboards both to primary and secondary schools. This project was complemented by an ESF investment which supplied training in relation to the usage of such provided equipment. The other ERDF project involves the construction of a centre where professionals can help disabled persons in their daily life. This will be further supported through an OP II project which aims to provide a training package to the trainers (mainly therapists and physiotherapists) in order to prepare persons with disabilities in adopting an increased independent lifestyle. The new ETC building funded under ERDF 45, will be also hosting courses funded through ESF. The complementarity between OPI and OP II can also be recognized in those projects which adopt ESF components through the cross-financing mechanism (Article 34 of Regulation 1083/2006).<sup>160</sup> Numerous private bodies are also benefitting from investment Aid

<sup>157</sup> CF 117 was approved by CION on 3<sup>rd</sup> February 2010 while as at end 2011, CF 125 was being prepared.

<sup>158</sup> ERDF 159 and ERDF 072. Both projects have been selected for co-financing under PA 6 of OPI. ERDF 159 envisages the creation of a number of e-services including e-ID cards, e-Forms and e-Services and also an e-Learning solution while ERDF 072 set-up an adaptive and assistive centre for independent living for persons with disabilities.

<sup>159</sup> ESF 1.123 was approved in 2011 under Axis 1 of OP II: *Improving Education and Skills* will offer training to teachers to use interactive whiteboards and e-learning platform and ESF 3.42 approved in 2009 under Axis 3 of OP II: *Promoting an Equal and Inclusive Labour Market* offered training to professionals working with persons with disabilities. This project was completed in 2011.

<sup>160</sup> Example ERDF256: *Modus - Encouraging Modal Shift in Land Transportation* which was approved in 2011.

Schemes under ERDF, whilst also benefitting from Aid Schemes under OPII namely the Training Aid Framework (TAF) and the Employment Aid Programme (EAP).

#### 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. Through the IB Network, where all of ERDF and ESF IBs are requested to attend, discussions on various issues and situations encountered by IBs take place. The MAs for both the EAFRD and EFF, though not forming part of the formal network, are invited on ad-hoc basis to provide their feedback on any issues requiring their input. The same representatives are also participants in the IMCC on EU Infrastructure and Productive Funding Programme. For additional assurance to avoid potential overlaps and to ensure complementarity, the MA is a member of the EAFRD and EFF MCs while the EAFRD and EFF are represented by the MRRA and OPM as members of the MC for OPI.

During an IMCC held in 2011, a presentation on the EAFRD programme was delivered. The presentation included a brief introduction of the programme itself, identified the eligible applicants, costs and the possible overlaps there might be with other funding mechanisms, including that between Measure 123 *Adding value to agricultural products* funded through EAFRD and the ERDF Aid Schemes which support investments for innovation in the production chain area across the whole manufacturing sector as well as possible overlaps between Measure 313 *entitled Encouragement of tourism activities* of the Rural Development Programme (RDP) and the TSDU Scheme under the ERDF. The discussion revealed that there were already delineation measures in place, however, it was agreed ensure there exist no potential overlaps.

In addition, Axis 2 of OPI has also synergies 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 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. On the other hand, 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 are 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 by multiple Member States. This absence of potential overlaps has also been confirmed during the IMCC meeting for Infrastructure held on 1<sup>st</sup> September 2011 from the list of approved projects which is circulated amongst all IMCC members.

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.

#### OPI and EIB

As at end 2011, only one (1) Major Project (CF 116) which is co-funded under OPI, resorted to an EIB loan to finance the non eligible and the necessary co-financing. Other than this, EIB assistance is largely being sought through the JASPERS initiative being offered to various projects implemented under OPI. Further details on the type of JASPERS assistance received are contained under section 02.1.1 of this report as well as in Chapters 3 and 4.

#### 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 concluded in mid - 2011 and the contract was signed in September.<sup>161</sup> JASPERS has provided its valuable expertise throughout the complex procurement procedure.

2011 also saw the implementation on the ground of the JEREMIE instrument. Following the appointment of the European Investment Fund (EIF) as the Holding Fund Manager, a Call for Expression of Interest for Financial Intermediaries was launched and Bank of Valletta (BoV) was chosen. The negotiations with BoV were concluded in March 2011 and the Operational Agreement for the implementation of a First Loss Portfolio Guarantee (FLPG) instrument was signed between EIF and BoV on 6<sup>th</sup> April 2011. As explained in Section 02.1.1, 179 loans were signed with SMEs committing €15.83 million, accounting for 31%<sup>162</sup> of the portfolio that BoV are expected to create.

As reported in previous years, the ERDF interventions, are also 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

<sup>161</sup> Signed on 5<sup>th</sup> September 2011.

<sup>162</sup> €15.83 out of a portfolio of €51.04 million in eligible loans that will be built up.

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. Given that these funds are being managed by the other Division within OPM responsible for EU funding, the risk of double funding is almost non-existent.

#### ERDF and other forms of co-operations

Further to the investments carried out through OPI in the Maltese Islands, Malta is also participating in the European Territorial Co-operation Programme, including the Cross-border Co-operation, Inter-Regional Co-operation and Trans-National Co-operation. These are intended to provide different types of investments related to various fields. Such areas will further strengthen Malta's development through investments in areas involving sustainable tourism, environment protection, accessibility, enterprise links, RTDi, and urban development amongst others. A representative of the European Territorial Co-operation unit is invited for the IMCC to ensure there is no instance of double funding while OPI is also invited to participate in the MC of the Territorial Co-operation Programme.



## 02.7 Monitoring, Reporting and Evaluation

### 02.7.1 Monitoring and Reporting by the MA

In order to ensure adequate implementation of the OPs, an effective and efficient monitoring system has been set up and maintained throughout the years. In addition to informal monitoring processes, the MA has designed a monitoring system which ensures the quality of the implementation of the OP, in line with Article 66 of Council Regulation EC/1083/2006. Furthermore, the MA also carries out close monitoring of financial indicators and other indicators referred to in Article 37 (1) (c) of the same Regulation. Some of the monitoring structures/resources currently in place include:

#### Structural Funds Database 2007 – 13

During the year under review, the MA continued to improve and upgrade the national information management system. The SFD Core Group met nine (9) times to monitor the system's status, analyse new user requirements and prioritise the work programme. In addition, other meetings were held directly with the user's representatives in order to address their requirements and ensure the functionality of the system in relation to the specific cases.

A number of new functions were developed whilst other modules were enhanced, following feedback by users. In the *Verification and Audit* module a distinctive interface for MA, IB, CA and AA was introduced enabling each entity to enter the data in its own screen. In this regard, a separate system code, attributable to each entity, is now generated by the database according to the type of entity. This development resulted in a greater flexibility and autonomy in introducing data. In addition, a search facility related to verifications and audits was added which provides detailed results in excel format facilitating access to related documentation. Other enhancements were carried out on the *Statement of Expenditure* module, *Data on Operations Report (Annex III)*, the *Treasury* module, financial *Expenditure Reports*, *Adjustments* and *Irregularities*. These modules were developed in 2011 but released in 2012, after that all payments in the system had been processed in order not to disrupt any users at year end.

New reports were generated, including the *Expenditure Type Reports* which provide information related from Fields 25 to Fields 32<sup>163</sup> of the Data on Operations report to incorporate horizontal priorities such as information on Energy Efficiency (EE), Renewable Energy Sources (RES) and Gozo related/based costs. *Ad-hoc* reports were also issued upon demand mainly related to financial expenditure, management verification visits and data on participants. Some of these reports may now be generated directly by the users, whilst plans have already been made to enhance the current system with further reporting.

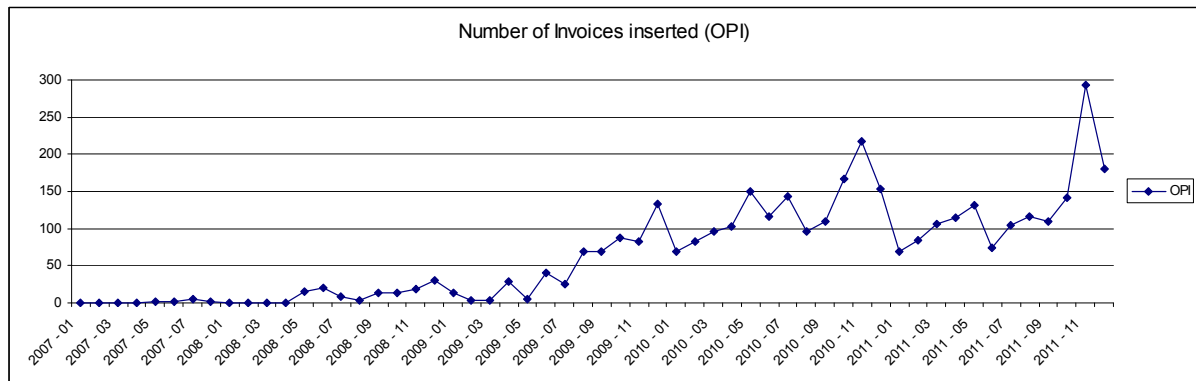
<sup>163</sup> Field 25 - ERDF Related expenditure for OP co-financed by ESF, Field 26 - ESF related expenditure for OP co-financed by ERDF, Field 27 - Expenditure paid in areas adjacent to the eligible areas (cross border cooperation), Field 28 - Expenditure paid by partners located outside the area (transnational cooperation), Field 29 - Expenditure paid outside the Community (c/border, t/national and interregional cooperation), Field 30 - Expenditure paid for the purchase of land, Field 31 - Expenditure paid for housing, Field 32 - Expenditure paid for indirect costs/overheads declared on a flat-rate basis.

In 2011, better use was being made of the system's *notification* capabilities as it is possible for Project Leaders to be automatically notified when their invoices have been rejected during the payment stage. An automatic email is generated by the system, illustrating the details of the rejected invoice and the reason for rejection. The payment authorisation level was also enhanced in that users must also classify the type of reason for rejection in order to provide better analysis for the stakeholders. In order to increase efficiency the system was developed in such a way that when invoices are rejected, no outside intervention by the MA and/or MITA is required. This enabled the process to remain entirely within the control of the Beneficiaries, Line Ministries and the Treasury. Figure 2.1 further below provides a snapshot of the amounts of invoices inserted in the system. The *password mechanism* was also significantly upgraded to bring it in line with the latest Government of Malta's standard. The new system enforces certain security features whilst continuing, however, to be user-friendly. A circular related to compliance with the password's policy was also prepared in 2011.

The hardware set-up was improved during the year to make it possible to run three (3) separate environments on the same server. The two (2) new environments are the "Learn" environment where authorised users may experiment with the system in a "sand-box environment" and the "Test" environment where the testing of new modules takes place. Both environments are accessible over an internet connection making it possible to provide training and / or running tests using any internet-enabled computer.

By the end of the year, the system had more than 450 active users, and regular monitoring of user accounts ensured that unnecessary accounts were deactivated. User's guides, notes and related system documentation were kept up to date with the latest enhancements and bug fixes. The documents are retrievable from the PPCD website and are also used during the Train-the-Trainer programme. In 2011, an IT review on the database system was initiated by MITA and external auditors (Grant Thornton) to determine the degree of adherence to established standards, policies and procedures related to the Government's future accrual accounting system. As at end 2011, this review was still ongoing.

Figure 2.1 - Number of invoices inserted (OPI)



### Day-to-Day

Given that the programming period has passed its mid term, the MA has put further emphasis on day-to-day monitoring. During 2011 the MA experienced an increase in the number of management verification checks carried out as per Article 13(2) of EC/1828/2006, when compared to 2010. One hundred and seventy-one (171) documentary checks, including follow-ups, and twenty-one (21) physical management verification checks were undertaken in 2011. This work involved the mobilisation of twenty-five (25) MA officers dedicating 985 hours for the Article 13 checks. Moreover, daily monitoring is also carried out through formal and informal means such as email communications, phone calls and regular meetings with Project Leaders and other relevant stakeholders. The combination of these actions have allowed constant monitoring and reporting during each and every stage of implementation, leaving room to resolve issues as soon as they arise as well as taking timely follow-up actions. In addition, day to day monitoring is also done through the Structural Funds Database 07-13 whereby the MA knows in real time details generated through the various reports on commitments made (contracts), expenditure (payment management), indicators, and management verifications (including reviews of documents uploaded on the database).

### Project Progress Reporting

During 2011, Beneficiaries and IBs submitted a Project Progress Report (PPR) to the MA at two (2) intervals.<sup>164</sup> The frequency of the reporting has been reduced in an effort to ease the administrative burden on Beneficiaries and IB's alike. The PPR, endorsed by the Line Ministry, is an essential monitoring tool which measures progress achieved during a particular reporting period vis-à-vis the obligations of the Grant Agreement. Mainly it requires updated information on physical progress, implementation of project activities, contracting, disbursements, pending invoices, project intervention codes, indicators, participants data (where applicable), revenue generation, horizontal issues and information and publicity measures undertaken during the reporting period. In addition, the report highlights any irregularities and risk factors, proposing relevant mitigation measures actually undertaken or planned for the following reporting period.

<sup>164</sup> The reporting periods are at the closure of the first semester (1<sup>st</sup> Jan – 30<sup>th</sup> June) and end of the second semester (1<sup>st</sup> July – 31<sup>st</sup> December). Until 2010 these reports were compiled on a trimester basis.

As part of the continuous effort to enhance, as well as simplify reporting procedures, MA desk officers together with the collaboration of Line Ministries 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 December 2011. During this exercise, the former template was fine tuned in such a way to be more in line with the Grant Agreement. Some minor changes were made to the sections regarding Project Intervention Codes and Information and Publicity.

In December 2011, three (3) informal sessions were held, providing compilation guidance on the PPR document. The first session was scheduled on the 14<sup>th</sup> December which was located in Gozo and was specifically targeted towards Gozitan Beneficiaries and MGOZ. Subsequently, another session was held in Malta on the 15<sup>th</sup> December inviting all Beneficiaries including both Voluntary Organisations and Local Councils. Ultimately, on the 21<sup>st</sup> December there was a final question and answer session targeted towards Line Ministries. During 2011, 138 Project Progress Reports were received for review: eight (8) reports for the period September-December 2010 (received in January 2011); fifty-nine (59) reports for the period January-June 2011, and seventy-one (71) reports for the period July- December 2011.

#### Ministerial Project Steering Committee (MPSC)

During 2011, 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 within their ministry. This monitoring, in turn, facilitates the programme management at MA level. There are nine (9) Committees<sup>165</sup> dealing with OPI projects in all and these were set up in 2009/10. There were twenty-six (26) sessions held in 2011 with regard to OPI.

#### Intermediate Bodies Steering Committees

As per Article 11.2 of the Covenant<sup>166</sup> with each IB, it was agreed that a steering committee is to be established in order to monitor the implementation of each particular scheme/s. The purpose behind such meetings is to further sustain 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 (similar to the function of the MPSC explained above but focused solely on the Aid Schemes). Both the MA and the Line Ministries are invited as observers to the Committee in order to support the IB on the issues raised.

Malta Enterprise organized two (2) IBSC meetings during 2011; one held on the 19<sup>th</sup> July and the other one on the 30<sup>th</sup> November 2011. Common issues and updates on all Aid Schemes managed by Malta Enterprise were discussed throughout these meetings. The main issues considered included aspects of the 4<sup>th</sup> call, the progress achieved on each scheme and concerns related to the processing of claims. DSWS also held two (2) IBSC meetings on the 12<sup>th</sup> April and on the 29<sup>th</sup> November 2011. The key points tackled during these committees included general difficulties faced by the IB itself, updates related to the scheme and identification of a new procedure of disbursement. TSDU set up two (2) IBSC meetings during 2011; one held on the 25<sup>th</sup> May and the other one on the 21<sup>st</sup> November 2011.

<sup>165</sup> MFEI, MSOC, MEDC, MRRA, MGOZ, MITC, OPM, MHEC and OPM (Tourism).

<sup>166</sup> A covenant was signed for each ERDF Aid Scheme.

Both meetings revolved around issues of implementation and formalisation of procedures that can be adopted by the IB itself.

### High Level Meetings

High Level monitoring meetings were originally initiated in 2008, when delays in the implementation process became apparent. During 2011 these meetings continued to prove to be effective in ensuring that causes of delay in the projects, are brought to the forefront of discussion and recommendations on the way forward are made. The MA is responsible to set the agenda and present project issues to the Principle Permanent Secretary (PPS) who chairs these meetings. During 2011, the meetings were held on a monthly basis,<sup>167</sup> during which one hundred and sixty-seven (167)<sup>168</sup> projects were reviewed in depth, with some projects being reviewed more than once, and with an average of sixteen (16)<sup>169</sup> projects being discussed in each meeting. Apart from representatives of the MA, these meetings are also attended by representatives of the Beneficiaries (including Ministerial representatives), a contact person from the Malta Environment and Planning Authority (MEPA), representatives from the Department of Contracts (DOC) as well as the Treasury.

Given that Voluntary Organisations (VOs) and Local Councils do not fall under a Ministerial portfolio, separate bilateral meetings have also been held with all Beneficiaries in an effort to address issues of concern and implementation difficulties. Eight (8) projects implemented in Gozo were discussed in the VOs bilateral meeting held on 20<sup>th</sup> June 2011 while thirteen (13) projects were discussed during the bilateral meetings of 29<sup>th</sup> and 30<sup>th</sup> September held in Malta and Gozo respectively.

### 02.7.2 Monitoring Committee

In the course of 2011, the MC was convened twice: on 29<sup>th</sup> April and 17<sup>th</sup> November. The items discussed during the April MC meeting included:

- A presentation on the AIR for 2010;
- An overview of the progress achieved from end December 2010 to the meeting date;
- A presentation on the outcomes of the Mid-Term Evaluation; namely a summary of the fieldwork, a summary of the findings and a summary of the recommendations; and
- An overview of the Annual Control Report and the unqualified opinion which accompanied the 2010 Annual Control Report.

During the weeks following the April MC, the revised AIR (2010) was re-circulated to the members for approval, inclusive of a summary in point form denoting the main changes effected since its first circulation for members' ease of reference. The changes mainly concerned the computation of the indicators (in an effort to harmonise data received from the individual Member States, certain indicators have been amended to take into account the *number of projects selected* for co-financing rather than just the *completed projects*) and a revised table reporting on the cumulative breakdown of allocations.

<sup>167</sup> With the exception of June and October.

<sup>168</sup> Both OPI and OPII.

<sup>169</sup> Both OPI and OPII.

The report was approved by the members in June 2011.<sup>170</sup> The final report following the approval of the report by the MC members was sent to the Commission for approval and was made available to the public through the PPCD website. The report was submitted to the CION on 22<sup>nd</sup> June and deemed admissible on 29<sup>th</sup> June. Following appraisal by the CION Services, the report was deemed in line with the requirements of Article 67 (2) of Council Regulation EC/1083/2006 on 29<sup>th</sup> July 2011.

The second meeting of the MC, which was held on 17<sup>th</sup> November 2011, presented:

- A set of proposed changes to the OP;
- Complementing the above presentation, the MA also presented the findings of the SEA Screening. A detailed analysis of the findings can be found under section 02.2 above.
- An update on physical and financial progress of the Programme; and
- A specific update on both the proposed changes to the Communication and Evaluation Plans.

In the days that followed the November MC, a revised version of the OP taking into consideration comments (both during the meeting and after the meeting) from MC members was circulated. A detailed overview of the changes proposed to the Programme can be found under section 02.1.1. The document was approved by the members.<sup>171</sup>

As in the four (4) previous years, the MC meetings were well attended in 2011 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. During the November MC, two (2) representatives from JASPERS attended on a participatory basis with a view to discuss current assignments and potential channels for assistance for the post-2013 Programme. A brief tripartite meeting among the MA, the CION representative and JASPERS was held on the same day of the November MC. All the presentations are available on:

[http://www.ppcd.gov.mt/monitoring\\_committees\\_all\\_funds](http://www.ppcd.gov.mt/monitoring_committees_all_funds).

### 02.7.3 Annual Review Meeting

Back-to-back with the April MC meeting, an annual review meeting was held in accordance with Article 68 of EC/1083/2006 on 28<sup>th</sup> April. Given there were no major issues concerning the structure of the AIR, the discussion ensued more on the recommendations of the Mid-Term Evaluation. In this regard, the MA guided the Commission representative through the recommendations put forward by the consultants, KPMG. The MA also took the opportunity to outline the preliminary proposed changes to the OP. The full list of changes was then presented at the MC meeting of November. The review meeting was concluded with an overview on Major Projects and a brief status update on each.

<sup>170</sup> The draft AIR 2010 was circulated prior to the MC meeting on 18<sup>th</sup> April. Following the introduction of some changes, the draft has been re-circulated in track-changes on 6<sup>th</sup> May, together with a synopsis of the changes for ease of reference. During the ten (10) working day period, comments have been received and subsequently the AIR 2010 was circulated again amongst the members of the MC for approval by written procedure on 6<sup>th</sup> June 2011. In the absence of further comments, the report was approved by the MC on 20<sup>th</sup> June.

<sup>171</sup> The OP document in track changes was circulated just before the MC meeting on 15<sup>th</sup> November. Following a detailed presentation of the changes during the Committee meeting, a revised version was distributed again amongst the members of the MC for approval by written procedure on 22<sup>nd</sup> November taking also into account further comments raised during the meeting. The written procedure ended on 6<sup>th</sup> December. The formal submission of the revised OP through the SFC was slightly delayed since this first required the finalisation of the SEA screening letter.

## 02.7.4 Evaluation

### Mid-Term Evaluation

In 2010, the MA had outsourced a Mid-Term Evaluation (MTE) to assess the level of progress achieved as well as confirm (or otherwise) the continued validity of the Programme and its objectives.

Up to the first half of 2011 tasks related to evaluation revolved mainly around the finalisation of the MTE, which included:

- Three (3) consultations with the Department of Contracts, MEPA and the Department of Treasury, held between December 2010 and January 2011<sup>172</sup> in order to complement the meetings held with Beneficiaries and results' analysis carried out towards the end of 2010; and
- An *Internal Factors Workshop*, facilitated by KPMG, held on 14<sup>th</sup> January 2011. The purpose of the workshop was to present a snapshot of all the key findings and provide a forum for discussion with a view to explore potential solutions to the issues discussed. The workshop participants included the Principle Permanent Secretary, Permanent Secretaries, Line Ministries senior delegates and senior executives from the IBs and other stakeholders.

Following consultation with the stakeholders on 21<sup>st</sup> February 2011, the contractor submitted the first draft evaluation reports. The contractor was asked to re-address certain issues and substantiate some of the results. Following a number of internal consultations between the evaluator and the MA, the final draft evaluation reports for both OPs were submitted to the MA on 7<sup>th</sup> April 2011.

During the MC meeting held on 29<sup>th</sup> April 2011, the main findings and recommendations<sup>173</sup> were presented by the contractor. Following suggestions made by CION representatives during the MC of OPII, a number of suggestions were made and included in the final report. The recommendations included an assessment of the process of certification of expenditure<sup>174</sup> and an assessment of the payment process within public bodies handling Aid Schemes (payment to private Beneficiaries by IBs). Both are common areas of interest for both OPs, thus it was decided to include them in both reports. As a result, a number of additional consultations were held with an IB and the CA between June and July 2011 and further recommendations concerning the acceleration of the certification process were developed by the contractor and presented to the MA. Their outcome was incorporated in a revised and final report.

<sup>172</sup> Additional consultations with MEPA and DOC were held on 20<sup>th</sup> December 2010, whilst with Treasury, consultations were held on 21<sup>st</sup> January 2011.

<sup>173</sup> Such findings were also presented to the Evaluation Steering Group on 31<sup>st</sup> May 2011.

<sup>174</sup> This is carried out by the Certifying Authority (CA).

## MTE Outcomes

In a nutshell, the MTE's outcomes highlighted that:

- 1) In terms of relevance, although there was a short period between the conceptualisation of the OP and MTE, OPI's objectives were considered still relevant in the actual socio-economic context, proposing a satisfactory balance between the policies and the activities being co-financed;
- 2) In assessing the efficiency of the implementation of both OPs, there was an evidence of "ramping up"; meaning that the current process leading up to an approval of projects does not preset major indication of bottlenecks;
- 3) The utilisation ratio and the level of disbursement at the time of the reporting were significantly low. The latter was attributed to problems related to the capacity and the capability of project management, the administrative bottlenecks and other incidental factors. Nonetheless, there has been an improvement in the absorption ratio from cut-off date up until the date of execution;<sup>175</sup>
- 4) In terms of effectiveness for the most part, planned achievement percentages of output and result indicators showed healthy prospects of the likely achievement whilst impact indicators were the lowest achievers due to the fact that they have poor qualities of measurability and sensitivity at this juncture in the Programme implementation.

## MTE Recommendations

In the final report, the evaluators presented a number of recommendations under the following headings: speeding up of implementation; relevance; administrative capacity; public procurement; maximising the potential of information technology; development permitting; accelerating the certification process and the enhancing capacity and role shadowing at the CA. In relation to the assessment of horizontal actions, the evaluators reported that given the current lag in the implementation of the OPs, a revision of certain aspects of the Communication Plan were necessary.

Recommendations addressing directly the MA included:

- 1) Prioritising the issue of new calls during 2011 in order to increase the progress ratio of the Programme;
- 2) Tailoring calls for applications in such a way as to attract projects which would contribute towards those specific result and output indicators which are still lacking performance with respect to their likelihood of achievement;
- 3) Revising upwards OP level indicator targets once actual attainment performance exceeds the MA's expectations;
- 4) Reducing the administrative burden by investing further in human resources;
- 5) Providing training to project proponents at public sector level;
- 6) Increasing the pool of Project Selection Committee (PSC) members so as to minimise postponement and delays due to availability issues.

Since the outcomes of the MTE are of interest to the MA and to the horizontal stakeholders, the MA started immediately an internal assessment to incorporate various recommendations. To this effect and

<sup>175</sup> The date of execution was 31<sup>st</sup> December 2010.



as explained in previous parts of this report, the MA carried out an analysis of the Programme's performance and the OP changes proposed to the MC members in November 2011 addressed some of the recommendations put forward by the MTE.

#### Revised Evaluation Plan for the Programming Period 2007-2013

The Evaluation Plan for 2007-2013 has been revised and presented to the OPI MC on 17<sup>th</sup> November 2011. The original aims of the Evaluation Plan<sup>176</sup> were to provide a framework for the evaluation of the two (2) OPs and to contribute more to the evaluation capacity development in Malta. While these objectives are still relevant to date, the MA felt the need to revise the plan for a better alignment to the actual status of the Programmes' implementation, to reflect the progress achieved on the MTE and also to reflect some decisions taken on the content of the Thematic Evaluation. The relevant (to OPI) changes to the revised Evaluation Plan were as follows:

- Update on the activities related to the 2004-2006 programming period to include evaluations undertaken from 2008 to 2010;
- Update of evaluation activities undertaken so far, including the MTE;
- Revision to the Plan and instead of holding two (2) thematic evaluations, it was decided to combine them in one (1) evaluation in order to be more efficient, to reduce costs and delays as well as the administrative burden;<sup>177</sup> and
- Revised budget in order to reflect current market prices (following the experience with MTE).

#### Thematic Evaluation

During 2011, the MA prepared the draft tender dossier for the combined Thematic Evaluation entitled *Thematic Evaluation: Assessment of the Contribution of Operational Programme I Initiatives to Competitiveness and Improvement of Quality of Life*, which will be presented to the Evaluation Steering Group on 27<sup>th</sup> January 2012. The objective of this document is to have one (1) thematic evaluation assessing the contribution of selected projects currently under implementation in two (2) separate but related aspects, i.e. competitiveness and improvement of quality of life.

Such thematic evaluation will mainly assess:

- 1) The contribution of OPI interventions towards sustaining and perhaps even increasing Malta's competitiveness;<sup>178</sup>
- 2) The contribution of OPI interventions towards the overall improvement of quality of life of the Maltese citizens;<sup>179</sup>
- 3) The output and result indicators and any monitoring data and include an assessment of impact indicators and (the likelihood of) their achievement as well as any underlying reasons for over/under performance;

<sup>176</sup> This was presented to the MC in May 2008.

<sup>177</sup> The revised Evaluation Plan incorporates the thematic evaluation in one (1) tender including the provision of the related updates in order to have one (1) evaluator conducting such evaluations over a period thus resulting in more consistent and appropriate results.

<sup>178</sup> Malta's Competitiveness will be assessed by specifically studying the effects (existing and potential) of the Programme's interventions on (public) infrastructure, investment (including foreign) and job creation, competitiveness of enterprises (particularly SMEs), the national capacity (including infrastructural) for RTDI and science and technology, enhancement of tourism product (particularly niche areas) and the relevant improved transport connections and facilities.

<sup>179</sup> The overall Improvement of Quality of Life of the Maltese citizens will be assessed by studying the effects of interventions in the following sectors: environment, climate change and energy, educational, social and health infrastructure, as well as e-accessibility.

- 4) The identification of potential actions where the ERDF and CF could intervene and which are possibly not yet addressed by the current Programme; recommend how the actions which are being undertaken could be strengthened in future Programmes;<sup>180</sup> and identify some examples of good practice; and
- 5) The contribution of OPI initiatives to competitiveness and improved quality of life in relation to the crosscutting horizontal themes of Equal Opportunities and Environmental Sustainability.

### External Evaluations

During 2011, the MA has also participated in a number of evaluations undertaken by the Regional Policy Directorate-General (DG REGIO) and other European institutions, namely:

- ERDF Innovation Supported Evaluation

Technopolis Group and the Manchester Institute of Innovation Research were commissioned by DG-REGIO to carry out a study on activities related to innovation support instruments co-funded by ERDF which will form an important input for the preparation of future guidance on innovation relations evaluations to be made available to all ERDF Managing Authorities. In this regard, the MA participated in an online survey on 17<sup>th</sup> May.

- More effective and concentrated Cohesion Policy in the context of EU 2020 objectives

The MA participated in an online survey on 6<sup>th</sup> April indicating the most informative evaluation studies and analysis that explored the effects of Cohesion Policy interventions at the level of measure, priority, programme or strategy/policy in Malta. On 24<sup>th</sup> June, the MA submitted another questionnaire regarding the context of the evaluation system in Malta, the demand side and supply side and the products and effects of evaluation system for Cohesion Policy, and facilitators of evaluation system for Cohesion Policy. Such studies were carried out by the Polish Ministry of Regional Development, Department of Structural Policy Coordination and DG REGIO.

- Implementation of Articles 11 and 16 of the General Fund Regulation (EC 1083/2006) in Operational Programmes and Projects Co-Funded by ERDF

The European Inclusion Network<sup>181</sup> conducted a study on the implementation of Articles 11 and 16 of the General Fund Regulation (EC/1083/2006) in Operational Programmes and Projects Co-Funded by ERDF. Its aim is to understand how key aspects of the EU Cohesion Policy (in this case the implementation of Articles related to non-discrimination and accessibility for persons with disabilities) are working on the ground. The MA participated in an online survey on 4<sup>th</sup> August.

- Expert Evaluation Network: Delivering Policy Analysis on the Performance of Cohesion Policy 2007-2013

E-Cubed Consultants Ltd has been engaged by Evalnet, on behalf of DG-REGIO to conduct an update of developments in Cohesion and Structural Funding for 2010. In this regard, an interview was held between the Head of the MA (PPCD) and the local experts (E-Cubed Consultants) on 17<sup>th</sup> August in order to discuss the performance of Cohesion Policy. On 26<sup>th</sup> September, an evaluation grid of good practice in evaluation was submitted. The good practice chosen was 'Analysis of the Impact and Effectiveness of Projects Structural Funds 2004-2006.'

- Performance Audit concerning the use of Structural Funds for Energy Efficiency

<sup>180</sup> In line with the thrust of the proposal for the new Regulatory Package 2014-2020.

<sup>181</sup> 'European Inclusion Network is an organisation which was launched in 2009 in Spain by Fundacion ONCE and is co-funded by the European Social Fund.

The European Court of Auditors has carried out a study regarding funds drawn from ERDF and CF allocated to energy efficiency and used as at the end of 2010. It also required data concerning planned and actually achieved energy efficiency savings due to the ERDF and CF projects in different energy efficiency sectors. The MA participated in an online survey on 3<sup>rd</sup> November.

- Effective management of EU Structural Funds

An online survey was received from the Ministry of Finance of the Republic of Lithuania on 8<sup>th</sup> December 2011. The main objectives of the survey were to identify the most effective ways of managing and simplifying EU Structural Funds, identify best practices in reducing administrative burden and identify the best practices of Information Technologies (IT) and Information Systems (IS) usage for the management of EU Structural Funds. The complete survey was sent by the MA on 9<sup>th</sup> January 2012.

### **Capacity Building**

In the course of 2011, a representative of the Evaluation Unit within the MA attended a three-day seminar on the Evaluation and Monitoring of EU Structural Funds at the European Institute of Public Administration in Netherlands. The main aim was to attain a deeper understanding of the evaluation cycle and the methods used for conducting ex-ante programme evaluations, ongoing evaluations and ex-post impact assessments of projects and programmes. The seminar also delved into the programme and project monitoring systems and procedures, and generating indicators for projects and programmes.

Furthermore, the MA participated in three (3) Evaluation Network Meetings organised by DG-REGIO.<sup>182</sup> During these meetings, participants were provided with guidance on evaluations' methodology, an update on the progress in relation to the evaluation being undertaken by the CION and other Member States, outline of the logics of intervention and indicators for the next programming period. The MA also provided feedback to DG-REGIO on the draft guidance document titled Monitoring of European Cohesion Policy – ERDF and CF – Concepts and Recommendations, on 2<sup>nd</sup> September 2011.

The MA also participated in the Evidence Based Policy Conference which was organised by the Polish Authorities and held on 7<sup>th</sup> July 2011 in Poland. During the conference high-level representatives of the CION, Polish administration and other Member States remarked that since Cohesion Policy is an important element for the future EU budget, evaluation is an important element of the assessment of Cohesion effects. Following the plenary session, three (3) parallel sessions on how to improve the orientation towards performance and to have better evaluations, and more relevant indicators were held.

The MA also participated in the Impact Evaluation Seminar and Informal Workshops which were held between 12<sup>th</sup> and 13<sup>th</sup> December in Poland. The growing role of counterfactual impact evaluations' in Cohesion Policy was discussed during the conference. The rest of the seminar was followed with a presentation which included a number of examples from various other Member States on the themes of enterprise, innovation and social integration, all within the ambit of counterfactual impact evaluations. On 13<sup>th</sup> December, an MA representative participated in an informal workshop between the CION and a

<sup>182</sup> The first meeting was held between 14<sup>th</sup> and 15<sup>th</sup> April, the second meeting was held on 8<sup>th</sup> July, whilst the third meeting was held between 20<sup>th</sup> and 21<sup>st</sup> October 2011.

number of Member States representatives, which was considered to be a learning experience in the field of the counterfactual evaluation.

In proceeding with the implementation of its evaluation activities the MA will take into account the results emanating from the evaluations being carried out, training, network meetings, conference and seminar in order to continue using evaluation as a tool to make Cohesion Policy more effective and efficient.

## 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 contributes towards the achievement of the Lisbon objectives of economic growth and job creation, with a total financial allocation of €120,000,000, of which €102,000,000 represent Community Funding. As can be seen in table 3.1 hereunder, by the end of 2011 a total of twenty-two (22) operations were being implemented under this Axis, fifteen (15) projects, six (6) Aid Schemes and one (1) financial engineering instrument (FEI). The objectives of these projects range from upgrading research and testing facilities (both in terms of equipment and structures); to upgrading and embellishing industrial estates the setting up of enterprise infrastructure to enable and foster investment in Malta and entrepreneurship as well as assistance to enterprises in terms of grants and instruments intended to facilitate access to finance.

**Table 3.1 – Project approval history under PA 1**

Call:	Closing date:	Focus Areas: <sup>183</sup>	Projects approved under Call:
1	7 Sep 2007	EI, RTDi	<b>5 Projects</b> (ERDF 001, 011, 012, 017 and 018)
2	22 Feb 2008	EI, RTDi	<b>10 Projects</b> (ERDF 076, 077, 078, 079, 080, 081, 082, 083, 087 and 199)
N/A	N/A	AS	<b>6 Aid Schemes</b> (ERDF 127, 128a, 128b, 129, 130 and 134)
N/A	N/A	FE	<b>1 Financial Engineering Instrument</b> (ERDF 200)

During the course of 2011 the MA did not issue any new calls under this Axis. By end of 2011 €11,637,217, or 9.7% of PA 1, remained uncommitted and for which a new and final call is expected to be published in 2012 once the OP changes presented at the MC in November 2011 are approved by the CION. The call will target the focus area of *Investment in RTDI and RTDI-related infrastructure and ICT*.

<sup>183</sup> Legend: EI – Enterprise Infrastructure; RTDi – Investment in RTDI and RTDI-related infrastructure and ICT; AS - Aid Schemes to the Manufacturing and Services Industries; FE - Financial Engineering.

### **Mainstream projects**

The main beneficiaries of the mainstream projects under PA 1 are the University of Malta and Malta Enterprise, with eleven (11) projects implemented by the UoM and two (2) projects implemented by ME / MIP. Out of the fifteen (15) projects under the focus area *Enterprise Infrastructure* and the focus area *Investment in RTDi and RTDi-related infrastructure and ICT*, seven (7) projects were completed during 2011, bringing the total number of completed projects under PA 1 to nine (9), for the value of €9,638,199<sup>184</sup> which amount to just under 9% of commitments). The remaining projects are still ongoing and are expected to be completed in 2012, 2013 and one project (ERDF 199) in 2015. Progress on the six (6) ongoing projects is reported under Section 03.1.2.

### **Aid Schemes**

The six (6) Aid Schemes being implemented, under different state aid regimes, under this Priority Axis are:

- ERDF 127 “*Small start-up grant scheme*” – aimed at supporting the growth of new enterprises with less than 50 employees. The scheme will reimburse 25% of the wage costs, rent, leasing and utility bills for Start-ups that have been operating for less than 3 years;
- ERDF 128a “*Innovation Actions Grant Scheme (Innovation)*” - seeks to help SMEs investing in projects to stimulate innovative processes, products, services and organizational processes. The scheme will co-finance investment costs and services acquired for implementing an Innovation Management Technique;
- ERDF 128b “*Innovation Actions Grant Scheme (Environment)*” - supports SMEs investing in projects designed to improve their environmental performance through eco-innovations. The scheme will co-finance certification costs, technology licensing costs and investment costs in tangible and intangible assets;
- ERDF 129 “*e-Business Development Grant Scheme*” - supports SMEs investing in ICT projects that integrate business functions, streamline workflows and enhance interactions with clients and suppliers. The scheme will co-finance ICT hardware costs and ICT software costs;
- ERDF 130 “*Research & Development Grant Scheme*” - designed to help enterprises meet today’s business challenges by supporting them carry out R&D projects leading to new products, processes and services. The scheme will co-finance the costs of wages, equipment, materials and contractual research specifically incurred as part of the research project;
- ERDF 134 “*International Competitiveness Grant Scheme*” - supports enterprises to expand into new international markets. This scheme will reimburse 50% of the marketing costs, trade fair costs,

<sup>184</sup> This figure includes amounts related to projects under the focus areas of *Enterprise infrastructure* and *RTDi investments* only, excluding data related to Aid Schemes and JEREMIE.

product certification and the wage costs of a business development manager as part of a specified internationalisation project.

In 2011, a total of sixty-eight (68)<sup>185</sup> new GAs were signed between ME and SMEs under the six (6) Aid Schemes, bringing the total number of signed GAs to three hundred (300). Table 3.2 below shows a breakdown of the signatories of the GAs under each scheme divided by size of Enterprise and territory (Gozo and Malta). Out of 300 beneficiaries, twelve (12) were companies based in Gozo.

**Table 3.2 – Total GAs signed between ME and Beneficiaries as at end 2011**

Reference:	Scope:	Maltese Entities:					Gozitan Entities:					Total:
		MI <sup>186</sup>	SM	ME	LR	T	MI	SM	ME	LR	T	
ERDF 127	Small Start-ups	20	4	N <sup>187</sup>	N	24	1	0	N	N	1	25
ERDF 128a	Innovation	19	22	13	N	54	5	0	2	N	7	61
ERDF 128b	Environment	6	5	1	N	12	1	0	1	N	2	14
ERDF 129	E-Business	39	31	22	N	92	0	0	0	0	0	92
ERDF 130	R&D	4	14	5	3	26	0	0	0	0	0	26
ERDF 134	International Competitiveness	15	39	20	6	80	0	0	2	0	2	82
<b>Totals:</b>		<b>288 (96.0%)</b>					<b>12 (4.0 %)</b>					<b>300</b>

### Financial Engineering

In order to continue strengthening SME support structures, this Priority Axis also caters for measures that facilitate SME access to finance. A financial engineering instrument, *First Loss Portfolio Guarantee* (FLPG), is being implemented through EIF as the Holding Fund manager under the JEREMIE initiative. The amount earmarked to this instrument is of €10,000,000. Following the Call for Expression of Interest in 2010, Bank of Valletta (BoV) was chosen as the Financial Intermediary (FI) in March 2011. BoV, as the selected FI, was entrusted with the task of creating a portfolio of €51.04 million in eligible loans.<sup>188</sup> By end of 2011, 30% of the total loan portfolio or €15,830,000 was committed with €7,780,000 being actually disbursed. Up to December 2011 one hundred seventy-nine (179) transactions, covering both Maltese and Gozitan enterprises were signed. Of the committed amount, around €5,800,000 were

<sup>185</sup>Two (2) new GAs under ERDF 127, fifteen (15) under ERDF 128a, three (3) under ERDF 128b, thirty three (33) under ERDF 129, thirteen (13) under ERDF 130 and two (2) new GAs under ERDF 134.

<sup>186</sup> Legend: "MI" – Micro enterprises; "SM" – Small enterprises; "ME" – Medium enterprises; "LR" – Large enterprises; "T" – Total.

<sup>187</sup> Legend: "N" – Not eligible.

<sup>188</sup> According to the Operational Agreement, transactions under JEREMIE are only eligible if they fulfil the following requirements: the transaction is towards an SME which is not in financial difficulty; the transaction does not have substantial focus on one or more restricted sectors as defined in the same Agreement; and the transaction is towards an SME which is established, registered and operating in the JEREMIE jurisdiction.

distributed as loans to Start-Up companies.<sup>189</sup> This success is partly the result of aggressive publicity and marketing activities, which lead to an increase in public awareness and take-up.

**Table 3.3 – Progress under the JEREMIE instrument as at end 2011<sup>190</sup>**

<b>Description:</b>	A First Loss Portfolio Guarantee targeting SMEs, including microenterprises, based in Malta (Gozo). This Guarantee instrument has mainly the purpose to facilitate access to finance at better conditions (i.e. reduction in terms of interest rate and collateral required by the bank selected). During a 36 months availability period, the bank selected has to build up a portfolio of loans of €51,040,000. Cap Rate has been set up to 23%, thus ensuring a leverage of 5.8 times.
<b>OP Contribution:</b>	€10,000,000 <sup>191</sup>
<b>ERDF share:</b>	€8,500,000
<b>National share:</b>	€1,500,000
<b>Agreed Portfolio / Portfolio volume to build up:</b>	€51,040,000
<b>Holding Fund:</b>	European Investment Fund (EIF)
<b>Funding Agreement:</b>	Signed on 25 March 2010 between the Government of Malta and EIF
<b>Financial Intermediary:</b>	Bank of Valletta (BoV)
<b>Operational Agreement:</b>	The Operational Agreement for the implementation of a First Loss Portfolio Guarantee instrument was signed between EIF and BoV on 6 April 2011.
<b>Amount committed / Actual portfolio volume / SME Drawn Amount:</b>	€15,830,212 (31% of portfolio)
<b>Amount disbursed:</b>	€7,786,585 (15% of portfolio) <sup>192</sup>
<b>OP contribution disbursed:</b>	€1,343,186
<b>ERDF share:</b>	€1,141,708
<b>National share:</b>	€201,478

### 03.1.2 Information on the physical and financial progress

#### Physical progress

##### *Mainstream projects*

During 2011, further progress was registered on the fifteen (15) approved projects, with seven (7) projects being finalised and concluded, leading to a total of nine (9) projects now being completed under this Priority Axis. These investments increase the University's capacity to address modern teaching and research activities in the various corresponding areas. Equipment procured under all the above projects is available to lecturers, students and researchers. The seven (7) completed projects, all managed by the UoM as the beneficiary, were:

<sup>189</sup> Start-Up is defined as an enterprise which has carried out its main business for a maximum of twenty-four (24) months.

<sup>190</sup> Table as per Article 67(2)(j) of Regulation (EU) 1310/2011 of 13 December 2011 amending Regulation (EC) 1083/2006.

<sup>191</sup> This includes management costs as per the Funding Agreement between the Government of Malta and the Holding Fund Manager amounting to €1.2 million (or 2% per annum).

<sup>192</sup> Representing one hundred sixty-five (165) SMEs benefiting from the signing of one hundred seventy-nine (179) loan agreements.



- ERDF 011 *Furnishing & Equipping of Chemistry & Biology Building Extensions*, which provided an upgraded teaching and research facilities for both undergraduate and graduate students at the Departments of Biology and Chemistry thus providing the necessary laboratory and field equipment for both students and lecturers;
- ERDF 012 *Developing an Interdisciplinary Material Testing & Rapid Prototyping R&D Facility*, which consisted in the setting up of a materials characterisation and rapid prototyping facility, thus improving Malta's R&D potential (as well as strengthening the linkages between industry and academia) through the rapid design and development of innovative products and the redesign of existing products;
- ERDF 018 *Strengthening of Analytical Chemistry, Biomedical Engineering and Electromagnetics RTDI Facilities*, which provided for the setting up of a laboratory cluster for research in electromagnetic fields and their applications, a Biomedical Engineering Laboratory and the setting up of a modern analytical laboratory within the Department of Chemistry;
- ERDF 077 *Electrical Energy and Efficiency Laboratory for the University of Malta* resulted in the setting-up of infrastructure required for an Electrical Energy and Efficiency Laboratory through the provision of state-of-the-art equipment. The main purpose of this project is to entice the pursue of studies in the area of electrical energy and allow the transfer of knowledge to the local industry, thus helping it in improving its R&D capacity;
- ERDF 078 *Upgrading of Giordan Lighthouse global Atmospheric Watch (GAW) Research Station* which brought about an upgrade to the present instrument measuring facility for atmospheric research at Giordan lighthouse in Gozo and the corresponding office facilities at the University Centre, Xewkija, Gozo. Such upgraded facility will enhance atmospheric research within an applied and interdisciplinary nature, contributing towards a better understanding of pollution and climate change in the Mediterranean;
- ERDF 079 *Setting up of Mechanical Engineering Computer Modelling and Simulation* set up a computer modeling and simulation laboratory in the Department of Mechanical Engineering in order to improve the level of teaching and research activity within the Department; and
- ERDF 082 *Modernizing the University of Malta's Control Systems Engineering Laboratory* which modernized the infrastructure of the Control Systems Engineering Laboratory through the provision of new equipment.

The remaining six (6) projects under implementation saw significant progress in 2011. With regard to RTDi and ICT related infrastructure, three (3) projects were still ongoing; with ERDF 017 and ERDF 081 related to infrastructure and equipment and a *softer* project which aims to enhance linkages with academia (ERDF 083).

Works continued on the building of the new *ICT Faculty at the University of Malta* (ERDF 017). 68% of the committed value was contracted, with five (5) contracts signed in 2011, whilst preparatory work on

the the remaining four (4) tenders continued. Sub-structure works were mostly completed whilst construction on the super-structure commenced during 2011 after experiencing some delays. The implementation of ERDF 081, *Enhancement of the Health Biotechnology facilities*, continued in 2011 with the supply and installation of equipment. As at end 2011, €3,934,721, or 89.9% of the project's public eligible cost of €4,378,257, was contracted. The few remaining tenders are expected to be published and awarded in quarter 2 2012. Moreover, payments amount to 80.5% of the contracted amount under the project, and the project is expected to be completed in the first half of 2012. Research continued in respect of the three projects foreseen within ERDF83 *Manufacturing Research Platform*. By end of 2011, three (3) interim reports were submitted on all three research projects. In addition, public consultation on the Research Strategy was concluded and the final document was presented to the MCST Board for final endorsement. In terms of procurement, over 95% of the public eligible cost was contracted up to end 2011 and 88.6% of the contracted value (or €599,350) was disbursed.

Two (2) projects related to enterprise infrastructure remain under implementation. The upgrading and embellishment of industrial estates under ERDF 001 continued, with substantial progress registered on the ground, including the approval of all planning permits. In 2011, five (5) departmental tenders and two (2) DOC tenders for were published for project management and works respectively. Five (5) contracts were signed in 2011 totalling €193,950, all related to project management, bringing the total contracted amount as at December 2011 to €13,233,900 (79.9% of the project's public eligible value). The first payments under this project were registered in 2011, amounting to €7,550,430 (57.1% of contracting). Meanwhile, the analysis of the impact of the merging of the ERDF 004 Expansion of the *Kordin Business Incubation Centre (KBIC)* and ERDF 084 *Setting-up a Life Sciences Centre* into a single project (ERDF 199) was finalised in December 2011 with the submission to the MA of the JASPERS Action Completion Note and acceptance by the MA of the revised project description. The total eligible cost of this project is of €30,920,895.<sup>193</sup> Despite the delays in the consolidation process, three (3) of the four (4) development permits were issued in 2011 and, by end of year, 10.5% (€3,236,521) of the total eligible cost of ERDF 199 was contracted, of which 38.6% (€1,248,243) were disbursed.<sup>194</sup>

With regards to the implementation of ERDF 087, *Developing National Metrology Capacity in Support of Industry*, all the procurement has been done as well as all the payments have been made. The project was originally scheduled to be completed by March 2011, but accreditation of the laboratory is still pending and thus the completion date was extended until November 2013, by when accreditation should be finalised.

### **Aid Schemes**

No calls for applications under the Aid Schemes were published in 2011 as the IB focused on finalising the assessment of the applications submitted under 2010 calls. A total of sixty-nine (69) new operations were selected during 2011 bringing the total public eligible value committed under this Axis for these

<sup>193</sup> The public eligible cost of the project is actually €22,003,226 following funding gap calculations.

<sup>194</sup> €1,248,243 total payments to date. However, €953,044 were disbursed in 2011 alone.

Schemes to €18,164,406, up from €15,820,000 in 2010. Simultaneously, twenty-six (26) other operations were completed in 2011. Of significant impact on the implementation of these Schemes were the relocation of the IB's offices, appeals during evaluation and high staff turnover at the IB. In terms of beneficiaries, the main hurdles were related to administrative requirements, with many of the beneficiaries failing to provide completed or correct documentation as required. This has resulted in delays in the processing of claims. Further details on financial progress are given in Section 03.1.3.

## Progress on Indicators

**Table 3.4 - PA 1 indicators**

Indicators		2007-2010	2011	Total
<b>Output Indicators</b>				
No of new/upgraded industrial zone projects by the end of 2013 [A1O01]	Achievement	6	<b>6</b>	<b>6</b> <sup>195</sup>
	Target	n/a	n/a	5
	Baseline	n/a	n/a	n/a
No of upgraded crafts villages [A1O02]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
No of SMEs receiving grants [A1O03]	Achievement	252	<b>291</b>	<b>291</b>
	Target	n/a	n/a	450
	Baseline	n/a	n/a	n/a
No of RTDi projects (core indicator) [A1O04]	Achievement	8	<b>9</b>	<b>9</b> <sup>196</sup>
	Target	n/a	n/a	10
	Baseline	n/a	n/a	n/a
No of new/modernized specialized learning facilities constructed/refurbished [A1O05]	Achievement	12	<b>24</b>	<b>24</b> <sup>197</sup>
	Target	n/a	n/a	22
	Baseline	n/a	n/a	n/a
<b>Result Indicators</b>				

<sup>195</sup> This reflects projects approved that will intervene in six (6) different industrial estates in Malta and Gozo.

<sup>196</sup> This represents the number of projects contributing to this indicator. Contributing projects are ERDF 012, 018, 076, 077, 078, 079, 080, 081 and 082. The actual number of RTDi operations undertaken under each project is: one (1) each under ERDF 012, 076, 077, 078, 080, 081; two (2) under ERDF 082; four (4) under ERDF 018 and seven (7) under ERDF 079.

<sup>197</sup> The operations contributing towards this indicator are: one (1) each under ERDF 078, 077 and 080; two (2) each under ERDF 011, 012, 076, 079, 087 and 082; three (3) under ERDF 018, and six (6) under ERDF 081.

No of new enterprises (local and foreign)/expansions in sites upgraded [A1R01]	Achievement	0	<b>0</b>	<b>0</b> <sup>198</sup>
	Target	n/a	n/a	25
	Baseline	n/a	n/a	n/a
% increase in the number of tourists visiting the crafts villages [A1R02]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	37%
	Baseline	n/a	n/a	90,937 visitors
No of start-up businesses supported (core indicator) [A1R03]	Achievement	0	<b>3</b>	<b>3</b> <sup>199</sup>
	Target	n/a	n/a	35
	Baseline	n/a	n/a	n/a
No of SMEs launching new or improved product or processes [A1R04]	Achievement	23	<b>35</b>	<b>35</b> <sup>200</sup>
	Target	n/a	n/a	35
	Baseline	n/a	n/a	n/a
No of SMEs improving their use of ICT for e-business [A1R05]	Achievement	0	<b>10</b>	<b>10</b> <sup>201</sup>
	Target	n/a	n/a	49
	Baseline	n/a	n/a	n/a
No of SMEs improving their market penetration efforts [A1R06]	Achievement	0	<b>33</b>	<b>33</b> <sup>202</sup>
	Target	n/a	n/a	35
	Baseline	n/a	n/a	n/a
No of SMEs assisted in environmentally sensitive technologies, operating systems and processes [A1R07]	Achievement	5	<b>14</b>	<b>14</b> <sup>203</sup>
	Target	n/a	n/a	100
	Baseline	n/a	n/a	n/a
No of enterprises involved in networking and new collaboration with other businesses and academia (core)	Achievement	11	<b>33</b>	<b>33</b> <sup>204</sup>
	Target	n/a	n/a	10

<sup>198</sup> All relevant projects are still ongoing (ERDF 001 and 199).

<sup>199</sup> Main contributor was ERDF 127.

<sup>200</sup> 2011 results achieved from ERDF 128.

<sup>201</sup> Ten (10) operations under ERDF 129.

<sup>202</sup> Results achieved mostly from ERDF 087 and ERDF 134.

<sup>203</sup> Main contributor: ERDF 128.

<sup>204</sup> One (1) each under ERDF 077 and ERDF 080; two (2) each under ERDF 012 and 081; eight (8) each under ERDF 018 and 083. Note that this indicator excludes SMEs.

indicator) [A1R08]	Baseline	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	0.169	<b>1.075</b>	<b>1.075</b> <sup>205</sup>
	Target	n/a	n/a	45%
	Baseline	n/a	n/a	3,092 <sup>206</sup>

As can be seen from table 3.4 above, an increase in the achievement of the indicators has been recorded during 2011. In some cases, such as in the number of SMEs launching new or improved products/services, the target has already been reached. In other instances, the target has not only been reached but also surpassed. The core indicator related to number of enterprises involved in networking and new collaboration with other businesses and academia has also been achieved, with an additional twenty three (23) recorded enterprises over and above the original target of ten (10) such enterprises.

As part of the proposed OP changes presented during the MC of November 2011, the indicators referring to number of upgraded crafts villages and % increase in the number of tourists visiting crafts villages will be removed, whilst a new indicator specifically targeting JEREMIE will be introduced.<sup>207</sup>

## Financial Analysis

**Table 3.5 – PA 1 financial analysis**

Priority Axis	Total contribution	Financial progress			
		Commitments <sup>208</sup>	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 1 (ERDF) Enhancing Knowledge and Innovation	€120,000,000	€108,362,783	€41,930,788	90.3%	34.9%

### 03.1.3 Qualitative Analysis

By the end of 2011, the amount committed under this Axis was €108,362,783 (or 90.3% of the allocation under PA 1). Comparison of the commitment value with previous years (€105,730,471 in 2010), could be misleading, since this value has and can still be revised depending on, amongst others, any savings, irregularities, contingencies returning to the programme at end of project, or revision of

<sup>205</sup> In 2011, a further twenty-eight (28) research students were admitted over the baseline of 3,092 students, representing an increase of 0.906%.

<sup>206</sup> This is made up of 1,185 students at the University of Malta and 1,907 at MCAST.

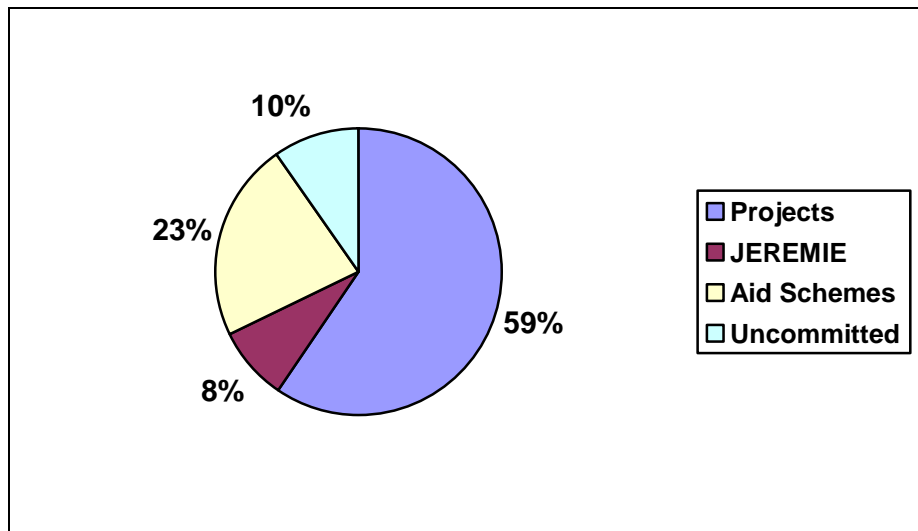
<sup>207</sup> Aiming at five hundred (500) SMEs benefitting from JEREMIE financial instruments.

<sup>208</sup> 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 and JEREMIE. In terms of Aid Schemes, the amounts committed through grant agreements by the IB to the beneficiaries (enterprises) are being described as amounts *contracted* and amount to € 18,164,406 as at end 2011.

project value following closure. The remaining balance of €11,637,217 is expected to be allocated in one (1) final call envisaged to be launched in 2012. The launch of this call was delayed because of the proposed OP changes which were sent to CION in Q1 2012.

Figure 3.1 below shows the split between the different interventions being undertaken through Axis 1.

**Figure 3.1 – PA 1 commitments**



With regards to contracting, the total amount contracted under PA 1, when including Aid Schemes and JEREMIE,<sup>209</sup> is €71,316,687, or 65.8% of the total commitments under this Axis, with the remaining balance (34.2%) in its majority by end of 2011 being at tendering. Most of the ongoing projects are expected to be completed by 2012,<sup>210</sup> with the exception of ERDF 199 which is expected to be completed by September 2015. Out of the contracted amount of €71,316,687, €16,049,086 were disbursed in 2011, bringing the total amount disbursed by the end of 2011 to €41,930,788, or 58.8% of the total contracted amount. The low disbursement is largely a reflection of the delays being incurred under ERDF 199 and ERDF 017, which, between them, represent 55.1% of the committed *mainstream* projects under this Axis.<sup>211</sup>

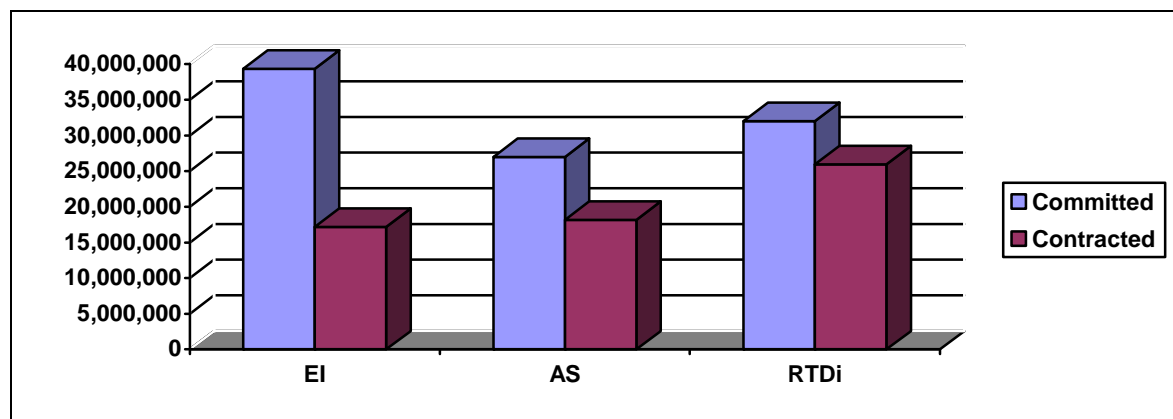
Figure 3.2 below compares the commitment and contracted levels under PA 1.

<sup>209</sup> For the purposes of calculating the “contracted” amounts, JEREMIE is taken as €10,000,000 and Aid Schemes €18,164,406. The commitment, disbursement and certified amounts under JEREMIE are €10,000,000.

<sup>210</sup> In the case of the Aid Schemes, current approved projects are expected to be finalised in 2013.

<sup>211</sup> As at end 2011, 28.1% (€4,869,043) of the public eligible project value of ERDF 017 (€17,297,932) were disbursed, whilst 5.7% (€1,248,243) of the public eligible project value of ERDF 199 (€22,003,226) were disbursed.

**Figure 3.2 – Comparison between commitments and contracting for projects and Aid Schemes under PA 1**



In preparation to the six (6) SOE verifications<sup>212</sup> held in 2011, thirty-seven (37) documentary OTS verifications and three (3) physical checks were undertaken in 2011. Expenditure related to PA 1 projects was included in all six (6) SOE verifications undertaken under OPI during 2011. By the end of 2011, €34,128,382, representing 81.4% of the total amount disbursed under this Axis, were verified and subsequently certified.

Table 3.6 below gives the global financial overview for PA 1.

**Table 3.6 – Financial progress under PA 1 as at end of 2011**

	Projects:	JEREMIE:	Aid Schemes:	Total PA 1:
<b>Allocation:</b>	N/A	N/A	N/A	€120,000,000
<b>Committed:</b>	€71,362,783	€10,000,000	€27,000,000	€108,362,783
<b>Contracted:</b>	€43,152,281	€10,000,000	€18,164,406	€71,316,687
<b>Disbursed:</b>	€27,797,068	€10,000,000	€4,133,720	€41,930,788
<b>Certified:</b>	€21,248,549	€10,000,000	€2,879,833	€34,128,382

#### **Further details on Aid Schemes**

As far as Aid Schemes are concerned, a further €2,344,406 were contracted during 2011, resulting in a cumulative total of €18,146,406 contracted under all six (6) Aid Schemes by the end of year, representing 67.3% of the €27,000,000 allocation to Aid Schemes under this Axis, as shown in Table 3.6 below.

<sup>212</sup> January 2011; May 2011; July 2011; September 2011; October 2011; November 2011.

**Table 3.7 – Financial Summary of Approved Grants**

Reference:	Scope:	Allocation:	Contracted: <sup>213</sup>	Remaining:
ERDF 127	Small Start-ups	€ 2,500,000	€ 1,607,563 (64.3%)	€ 892,437
ERDF 128a	Innovation	€ 7,000,000	€ 4,374,538 (62.5%)	€ 2,625,462
ERDF 128b	Environment	€ 3,000,000	€ 817,036 (27.2%)	€ 2,182,964
ERDF 129	E-Business	€ 3,500,000	€ 3,853,267 (110.1%)	-€ 353,267 <sup>214</sup>
ERDF 130	R&D	€ 4,500,000	€ 2,816,667 (62.6%)	€ 1,683,333
ERDF 134	International Competitiveness	€ 6,500,000	€ 5,048,602 (77.7%)	€ 1,451,398
<b>Totals:</b>		<b>€27,000,000</b>	<b>€18,164,406<sup>215</sup> (67.3%)</b>	<b>€8,835,594<sup>216</sup></b>

Total payments under the six (6) Aid Schemes during 2011 alone amounted to €2,085,805,<sup>217</sup> which is the same level of the total amounts disbursed since the start of the Aid Schemes prior to 2011 (a total disbursement of €2,169,571 was reported as at end 2010), bringing the total cumulative amount disbursed under the Aid Schemes as at 31 December 2011 to €4,133,720. This increased IB activity is also visible in the number of spot checks, totalling fifty-six (56)<sup>218</sup> in 2011. This meant that €1,249,771<sup>219</sup> could be certified during 2011, reaching a cumulative value of €2,879,833 (69.7% of payments made under these Schemes). As was the case for the disbursement figures, the largest amount certified was registered under ERDF 128a.

### 03.1.4 Significant problems encountered and measures taken to overcome them

Due to the variety in the nature and size of projects under this Axis, the problems encountered vary according to the type and nature of the project. For the *mainstream* projects, the problems continued to be delays in both the administration of procurement, such as the design and vetting of tender dossiers and delays in evaluation and preparation of the contract, as well as the physical implementation and execution of contracts on the ground, due largely to capacity challenges both in the Beneficiary organisations (staff turnover) but also in the private sector. One should add that in Malta, delays in the launching of a public procurement procedure are further compounded through the need to have the necessary development

<sup>213</sup> Note that in terms of Aid Schemes, the initial allocation is taken as PA 1 commitments in statistical calculations, whilst the actual commitments done by the IB (via the signing of GAs with beneficiaries) is treated as “contracted amount”.

<sup>214</sup> A decision was taken by the IB to over-commit ERDF 129 due to the high probability of withdrawal of small enterprises under this Scheme.

<sup>215</sup> In calculating this total, the contracted value for ERDF 129 was taken as €3,500,000 for the reasoning explained in footnote 219.

<sup>216</sup> In calculating this total, the remaining budget for ERDF 129 was taken as zero, for the reasoning explained in footnote 219.

<sup>217</sup> Disbursement in 2011 was as follows: €103,629 under ERDF 127; €1,284,203 under ERDF 128a; €131,627 under ERDF 128b; €328,442 under ERDF 129; €224,404 under ERDF 130; and €13,501 under ERDF 134.

<sup>218</sup> Five (5) verifications were carried out under ERDF 127, twenty-five (25) under ERDF 128a, two (2) under ERDF 128b, twelve (12) under 129, six (6) under ERDF 130 and six (6) under ERDF 134.

<sup>219</sup> Certified amounts for 2011 were as follows: €16,092 under ERDF 127; €884,482 under ERDF 128a; €131,627 under ERDF 128b; €139,744 under ERDF 129; €64,325 under ERDF 130; and €13,501 under ERDF 134.



consent (prior to launch of tender). This means that the two procedures have to be consequential and not undertaken in parallel. The time and resources to evaluate tenders should also not be underestimated.

Out of the eleven (11) UoM projects, ten (10) were mostly related to upgrading of existing facilities via the procurement of new equipment, with no components related to works. Whilst this was in part an advantage considering that supplies and services contracts are not affected by adverse weather conditions and by the limited pool of contractors on the market, the main disadvantage of such projects was related to the sheer number of contracts (of relatively small values) that needed to be prepared, vetted, evaluated, signed and, later on, checked, which inevitably had relevant consequences on the administrative capacity at various levels (beneficiary, DOC and the MA). This problem was mitigated in part with the help of the Projects Administration Office at UoM, which is intended to help the actual Project Leaders on such administrative issues, allowing the latter to focus on the technical side of the projects. This did help, to a certain extent, although the evaluation of tenders still relied heavily on technical expertise, which only specific individuals could provide. In order to expedite matters and avoid over-reliance on one contract, ERDF 017 was designed into two (2) main construction phases, with the respective contracts having been won by two (2) different contractors, which ultimately had its own problems and did not really contribute to any significant progress.

The merging of ERDF 004 and 084 into ERDF 199, albeit a long and difficult process, has ultimately solved certain problems related to project design and facilitated the overall clarity of the project scope.

The bilateral high level meetings are proving very useful in cases of inter-agency issues. Deadlines are set during these meetings which do usually have a positive effect on implementation.

As far as Aid Schemes are concerned, (the small-sized) beneficiaries faced the typical problems related to lack of capacity in dealing with administrative and regulatory obligations, as well as lack of expertise on the same issues. In conjunction with efforts done under other PAs, such problems were mitigated as much as possible by further educational endeavours by both the MA and IB in the shape of workshops, preparation of guidance notes and simplification of documentation to be submitted by beneficiaries and providing helpdesk services to both the beneficiaries and the IB.

## 03.2 Priority Axis 2 – Promoting Sustainable Tourism

### 03.2.1 Achievement of targets and analysis of the progress

Substantial progress has been registered in 2011 with respect to PA 2, which saw the approval of an additional five (5)<sup>220</sup> projects and the launching of a last call for applications with the intention of committing the remaining unallocated amounts under this Axis. By end of 2011, under PA 2 seventeen (17) projects were being implemented, of which two (2)<sup>221</sup> were completed.

#### ***Calls for project proposals***

In 2011, the PSC continued and finalised the evaluation of Call 8.<sup>222</sup> This call was restricted to project proposals from Local Councils in order to focus on the upgrading of cultural heritage trails and sites. Five (5)<sup>223</sup> project applications were given a grant for a total approved value of €2,508,636. These projects will bring about the setting up of Heritage Trails in the localities of Ħal-Tarxien (ERDF 213), Birkirkara (ERDF 221) and Ħal-Balzan (ERDF 205), the upgrading of the promenade near the St Thomas Bay area and the ditch around Fort St Thomas (ERDF 212) and the regeneration of Peacock Gardens through various embellishment interventions (ERDF 226).

In March 2011, a call for applications for the indicative value of €42,000,000 was launched and twelve (12) applications were received. Evaluation of the project proposals was ongoing as at the end of 2011. Table 3.8 hereunder shows projects approved under each call.

**Table 3.8 – Project approval history under PA 2**

<b>Call:</b>	<b>Closing date:</b>	<b>Focus Areas:<sup>224</sup></b>	<b>Projects approved under Call:</b>
1	7 Sep 2007	PD	<b>6 Projects</b> (ERDF 022, 024, 031, 032, 033, 039)
3	16 Sept 2008	PD, NM	<b>6 Projects</b> (ERDF 140, 142, 145, 147, 151, 155)
N/A	N/A	AS	<b>1 Aid Scheme</b> (ERDF 135)
8	19 Apr 2010	PD, NM	<b>5 Projects</b> (ERDF 205, 212, 213, 221, 226)

<sup>220</sup> This refers to ERDF 205, ERDF 212, ERDF 213, ERDF 221, ERDF 226.

<sup>221</sup> ERDF 022 was completed in 2010 whilst ERDF 155 was completed in 2011.

<sup>222</sup> The call was launched in 2010 and for which twenty-seven (27) applications were received.

<sup>223</sup> Ten (10) projects made the pass mark. Of these ten (10) projects, five (5) were approved for co-financing while the other five (5) were kept on a reserved list.

<sup>224</sup> Legend: PD – Product Development; NM – Niche Market Development & Branding; AS - Aid Schemes to Tourism/Cultural Undertakings.

10 <sup>225</sup>	6 May 2011	PD, NM	<b>4 Projects</b> <sup>226</sup> (ERDF 244, 245, 246, 249)
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### **Mainstream projects**

The remaining twelve (12) mainstream projects approved from calls 1 and 3 were all at an advanced stage of implementation by the end of 2011, with ERDF 155 completing activities during the year under review. It is also worth noting that several of the approved projects under this PA included commitment specific to Gozo, with six (6) projects fully implemented in Gozo (ERDF 022, 024, 031, 140, 142 and 147) and two (2) projects Gozo (ERDF 032 and 039) having Gozo components.

### **Aid Scheme**

The Grant Scheme for Sustainable Tourism Projects by Enterprises (ERDF 135) provides assistance to tourism services operators in different areas and continued in its implementation. As at the start of 2011, a total of eighty-seven (87) GAs had been signed from proposals submitted under the first two (2) calls.<sup>227</sup> A third call for project proposals attracted one hundred and nine (109) applications and was still under evaluation as at year's end.

## **03.2.2 Information on the physical and financial progress**

### **Physical Progress**

#### **Mainstream projects**

By end of 2011, two projects (ERDF 022 and ERDF 155) were completed whilst the procurement process in relation to remaining ten (10) projects approved under call 1 and call 2 was nearly concluded, with a total of one hundred and nine (109)<sup>228</sup> different contracts signed with respect to these twelve (12) projects by the end of 2011. Works had commenced on all projects and substantial progress was registered on a number of projects including ERDF 039 (*Restoration and Rehabilitation of Historical Fortifications of Malta and Gozo*) with 69% of the project public eligible value being contracted and 34% disbursed by end of year and, more importantly, parts of the Valletta, Birgu, Mdina and Cittadella fortifications are now visibly restored for the onlookers. With regards to ERDF 033,<sup>229</sup> 19% of the works were completed by end of 2011. The restoration, conservation and upgrading of the Malta at War Museum in Birgu implemented under ERDF 151 was nearly completed in 2011 and works should be finalised by Q1 2012.

<sup>225</sup> This call was restricted to interventions undertaken by public entities with the aim of supporting the *Tourism Policy for the Maltese Islands 2007 – 2011*, in an effort to upgrade and develop the tourism product, including existing national cultural assets, and the tourism experience offered by the Maltese Islands.

<sup>226</sup> These projects were only approved in 2012 and are thus outside the scope of this report.

<sup>227</sup> Twenty-seven (27) projects approved under Call 1 and sixty (60) projects approved under Call 2.

<sup>228</sup> Eighty-nine (89) contracted by the end of 2010 and twenty (20) contracted in 2011.

<sup>229</sup> Related to the building of an aquarium and landscaping works in Qawra.

In terms of projects fully implemented in Gozo, the upgrading of the Villa Rundle Garden (ERDF 024) had reached 90% completion, while around 35% of the works in relation to the upgrading of the Żewwieqa Waterfront (ERDF 031) were also completed by December 2011. The restoration works envisaged on the paintings at the Ta' Pinu Shrine and the residence of Karmni Grima under ERDF 140 and those on the façade of the church of St Lawrence under ERDF 147 were both processing well with 37% and 64% of the project cost being paid respectively with works well under way. Moreover, the Cultural and Heritage Centre (ERDF 142) to be established in Victoria was also being implemented, with 24% of contracting having been signed.

ERDF 032 experienced very little activity on the ground as the project continued to be at tendering stage with three (3) tenders for the embellishment and conservation works on the Maltese megalithic temples of Ġgantija and Tarxien, as well as St Paul's Catacombs, published and were still being evaluated. The only project with no activity on the ground at all was the Community museum envisaged in Cospicua (ERDF 145), due to permitting issues.<sup>230</sup>

On the other hand, with respect to the new five (5) projects approved under call 8, tendering was still in its early stages, with the launch of fifteen (15)<sup>231</sup> tenders by the end of the year. The majority of the tenders launched were in relation to only ERDF 221, which launched eight (8) tenders by the end of the year. No contracting was yet registered with respect to ERDF 212 and ERDF 226.

### **Aid Scheme**

2011 was mainly taken up by the evaluation of Call 3 and the signing of GAs in respect to the sixty (60) projects approved under Call 2, bringing the total number of approved projects under the Scheme to eighty-seven (87), although ten (10) were subsequently withdrawn,<sup>232</sup> leaving a net number of seventy-seven (77), of which 15 were in Gozo. Out of these, 2011 saw the completion of forty (40) projects. As seen in table 3.8 hereunder, the public eligible value of the remaining seventy-seven (77) grants stood at €6,092,784, which in turn leveraged an additional €8,625,334 in private funds.<sup>233</sup>

**Table 3.9 – Progress under ERDF 135**

	Type of Enterprise:	2007-2010:	2011:	Total as at end 2011:
Calls launched:		3 <sup>234</sup>	0	3

<sup>230</sup> This project was in fact withdrawn in 2012.

<sup>231</sup> Eight (8) tenders for ERDF 221, three (3) tenders for ERDF 213, and two (2) tenders each under ERDF 212 and ERDF 205.

<sup>232</sup> The main reasons quoted for such withdrawals included administrative burdens in complying with regulatory obligations related to co-financing and the shifting of business priorities, which tend to be seasonal in the tourism industry, especially in times of economic downturn. The far majority of the withdrawals, as expected, concerned small enterprises.

<sup>233</sup> Including both private co-financing and ineligible costs.

<sup>234</sup> Call 1 was launched in February 2009, Call 2 in October 2009 and Call 3 was launched in quarter 4 2010 and closed in quarter 1 2011.

Applications submitted:		313 <sup>235</sup>	0	313
Grants awarded:	Small:	58	0	50
	Medium:	20	0	18
	Large:	9	0	9
	Total:	87 <sup>236</sup>	0	77 <sup>237</sup>
Total grant value (public eligible):		€6,728,634	0	€6,092,784 <sup>238</sup>
Third-party investment mobilised:		€8,625,334	0	€8,625,334 <sup>239</sup>
Total investment:		€15,381,598	0	€14,718,118

## Progress on Indicators

**Table 3.10 - PA 2 indicators**

Indicators		2007 - 2010	2011	Total
<b>Output Indicators</b>				
No of assisted tourism and cultural projects (core indicator) [A2O01]	Achievement	12	<b>17</b>	<b>17<sup>240</sup></b>
	Target	n/a	n/a	308 <sup>241</sup>
	Baseline	n/a	n/a	n/a
No of new/upgraded beaches [A2O02]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	5
	Baseline	n/a	n/a	n/a
Surface area of rampart elevation plan restored (m <sup>2</sup> ) [A2O03]	Achievement	18,900	<b>65,471</b>	<b>65,471</b>
	Target	n/a	n/a	135,000
	Baseline	n/a	n/a	n/a

<sup>235</sup> Ninety-one (91) applications were submitted under Call 1, one hundred thirteen (113) applications submitted under Call 2 and one hundred and nine (109) applications submitted under Call 3.

<sup>236</sup> Twenty-seven (27) GAs signed under Call 1 and sixty (60) signed under Call 2.

<sup>237</sup> Of the eighty-seven (87) projects approved by the end of 2010, ten (10) were withdrawn leaving a total amount of seventy-seven (77) GAs as at end 2011.

<sup>238</sup> Representing the seventy-seven (77) GAs remaining and a reduction of €635,850 from the value as at end 2010.

<sup>239</sup> Including both private funding and non-eligible components.

<sup>240</sup> Seventeen (17) projects approved by the MA: eleven (11) projects implemented by the public sector; six (6) projects implemented by NGOs.

<sup>241</sup> Since the core indicator *No. of assisted tourism and cultural projects* and the non-core indicator *No. of projects implemented by NGO's and enterprises* are referring to No. of projects, the targets and achievements of both was being reported cumulatively. As from AIR 2012, the target of the core indicator *No. of assisted tourism and cultural projects* will read 20 and not 308, in line with the OP as modified.

No of marketing measures to penetrate/develop new/established niche markets [A2O04]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	4
	Baseline	n/a	n/a	n/a
No of projects implemented by enterprises [A2O05]	Achievement	93	<b>93</b>	<b>93</b> <sup>242</sup>
	Target	n/a	n/a	300
	Baseline	n/a	n/a	n/a
<b>Result Indicators</b>				
% overall increase in the number of paying visitors at upgraded Sites [A2R01]	Achievement	0	<b>0.17%</b>	<b>0.17%</b>
	Target	n/a	n/a	4% increase
	Baseline	n/a	n/a	154,000
% of total tourists visiting upgraded cultural sites [A2R02]	Achievement	0	<b>0.11%</b>	<b>0.11%</b>
	Target	n/a	n/a	8% increase
	Baseline	n/a	n/a	62,333
% average increase in tourist departures for the established niche segments [A2R03]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	3% increase
	Baseline	n/a	n/a	36.6%
No of enterprises/NGOs adopting new products and processes [A2R04]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	250
	Baseline	n/a	n/a	n/a

As can be seen from Table 3.10 above, projects continued to register progress in terms of achievements against established targets. It should be noted that several changes to the above targets have been proposed in the OP changes presented to the MC in November 2011 and submitted to CION in March 2012. These changes are aimed at making the indicators both realistic (in line with the implementation modalities adopted at project level) and, where applicable, more ambitious. The most significant changes are shown in Table 3.11 hereunder.

<sup>242</sup> The indicator used to include projects implemented by NGOs as well. Moreover, despite the fact that only seventy-seven (77) GAs are signed under ERDF 135, the actual number of approved projects may be higher in reality. The process of approving applications involves the evaluation of the application, followed by formal approval (sending of an approval letter), then, finally, the signing of the GA. The time lapse between the date on the approval letter and the actual date of the signing of the GA explains the difference between the number of approved projects and number of GAs signed at a point in time.

**Table 3.11 – Proposed OP changes affecting PA 2 indicators**

Indicator:	As at 2011:	Change being proposed:
No of assisted tourism and cultural projects (core indicator)	Target of 8	Target of 20
No of new/upgraded beaches	Target of 5	Indicator to be removed
Surface area of rampart elevation plan restored (m2)	Target of 135,000	Target of 150,000
No of projects implemented by enterprises	Target of 300	Target of 110 (since now the indicator will refer only to enterprises and will exclude NGOs)
% overall increase in the number of paying visitors at upgraded sites	Baseline of 154,000	Baseline of 1,035,844 (the current baseline did not reflect the total number of tourists visiting Malta)
% of total tourists visiting upgraded cultural sites	Target of 8% increase	Target of 14% increase
No of enterprises/NGOs adopting new products and processes	Target of 250	Target of 90 (the indicator will now refer only to enterprises)

## Financial Analysis

**Table 3.12 – PA 2 financial analysis**

Priority Axis	Total contribution	Financial progress			
		Commitments	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 2 (ERDF) Promoting Sustainable Tourism	€120,000,000	€78,480,352	€27,139,888	65.4%	22.6%

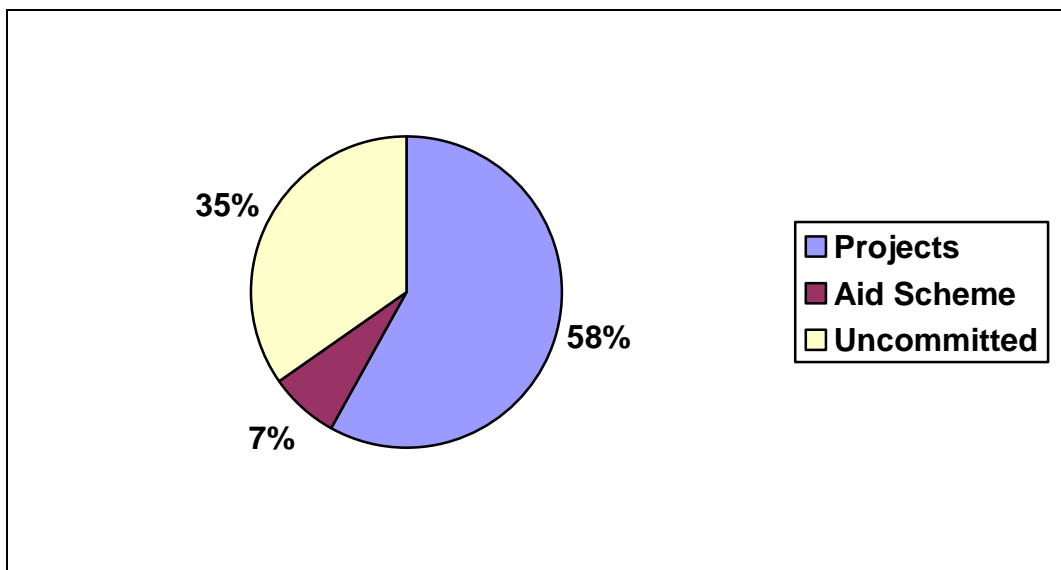
### 03.2.3 Qualitative Analysis

The amount committed under PA 2 continued to increase with the allocation of a further €2,508,636 for the approved five (5) new mainstream projects in 2011. However, as indicated above in Section 03.1.3 the committed amount can be compared to previous year within context and although there was an increase of €2,508,636 in the committed amounts, the net increase from what was reported last year was €1,207,746, given that €1,300,890 were returned back to the programme following savings registered within projects (in most cases following the contracting of tenders). This means that the final committed amount by the end of 2011 increased only slightly from that reported in 2010 and stood at

€78,480,352 (or 65.4% of the total allocation). This amount can be further broken down into €69,535,143 in *mainstream* projects and €8,945,209 representing the Aid Scheme to the tourism sector. The committed amount is expected to increase in the beginning of 2012, following the conclusion of Call 10, which had an allocated value of circa €42,000,000. This Axis, will, in fact most likely become the first Axis to commit all the funds.

Figure 3.3 below compares the commitments made for various interventions under this Axis.

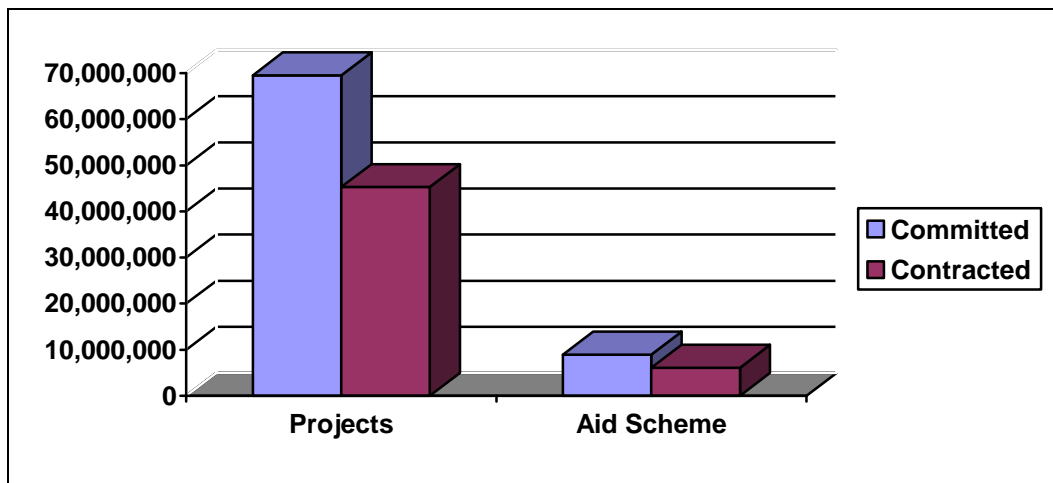
**Figure 3.3 – PA 2 commitments**



As at end 2011, €45,299,743 (or 65.1%) of the committed amount was contracted by the approved *mainstream* projects, of which €23,945,174<sup>243</sup> were contracted during 2011. The projects that contributed mostly to such progress in contracting were ERDF 31 (in which 84.9%, or €3,352,972, of the commitment was contracted), ERDF 033 (€13,438,134, or 96.0% of the commitment, was contracted) and ERDF 039 (€22,214,236 was contracted, equivalent to 68.8% of the commitment). The remaining 11.9% of the total contracted amount under PA 2, equivalent to €6,092,784, was contracted under the Aid Scheme (ERDF 135). This represents the value of the GAs signed between the IB and beneficiaries, as explained earlier. This amount is expected to increase following the signing of GAs for projects approved under Call 3. It should also be noted that, as at end 2011, a decrease of €635,850 was registered in the contracted amounts for the scheme, when compared to that registered in 2010, due to the withdrawal of ten (10) approved projects in 2011. Thus, in total by the end of 2011, €51,392,527 was contracted under PA 2 amounting to 65.5% of the committed amounts.

<sup>243</sup> Representing an increase in contracting value of 83.0% over the contracted value as at end 2010 (reported as €28,083,203).



**Figure 3.4 - Comparison between commitments and contracting under PA 2**

With regard to payments, by end of 2011, a total of €27,139,888 (52.8% of the contracted amounts) were disbursed. It is to be noted that this represents a substantial increase over 2010, with €20,005,967<sup>244</sup> disbursed in 2010. Whilst no payments were registered in ERDF 145, 205, 212, 213 and 226,<sup>245</sup> €11,061,492 (representing 50% of the contracted amount under the same project) were disbursed under ERDF 039, whilst €8,346,660 (or 62% of the project's contracted value) were disbursed under ERDF 033. In the meantime, €2,588,228 (or 43% of the contracted value) were disbursed under the Aid Scheme (ERDF 135), representing an increase in payments of €1,842,434 over the value reported for 2010 (€745,794).

In preparation to the SOE and as part of the management verifications, twenty-seven (27) *on-the-spot* checks and six (6) physical checks were carried out during the course of 2011 by the MA whilst another thirty-six (36) OTSs<sup>246</sup> were carried out by the IB in the same year. Expenditure under this PA was included in four (4) SOEs in 2011<sup>247</sup> with €17,739,178<sup>248</sup> being certified in 2011, bringing the amount of certified as at the end of 2011 to €21,446,473 (equivalent to 79.0% of disbursements under PA 2). Table 3.13 hereunder shows the general financial progress under PA 2.

**Table 3.13 – Financial progress under PA 2 as at end of 2011**

	Mainstream Projects:	Aid Scheme:	Total PA 2:
<b>Allocation:</b>	N/A	N/A	<b>€120,000,000</b>
<b>Committed:</b>	€69,535,143	€8,945,209	<b>€78,480,352</b>
<b>Contracted:</b>	€45,299,743	€6,092,784	<b>€51,392,527</b>

<sup>244</sup> Out of the total disbursed as at end 2011 of €27,139,888, €7,133,921 were disbursed as at end 2010. This means that 2011 saw an increase of 280% in disbursements over the previous years (€20,005,967 as a percentage increase of €7,133,921).

<sup>245</sup> Contracting was still at early stages and four (4) of the projects were only approved in 2011.

<sup>246</sup> The number refers to OTSs carried out by the IB on site after payment claims are submitted.

<sup>247</sup> SOEs dated 27 April 2011, 18 July 2011, 23 November 2011 and 27 December 2011.

<sup>248</sup> €3,707,295 were certified as up to 2010. The €17,739,178 certified in 2011 is equivalent to an increase in certifications of 478% over 2010.

<b>Disbursed:</b>	€24,551,661	€2,588,228	<b>€27,139,888</b>
<b>Certified:</b>	€20,508,272	€938,201	<b>€21,446,473</b>

### 03.2.4 Significant problems encountered and measures taken to overcome them

As can be ascertained from the volume of payments processed in 2011, it is clear that most of the projects gained a certain momentum, albeit not to the level that one would have expected. For instance, by end 2011 ERDF 039 had contracted almost 70% of the major work tenders amounting to circa €22,000,000. Notwithstanding such substantial contracting, disbursement was relatively low due to capacity limitations at contractors' level, given the highly specialised skills required for such restoration projects,<sup>249</sup> delays in the issuing of guarantees by contractors (often due to cash flow problems, not least due to the economic crisis) and abnormal weather conditions (excessive rainfall and gale force winds limiting works on high scaffolding) in quarter 4 2011. The same bad weather conditions also affected the carrying out of works under ERDF 033, which involves works close to the seaside (such as landscaping and seating for sea views) that couldn't be continued amidst forceful winds and high sea swells. However, although private contractors had to temporarily halt works, such contractors are pushing works on the ground to catch up for the days lost.

Apart from the issues above, another issue affecting other projects under this Axis (like the other Axes) concerns capacity. The problem is more acute under this Axis due to the relatively high ratio of Local Councils and NGOs, considering that these organisations rely heavily on the experience and availability of volunteers who will have limited experience on issues related to procurement, preparation and assessment of feasibility studies and the quality and depth of the required reporting. This sometimes results in delays on the ground. Nonetheless, with the constant support offered by stakeholders within the public service (such as the Treasury, the MA, the DOC and the Line Ministry) progress is being registered. The MA is also organizing workshops specifically targeting NGOs and Local Councils and is providing further clarifications in the form of manuals and guidance notes<sup>250</sup> on procurement. Reporting templates for the Project Progress Reports were, in general, simplified following direct consultations with the beneficiaries themselves. The MA also helped Local Councils in understanding the usage of tender templates from DOC and helped in the compilation of data.

With regard to the overall issue of capacity, one has to also mention the constraints in the private sector. When one considers the market (availability of contractors) and the sensitivity of certain areas (World Heritage Sites) where projects are being implemented, it makes it even more difficult to find suitable contractors to carry out necessary works. Coupled by the lack of local expertise, and the relatively (small) size and nature of the works, certain contracts may not be sufficiently financially advantageous and thus are failing to attract the interest of foreign companies. This resulted in a number of tenders being re-issued a number of times until they were successfully contracted. Procurement, in general, is a problem, with most projects suffering delays already during the vetting (pre-publication)

<sup>249</sup> Compounded also by other projects being undertaken on other sites through other resources.

<sup>250</sup> Also for enterprises.

stage, which is then carried forward throughout the evaluation (post-publication) process and the actual contracting and can be exponentially increased if the procedure goes to appeal. By the time implementation starts on the ground, there is hardly any possibility for the project to catch up.

### 03.3 Priority Axis 3 – Developing the TEN-T

#### 03.3.1 Achievement of targets and analysis of the progress

This Axis has registered noteworthy progress during 2011 in relation to the one (1)<sup>251</sup> major road and the two (2)<sup>252</sup> non-major maritime projects under implementation during 2011. By end of year, 47% of the Axis was committed and 77.8%<sup>253</sup> of that was contracted, with works starting/continuing on all projects. This included the start of works on the majority of road works envisaged under the TEN-T road network (CF 117) project,<sup>254</sup> the start of works on the Valletta breakwaters (CF124)<sup>255</sup> and the Ċirkewwa Ferry Terminal (CF198) and the continuation of the refurbishment works of the Marsaxlokk breakwater which commenced in 2010.<sup>256</sup> The preparatory studies (environmental and CBA) in relation to CF 125 (TEN-T phase II) continued in 2011. Moreover, another call (non-major) was launched in Q3 2011 and one (1) maritime project<sup>257</sup> was submitted.<sup>258</sup> Despite the fact that more than three-fourths of the commitments were contracted, it was noted that disbursements were substantially lower than forecasted in the original cost estimates.<sup>259</sup> This was mainly attributed to slower than anticipated progress of works as a result of weather conditions, delayed contracting, and the delayed approval of planning authority permits. In order to ensure that no funds are lost due to such circumstances (considering that the programming period is in its final years), the MA proposed the transfer of €24,038,258 from PA 3 to PA 5 as part of the OP changes presented at the MC in November 2011 and submitted to CION in March 2012. Table 3.14 gives an overview of the projects approved.

**Table 3.14 – Project approval history under PA 3**

Call: <sup>260</sup>	Closing date:	Focus Area:	Projects approved under Call:
1	17 Apr 2009	Maritime Transport Links	<b>1 Project</b> (CF 124)
N/A	N/A	Road Transport Links	<b>1 Major Project<sup>261</sup></b> (CF 117)
2	5 Feb 2010	Maritime Transport Links	<b>1 Project</b> (CF 198)

<sup>251</sup> CF 117 *Improvement of the TEN-T Road Infrastructure Phase I.*

<sup>252</sup> CF 124 *Refurbishment of the Valletta and Marsaxlokk main breakwater* and CF 198 *Ċirkewwa Ferry Terminal.*

<sup>253</sup> A cumulative total value of €61,221,038 was contracted, representing 77.8% of the committed €78,739,659 to date.

<sup>254</sup> During the year under review, all road works related to the six (6) roads forming part of the Phase I TEN-T project had already commenced and implementation was underway.

<sup>255</sup> Works related to site clearance, and rock testing commenced in the quarter 4 of 2011. The advance payment on this contract was paid during the year under review, whereas the first certification of works is to be presented during quarter 1 of 2012.

<sup>256</sup> Half the works were completed and certified by the supervising engineer as at year end 2011.

<sup>257</sup> CF 260 *Refurbishment and Upgrading of Deep Water Quay.*

<sup>258</sup> The evaluation of the submitted project started in January 2012 and the project was subsequently approved in February 2012.

<sup>259</sup> For instance, substantial savings of 15.2% (representing around €8,750,000) of the project public eligible amount were noted under CF 117, arising from the difference between the indicative project budget and actual costs registered upon contracting. Almost all the savings under this project were related on the road works component.

<sup>260</sup> Non-major (CF) calls.

<sup>261</sup> Endorsed by PSC in 2009 and formally approved by CION on 3 February 2010.

3	28 Oct 2011	Maritime Transport Links	Project selection process scheduled to commence in January 2012
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### 03.3.2 Information on the physical and financial progress

#### Physical progress

As at end of year, there were three (3) projects approved under PA 3, consisting of two (2) non-major projects (CF 124 and CF 198) and the major project CF 117. In total, by the end of 2011, forty-one (41) contracts were signed in relation to all three (3) (approved) projects, for a total value of €61,221,038. Of these contracts, twenty-seven (27)<sup>262</sup> were signed in 2011 for a total value of €51,480,351 (over 84% of the total contracted amount). Besides representing a significant increase in contracted amounts when compared to previous years, the signing of these contracts during 2011 were crucial both in terms of absorption of funds under this Axis and in terms of project implementation.<sup>263</sup>

#### *CF 117 - Improvement of the TEN-T Road Infrastructure (Phase I)*

Following the publication of a number of tenders in 2009 and the subsequent evaluation in 2010, 2011 registered the signing of all the project tenders for:

- Road works in Malta, including: the reconstruction of Council of Europe Road and Garibaldi Avenue, the Sea Passenger Terminal Road (Phase IA and Phase II), Marfa Road and Mellieħa Bypass;
- Road works in Gozo: Mġarr Road, Xewkija Road, Fortunato Mizzi Street and Republic Street.

By the end of 2011, all the tenders on the market related to this project were awarded and contracted, hence bringing the total contracted project value of €42,848,966 (74.4% of the project public eligible value). This means that this project alone contributed to 70.0% of the total PA 3 contracted amounts by end of year. Physical works were ongoing on all the roads with some roads as presented in Table 3.15 hereunder.

**Table 3.15 – Physical progress under CF 117**

Road:	Territory:	Situation as at end of 2011:
Council of Europe Road & Garibaldi Avenue	Malta	66% completion. Basecourse works were initiated, together with the installation of new street lighting and street furniture; whereas the transplanting of trees to line the avenue was complete.

<sup>262</sup> Ten (10) contracts signed under CF 117, seven (7) under CF 124 and ten (10) contracts under CF 198.

<sup>263</sup> Namely the six (6) works contracts for the reconstruction of six (6) parts of the TEN-T roads network Phase I, the works related to the refurbishment of the Valletta breakwaters (CF 124) and the signing of the civil works and M&E contracts related to the Ċirkewwa Ferry Terminal.

Marsa Sea Passenger Terminal Road	Malta	<p><b>Phase IA</b> – 66% completion. Upgrading of surface water runoff network commenced, together with asphaltting, construction of footpaths, shifting and installation of existing services, the replacement of existing boundary walls, the re-organisation of parking and the almost complete construction of a reservoir.</p> <p><b>Phase II</b> – preliminary stage (only excavation works and works on the deviation roads were done by the end of the year).<sup>264</sup></p>
Mġarr Road	Gozo	41% completion.
Marfa Road, Mellieħa	Malta	<p>28% completion.</p> <p>Works commencing in 2011 consisted of the construction of service utilities, excavation and widening of the existing road.</p>
Ta' Pennellu Mellieħa Bypass	Malta	<p>Preliminary stage (only excavation works and works on the deviation roads were done by the end of the year)<sup>265</sup>.</p> <p>Trenching works, the laying of service culvert, and excavation works commenced in 2011.</p>

In addition to the above works contracts, three (3) architects were originally engaged as project managers within the Roads Infrastructure Directorate of Transport Malta to oversee the works contracts, but two (2) of them resigned during 2011. One (1) was replaced following the call launched in July 2011. The engagement call to replace the remaining architect was launched in December 2011. In addition, the tender for the Road Operators Satisfaction Survey, which analysed the operators' satisfaction rate of the roads prior to their reconstruction was also completed by end of the year.

In the meantime, in spite of the progress achieved during the year in terms of contracting, works at all locations experienced delays due to the abnormally heavy rainfall season in quarter 4 2011 (.discussed in further detail in Section 03.3.4). Payments did of course increase when compared to 2010 (when only €97,763 were paid) with a further €9,295,904 disbursed in 2011, bringing the total disbursed amount under CF 117 to €9,393,667 (equivalent to 16.3% of the project public eligible cost).

#### **CF 124 - Refurbishment of the Valletta and Marsaxlokk Main Breakwaters**

The most significant achievement in 2011 under this project was that 98.4% of the project's public eligible cost was contracted (for a total of €10,690,943 in signed contracts as at end of 2011). €1,272,417 of this amount was contracted during 2011. This inevitably had an impact on the implementation, although the bad weather mentioned earlier on in this Chapter did hamper further progress. The progress registered in 2011 in terms of physical works and financial progress is shown in Tables 3.16 and 3.17 below.

<sup>264</sup>The tender for Phase II Marsa underpass was awarded in May 2011 but the contract was only signed late in the year (7<sup>th</sup> October 2011).

<sup>265</sup> The contract for the reconstruction of Mellieħa Bypass was signed late in 2011 (5<sup>th</sup> October 2011).

**Table 3.16 – Physical progress under CF 124**

Site:	Situation as at end of 2011:
Valletta Breakwaters (St Elmo side and Ricasoli side)	<p>6.5% works completed and certified.</p> <p>Site clearance works and rock testing works on the Valletta breakwater tender commenced in quarter 4 2011. The start of works on this tender was delayed due to a lengthy procurement process which spread over a year and a half.<sup>266</sup></p> <p>Preliminary works and works on the lighthouse quarters, the bridge and the below deck area commenced on the St.Elmo side.</p> <p>Works on the Ricasoli side are still to commence.</p>
Marsaxlokk Breakwater	<p>50.1% works completed and certified.</p> <p>Works on the refurbishment of the three (3) caisson joints, which had been identified as having lost fill material, were completed.</p> <p>The removal of cracked and spalled or sound concrete is ongoing.</p> <p>The cutting away of badly corroded re-enforcement steel, its treatment and its replacement by fibre re-enforcement steel were ongoing.</p> <p>Works on the refurbishment of fender fixing points were ongoing.</p> <p>Refurbishment of bollards was still to commence.</p>

**Table 3.17 – Financial progress as at end 2011 under the two main components of CF 124**

Site:	Contracted:	Disbursed:	% Payments:
Valletta Breakwaters (St Elmo side and Ricasoli side)	€ 1,081,957	€270,489	25.0%
Marsaxlokk Breakwater	€9,320,126	€4,665,759	50.1%
<b>Total:</b>	<b>€10,402,083</b>	<b>€4,936,248</b>	

**CF 198 Ċirkewwa Ferry Terminal**

Most of the effort on this project in 2011 was directed towards procurement. In fact by end of year €7,681,432, equivalent to 74.7% of the project's public eligible value were contracted. Works also started, however these had to be phased very carefully in order to minimise as much as possible the disruptions in the area, affected also by CF 117. The progress registered in 2011 on physical works and contracting is shown in more detail in Table 3.18 hereunder.

**Table 3.18 – Physical progress under CF 198**

<sup>266</sup> Tender was launched in May 2010, recommendation for award issued in November 2010 but an Appeal was lodged in November 2010. As a result the tender award was cancelled and a negotiated procedure was initiated.

Component:	Situation as at end of 2011:
Main civil works	<p>25% works completed and certified by the quantity surveyor and supervising architect.</p> <p>Works commenced immediately upon contract signing.</p>
Mechanical and electrical works	<p>Two (2) contracts were awarded in 2011.<sup>267</sup> Works include:</p> <ul style="list-style-type: none"> <li>- the installation of two (2) escalators, two (2) lifts and a lifting platform;</li> <li>- the installation of an air-conditioning system that will make use of deep sea water for cooling;</li> <li>- the installation of RES, including a micro-wind turbine system and a PV system.</li> </ul> <p>10% advance payment effected.</p> <p>Works on this component can only start upon completion of civil works at the ferry terminal.</p>
Finishes works	<p>Contract signed in December 2011.<sup>268</sup></p>
Baseline survey	<p>This component involved the carrying out of a survey amongst passengers using the terminal. The first part of the survey was concluded mid 2011 (prior to start of works) and the feedback received provided an insight on the customer satisfaction level and expectations of both transport operators and terminal users of the ferry service (via the Ċirkewwa terminal).</p> <p>A second wave of the same survey is to be carried out following the completion of works, in order to determine the extent of the shift in the satisfaction of service users.</p>
Other work items	<p>Underground services, infrastructural works and temporary electrical and plumbing works were completed.</p> <p>Ancillary temporary works related to pavements, barriers, road-side markings and signage as well as temporary civil works are nearing completion.</p> <p>Geotechnical studies were completed for both land and maritime aspects.</p> <p>The old terminal building was completely demolished.</p> <p>Design works for the temporary works and supplies, the civil works, the electrical sub-station, the mechanical and electrical works and the finishing works were completed.</p> <p>Design of the link spans and procurement of mooring equipment is ongoing.</p> <p>Dredging works related to the dredging and equipping of the North Quay experienced a delay in view of pending MEPA permits.</p> <p>Leased passenger shelter, police station and sanitary facilities were put in place in order to serve temporary facilities until the new terminal building is finished.</p> <p>Works on the terminal building, gangway, public car parks, public transport/coach terminus and parking for mini buses were ongoing.</p> <p>Works on the queuing area for dangerous cargo vehicles is ongoing.</p>

<sup>267</sup> Total public eligible value of €1,030,671.

<sup>268</sup> Public eligible value of €1,000,146.



### CF 125 - Improvement of the TEN-T Road Infrastructure Phase II

As reported in AIR 2010, the MA had planned to formally submit the major project application form to CION during late 2011/early 2012. Submission in 2011 was not possible mainly because of the extended terms of reference for the studies to be done as part of the Salina EIA and Kappara EIS and the delayed engagement process for Project Coordinators to carry out such studies, largely due to the limited expertise available on the market in the area of study being requested. Moreover, improvements in road designs required changes to the EIA and EIS reports. In parallel to the updating of the necessary environmental studies, updating of the CBA was ongoing. The CBA for Kappara Road had to be revised since the traffic modelling being carried out as part of the CBA analysis was showing a number of improvements in the road scheme in order to be provide more efficient transport flow in the long term. Such difficulties could not have been anticipated since the beneficiary organisation does not possess the required software. As a result of the implementation of necessary design improvements, updates to the individual baseline reports by the consultants, remodelling of the air quality and noise and vibration studies, together with updates to the landscape and visual assessments were subsequently required.

Under the revised plan, it was agreed that the amended environmental assessments would be ready for submission to MEPA for eventual issuance of the planning permits by quarter 1 2012. On the basis of the recommendations and outcomes of this evaluation, the project proposal could then be finalised and the application form should be submitted to the PSC for appraisal in quarter 2 2012.

### Progress on Indicators

**Table 3.19 - PA 3 indicators**

Indicators		2007-2010	2011	Total
<b>Output Indicators</b>				
Kms of roads upgraded (core indicator) [A3O01]	Achievement	0	0	0
	Target	n/a	n/a	20 Kms
	Baseline	n/a	n/a	n/a
Sq m of new/refurbished infrastructure [A3O02]	Achievement	1,045 m <sup>2</sup>	8,267 m <sup>2</sup>	8,267 m <sup>2</sup>
	Target	n/a	n/a	76,200m <sup>2</sup>
	Baseline	n/a	n/a	n/a
Construction of new sea passenger terminal [A3O03]	Achievement	0	0	0
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
<b>Indicators</b>		<b>2007 - 2010</b>	<b>2011</b>	<b>Total</b>
<b>Result Indicators</b>				

% increase in satisfaction rate of transport operators/users [A3R01]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	10%
	Baseline	n/a	n/a	n/a
Reduction in journey time (minutes) [A3R02]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	-5 mins
	Baseline	n/a	n/a	n/a
% reduction in traffic accidents in the areas of intervention [A3R03]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	10% reduction
	Baseline	n/a	n/a	193
% increase in cargo per annum [A3R04]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	2.0% increase
	Baseline	n/a	n/a	6,206,185
% increase in sea passengers per annum [A3R05]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	2.5% increase
	Baseline	n/a	n/a	3,804,221

As can be seen in Table 3.19 above, no indicators except the indicator related to the Sq m of new/refurbished infrastructure were achieved as at year end 2011. This can be explained by the fact that the projects are still in their implementation stage and the majority indicators can only be achieved once the projects are fully or nearly completed. To date, CF 124 is the only project contributing towards the indicator mentioned above, with a registered 8,267m<sup>2</sup> of refurbished infrastructure. This is mainly attributable to the refurbishment works on the Marsaxlokk breakwater component.

## Financial Progress

**Table 3.20 – PA 3 financial analysis**

Priority Axis	Total contribution	Financial progress			
		Commitments	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 3 Developing the TEN-T	€169,038,259	€78,739,659 <sup>269</sup>	€16,572,676	46.6%	9.8%

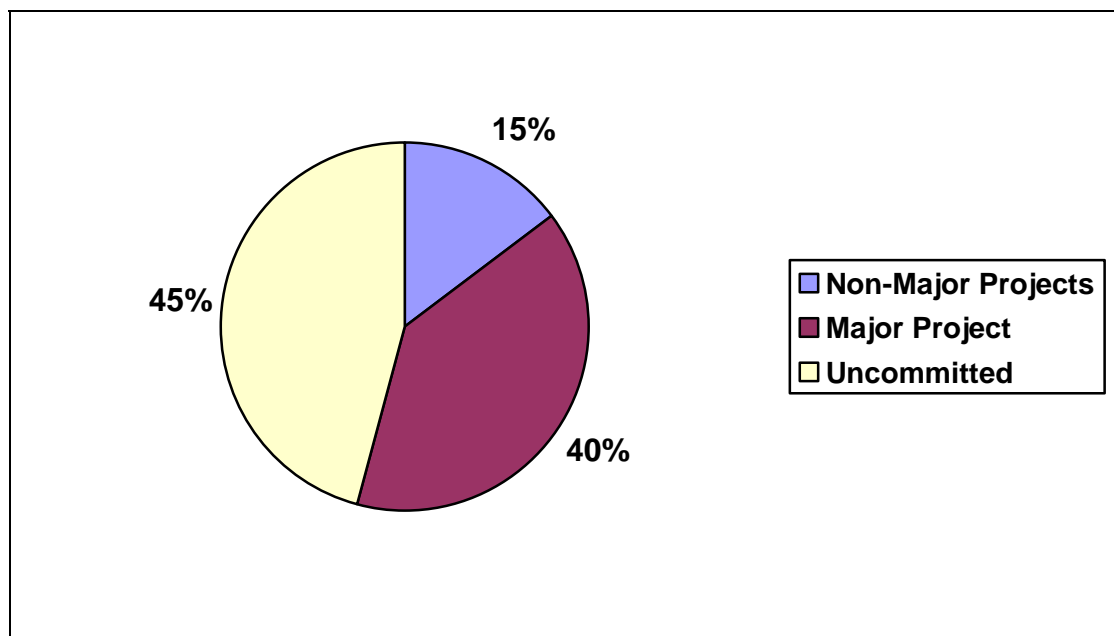
<sup>269</sup> The amount of commitments has been reduced from that reported in 2010 since a number of savings were registered following the contracting of the majority of the contracts.

### 03.3.3 Qualitative Analysis

As at end 2011, the total amount of commitments was equivalent to 46.58% (€78,739,659) of the total allocation under the PA. Given the amount of savings registered following procurement, the MA is recommending a transfer of €24,038,258 from this PA to PA 5, for reason explained earlier and in Section 02.1.1 of this report. As a result, once the proposed transfer of funds is approved, the total amount allocated under PA 3 would go down to €145,000,000 and the committed value as at end 2011 would be equivalent to 54.3% of revised PA allocation. The remaining unallocated amount of €66,260,341 is expected to be absorbed by TEN-T Roads Network Phase II (a major project) and a non-major project in the maritime sector which was proposed during quarter 4 2011 as explained earlier.<sup>270</sup>

Figure 3.5 below depicts the commitments as at end 2011.

**Figure 3.5 – PA 3 commitments<sup>271</sup>**

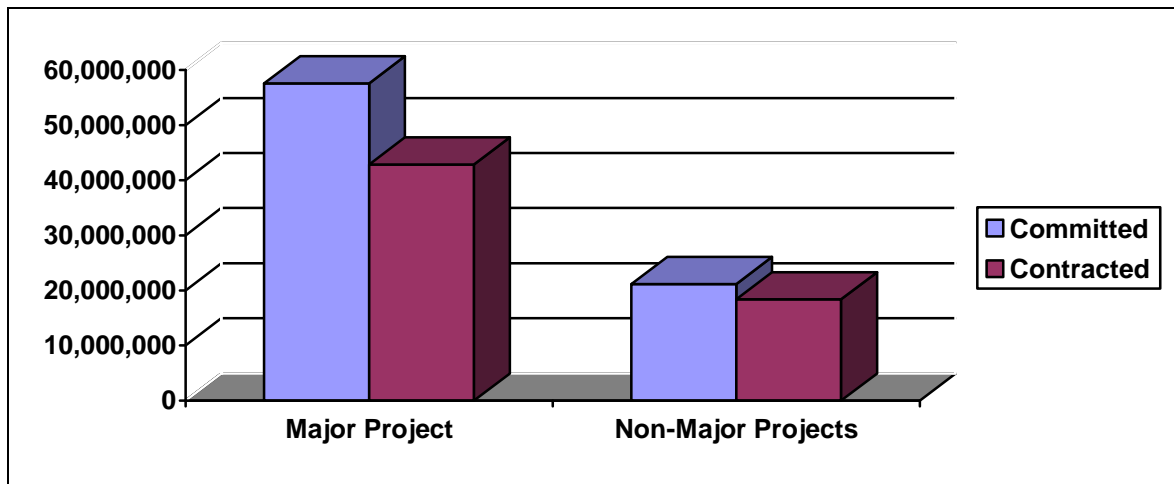


Out of the committed €78,739,659, €61,221,341 (or 77.8%) was contracted by the end of 2011, meaning that the majority of the contracts envisaged under the three (3) approved projects were awarded by end 2011. As explained earlier, the increase in contracting compared to the level recorded in 2010 (€12,800,982) is due to the approval of CF 198 only at the end of 2010. Figure 3.6 below compares the amounts committed with those contracted in relation to both the road project and the maritime projects.

**Figure 3.6 – Comparison between commitments and contracting under PA3**

<sup>270</sup> CF 125 Improvement of the TEN-T Road Infrastructure Phase II and CF 260 Refurbishment and Upgrading of Deep Water Quay.

<sup>271</sup> The total PA 3 allocation is reflected at €145,000,000.



Of the €61,221,341 contracted by the end of 2011, only €16,572,676, representing 27.1% of the contracted amount, was paid. Whilst this value is still very low, one needs to consider the fact that the main contracts awarded involve works which needs to be checked and certified by the supervising engineer or architect as well as Transport Malta prior to payment processing. Thus the invoice process is a lengthy process. Moreover, completion of works, and corresponding payments, was delayed due to conditions discussed in the next Section. Significant progress was also registered in terms of verifications, with one (1) OTS check carried out in relation to CF124, two (2) checks on CF 117 and one (1) OTS check carried out on CF 198 throughout 2011, resulting in a total of €13,481,915 being certified during 2011,<sup>272</sup> bringing the total of certified amount under PA 3 to €15,145,292 as at end of 2011. This represents the bulk (equivalent to 91.4%) of the cumulative certified amount under PA 3 during the programming period so far.

**Table 3.21 – Financial progress under PA 3 as at end of 2011**

	Major Project:	Non-Major Projects:	Total:
<b>Allocation:</b>	N/A	N/A	€169,038,259
<b>Committed:</b>	€57,588,381	€21,151,278	€78,739,659
<b>Contracted:</b>	€42,848,966	€18,372,375	€61,221,341
<b>Disbursed:</b>	€9,393,667	€7,179,009	€16,572,676
<b>Certified:</b>	€9,393,667	€5,751,624	€15,145,292

<sup>272</sup> Certifications were a result of three (3) SOEs concerning PA 3 projects during 2011: April 2011, September 2011 and November 2011.

### 03.3.4 Significant problems encountered and measures taken to overcome them

Besides the usual delays related to procurement (including appeals) and permitting, there were a number of project-specific issues (particularly with regard to the major project) which are outlined below.

#### ***CF 117 - Improvement of the TEN-T Road Infrastructure Phase I***

Any road works are expected to cause high levels of public inconvenience. The situation under this project was made worse by a range of foreseen and unforeseen circumstances. Amongst these were:

- a) Archaeological findings at the Marsa Sea Passenger Terminal Road (Phase I), Victoria and Xewkija Road, Gozo, during excavation works. Such findings led to a number of stop-notices being issued by the Superintendence for Cultural Heritage (SCH). Continuation of works could only be authorised following the carrying out of the necessary inspections and documentation of findings. Due to the sensitivity of certain findings, the SCH even demanded that works be carried out through manual excavation rather than with the heavy equipment and this prolonged the works.
- b) On the Marfa Road, Mellieħa, stretch, the main problem encountered was lack of adequate diversion routes from Paradise Bay Hotel to the Ċirkewwa Ferry Terminal, resulting from the geographical limitations in that part of the island.
- c) Inconveniencies to public and the business community, in particular concerning the Marfa Road leading to the Gozo ferry and in Victoria, Gozo, itself.

Of considerable mention are the effects the abnormally severe weather conditions experienced in quarter 4 2011 had on the project, including:

- Loss or erosion of road material being layered as part of ongoing works, especially with respect to granular material;
- Transfer of debris (including stones, garbage and soil) into works areas, excavations, uncovered structures and duct routes;
- Temporary pressure build-up behind exposed wall structures;
- At locations where construction was mostly at the sub-grade level, road surfaces were very susceptible to damage caused by water infiltration, making them unsuitable for covering-up later on. The only possible options in such cases would be either to wait until the material is dry or remove and replace the wet material (at an added cost);
- In cases where roads were being constructed at a downhill from other areas (including residential areas), these received additional catchment water from such areas;

- Access restrictions due to rainwater levels at the quarries from where new materials were procured and excavation debris is dumped.

Although one may argue that Malta's climate is relatively dry, the topography and characteristics of our road network, coupled with the typical short bursts of heavy rainfall, are features that do not assist road construction. It should also be noted that the roads being reconstructed under this project are not similar to what is typically encountered abroad, whereby motorways are raised above adjacent tenements, meaning that the latter cater solely for the water falling on their surface area.

Mitigation measures undertaken in view of the above problems included:

- Re-phasing and revisions to the works programme in order to be able to work on various stretches simultaneously rather than losing time. This allowed the fitting of works schedules within off-peak periods, ensuring that inconveniences would be kept as low as possible during the peak seasons (in particular as regards Gozo);
- The beneficiary also implemented various traffic management arrangements to divert traffic away from the construction sites.

#### ***CF 124 - Refurbishment of the Valletta and Marsaxlokk main breakwaters***

In the case of this project some delays in work commencement were experienced as a result of the weather conditions above, which, under this project, resulted in:

- The destruction of the site office;
- Works under this project had to stop until the fixing of the bridge linking both sides of the St Elmo breakwater off Valletta (not financed under this project) was complete. Such works required very good sea conditions and strict restrictions had to be in place on the number of vessels leaving or entering Marsamxett Harbour or Grand Harbour, due to sea swelling when such vessels pass-by;
- At Marsaxlokk, the storm of 30<sup>th</sup> October 2011 came at a very short notice and left little time for the contractor to carry out the removal and the securing of works, namely the sea side wave wall access and the shuttering systems. The high wave heights destroyed one (1) of the three (3) sea side wave wall access systems, dragging it to the sea bed and the only recovered parts of it were in an unusable state. The re-manufacture of this system took two (2) weeks to complete.

In terms of mitigation, work on various components was now being scheduled in parallel to recover lost time. The size of the site at the Valletta breakwaters actually facilitated works being carried out simultaneously. The Contractor was also instructed to shift resources (including workmen) to the Marsaxlokk site in order to make up for the delays. The additional works as a result of the storm were carried out at no additional costs whilst respecting the assigned budget and the contract scope of works.

The beneficiary is confident that project would still be completed within its deadline.

### ***CF 125 - Improvement of the TEN-T Road Infrastructure Phase II***

Despite the efforts made by the Transport Malta in order to carry out certain environmental studies in the shortest time possible, all the terms of reference, including the extended ones, were completed according to the details as specified by the Planning Authority. This was very important so that the process could progress in line with environmental regulations and thus reducing any risks related to the issuing of permits. In view of the delays experienced on the environmental studies as explained earlier, close contact was maintained with MEPA to ensure that no time is lost. Following submission of the EIA and EIS reports, a further seven (7) weeks would be required according to regulations for MEPA certification, public consultation and EPD assurance. In order to try and recoup some of the lost time, Transport Malta worked simultaneously on the environmental assessment updates, CBA updates, project application finalisation and on tender drafting. This would ensure the timely launch of road works tenders once all permits are in hand.

### ***CF 198 – Ċirkewwa Ferry Terminal***

Unforeseen geotechnical conditions delayed the commencement of dredging works due to a lengthier than expected screening by the planning authorities. This was an unexpected development because Transport Malta was previously informed that the full development permit for the demolishing of previous terminal and the construction of the new ferry terminal also covered sediment dredging at the relevant berth. But following screening, it was concluded that a full development permit specifically for dredging would be required and, as a result, dredging works could not commence until the necessary permit was in place. Moreover, the possible limited use of the alternative quay at the Ċirkewwa site and the constant use of the main quay for passenger handling further delayed the above-mentioned screening process.

### 3.4 Priority Axis 4 – Mitigation and Adaptation to Climate Change

#### 03.4.1 Achievement of targets and analysis of the progress

By the end of 2011, a total of eighteen (18) operations were approved under PA 4, consisting of seventeen (17)<sup>273</sup> *mainstream* projects and one (1) Aid Scheme<sup>274</sup> under the focus area of *Energy*. When including the major project ERDF 120, these nineteen (19) interventions result in 70.5% of the Axis being committed, 43.3%<sup>275</sup> of which was contracted. Payments had already started to pick up and as at year's end stood at 29.5% of the contracted amount. Results were also becoming evident in 2011, particularly in the number of PVs installed both at the domestic level as well as in enterprises. The only major project under the Axis as at year end, *The National Flood Relief Programme*, was sufficiently advanced in terms of documentation to be submitted to the EC and even the tendering process under this project had progressed considerably. However as described in Chapter 2, during the last part of 2011, the MA presented a set of changes to the OP to the MC in November. PA 4 is expected to undergo the most widespread change. These changes concern both substance in terms of focus areas, as well as the net financial balance of the Axis as a result of the change, in particular from the shift of the focus area *Flood Relief* from this Axis to PA 5. The change will not only result in a change in the title of the Axis, which will read *Climate Change and Resource Efficiency*, but will also unleash added resources for RES and EE whilst creating a new focus area on resource efficiency which will include water. This change is being undertaken to align the OP to the EU 2020 strategy, particularly the targets related to climate change.

#### ***Calls for project proposals***

PA 4 is targeted to attract interest from a variety of beneficiaries, ranging from public entities to NGOs and Local Councils, and has also brought Cohesion Policy and its targets (particularly those related to climate change) inside many Maltese households, the latter through the domestic scheme (ERDF 088) being run by the MRA. A total of six (6) calls were launched under this Axis since the start of the programming period, two (2) of which in 2011 as shown in Table 3.22 below. 2011 saw the conclusion of evaluations under Call 9, launched in 2010. Out of the sixteen (16) applications received, ten (10) operations were selected, three (3) of which concern Gozitan entities.

**Table 3.22 – Project approval history under PA 4**

Call: <sup>276</sup>	Closing date:	Focus Areas:	Projects approved under Call:
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<sup>273</sup> ERDF 088, ERDF 090, ERDF 101, ERDF 102, ERDF 190, ERDF 192, ERDF 193, ERDF 228, ERDF 229, ERDF 230, ERDF 234, ERDF 235, ERDF 236, ERDF 238, ERDF 239, ERDF 241 and ERDF 243. Note: ERDF 090 and ERDF 190 were later withdrawn whilst the major project ERDF 120 (*National Flood Relief Project*) was only approved at national level and is therefore being excluded from the list given that it still pending a CION Decision to be considered as formally approved.

<sup>274</sup> ERDF 133 *ERDF Energy Grant Scheme*.

<sup>275</sup> Refer to Table 3.28.

<sup>276</sup> Calls 5 and 12 were open to Gozitan applicants only in terms of PA 4. Calls 9 and 13 were open to NGOs and Local Councils only.



2	22 Feb 2008	Energy (RES/EE)	<b>4 Projects</b> (ERDF 088, 090, 101 and 102)
N/A	N/A	Energy (RES/EE)	<b>1 Aid Scheme</b> (ERDF 133)
5	12 Jun 2009	Energy (RES/EE)	<b>3 Projects</b> (ERDF 190, 192 and 193)
7	23 Nov 2009	Energy (Air quality)	None <sup>277</sup>
9	6 Aug 2010	Energy (RES/EE)	<b>10 Projects</b> (ERDF 228, 229, 230, 234, 235, 236, 238, 239, 241 and 243)
12	2 Sep 2011	Energy (RES/EE)	<i>5 applications submitted</i>
13	2 Dec 2011	Energy (RES/EE)	<i>19 applications submitted</i>

Call 12, with an indicative budget of €10,000,000 was launched on 17 June 2011 and closed on 2 September 2011, targeting the focus area *Energy* and was restricted to interventions in Gozo, in line with the Eco-Gozo strategy and to ensure focus in line with the OP's territorial targets. A total of five (5) applications were submitted. The second call issued in 2011 under this Axis, Call 13, targeting NGOs and Local Councils in both Malta and Gozo, had an indicative budget of €5,000,000 and was launched on 30 September 2011 and closed on 2 December 2011. A total of nineteen (19) applications were submitted. As at end of year, evaluation on both calls was still ongoing.

### **Mainstream Projects**

ERDF 101, *Installation of Renewable Energy Sources at MCAST*, was completed during the course of year, bringing the total of completed projects under PA 4 to two (2).<sup>278</sup> The most "popular" operation is undoubtedly ERDF 088 *Promotion of Renewable Energy Sources in the Domestic Sector*, representing 19.9% of the committed value under PA 4 as at end of year. In 2011, a total of three thousand, five hundred and fifty-four (3,554) submissions were received under this operation; three thousand, five hundred and sixteen (3,516) applications for the installation of PVs and thirty-eight (38) applications for SWHs, resulting in three thousand, two hundred and ninety-nine (3,299) GAs signed in 2011. As at year's end, the operation had generated €22,786,349 in private resources. It is worth noting that this is another Axis where focus is also being made on Gozo. In fact as at year's end, there were five (5)<sup>279</sup> projects fully implemented in Gozo and two (2)<sup>280</sup> others with a Gozitan component.

<sup>277</sup> ERDF 197 (*Reduction of Emissions from the Delimara Power Station*) was withdrawn.

<sup>278</sup> ERDF 102 was completed in 2010.

<sup>279</sup> ERDF 192, 193, 236, 238 and 239. There were actually six (6) projects approved to Gozitan entities, but ERDF 190 was withdrawn in March 2011.

<sup>280</sup> ERDF 088 and 228.

## **Aid Scheme**

The purpose of the Energy Grant Scheme (ERDF 133) is to provide an opportunity to the business community to invest in actions which contribute towards the mitigation of climate change, through investment in EE measures and RES. The funds committed under this Scheme amount to €15,000,000.<sup>281</sup> Throughout 2011 alone, the operation had stimulated another €15,052,489 in private investment (including non-eligible expenditure). Following the two (2) calls issued in 2009 and the third call issued in 2010, no further calls were issued in 2011. The IB focussed on the monitoring of operations being implemented as well as on the conclusion of the remaining GAs under Call 3. In this respect, one hundred thirteen (113) GAs were signed during the year, amounting to €6,943,326, bringing the total number of GAs issued under the scheme throughout the programming period to two hundred fifty (250) with an equivalent grant value of €14,774,636.

## **National Flood Relief Project**

PA 4 also included a major project, ERDF 120, which targets the focus area of *Flood Relief*.<sup>282</sup> As far as this project is concerned, implementation focused almost entirely on the two most time-consuming legal processes, namely, procurement and permitting. In parallel, work on the project application was being done, with the application being submitted informally to CION<sup>283</sup> for feedback and comments in 2011 on the advanced draft version of the application form. Following the granting of the last development consent in mid-December 2011, the application form was consolidated with the updated information in March 2012 following a final JASPERS mission. The JASPERS Action Completion Note was received in April 2012 and formal submission is expected later on in 2012, once the OP change is approved by CION.

### **03.4.2 Information on the physical and financial progress**

#### **Physical Progress**

In terms of mainstream projects, as stated earlier, out of the seventeen (17) *mainstream* projects approved under PA 4, two (2) were withdrawn by the beneficiary and two (2) projects were completed. The profile of the operations under this Axis is very fragmented with a number of *mainstream* projects consisting of relatively small operations which, although relatively easy to award, become a nightmare in terms of administrative burden at the time of payment, and this is essentially what slows them down in terms of physical progress. Ten (10) of the remaining thirteen (13) ongoing projects under PA 4, were only approved during the second half of 2011 under Call 9, meaning that no major work progress could be registered on the ground by the end of the year. However, visible progress in implementation is

<sup>281</sup> On 26 January 2012, the IB submitted a request to increase the Scheme allocation. The request was subsequently approved by the MA on 5 March 2012, for an additional allocation of €3,404,493, bringing the total allocation under the scheme to €18,404,493. However, this change in commitment is not being reflected in the calculations presented in this 2011 report.

<sup>282</sup> As described in section 02.1.1, Malta's list of indicative Major Projects should change subject to the CION's approval to shift the Major Project ERDF 120 from PA 4 to PA 5, hence becoming CF 120.

<sup>283</sup> Application was informally submitted on 11 October 2010.

expected to be evident in 2012. ERDF 088 is being discussed in detail later below. The remaining two (2) projects<sup>284</sup> are at the final procurement stages and progress is expected to be registered in 2012.

ERDF 101 was completed in 2011, which involved installation of PV systems, together with the installation of an electricity-generating wind turbine at MCAST. This project resulted in the installation of five hundred ninety-one (591) PV cells, each producing two-hundred (200) peak Watts, on three (3) roofs on the MCAST campus in Paola, for a total annual penetration rate of one hundred thirty (130) peak kilowatts. Moreover, between April and October 2011, these installations generated over ninety-three (93) megawatts per hour (MWH) and resulted in a reduction in CO<sub>2</sub> emissions of eighty-one thousand, eight hundred sixty-three (81,863) kilograms. Under the same project, the beneficiary also installed a four (4) peak kilowatts wind turbine. Through both types of RES installations, exploiting sun and wind power, the beneficiary (being a vocational, educational and training institution) is also using the equipment for educational and research purposes.

### **ERDF 088 – Promotion of Renewable Energy Sources in the Domestic Sector**

This project aims to contribute towards the mitigation of climate change through the installation of renewable energy equipment such as PVs and SWHs in households. The second and last call for PV (network projects) applications was launched in July 2011.<sup>285</sup> Two (2) information meetings were organised for the general public in both Malta and Gozo (on 7 and 11 July respectively) well in advance of the opening of the call to reduce the incidence of ineligible or incomplete applications as much as possible and to guide the potential applicants through the application, selection and implementation processes, together with the administrative requirements involved. The 2011 call attracted even more interest than the first,<sup>286</sup> with three-thousand, five hundred and sixteen (3,516) applications submitted in less than two weeks. Out of these, three-thousand, two hundred and ninety-nine (3,299) were awarded a grant for a total investment value of €24,146,283 as shown in Table 3.23 hereunder. The scheme has been awarded more funds to cope with spiralling demand. But while the PV scheme experienced an upward surge, the same could not be reported for SWHs, as can be seen in the Table.

**Table 3.23 – Investments under ERDF 088**

	<b>PVs (2011):</b>	<b>SWHs (2011):</b>	<b>2011 Total:</b>	<b>2007-2011 Total:</b>
Applications submitted:	3,516	38	3,554	5,974 <sup>287</sup>
Grants awarded:	3,299	29	3,328	5,274
Total grant value (public eligible):	€9,749,713	€16,178	€9,765,891 <sup>288</sup>	€15,508,626 <sup>289</sup>

<sup>284</sup> ERDF 192 and 193.

<sup>285</sup> The call was launched through Government Notice No. 617 of 5 July 2011, opening the call between 25 July 2011 and 3 August 2011.

<sup>286</sup> More than two thousand (2,000) applications were submitted under the 2010 call.

<sup>287</sup> Including two thousand and eighty-six (2,086) PV applications and three hundred and thirty-four (334) SWH applications submitted prior to 2011.

<sup>288</sup> Four hundred and sixty-eight (468) grant offers, or 14.1% of the total grants awarded, were granted to Gozitan households, for a total grant value of €1,359,649.

Third-party investment mobilised:	€14,396,570	€32,247	€14,428,817	€22,786,349
Total investment:	€24,146,283	€48,425	€24,194,708	€38,294,975

### **ERDF 133 – ERDF Energy Grant Scheme**

Though no further calls were issued in 2011, the IB was active in the finalisation of GAs from the third call. In fact, 2011 alone resulted in an increase of around 85% in both the number of GAs signed and the grant values contracted over the previous years, as can be seen in Table 3.24 below. In addition the IB focused on carrying out documentary and physical checks on beneficiaries. A total of fifty (50) OTS checks were carried out in this regard, which resulted in significant progress in terms of disbursement, as will be discussed later on.

**Table 3.24 – Progress under ERDF 133 in 2011**

	<b>2007-2010:</b>	<b>2011:</b>	<b>Total:</b>
Calls:	3	0	3
GAs signed:	137	113	250
GAs value:	€7,831,312	€6,943,324	€14,774,636

By end of 2011, 98.5% of the €15,000,000 allocation was contracted under ERDF 133. This level of public investment has mobilized an equivalent amount to the public contribution in private investment amounting to €15,052,489.<sup>290</sup> The nature of projects co-funded includes PV systems, SWHs, intelligent lighting systems and heat pump water heating. Table 3.25 below shows which type of Beneficiaries benefited under this Scheme so far, noting that close to 10% of beneficiaries were Gozitan enterprises.

**Table 3.25 – Breakdown of Beneficiaries under ERDF 133**

<b>Type of Enterprise:</b>	<b>Maltese enterprises:</b>	<b>Gozitan enterprises:</b>	<b>Total:</b>
<b>Micro</b>	36	9	45
<b>Small</b>	85	11	96
<b>Medium</b>	72	3	75
<b>Large</b>	34	0	34
<b>Total:</b>	<b>227 (90.8%)</b>	<b>23 (9.2%)</b>	<b>250</b>

<sup>289</sup> Six-hundred and ninety-seven (697) grant offers, or 13.2% of the total grants awarded, were granted to Gozitan households, for a total grant value of €2,029,162.

<sup>290</sup> Including non-eligible expenditure.

**ERDF 120 National Flood Relief Project**

With respect to the major project, ERDF 120, implementation continued to register progress, mainly on the finalisation of procurement procedures and planning approvals. In fact, as shown in Table 3.26 below, five (5) tenders were published during 2011, covering the main works and the contracting of services related to management and the resident engineer. Two (2) of these tenders, CT 3079/2010 and CT 3100/2010, were awarded during the year, with the remaining three (3) tenders expected to be awarded early in 2012. Such progress on the procurement side was only possible following the approval of the development consents related to the project. By the end of the year, all permits<sup>291</sup> related to ERDF 120 were issued. In terms of physical progress in 2011, work was completed on four (4) contracts; two (2) departmental contracts covering the construction of storm water culverts in Gżira (WD1133/90/5) and the topographic survey in Qormi (WD 885/1997/4), as well as two (2) DOC contracts covering EIA and CBA studies (CT 2510/2008) and excavation works in Gżira (CT 3036/2010).

**Table 3.26 – List of contracts under ERDF 120**

Ref:	Title:	Type:	Award Date:
CT 2510/2008	Consultancy services for the Carrying Out of EIA and CBA studies with Technical Assistance on the National Flood Relief Project	Consultancy Services	8 April 2009
CT 3036/2010	Excavation works in connection with the construction of a storm water reservoir at Wied Għollieqa, Gżira	Works	29 September 2010
MRRA/W/279/09	MEPA fees and adverts	Fees and adverts	N/A
WD 885/1997/4	Topographic Survey at Wied is-Sewda, Qormi	Studies	9 April 2009
WD1133/90/5	Construction of storm water culvert at part of Sliema Road, Gżira	Works	16 July 2009
CT 3100/2010	Provision of project management, engineering and site supervision services for the implementation of the National Flood Relief Project in the Island of Malta	Project Management	2 November 2011
CT 3079/2010	Design and build of a tunnel and other infrastructure in Żebbuġ, Malta, for storm water as part of the National Flood Relief Project	Works	2 November 2011
CT 3109/2011	Design and build of Żabbar-Marsascula Tunnels	Works	Still under evaluation
CT 3032/2011	Design and build of Birkirkara, Gżira, Wied is-Sewda tunnels	Works	Still under evaluation

<sup>291</sup> PA 04926/09 (Birkirkara, Msida Wied is-Sewda, Attard, Lija, Balzan, Gżira and Ta' Xbiex); PA 04929/09 (Żabbar, Marsascula, Xgħajra); PA 04928/09 (Żebbuġ, Wied Qerda); PA 04927/09 (Qormi, Marsa).

CT 3099/2010	Design and build of canals and bridges in Qormi and Marsa as part of the National Flood Relief Project	Works	Still under evaluation
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Further details related to this major project are given in Chapter 4 of this report.

## Progress on Indicators

**Table 3.27 - PA 4 indicators**

Indicators		2007-2010	2011	Total
<b>Output Indicators</b>				
No of boilers (generation plant) upgraded <sup>292</sup> [A4O01]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	2
	Baseline	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	1,643.7	<b>4,608.5</b>	<b>4,608.5</b> <sup>293</sup>
	Target	n/a	n/a	340
	Baseline	n/a	n/a	n/a
No of energy efficiency schemes [A4O03]	Achievement	2	<b>2</b>	<b>2</b>
	Target	n/a	n/a	2-3
	Baseline	n/a	n/a	n/a
No of storm water management (risk prevention) projects (core indicator) [A4O04]	Achievement	1	<b>1</b>	<b>1</b>
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
No of studies [A4O05]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a

<sup>292</sup> The project submitted under Call 7 by Enemalta Corporation (issued and closed in 2009) was the main project that could have contributed to this indicator via the planned upgrade of two (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. This decision was subsequently reflected in the changes to the OP as presented to the MC members in November 2011 and subsequently transmitted to the CION in March 2012.

<sup>293</sup> The total to date represents the peak kW rate and therefore is not the addition of the 2011 results to the results from previous years.

Result Indicators				
Compliance with LN 329/2002 (Directive EC/80/2001) <sup>294</sup> [A4R01]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	Full
	Baseline	n/a	n/a	In breach
Total annual electricity generated from small scale PV and micro-wind installations (MWh/annum) [A4R02]	Achievement	2,464	<b>7,877</b>	<b>7,877</b> <sup>295</sup>
	Target	N/A	N/A	3,000
	Baseline	N/A	N/A	N/A
Total energy savings per year (MWh/annum) [A4R03]	Achievement	2,479.8	<b>12,711</b>	<b>12,711</b> <sup>296</sup>
	Target	n/a	n/a	24,300
	Baseline	n/a	n/a	n/a
M <sup>3</sup> of new rain water retention and storage capacity in catchment areas [A4R04]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	300,000
	Baseline	n/a	n/a	n/a
Frequency of flooding within areas of intervention [A4R05]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	1 every 5yrs
	Baseline	n/a	n/a	5 per year

As can be seen from Table 3.27 above, positive results were registered on the energy-related indicators, in particular due to the completion of ERDF 101 and ERDF 102, together with the implementation of ERDF 088 (domestic scheme) and ERDF 133 (Aid Scheme to enterprises). In fact, the targets related to the installed penetration rate and electricity generation from small scale installations were surpassed. It should be mentioned that, in the proposed changes to PA 4, the above performance indicators were aligned to the revised scope and objective being proposed under this Axis. Such alignment was also necessary in view that, with the continuous decrease in the price of “green” technology and the increase in popularity of such measures, the level of attractiveness to the interventions under PA 4 has increased. This means that more ambitious indicators can be set. However, as at end 2011, none of these changes affect Table 3.27. On a final note, whilst clarifying that the results in Table 3.27 reflect only projects approved under PA 4, several other projects approved under other PAs of OPI also contribute to the country’s internal RES/EE and rainwater storage targets.

<sup>294</sup> Same as footnote 288.

<sup>295</sup> The total to date represent MWh generated per year, and is thus not a cumulative total including results from previous years.

<sup>296</sup> The total to date represent MWh generated per year, and is thus not a cumulative total including results from previous years.

All these interventions have contributed to reducing the carbon impact of the OP's implementation, which is in fact a horizontal objective of the OP itself.

## Financial Analysis

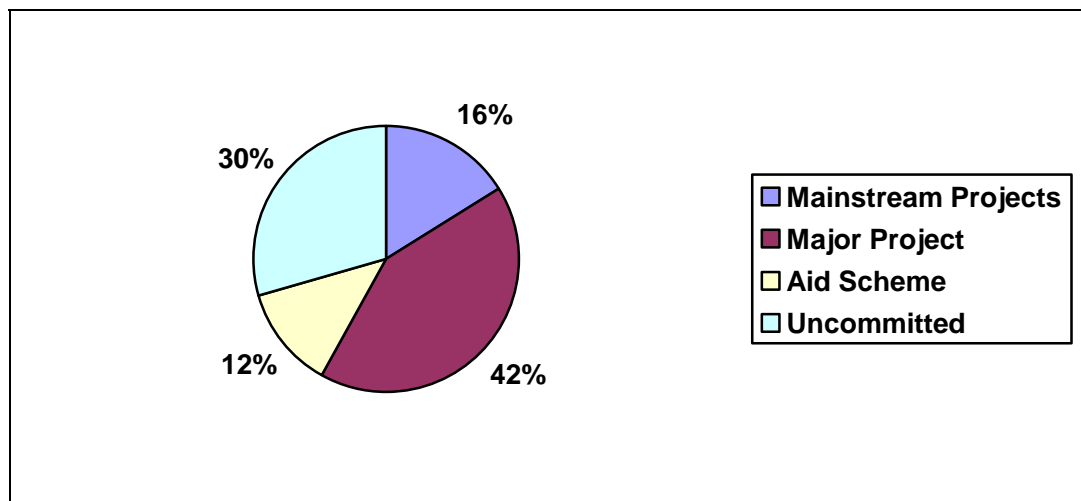
**Table 3.28 – PA 4 financial analysis**

Priority Axis	Total contribution	Financial progress			
		Commitments <sup>297</sup>	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 4 (ERDF) Mitigation and Adaptation to Climate Change	€121,000,000	€85,281,640	€10,880,872	70.5%	9.0%

### 03.4.3 Qualitative Analysis

By the end of 2011, a total of €85,281,640, or 70.5% of the total allocation under PA 4, was committed, divided as shown in Figure 3.7 hereunder. As expected, the largest commitment is related to the NFRP major project.<sup>298</sup>

**Figure 3.7 – PA 4 commitments**



In terms of procurement, by the end of 2011, the total amount contracted under PA 4 was €36,908,890 (43.3% of the committed amount); primarily due to the high commitments under both the state Aid Scheme<sup>299</sup> and the domestic grant scheme as well as the two completed projects. The most significant

<sup>297</sup> The committed amounts include *mainstream* projects, the Aid Scheme and the major project; the latter (ERDF120) not yet formally approved by the CION.

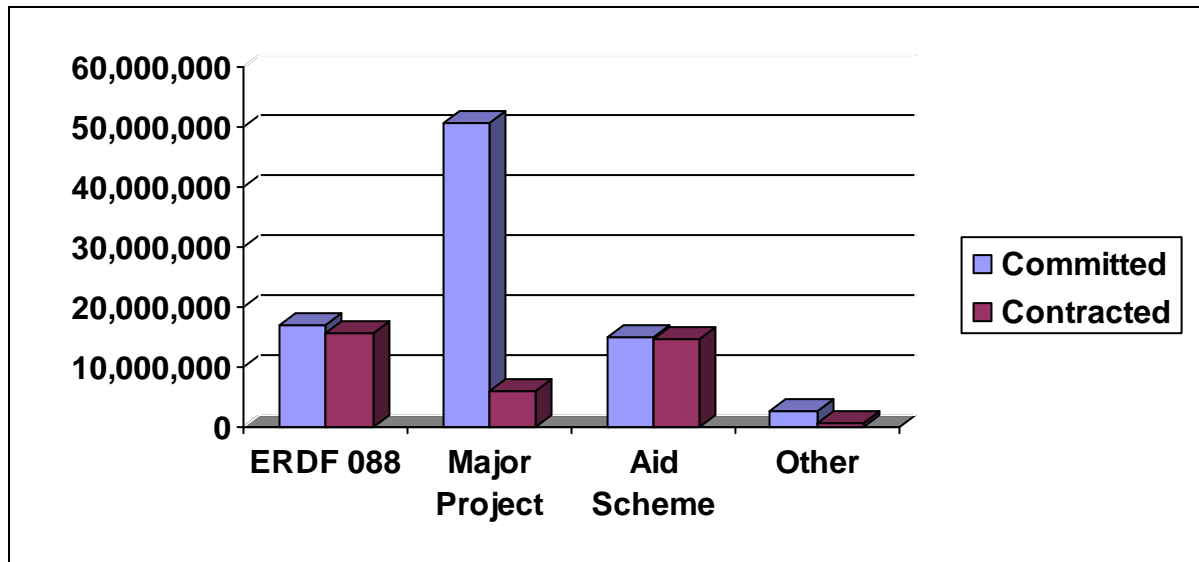
<sup>298</sup> As explained, this will change with the approval of proposed OP changes.

<sup>299</sup> 98.5% (€14,774,636) of the commitment under ERDF 133 and 92.4% (€15,647,979) of the commitment under ERDF 088 were contracted by end of 2011.



progress so far in terms of contracting was achieved under the domestic scheme of ERDF 088. In fact, whilst ERDF 088 is also a *mainstream* project, it is being reported on its own merit when it comes to contracting, to further emphasise the progress under this single project. A comparison between commitments and contracted amounts is shown in the next figure.

**Figure 3.8 – Comparison between commitments and contracting under PA 4**



It should be pointed out that the commitment figures remain fluid and there will always be variances between the committed amounts and the contracted values, due to savings registered during the procurement process and / or the withdrawal of operations primarily at enterprise or domestic level. Particularly in 2011, two (2) projects<sup>300</sup> reported in AIR 2010 were withdrawn during 2011 due to insufficient funds to meet the funding gap arising from energy-related cost-savings and revenue from FITs.

As can be seen from Figure 3.8, the largest difference between the committed and contracted levels is related to the NFRP. The committed amount for this project remained as originally projected. However, as explained in other parts of this report, finalisation of the application form took longer than expected (until all planning permits were granted), thus increasing the time taken from design stage to actual procurement. By the time the first tenders were launched on the market, operators had enough time to submit competitive bids, leading to tenders being awarded at prices lower than the originally estimated tender budgets. This was particularly the case for the major works tenders.

€35,718,360 are currently unallocated under PA 4. In addition, the proposed shift of the NFRP to PA 5 will leave a pot of ca. an additional €50,000,000 unallocated funds under this Axis. However, the proposed OP changes will also allow PA 4 to focus solely on RES and EE measures or projects. Given the success experienced so far in the uptake of such projects at all levels, be it public, private or domestic, it is anticipated that all the remaining funds will be exhausted during 2012. Up to the end of

<sup>300</sup> ERDF 090 *Implementing Green Activities at the University of Malta* and ERDF 190 *Arka Foundation Gozo - Energy Generation & Conservation Project*.

2011, payments were only recorded under five (5) operations<sup>301</sup> and totalled €10,880,872, of which 76.8% (€8,354,846) were paid in 2011. In terms of certification, €8,744,725 were certified to date by the end of 2011, the bulk of which was certified in 2011.<sup>302</sup> When compared to 2010, the values for commitments, contracts and payments also indicate substantial increases during 2011. For instance, there has been a 135% increase in contracting and a 331% in payments over 2010 levels.<sup>303</sup> The financial progress situation under PA 4 as at end of 2011 is displayed in Table 3.29 below.

**Table 3.29 – Financial progress under PA 4 as at end 2011**

	<b>Mainstream Projects:</b>	<b>Aid Scheme:</b>	<b>Major Project:</b>	<b>Total:</b>
<b>Allocation:</b>	N/A	N/A	N/A	€121,000,000
<b>Committed:</b>	€19,559,550	€15,000,000	€50,722,090	€85,281,640
<b>Contracted:</b>	€16,153,506 <sup>304</sup>	€14,774,636	€5,980,748	€36,908,890
<b>Disbursed:</b>	€5,361,547	€3,938,494	€1,580,831	€10,880,872
<b>Certified:</b>	€4,910,029	€3,236,608	€598,088	€8,744,725

#### **03.4.4 Significant problems encountered and measures taken to overcome them**

##### **Article 55 of Regulation (EC) 1083/2006**

The main obstacle in the implementation and uptake of projects under PA 4 continued to be the interpretation of Article 55 and its applicability for projects that yield cost-savings (resulting from EE actions) and revenue, primarily from the FIT. It was already highlighted in AIR 2010 that the application of Article 55 to RES/EE projects is acting as a disincentive to all kinds of beneficiaries for further investments in this sector. In fact, ERDF 090 (*Green Activities at the University of Malta*) and ERDF 190 (*Arka Foundation Gozo - Energy Generation & Conservation Project*) withdrew in 2011 specifically due to insufficient funds to match the funding gap from cost-savings and future revenues resulting from the proposed project. Even under ERDF 192 and 193, implementation was delayed due to the clarity on the assumptions used to calculate the funding gap and the equivalent public eligible project value. This is unfortunate since the objective of PA 4 is to boost Malta's efforts in achieving its 20-20-20 targets. NGOs and VOs are the most vulnerable in these cases. In addition, as indicated earlier, the investment cost is very time-sensitive and thus continues to change the funding gap calculation, giving rise to legal uncertainties.

In order to mitigate this problem and in order to ensure more legal certainty in the calculation of the rate at which projects are assisted, the MA discussed this matter extensively with JASPERS experts and it was agreed to prepare a paper on the average co-funding rate (based on the experience so far) and

<sup>301</sup> ERDF 088, 101, 102, 120 and 133.

<sup>302</sup> €8,078,322 were certified in 2011 alone, representing 92.4% of the total amount certified to date.

<sup>303</sup> €15,736,190 were contracted whilst €2,526,026 were disbursed as at end of 2010.

<sup>304</sup> €15,508,626 of which under ERDF 088 alone.

establish a fixed rate for projects whose total cost was below €1,000,000. With the assistance of JASPERS,<sup>305</sup> during quarter 4 2011 the MA prepared a financial assessment using data from a number of prospective applicants in order to establish the rate at which such projects should be assisted, addressing both compliance with Article 14 and 55 obligations.

### ***ERDF 088 Promotion of Renewable Energy Sources in the Domestic Sector***

Considering that this scheme is targeted at households, a lot of effort was made to minimize the administrative burden, whilst ensuring a complete audit trail. In this respect, a number of measures were taken in 2011, including the acceptance of internet banking documents. Other problems included the increased demand for RES, which prompted Government to shift all allocations under the scheme to RES (PVs) and introduce a national scheme to cover SWH. The MA also approved requests by the beneficiary for additional funds. In order to entice take-up, banks also offered competitive rates and conditions for loans whilst the Government also re-launched the FIT scheme for units exported to the national grid rated at €0.25c for Malta and €0.28c for energy generated by Gozitan households, the latter being slightly higher in line with the Eco-Gozo concept. These attractive rates enticed more people in adopting RES (mainly the installation of PV panels) for their houses.

As explained above, whilst acting as an incentive, the FIT scheme also created new problems. First of all, it raised expectations on the level of funding to be provided. Secondly, it resulted in a further inadvertent administrative ordeal since connection of RES installations to the national grid required submission of further documentation to the regulator, adding burdens on an already burdensome process. In this regard, the beneficiary simplified the application process by merging the different application forms as much as possible. Whereas for the 2010 call applicants had to fill three (3) different forms,<sup>306</sup> for the 2011 call applicants were provided with a pre-filled FIT Form which also resulted in a reduction in errors whilst filling-out the application form, which would have otherwise resulted in waste of time to be redressed. For instance, the applicant's electricity bill account number was added automatically to the form, since this was a common error. Moreover, any duplication in requests for the same data between the different forms was removed. The reduction in administrative burdens for the applicant has meant an increase of the same burdens for the beneficiary. The issue is more acute in view of the fragmentation of the scheme consisting of thousands of applications.

### ***Legal Obligations***

Late in 2011, MEPA issued guidelines on new scheduled sites with planning restrictions which meant that, for instance, beneficiaries such as churches had to obtain planning approval for energy

<sup>305</sup> The discussions clarified that for energy projects below €1,000,000 entailing the application of Article 55, the funding gap would not be calculated but a flat co-financing rate of 50% (based on the average funding gap rate of a sample of projects), would suffice and would meet the requirements of sound financial management. Similarly, projects investing in EE equipment (with no sale of energy) would also fall outside the scope of Article 55. The MA sought legal clarification through a formal letter on the basis of this discussion which was sent to CION in April 2012.

<sup>306</sup> A Notification Form notifying the size of the installation, an FIT Form indicating which option was chosen between consuming all energy generated and exporting surplus versus exporting all that is generated, and the claim for reimbursement form ("Part B").

installations on their roofs. Following discussions with MEPA in early 2012, a specific officer within MEPA was identified who would be responsible to provide guidance to applicants during future calls, rather than going through the general MEPA contact.

Unfortunately these unexpected hurdles counteracted the objectives of the various calls issued under PA 4. It should also be mentioned that, apart from these complexities, beneficiaries such as NGOs and VOs had to face day-to-day administrative practices to which they were not accustomed to. This, in turn, placed additional pressures on the limited capacity available within the MA, which had to attend to an increased number of queries from beneficiaries. Despite all these difficulties, PA 4 was still essential in helping not only to raise awareness and initiate a drive towards cleaner energy sources, but also lead to the creation of a specific market niche as seen from the increase in number of economic operators (and subsequent job creation) in this sector.

## 03.5 Priority Axis 5 – Safeguarding the Environment

### 03.5.1 Achievement of targets and analysis of the progress

In terms of consolidating the results achieved from environmental projects financed under the Cohesion Policy 2004-2006, PA 5 aims to continue with the upgrading process of the country's environment infrastructure, particularly in the areas of solid and liquid waste management. In terms of waste management, the policy direction involves promotion to increase of waste separation at source, setting up various plants for the treatment of municipal solid waste and other wastes, enhancing recycling and reuse of material, treatment of hazardous waste, developing the possibility of exploiting waste as a potential energy source, and the rehabilitation of closed-down landfills. All these issues are being addressed under PA5. In terms of wastewater, the management of waste effluent within the parameters mandated by environmental principles and targets under the Water Framework Directive remains a national commitment, with the target of reaching an overall 100% decrease<sup>307</sup> in untreated sewage effluent discharge into the sea. This target has been reached in 2011.

The financial allocation for PA 5 amounts to €165,250,000,<sup>308</sup> under the Cohesion Fund. There are currently three (3) projects approved by PSC under PA 5 contributing to the objectives mentioned above. As at end 2011, 63.1% of the Axis was committed, 44.6% contracted and 41.1% paid.

#### ***Malta South Sewage Treatment Infrastructure (CF 116)***

CF 116 is the last (and also by far the largest) of a series of wastewater infrastructure facilities established in Malta over the last years. The project was operationally completed in 2011 with only minor works still ongoing. The start of full operations of this project means that Malta is now compliant with the EU Urban Wastewater Directive 91/271/EC (complying with the need to treat all urban wastewater entering collecting systems, before discharge). This plant is able to treat 80% of all sewage generated on the Maltese islands, equivalent to 51,000m<sup>3</sup>/day. Further details on the preparation of this major project will be given below and in Chapter 4 of this report.

#### ***Rehabilitation and Restoration of Closed Landfills (CF 118)***

This project represents the final stage of the closure and rehabilitation of a number of Maltese landfills which were operational before Malta's accession to the EU, namely Magħtab and Marsascalea landfills in Malta, and Qortin landfill in Gozo. Rehabilitation and restoration of Magħtab and Qortin landfills is being achieved by, amongst others, the installation of an engineered capping with the objective of improving control of gas emissions, reducing rainfall infiltration (and thus reducing leachate into ground water and the nearby coastal area), control surface water run-off, and restoration of the area by planting indigenous Maltese species. The ultimate aim of the project is to return derelict land and rehabilitate the

<sup>307</sup> A 20% reduction was achieved by wastewater treatment plants co-financed under the pre accession and Italian protocol, with a further target of reducing the remaining 80% through actions foreseen under this programming period.

<sup>308</sup>As indicated in Section 02.1.1 the allocation under PA 5 will increase by €24,038,259 for a total new allocation of (€189,288,259) with the changes proposed under OP I during the November 2011 MC and as submitted to the Commission for approval in March 2012.

identified areas to allow beneficial reuse by the community in the future. With all MEPA permitting in hand,<sup>309</sup> contracting continued during 2011 and works are expected to be completed by end 2013. Further details are given in the section on physical and financial progress.

### ***Setting up of the Gozo Waste Treatment and Transfer Facility (CF 123)***

This project involves the setting up of a controlled facility for the reception, sorting, processing, interim storage and transfer of waste originating from Gozo and Comino. This facility will serve as an upgrade and replacement to the current waste separation operations at Qortin contributing to Malta waste targets. Given the inter-linkages with other much larger waste treatment projects, the main focus in 2011 was the discussions between the beneficiary, JASPERS and the MA on the CBA, which is based on design considerations for the project, as will be discussed later on.

In addition to the approved projects, intensive preparatory work has also been undertaken with respect to a major project in the pipeline, as outlined hereunder.

### ***Mechanical and Biological Treatment Plant in the North of Malta (CF 119)***

This project is a major project and it involves the setting up of a mechanical and biological treatment plant to treat municipal solid waste (MSW). The treatment combines the mechanical process of separating dry recyclables and, the biological treatment component. In 2011, the activities under the project were focused on the preparation of the project application and the necessary supporting studies related to the environmental permitting and subsequent development consents. JASPERS experts are overseeing this process and, in 2011, an expert mission to Malta followed by a meeting in Brussels to discuss issues related to the potential treatment of animal waste within the proposed plan. Following this mission, a guidance note was prepared by JASPERS and there was continuous support via email correspondence throughout the year. Following the JASPERS mission in 2011, the beneficiary and its consultants focussed on the preparation of the CBA and application form.

In terms of contracting, the services contract CT 2577/09<sup>310</sup> was signed during 2010, paving the way for the preparation of the main works tender. Progress was also registered in terms of permitting. Following a lengthy consultation exercise and a clarification period, the EIA was finally certified by MEPA on 14 December 2011. Following this certification, the issuing of the PA number is expected in quarter 2 2012, which would then allow for the finalisation of the EIA report and, in turn, the publication of the works tender<sup>311</sup> to proceed. Another JASPERS mission was scheduled and held in quarter 1 2012 to provide another opportunity to tackle any pending issues and queries and bring to a conclusion the project's preparatory phase. The application form will then be submitted to the MA for assessment and if approved, submitted to CION for its appraisal as per Article 41 of Regulation 1083/2006.

<sup>309</sup> PA 6149/08 (Proposed rehabilitation of former Maghtab landfill), PA 0219/09 (Proposed rehabilitation of former Qortin landfill) and PA 4886/06 (Rehabilitation of existing unused dumpsite to family park) were issued respectively on 6<sup>th</sup> July 2009, 13<sup>th</sup> May 2010 and 17<sup>th</sup> December 2009.

<sup>310</sup> Tender for Engineering, Procurement and construction management (EPCM) Consultancy Services for the design, EIA, contracting and managing a project for the construction and operation of a Mechanical Biological treatment (MBT) plant in the North of Malta. Value is €1,984,173.40 (including 10% contingency).

<sup>311</sup> The largest part of the estimated project cost will be procured via a works tender (Tender for the DBO Contractor Mechanical Treatment Plant & Anaerobic Digester) valued around €46,500,000. This tender can only be published once PA permit number is issued by MEPA.

**Other projects submitted under non-major calls 2 and 3**

Significant preparatory work is also to be noted in terms of two (2)<sup>312</sup> non-major projects that were submitted under non-major calls 2 and 3, as shown hereunder. The objective of CF 121 is to create the capacity to process, treat and properly dispose of any hazardous waste which is not being processed by the private sector. Such capacity is currently missing in Malta. Hazardous waste would be treated into different streams so that they may be further processed in more specialised plants. Further processing includes local waste-to-energy facilities for spent solvents, which will be possible when such facilities come on stream in the country. CF 266<sup>313</sup> aims at improving the waste separation infrastructure in the Maltese Islands to attain higher recovery and recycling rates in accordance with EU legislation. The project comprises the construction of a civic amenity site at Ta' Qali as well as additional equipment for other civic amenity sites. Despite still needing a formal approval by the PSC,<sup>314</sup> tendering is expected to commence during quarter 1 of 2012 and the project is expected to be concluded in 2013. A further non-major call<sup>315</sup> was published in 2011.

**Table 3.30 – Project approval history under PA 5**

Call: <sup>316</sup>	Closing date:	Focus Area:	Projects approved under Call:
1	17 Apr 2009	Solid Waste	<b>1 Project</b> (CF 123)
N/A	N/A	Solid Waste	<b>1 Major Project<sup>317</sup></b> (CF 118)
N/A	N/A	Liquid Waste	<b>1 Major Project<sup>318</sup></b> (CF 116)
2	5 Feb 2010	Solid Waste	1 proposal being evaluated (CF 121)
3	28 Oct 2011	Solid Waste	1 proposal being evaluated (CF 266)

<sup>312</sup> CF 121 – Hazardous Waste Treatment and CF 266 - Extending waste separation and collection services in the Maltese Islands.

<sup>313</sup> First application was submitted to the PSC (as CF 122) during the second call for non-major projects under the Cohesion Fund.

<sup>314</sup> Further PSC evaluation and final deliberation is envisaged during quarter 1 of 2012.

<sup>315</sup> The third non-major call under the Cohesion Fund.

<sup>316</sup> Non-major (CF) calls.

<sup>317</sup> Formally approved by CION on 28 July 2010.

<sup>318</sup> Formally approved by CION on 18 November 2010.

### 03.5.2 Information on the physical and financial progress

#### Physical progress

##### **Malta South Sewage Treatment Infrastructure (CF 116)**

The project comprises the construction of a new urban wastewater treatment plant at Ta' Barkat, a new wastewater pumping station at Rinella, an upgrade of an existing wastewater pumping station in Xgħajra, a new 1.7 km wastewater gallery from Rinella to Ta' Barkat and the construction of a 1km submarine outfall. The project has reached its final stages, with all components considered as complete in 2011. The plant was, in fact, officially opened and was fully operational by June 2011. It is expected that the project is formally completed in 2012. The remaining €3,744,806, which account for slightly over 5% of the public eligible cost under the project<sup>319</sup> (see Table 3.31 below), relate to pending payments under the submarine outfall, ineligible costs on the Xgħajra and Rinella pumping stations and contingencies which may still be returned to the programme. Since this project complements existing two wastewater treatment plants and brings Malta in line with Directive 91/271/EC, Malta can now boast that all urban wastewater entering collecting systems is treated before discharge. The local population, together with tourists, can thus benefit from cleaner seas around the Islands.

**Table 3.31 – Financial progress under CF 116**

<b>Total Project Value:</b>	€82,582,860
<b>Committed (public eligible):</b>	€69,985,474
<b>EU share:</b>	€59,487,653
<b>National Share:</b>	€23,095,207 <sup>320</sup>
<b>Contracted:</b>	€68,494,478 (97.9% of committed)
<b>Disbursed:</b>	€66,240,668 (96.7% of contracted)
<b>Verified:</b>	€64,313,701
<b>Certified:</b>	€64,313,701 (97.1% of disbursed)

##### **Rehabilitation and Restoration of Closed Landfills (CF 118)**

In terms of procurement, tender documentation preparations had by and large been finalised by the end of 2010. With the signing of the project management and supervision services contract for Magħtab in June 2011, contracting for all the design, studies (EIA and CBA) and project management (all sites) components was finalised. The rehabilitation and restoration works tender for Magħtab (Phase I) was

<sup>319</sup> Out of which €1,537,688 refer to amounts allocated for contingencies which as at today have not been used and which amount is likely to be returned back to the programme.

<sup>320</sup> €10,497,821 represents national investment and €12,597,386 are ineligible costs.



also signed during this year, bringing the total amount contracted under this project to €4,192,030 by the end of 2011, representing 16.0% of the project's public eligible cost. A status report on the most significant contracts under this project is displayed in Table 3.32.

**Table 3.32 – Significant contracting under CF 118**

<b>Contract Scope:</b>	<b>Remarks:</b>	<b>Value<sup>321</sup>:</b>
Design (CT 2269/2008)	Contract signed on 28 January 2009	€160,000
Design (CT 2349/2008)	Contract signed on 11 February 2009	€300,000
EIA Studies at Marsascala (CT 2751/2006)	Contract signed on 14 September 2007	€117,226
Project Management – Marsascala (CT 2568/2009)	Contract signed on 25 June 2010	€84,242
Project Management – Qortin (CT 2722/2009)	Contract signed on 8 October 2010	€99,107
Project Management – Magħtab (CT 2710/2009)	Contract signed on 3 June 2011	€602,600
Works – Marsascala (CT 2521/2009)	Tender was published on 9 April 2010 but was cancelled <sup>322</sup>	N/A
Works – Magħtab (Phase I) (CT 3043/2010)	Contract was signed on 1 August 2011	€2,682,895
Works – Marsascala (CT 3040/2011)	Currently under evaluation, with the tender having closed on 22 November 2011 <sup>323</sup>	N/A
Works – Qortin (CT 3038/2011)	Tender launched on 6 December 2011 and closes on 31 January 2012. Currently under evaluation.	N/A
Works – Magħtab (Phase II) (CT 3037/2011)	Tender was launched on 9 December 2011 and closed on 2 February 2012 <sup>324</sup> .	N/A
Landscaping design	Two (2) purchase orders were awarded on 4 December 2009	€4,960
Enabling works – Magħtab	Three (3) departmental tenders awarded in June and September 2010	€141,000

<sup>321</sup> Data shows only public eligible costs.

<sup>322</sup> CT 2521/2009 was cancelled since it included both components under CF 118 and components co-financed under EAFRD Measures 313 and 323 (the construction of a family park following the rehabilitation of the closed landfill). Contract was eventually re-issued as CT 3040/2011.

<sup>323</sup> CT 3040/2011 was awarded in 2012 for €2,279,954.

<sup>324</sup> An appeal has been lodged during the evaluation of CT 3037/2011.

<b>Total amount contracted as at end 2011:</b>	<b>€4,192,030</b>
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The 362% increase of contracted amount over 2010 data (€906,535) is attributable to the two (2) larger contracts signed during 2011 as mentioned above. The signing of the three (3) remaining main works tenders in 2012 is expected to have even more significant impact on the contracted amount. In fact, whilst no physical works were registered in relation to the contracts signed in 2011, during the year the focus was on the preparation and launch of the remaining tenders, in particular, the remaining three (3) works tenders, with an estimate value of around €15,000,000, which were launched during 2011 but were still under evaluation by the end of the year. In addition to the above-mentioned contracts, remaining items to be procurement under this project are mostly related to enabling works and landscaping. Payments were, as expected, low in 2011, totalling €418,939, bringing the overall amount disbursed under this project to €961,680. The award of the remaining works tenders in 2012 should lead to further physical progress leading in turn to an increase in payments.

Table 3.33 below gives a breakdown of the financial progress registered up to the end of 2011.

**Table 3.33 – Financial progress for CF 118**

<b>Committed (public eligible):</b>	€26,224,382
<b>Contracted:</b>	€4,192,030 (16.0% of committed)
<b>Disbursed:</b>	€961,680 (22.9% of contracted)
<b>Verified:</b>	€483,781
<b>Certified:</b>	€483,781 (50.3% of disbursed)

### **Setting up of the Gozo Waste Treatment and Transfer Facility (CF 123)**

This project was approved by the PSC on 31<sup>st</sup> July 2009 on the condition that the CBA is reviewed and finalised. JASPERS assistance was sought in this regard. Two JASPERS expert missions were held in Malta, one (1) in August 2010 and another in January 2011. The finalisation of the CBA was dependent on a number of assumptions that were still being discussed on the Malta North major project in the pipeline (CF 119). Once certain assumption were confirmed, a revised document was prepared in December 2011 which triggered a JASPERS mission in February 2012 with the finalised CBA submitted to the MA in April 2012. Since the project had to undergo detailed and lengthy discussions with respect to scope and design, there was no physical progress, although contracting was being undertaken in parallel. Apart from the contracts related to preparatory and support services contracted earlier on in the process, the main works tender for the Design and Build of the Gozo Waste Treatment Facility in Tal-Kus l/o Xewkija, Gozo, CT 3004/2010, was launched in March 2011 and closed in June 2011 following an extension. This contract alone is worth around €6,000,000 (public eligible),

representing 75% of the project's public eligible cost. Evaluation was expected to be concluded by January 2012.<sup>325</sup> A general overview of contracting procedures is given in Table 3.34.

**Table 3.34 – Significant contracting under CF 123**

<b>Contract Scope:</b>	<b>Remarks:</b>	<b>Value<sup>326</sup>:</b>
Project Management and Supervision Services (CT 2418/2009)	Contract signed in June 2010	€409,174
Road works at Tal-Kus, I/o Xewkija (CT 2300/08)	Contract signed in April 2009	€562,091
Aerial Images of Tal-Kus Area (GOZ166/09)	Contract signed in November 2009	€413
Provision of Archaeological Monitoring Services	Contract signed in July 2009	€45,000
Works contract for the clearing of dumped material from rock face at tal-Kus	Contract signed in November 2009	€24,575
Design, build and operate of the Gozo waste treatment and transfer facility at tal-Kus, I/o Xewkija, Gozo (CT 3004/2010)	Tender was published on 4 <sup>th</sup> March 2011 and closed on 2 <sup>nd</sup> June 2011, with an estimated value of around €6,000,000. An appeal lodged on 16 <sup>th</sup> January 2012	N/A
Site investigation tender Tal-Kus	Contract signed in March 2010	€4,067
<b>Total amount contracted as at end 2011:</b>		<b>€1,045,321</b>

Table 3.35 below shows the financial breakdown for CF 123 as at end 2011.

**Table 3.35 – Financial progress for CF 123**

<b>Committed (public eligible):</b>	€8,100,000
<b>Contracted:</b>	€1,045,321 (12.9% of committed)
<b>Disbursed:</b>	€735,223 (70.3% of contracted)
<b>Verified:</b>	€500,001
<b>Certified:</b>	€500,001 (68.0% of disbursed)

<sup>325</sup> However, an appeal was lodged and the process has been halted. The award date will depend on the outcome of the appeal.

<sup>326</sup> Data shows only public eligible costs.

### Other activity

In terms of the two (2) non-major projects under evaluation (CF 121 and CF 266) and the major project in the pipeline (CF 119), whilst no physical progress can obviously be reported at this stage, emphasis should be placed on the preparatory work. Under all three (3) projects, 2011 saw the intensification of discussions on issues such as the CBA and overall project design. The beneficiary (WasteServ Malta Ltd for all three), also registered progress in terms of preparation of tender documentation. Tenders for components such as project management under CF 121 and CF 119, together with the works tender under CF 266 were launched by end of year.

### Progress on Indicators

**Table 3.36 - PA 5 indicators**

Indicators		2007-2010	2011	Total
<b>Output Indicators</b>				
No of solid waste treatment plants constructed [A5O01]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	2
	Baseline	n/a	n/a	n/a
No of landfills rehabilitated [A5O02]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
No of liquid waste treatment plants constructed [A5O03]	Achievement	0	<b>1</b>	<b>1</b>
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
<b>Result Indicators</b>				
Landfill volumes saved on an annual basis as at 2013 (m <sup>3</sup> ) [A5R01]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	130,000 <sup>327</sup>
	Baseline	n/a	n/a	290,000 ts
Total RES recovered from waste by 2013 (GWhrs/annum) [A5R02]	Achievement	0	<b>2.71</b>	<b>2.71</b>
	Target	n/a	n/a	17.0
	Baseline	n/a	n/a	n/a

<sup>327</sup> 130,000m<sup>3</sup> is equivalent to 110,000 tonnes.

Sq m of rehabilitated land from landfills [A5R03]	Achievement	0	<b>15,000</b>	<b>15,000</b>
	Target	n/a	n/a	300,000
	Baseline	n/a	n/a	n/a
% decrease in national; sewerage effluent discharge / additional population served [A5R04]	Achievement	0	<b>80%</b>	<b>80%</b>
	Target	n/a	n/a	80%
	Baseline	n/a	n/a	n/a
Status of coastal waters in the South of Malta (from Class 3) [A5R05]	Achievement	0	<b>Class 1</b>	<b>Class 1</b>
	Target	n/a	n/a	Class 1
	Baseline	n/a	n/a	Class 3

Considering the limited number of projects foreseen under the Axis, the magnitude and the fact that a number of projects are still in their initial stages (with the exception of CF 116), it is reasonable to say that contribution to targets will start being registered only towards the very end of project completion. However, in 2011 achievement was registered with respect to very important targets (both from an environmental as well as from a socio-economic point of view) related to the construction of the water treatment plant and infrastructure under CF 116. The completion of CF 116 raised the status of coastal waters in the South of Malta from Class 3 to Class 1 and also allowed for the target of 80% decrease in national sewage effluent discharge to be achieved. This project also registered contribution to the recovery of energy from waste and created 18 new jobs. Most importantly, thanks to this project Malta has become the first Mediterranean country to treat all wastewater prior to being discharged into the sea. In addition, through CF 118, a first result was registered with the rehabilitation of 15,000m<sup>2</sup> at the Magħtab site during the second half of 2011. This represents a 5% achievement of the target of 300,000m<sup>2</sup> to be rehabilitated under the project. These interim results are encouraging, particularly when seen in the context of the many constraints within which such large scale projects are undertaken.

## Financial Analysis

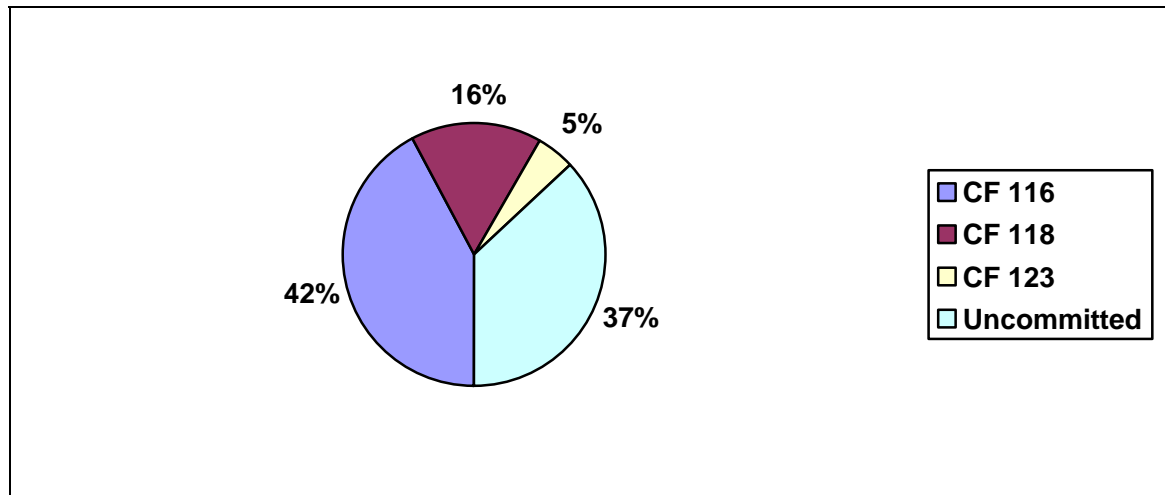
**Table 3.37 – PA 5 financial analysis**

Priority Axis	Total contribution	Financial progress			
		Commitments	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 5 (CF) Safeguarding the Environment	€165,250,000	€104,309,856	€67,937,571	63.1%	41.1%

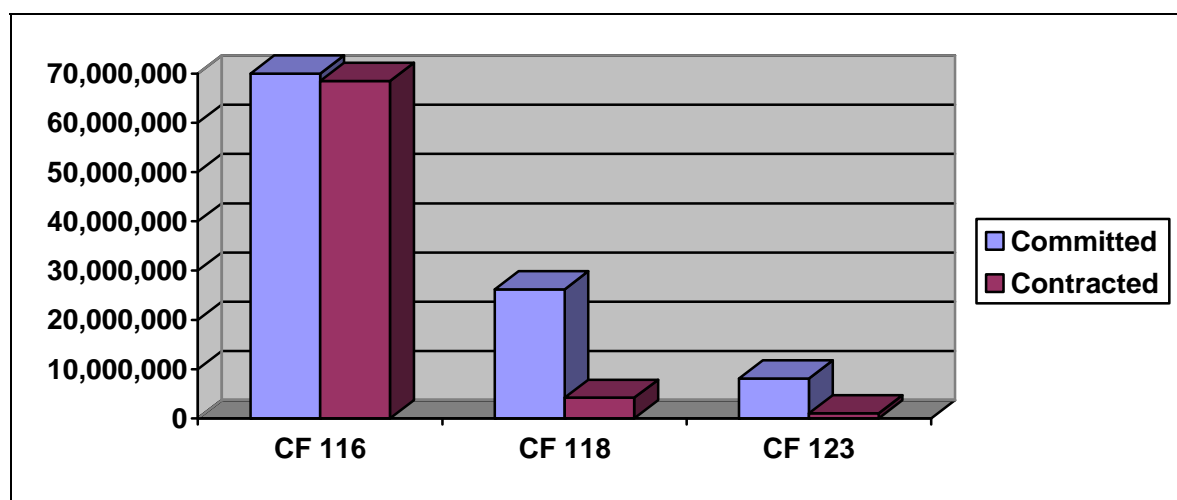
### 03.5.3 Qualitative Analysis

The commitment level remained unchanged from 2010 and stood at just over 63% of the total allocation under this PA. The commitment level is expected to increase significantly during 2012 given that the background preparatory work for CF 119 is expected to come to a close in 2012 and the MA also expects that the PSC would conclude its work on non-major calls 2 and 3. There was a modest increase in the contracted amount under the Axis, from €70,440,378 in 2010 to €73,731,829 in 2011, representing a percentage increase of 4.5% over 2010 contracting. Payments also registered a conservative increase of 7.2% over 2010 bringing the total amount paid as at end of 2011 to €67,937,571. There were payments from this Axis in the SOE certifications of May and December 2011, for a total amount certified in 2011 of €5,308,263, bringing the total amount certified under the Axis to €65,297,483. The increases in contracted and disbursed levels as at year end were a result, mostly, of progress under CF 118, whilst the increase in certifications was attributable to CF 116.

**Figure 3.9 – PA 5 commitments**



The following figure and table give a general visual comparison of the approved projects under PA 5.

**Figure 3.10 – Comparison between commitments and contracting under PA 5****Table 3.38 – Financial progress under PA 5 as at end of 2011**

	CF 116:	CF 118:	CF 123:	Total PA 5:
<b>Allocation:</b>	N/A	N/A	N/A	<b>€165,250,000</b>
<b>Commitment:</b>	€69,985,474	€26,224,382	€8,100,000	<b>€104,309,856</b>
<b>Contracted:</b>	€68,494,478	€4,192,030	€1,045,321	<b>€73,731,829</b>
<b>Paid:</b>	€66,240,668	€961,680	€605,228	<b>€67,937,571</b>
<b>Certified:</b>	€64,313,701	€483,781	€500,001	<b>€65,297,483</b>

### 03.5.4 Significant problems encountered and measures taken to overcome them

Although the number of projects under this PA is much lower than that under other PAs, the fact that these are large infrastructural projects subject to very strict environmental and planning legislation means that the preparatory work is substantial and unfortunately such background work does not produce much tangible evidence in terms of the volume of work carried out. The extent of preparatory work required is, in fact, one of the problems heavily influencing progress under the Axis. In order to mitigate against potential delays arising from the environmental permitting process and the issuing of development consent, projects that are most prone (in particular major projects) are regularly discussed at high level bilateral monitoring meetings, where MEPA is also represented. This not only gives an opportunity for the various stakeholders to discuss and understand pending issues, but also serves as a means to keep constant pressure on all bodies involved and ensure that timeframes are kept to avoid unnecessary delays as much as possible.

Another typical problem encountered under PA 5 projects relates to contracting. Further to the general delays related to procurement as discussed in this chapter, one has to highlight the fact that the CF is

characterised by projects of a significant magnitude and normally entail contracts of a considerable budget. These contracts are very attractive to the limited number of *bigger players* within the local market (especially in times of economic downturn) and this often leads to the lodging of appeals during the tendering process, leading to further delays in the procurement process. One mitigating measure introduced by the DOC in this regard is to keep the award criteria based on price (the cheapest technical compliant). There is no real evaluation at this stage of whether this measure is producing results, however some beneficiaries have complained due to other limitations that could arise from the implementation of such a policy.

Other issues that caused delays relate to policy decisions on waste management, particularly issues related to the cost to polluters and frequent change in project leaders on both CF 118<sup>328</sup> and CF 123.<sup>329</sup> With regard to the former, this is clearly a sensitive issue and progress has to be made in realistic steps, taking into account the prevailing socio-economic context. The latter is a self-made problem on the part of the beneficiary; however, given current constraints and the current climate, it is clearly not easy to make contingency plans, apart from the fact that this is in itself a highly specialised area.

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<sup>328</sup> The Project Leader changed twice in 2011.

<sup>329</sup> Three (3) different Project Leaders were in charge at different times since approval of the project.



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

### 03.6.1 Achievement of targets and analysis of the progress

PA 6 is a priority axis within the OP which has a unique character since it encompasses a variety of sectors, namely; *E-Accessibility; Education, Social and Health-related Infrastructure; Environmental Monitoring; Internal Mobility; and Urban Regeneration*. A total of five (5) calls for project proposals have been issued since the start of the programming period, one (1) of which (Call 11) was launched in 2011 (March), resulting in a total of twenty-five (25) operations including one (1) Aid Scheme being implemented under PA 6 as at end 2011, as shown in Table 3.39 hereunder. The approved projects till year end resulted in a total funds commitment of €141,540,695, equivalent to 95.0%<sup>330</sup> of the total allocation to PA 6.

**Table 3.39 – Project approval history under PA 6**

Call:	Closing date:	Focus Area: <sup>331</sup>	Projects approved under Call:
1	7 Sep 2007	ESHI, IM	<b>14 Projects</b> (ERDF 045, 047, 048, 054, 056, 057, 058, 062, 063, 064, 065, 066, 068 and 072)
2	22 Feb 2008	EA, UR	<b>3 Projects</b> (ERDF 104, 109 and 114)
4	29 May 2009	EA, ESHI, EM, IM	<b>5 Projects</b> (ERDF 156, 159, 164, 183 and 189)
6	23 Oct 2009	ESHI	<b>1 Major Project</b> (ERDF 196)
N/A	N/A	ESHI	<b>1 Aid Scheme</b> (ERDF 136)
11	6 May 2011	IM	<b>1 Project</b> (ERDF 256)

A further breakdown of the twenty-five (25) approved projects as compared to the focus areas of interventions is displayed in Table 3.40.

**Table 3.40 – Approved operations per focus area**

	Call:	Focus Area:
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<sup>330</sup> €141,540,695 divided by €149,000,000.

<sup>331</sup> Legend: EA – E-Accessibility; ESHI - Education, Social and Health-related Infrastructure; EM - Environmental Monitoring; IM - Internal Mobility; UR - Urban Regeneration.

		EA:	ESHI:	EM:	IM:	UR:	Total:
<b>Projects:</b>	1 <sup>st</sup>		12 <sup>332</sup>		2 <sup>333</sup>		14
	2 <sup>nd</sup>	2 <sup>334</sup>				1 <sup>335</sup>	3
	4 <sup>th</sup>	1 <sup>336</sup>	2 <sup>337</sup>	1 <sup>338</sup>	1 <sup>339</sup>		5
	11 <sup>th</sup>				1 <sup>340</sup>		1
<b>Aid Scheme:</b>	2 <sup>nd</sup>		1 <sup>341</sup>				1
<b>Major Project:</b>	6 <sup>th</sup>		1 <sup>342</sup>				1
<b>Total:</b>	N/A	<b>3</b>	<b>16</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>25</b>

### **Call for project proposals**

The call launched in March 2011,<sup>343</sup> Call 11, received a total of four (4) project proposals, three (3) of which were rejected on ground of eligibility. The approved project, ERDF 256 (*MODUS: Encouraging modal shift in land transport*), seeks to encourage modal shift from the use of private passenger vehicles to public transport by increasing transport attractiveness through the creation of bus interchanges, bus priority measures, a Park and Ride facility and a core Intelligent Traffic Management System. It also ties up nicely with the public transport reform introduced by Government in 2011.

### **Mainstream projects**

By the end of 2011, a total of nine (9) projects under this Axis were completed, eight (8) under the focus area of *Education, Social and Health-related Infrastructure*, four (4)<sup>344</sup> of which completed in 2011, and one (1)<sup>345</sup> other project under the focus area of *Internal Mobility* was completed in 2010. One (1)<sup>346</sup> approved project under the *Education, Social and Health-related Infrastructure* intervention area was withdrawn, leaving a total of fifteen (15) ongoing interventions under this Axis by end of year, two (2)<sup>347</sup> of which are nearing completion and are expected to be completed by mid 2012.

Out of these fifteen (15) interventions, thirteen (13) are *mainstream* projects consisting of:

<sup>332</sup> ERDF 045, ERDF 054, ERDF 056, ERDF 057, ERDF 058, ERDF 062, ERDF 063, ERDF 064, ERDF 065, ERDF 066, ERDF 068 and ERDF 072. Note: ERDF 063 was eventually withdrawn to become ERDF 062, with ERDF 062 being completed in 2010.

<sup>333</sup> ERDF 047 and ERDF 048.

<sup>334</sup> ERDF 109 and ERDF 114.

<sup>335</sup> ERDF 104.

<sup>336</sup> ERDF 159.

<sup>337</sup> ERDF 164 and ERDF 189.

<sup>338</sup> ERDF 156.

<sup>339</sup> ERDF 183.

<sup>340</sup> ERDF 256.

<sup>341</sup> ERDF 136 *Grant Scheme for Child Care Facilities*.

<sup>342</sup> ERDF 196.

<sup>343</sup> Internal mobility.

<sup>344</sup> ERDF 045, 062, 065 and 066 were completed in 2010. ERDF 054, 056, 058 and 072 were completed in 2011.

<sup>345</sup> ERDF 048 was completed in 2010.

<sup>346</sup> ERDF 063.

<sup>347</sup> ERDF 057 and 064, under the focus area *Education, Social and Health-related Infrastructure*.

- Five (5)<sup>348</sup> projects under the focus area of *Education, Social and Health-related Infrastructure* - four (4) concerning extensions and upgrading of services and buildings at secondary, post-secondary and tertiary education institutions and one (1) health-related project (ERDF 068);
- Three (3)<sup>349</sup> projects related to *E-Accessibility*, namely the enhancement of e-services available to the public,<sup>350</sup> the development of a speech engine to convert electronic Maltese text<sup>351</sup> to speech audio which will assist persons with disabilities in accessing assistive ICT, and the digitisation of parts of the collections at the National Library in order to enhance the accessibility to documents,<sup>352</sup>
- One (1)<sup>353</sup> project under the focus area of *Environmental Monitoring*, aimed at developing the national environmental monitoring infrastructure;
- Three (3)<sup>354</sup> under the focus area of *Internal Mobility*, with the objective of improving transport and urban accessibility via, for instance, the reconstruction of roads, as well as infrastructural development aimed at encouraging a modal shift from the use of private passenger vehicles to using public transport by increasing transport attractiveness; and,
- One (1)<sup>355</sup> project under the focus area of *Urban Regeneration*, targeted at upgrading inner urban cores in selected areas of Malta.

With respect to PA 6's contribution towards Gozo, it is worth noting that three (3)<sup>356</sup> of the ongoing projects are being wholly implemented in Gozo whilst five (5) other projects<sup>357</sup> are being partially implemented in Gozo.

### **Major project**

Also under the focus area *Education, Social and Health-related Infrastructure* is the major project ERDF 196 (*Mater Dei Oncology Hospital*). The application was approved by the PSC on 26 November 2010. It was informally submitted to CION for comments in 2011.<sup>358</sup> This project will be providing a modern 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<sup>359</sup> (or 32.8% of the Axis' allocation).

<sup>348</sup> ERDF 057, 064, 068, 164 and 189.

<sup>349</sup> ERDF 109, 114 and 159.

<sup>350</sup> ERDF 159.

<sup>351</sup> ERDF 114.

<sup>352</sup> ERDF 109.

<sup>353</sup> ERDF 156.

<sup>354</sup> ERDF 047, 183 and 256.

<sup>355</sup> ERDF 104.

<sup>356</sup> ERDF 047, 068 and 189.

<sup>357</sup> ERDF 056, 058, 062, 066 and 159.

<sup>358</sup> Following formal submission in quarter 1 2012, the project was approved by CION on 12<sup>th</sup> April 2012.

<sup>359</sup> Total project cost is €59,773,018. Amount includes ineligible costs of € 10,970,296.

### **Aid Scheme**

Also ongoing is ERDF 136 (*Grant Scheme for Child Care Facilities*), under the focus area *Education, Social and Health-related Infrastructure*. The aim of this Aid Scheme is to support enterprise in setting up child care centres. In 2011, the IB launched two (2) calls for applications; one (1) in May 2011 and one (1) in October 2011, resulting in the signing of thirteen (13) GAs consisting of eight (8) start-up projects and five (5) requests for upgrades of existing facilities. Following the signing of these GAs, the total amount contracted via GAs under this Scheme stood at €215,829 by the end of 2011.

### **03.6.2 Information on the physical and financial progress**

#### **Physical Progress**

As stated earlier, as at end of 2011 nine (9) projects were completed, amounting to a total public eligible value of €19,636,204 (13.2% of the Axis allocation). A number of operations originally scheduled to finish in 2011 required an extension beyond 2011 for reasons that will be explained below.<sup>360</sup> Considering that projects approved under this Axis (with the exception of ERDF 256) were approved in previous years, most of the projects were either at the final stages of their procurement or at implementation stage, in a number of cases advanced implementation stage. In fact, contracting saw an increase of 130% over 2010 levels, whereby €54,945,242 were contracted during 2011 for a cumulative total of €97,317,770 being contracted under this Axis.

#### **Completed mainstream projects**

With respect to concrete results, two (2) MCAST Institutes (a multimedia training centre and a mechanical institute) upgraded their respective labs with new equipment (through ERDF 054 and 056), and students were now able to make full benefit of the refurbished facilities. The infrastructural development of the Junior College Building extension (ERDF 057) was also completed in 2011 and audio equipment was installed, whereas the visual equipment and furniture were still to be delivered. The completion of ERDF 072 led to the opening of a centre aimed at assisting disabled persons achieve a higher level of independence. The centre, with an area of approximately 315m<sup>2</sup>, was officially launched mid year 2011 and comprises a helpdesk office together training and demonstration facilities focussing on, for instance, vehicular adaptations and other assistive equipment needed to board vehicles. Under this project, two (2) jobs were created so far. The year 2011 also saw the completion of the project which aims to furnish school laboratories with science equipment that will enable students to carry out effectively and efficiently experiments which form an integral part of their curriculum (ERDF 058).<sup>361</sup>

#### **Ongoing mainstream projects (Education, Social and Health-related Infrastructure)**

Although the construction of the University computing services centre building (ERDF 064) was completed, a few items of furniture and equipment were still pending delivery in 2012. Meanwhile, an

<sup>360</sup> ERDF 047, 057, 064, 068, 104, 109, and 136.

<sup>361</sup> A total of two thousand, three hundred and eighty (2,380) students are benefitting from this intervention per annum.

extension to the project's deadline was requested for the Junior College building extension (ERDF 057) from 2011 to 2012, in view of the delays in the tendering process for furniture (appeals) and lack of technically compliant bids submitted under the first launch of equipment tendering, necessitating a second publication.

Under ERDF 068, the addition of two (2) new components, namely the Bone Density Machine and the refurbishment of the Bone Density area, was approved during 2011. The rest of the facility started being used by radiology patients during the year under review for mammography and Computer Tomography (CT) scan purposes, amongst other interventions.<sup>362</sup> Still, the project required an extension for completion to September 2012 in view of approved additional equipment and refurbishment.

Construction of the premises for the Institute of Applied Science and the Institute of Business and Commerce (ERDF 164) commenced during 2011. Following the award of the civil works tender during Q3 2011, physical progress of works commenced and started picking up. As at year end the amount disbursed on the civil works contract was 24% of the contract value, whereas the amount of works certified by the supervising architect was 37% of the total works to be done. Meanwhile, the mechanical and electrical tender was being evaluated whereas other tenders were being drafted. In terms of total contracting, 22.2% of the project's public eligible value was contracted as at end 2011, a modest increase when compared to the contracting level of 8.0% registered at end 2010. Meanwhile, under ERDF 189, 61.1% of project public eligible amount was contracted as at year's end and 27.1% of this amount was paid. The facility is expected to be completed in 2012.

### ***Ongoing mainstream projects (Urban Regeneration)***

As far as ERDF 104 is concerned, an extension to the project's original completion date was requested since the remaining works on four (4) project sites<sup>363</sup> were falling behind schedule. Such delays were mainly attributable to issues related to procurement and delays in planning permits as well as the discovery of historical findings also resulted in delays to the project. As at year's end 64.6% of the project was contracted of which 32.1% was paid.

### ***Ongoing mainstream projects (Internal Mobility)***

In terms of road works, the financing of additional stretches on the Xlendi and Ta' Pinu Roads in Gozo under ERDF 047 resulted in the postponement of the final completion date for the project, which is now in 2012. The extension of the project will yield an additional 0.44km stretches of upgraded roads and allow easier access to the Ta' Pinu Shrine. The Valletta vertical connector (ERDF 183) project registered remarkable progress during this year, receiving approval for the development permit approved and contracting the main works tender. Civil and structural works on the site commenced shortly after whilst landscaping design and engagement of archaeological monitors was also ongoing. The last project to be approved under this focus area ERDF 256, approved in 2011. Two (2) tenders were contracted in 2011 related to the Marsa Park and Ride Facility and the bus interchange at the

<sup>362</sup> Includes 474 in-patient referrals for CT and 'Doppler' (new services), 1,250 referrals from other sources for CT and Mammography, 14,000 average annual referrals for services that were previously being offered namely X-Rays and Ultrasound.

<sup>363</sup> Verdala Housing Blocks, St Nicholas Married Quarters, Xatt ir-Risq and Dock No. 1.

Sliema Ferries. Four (4) additional tenders were under evaluation. Moreover, the works related to the Marsa Park and Ride were contracted and nearing completion.

### ***Ongoing mainstream projects (E-Accessibility)***

Significant progress was also recorded on the project focusing on the Maltese text to speech synthesis (ERDF 114) which saw the testing of the final prototype in view of the scheduled launch in 2012. Another project which made a noteworthy stride in 2011 was ERDF 109 which as at end of had procured and installed the digitisation hardware whilst the software tender was on the market. While the necessary software is being procured, staff at the National Library was undergoing basic training in preparation for the commencement of the digitization of documents. This project's completion date was extended to 2012 following unsuccessful tendering. Under the eXS4ALL project (ERDF 159), preparation for the e-ID rollout, scheduled for June 2011, experienced a delay of two (2) quarters. Work carried out under this component in 2011 included the presentation of the e-ID card to the project review board, the reviewing and the decision with regard to which accreditation system to use, the drawing of the e-ID card's functional and technical specifications, the holding of customer workshops and the revisions made following these customer workshops, the carrying of a security audit at the data centre where the system would be set and the setting up of a card management system. Deadline for the delivery of the system was extended till quarter 1 2012. On the other hand, interactive whiteboards were procured and their installation in primary schools was complete, whereas the installation in secondary schools was underway and scheduled to be finalised during quarter 1 2012. The tender for the procurement of additional interactive whiteboards was launched in late 2011 and was still on the market by year end. Meanwhile procurement of the e-learning solutions was finalised in 2011 and the system was already set up by year end.

### ***Ongoing mainstream projects (Environmental Monitoring)***

The project related to the developing of a national environmental monitoring infrastructure and capacity (ERDF 156) had most of its activities contracted by year's end (76.0% of the project's public eligible value). Equipment is expected to be delivered in quarter 1 2012 and thus preparations were underway so that the national monitoring programmes in air, water, radiation, noise and soil could commence soon after.

### ***Aid Scheme - Grant Scheme for Child Care Facilities (ERDF 136)***

In view of the IB's request to launch a third<sup>364</sup> call to absorb remaining funds under the scheme, the scheme's period of implementation was extended from December 2012 to August 2013. The results achieved as at end of 2011 from call 1 (May 2009) and the May 2011 call are displayed in Table 3.41 hereunder.

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<sup>364</sup> Launched in October 2011.

**Table 3.41 – Operations and investments under ERDF 136**

Call:	1:	May 2011:	Oct 2011:	Total:
<b>Launched:</b>	23/03/2009	25/05/2011	16/10/2011	
<b>Closed:</b>	22/05/2009	24/06/2011	14/11/2011	
<b>Applications submitted:</b>	23	7	13	<b>43</b>
<b>GAs signed:</b>	13	3		<b>16</b>
<b>Operations:<sup>365</sup></b>	4	3		<b>7</b>
<b>Beneficiaries:</b>	3 <sup>366</sup>	3 <sup>367</sup>		<b>6</b>
<b>GA Value:<sup>368</sup></b>	€127,545	€88,284		<b>€215,829</b>
<b>Additional investment:<sup>369</sup></b>	€150,819	€82,954		<b>€233,773</b>
<b>Total investment:</b>	€278,364	€171,238		<b>€449,602</b>

Evaluation of the thirteen (13) applications submitted under the October 2011 call was still ongoing as at end of December 2011. Ten (10) of these proposals were eventually approved and the relevant GAs were signed in January 2012.<sup>370</sup>

### **Major Project – Mater Dei Oncology Hospital (ERDF 196)**

The major project under this PA, ERDF 196, aims at 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, to relieve and prevent as much as possible the suffering of patients undergoing therapy. A revised project application form, as a result of the PSC recommendations, was received from the applicant in March 2011. This application form was forwarded informally to CION and JASPERS for review. Application was submitted formally to CION in January 2012. The project made significant progress by end of 2011. All preliminary works (bulk excavations) and studies were completed. In addition, the plant design, development and build (DD&B) tender and the furnishing tender were launched, with the DD&B tender being awarded in November 2011. The signing of this contract, being the main works contract under this project, resulted

<sup>365</sup> This data represents the operations implemented to date. The difference under Call 1 between the number of GAs signed and the operations actually implemented on the ground is due to the fact that out of the original thirteen (13) GAs signed, seven (7) beneficiaries withdrew their application. Moreover, in June 2011 two (2) other GAs were terminated by the IB after the beneficiary failed to present any claims for reimbursement within the stipulated timeframes.

<sup>366</sup> The number of beneficiaries implementing operations under Call 1 is less than the actual number of operations since one (1) beneficiary, Mickey's Child Edu-Care Centre, signed two (2) GAs for two (2) different locations (Hamrun and Bulebel). The three (3) beneficiaries implementing operations under Call 1 are all micro enterprises.

<sup>367</sup> Two (2) of these beneficiaries are micro enterprises whilst one (1) is a large enterprise.

<sup>368</sup> This represents the value of GAs for the ongoing operations. It does not include value of GAs that were terminated after being signed.

<sup>369</sup> Including private investment and non-eligible costs.

<sup>370</sup> The results from the signing of these ten (10) GAs in January 2012 are not being counted in this 2011 report for the sake of consistency and reconciliation. For instance, whilst the contracted value as at end of 2011 is being reported at €215,829, it will increase to €432,816 when including these new ten (10) GAs. Eight (8) of these GAs are related to the construction of new facilities and five (5) involve the upgrading of existing facilities.

in €31,821,224 being contracted by the end of 2011, representing 65.2% of the project's public eligible cost (€48,802,722). Progress was also being registered on the remaining procurement, with, for instance, evaluation of bids submitted under the medical equipment tender being at an advanced stage.

## Progress on Indicators

**Table 3.42 - PA 6 indicators**

Indicators		2007-2010	2011	Total
<b>Output Indicators</b>				
No of projects ensuring sustainability and improving the attractiveness of towns and cities (core indicator) [A6O01]	Achievement	1	<b>1</b>	<b>1</b>
	Target	n/a	n/a	3
	Baseline	n/a	n/a	n/a
Km of upgraded roads (non TEN-T) [A6O02]	Achievement	4.70	<b>6.19</b>	<b>6.19</b>
	Target	n/a	n/a	7
	Baseline	n/a	n/a	n/a
No of projects promoting Modal Shift [A6O03]	Achievement	1	<b>2</b>	<b>2</b>
	Target	n/a	n/a	2
	Baseline	n/a	n/a	n/a
No of new e-services for the public and the business community [A6O04]	Achievement	0	<b>52</b>	<b>52</b>
	Target	n/a	n/a	4
	Baseline	n/a	n/a	58
No of existing learning facilities refurbished (with new equipment) / constructed within intervention areas by 2013 [A6O05]	Achievement	31	<b>43</b>	<b>43</b>
	Target	n/a	n/a	30
	Baseline	n/a	n/a	n/a
No of projects [health] (core indicator) [A6O06]	Achievement	2	<b>2</b>	<b>2</b>
	Target	n/a	n/a	2
	Baseline	n/a	n/a	n/a
No of environmental monitoring projects [A6O07]	Achievement	1	<b>1</b>	<b>1</b>
	Target	n/a	n/a	4



	Baseline	n/a	n/a	n/a
Sq m of modernized facilities refurbished (with new equipment/constructed within intervention areas by 2013) [A6O8]	Achievement	11,842	<b>13,839.5<sup>371</sup></b>	<b>13,839.5<sup>372</sup></b>
	Target	n/a	n/a	2,040
	Baseline	n/a	n/a	n/a
<b>Result Indicators</b>				
Average % redevelopment of units in regeneration areas of total National regeneration [A6R01]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	1.27%
	Baseline	n/a	n/a	0.03%
Road surface condition of upgraded roads [A6R02]	Achievement	0	<b>1.0-1.5</b>	<b>1.0-1.5</b>
	Target	n/a	n/a	1.0 <sup>373</sup>
	Baseline	n/a	n/a	4.66
% increase in use of non-car modes [A6R03]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	8%
	Baseline	n/a	n/a	29,745,123
% increase in use of e-services [A6R04]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	20% increase
	Baseline	n/a	n/a	80,545
Pupils/ students/ trainees benefiting from upgraded and modernized facilities/services (per annum) (core indicator) [A6R05]	Achievement	10,305 <sup>374</sup>	<b>18,752</b>	<b>18,752</b>
	Target	n/a	n/a	25,000
	Baseline	n/a	n/a	n/a
% of total patients [within intervention areas] using new/upgraded equipment/services [A6R06]	Achievement	0	<b>100</b>	<b>100</b>
	Target	n/a	n/a	60%
	Baseline	n/a	n/a	n/a
No of new services offered in the health	Achievement	0	<b>5</b>	<b>5</b>

<sup>371</sup> Reported data is on a cumulative basis. This explains why the 2011 result and the total results are equal.

<sup>372</sup> 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 ERDF 058 where equipment bought for the science and technology laboratories of thirty one (31) schools, one (1) science centre and one (1) design and technology centre.

<sup>373</sup> In reality, this is being met by ERDF 047 with road condition 1.49 and by ERDF 048 with road condition 1.5.

<sup>374</sup> Calculated as 1,158 students in 2008, 1,606 in 2009, and 7,541 in 2010.

sector [A6R07]	Target	n/a	n/a	3
	Baseline	n/a	n/a	n/a
National monitoring programmes established [A6R08]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	4
	Baseline	n/a	n/a	n/a

A significant achievement was recorded with regard to the completion of interventions related to the refurbishment of existing learning facilities and the construction of new facilities. By the end of 2011, forty-three (43) facilities were recorded as compared to the original target of thirty (30). This indicator encompasses interventions which refer to both new construction as well as the refurbishment of existing areas. In order to clarify this indicator and make it more realistic, under the OP changes proposed during the MC of November 2011 a delineation between construction of new facilities (including extensions of existing facilities) and interventions limited to refurbishment of existing facilities was proposed. Under the focus area of *Urban Regeneration*, the core indicator related to number of projects ensuring sustainability and improvement in the attractiveness of towns and cities had an original target of three (3) projects. However, there is only one (1) project being implemented in this regard (ERDF 104). It should be however noted that under this project, three (3) Cottonera cities will still be affected. In fact, the target will be reduced to one (1) once the OP changes mentioned earlier are approved. With regard the targeted four (4) new e-services for the public and the business community to be launched by the end of the programming period, as at end 2011 this target was significantly over-achieved and, in fact, the OP changes propose and increase in this target to make it more ambitious.

The indicator concerning surface area of modernized facilities refurbished recorded a total result of 13,839.5m<sup>2</sup> by the end of 2011, exceeding the target of 2,040m<sup>2</sup>. Most projects under this Axis basically contribute to this indicator and further results are expected once more projects are completed. Any activity involving the procurement of new equipment is counted as a contribution. As explained earlier, the proposed OP changes will also tackle this issue and will distinguish between footprints covering newly constructed buildings and refurbished buildings which were upgraded or modernised via the procurement of new equipment. The need for such a change emerged from the mid-term evaluation, which was concluded in 2011, during which the evaluators commented on the overlap of certain indicators.

A result of 100% is being reported for the indicator “% of total patients within intervention areas using new/upgraded equipment/services”. Under ERDF 068, 2011 saw the launch of the refurbished facilities, despite the project not being fully completed. The Beneficiary confirmed that all demand for radiology services was being met on site and the most tangible achievement was that patients were now being treated at the Gozo General Hospital rather than referred to the Mater Dei Hospital in Malta. Such treatment included referrals for Computer Tomography (CT) scans, mammograms, X-rays and

ultrasounds. The target as per GA of ERDF 068 was 100%, however, the 100% level was not defined in absolute terms. In this respect, the fact that patients could be treated within the same healthcare facility rather than having to be referred elsewhere was considered as a 100% fulfilment of the target.

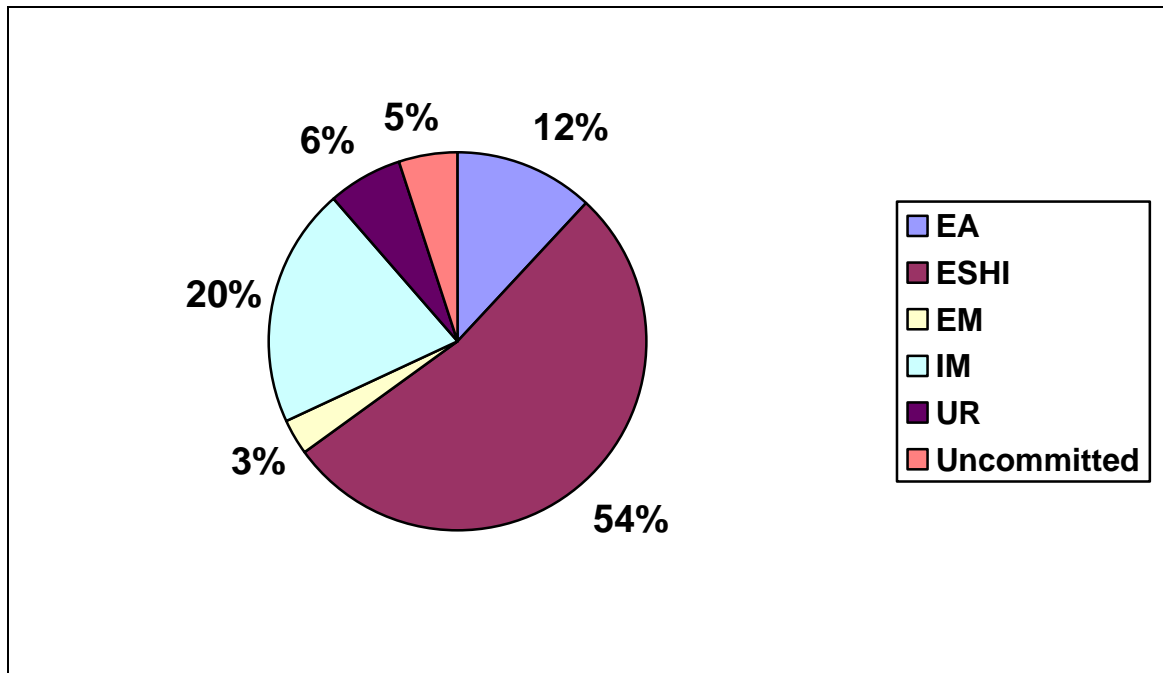
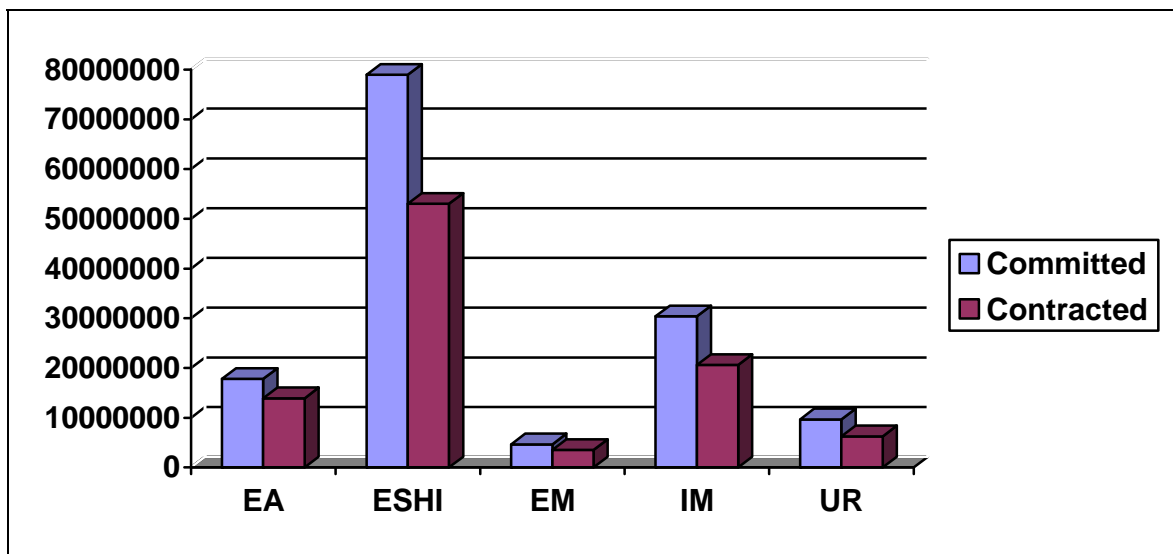
## Financial Progress

**Table 3.43 – PA 6 financial analysis**

Priority Axis	Total Contribution	Financial Progress			
		Commitments	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	€141,540,695	€44,616,250	95.0%	29.9%

### 03.6.3 Qualitative Analysis

By the end of 2011, the total commitment within this PA amounted to €141,540,695, representing 95.0% of the allocation for this PA, equivalent to a 10% increase from the commitment levels reported in 2010 (see Table 3.43). A total of €7,459,306 available under this PA remains unallocated. This amount, together with any other funds returning to the Programme in the early months of 2012, will be directed towards the focus area *Education, Social and Health-related Infrastructure*, and a call is expected to be issued during the first half of 2012. The contracted amount as at end 2011 stood at €97,317,770, equivalent to 68.8% of the commitments. Table 3.44 gives an overview of the contracting progress per focus area, whilst figure 3.11 gives a comparison between commitments and per focus area. Out of the total contracted amount to date, €54,945,242 was contracted during 2011, mainly due to the signing of the DD&B contract under ERDF 196. This represents an increase of 129.7% over the contracting level as at end of 2010 (€42,372,528).

**Figure 3.11 - PA 6 commitments per focus area<sup>375</sup>****Figure 3.12 – Comparison between commitments and contracting under PA 6**

All projects with the exception of ERDF 256 (approved during quarter 3 2011) had processed payments by the end of year. As at end 2011, €44,616,250 (48.5% of the contracted amount) was processed in payments. €17,093,636 of this amount was disbursed during 2011 alone, representing an increase of 62.1% over the contracted amount reported as at end of 2010 (€27,522,614). 2011 saw almost a three-fold increase over the certified amount reported as at end of 2010 (€14,912,965) with certifications

<sup>375</sup> Legend: EA – E-accessibility (ERDF 109, 114, 159); ESHI – Education, Social and Health-related Infrastructure (ERDF 045, 054, 056, 057, 058, 062, 064, 065, 066, 068, 072, 136, 164, 189, 196); EM – Environmental Monitoring (ERDF 156); IM – Internal Mobility (ERDF 047, 048, 183, 256); UR – Urban Regeneration (ERDF 104).

totalling €41,719,901 as at end of 2011, equivalent to 93.5% of the cumulative disbursements under this Axis made until year end 2011.

**Table 3.44 – Financial progress per focus area as at end 2011**

Focus Area:	Committed:	Contracted:	Disbursed:	Certified:
<b>ESHI</b>	€78,980,672	€52,996,310	€19,482,614	€18,697,808
<b>IM</b>	€30,407,810	€20,615,493	€15,986,935	€15,194,739
<b>EA</b>	€17,809,713	€13,914,553	€6,689,150	€6,149,197
<b>UR</b>	€9,684,740	€6,252,190	€2,006,147	€1,668,009
<b>EM</b>	€4,657,760	€3,539,225	€451,404	€10,148
<b>Total:</b>	€141,540,695	€97,317,770	€44,616,250	€41,719,901

**Table 3.45 – Financial progress under PA 6 as at end of 2011**

	Mainstream Projects:	Aid Scheme:	Major Project:	Total:
<b>Allocation:</b>	N/A	N/A	N/A	€149,000,000
<b>Committed:</b>	€92,237,973	€500,000	€48,802,722	€141,540,695
<b>Contracted:</b>	€65,280,717	€215,829	€31,821,224	€97,317,770
<b>Disbursed:</b>	€43,636,501	€37,664	€942,086	€44,616,250
<b>Certified:</b>	€40,755,169	€22,646	€942,086	€41,719,901

#### **03.6.4 Significant problems encountered and measures taken to overcome them**

Apart from the usual procurement issues related to changes in templates and (administratively) non-compliant bids which the DOC has sought to address through measures introduced in 2010, since during the period under review, most of the projects were well into their implementation phase, the main problem experienced was related to tender evaluation, which was sometimes characterised by a lengthy evaluation process arising from a number of issues, including requests for clarifications, or lodging of appeals (in particular under ERDF 054 and 057). In some instances there was the need to re-launch tenders. Other delays were related to post-contracting issues, with beneficiaries making several requests for approval of variations, often resulting in lengthy discussions with DOC and delays in the signing of contract addenda. One reason for such increase in variation requests was the increase in

prices of imported raw material which possibly affected as well rise in costs relating to shipping (most raw materials for infrastructural works needs to be imported).

The abnormal inclement weather (described under previous Axes) which hit the Maltese Islands in quarter 4 2011 significantly restricted civil works. Works on ERDF 164 and ERDF 047 were completely halted for a number of days. Moreover, such weather conditions also caused damages which had to be repaired; such was the case on ERDF 047 Xlendi Road works. Besides creating occupational health and safety risks to workers and people and third-party property in the surroundings of construction sites (such as risks related to the use of cranes), there were also site-specific problems related to weather. One typical example was Xlendi Road, which is typically subject to flooding following heavy rainfalls due to its geographical positioning. Such problem is compounded when considering that Malta is renowned for its high intensity bursts of rainfall for a short period of time. This caused scour and erosion to existing granular material and formation together the carting of debris into uncovered structures and duct routes. Possible temporary pressure build-ups behind exposed rural wall structures also resulted in debris being spilt on the roads. In addition, the abnormally prolonged rainfall season recorded last winter increased water infiltration into the road material, making it unsuitable for covering up and in several cases contractors had no other option other than waiting for the material to dry up. Another unforeseen delay was caused by discoveries during the excavation processes of archaeological or hazardous findings, such as the uncovering of a World War II bomb at the MCAST campus (ERDF 164). During the year under review most projects had the relevant permits in hand hence the MEPA related bottleneck did not present a threat to implementation, at least not in 2011.

### 3.7 Priority Axis 7 – Technical Assistance

#### 3.7.1 Achievement of targets and analysis of the progress

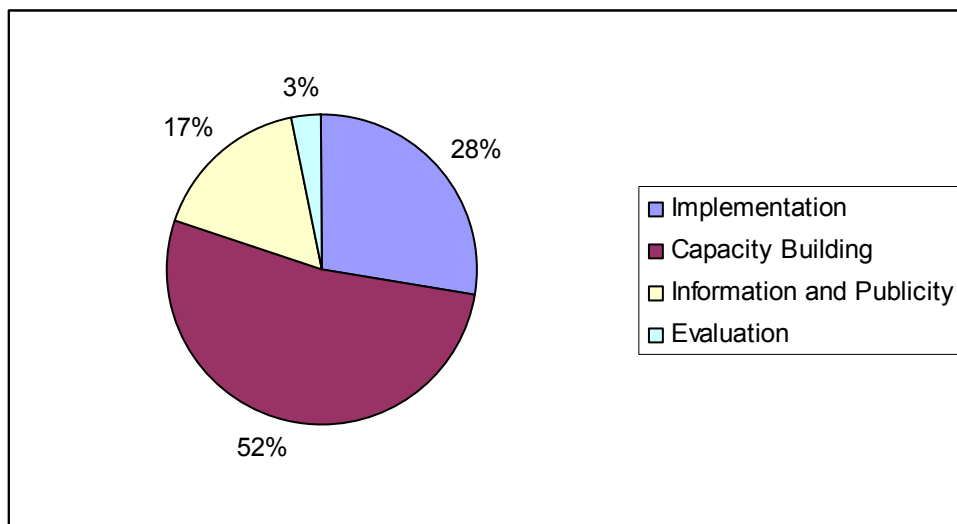
Technical Assistance (TA) was of great support to the OP during 2011, with the financing of various activities, mainly focusing on general implementation actions such as costs related to capacity for the management of the programme, training and other capacity building measures, evaluation and monitoring as well as information and publicity. Eligible applicants for TA are those stakeholders involved in the management, implementation and control of the relevant OP. These include the MA, CA, AA, Treasury Department, DOC, IBs and LMs. In relation to IBs, TA was also used to cover capacity costs incurred by the IB to run the Aid Schemes under PA 1, PA 2, PA 4 and PA 6.

#### 3.7.2 Information on physical and financial progress

##### Physical progress

In 2011, the MA received seventy one (71) new requests for the use of TA,<sup>376</sup> covering costs linked to the implementation of the Programme, capacity building as well as information and publicity and evaluation costs. Figure 3.13 below shows the percentage of requests received per component.

**Figure 3.13 - Percentage of requests per component<sup>377</sup>**



As explained in other chapters of this report, the progress made on the implementation of the OP resulted in an increase in the disbursement of funds, requiring an increased intensity of activity at first

<sup>376</sup> Five (5) of which were de-committed and one (1) was rejected

<sup>377</sup> "Implementation" refer to costs related to aiding the implementation of projects themselves and includes costs related to the organisation of meetings (such as MCs), salaries of officers within OPI (and, in part, FCU officers), salaries of officers at stakeholders such as DOC, Treasury and the CA, commissioning of the SEA report, and costs related to the maintenance of the SFD 2007-2013. "Capacity Building" includes costs related to local and overseas training of officers at the MA, DOC, Treasury, the CA, and other officers in connection with Cohesion Policy (such as officers at MEPA).

level of control to verify expenditure paid. This necessitated additional capacity within the MA as well as within the other stakeholders. TA also continued funding the human resources required to manage and monitor the different schemes managed by the IBs and this with the aim of enabling the IBs to undertake the necessary checks and controls. In fact, in order to boost the checks carried out under the Tourism Scheme (ERDF 135), TA is also financing the provision of an evaluator to assist in the evaluation of submitted proposals under this scheme as well as the provision of three (3) experts<sup>378</sup> to assist in the control and monitoring of the activities by beneficiaries of the Scheme. During the year under review, TA also financed the outsourced capacity in relation to checks undertaken for the closure of the 2004-2006 Programme following a request by the Audit Authority. Other costs funded under the TA included the continued enhancement of SFD 2007-2013 by the introduction of new functionalities on a number of modules and updates on other modules following feedback by users.

As part of a capacity building exercise, during 2011 a number of officers within the MA as well as within relevant stakeholders utilised TA funds to participate in meetings and training seminars, the latter both locally and abroad. As explained in more detail in Chapter 2, seventy-two (72) participants<sup>379</sup> attended local training financed under the TA, whilst five (5) persons from the different stakeholders attended training abroad covering several topics such as verification, evaluation, financial control and procurement. Moreover, a total of twenty-seven (27) missions were financed from TA to attend meetings and conferences abroad.<sup>380</sup>

With respect to publicity costs, during 2011, TA financed the pre-announcements and the respective calls for applications and information sessions held in relation to the four (4) calls launched under the Programme in 2011.<sup>381</sup> Apart from these, TA supported the Local Informal Information and Publicity Network (LIIP) meeting in November 2011 to discuss and co-ordinate various methods amongst different stakeholders to promote and provide information about Cohesion Policy to the general public. The most extensive support from TA to information and publicity was the support given to the annual event, which in 2011 consisted in the organisation of coach tours entitled "*Rotta EU07-13*."<sup>382</sup> The general public was invited to visit sites being co-financed under OPI whilst experts in the various sectors gave short presentations either on site or on the coach on the projects' objectives, progress in implementation and expected results. Several promotional items, also financed under TA, were distributed during the event.

Although no evaluation was contracted in 2011, the costs pertaining to this area were in relation to the Mid-Term Evaluation contract, with the final payment being effected in October 2011. In addition, TA also committed an amount of €1,108,800 to cover the thematic evaluations, aimed to analyse the achievement of operations undertaken under OPI and their contribution to increase competitiveness

<sup>378</sup> Mechanical and structural engineer, a quality assurance controller and an IT engineer.

<sup>379</sup> Fifty three (53) participants (repeat participants) attended the CBA training workshops organised by London Economics in Malta whilst nineteen (19) persons attended an induction training course for new beneficiaries.

<sup>380</sup> Such meetings and conferences cover a wide range of topics such as the future of cohesion policy, audit and energy. Participants were more or less equally divided between MA staff and staff of horizontal stakeholders.

<sup>381</sup> Call 10 (PA 2), Call 11 (PA 6), Call 12 (PA 4) and Call 13 (PA 4).

<sup>382</sup> This event took place during the weekend of 26<sup>th</sup> and 27<sup>th</sup> November 2011 in various sites in Malta and Gozo.



and improve quality of life. Whilst during 2011 work started on the drafting of the TORs for the thematic evaluations, the relative tenders are expected to be launched and contracted in 2012.

Moreover, during the year under review, as part of the OPI change initiated in September 2011, services were procured for the provision of technical expertise for Strategic Environmental Assessment Screening (SEA) to assess the strategic environmental impact of the proposed changes to the OPI.<sup>383</sup> In addition, TA continued to support the project selection process and the Monitoring Committees held in 2011, as well as the *ad hoc* expenses related to the national high level bilateral meetings, the Inter-Ministerial Co-operation Committee (IMCC), IB Network and other network meetings related to the OP.

## Financial progress

**Table 3.46 – PA 7 financial analysis**

Priority Axis	Total contribution	Financial progress			
		Commitments	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 7 (ERDF) Technical Assistance	€12,327,095	€12,327,095	€2,773,393	100.0 %	22.5 %

### 3.7.3 Qualitative Analysis

The total amount contracted under PA 7 from the beginning of the programming period until end 2011 was of €6,805,422,<sup>384</sup> representing 55% of the Axis' allocation. The expenditure incurred over the same period amounted to €2,773,393,<sup>385</sup> of which 41% (€1,122,121) was paid in 2011 only. One of the reasons for the increased payments in 2011 was due to the clearing of backlogs from old payments related to expenditure incurred in 2008, 2009 and 2010 which were all processed in 2011 (together with 2011 payments). During 2011, three (3) Article 13 checks were carried out by the FCU on expenditure paid under this Axis.<sup>386</sup> These checks were successfully concluded with no major issues identified. With an amount of €1,603,230 being certified in four (4) SOEs during 2011,<sup>387</sup> bringing the total certifications under PA 7 to €1,997,253 as at end of 2011.

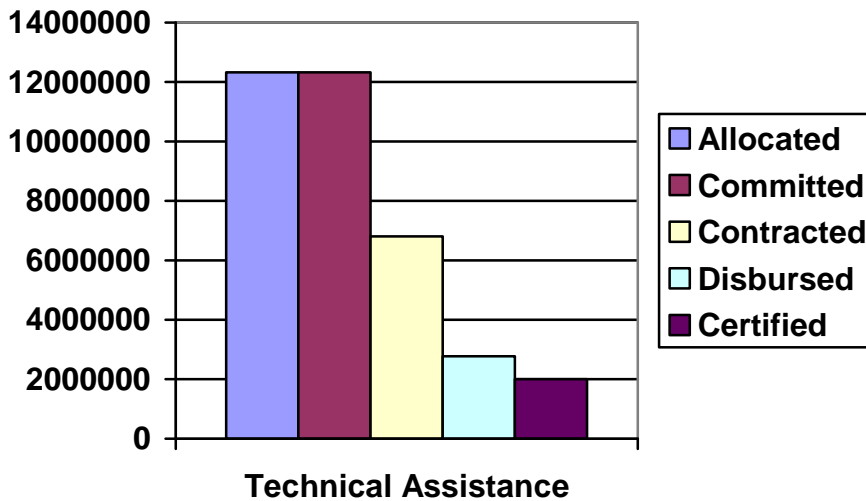
<sup>383</sup> Although the consultancy was delivered in 2011, payment was actually affected in 2012.

<sup>384</sup> This includes multi-annual commitments related to employment contracts. The present staff complement would be required until the end of the programming period (2015), therefore the MA envisages the contracting of another €4,500,000, in addition to the contracted value to date, in order to cover such costs.

<sup>385</sup> Equivalent to 22% of the allocation available under PA 7.

<sup>386</sup> During these spot checks a total of one hundred and ninety-nine (199) invoices amounting to €1,193,246.83 were checked.

<sup>387</sup> SOEs of April, July, November and December 2011. During these SOEs, a total of two hundred and eighty-three (283) invoices amounting to €1,603,230 were certified.

**Figure 3.14 – Financial progress under PA 7**

### 3.7.4 Significant problems encountered and measures taken to overcome them

During the year 2011, the main issue which continued to cause delays in the processing of payments concerned the reimbursement requests related to salaries. Regrettably, the computation of salaries differs amongst the different stakeholders and, in addition to the usual errors, this continued to be the main cause of delay in the processing of payments. Such issues were addressed on an *ad hoc* basis, in order to give relevant guidelines and direction to the stakeholders involved. Moreover, a meeting with the relevant officers within the DCS-OPM was held in January 2012 with the aim of establishing a feasible timeline to be followed by the relevant stakeholders in order to ensure timely processing of monthly reimbursement claims for salaries. Half way through the year under review, the TA Project Leader resigned and this temporarily delayed the implementation of PA 7. A decision was taken to fill this vacancy with an experienced officer already employed by the MA to ensure a smooth transition and thus avoid unnecessary delays.

Although the nature and fragmentation of actions financed under TA result in disproportionate administrative burdens, often resulting in backlogs in the verification and subsequent certification of payments under PA 7, the learning curve amongst the various stakeholders is now levelling out, and thus resulting in more efficient processing of requests and payments.

## 04. ERDF/CF: Major Projects

### 04.1 Progress in the implementation of Major Projects

OPI as amended in November 2011,<sup>388</sup> foresees seven (7) Major Projects.<sup>389</sup> As at end 2011, work had started on all seven (7) Major Projects foreseen under the OP. Five (5) of these had been approved at a national level,<sup>390</sup> three (3) of which were also approved by the CION whilst the other two (2) projects were still pending submission to the CION, albeit at a very advanced stage. The last two, **CF 119** and **CF 125**, were still in their final preparatory phases and still not yet submitted for approval at national level.

#### 04.1.1 Major Projects Approved by the CION

All three (3) Major Projects submitted to the CION so far were all approved in 2010. These are:

- **CF 117** - Improving the TEN-T Road Infrastructure (Phase 1);<sup>391</sup>
- **CF 118** - Rehabilitation and Restoration of Closed Landfills;<sup>392</sup> and
- **CF 116** - Malta South Sewage Treatment Infrastructure.<sup>393</sup>

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

This project was submitted to the CION in August 2009 and was the first Major Project proposal submitted by Malta under the 2007-2013 Cohesion Policy framework. The CION approved this project on 3<sup>rd</sup> February 2010. With a total public eligible cost of €57,588,381,<sup>394</sup> this project involves the upgrading, through reconstruction, of five (5) strategic sections<sup>395</sup> of the Trans-European Transport (TEN-T) road network in Malta providing improved links to: the Air Passenger Terminal in Gudja; the Sea Passenger Terminal and Ro-Ro Terminal in the Grand Harbour; several tourist areas in the northern part of Malta; as well as the internal seaports at Ċirkewwa; and Mgarr Ferry Terminal (Gozo), the latter link to Victoria, the Island's capital city.

During 2011 contracting of all the works tenders foreseen under **CF 117** were concluded, with contracts signed and works started on all of the five (5) stretches (six (6) contracts in all), hence registering a considerable tangible improvement in the implementation milestones over the previous year which was almost exclusively taken up by the lengthy procurement process. In fact, the contracting process for the works was divided into 3 main tenders, the first of which consisted of the bulk of the stretches and

<sup>388</sup> As at 4<sup>th</sup> May 2012, the revised OP was still not formally approved by the CION.

<sup>389</sup> Two (2) Major Projects under PA 3, four (4) Major Projects under PA5 and one (1) Major Project under PA6.

<sup>390</sup> CF 116, CF 117, CF 118, ERDF 120 and ERDF 196.

<sup>391</sup> Approved in February 2010.

<sup>392</sup> Approved in July 2010.

<sup>393</sup> Approved in November 2010.

<sup>394</sup> Total project cost €77,205,881, which will be revised downwards following unutilised funds registered during procurement.

<sup>395</sup> Divided in six (6) works tenders.

was divided into four (4) separate lots.<sup>396</sup> The contracts for Lots 1, 2 and 3 were signed in February 2011, followed by the contract for Lot 4 in March 2011 for a total value of €28,184,914 (inc. VAT) for all four (4) Lots. The second and third tenders (reconstruction and upgrading of the Mellieħa By-Pass and construction of an underpass from Triq Diċembru 13 to Menqa Roundabout, Marsa) were launched in October and August 2010, respectively. Both tenders were awarded in May 2011 and subsequently contracted in October of the same year for a total value of €5,827,553 (inc. VAT) and €5,476,720 (inc. VAT), respectively. The fourth main tender under this project was for Project Management Services for all works related to this project and was contracted for €3,067,080 (inc. VAT) in March 2011. The tender for the Road Operators Satisfaction Survey was contracted for €17,936 (inc. VAT) in January 2011, with the survey<sup>397</sup> being concluded during the year under review. In 2011, a total of €42,574,203 had been contracted, representing 99.3% of the total contracted amount of €42,848,966 for this project up to December 2011.<sup>398</sup>

By end 2011, implementation on the project was well underway with works ongoing on all stretches foreseen under the project. Throughout the year, a total of €9,295,904 was disbursed (representing 16%<sup>399</sup> of the total public eligible funds allocated to the project or 22%<sup>400</sup> of the amount contracted as at 31 December 2011) bringing the cumulative project disbursement by end of 2011 to €9,393,667.

From the total amount of €9,295,904 disbursed in 2011,<sup>401</sup> the amount of €4,726,620 was certified to the CION by December 2011. The amount of €2,079,425 was reimbursed by the CION as at end 2011, with the balance received subsequently in 2012.

Table 4.1 - Project Timetable for CF 117

	<b>Start date (A)</b>	<b>Completion date (B)</b>
<b>1. Feasibility studies</b>	Completed	Completed
<b>2. Cost-benefit analysis (including financial analysis)</b>	Completed	Completed
<b>3. Environmental impact assessment</b>	N/A <sup>402</sup>	N/A
<b>4. Design studies</b>		
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	Completed	Completed

<sup>396</sup> Lot 1- Works for the reconstruction of Council of Europe & Garibaldi Avenue; Lot 2 - Works for the reconstruction of Sea Passenger Terminal Access Road; Lot 3 - Works for the reconstruction of Marfa Road; Lot 4 - Works for the reconstruction of Mgarr Road, Xewkija & Fortunato Mizzi Street, Republic Street, Victoria, Gozo.

<sup>397</sup> The objective of the survey is to carry out an attitudinal survey immediately before the commencement of road interventions with a view to assess the satisfaction rate of road operators based on a number of criteria (road safety, comfort, etc.). A second survey will then be carried out after the completion of works in order to assess the percentage change in the road users' satisfaction rate.

<sup>398</sup> Includes €274,764 which was contracted by 2010.

<sup>399</sup> This percentage is being derived by comparing the total amount disbursed in 2011 (€9,295,904) to the total public eligible amount allocated on the project (€57,588,381).

<sup>400</sup> This percentage is being derived by comparing the total disbursements on the project as at end 2011 (€9,393,667) to the total amount contracted (€42,574,203) over the same period.

<sup>401</sup> By comparison, only €97,763 were disbursed in 2009 and 2010.

<sup>402</sup> As per correspondence from the environmental authority dated 16<sup>th</sup> March 2009.

Project 3 - Marfa Road, Mellieha	Completed	Completed
Project 4 - Mgarr Road, Gozo	Completed	Completed
Project 5 - Mellieha By-pass, Mellieha	Completed	Completed
<b>5. Preparation of Tender documentation</b>		
Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	October 2008	July 2009
Project 2 - Sea Passenger Terminal Access Road – Phase A <sup>403</sup> - Construction of Single Carriage road from Menqa to Sea Passenger Terminal	October 2008	July 2009
Project 2 - Sea Passenger Terminal Access Road – Phase B <sup>404</sup> – Vehicular underpass at December 13 <sup>th</sup>	August 2009	July 2010
Geotechnical Investigations for Project 2 (Phase B)	October 2008	November 2008
Project 3 - Marfa Road, Mellieha	October 2008	July 2009
Project 4 - Mgarr Road, Gozo	October 2008	July 2009
Project 5 - Mellieha By-pass, Mellieha	August 2009	September 2010
Construction Management (for all five (5) projects)	October 2008	August 2009
<b>6. Expected / launch of tender procedure(s)</b> <sup>405</sup>		
<p>The procurement of works for the five (5) projects was carried out as follows:</p> <p><b>Tender 1</b> consisted of <b>four (4)</b> lots: Lot 1- Roadworks for Council of Europe Avenue and Garibaldi Avenue (Project 1); Lot 2 – Sea Passenger Terminal (Project 2); Lot 3 – Marfa Road, Mellieha (Project 3); Lot 4 – Mgarr Road, Ghajnsielem/Xewkija/Victoria (Project 4).</p> <p><b>Tender 2</b> consisted of <b>one (1)</b> Lot - Construction of an Underpass from Triq Dicembru 13 to Menqa Roundabout, Marsa.</p> <p><b>Tender 3</b> consisted of <b>one (1)</b> Lot – Mellieha by-pass, Mellieha.</p> <p>One (1) tender document was issued for Project Management for the five (5) projects.</p>		
Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	August 2009	November 2009 <sup>406</sup>
Project 2 - Sea Passenger Terminal Access Road - Phase A	August 2009	November 2009
Project 2 - Sea Passenger Terminal Access Road - Phase B	August 2010	October 2010
Geotechnical Investigations for Project 2 Phase B	December 2008	January 2009
Project 3 - Marfa Road, Mellieha	August 2009	December 2010
Project 4 - Mgarr Road, Gozo	August 2009	November 2009
Project 5 -Mellieha By-pass, Mellieha	October 2010	December 2010
Construction Management (for all five (5) projects)	September 2009	November 2009
Road User Satisfaction Survey (Pre-construction)	September 2009	November 2009
Road Operator Satisfaction Survey (Pre-construction)	November 2010	December 2010
<b>7. Land acquisition</b>	August 2006	July 2011
<b>8. Construction phase/contract</b>		

<sup>403</sup> Project was split into two (2) phases in view of the extensive telecommunication network that had to be shifted prior to the construction of the underpass.

<sup>404</sup> Refer to footnote 401.

<sup>405</sup> The completion date refers to the closing date of the publicised tenders.

<sup>406</sup> The completion date in this section refers to the closing of the tender publishing period and does not include the period allotted for the evaluation process of the tenders. This is the reason why some completion dates may vary from the ones reported in AIR 2010.

Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	March 2011	November 2012 <sup>407</sup>
Project 2 - Sea Passenger Terminal Access Road – Phase A	March 2011	October 2012
Project 3 - Marfa Road, Mellieha	March 2011	December 2012
Project 4 - Mgarr Road, Gozo	March 2011	January 2013
Geotechnical Investigations for Project 2 Phase B	May 2009	December 2009
Project 2 - Sea Passenger Terminal Access Road – Phase B	November 2011	September 2013
Project 5 - Mellieha By-pass, Mellieha	November 2011	May 2013
Construction Management (for all five (5) Projects)	March 2011	July 2013 <sup>408</sup>
Road User Satisfaction Survey (Pre-construction)	January 2010	June 2010
Road Operator Satisfaction Survey (Pre-construction)	January 2011	March 2011
<b>9. Operational phase</b>		
Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	June 2012 <sup>409 410</sup>	
Project 2 - Sea Passenger Terminal Access Road – Phase A	May 2012	
Project 3 - Marfa Road, Mellieha	July 2012	
Project 4 - Mgarr Road, Gozo	August 2012	
Project 2 - Sea Passenger Terminal Access Road – Phase B	April 2013	
Project 5 - Mellieha By-pass, Mellieha	December 2012	

The project is still suffering from delays encountered during the procurement process<sup>411</sup> which cannot really be recovered since implementation plans were already very tight, given that a good part of the project is being implemented in highly urbanised areas and/or commercially critical nodes. Moreover, despite efforts from all stakeholders, there were also delays in implementation on almost all the stretches. The underlying reasons behind these delays were various. First of all, Malta registered a heavy rainfall period during the winter months of 2011, as also evidenced from data by the national Meteorological Offices. These rainfalls caused delays since works could not be carried out during the period of time when it rained and the consequential floods caused serious damage to the works which had already been undertaken. In general, rain falling in Malta is typically constituted of bursts of rainfall of high intensity for short periods of time. These have the added consequence that they cause excessive amounts of surface water to flood a construction site, thereby resulting in erosion of existing granular material, carting of debris into uncovered structures, and possible temporary pressure build ups behind exposed wall structures with related damages.

In addition, the prolonged rainfall recorded over last winter occurred at a period in the project stage whereby construction was mostly within sub grade levels. Thus, the surfaces were very susceptible to

<sup>407</sup> Timeframe includes five (5) months for closure of contract following completion of works, which period is required for the preparation of a snag list. This applies to all the completion dates mentioned in point 8 of the project's timetable.

<sup>408</sup> Date of completion may change to reflect any changes that may occur in the timeframes of the roads contracts.

<sup>409</sup> The start date of the operational phase for all the contracts in the project timetable is the date of the completion of works in the construction phase less the five (5) month period mentioned in footnote 19.

<sup>410</sup> The Malta Transport Authority is bound to sustain this investment for at least a period of twenty (20) years as indicated in the project's CBA. This applies to all the completion dates mentioned in point 9 of the project's timetable.

<sup>411</sup> Following the Appeal lodged on CT2584/2008 on the 2<sup>nd</sup> of March 2010.

damage and water infiltration, making them unsuitable for covering up. In some cases, these entailed either waiting times until the material is dry, or the removal and replacement of wet material. Although one may argue that Malta's climate is relatively dry, the topography and characteristics of the road network under the project have certain features that do not assist road construction, especially considering the fact that the roads being constructed are mostly situated downhill from other areas, and thus, they also receive the catchment water from such areas. Also, these main roads are not similar to what is typically encountered abroad, whereby motor ways are raised above adjacent tenements and cater solely for the water falling on their surface area.

Other reasons for delays in implementation include the following:

- (i) Minor changes in design, such as changes in the road levels for the intersection under Project 1;
- (ii) Additional works requested by service utilities and the sensitivity of working in a highly urbanized environment with compact and concentrated services (particularly telecoms) that warrant a very slow pace of works;
- (iii) Archaeological discoveries during excavation; leading to works being halted until the Superintendence for Cultural Heritage carried out the necessary inspections;
- (iv) Delays in the issue of certain permits, such as the nature permit falling under Project 3 for the removal of trees;
- (v) Limited access roads (they are often small lanes rather than roads and it is not possible to extend them because of planning permits) means that the contractors have to work within limited space and around the fact that some form of access to traffic has to be maintained while working;
- (vi) Major works in tourism areas cannot be undertaken in summer which means that once there are delays, works cannot catch up during the summer months.

Transport Malta is still targeting December 2012 for completion of most of the stretches, however whilst it is most likely that the bulk of works for most of the projects will be completed in 2012, there is still the likelihood of spill-overs into 2013, particularly with regard to the contract related to Project 2.

As at end 2011, the publicity component, with an allocated amount of €59,000 (inc. VAT) was still to be contracted. An amount of €5,936,668 was still available as contingency under the project, whilst the amount of €8,743,747 was registered as unutilised following contracting. Discussions are ongoing with Transport Malta and pending any unforeseen circumstances, any unconsumed funds will most likely return to the Programme.

## CF 118 - Rehabilitation and Restoration of Closed Landfills

This project was submitted to the CION on 11<sup>th</sup> May 2010 and was subsequently approved through CION Decision dated 28<sup>th</sup> July 2010 with a total public eligible cost of €26,224,382.<sup>412</sup> The project aims at the rehabilitation and restoration of the Magħtab and Qortin landfills with the installation of an engineered capping to better control gas emissions and the reduction of rainfall infiltration, including the placement of sub-soil and top-soil plantation of indigenous Maltese plants. The project equally aims at the rehabilitation of the Marsascula waste site from a derelict plant to a family park. During 2011 the project registered some progress in relation to procurement. The third Project Management tender (Magħtab)<sup>413</sup> was awarded on 13<sup>th</sup> April 2011 with a value of €602,600. The works tender for Magħtab Phase I, (issued in 2010), was awarded in June 2011 and contracted in August 2011, bringing the total amount contracted under the project to €4,192,030. This amounts to 16% of the total public eligible value allocated to this project. The designing of the remaining three (3) works tender continued in 2011 for all three (3) sites. The planning permit for the site in Qortin was however issued in September 2011. The three (3) works tenders (Magħtab Phase II, Qortin and Marsascula) were all eventually launched towards the end of 2011 with the Marsascula works tender starting evaluation<sup>414</sup> as at end 2011. During 2011 some progress (albeit not sufficient) was also registered in payments with €418,939 being processed during the year, bringing the total disbursement value to €961,680. Though still relatively low, disbursements are expected to accrue with the award of the remaining main works tenders in 2012 and the acceleration of works under Magħtab Phase I.<sup>415</sup> Approximately 50% of the disbursed amount, equivalent to €483,781, was certified as at end 2011, whilst €411,213, or 85% of the certified amount, was reimbursed by the CION as at end of the period under review.

Table 4.2 - Project Timetable for CF 118

	Start date (A)	Completion date (B)
<b>1. Feasibility studies</b>	Completed	Completed
<b>2. Cost-benefit analysis (including financial analysis)</b>	Completed	Completed
<b>3. Environmental impact assessment</b>	N/A	N/A <sup>416</sup>
<b>4. Design studies</b>	Completed	Completed

<sup>412</sup> During the second quarter of 2011, the Beneficiary requested the shift of funds from the Planning/Design component to the Supervision component and to remove the publicity allocation from the Planning/Design component to a specific component for Publicity. After consulting with the CION and given that these proposed shifts had no impact on either the total eligible costs or the CION Decision, and this was a way of correctly recording the budget allocation, the MA found no objection to such a request. The Monitoring Committee members were informed of this development during the November 2011 Monitoring Committee meeting.

<sup>413</sup> The Project Management tenders are: Magħtab, Marsascula and Qortin. The original publishing dates for these tenders were 5<sup>th</sup> March 2010, 5<sup>th</sup> January 2010 and 26<sup>th</sup> February 2010, respectively. The Marsascula and Qortin tenders were awarded on 14<sup>th</sup> April 2010 and 11<sup>th</sup> August 2010, respectively.

<sup>414</sup> Magħtab Works Tender was published on 9<sup>th</sup> December 2011 and will close on 2<sup>nd</sup> February 2012; Qortin Works Tender was published on 6<sup>th</sup> December 2011 and will close on 31<sup>st</sup> January 2012; Marsascula Works Tender was launched on 11<sup>th</sup> October 2011 and closed on 22<sup>nd</sup> November 2011.

<sup>415</sup> Awarded in 2011.

<sup>416</sup> A full Environmental Impact Assessment was not required by the Planning Authority for the proposed development at Magħtab and Qortin as they were not found to be covered by either Annex I or Annex II of Council Directive 85/337/EEC on Environmental Impact Assessment (EIA). The development of a Family Park at Marsascula was found to require an Environmental Planning Statement (EPS) on the basis of Section 3.5.2.1.ii, Category II of the Environmental Impact Assessment Regulations, 2001 (LN 204 of 2001), which requires proposals for recreation and sporting facilities and activities with a site area of between 2 and 10 ha to undergo an Environmental Impact Assessment. The EPS containing the EIA for the Marsascula Family Park was approved by the EPD on 29<sup>th</sup> April 2009.



<b>5. Preparation of Tender documentation</b>		
Marsascala	January 2007 <sup>417</sup>	October 2011
Qortin	January 2008 <sup>418</sup>	November 2011
Magħtab Phase I	January 2008 <sup>419</sup>	April 2010
Magħtab Phase II	January 2011	November 2011
<b>6. Expected / Launch of tender procedure(s)<sup>420</sup></b>		
Marsascala	March 2007	November 2011
Qortin	August 2008	January 2012
Magħtab Phase I	November 2008	July 2010
Magħtab Phase II	December 2011	February 2012
<b>7. Land acquisition</b>	N/A <sup>421</sup>	N/A
<b>8. Construction phase / contract</b>		
Marsascala Works	April 2012	December 2013
Qortin Works	May 2012	May 2013
Magħtab Works Phase I	August 2011	October 2012
Magħtab Works Phase II	June 2012	July 2013
<b>9. Operational phase</b>	2013 <sup>422</sup>	

According to the original project timetable in the Grant Agreement, the construction phase had to start in October 2010, at Magħtab (Phase I) and Marsascala, followed by Magħtab Phase II in July 2011 and Qortin in November 2011. However, delays in procurement have stalled the process significantly.

With respect to the Marsascala works tender, this was originally launched in April 2010 as Lot 3 within the tender for the Construction of a family park at Sant'Antnin, limits off, Marsascala, which also comprised landscaping works, including the construction of a footbridge as well as the construction of a car park. Following its launch, it was however agreed that since Lot 2 and Lot 3 were going to be financed through EAFRD under measures 313 and 322, a separate tender should be launched for each activity. Thus the tender was cancelled and a fresh tender had to be written.

The delay experienced with respect to the Magħtab Phase I works tender was mainly due to the evaluation of the tender, which carried on for almost a year, with the awarding of the tender in May 2011.

<sup>417</sup> The Start Date includes the preparation of the tender for the drafting of an Environmental Planning Statement.

<sup>418</sup> The Start Date includes the preparation of the tender for the Provision of Landfill Engineering Professional Services for the Preparation of an overall Master plan for the closure and rehabilitation of waste management landfills; Preparation of a CBA for a landfill rehabilitation project.

<sup>419</sup> The Start Date includes the preparation of the tender for the Provision of Landscape and Architectural Design Expertise for the Preparation of an Overall Master plan for the Closure and Rehabilitation of Waste Management Sites around the Magħtab Waste.

<sup>420</sup> The completion date refers to the closing date of the publicised tenders.

<sup>421</sup> All three (3) sites were public property.

<sup>422</sup> Operational Phase will start with project completion and it entails the maintenance of the investment and continuous monitoring of sites to ensure when it would be safe that the areas can be returned back to the community for beneficial use. The reference period identified for this project is twenty-five (25) years.

Following the evaluation and award of Magħtab Phase I, considered by Wasteserv to be a “pilot phase” in order to gain the necessary expertise in the drafting of tenders dealing with the capping of landfills, intensive work commenced on the Qortin and Magħtab Phase II tenders leading to the launch of the said two (2) tenders in December 2011.

Despite these difficulties all main tenders were published by end of 2011 and evaluation for all three (3) is expected to be finalised by Q2, 2012.<sup>423</sup> Nonetheless, the Beneficiary is confident that the project can still be completed by the end of 2013, which although outside the original time-frames (July 2013), is within reason for a project of this scale.

On a more positive note, it should be noted that the first tangible results have been achieved by this project during 2011, following the contracting in August 2011 of the Magħtab Phase I works tender. Works on this phase started immediately which led to a total of 15,000m<sup>2</sup> of land being rehabilitated in Magħtab.

#### CF 116 – Malta South Sewage Treatment Infrastructure

This project was approved by the CION on 18<sup>th</sup> November 2010 with a total public eligible cost of €69,985,474.<sup>424</sup> The project is the last (and also by far the largest) of a series of wastewater infrastructure constructed in Malta over the past eight (8) years. The project complements the existing two (2) wastewater treatment plants – one (1) in Gozo and one (1) to the North of Malta – and brings Malta in line with Directive EC/91/271 to treat all urban wastewater entering collecting systems before discharge. In recognition of this investment, the Maltese, Gozitans and tourists alike can enjoy and benefit from cleaner seas around the Islands, where the status of Malta’s coastal waters in the South of Malta has raised to Class 1.

The project comprises the construction of a new urban wastewater treatment plant at Ta' Barkat, a new wastewater pumping station at Rinella, upgrading of an existing wastewater pumping station in Xghajra, a new 1.7 km wastewater gallery from Rinella to Ta' Barkat and the construction of a 1 km submarine outfall. The year 2011 saw the completion of all remaining works and the project was officially launched in June 2011. The project is expected to be formally completed in 2012.<sup>425</sup> Finally, in 2011, €3,921,238 of eligible expenditure were paid bringing the total payments as at end of year to €66,240,668. In 2011, €5,308,262 eligible expenditure were certified of which €3,586,348 had already been received from the CION.<sup>426</sup> In total €64,313,702 were certified on this project of which €53,740,971<sup>427</sup> had already been received from the CION.

It is worth mentioning that in 2011 this project also started registering the first performance indicators. By the end of the year, the project achieved an 80% decrease in national sewerage effluent discharge. This achievement together with the achievements from the Gozo and the North of Malta wastewater

<sup>423</sup> As at end April 2012, the Marsascala works tender was contracted, while the Qortin Works Tender had opened its financial package and was awaiting the GCC's approval. The Magħtab Phase II was, however, waiting the PCAB's decision following the submission of an objection in April 2012.

<sup>424</sup> Total cost is €82,582,859.

<sup>425</sup> It was foreseen that the project would be completed in March 2011, however, (i) the re-design of the connection between the wastewater treatment plant and the outfall pit, (ii) the re-design of the pit size to cater for the width of the tunnel and (iii) the adverse wintery weather conditions delayed works on the Submarine Outfall which were completed in October 2011. Although the construction of the project was finalised in 2011, the project completion date was extended to 2012 in order to complete administrative work, in particular the processing of payments.

<sup>426</sup> Amount refers to 85% Community Funding. A further €925,675 was received on 10<sup>th</sup> February 2012.

<sup>427</sup> Ibid.

treatment plants resulted in Malta becoming the first Mediterranean country to treat all wastewater prior to being discharged into the sea. In addition the project created eighteen (18) new jobs and recovered 2.71 GWhrs/annum RES through anaerobic sludge digestion.

Table 4.3 - Project Timetable for CF 116

	Start date (A)	Completion date (B)
<b>1. Feasibility studies</b>	Completed	Completed
<b>2. Cost-benefit analysis (including financial analysis)</b>	Completed	Completed
<b>3. Environmental impact assessment</b>	Completed	Completed
<b>4. Design studies</b>	Completed	Completed
<b>5. Preparation of Tender documentation</b>		
▪ Construction of an Urban Wastewater Treatment Plant	October 2006	March 2007
▪ Construction of the Rinella Pumping Station <sup>428</sup>	August 2007	May 2008
▪ Upgrading of the Xghajra Pumping Station	January 2009	October 2009
▪ Gallery from Rinella to ta' Barkat	March 2007	December 2007
▪ Submarine Outfall	February 2008	March 2009
<b>6. Expected / Launch of tender procedures<sup>429</sup></b>		
▪ Construction of an Urban Wastewater Treatment Plant	April 2007	August 2007
▪ Construction of the Rinella Pumping Station	June 2008	August 2009
▪ Upgrading of the Xghajra Pumping Station	November 2009	January 2010
▪ Gallery from Rinella to ta' Barkat	January 2008	February 2008
▪ Submarine Outfall	April 2009	July 2009
<b>7. Land acquisition</b>		
▪ Construction of an Urban Wastewater Treatment Plant	February 2007	December 2008 <sup>430</sup>
▪ Construction of the Rinella Pumping Station	February 2007	October 2007
▪ Upgrading of the Xghajra Pumping Station	N/A <sup>431</sup>	N/A
▪ Gallery from Rinella to ta' Barkat	N/A <sup>432</sup>	N/A
▪ Submarine Outfall	N/A <sup>433</sup>	N/A
<b>8. Construction phase / contract<sup>434</sup></b>		
▪ Construction of an Urban Wastewater Treatment Plant	December 2008	March 2011 <sup>435</sup>
▪ Construction of the Rinella Pumping Station	March 2009	November 2010

<sup>428</sup> Construction of the Rinella Pumping Station includes the following three (3) tenders: Supply of Mechanical and Electrical Equipment for Rinella Sewage Pumping Station; Civil Construction Works of Rinella Sewage Pumping Station; and Supply and Commissioning of Standby Generator.

<sup>429</sup> The completion date refers to the closing date of the publicised tenders.

<sup>430</sup> The land acquisition was completed in April 2008 however the land acquisition for the widening of access road to plant was completed in December 2008.

<sup>431</sup> Upgrading of Xghajra Pumping Station refers to the supply, installation and commissioning of mechanical and electrical equipment.

<sup>432</sup> Gallery refers to an underground gallery for transmission of sewage to plant.

<sup>433</sup> Submarine Outfall refers to a below sea level outfall for discharge of treated effluent to sea.

<sup>434</sup> The start date of the construction phase refers to the order to start work (commencement date) while the completion date refers to the date of Taking Over certificate (i.e. Final Acceptance).

<sup>435</sup> The Urban Wastewater Treatment Plant started operating in February 2011 with the Taking Over Certificate issued in March 2011.

▪ Upgrading of the Xghajra Pumping Station	June 2010	September 2011
▪ Gallery from Rinella to ta' Barkat	January 2009	June 2010
▪ Submarine Outfall	June 2010	October 2011 <sup>436</sup>
<b>9. Operational phase<sup>437</sup></b>		
▪ Construction of an Urban Wastewater Treatment Plant	February 2011	
▪ Construction of the Rinella Pumping Station	February 2011	
▪ Upgrading of the Xghajra Pumping Station	September 2011	
▪ Gallery from Rinella to ta' Barkat	February 2011	
▪ Submarine Outfall	May 2011	

Figure 4.1 – Urban Wastewater Treatment Plant



<sup>436</sup> The Submarine Outfall started operating in May 2011 with the Taking Over Certificate issued in October 2011.

<sup>437</sup> The project has a reference period of thirty (30) years and started operating in 2011. It is expected to remain in operation until 2040. The Xghajra Pumping Station refers to supply of mechanical and electrical equipment which has a reference period of fifteen (15) years. During the operational phase, maintenance will be required on the components of the project as follows: maintenance of the mechanical and electrical equipment of the Wastewater Treatment Plant, Rinella Pumping Station and Xghajra Pumping Station; periodic cleaning of the filth accumulation of the Sewage Transmission Gallery; and cleaning operations of the coarse screen including maintenance of the penstocks of the Submarine Outfall.

#### 04.1.2 Major Projects approved by the MA and awaiting CION approval

Apart from the three (3) Major Projects approved by the CION mentioned above, during 2011 another two (2) Major Projects were being finalised by the relevant national authorities. In fact **ERDF 196 – Mater Dei Oncology Centre** was submitted to the CION in January 2012 (and approved in April of same year) whilst the other project **ERDF 120 - National Flood Relief Project** is expected to be submitted by end of Q2, 2012.

##### **ERDF 196 – Mater Dei Hospital Oncology Centre**

The project has a total Public Eligible cost of €48,802,722<sup>438</sup> and will be providing a contemporary oncology facility offering advanced cancer treatment modalities. The centre will also be providing a new service through the establishment of a Palliative Care Unit. The **Mater Dei Hospital Oncology Centre** will replace the existing Sir Paul Boffa Hospital and will be physically and organisationally interconnected to the Mater Dei Hospital. It will accommodate ninety-six (96) beds – seventy-four (74) inpatient beds and twenty-two (22) day-care beds – and will be divided in four (4) functional areas: inpatient areas, outpatient areas, treatment areas including radiotherapy treatment and anaesthesia procedure facilities, as well as spaces for clinical support services like Physiotherapy and Psychology and non-clinical support services.

The project also includes additional investments in environmentally-friendly technologies such as a fresh air ventilation system, photovoltaic panels on the roof as well as rain water collection and collection and the treatment of waste water in order to lower the dependence on fossil fuels and consequently, to achieve a substantial reduction in carbon dioxide emitted in the atmosphere.

The project received extensive assistance from JASPERS throughout 2010 and 2011, initially on the review of the draft project application as well as on the draft CBA with particular attention to the Options Analysis and in the verification of project goals and objectives. Furthermore, JASPERS received and reviewed the medical equipment specifications, MEPA and State Aid related documentation and also went into engineering issues in the context of feasibility analysis of the preferred option.

The project is made up of one (1) main tender which, at over €30 million, makes up the bulk of the total Project Eligible value, together with six (6) smaller, but still significantly large tenders, ranging in cost from €140,000 to €4.4 million.<sup>439</sup> The contract for Bulk Excavation was awarded in June 2010 for a total contract value of €1,173,762,<sup>440</sup> and during 2011, implementation was well underway with disbursement totalling €835,810, €169,575 of which being certified to the CION throughout the year. The Design, Development and Build tender was launched in late 2010 and awarded in November 2011 for a total Public Eligible value of €30,778,323 bringing the total Public Eligible value contracted, as at end of year, to €31,821,224. The Medical Equipment tender was launched in April 2011 and closed in July

<sup>438</sup> Total cost of €59,773,018.

<sup>439</sup> Out of the six (6) tenders referred to above, four (4) of them are budgeted at more than €1million.

<sup>440</sup> Of which €994,714 to be considered as eligible.

2011. By the end of 2011, the tender was at an advanced stage of evaluation.<sup>441</sup> The Furniture tender was launched in December 2011.<sup>442</sup> Apart from the Design, Development and Build tender, as at end of 2011 four (4) of the six (6) large tenders had been launched and with the award of the Design and Build tender, works are expected to accelerate significantly in 2012.

Table 4.4 - Project Timetable for ERDF 196

	<b>Start date (A)</b>	<b>Completion date (B)</b>
<b>1. Feasibility studies</b>	Completed	Completed
<b>2. Cost-benefit analysis (including financial analysis)</b>	Completed	Completed
<b>3. Environmental impact assessment</b>	N/A	N/A <sup>443</sup>
<b>4. Design studies</b>	Completed	Completed
<b>5. Preparation of Tender documentation</b>		
Bulk excavations	August 2009	October 2009
Design, Development & Build <sup>444</sup>	May 2009	January 2012
Furniture and loose fittings	April 2010	November 2011
Medical Equipment	February 2010	August 2012 <sup>445</sup>
Landscaping works	September 2012	January 2013 <sup>446</sup>
<b>6. Expected / Launch of tender procedure(s)<sup>447</sup></b>		
Bulk excavations	November 2009	January 2010
Design, Development & Build	November 2010	April 2012 <sup>448</sup>
Furniture and loose fittings	December 2011	March 2012
Medical equipment	April 2011	November 2012 <sup>449</sup>
Landscaping works	February 2013	April 2013
<b>7. Land acquisition<sup>450</sup></b>	October 2009	July 2010
<b>8. Construction phase / contract</b>		
Bulk excavations	August 2010	April 2011
Design, Development & Build	January 2012	June 2013
Electrical substation	September 2012	October 2013
Landscaping works	June 2013	October 2013

<sup>441</sup> Tender awarded in March 2012.

<sup>442</sup> This tender closed in March 2012.

<sup>443</sup> Since this project physically consists of an extension to the existing General Mater Dei Hospital, an Environmental Impact Statement (EIS) had originally been requested for the entire hospital project in accordance with Section 3.1 of the then "Policy and Design Guidance for Environmental Impact Assessment in Malta", 1994. Following screening in accordance with Schedule IB of the EIA Regulations 2007, no significant environmental impacts were identified.

<sup>444</sup> This includes the Electrical Substation that had to be re-issued as a separate tender in February 2012 following the failure to award it as a separate lot within the Design, Development and Build tender.

<sup>445</sup> The Medical equipment also includes the Brachytherapy Equipment tender which is currently being drafted and should be issued in quarter 3 or quarter 4 of 2012.

<sup>446</sup> These dates are still indicative since the preparation of the Landscaping Tender can only commence following the finalisation of the MDHOC designs by the DD&B contractor.

<sup>447</sup> The completion date refers to the closing date of the publicised tender and does not include evaluation.

<sup>448</sup> Footnote 442 refers. The closing date of the Electrical Substation is 10 April 2012.

<sup>449</sup> Footnote 443 refers. Closing date is still indicative.

<sup>450</sup> This refers to a very small piece of land that had to be expropriated as it fell within the new Oncology's footprint.

Medical equipment	June 2013	October 2013
Furniture and loose fittings	June 2013	October 2013
Brachytherapy equipment	June 2013	October 2013
<b>9. Operational phase</b>	October 2013 <sup>451</sup>	

Figure 4.2 – Mater Dei Hospital Oncology Centre



<sup>451</sup> Operational phase will start with project completion, i.e. with the opening of the hospital to the General Public. This entails the maintenance of the investment and periodical re-investment to maintain the operation. The project has a reference period of 20 years.

## ERDF 120<sup>452</sup> - National Flood Relief Project (NFRP)

This project entails the construction of a network of underground tunnels, canals and bridges, to provide better storm water drainage infrastructure for the more vulnerable areas prone to floods which will be capable of handling a flash flood up to a return period of 5-years. The NFRP tackles four (4) different critical catchments, namely the Birkirkara-Msida, Gzira, Qormi-Marsa and Marsascala basins, which include nine (9) of the worst-hit localities, namely Msida, Birkirkara, Balzan, Gzira, Qormi, Marsa, Żebbuġ, Marsascala and Żabbar. These localities, due to the highly urbanised topography, are identified among the top priority areas in the Storm Water Master Plan and also represent the areas where the majority of damages occurred in the last major storm that hit the Maltese Islands in September 2003. Effective rainfall events ( $h \geq 5\text{mm}$ ), producing significant run-off, cover the 85% of the annual average rainfall depth (around 470 mm). The number of effective rainy days is between 10 and 45 day/year and on average 30 day/year. The maximum number of rainy days per month is around 12, and the average is in the range of 0-6.<sup>453</sup> Historical flood events have produced large economic, environmental and public health damages, recurring around every 5 years. These severe events, set the background for the NFRP.

The project has a total Public Eligible cost of €50,722,090.<sup>454</sup> In 2011, the project was very advanced with the main outstanding issues concerning only the planning permits required for the two (2) works components in Birkirkara and Marsascala. However, while discussions were still ongoing, work was progressing on the drafting of the tender dossiers, although issuance of the permits held back both the submission of the Major Project to the CION as well as the publication of tenders. Half way through 2011, the first development consent was granted by the Planning Authority (MEPA) with the second one following a few months later, in December 2011. This concluded the lengthy permitting process for the NFRP which comprised five (5) development consent applications of which two (2) also required an EIA.

During the reporting period, significant progress was registered on all major tenders of the project. Five (5) procurement procedures were launched for the provision of project management, engineering and site supervision services, tunnel infrastructure in Żebbuġ and Birkirkara, the construction of canals and bridges in Qormi and Marsa, as well as for the building of a storm water reservoir in Gzira. Three (3)<sup>455</sup> tenders (of the five (5) launched) were awarded in 2011 while the other two (2)<sup>456</sup> were subsequently awarded early in January 2012.<sup>457</sup> At the end of 2011, the tender for the last component/basin area<sup>458</sup> was already being reviewed by DOC and expected to be launched on the market during the first semester of 2012.<sup>459</sup>

<sup>452</sup> Following the OP change proposed to the Monitoring Committee on 17<sup>th</sup> November 2011, the project is now under PA 5, co-financed by the Cohesion Fund.

<sup>453</sup> Reference: Consultancy Services for the carrying out of EIA and CBA studies with Technical Assistance on the NFRP, Politecnica Ingegneria e Architettura, Feasibility Study Report, 25<sup>th</sup> July 2010, page 23.

<sup>454</sup> Total cost of €60,042,951.

<sup>455</sup> These include: (i) the tender for the Construction for Reservoir at Wied Għollieqa, Gzira, (ii) the Żebbuġ Tunnel and (iii) Project management, engineering and site supervision services for the NFRP.

<sup>456</sup> These include: (i) the Design & Build of the Birkirkara, Gzira and Wied is-Sewda Tunnels and (ii) the Design & Build of Qormi & Marsa Canals & Bridges.

<sup>457</sup> Contracts for all five (5) tenders were expected to be signed during the first quarter of 2012.

<sup>458</sup> This refers to the tender for the Marsascala/Żabbar Tunnel.

<sup>459</sup> This was subsequently launched in April 2012.



Given that most of the procurement was concluded in 2011, only minor works (the construction of a storm water reservoir in Gżira) had started by end of year.<sup>460</sup> However, given that most of the procurement has now been concluded, works are expected to start in earnest in 2012. Up until the end of 2011, €5,980,748<sup>461</sup> were contracted, of which €1,580,831 were disbursed and €598,087 certified.

As indicated earlier, the formal submission of the major application form to the CION has been delayed, primarily for two (2) reasons. The first relates to delays in obtaining the development consent for the Marsascala basin (inclusive of a discharge point) which was only granted in December 2011. Major projects cannot be submitted to the CION before all of the development consents have been issued by MEPA. Secondly, as reported under Section 02.7.2, in November 2011, the MA proposed to change the Operational Programme. As part of this change, this Major Project would be shifted to PA 5 which is co-funded by the Cohesion Fund (from its previous location under PA 4 co-financed under the ERDF). The MC approved the proposed changes in December 2011 (via written procedure), however as at end of year, the changes were still not submitted to the CION and hence the project could not be formally submitted under the new Axis. This has not hindered significantly the implementation of the project on the ground (as tenders were still issued), however the authorities are now keen to complete the procedure, particularly after all the input that has gone into the preparatory phases.

At the beginning of 2011, JASPERS were invited to attend a PSC session, held on 20<sup>th</sup> January 2011, to discuss the status of the evaluation process, clarify certain aspects of the project preparation, together with the decisions taken and consultations undertaken. The JASPERS expert was invited to assist the Beneficiary in addressing the Committee's concerns and queries. Apart from this, there were no other JASPERS missions in 2011. However, there was constant electronic communication with JASPERS experts on the final touches of the application form so as to finalise the JASPERS Completion Note. The project proposal is expected to be submitted formally to the CION once the latter approves the revised OP.

In September 2011, design details of the NFRP were transmitted to Tipik Communication Agency which worked in conjunction with DG - REGIO to showcase a selection of projects at its Open Days 2011 event.

Figure 4.3 below shows the site plan of the proposed project intervention areas whilst Table 4.5 further below shows the timetable in relation to the project realisation.

<sup>460</sup> Apart from this works contract, implementation as at end 2011 also included the work completed on two (2) departmental tenders (storm water culverts and topographic survey) and on one (1) open service tender (Consultancy Services for the carrying out of EIA and CBA studies with Technical Assistance on the NFRP).

<sup>461</sup> This includes four (4) completed tenders (including the excavation works on the reservoir carried out in 2011), commitments related to MEPA/planning fees and adverts and the three (3) tenders awarded in 2011. It is worth mentioning that what could be interpreted as limited progress in contracting (€5,980,748 out of a total public eligible of €50,722,090), is in reality a less-discouraging scenario given the unconsumed funds resulting following contracting incurred in some of the tenders due to the very competitive market.

Figure 4.3 – National Flood Relief Project



Table 4.5 - Project Timetable for ERDF 120

	Start date (A)	Completion date (B)
<b>1. Feasibility studies</b>	Complete	Complete
<b>2. Cost-benefit analysis (including financial analysis)</b>	Complete	Complete
<b>3. Environmental impact assessment</b>	Complete	Complete <sup>462</sup>
<b>4. Design studies</b>	Complete	Complete
<b>5. Preparation of Tender documentation</b>	February 2010	December 2012
<b>6. Expected / launch of tender procedure(s)<sup>463</sup></b>		
Supervision Overall Project (Resident Engineer)	November 2010	April 2011
Project Scheme 1		
Part 1 - Tunnels: Birkirkara/Msida-Gzira-Marsa	January 2011	July 2011
Part 2 – Gzira Reservoir	April 2011	August 2011
Part 3 – Marsa Bridges and Canals	April 2011	June 2011
Part 4 – Tunnel: Marsa-Zebbug	October 2010	March 2011
Project Scheme 2		
Part 5 – Tunnel: Marsascalea-Zabbar	October 2011	June 2012
NFRP Equipment		
Part 6 – Supply of Machinery	January 2013	March 2014
Publicity	July 2012	December 2012
<b>7. Land acquisition</b>	May 2010	May 2012
<b>8. Construction phase / contract:</b>		
Construction phase Project Scheme 1		
Part 1 - Tunnels: Birkirkara/Msida-Gzira-Marsa	February 2012	June 2014
Part 2 – Gzira Reservoir	January 2012	December 2013
Part 3 – Marsa Bridges and Canals	February 2012	December 2013
Part 4 – Tunnel: Marsa-Zebbug	February 2012	August 2013
Construction phase Project Scheme 2		
Part 5 – Tunnel: Marsascalea-Zabbar	November 2012	June 2014
Supply of Equipment	May 2014	September 2014

<sup>462</sup> Two (2) EIA's were required for two (2) of the works components (Birkirkara and Marsascalea basins), both of which were certified in June 2010. The development consents were subsequently granted in March and December 2011 respectively.

<sup>463</sup> Completion date refers to the closing date of published tenders.

Publicity	January 2013	December 2014
<b>9. Operational phase</b>	2014 <sup>464</sup>	

#### 04.1.3 Other Major Projects in the Pipeline

Apart from the projects mentioned under the previous sections of this chapter, the Maltese Authorities are working on another two:

- **CF 125** - Improving the TEN-T Road Infrastructure (Phase 2); and
- **CF 119** - Malta North Waste Treatment Facility.

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

The project is the second phase (complementary to **CF 117**) of road infrastructure works on the TEN-T network planned for the programming period 2007-2013. This second phase entails the construction of a Grade Separated Junction in Mikiel Anton Vassalli Road in Kappara; as well as the re-construction and upgrading of the Salina Coast Road. The project will reconstruct an additional 8.3 kms of road network, leading to a reduction in bottlenecks in critical spots of the network as well as a reduction in journey delays and, above all, enhanced road safety. The total Public Eligible cost of the project is expected to be €69 million.<sup>465</sup>

As reported in AIR 2010, the MA had planned to formally submit the project application form to the CION during late 2011/early 2012. The submission of the application form during the year under review was not possible in view of required updates which had to be done to the Salina EIA and Kappara EIS reports in order to improve the results to be gauged from the studies and which made the conclusion of the relevant environmental assessments by year end unrealistic. Moreover, unanticipated required improvements in road designs enabling an enhanced traffic flow required updates to the EIA and EIS reports namely the remodelling of the Air Quality and Noise and Vibration Studies and updating the Landscape and Visual Assessments. Similar delays were experienced during the procurement process of the EIA and EIS studies which had a delayed commencement due to a longer than expected tender adjudication process. This also delayed the conclusion of the CBA and the consolidation of the project application form.

During 2011, Transport Malta, as the Beneficiary of this project, has been heavily engaged in the preparatory work, including the EIA screening process for the Salina Road, the EIS screening process for the Kappara Road and the finalisation of the CBA, all three (3) processes having to go in tandem to ensure consistency. The finalisation of both the CBA and the necessary planning studies (which

<sup>464</sup> The project has a reference period of 30 years and is expected to remain in operation until 2043. The operational phase will start with project completion and it entails the maintenance of the investment through maintenance of tunnels and culverts. Equally important for the upkeep of the NFRP is the management of valleys situated upstream of the tunnel infrastructure because this would potentially lead to debris running off from valleys and ending up in the tunnels. The Beneficiary is therefore foreseeing a capacity building exercise to train the personnel to operate and maintain not only the infrastructure but also the monitoring systems and the valleys situated upstream.

<sup>465</sup> This is the indicative total eligible value as indicated in the last version of the application form.

screening processes involve lengthy consultations also with the public)<sup>466</sup> have delayed the conclusion of the application form (and its expected subsequent submission to the CION).<sup>467</sup> Notwithstanding this, the Beneficiary has been working very closely with the relevant authorities so as to mitigate against the delays and work on the application form and the tenders in parallel to the planning process. Given the experience gained from **CF 117**, the procurement process is expected to be smoother and less time-consuming, so there is still the material time for the project to be implemented.

Technical assistance was also provided through JASPERS and contributed significantly towards the necessary input in terms of studies required to support the project proposal. Given the multitude of studies supporting the planning process, an EIS coordinator was appointed for the Kappara section. A total of eight (8) studies, financed through the project, were carried out. An EIA coordinator for the Salina section was also appointed to ensure a consistent and consolidated presentation of the various studies. The permits to be issued by MEPA will be dependant on the studies conducted by the respective coordinators.

### **CF 119 - Malta North Waste Treatment Facility**

The proposed Major Project involves the setting up of a mechanical and biological treatment plant at the Maghtab complex in Ghallis which aims to treat municipal waste, commercial waste and bio-waste. The project will further enhance the Malta's Solid Waste Management Strategy which has been partly achieved through the setting up in 2007 of a composting facility (Sant Antnin) located in the south of Malta. Sant Antnin can only receive a fraction of Municipal Solid Waste (MSW) which is separated at source, either through bring-in sites, civic amenity sites or the grey-bag collection scheme, hence the need for the setting up of another plant in the north of Malta. The proposed treatment plant will segregate the incoming MSW into five (5) fractions:

- organic waste;
- refuse derived fuel (RDF);
- ferrous metals;
- non-ferrous metals; and
- rejects

The organic waste fraction will then be treated in an anaerobic digestion plant together with the Biogas Plant, while the RDF will be stored and rejects will be land-filled respectively. The Biogas Plant is envisaged to be able to process 39,000 tonnes per annum of feed stock derived from solid and liquid manure. On the other hand the mechanical processing of bulky waste involves only shredding for volume reduction and separating of ferrous metals. The remaining material is disposed of to landfill. The mechanical processing of household waste will on the other hand lead to the recovery of energy from the biogas which will be abstracted from the waste treated within the plant.

<sup>466</sup> Both the CBA and the EIA/EIS are expected to be finalised by the first half of 2012.

<sup>467</sup> The application form is scheduled for discussion with the National Authorities and eventually submitted informally to the CION during the first half of 2012.

Due to the nature of the project and the different processes it will involve, as explained above, the budget for the project is still being finalised as designs are not yet concluded. According to the most recent estimates, the total project cost is expected to be in the range of €52 million, with a Public Eligible expected to be between €30 - €33 million (after removing ineligible costs and taking into account the funding gap rate).

During the course of 2011, the Beneficiary was taken up with the preparatory dynamics. This preparatory phase included simultaneous work on the application/supporting documentation and on the development consents. Throughout the summer months of 2011, the Beneficiary together with the consultants focused on the preparation of the application form and the accompanying documentation, mainly the CBA. JASPERS support continued throughout 2011 starting the year with a three (3) day mission, mobilising a total of three (3) JASPERS experts covering fields such as planning, technical, financial and economic. This was followed by constant and very detailed exchange of correspondence between the MA, the Beneficiary and JASPERS. Discussion with JASPERS focused on the Project Design and the preparation of the application documentation. With the help of JASPERS, potential project risks were identified and mitigation measures, including possible modification to the project's design, were being evaluated to optimise the end result i.e. a plant design that reflected the local needs with the lowest possible cost and biggest benefit to society. A number of (potentially related) issues were discussed including the setting of gate fees and the waste fraction that the plant is expected to treat. Further discussions on the above have continued in 2012.<sup>468</sup>

Concurrently, progress was also registered from a permitting perspective. Following the submission of the development permit for the construction of this facility and following a lengthy consultative process, the EIA was certified by the planning authority (MEPA) on 14<sup>th</sup> December 2011.<sup>469</sup> This hurdle will eventually pave the way for the official submission of the project to the MA and subsequently to the CION which is expected to take place in 2012. In the meantime the drafting of the tender of the Mechanical Treatment plant and Anaerobic Digester by the Engineering Consultant which was contracted in 2010, continued throughout 2011, however the tender could not be finalised for launching until the EIA is concluded.

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<sup>468</sup> JASPERS were in Malta for their third mission between the 13<sup>th</sup> and 16<sup>th</sup> of February 2012

<sup>469</sup> Following the said certification, a public hearing is being planned for the first quarter of 2012, following which the EIA report is to be drafted and validated. Subsequently, the development permit application is to be assessed for the eventual development consent which is expected to be approved and issued in 2012.

## 04.2 Progress in the financing of Major Projects

The following Table shows the total investment costs of the relevant Major Projects.<sup>470</sup>

Table 4.6 - Sources of Co-financing<sup>471</sup>

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)
<b>CF 117</b> - Improving the TEN-T Road Infrastructure (Phase 1)	€77,205,881	€48,950,124	€28,255,757 <sup>472</sup>	nil	nil	nil
<b>CF 118</b> - Rehabilitation and Restoration of Closed Landfills	€30,944,771	€22,290,725	€8,654,046 <sup>473</sup>	nil	nil	nil
<b>CF 116</b> - Malta South Sewage Treatment Infrastructure	€82,582,860	€59,487,653	€23,095,207 <sup>474</sup>	nil	nil	€10,497,821
<b>ERDF 120</b> - National Flood Relief Project <sup>475</sup>	€60,042,951	€43,113,776	€16,929,175 <sup>476</sup>	nil	nil	nil
<b>ERDF 196</b> - Mater Dei Oncology Centre <sup>477</sup>	€59,773,018	€41,482,314	€18,290,704 <sup>478</sup>	nil	nil	nil

Table 4.7 below gives an overview of the financial situation, including the contracting, disbursement, verification and certification of amounts carried out since the beginning of the programming period till end of 2011, of the Major Projects approved by the CION as well as of the Major Projects approved by the MA which, as at end 2011, still needed to be formally approved by the CION.

<sup>470</sup> The Table refers to both Major Projects approved by the CION as well as to Major Projects approved by the MA but awaiting CION approval.

<sup>471</sup> Table as per Article 5 of Annex XVIII Annual and Final Reporting of Regulation 1828/2006.

<sup>472</sup> €8,638,257 are national public and €19,617,500 are ineligible costs.

<sup>473</sup> €3,933,657 are national public and € 4,720,389 are ineligible costs.

<sup>474</sup> €10,497,821 are national public and €12,597,386 are ineligible costs

<sup>475</sup> Major Project approved by the MA and awaiting CION approval.

<sup>476</sup> €7,608,314 are national public and €9,320,861 are ineligible costs

<sup>477</sup> Major Project approved by the MA and awaiting CION approval.

<sup>478</sup> €7,320,408 are national public and €10,970,296 are ineligible costs.

Table 4.7 – Financial situation

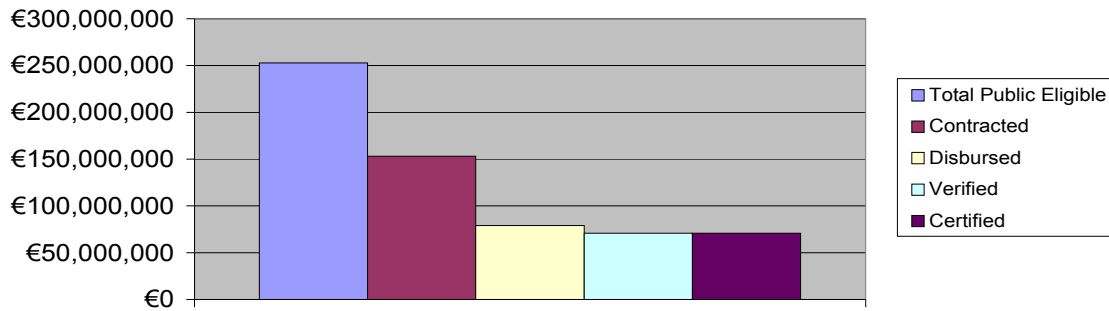
Project No. and Name	Total Public Eligible	Contracted	Disbursed		Verified		Certified	
			EU	MT	EU	MT	EU	MT
<b>CF 117</b> - Improving the TEN-T Road Infrastructure (Phase 1)	€57,588,381	€42,848,966	€7,984,617	€1,409,050	€4,017,627	€708,993	€4,017,627	€708,993
<b>CF 118</b> - Rehabilitation and Restoration of Closed Landfills	€26,224,382	€4,192,030	€817,428	€144,252	€411,214	€72,567	€411,214	€72,567
<b>CF 116</b> - Malta South Sewage Treatment Infrastructure	€69,985,474	€68,494,478	€56,304,568	€9,936,100	€54,666,646	€9,647,055	€54,666,646	€9,647,055
<b>ERDF 120</b> – National Flood Relief Project <sup>479</sup>	€50,722,090	€5,980,748	€1,343,706	€237,125	€508,374	€89,713	€508,374	€89,713
<b>ERDF 196</b> – Mater Dei Hospital Oncology Centre <sup>480</sup>	€48,802,722	€31,821,224	€800,773	€141,313	€800,773	€141,313	€800,773	€141,313

Figure 4.8 below shows a snapshot of the current situation not only in relation to the approved Major Projects by the CION but taking into account also those which are approved by the MA but still awaiting CION approval.

Figure 4.4 – Financial situation - Approved Major Projects and Major Projects approved by the MA and awaiting CION approval

<sup>479</sup> Major project approved by the MA and awaiting CION approval.

<sup>480</sup> Major project approved by the MA and awaiting CION approval.



One notes that overall, out of a total public eligible cost of €253,323,049 (which is the relevant sum of total public eligible made available to the projects in Figure 4.4), 60% has been contracted. Out of the contracted amount, 52% has been disbursed, 90% of which has been verified by the MA. As at year end, 100% of the verified amount was certified by CA.

As at end 2011, the percentage of public eligible expenditure committed in the Major Projects approved by the CION,<sup>481</sup> the Major Projects approved by the MA and awaiting CION approval (at an advanced stage)<sup>482</sup> and the Major Projects in the pipeline,<sup>483</sup> amounted to 41%<sup>484</sup> of the total OP allocation<sup>485</sup> (as can be seen from Figure 4.5 below). More than three quarters of the Cohesion Fund<sup>486</sup> (75.6%) is allocated to Major Projects from which most will be part-financed.<sup>487</sup>

Figure 4.5 - Share of Approved Major Projects, Major Projects at an Advanced Stage<sup>488</sup> and Major Projects in the Pipeline Out of the Total OP Allocation

<sup>481</sup> CF 116, CF 177 and CF 118.

<sup>482</sup> ERDF 120 and ERDF 196.

<sup>483</sup> CF 125 and CF 119.

<sup>484</sup> The percentage refers to CF 117 (€57,588,381), CF 116 (€69,985,474), CF 118 (€26,224,382), ERDF 120 (€50,722,090), ERDF 196 (€48,802,722), CF 119 (€30,000,000) and CF 125 (€69,000,000).

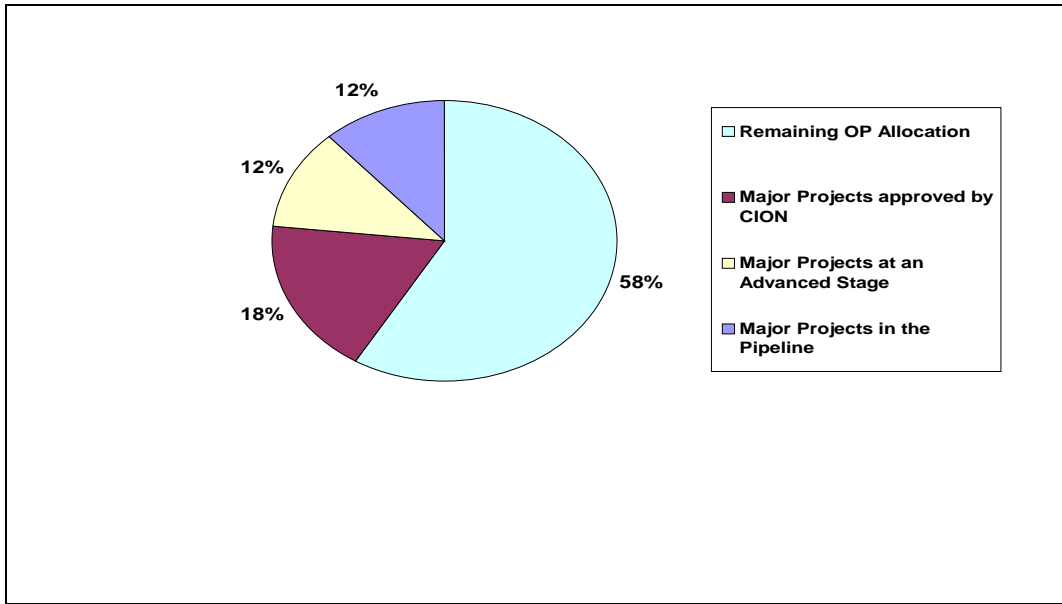
<sup>485</sup> €856,615,354.11

<sup>486</sup> €334,288,258.82

<sup>487</sup> This percentage is derived from the total public eligible budgets of CF 117, CF 118, CF 116, CF 119 and CF 125. The percentage committed in the Major Projects under the Cohesion Fund will increase when one considers the proposed amendment to the OP, whereas the Flood Relief Major Project would be part-financed from the Cohesion Fund, as explained in section 02.1.1 of this report.

<sup>488</sup> Major project approved by the MA and awaiting CION approval.





### 04.3 Completed Major Projects

As at end 2011, there were no Major Projects which were totally completed. Although **CF 116** (the Malta South Sewage Treatment Infrastructure) was officially launched and operational by June 2011, there were still some minor works that were still ongoing. This project is expected to be fully and formally completed in 2012. The indicative time line for completion for the other Major Projects approved by the CION is quarter 4 of 2012 for **CF 117** and quarter 3 of 2013 for **CF 118**, respectively.

### 04.4 Any change in the indicative list of Major Projects in the Operational Programme

During 2011, the indicative number of Major Projects remained unchanged as to that reported in AIR 2010 (i.e. with the introduction of **ERDF 196** under PA 6 and the removal of **ERDF 197** from PA 4). However, it is worth mentioning that in the last part of 2011, a number of changes to the OP were presented to the Members of the Monitoring Committee which included the shift of **ERDF 120** from PA 4 to PA 5, automatically also shifting the source of co-financing for this project from ERDF to CF. The contextual background within which the shift has been proposed is explained in detail under section 02.1.1.

Significant progress was registered in 2011 on all seven (7) projects identified in the OP. 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 CION. By way of conclusion, 2011 was also very intensive as regards the Regulatory Package for the 2014-2020 Programme. Part of this rigorous process also involved the negotiations on the articles related to the Major Projects which will set the regulatory framework for the upcoming programming period.

## 05. Technical Assistance

During the fifth year of implementation of the Programme, the Technical Assistance (TA) continued to contribute towards the provision of adequate support in the implementation of the Programme. Funds committed were mostly related to general implementation actions which include reimbursement of salaries, upgrades in the management and electronic system and support to the project selection process, information and publicity actions, evaluation and monitoring, furniture and equipment as well as capacity building.

In this regard, in 2011, the MA received and approved seventy one (71) requests<sup>489</sup> for the use of TA submitted by the various units within the MA, as well as other horizontal stakeholders, such as the Treasury Department, the Department of Contracts, the Audit Authority and the IBs. During the year under review, TA expenditure increased by 13.02% when compared to 2010.<sup>490</sup> In 2011, the MA managed to process 24.6% of payments related to the commitments made in the same year. Forty six (46) of the said requests in 2011 were for actions worth less than €2,000 in the area of capacity building. This inevitably resulted in fragmentation of implementation which has its own administrative weight on a number of other organisations, including the Managing Authority, the Directorate for Corporate Service within OPM and the Treasury, the latter two (2) critical in the payment process.

As already explained in previous chapters of this report, in 2011, the OP continued to gain momentum. More operations were approved and substantial progress was also registered in the disbursement of funds. This has had a direct impact on other phases of the project cycle, particularly increased intensity of activity at first level of control (in order to verify expenditure paid). This intensive and laborious control function has continued to generate the need for additional capacity and training actions within the MA as well as other stakeholders, such as the IBs and Treasury. In this regard, the costs for three (3) additional officers<sup>491</sup> were committed under TA.

### 05.1 Implementation

With the rapid increase in implementation (as well as a result of other staff movements), a number of calls were issued in 2011 to increase capacity within a number of organisations. Recruitment took place in quarter 3 and 4 of 2011 and continued to spill over to quarter 1 and 2 of 2012. Following the clarifications received from the CION regarding IB management costs<sup>492</sup>, TA continued to support the recruitment / procurement of additional capacity for the IBs. As at end 2011, the OP had three (3) IBs managing Aid Schemes under PA 1, PA 2, PA 4 and PA 6 that were utilising TA funds for the implementation of the said Aid Schemes<sup>493</sup>. The main funding is related to the costs of capacity required to manage and monitor the different schemes as well as to undertake necessary checks and

<sup>489</sup> Five (5) of which were de-committed and one (1) was rejected.

<sup>490</sup> Refers to percentage increase in amount paid through TA during 2011 (figure in 2010 amounted to €988,458; figure in 2011 amounted to € 1,136,485).

<sup>491</sup> Two (2) officers working within OP I and another officer within Treasury. This however does not include officers which were newly recruited in order to replace staff who was promoted or who resigned during 2011.

<sup>492</sup> Clarifications communicated by CION in its Letter 24374 dated 15<sup>th</sup> December 2009.

<sup>493</sup> The three IBs managing Aid Schemes under OPI are: ME, TSDU and DSWS. By end 2011, the MA had approved the reimbursement of salaries of three (3) officers within ME (a request for the financing of the fourth officer is expected to be submitted by ME during first quarter of 2012), of three (3) officers within TSDU and of one (1) officer within DSWS.

controls. Moreover, as part of the first level of control, the IB managing the Tourism Scheme (ERDF 135) contracted the services of surveyors to assist in the physical checks. Other requests for additional capacity that were approved and / or concluded in 2011 include those from the Treasury<sup>494</sup> and the Audit Authority, the latter in conjunction with outsourced capacity in relation to checks undertaken for the closure of the 2004-2006<sup>495</sup> Programme. During the year under review TA continued to support the project selection process, both that undertaken by the MA as well as the IB, by providing the necessary expertise to assist in the evaluation process.

In 2011 there was continued development and enhancement on the management and information system,<sup>496</sup> introducing new functionalities on a number of modules (such as, the password mechanism, notification of rejected invoices, reversal of rejected invoices and expenditure type reports) and updates on others (management, verification and audit module, SOE, data on operations report (Annex III), adjustments and irregularities and financial expenditure reports) following feedback by users. During the year under review a number of ad-hoc reports were also being requested by different stakeholders. In this respect it was agreed with the developers to incorporate such report generation as a standard output on a regular basis. As at end of 2011, the system had four hundred and fifty (450) registered user accounts.

## 05.2 Information and Publicity:

TA is also an important source of funding for information and communication related activities at Programme level, complementing information and publicity actions undertaken by Beneficiaries, and in some instances IBs,<sup>497</sup> in relation to the actions and operations/schemes, within the wider scope of the Communication Plan<sup>498</sup>. As is the case of previous years, in 2011, TA intervention under this heading was primarily directed to support the Annual Event as well as to publicise calls and undertake information sessions related to the calls.

In 2011, the event consisted of visits for the general public to the various sites where projects were being implemented. The activity consisted of organised bus tours entitled '*Rotta EU07-13*'. The various tours were publicised in the press and on various websites and each visit was supplemented with experts in the various sectors giving short presentations on site (and on the bus) on the projects' objectives, state of progress and (expected) results. This event took place during the weekend of the 26<sup>th</sup> and 27<sup>th</sup> November, 2011 and covered more than twenty (20) sites in Malta and Gozo and a selection of fifty three (53) projects. Complementing this event, a tender was launched for the supply of promotional items which were distributed to participants and the public at large.

<sup>494</sup> During 2011, a new request for the financing of the salary of one (1) officer from Treasury was approved by the MA. Another request for the financing of an additional two (2) officers from Treasury is expected to be submitted by the Treasury in 2012.

<sup>495</sup> In accordance to Section 3 of the Commission's Guideline, the TA budget of the 2007-2013 may co-finance technical assistance for the 2000-2006 Programme if TA activities are related to the closure of the 2000-2006. The TA financed the reimbursement of €6405 in this respect.

<sup>496</sup> TA also finances the Maintenance Server Agreement

<sup>497</sup> Costs related to publicity actions are not being financed through TA but are being funded through ME's own funds

<sup>498</sup> The Communication Plan of 2008 was updated in 2011 and presented to the Monitoring Committee in November 2011.

TA also provides support with regards to the necessary information and communication activities related to calls for project proposals. To this effect, during 2011, TA financed publicity related to four (4) calls<sup>499</sup> for project proposals under PA 2, PA 4 and PA 6<sup>500</sup> and the holding of six (6) information sessions related to these four (4) calls for project proposals. The information sessions were organised both in Malta and Gozo in order to disseminate information related to the call amongst potential project applicants. Furthermore, TA financed the costs related to the holding of the Local Informal Information and Publicity Network (LIIP). LIIP was held on 1<sup>st</sup> November 2011 with the aim of discussing and co-ordinating various methods (amongst the different stakeholders operating in the area) to promote and provide information about Cohesion Policy to the general public.

### **05.3 Evaluation and Monitoring:**

The greater parts of the interventions in this regard were actions identified in the Evaluation Plan which was presented first to the Monitoring Committee members in May 2008 and subsequently amended in 2011<sup>501</sup>. In line with the (original) Evaluation Plan, the MA had undertaken a Mid-Term Evaluation which started in quarter 2 of 2010 and was concluded in 2011. This evaluation was supported through TA.

In line with the same Plan, in 2011, work started in earnest on the drafting of the TORs for the thematic evaluations together with the preparations to compile the relevant tender dossiers. These evaluations are expected to be launched and contracted in 2012 and will also be supported through TA.

In addition to the activities planned under the Evaluation Plan, and as part of the OP change initiated in September 2011, services were procured for the provision of technical expertise for Strategic Environmental Assessment screening (SEA)<sup>502</sup>, in line with the requirements laid down in the SEA Directive (2001/42/EC). The consultancy was delivered in 2011 but payment was actually affected in 2012.

Furthermore, monitoring costs were also financed through TA, including the financing of both Monitoring Committees which were held in April and November 2011, the (national) high level bilateral meetings as well as the Inter-Ministerial Co-ordination Committee (IMCC) meeting held in February 2011.

### **05.4 Furniture and Equipment**

During the year under review no furniture and equipment was purchased or leased.

### **05.5 Capacity building**

During 2011, TA supported training activities both locally and abroad for officers from the MA as well as from the different stakeholder organisations. While the bulk of the training is delivered locally, given the

<sup>499</sup> Call 10 (PA 2), Call 11 (PA 6), Call 12 (PA 4) and Call 13 (PA 4)

<sup>500</sup> Calls are preceded by pre-announcements that are also publicised on the local media to ensure wide participation as well as increased awareness.

<sup>501</sup> The revised Evaluation Plan was sent to the CION and to the members of the Monitoring Committee on the 8th November 2011

<sup>502</sup> Contract was signed on the 18th August 2011.

limited capacity at national level, a number of participants<sup>503</sup> attended seminars and conferences abroad, particularly on topics where local expertise is limited. As explained in more detail in Chapter 2, such training abroad covered various topics such as Verification of Expenditure, Evaluation and Financial Control. The usual series of training modules was organised locally by the MA for newcomers to the system and Beneficiaries.<sup>504</sup> These included sessions on Cohesion Policy, Project Scheduling and Monitoring, Procurement Regulations, Payment Procedures and Basic Principles of Control, amongst others.

Moreover, the MA implemented a training programme on the appraisal, guidance and monitoring of Cost Benefit Analysis (CBAs) or Financial Feasibility studies. In fact, in 2011, three (3) CBA training workshops<sup>505</sup> were held by foreign experts in the field. This training was complemented by expertise in the actual appraisal of CBAs and documents in order to support (in the immediate) the MA in this regard as well as contribute to enhanced capacity in the medium to longer term. In 2011, the consultants appraised thirty four (34) project CBAs or Financial Feasibility studies, and provided ad hoc expertise to the MA on individual CBAs and Financial Feasibility studies. Moreover, the same contractor has also been tasked with the development of a tool for the monitoring of revenue as well as a guidance document (more adapted for local consumption) for the preparation of CBAs.<sup>506</sup>

## 05.6 Conclusion

In conclusion, in line with Article 46 of the General Regulation EC/1083/2006, 1.44% of the total Community share of the Funds,<sup>507</sup> has been allocated for TA. Of these, 22.5% have been paid by end 2011. Further details related to TA disbursements are given in Chapter 03.7 of this report. In 2011 the contribution of TA for the implementation of the Programme was crucial especially in view of the increased need for administrative capacity due to the increase in the overall momentum of the Programme.

The TA implementation system is now well established and the learning curve amongst the various stakeholders within the MA, the Line Ministries and other stakeholders is levelling out, resulting in a more efficient processing of requests and payments. It is pertinent to note that the on-going TA payments continue to be of a very fragmented nature creating an administrative burden on both the MA and other stakeholders involved in the implementation of TA. However, constant and prompt exchanges of communication are made between the actors in an effort to make the payment process as efficient as possible.

<sup>503</sup> Total of five (5) persons, being two (2) officers from DOC, two (2) officers from the MA and one (1) officer from the Audit Authority.

<sup>504</sup> Total of nineteen (19) persons attended the induction training course for new Beneficiaries.

<sup>505</sup> Each training session was held over a period of three (3) or four (4) days. There were twenty (20) participants attending the 1st session, nineteen (19) participants attending the 2nd session; and fourteen (14) participants attending the 3rd training session.

<sup>506</sup> These latter tasks are expected to be delivered in 2012.

<sup>507</sup> Total Community share of OPI Funds (including ERDF and CF) amounts to €728,123,051. Of these €10,478,031 represent the Community funding for Priority Axis 7.

## 06. Information and Publicity

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

In line with the obligations emanating from Implementing Commission Regulation (EC) No. 1828/2006, the objectives of the information and publicity activities are to increase visibility and awareness of both Operational Programmes. This approach ascertains that expenditure undertaken is in line with the principle of transparency whilst ensuring an increase in the overall awareness of EU Funds amongst the general public, potential Beneficiaries and stakeholders.

The original Communications Plan was approved by the CION on the 21<sup>st</sup> January 2008. During the Mid-Term Evaluation on the Operational Programmes held during 2010 and 2011, the MA, in its ongoing review of the Communications Plan, requested assistance from the experts in the form of an appraisal of the implementation of the original Communications Plan. Following this appraisal, the Communications Plan was revised and presented to the MC which was held on the 17<sup>th</sup> November 2011. The assessment of the Plan was already foreseen in the original Evaluation Plan.<sup>508</sup> Besides the foreseen mid-term assessment, the revision of the Plan was required to align the actions with the pace of Programme implementation (5 years into implementation) and to reflect a revision in the budget so as to reflect better the real market prices following the experience gained over the first half of the programming period. More details of the changes to the Communications Plan may be found towards the end of this chapter.

During 2011 the MA continued with the implementation of communication activities on the lines of the revised Plan. The activities foreseen with the plan comprise a number of information and promotional measures using a number of tools, which will either be financed by both Operational Programmes individually or jointly for common activities such as annual information events. The following is a detailed assessment of the activities undertaken in 2011.

#### 0.6.1.1 Analysis of Activities carried out in 2011

##### **Annual Information Event:**

In line with Article 7(2)(b) of Commission Regulation (EC) No 1828/2006, the MA is responsible for organising one (1) major information activity to present the achievement of the Operational Programmes.

The 2011 Annual Event on Cohesion Policy 2007-2013 was entitled **Rotta EU: 07-13** and the event consisted of twelve (12) bus tours visiting various projects around Malta<sup>509</sup> and Gozo.<sup>510</sup> Further details

<sup>508</sup> The original Evaluation Plan was presented to the MC on 22<sup>nd</sup> May 2008 (both OPI & OPII) while the revised Evaluation Plan was presented to the MC on 19<sup>th</sup> October 2011 (OPII) and 17<sup>th</sup> November 2011 (OPI).

<sup>509</sup> Four (4) routes visiting different projects were organised Malta A, B, C and D (see Table 6.1).

<sup>510</sup> Two (2) routes visiting different projects were organised Gozo A and B (see Table 6.1).

about the routes can be found in Table 6.1 below. The tours were held on the 26<sup>th</sup> and 27<sup>th</sup> November whereby participants<sup>511</sup> were given the opportunity to get a first hand experience and learn more about projects that are currently being funded through both Operational Programmes. A press conference launching the Annual Event was held on the 22<sup>nd</sup> November, with media presence covering and featuring the launch on national television stations. The then Parliamentary Secretary for Consumer Affairs, Fair Competition, Local Councils and Public Dialogue within the Office of the Prime Minister launched the event. CION officials, from DG-Employment, also joined some of the tours organised over the two (2) days in Malta and Gozo.

The event had five (5) themes: Education, Employment and Training, Science and Technology, Social Inclusion, and Social Dialogue. Some of the projects visited included the Sewage Treatment Plant (CF116), the Malta Aviation Museum Hangar (ERDF 155), viewing of the restoration works being done on the bastions (ERDF 039) and a number of projects in Gozo, amongst others.<sup>512</sup> Participants on the tours were given detailed information about the projects through site walkabouts, display stands and presentations by the Project Leaders. In all, fifty three (53) projects<sup>513</sup> with an approximate value of €412 million<sup>514</sup> in approved projects were directly promoted during the event. The tours were organised at the weekend with the aim of enabling as many people as possible to participate without disturbing their weekday commitments. Furthermore, the twelve (12) tours were organised in a way whereby six (6) different itineraries could be chosen and each itinerary would be repeated on the second day of the event, at an alternate time-slot. The tours ran from 08:30am to approximately 12:30pm and from 1:30pm to approximately 5:30pm. The approximate four (4) hour tour allowed for an average forty five (45) minute stop at each of the designated sites whereby participants could interact with the project leaders as explained earlier. The following is the full list of the projects visited.

Table 6.1 - ERDF and CF projects visited over the two (2) days

Route	Stop 1	Stop 2	Stop 3	Stop 4
<b>GOZO A</b>	<b>ERDF56</b> Upgrading and Expansion of MCAST Institute of Mechanical Engineering <b>ERDF66</b> Computer Systems & Computer Labs at MCAST <b>ESF2.65</b> Training Aid Framework* <b>ESF 3.6</b> Youth Employment Programme* <b>ESF3.64</b> Employment Aid Programme* <b>ESF2.7</b> Training courses to	<b>ERDF68</b> Upgrading of Operating Theatre and Setting up of a Radiology Unit	<b>ERDF24</b> Upgrading of Villa Rundle Gardens	/

<sup>511</sup> Four hundred (400) persons participated in the Tours over the two (2) days

<sup>512</sup> Table 6.1 below includes details of all ERDF and CF project visited over the two (2) days.

<sup>513</sup> Thirty-seven (37) ERDF projects; one (1) CF project and fifteen (15) ESF projects. Also included are Aid Schemes which featured in the routes.

<sup>514</sup> Including also the projects that were shown in the ten (10) minute documentary which was aired during the route.



	enhance employability and adaptability of workforce*			
<b>Gozo B</b>	<b>ERDF147</b> Restoration of San Lawrenz Church to enhance cultural tourism	<b>ERDF140</b> Discovering Cultural and Religious Tourism in Gozo	<b>ERDF32</b> Archaeological Heritage Conservation Project	<b>ERDF142</b> The Making of a People: A Cultural and Historical Eco-Museum
<b>Malta A</b>	<b>ESF3.52</b> Care creates change in People's lives*	<b>CF116</b> Malta South Sewage Treatment Infrastructure <b>ESF2.72</b> EPITOME – Empowerment Programme for IT* <b>ESF2.12</b> Second Step*	Various <b>ERDF</b> and <b>ESF</b> projects at the Malta College of Arts, Science and Technology (MCAST)* <sup>515</sup>	/
<b>Malta B</b>	<b>ESF1.31</b> Wood CPR: Education & training in Wood Conservation Restoration* <b>ERDF39</b> Restoration and Rehabilitation of Historical Fortifications (Vittoriosa site) <b>ERDF104</b> Stronger Cottonera Communities	<b>ERDF72</b> Construction & Equipping of an Independent Living Centre <b>ESF3.42</b> An Independent Living Training Service for Disabled People in Malta* <b>ESF3.66</b> Ic-Cavetta Maltese Literacy Toolkit for employment and education inclusion*	Various <b>ERDF</b> and <b>ESF</b> projects at the Employment and Training Corporation* <sup>516</sup>	/
<b>Malta C</b>	<b>ERDF39</b> Restoration and Rehabilitation of Historical Fortifications (Valletta site)	Various <b>ERDF</b> <sup>517</sup> and <b>ESF</b> projects at the University of Malta* <sup>518</sup>	Malta Enterprise <b>ERDF</b> Grant Schemes <sup>519</sup> <b>ERDF196</b> Mater Dei Oncology Centre <b>ERDF199</b> Setting up of a	/

<sup>515</sup> Projects presented at MCAST were: ERDF 54: Multimedia Training Centre at MCAST's Institute of Art and Design; ERDF 62: Language Lab with Contact Centre facility at MCAST Institute of Business and Commerce; ERDF 65: Expansion of MCAST Institute of Electrical and Electronics Engineering; ERDF 101: Installation of Renewable Energy Sources at MCAST; ESF 1.34: Addressing skills mismatches in the aviation maintenance industry; ESF 1.28: Accrediting Quality Vocational Training (VQPACK); ESF 1.36: Professional development programmes for MCAST staff and students' top-up degrees; ESF 1.33: Increasing ICT Student Capacity in Malta

<sup>516</sup> Projects presented at the Employment and Training Corporation were: ESF 2.4: Employment Programme; ESF 2.65: Training Aid Framework (TAF); ESF 3.64: Employment Aid Programme (EAP); ERDF 045: Extension of ETC skills and Development Centre (Phase 2).

<sup>517</sup> Projects presented at the University of Malta were: ERDF 17: Construction, Finishing and Equipping of ICT Faculty Building; ERDF 11: Furnishing and Equipping of Chemistry and Biology Building Extensions; ERDF 12: Developing an Interdisciplinary Material Testing and Rapid Prototyping R&D Facility; ERDF 18: Strengthening of Analytical Chemistry, Biomedical Engineering and Electromagnetics RTDI Facilities; 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 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.

<sup>518</sup> The Pro-Rector delivered the presentation at the University of Malta explaining the overall nature of the numerous projects being implemented while the individual project leaders were present to interact with the participants on their respective areas.

<sup>519</sup> Malta Enterprise Grant Schemes presented were: ERDF 127 Small Start-up Grant Scheme; ERDF 128 Innovation Actions Grant Scheme (Innovation); ERDF 128 Innovation Actions Grant Scheme (Environment); ERDF 129 e-Business Development Grant Scheme; ERDF 130 Research & Development Grant Scheme; ERDF 133 Energy Grant Scheme; ERDF 134 International Competitiveness Grant Scheme.

			Life Sciences Centre	
<b>Malta D</b>	<p><b>ERDF155</b> Construction of main Exhibition hangar &amp; run-off water Reservoir at the Malta Aviation Museum</p> <p><b>ERDF135</b> Grant Scheme for Sustainable Tourism Projects by Enterprises</p>	<p><b>ERDF39</b> Restoration and Rehabilitation of Historical Fortifications (Mdina site)</p>	<p><b>ERDF33</b> Tourism Zone Upgrade with landscaped urban spaces and other facilities (St. Paul's Bay site)</p>	/

\* A presentation was delivered by the project leaders at these designated sites.

A ten (10) minute documentary that featured testimonials of persons and Beneficiaries currently benefitting from OPII funded projects (with a link to OPI projects)<sup>520</sup> was produced as part of the event and shown en-route during the tours. The themes highlighted followed the same themes of the event i.e. Education, Employment and Training, Science and Technology, Social Inclusion, and Social Dialogue.

Leading up to the event, a three-week long campaign was launched to encourage participation amongst the general public. To start with, information on the event was made available through a dedicated website which included also an online registration form through which the public could book their seats on the tours. The online registration was also complemented with a phone-in facility for those who are not so comfortable using the internet.

The three-week promotional campaign comprised of adverts on a variety of media channels, intended to target and generate the interest of as wide an audience as possible. In order to retain a level of neutrality, the state-owned TV and radio channels were selected as the two (2) main vehicles for audio and audio-visual promotion while in terms of print and online media, all newspapers and news portals were used. Social media was also used during the last week which saw a burst campaign taking place which also included more TV adverts being included at prime times. In all, the media campaign saw:

- 21 full colour half page advertisements in seven local newspapers (Sunday Times, Independent on Sunday, Malta Today on Sunday, *Illum* on Sunday, *it-Torca*, *Il-Mument*, *Kulhadd*) for three consecutive Sundays leading up to the event;
- 35, 30-second advertisements on local television station PBS – initially, these were timed to appear before the 20:00hrs news bulletin which is the most watched news bulletin on the island, however during the final week, additional advertisements were also placed during other popular programmes to capture the interest of a wider audience;

<sup>520</sup> Examples: In the case of KNPD and ETC, both Beneficiaries had infrastructures which were co-financed under ERDF whilst they benefit also under ESF. KNPD is implementing a project whereby therapists are assisting persons with disabilities to lead a more independent life – something that is complemented by the Sonia Tanti Independent Living Centre built through ERDF which provides samples of wheelchairs, vehicles etc which can make a disabled person's life more independent. On the other hand, ETC's new building is hosting courses being carried out through ESF. This complementary nature of the two (2) Programmes was highlighted during the documentary.

- 84, 30-second advertisements on two (2) local state-owned radio stations were broadcast for eighteen (18) days both in the morning and in the afternoon;<sup>521</sup>
- 1 animated banner leader strip advertisements on six (6) online newspaper websites (www.timesofmalta.com, www.maltarightnow.com, www.maltatoday.com, www.maltastar.com, www.il-gensiillum.com, www.independent.com.mt) were featured for three (3) consecutive weeks; and
- a 7-day burst advertising campaign on Facebook.

Additional to the paid media envisaged in the contract,<sup>522</sup> the MA, together with the contractor sought to promote the event further through gaining slots on popular TV and radio programmes for free where officers from the MA explained further the aim of the event in order to generate interest in participation. This resulted in:

- 1 interview and feature on *DotEU*, an EU affairs programme, broadcast the week before the event;
- 1 interview on *Familja Wahda*, a radio magazine programme, broadcasted on Radju Malta; and
- 1 interview on *Malta Illejla*, a TV magazine programme, broadcasted on NET television.

Furthermore, during the event, two (2) television crews also joined the tours and aired features about them during the prime-time evening news bulletins and a full episode of *Dot EU* was dedicated to the event on 3<sup>rd</sup> December 2011.

As additional follow-up to the event, the 10-minute documentary has been uploaded on the PPCD YouTube channel in the English language<sup>523</sup> so as to enable even non-Maltese speakers, both locally and abroad, to learn about the various initiatives being implemented in Malta under the two OPs. The documentary can be viewed online<sup>524</sup> and a photographic slide show presenting the highlights of the event in a pictorial manner has also been uploaded on the same YouTube channel.<sup>525</sup> The same highlight photos are also available on the PPCD's Facebook page.<sup>526</sup>

As part of the Annual Event, colourful display banners, feather flags and a backdrop<sup>527</sup> were created in order to enhance the branding of the event. The display banners were attached to all the tour buses while the feather flags were used to mark each tour stop and served as a reference point to highlight the fact that the project is a Beneficiary of Cohesion Policy 07-13.

<sup>521</sup> Adverts were broadcast twice per day on each station for the first fifteen (15) days. On the last three (3) days prior to the event, adverts were doubled to further create more awareness and interest on the event.

<sup>522</sup> Tender published on 15<sup>th</sup> July 2011; awarded on 3<sup>rd</sup> October 2011; contract signed on 27<sup>th</sup> October 2011.

<sup>523</sup> The feature was originally in Maltese language considering the target group the event sought to attract.

<sup>524</sup> [http://www.youtube.com/watch?v=mf7\\_J34MZsU](http://www.youtube.com/watch?v=mf7_J34MZsU)

<sup>525</sup> <http://www.youtube.com/watch?v=Tk7gex5vUZ0&feature=reImfu>

<sup>526</sup> <http://www.facebook.com/media/set/?set=a.295141300517281.76637.160727680625311&type=3>

<sup>527</sup> Nine (9) bus banners; eighteen (18) tour name plates; one (1) backdrop and fourteen (14) feather flags.

Figure 6.1 CF 116 Project Leader explaining the 'behind the scenes' work at the Malta South Sewage Treatment Plant



Figure 6.1 ERDF 072 Project Leader demonstrating movable kitchen cupboards which facilitate the life of persons with a disability



Figure 6.3 Rotta: EU 07-13 participants visiting the new hangar built under project ERDF 155



Figure 6.4: Rotta coach



## Other Publicity Measures undertaken in 2011

### Calls for Projects and Information Sessions for Project Promoters:

In 2011 four (4)<sup>528</sup> calls for project proposals were launched through adverts and press releases in all the national newspapers published on the day; and featured on the Department of Information website, PPCD website, social network page and websites of the Malta-EU Steering and Action Committee (MEUSAC) and the Office of the EU Commission Representation in Malta in order to ensure wide participation from interested parties. In conjunction with the calls, six (6) information sessions were held during 2011 for project proposals opened under PA 2, 4 and 6 of OPI respectively. A total of seventy six (76) persons attended these sessions. Adverts for the information sessions were also published in all newspapers, on the PPCD website, Department of Information website, social network page and MEUSAC website and the Office of the EU Commission Representation in Malta.

### Information and Publicity Networks:

Article 10 of EC/1828/2006 states that Managing Authorities shall designate contact persons to participate in community networks to ensure exchanges of good practice and experience, as well as engage in a discussion on results of the various communication activities across Member States.

In 2011, staff from the communications unit attended and participated in the INFORM network meetings of DG Regional Policy (DG-REGIO) for Information Officers in MAs held on the 17<sup>th</sup> - 18<sup>th</sup> May, in Sofia, Bulgaria and on the 7<sup>th</sup> - 8<sup>th</sup> December in Brussels, Belgium.

The meeting held in May focused on the proposals for the post 2013 regulations and the sharing of best practice of initiatives to show overarching benefits from EU funds whilst emphasising the human element of the funds. Two (2) workshops were also held and members presented information about their communications initiatives.

The meeting in Brussels held in December continued to focus and discuss the published regulatory package but served also as a means for the CION to collate feedback from MS on the communication guidance document for 2014-2020.

At a local level, the first Local Informal Information and Publicity (LIIP) network was organised. LIIP provides a forum to discuss various methods to promote and provide information about Cohesion Policy 2007-2013, foster the exchange of best practices and further reinforce cooperation between the MA, Beneficiaries, and other stakeholders<sup>529</sup> involved in communicating Cohesion Policy objectives and achievements. Beneficiaries, Line Ministries and Ministers' Communication Coordinators, MEUSAC and the EU Commission Representation in Malta were invited to join this network.

During the first meeting the MA highlighted the importance of publicity and participants were encouraged to keep a look out as to what is being reported in the media and that at all times the

<sup>528</sup> Call 10 under PA 2 (launched on 18<sup>th</sup> March 2011), Call 11 under PA 6 (launched on 18<sup>th</sup> March 2011), Calls 12 and 13 under PA 4 (launched on 17<sup>th</sup> June 2011 and 30<sup>th</sup> September 2011, respectively).

<sup>529</sup> Key Stakeholders included Line Ministries and Ministers' Communication Coordinators, MEUSAC and the EU Commission Representation in Malta.

appropriate reference to the source of funding is to be provided whenever projects feature in media reports. Rectifications should be sought as needed.

During the meeting the project leader of the Aviation Museum project<sup>530</sup> was invited to deliver a presentation about the publicity measures undertaken to promote the project. Other presentations were also delivered during the meeting. It was agreed that the LIIP will be held twice a year with the next meeting in the first half of 2012.<sup>531</sup>

### **Website and Social Network Page:**

In 2011 the PPCD website continued to be updated with news about the pre-announcement of the upcoming calls for project proposals under PA 2, 4 and 6 of OPI and other information related to the Programme Implementation (AIR, MC presentations etc.).<sup>532</sup> Furthermore, in line with EC/1828/2006 Art 7(2) (d) the MA continued to update the list of Beneficiaries with new information as necessary.<sup>533</sup>

Information related to the Annual Event ([http://www.ppcd.gov.mt/newsarchives\\_2011](http://www.ppcd.gov.mt/newsarchives_2011)) and to the information sessions, as well as other more generic press releases and news items issued by the Division are accessible through the website ([info.ppcd@gov.mt](mailto:info.ppcd@gov.mt)). In addition, in 2011 the PPCD Email Helpdesk processed ninety two (92) queries, five (5) of which were from the media.<sup>534</sup>

The PPCD page on a popular social networking site was also continuously updated to further supplement the website. The page has a timeline layout which allows the administrators to immediately gauge the popularity of the page through a snapshot of the 'insights' facility. Furthermore, through the use of a 'cover photo', the page has become more in line with the official PPCD website, thereby providing a less formal albeit uniform and complementary online presence. Every call for project proposal (or pre-announcement thereof) is uploaded on the PPCD Facebook page, through the notes function, thereby increasing the outreach and targeting a wider audience. Since setting up the page on Facebook on 26<sup>th</sup> October 2010, the page has generated a total of two hundred and forty six (246) 'Likes' or fans, the majority of which are local.

### **Other initiatives:**

A number of branded promotional items were procured as giveaways to be distributed during events, meetings and information sessions. The promotional items included the purchase of perpetual calendars, umbrellas, and sunshields amongst others. Finally in line with EC1828/2006 Article 7 (2) (c) during the week of the 9<sup>th</sup> May 2011; the EU flag was flown outside the MA's premises.

<sup>530</sup> ERDF 155 Construction of main Exhibition hangar & run-off water Reservoir at the Malta Aviation Museum.

<sup>531</sup> The LIIP was held on 13<sup>th</sup> April 2012.

<sup>532</sup> The website also acts as a depository of documentation related to both open calls – such as application forms and guidance notes, required for the project proposal submission – as well as closed calls – which can come in handy as a point of reference. Both open and closed calls are also available on the website for transparency purposes.

<sup>533</sup> The list is updated at least twice a year.

<sup>534</sup> This is the number of emails received on [info.ppcd@gov.mt](mailto:info.ppcd@gov.mt). There are many other, additional queries, which come to officers' personal accounts.

## 06.1.2 Expenditure during 2011

As can be show in the Table below, in 2011 the total expenditure related to ERDF publicity actions amounted to €74,939. The bulk of the expenditure was the Annual Event that amounting to €53,950 or 72% of the total expenditure for 2011.<sup>535</sup> The purchasing of branded promotional items, accounted for almost 10% of the expenditure during the year. The promotional items included the purchase of perpetual calendars, umbrellas, and sunshields amongst others. Considering the type of event held this year, it is understandable that this would take up the largest chunk out of the year's expenditure. Likewise, since the promotional items were procured primarily for distribution during the Annual Event, one could expect that this measure would require substantial funds.

Table 6.2 - ERDF Publicity Expenditure 2011

<b>Visibility and Awareness of Cohesion Policy</b>	<b>Expenditure 2011</b>
Annual Event including launch events	€53,950
Local and other Communication Networks	€287
<b>Complementary measures to support the Information Events</b>	
Publications and collateral materials	€ -
Media Campaigns	€ -
Promotional Items	€7,117
<b>Measures relating to Transparency, Technical and Procedural Information</b>	
Calls for Project Proposals inc. Information Sessions	€13,318
Other ad hoc measures incl. ongoing monitoring and evaluation	€267
<b>Total</b>	<b>€74,939</b>

The second largest expenditure for the year was related to calls for project proposals and information sessions held in order to provide information about calls for project proposals under PA 2, 4 and 6 respectively. These constituted 18% of the year's expenditure in light of the fact that four (4) calls and one (1) pre-announcement were issued and six (6) information sessions were held. At this stage of the Programme's implementation, one comprehends a final push towards issuing calls for project proposals to allow newly approved projects enough time to implement. On the other hand, one can expect that the next years will not register expenses on this measure (or hardly any) once all funds available are committed to projects.

Almost 1% of the expenditure was used for the Local Informal Network Meeting (LIIP) and DOI adverts for tenders (as other expenditure). No expenditure was spent on media advertising since the media-campaign undertaken during the Annual Event was covered through the cost of the event itself and this also does not include the various articles about the launch of OPI projects in the media undertaken by Beneficiaries. No informative publications<sup>536</sup> were produced in 2011; however, a documentary was produced as part of the Annual Event which was later uploaded and shared online.

<sup>535</sup> Since the event took place in late November 2011, the amount will be expended in 2012.

<sup>536</sup> Featuring with a €0 allocation in the Table 6.2.



## 06.2 Expenditure to Date<sup>537</sup>

Considering the regulatory obligation and the plan related to communication actions, the largest share (of the total ERDF budget allocated) is allocated towards the Annual Events. Expenditure to date on annual information events amounts to 24.8% of the ERDF share allocated towards events as indicated in the Table below. Almost in all the years,<sup>538</sup> the events themselves are held in both Malta and Gozo which requires a considerable commitment of financial resources.

Expenditure on promotional items (giveaways) amounts to 28.8% of expenditure from its allocated budget share to date. Promotional items are primarily disseminated at Annual Events as well as other information events and among stakeholders and hence the MA needs to procure enough items to cater for all intended targets accordingly. Promotional items are an ideal tool in the promotion of the Programmes as owners and users of such items are constantly reminded of the Programmes and their respective achievements. Furthermore, when used, items handed out at Annual Events would conjure up the memory and the information gained during that event. Promotional items are envisaged to remain a regular item on the MA's budget until the end of the programming period. On the other hand, calls for applications are expected to diminish in frequency over the next years as more and more projects are approved. Hence, while the first half of the programming period saw a constant flux of expenditure in this regard, the last two (2) to three (3) years of the programming period will eventually even report nil expenditure.

Given that the cost of the media campaign and the documentary<sup>539</sup> produced in 2011 was part of the cost of the Annual Event and the same was done for the 2010 event, a relatively low commitment is currently registered at this stage on the media campaigns and publications. Furthermore, no audio-visual or published material was produced separately from that produced in the Annual Event (i.e. the documentary) since such measures are considered more opportune at the outset of the Programming period (to provide information on the Funds in general and what can be done with the funding opportunities made available) and towards the end of the Programming period (to show what has been achieved in real terms). Still the MA envisages that a larger share on these areas will be made towards the end of the Programme when there are more examples of completed projects and tangible results to demonstrate.

Table 6.3 - Publicity Expenditure per Measure as at end 2011

<b>Visibility and Awareness of Cohesion Policy Aims and Results</b>	<b>% of Budget</b>	<b>Communication Plan Budget ERDF (MA share)</b>	<b>Total Expenditure to date</b>	<b>% Expenditure on Budget</b>
Annual Event including launch events	43%	€506,540.00	€124,449.75	24.57%
Local and other Communication Networks	2%	€23,560.00	€287.53	1.22%

<sup>537</sup> Information in this section relates to measures implemented from the start of the programming period up to December 2011.

<sup>538</sup> With the exception of 2008 when the event was held only in Malta.

<sup>539</sup> The documentary amounted to €4,105 (net of VAT) out of the total cost of the Annual Event (€77,071.02). The ERDF share of co-financing amounted to €2,873.50 (EU Funds: €2,442.48; MT Funds: €431.03).

<b>Complementary measures to support the Information Events</b>	<b>% of Budget</b>			
Publications and collateral materials	10%	€117,800.00	€2,331.05	1.98%
Media Campaigns	15%	€176,700.00	€9,613.34	5.44%
Promotional Items	15%	€176,700.00	€50,898.13	28.80%
<b>Measures relating to Transparency, Technical and Procedural Information</b>	<b>% of Budget</b>			
Calls for Project Proposals inc. Information Sessions	12%	€141,360.00	€54,408.59	38.49%
Other ad hoc measures incl. ongoing monitoring and evaluation	3%	€35,340.00	€1,633.13	4.62%
<b>Total</b>	<b>100%</b>	<b>€1,178,000.00</b>	<b>€243,621.52</b>	<b>20.68%</b>

### 06.3 Information and Publicity by Intermediate Bodies in 2011

Under OPI there are three (3) Intermediate Bodies (IBs) that manage the Aid Schemes: Malta Enterprise (ME); the Tourism and Sustainable Development Unit (TSDU); and the Department for Social Welfare Standards (DSWS). During 2011 the IBs continued to carry out a series of activities to promote and further disseminate information on the Aid Schemes they manage.

ME<sup>540</sup> is the IB for seven (7) Aid Schemes related to the Manufacturing and Service Industry. No calls for projects were issued in 2011 given that a number of ERDF schemes under Call 3 (Energy, R&D and Innovation) were still being evaluated during the first quarter of 2011 with grant agreements being issued in the second quarter. Also, the main focus of 2011 was to speed up disbursements for Calls 1 and 2 in order to ascertain the remaining budget to be allocated towards Call 4. Even though no calls were published during 2011, five (5) information sessions in relation to Call 3 were held with a total of eighty six (86) participants.<sup>541</sup> The purpose of these sessions was to inform these potential Beneficiaries about the implementation procedures as contained in the Notes to Beneficiaries as well as guide them through the obligations of the Grant Agreement. ME continued to provide the necessary information about the schemes through its websites<sup>542</sup> which also included the list of Beneficiaries per call under each scheme. The list of Beneficiaries is also uploaded on the MA website.

TSDU is the IB for the Tourism Grant Scheme. During 2011 no calls for projects were issued.<sup>543</sup> The third and final call was issued in November 2010 and as at end 2011 the call was in its final stages of evaluation.<sup>544</sup> Since no calls were published in 2011, no information sessions were held. A DVD relating to Call 2 was launched in March 2011 during a press conference held on the premises of a Beneficiary under the scheme. The DVD primarily highlighted projects which are unique and innovative as a project idea. At the time of filming, the projects were all at different stages of implementation, and thus helped portray different stages of the implementation process. The conference was addressed by the Parliamentary Secretary for Tourism and copies of the DVD were distributed to the press and other

<sup>540</sup> ME provides its own funds for publicity measures

<sup>541</sup> 25<sup>th</sup> February – four (4) participants; 7<sup>th</sup> April – thirty two (32) participants; 29<sup>th</sup> April – eighteen (18) participants; 5<sup>th</sup> May – twelve (12) participants; 2<sup>nd</sup> Aug – twenty (20) participants

<sup>542</sup> <http://www.20millionforindustry.com/> and <http://support.maltaenterprise.com/energy/>

<sup>543</sup> The covenant envisaged three (3) calls under the scheme.

<sup>544</sup> Potential Beneficiaries were selected in January 2012.

Beneficiaries that were present. The cost of the DVD amounted to €1,980<sup>545</sup>. It is TSDU's intention to produce a DVD to highlight best practice projects from Call 3.<sup>546</sup> As in all other schemes and operations, all equipment purchased through the scheme identifies the support received with Beneficiaries showing in a prominent point a permanent plaque which acknowledges the Community's financial contribution. Information about the scheme as well as the list of Beneficiaries is also available on the IB's website.<sup>547</sup>

DSWS is the IB for the Childcare Facilities Aid Scheme. Two (2) calls for project proposals were published in May and October of 2011 respectively and four (4) information sessions were held in relation to the calls. A total of seventy (70) participants attended the information sessions.<sup>548</sup> The calls were publicised on a total of twelve (12) adverts featured in a number of newspapers<sup>549</sup> and also on the IB's website.<sup>550</sup> Detailed information about the scheme is also available on the website together with details of the list of Beneficiaries under the scheme. A total of €3,692<sup>551</sup> were disbursed on publicity actions in 2011 related to this scheme.

<sup>545</sup> The DVD was co-financed under Technical Assistance.

<sup>546</sup> The third DVD related to Call 3 was issued during March 2012

<sup>547</sup> [https://secure2.gov.mt/tsdu/grant\\_scheme](https://secure2.gov.mt/tsdu/grant_scheme)

<sup>548</sup> 5<sup>th</sup> Jan – twenty (20) participants; 6<sup>th</sup> Jan – twenty (20) participants; 1<sup>st</sup> June – ten (10) participants; 26<sup>th</sup> Oct – twenty (20) participants.

<sup>549</sup> The Times & The Sunday Times, The Malta Independent & The Malta Independent on Sunday; Nazzjon & Mument; Orizzont & Torca; Kullhadd; Malta Today (mid-week & Sunday) and Illum.

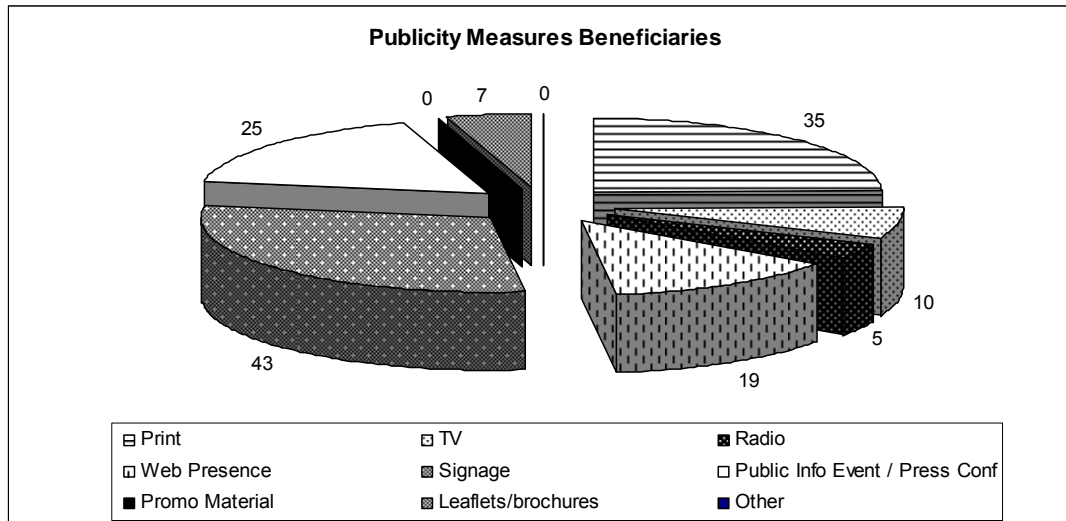
<sup>550</sup> [https://secure2.gov.mt/socialpolicy/SocProt/family/dsws/child\\_day\\_care\\_services/erdf\\_scheme.aspx](https://secure2.gov.mt/socialpolicy/SocProt/family/dsws/child_day_care_services/erdf_scheme.aspx)

<sup>551</sup> €1,314.57 was contracted in 2010 and disbursed in 2011.

## 06.4 Information and Publicity by Beneficiaries in 2011

During 2011 Beneficiaries continued carrying out a mixture of publicity actions in order to promote their respective projects as well as attracting prospective bidders to tender. The chart below gives an overview of the publicity measures implemented during the year.<sup>552</sup>

Figure 6.5 Publicity Actions carried out by Beneficiaries



The figures in the Figure above denote the number of projects making use of a particular information and publicity measure. As can be seen, the most popular measure utilised was signage in the form of billboards, plaques and posters, followed by print adverts in newspapers. It is expected that these forms of publicity would be the most utilised methods since the nature of the projects is mostly infrastructural and involved the issuing of a number of tenders for works, services and supplies. This follows the regulatory obligations for infrastructural projects and in most cases the MA does not allow for the financing of additional measures in order to ensure best use of available funds. The third most popular measure consisted of public information events such as press launches<sup>553</sup> and participation in MA events (Annual Event). The least popular measures were the usage of TV and radio which is understandable since this form of advertising is costly and not always relevant to the publicity needs of these projects. TV coverage in this case was usually captured during launches and press/information events.

It is to be noted, however, that some projects were still in the tendering and implementation stages with limited results to showcase. An increase in publicity actions should be seen towards the completion stages. 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 in the case of OPI.

<sup>552</sup> It is important to note that projects exercise more than one (1) publicity measure

<sup>553</sup> This is usually linked to substantial progress in implementing a project or project closure.

## 06.5 Changes to the Communication Plan

As indicated in the Annual Implementation Report of 2010, the MA laid out the background (following its internal review) to the proposed modifications to the Communication Plan with the aim to have a better Plan that would reflect better the current Cohesion Policy visibility scenario and be more linear with the pace of Programme implementation. During the Mid-Term Evaluation of the Operation Programmes, the experts were also requested to assist the MA in its ongoing review of the Communication Plan by providing an appraisal of the implementation of the original Plan.

The proposed changes to the Communication Plan arising from the MA's internal review were notified to and discussed by the Monitoring Committee in May 2010 and the final set of changes were presented to the Monitoring Committees of OPI, in November 2011.

### 06.5.1 Rationale of the changes to the Communication Plan

The analysis and justifications of the changes to the Communication Plan, as presented to the Monitoring Committee, comprised:

- *Information and publicity measures proportionate to the pace of Programme implementation:* larger scale Annual Events and increased publicity through media campaigns and publications would be carried out once tangible results start becoming more visible, thus enabling a better comprehension of the impact and benefits of the projects, by the general public.
- *Timing of campaigns:* too many campaigns running concurrently, that in essence all impart similar messages, may lead to disaffection and unfortunately be misinterpreted as propaganda.
- *Context scenario:* publicity in general tends to be directed more towards Operational Programme II (OPII) because of the nature of the projects funded under ESF. Considering the small size of Malta, infrastructural project in themselves need limited publicity whilst the construction is ongoing (as investments are more visible to the general public who are the target audience of publicity actions by the MA). Therefore it was concluded that both OPs merit ad hoc information and publicity taking into account the broader context. While OPI projects tend to have more visibility since they are mostly of an infrastructural nature, actual publicity tends to be limited to the minimum requirements stipulated by the Regulation and do not have long term effects. The MA is therefore seeking ways in which ERDF and CF interventions can be further promoted through additional measures throughout the rest of the Programming period.
- *Improvement of monitoring systems:* one of the recommendations that emerged from the appraisal suggested an improvement of the monitoring systems in place. In this respect the indicators and the target of the Communication Plan were adjusted to enable monitoring of own measures both from a statistical and financial perspective. The revised indicators did not alter the targets but merely defined better what they are recording. In addition the MA split the

indicators in more defined categories according to the respective information and publicity measures identified in the Revised Communication Plan. This was done with the aim to distinguish between actions. For example, adverts undertaken as part of the Annual Event (once again better defined as physical events such as information festivals against non-physical events such as media campaigns) have been separated from adverts related to calls for applications or tendering. This allows the MA to better monitor its own actions and expenses according to the specific information and publicity measure.

- *Over budgeting*: past experience has shown that the cost of certain activities is lower than what was originally budgeted for. Additionally, items such as website, helpdesk and the publishing of press releases did not involve any costs contrary to the budgets allocated for in the original Communication Plan.<sup>554</sup> In the revised plan and the revised budget, due consideration was given to the delays experienced in the implementation of the Programme which had an impact on the actions that could be implemented in the initial years of the implementation. This was reflected in the revision of the budget. The revised budget allocated to OPI was presented to the MC in November 2011.

#### 06.5.2 Highlight of the changes to the Communication Plan

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

Area of change	Main changes	Context
Events	1. Large-scale Annual Events to be held towards the final phase of Programme Implementation so that more tangible results can be shown	<i>Carried out to tally with and reflect the pace of Programme implementation</i>
	2. The budgets for such Events have been shifted to the latter years of the Programme	<i>Internally, an exercise has been carried out to allocate budgets on a yearly basis, according to change 1 above</i>
	3. The overall budget has been revised to reflect real market prices	<i>Previous actual costs have been taken into consideration and over-budgeted allocations have been cut down.</i>
Publicity by IBs, Beneficiaries and other stakeholders	4. Evident overall visibility of ESF-focused measures through many activities undertaken by IBs and in particular Beneficiaries	<i>Heavy usage of TV and radio to promote schemes; a number of ESF projects are campaign-based, hence they have wide-spread reach among target audiences and general public</i>
	5. Dense local media scenario leading to risk of overkill and disaffection	<i>Local media scenario includes 6 TV stations, 13 radio stations, 13 newspapers (incl. daily, weekly, fortnightly) and 8 electronic news portals; according to Eurobarometer survey,<sup>555</sup> the Maltese prefer TV (77%), newspapers (30%) and radio (16%) as their information sources, hence while use of such media is encouraged, it is to be done judiciously and effectively</i>

<sup>554</sup> The cost of the website and the running of the helpdesk are general Government administrative costs while the press releases are sent through the centralised Department of Information at no cost.

<sup>555</sup> October 2010.

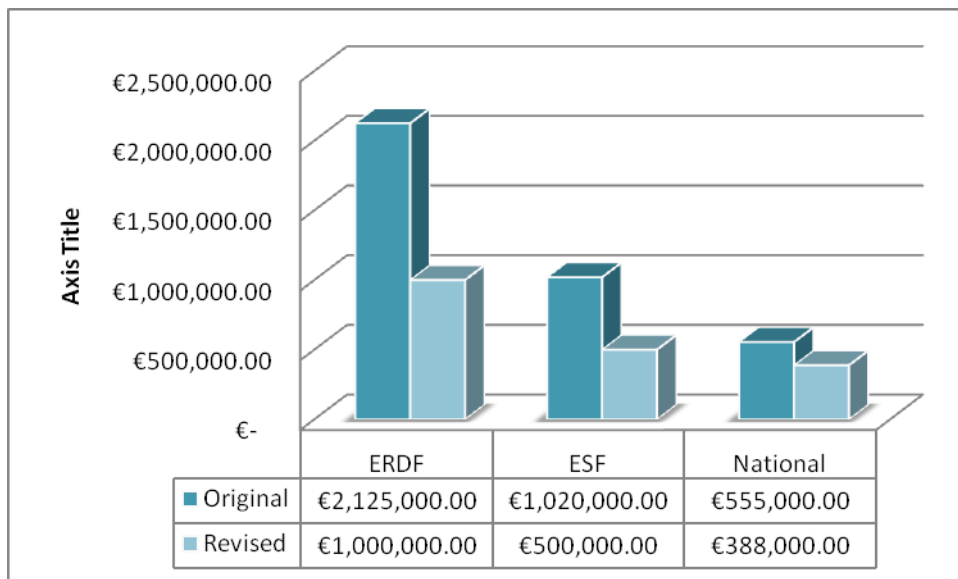
	6. Additional information and publicity actions by other stakeholders	<i>Malta-EU Steering and Action Committee (MEUSAC) multiply a lot of information released by PPCD and carry out their own initiatives using Cohesion Policy projects<sup>556</sup>; wide media coverage triggered through Ministers' own Communication coordinators when visiting projects; EU Commission Representation Office multiplies dissemination of calls; others through award giving ceremonies etc</i>
MA Scenario	7. Retention of equal coverage of OPs but increased flexibility for ad hoc measures	<i>Most of information and publicity measures by MA will keep showcasing both OPI &amp; OPII; however, given OPI's lesser publicity in terms of campaigns, etc, allowance has been made to include OPI-specific, longer-term publicity measures to compensate for OPII measures triggered by Beneficiaries / IBs.</i>

### Changes in the Communication Plan Budget

As indicated above, the Communication budget was revised after taking into account experience gained in implementing publicity actions during the first half of the programming period. The change in budget did not change the main thrust of the Communication Plan which remains geared towards promoting Cohesion Policy 2007-2013 through joint actions that capture both OPs (such as Annual Events). Nevertheless, the Plan has been given an element of flexibility in order to have a more tailored approach to address the visibility of each OP as required. The element of flexibility comes in since the MA may decide to undertake additional ad hoc publicity measures for ERDF-related projects in view of the fact that media campaign-wise these projects do not promote themselves as much as ESF-related projects. This approach is also reflected in the new budget as indicated in Figure 6.8 below. The original Communication Plan envisaged a total of just over €3.5m (ERDF + ESF + National Funds) on information and publicity activities. Following the revision exercise, this amount has been re-dimensioned to €1,888,000 in total over ERDF, ESF and National Funds. The breakdown of these total budgets is the following:

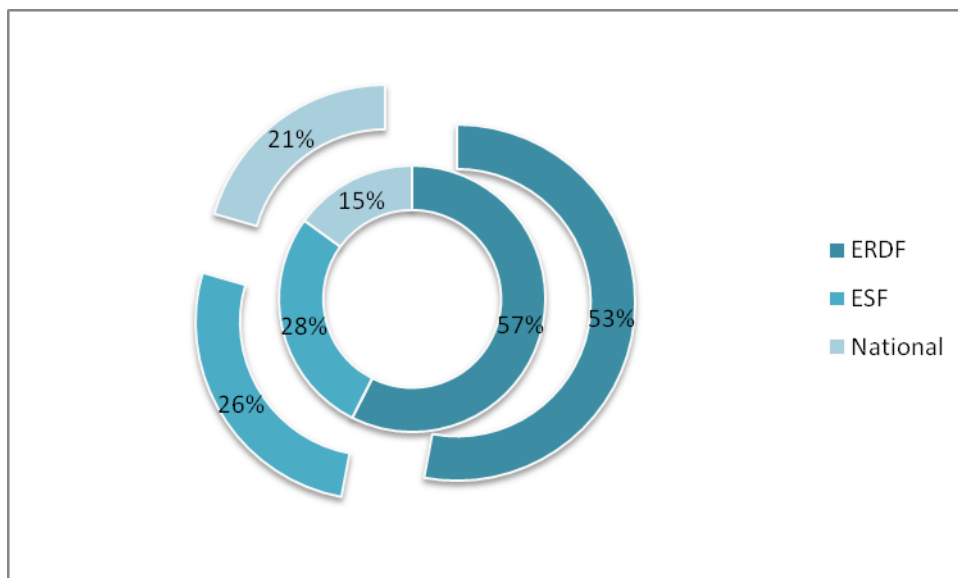
<sup>556</sup> In 2011, a selection of Cohesion Policy 2007-2013 projects were displayed on star-shaped street installations in a number of public areas; a publication titled *Going beyond 10 million* featured a number of both ERDF and ESF projects by NGOs and Local Councils (MEUSAC's clients); MEUSACNews and [www.funding360.eu](http://www.funding360.eu) multiply dissemination of calls issued and / or feature project success stories regularly; in 2012, a number of tours targeted to the selected audiences and general public, titled *L-Ewropa fuq ir-Roti (Europe on Wheels)* will be carried out visiting select Cohesion Policy 2007-2013 projects.

Figure 6.6 Comparison between the Original and the Revised Communication Plan Budgets



In comparison, the revised budget shows a larger percentage share of National Funds since this now also envisages the information and publicity measures implemented by the IBs as well as by other stakeholders. For this reason, the ERDF and ESF percentage share appear to have registered a decrease, however, as explained earlier, while the amount is lower in the Revised Communication Plan, the thrust and targets remain unchanged.

Figure 6.7 Percentage budget share comparison between Original Communication Plan (inner circle) and Revised Communication Plan (outer circle)





### 06.5.3 Indicators

With regard to the indicators, the changes were envisaged to align indicators to costs and define better the way indicators will be measured in order to ensure that there is a good monitoring tool for actions implemented and their impact.

The latter was particularly highlighted during the review, and it was felt that the original indicators needed to be reviewed in order to be rendered more realistic and ensure effective monitoring. The review of the indicators was undertaken by the MA together with experts who suggested that the new indicators should be aligned to costs so as to better monitor financial spending against targets. In addition, as indicated above, the budget was revised to take into account the actions that could be implemented in the remaining time span which required a revision to the indicators.

Apart from the indicators now being better defined and thus more measurable, in order to carry out better monitoring, the procurement of publicity activities (events, promotional items, etc.) will include a more detailed budgetary breakdown element in order to gauge costs at unit level. This approach will allow the MA to carry out and plan its expenditure more effectively, whilst also gauging expenditure trends over the years and better quantify spending on the various measures. Table 6.4 below depicts the achievements registered on the various Communication Plan indicators as at end 2011.

## Operational Programme I - Communication Plan Indicators

(Targets are until 2015 and cover both OPs)

(D.N.A. - data not available in the case of new indicators and/or where the information was not gathered at the time)

Communication Measure	Output	Target	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total	Result	Target	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total	
Events	Total no. of annual events organised:	1 per year	1	1	1	1	1					5													
	Total no. of objectively verifiable expected participants attending annual events:	1,000 participants	D.N.A.*		106	D.N.A.*	400					506	Average increased awareness of Cohesion Policy 2007-2013 projects for participants following the annual event:	50%		D.N.A.		49.66	50.00%					19.90%	
	MA participation in events organised by others:	10	2	1	1	0	0					4													
Media Advertising	Total no. of TV spots created:	7	0	0	0	0	1					1	Average expected % coverage for TV viewers:	25% of the population (at the time of airing)	0	0	0	0	39.20%					7.84%	
	Total no. of spots aired on TV:	150	0	0	0	0	37					37													
	Total no. of radio spots created:	10	0	2	0	2	1					5	Average expected % coverage for radio listeners:	25% of the population (at the time of airing)	0.00%	28.10%	0.00%	5.50%	38.25%					14.37%	
	Total no. of spots aired on Radio:	400	0	100	0	40	84					224													
													Average increased awareness of Cohesion Policy 2007-2013 of the total population per media campaign:	20%			D.N.A.							0	
Audio- Visual	Total no. of documentaries produced:	3	1	0	0	0	1					2**	No. of viewing times (on the web, media and during events):	300											
	Total no. of potential viewing sources for documentaries:	25	1	0	0	0	16					17**					1	0	0	0	72				
Print Media	Total no. of adverts designed for media campaigns:	14	0	0	0	0	0					0	Average expected % of newspapers readers targeted:	45%											
	Total no. of adverts designed for annual events:	16	2	2	2	2	2					10					D.N.A.	51.50%	51%	49.91%					30.48%
	Total no. of adverts published for campaigns:	140	0	0	0	0	0					0													
	Total no. of adverts published for annual events:	220	20	14	12	11	21					78													
	Total no. of adverts designed for calls for projects & pre-announcements:	60	2	4	12	14	10					42**	Average expected % of newspapers readers targeted:	45%											
	Total no. of adverts published for calls for projects & pre-announcements:	430	7	49	128	75	49					308**					30%	46%	51.50%	51%	49.91%				

## Operational Programme I - Communication Plan Indicators

(Targets are until 2015 and cover both OPs)

(D.N.A. - data not available in the case of new indicators and/or where the information was not gathered at the time)

Communication Measure	Output	Target	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total	Result	Target	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total												
Events	Total no. of annual events organised:	1 per year	1	1	1	1	1					5	Average increased awareness of Cohesion Policy 2007-2013 projects for participants following the annual event:	50%		D.N.A.		49.66	50.00%					19.90%												
	Total no. of objectively verifiable expected participants attending annual events:	1,000 participants			106	D.N.A.*	400					506																								
	MA participation in events organised by others:	10	2	1	1	0	0					4																								
Media Advertising	Total no. of TV spots created:	7	0	0	0	0	1					1	Average expected % coverage for TV viewers:	25% of the population (at the time of airing)	0	0	0	0	39.20%					7.84%												
	Total no. of spots aired on TV:	150	0	0	0	0	37					37																								
	Total no. of radio spots created:	10	0	2	0	2	1					5													Average expected % coverage for radio listeners:	25% of the population (at the time of airing)	0.00%	28.10%	0.00%	5.50%	38.25%				14.37%	
	Total no. of spots aired on Radio:	400	0	100	0	40	84					224																								
													Average increased awareness of Cohesion Policy 2007-2013 of the total population per media campaign:	20%											0											
Audio- Visual	Total no. of documentaries produced:	3	1	0	0	0	1					2**	No. of viewing times (on the web, media and during events):	300	1	0	0	0	72						73											
	Total no. of potential viewing sources for documentaries:	25	1	0	0	0	16					17**																								
Print Media	Total no. of adverts designed for media campaigns:	14	0	0	0	0	0					0	Average expected % of newspapers readers targeted:	45%	D.N.A.		51.50%	51%	49.91%					30.48%												
	Total no. of adverts designed for annual events:	16	2	2	2	2	2					10																								
	Total no. of adverts published for campaigns:	140	0	0	0	0	0					0																								
	Total no. of adverts published for annual events:	220	20	14	12	11	21					78																								
	Total no. of adverts designed for calls for projects & pre-announcements:	60	2	4	12	14	10					42**													Average expected % of newspapers readers targeted:	45%	30%	46%	51.50%	51%	49.91%					45.68%
	Total no. of adverts published for calls for projects & pre-announcements:	430	7	49	128	75	49					308**																								



Media Relations	Total no. of press participation in events:	20	1	2	0	1	4												8	
	Total no. of media interviews/features, including articles	35	3	4	8	8	11													34
	Total no. of media queries answered:	35	1	8	9	2	5													25
Launch	No. of newsrooms covering the launch:	10													Total no. of media publicizing event:	10	10			
															Total no. of participants at launch:	250	250			
	No. of info seminars organised:	6													Total no. of participants at information seminars:	300	300			

\*2007 was the year of the launch; in 2008 the event was an information festival held at City Gate in Valletta; in 2010 the event was an ME&U fest (information festival). The nature of the events did not lend data to be captured.

\*\*Calculated figures are for OPI only.

## 06.6 Mid-term Appraisal of the Communication Plan

The Communication Plan was reviewed and appraised as part of the Mid-Term Evaluation on Operational Programmes I and II upon the request of the MA as indicated earlier in the chapter.

The experts were given the draft Communication Plan review in order to assist the MA in its exercise. The experts held a number of meetings with the Communications Team, carried out an analysis of AIR 2009, consulted a sample of the general public (during the Annual Event) and OP Beneficiaries in order to gauge the effectiveness of the publicity actions carried out by the MA. The experts also attended the Annual Information Event of 2010 and assessed it through a survey among participants, and through their own observations which were highlighted in AIR 2010.

The Annual Event was rated positively overall since at least half of the participants visited at least one (1) information booth (considering that Cohesion Policy is not an audience-friendly subject) and felt they gained a better understanding of the Funds and projects on display. A number of suggestions to improve future events and ensure effective information dissemination were made by the experts. In light of this, the MA made it a point to take on board the experts' comments during its implementation of the 2011 Annual Event described earlier in this chapter. Summarily the suggestions made include the following:

Better planning and selection of dates for events in order to avoid clashing with other national or local festivities which might deter attendance;	Dates planned for the 2011 Annual Event did not coincide with other national or local events;
An early start to the promotion of event in order to increase awareness;	Promotion started 3 weeks in advance of the event and was far reaching;
Ensuring that venues are easily accessible and well lit when events take place in the evening;	Venues to be visited were checked prior through on-site visits and ensured that all sites were easily accessible and constituted no danger to the participants;
Animators, staff, etc. should take a more proactive ' <i>meet and greet</i> ' approach by e.g. welcoming attendees and leading them to information booths (if event is structured in such manner) or similar actions.	Given the nature of this year's events, a group of animators were involved on each tour to welcome participants, guide them to the venues and manage the crowds, as well as handing out refreshments and promotional material throughout the tours, while ensuring that the participants are comfortable and enjoying themselves at all times.

The recommendations made for the 2010 Annual Event remain valid lessons learnt for other future events the MA will be holding as part of its obligations in light of EC1828/2006 Art.7(2)(b).

Overall Beneficiaries rated very positively the publicity carried out by the MA. The consultation with the general public highlighted the fact that the public is more familiar with the individual funds (ERDF and ESF) rather than the terms Cohesion Policy, Structural Funds or Cohesion Fund. Thus in view of this finding, the MA will direct its promotion and actions to creating a better understanding of the concept of Cohesion Policy and the overarching benefits derived from the interventions being implemented through the Funds.

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## 07. Concluding Remarks

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The year 2011 witnessed a steady implementation pace, albeit the delays and bottlenecks which have characterised the previous years, and which still have had an inevitable effect on approved operations. Throughout the year, mitigating measures causing delays in the system have continued to be identified and addressed. In an effort to further commit the Programme, a number of calls for proposals were issued in 2011. In view of this, considerable effort was made by the PSC to evaluate applications received (including evaluation of calls spilling over from the previous year). Sixteen (16) new projects were approved in 2011 bringing the total of approved projects to seventy nine (79)<sup>557</sup> projects (in addition to the nine (9) Aid Schemes implemented under Axes 1, 2, 4 and 6). In turn, a further 637 Beneficiaries are benefitting through the nine (9) Aid Schemes, while 165 SMEs are assisted under the JEREMIE instrument and 5,274 households are equally benefitting under one (1) of the ERDF-approved projects.

The Programme's overall commitment rate rose to over 71%, which although short of the full commitment target, is still significant considering that 10% of the uncommitted allocation, is allocated to the two (2) Major Projects that, as at end 2011, were at an advance stage of preparation. Already at the beginning of 2012, the PSC has finalised work and approved an additional €42,000,000, representing 5% of the remaining 10% of uncommitted funds.

Payments also increased in 2011, which saw almost 10% of the OP allocation being paid in the year under review with certification representing over 86% of the payments processed by end of 2011. The latter is clearly an indication of the management verifications and efforts by the MA to ensure the successful implementation of the Programme. In order to sustain this level of activity, the MA tried to strengthen its internal capacity through capacity building and recruitment of additional staff.

Apart from the financial progress registered during the year, 2011 also saw the completion of a number of operations on the ground, yielding the expected outcomes in terms of the Programme indicators.

The year 2012 will pose several challenges to the MA, not only in terms of committing the remaining funds (especially those that will now be available under Axis 4), but also in terms of ensuring that commitments in accordance with the n+2/3 Rule are achieved.<sup>558</sup> To this end, the MA will continue its efforts to increase human capacity in view of the increased number of approved operations. Simultaneously, the MA will also focus on issues related to the preparation of the next programming period documents. Lastly, the MA would like to thank its staff, the Beneficiaries who are the real executors (and without whom all the progress made would not be possible) and also all those stakeholders involved in assisting in and enabling that the Programme is successfully implemented, thus reaping the full benefits of Cohesion Policy.

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<sup>557</sup> Including eighty-eight (88) ERDF and CF projects.

<sup>558</sup> As laid down in the provisions concerning automatic decommitment in Articles 93 to 97 of Regulation (EC) N° 1083/2006.



Annex 1 – Cumulative Expenditure Table<sup>559</sup>

Priority Axis	Total Contribution	Financial Progress			
		Commitments <sup>560</sup>	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 1 (ERDF) Enhancing Knowledge and Innovation	120,000,000.00	108,362,782	41,930,788	90	35
Priority Axis 2 (ERDF) Promoting sustainable Tourism	120,000,000.00	78,480,352	27,139,888	65	23
Priority Axis 3 (ERDF) Developing the trans-European network for transport	169,038,258.82	78,739,659	16,572,676	47	10
Priority Axis 4 (ERDF) Mitigation and Adaptation to climate change	121,000,000.00	85,281,640	10,880,872	70	9
Priority Axis 5 (ERDF) Safeguarding the environment	165,250,000.00	104,309,856	67,937,571	63	41
Priority Axis 6 (ERDF) Urban regeneration and improving quality of life	149,000,000.00	141,540,695	44,616,250	95	30
Priority Axis 7 (ERDF) Technical Assistance	12,327,095.29	12,327,095	2,773,393	100	22
Grant Total	856,615,354.11	609,042,079	211,851,438	71	25

<sup>559</sup> Figures quoted represent progress as at end 2010 and are expressed in total public eligible cost.

<sup>560</sup> 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 2011

### Projects

ERDF/001	Upgrading and Embellishment of Industrial Estates
ERDF/011	Furnishing and Equipping of Chemistry & Biology Building Extensions
ERDF/012	Developing an Interdisciplinary Material Testing and Rapid Prototyping R&D Facility
ERDF/017	Construction, Finishing and Equipping of ICT Faculty Building
ERDF/018	Strengthening of Analytical Chemistry, Biomedical Engineering and Electromagnetics RTDI Facilities
ERDF/022	Wied il-Mielah - towards an ecologically and culturally sensitive, sustainable tourism
ERDF/024	Upgrading of Villa Rundle Gardens
ERDF/031	Upgrading of Zewwieqa Waterfront
ERDF/032	Archaeological Heritage Conservation Project

ERDF/033	Tourism Zone Upgrade with landscaped urban spaces and other facilities
ERDF/039	Restoration and Rehabilitation of Historical Fortifications of Malta and Gozo
ERDF/045	Extension of ETC Skills and Development Centre (phase 2)
ERDF/047	Reconstruction of part of Xlendi Road and Ta' Pinu Road
ERDF/048	Upgrading of Arterial and Distribution Roads
ERDF/054	Multimedia Training Centre at MCAST's Institute of Art and Design
ERDF/056	Upgrading and expansion, MCAST Institute of Mechanical Engineering at Malta/Gozo
ERDF/057	Junior College Building Extension
ERDF/058	Purchase of Science and technology laboratory equipment for state schools
ERDF/062	Language Lab with Contact Centre facility at MCAST Institute of Business and Commerce

ERDF/064	Construction and Equipping of University IT Services Building
ERDF/065	Expansion of MCAST Institute of Electrical and Electronics Engineering
ERDF/066	Computer systems and computer labs at MCAST Malta and Gozo
ERDF/068	Upgrading of Operating Theatre and Setting Up of Radiology Unit
ERDF/072	Construction and Equipping of an Independent Living Centre
ERDF/076	Refurbishing the Signal Processing Laboratory within the Department of CCE
ERDF/077	Electrical Energy and Efficiency Laboratory for the University of Malta
ERDF/078	Upgrading of Giordan Lighthouse global Atmospheric Watch (GAW) Research Station
ERDF/079	Setting up of Mechanical Engineering Computer Modelling and Simulation Laboratory
ERDF/080	A Super Computer Laboratory for the University of Malta
ERDF/081	Enhancing the Health Biotechnology facilities at the University

ERDF/082	Modernizing the University of Malta's Control Systems Engineering Laboratory
ERDF/083	Manufacturing Research Platform
ERDF/087	Developing National Metrology Capacity in Support of Industry
ERDF/088	Promotion of renewable energy sources in the domestic sector
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/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

ERDF/205 Regenerating Balzan square and implementing a Tourist Heritage Trail

ERDF/212 The Regeneration of the Tourism Market in Marsascala

ERDF/213 Sustainable Tourism in a Village of Culture & Heritage

ERDF/221 Birkirkara Heritage Route - Discovering our past by uncovering Historical Gems

ERDF/226 Peacock Gardens - Cultural Urban Landscapes for Tourism Sustainability

ERDF/228 Green Energy Schools

ERDF/229	Investing in Eco-Friendly Technology for Energy and Leading by Example
ERDF/230	B'Kara - Energy Generation and Conservation Project
ERDF/234	Holy Family Home - Energy Generation and Conservation Project
ERDF/235	Stepping-Up Energy Saving Measures in 2 Provincial Schools
ERDF/236	Photovoltaic Panel System at Ghajnsielem Band Club
ERDF/238	PV system for the Leone Band Club
ERDF/239	Installation of Photovoltaics System on Oratory Don Bosco
ERDF/241	Aiming at Zero: a renewable energy strategy to minimise consumption
ERDF/243	Saura - Energy Generation & Conservation Project
ERDF/256	MODUS: Encouraging Modal Shift in Land Transportation
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

## Annex 3 - Categorisation

Priority Theme	Form of Finance	Territory	Economic Activity	Location	Amount
01	01	03	18	MT001 - Malta	€ 301,401.93
				MT002 - Gozo & Comino	—
02	01	03	6	MT001 - Malta	—
				MT002 - Gozo & Comino	—
02	01	03	18	MT001 - Malta	€ 26,298,827.03
				MT002 - Gozo & Comino	—
02	01	03	19	MT001 - Malta	€ 94,525.10
				MT002 - Gozo & Comino	—
02	01	03	21	MT001 - Malta	€ 94,525.10
				MT002 - Gozo & Comino	—
02	01	03	22	MT001 - Malta	—
				MT002 - Gozo & Comino	—
03	01	03	6	MT001 - Malta	€ 1,219,466.54
				MT002 - Gozo & Comino	—
03	01	03	18	MT001 - Malta	—
				MT002 - Gozo & Comino	—
03	01	03	22	MT001 - Malta	—
				MT002 - Gozo & Comino	—
04	01	03	6	MT001 - Malta	€ 3,136,586.16

				MT002 - Gozo & Comino	—
04	01	03	18	MT001 - Malta	—
				MT002 - Gozo & Comino	—
04	01	03	22	MT001 - Malta	€ 1,912,500.00
				MT002 - Gozo & Comino	—
05	01	03	6	MT001 - Malta	€ 12,696,750.88
				MT002 - Gozo & Comino	€ 81,396.00
05	01	03	20	MT001 - Malta	€ 37,964.91
				MT002 - Gozo & Comino	€ 4,284.00
05	01	03	22	MT001 - Malta	—
				MT002 - Gozo & Comino	—
05	01	03	14	MT001 - Malta	—
				MT002 - Gozo & Comino	—
06	01	03	6	MT001 - Malta	€ 1,275,000.00
				MT002 - Gozo & Comino	—
06	01	03	14	MT001 - Malta	—
				MT002 - Gozo & Comino	—
06	01	03	22	MT001 - Malta	€ 1,275,000.00
				MT002 - Gozo & Comino	—
07	01	03	6	MT001 - Malta	€ 2,975,000.00
				MT002 - Gozo & Comino	—

07	01	03	22	MT001 - Malta	€ 2,975,000.00
				MT002 - Gozo & Comino	—
08	01	03	6	MT001 - Malta	—
				MT002 - Gozo & Comino	—
08	02	03	22	MT001 - Malta	€ 4,250,000.00
				MT002 - Gozo & Comino	—
09	01	03	6	MT001 - Malta	€ 3,741,758.22
				MT002 - Gozo & Comino	€ 83,241.78
09	01	03	22	MT001 - Malta	€ 3,741,758.22
				MT002 - Gozo & Comino	€ 83,241.78
09	02	03	22	MT001 - Malta	€4,250,000
13	01	03	17	MT001 - Malta	€ 14,252,818.70
				MT002 - Gozo & Comino	€ 370,804.00
13	01	03	18	MT001 - Malta	€ 144,249.98
				MT002 - Gozo & Comino	—
13	01	03	22	MT001 - Malta	€ 370,383.47
				MT002 - Gozo & Comino	—
15	01	03	6	MT001 - Malta	€ 1,487,500.00
				MT002 - Gozo & Comino	—
15	01	03	22	MT001 - Malta	€ 1,487,500.00
				MT002 - Gozo & Comino	—
21	01	03	12	MT001 -	€ 41,949,159.20

				Malta	
				MT002 - Gozo & Comino	€ 7,000,964.65
22	01	03	11	MT001 - Malta	€ 10,432,273.31
				MT002 - Gozo & Comino	€ 4,889,485.60
23	01	03	6	MT001 - Malta	€ 6,502,931.61
				MT002 - Gozo & Comino	€ 664,734.00
23	01	03	20	MT001 - Malta	€ 310,046.77
				MT002 - Gozo & Comino	€ 34,986.00
23	01	03	22	MT001 - Malta	—
				MT002 - Gozo & Comino	—
26	01	03	11	MT001 - Malta	€ 4,384,492.12
				MT002 - Gozo & Comino	—
26	01	03	21	MT001 - Malta	€ 394,164.98
				MT002 - Gozo & Comino	—
28	01	03	11	MT001 - Malta	€ 5,746,222.26
				MT002 - Gozo & Comino	—
30	01	03	11	MT001 - Malta	€ 17,978,586.30
				MT002 - Gozo & Comino	—
30	01	03	22	MT001 - Malta	—
				MT002 - Gozo & Comino	—
33	01	03		MT001 - Malta	
				MT002 - Gozo & Comino	—

39	01	03	8	MT001 - Malta	€ 7,037.07
				MT002 - Gozo & Comino	€ 21,493.93
39	01	03	18	MT001 - Malta	€ 62,089.64
				MT002 - Gozo & Comino	—
39	01	03	21	MT001 - Malta	—
				MT002 - Gozo & Comino	—
40	01	03	8	MT001 - Malta	€ 24,195,341.12
				MT002 - Gozo & Comino	€ 2,896,128.84
40	01	03	11	MT001 - Malta	€ 30,458.51
				MT002 - Gozo & Comino	—
40	01	03	18	MT001 - Malta	€ 15,522.41
				MT002 - Gozo & Comino	—
40	01	03	21	MT001 - Malta	€ 51,861.78
				MT002 - Gozo & Comino	—
41	01	03	21	MT001 - Malta	—
				MT002 - Gozo & Comino	—
43	01	03	8	MT001 - Malta	€ 1,884,672.29
				MT002 - Gozo & Comino	€ 413,559.09
43	01	03	11	MT001 - Malta	€ 274,126.57
				MT002 - Gozo & Comino	—
43	01	03	18	MT001 - Malta	€ 51,741.37

				MT002 - Gozo & Comino	—
43	01	03	21	MT001 - Malta	€ 466,756.04
				MT002 - Gozo & Comino	—
43	01	03	22	MT001 - Malta	€ 5,902.99
				MT002 - Gozo & Comino	—
44	01	03	21	MT001 - Malta	—
				MT002 - Gozo & Comino	€ 6,885,000.00
45	01	03		MT001 - Malta	—
				MT002 - Gozo & Comino	—
46	01	03	9	MT001 - Malta	€ 59,487,652.90
				MT002 - Gozo & Comino	—
47	01	03	21	MT001 - Malta	—
				MT002 - Gozo & Comino	—
48	01	03		MT001 - Malta	—
				MT002 - Gozo & Comino	—
50	01	03	6	MT001 - Malta	€ 5,912,752.54
				MT002 - Gozo & Comino	€ 529,074.00
50	01	03	20	MT001 - Malta	€ 246,771.92
				MT002 - Gozo & Comino	€ 27,846.00
50	01	03	21	MT001 - Malta	€ 19,431,158.95
				MT002 - Gozo & Comino	€ 2,859,565.75



51	01	03		MT001 - Malta	—
				MT002 - Gozo & Comino	—
52	01	03		MT001 - Malta	—
				MT002 - Gozo & Comino	—
53	01	03	21	MT001 - Malta	€ 43,113,776.50
				MT002 - Gozo & Comino	—
54	01	03	21	MT001 - Malta	€ 3,959,096.00
				MT002 - Gozo & Comino	€ 96,354.20
55	01	03	21	MT001 - Malta	—
				MT002 - Gozo & Comino	€ 313,151.17
55	01	03	22	MT001 - Malta	—
				MT002 - Gozo & Comino	—
56	01	03	21	MT001 - Malta	—
				MT002 - Gozo & Comino	€ 72,265.65
56	01	03	22	MT001 - Malta	—
				MT002 - Gozo & Comino	€ 1,779,559.15
57	01	03	14	MT001 - Malta	€ 1,615,537.47
				MT002 - Gozo & Comino	€ 95,233.70
57	01	03	20	MT001 - Malta	—
				MT002 - Gozo & Comino	—
57	01	03	21	MT001 - Malta	€ 538,512.49

				MT002 - Gozo & Comino	€ 31,744.57
57	01	03	22	MT001 - Malta	€ 14,513,998.48
				MT002 - Gozo & Comino	€ 7,784,883.78
58	01	03	18	MT001 - Malta	—
				MT002 - Gozo & Comino	—
58	01	03	20	MT001 - Malta	—
				MT002 - Gozo & Comino	—
58	01	03	22	MT001 - Malta	€ 28,123,730.63
				MT002 - Gozo & Comino	€ 812,327.75
59	01	03	18	MT001 - Malta	—
				MT002 - Gozo & Comino	—
59	01	03	20	MT001 - Malta	—
				MT002 - Gozo & Comino	—
59	01	03	22	MT001 - Malta	€ 4,207,245.00
				MT002 - Gozo & Comino	€ 2,873,609.54
60	01	03	14	MT001 - Malta	€ 1,615,537.47
				MT002 - Gozo & Comino	€ 95,233.70
60	01	03	21	MT001 - Malta	€ 538,512.49
				MT002 - Gozo & Comino	€ 31,744.57
60	01	03	22	MT001 - Malta	€ 1,436,033.30
				MT002 - Gozo & Comino	€ 84,652.18

61	01	03	11	MT001 - Malta	€ 2,375,763.57
				MT002 - Gozo & Comino	—
61	01	03	21	MT001 - Malta	€ 4,045,219.05
				MT002 - Gozo & Comino	—
75	01	03	18	MT001 - Malta	€ 21,511,430.98
				MT002 - Gozo & Comino	€ 489,433.40
75	01	03	20	MT001 - Malta	€ 151,105.35
				MT002 - Gozo & Comino	—
76	01	03	19	MT001 - Malta	€ 41,482,313.70
				MT002 - Gozo & Comino	€ 2,772,076.95
77	01	03	6	MT001 - Malta	€ 721,333.29
				MT002 - Gozo & Comino	€ 81,396.00
77	01	03	20	MT001 - Malta	€ 462,964.91
				MT002 - Gozo & Comino	€ 4,284.00
78	01	03	11	MT001 - Malta	€ 365,502.09
				MT002 - Gozo & Comino	—
78	01	03	21	MT001 - Malta	€ 622,341.39
				MT002 - Gozo & Comino	—
79	01	03	18	MT001 - Malta	€ 151,105.35
				MT002 - Gozo & Comino	—
79	01	03	20	MT001 - Malta	€ 151,105.35

				MT002 - Gozo & Comino	—
81	01	03	22	MT001 - Malta	€ 16,764.85
				MT002 - Gozo & Comino	—
85	01	03	22	MT001 - Malta	€ 7,741,169.12
				MT002 - Gozo & Comino	—
86	01	03	22	MT001 - Malta	€ 2,720,096.78
				MT002 - Gozo & Comino	—
<b>Total</b>					<b>€514,284,190.18</b>