



OFFICE OF THE DEPUTY PRIME MINISTER  
MINISTRY FOR EUROPEAN AFFAIRS  
PARLIAMENTARY SECRETARIAT  
FOR THE EU PRESIDENCY 2017 AND EU FUNDS

# Operational Programme I Cohesion Policy 2007-2013

*Investing in Competitiveness for a Better Quality of Life*

Annual Implementation Report

2012



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



*Investing in your future*

## Table of Contents

01. Identification .....	1
02. Overview of the Implementation .....	2
02.1 Achievement and Analysis of the Progress .....	2
02.1.1 Information on the Physical Progress of the Operational Programme.....	5
02.1.2 Financial Information .....	25
02.1.3 Information About the Breakdown of Use of the Funds .....	28
02.1.4 Assistance by Target Group.....	29
02.1.5 Assistance Repaid or Re-used .....	29
02.1.6 Qualitative Analysis.....	29
02.2 Compliance with Community law.....	35
02.2.1 State Aid (Article 107 of the Treaty) .....	35
02.2.2 Public Procurement.....	36
02.2.3 Environmental Legislation .....	39
02.2.4 Strategic Environmental Assessment (SEA) Regulations .....	40
02.2.5 SEA Screening of the Proposed OP Changes .....	42
02.3 Significant Problems Encountered and Measures Taken to Overcome Them .....	43
02.3.1 Project Selection Process .....	43
02.3.2 Public Procurement Process.....	43
02.3.3 Planning and Environmental Permitting Process .....	44
02.3.4 The Payment Process .....	45
02.3.5 The Aid Schemes.....	45
02.4 Changes in the Context of the Operational Programme Implementation.....	47
02.5 Substantial Modification under Article 57 of Regulation (EC) No 1083/2006 (if relevant) .....	48
02.6 Complementarity with Other Instruments .....	49
02.6.1 Structures .....	49
02.6.2 Complementarity and Consistency between Funds and Financial Instruments .....	50
02.7.1 Monitoring and Reporting by the MA.....	56
02.7.2 Monitoring Committee.....	61
02.7.3 Annual Review Meeting.....	62
02.7.4 Strategic Report 2012.....	63
02.7.5 Evaluation.....	64
03. Implementation by Priority .....	69
03.1 Priority Axis 1 - Enhancing Knowledge and Innovation .....	69
03.1.1 Achievement of Targets and Analysis of the Progress .....	69
03.1.2 Information on the Physical and Financial Progress .....	72
03.1.3 Financial Analysis .....	78
03.1.4 Qualitative Analysis.....	78
03.1.5 Significant Problems Encountered and Measures Taken to Overcome Them .....	82
03.2 Priority Axis 2 – Promoting Sustainable Tourism.....	84
03.2.1 Achievement of Targets and Analysis of the Progress .....	84
03.2.2 Information on the Physical and Financial Progress .....	86
03.2.3 Financial Analysis .....	91
03.2.4 Qualitative Analysis.....	92
03.2.5 Significant Problems Encountered and Measures Taken to Overcome Them .....	94

03.3	Priority Axis 3 – Developing the TEN-T .....	95
03.3.1	Achievement of Targets and Analysis of the Progress .....	95
03.3.2	Information on the Physical and Financial Progress .....	95
03.3.3	Financial Analysis .....	98
03.3.4	Qualitative Analysis .....	98
03.3.5	Significant Problems Encountered and Measures Taken to Overcome Them .....	101
03.4	Priority Axis 4 – Climate Change and Resource Efficiency .....	103
03.4.1	Achievement of Targets and Analysis of the Progress .....	103
03.4.2	Information on the Physical and Financial Progress .....	106
03.4.3	Financial Analysis .....	112
03.4.4	Qualitative Analysis .....	112
03.4.5	Significant Problems Encountered and Measures Taken to Overcome Them .....	115
03.5.1	Achievement of Targets and Analysis of the Progress .....	117
03.5.2	Information on the Physical and Financial Progress .....	122
03.5.3	Financial Analysis .....	127
03.5.4	Qualitative Analysis .....	127
03.5.5	Significant Problems Encountered and Measures Taken to Overcome Them .....	129
03.6	Priority Axis 6 – Urban Regeneration and Improving the Quality of Life .....	131
03.6.1	Achievement of Targets and Analysis of the Progress .....	131
03.6.2	Information on the Physical and Financial Progress .....	134
03.6.3	Financial Analysis .....	143
03.6.4	Qualitative Analysis .....	143
03.6.5	Significant Problems Encountered and Measures Taken to Overcome Them .....	145
03.7	Priority Axis 7 – Technical Assistance .....	147
03.7.1	Achievement of Targets and Analysis of the Progress .....	147
03.7.2	Information on Physical and Financial Progress .....	147
03.7.3	Financial Analysis .....	149
03.7.4	Qualitative Analysis .....	149
03.7.5	Significant Problems Encountered and Measures Taken to Overcome Them .....	150
04.	ERDF/CF: Major Projects .....	151
04.1	Progress in the Implementation of Major Projects .....	151
04.1.1	Major Projects Approved by the CION .....	151
04.1.2	Major Projects Endorsed by the MA and Awaiting CION Approval .....	162
04.1.3	Other Major Projects in the Pipeline .....	165
04.2	Progress in the Financing of Major Projects .....	172
04.3	Completed Major Projects .....	175
04.3.1	CF 116 – Malta South Sewage Treatment Infrastructure .....	175
04.4	Any Change in the Indicative List of Major Projects in the Operational Programme .....	176
04.5	Conclusion .....	177
05.	Technical Assistance .....	178
05.1	Implementation of Cohesion Policy .....	178
05.2	Information and Publicity .....	180
05.3	Evaluation .....	180

---

05.4	Furniture and Equipment.....	181
05.5	Capacity Building.....	181
05.6	Conclusion.....	182
06.	Information and Publicity.....	183
06.1	Measures Taken to Provide Information and Publicity on the Operational Programmes.....	183
06.1.1	Analysis of Activities carried out in 2011.....	183
06.2	Other Publicity Measures undertaken in 2012.....	186
06.2.1	Calls for Projects and Information Sessions for Project Promoters.....	186
06.2.2	Information and Publicity Networks.....	187
06.2.3	Website and Social Network Page.....	188
06.2.4	Others Initiatives.....	190
06.3	Expenditure during 2012.....	190
06.4	Expenditure to Date.....	192
06.5	Information and Publicity by Intermediate Bodies in 2012.....	193
06.6	Information and Publicity by Beneficiaries in 2012.....	194
	Conclusion.....	198
07.	Concluding Remarks.....	199
	Annex I – Cumulative Expenditure Table.....	200
	Annex II – List of Projects and Aid Schemes as at end December 2012.....	201
	Annex III - Categorisation.....	207
	Annex IV – ERDF and CF themes.....	217

## List of Tables

Table 1	Breakdown of Proposals Submitted in 2012.....	5
Table 2	Projects Being Fully Implemented in Gozo as at End 2012.....	8
Table 3	Projects with Components Targeting Gozo as at End 2012.....	9
Table 4	Gozitan Enterprises Benefiting from Aid Schemes as at End 2012.....	9
Table 5	Physical Progress of the OP for Each Quantified Impact and Core Indicator.....	16
Table 6	Summary of Verified, Certified and Received Amounts.....	25
Table 7	Financial Information.....	26
Table 8	Project Approval History under PA 1.....	69
Table 9	Total GAs Signed Between ME and Beneficiaries as at End 2012.....	71
Table 10	Priority Axis 1 Indicators.....	75
Table 11	Priority Axis 1 - Financial Progress.....	78
Table 12	Financial Progress Under PA 1 as at End of 2012.....	80
Table 13	Financial Summary of Approved Grants.....	81
Table 14	Certified Amounts Under the Aid Schemes.....	81
Table 15	Project Approval History Under PA 2.....	85
Table 16	Progress Under ERDF 135.....	89
Table 17	PA 2 Indicators.....	90
Table 18	Approved OP Changes Affecting PA 2 Indicators.....	91
Table 19	PA 2 Financial Analysis.....	92
Table 20	Financial Progress Under PA 2 as at End of 2012.....	93
Table 21	Priority Axis 3 Indicators.....	97
Table 22	Financial Analysis.....	98
Table 23	Financial Progress Under PA3 as at End of 2012.....	100
Table 24	Project Approval History Under PA 4.....	104
Table 25	Progress Under ERDF 133 as at end 2012.....	109
Table 26	Breakdown of Beneficiaries Under ERDF 133.....	109
Table 27	PA 4 Indicators.....	109
Table 28	PA 4 Financial Analysis.....	112
Table 29	Financial Progress Under PA 4 as at End 2012.....	115
Table 30	Project Approval History Under PA 5 (as at end December 2012).....	121
Table 31	Priority Axis 5 Indicators.....	125
Table 32	Priority Axis 5 Financial Progress.....	127
Table 33	Financial Overview for PA 5 as at End 2012.....	129
Table 34	Project Approval History Under PA 6.....	131
Table 35	Approved Operations Per Focus Area.....	132
Table 36	Operations and Investments under ERDF 136.....	138
Table 37	PA 6 Indicators.....	139
Table 38	PA 6 Financial Analysis.....	143
Table 39	Financial Progress Per Focus Area as at End 2012.....	144
Table 40	Financial Progress Under PA 6 as at End of 2012.....	145
Table 41	PA 7 Financial Analysis.....	149
Table 42	Project Timetable for CF 117.....	152
Table 43	Project Timetable for CF 118.....	157
Table 44	Project Timetable for ERDF 196.....	159
Table 45	Project Timetable for CF 120.....	164
Table 46	Project Timetable for CF 125.....	166
Table 47	Project Timetable for CF 119.....	170
Table 48	Sources of Co-financing.....	172
Table 49	Financial Situation.....	173
Table 50	Total Final Investment Costs.....	176
Table 51	Summary of Calls for Project Proposals and Respective Priority Axes Targeted.....	186
Table 52	Expenditure per Information and Publicity Measure during 2012.....	190
Table 53	Expenditure to Date per Measure as at End 2012.....	192
Table 54	- Communications Plan Indicators.....	196

## List of Figures

Figure 1	Number of Invoices Inserted (OPI).....	59
Figure 2	Priority Axis 1 Commitments.....	79
Figure 3	Comparison between Commitments and Contracting for Projects and Aid Schemes Under PA 1 .....	80
Figure 4	PA 2 Commitments.....	92
Figure 5	Comparison between Commitments and Contracting Under PA 2.....	93
Figure 6	Priority Axis 3 Commitments.....	99
Figure 7	Comparison between Committed and Contracted Under PA 3 .....	100
Figure 8	PA 4 Commitments.....	113
Figure 9	Comparison between Commitments and Contracting Under PA 4.....	113
Figure 10	PA 5 Commitments.....	128
Figure 11	Comparison between Committed and Contracted values Under PA 5 .....	129
Figure 12	PA 6 Commitments per Focus Area.....	143
Figure 13	Comparison between Commitments and Contracting per Focus Area under PA 6 .....	144
Figure 14	Percentage of Requests per Component .....	147
Figure 15	Financial Progress Under PA 7 .....	150
Figure 16	Council of Europe/Garibaldi Avenue stretch of road.....	152
Figure 17	Ongoing works at the Magħtab landfill.....	156
Figure 18	Mater Dei Oncology Centre .....	159
Figure 19	National Flood Relief Project .....	164
Figure 20	Financial Situation .....	174
Figure 22	Promotional Image used to Advertise the IIFY Website .....	183
Figure 23	Screen-Shot of IIFY Website .....	185
Figure 24	Audience Overview for the Period 18th December to 31st December 2012 .....	186
Figure 25	Expenditure per Information and Publicity Measure During 2012 in Percentage (%).....	190
Figure 26	Publicity Actions Carried Out by Beneficiaries .....	195

---

## List of Acronyms

AA	Audit Authority
AIR	Annual Implementation Report
BOV	Bank of Valletta
CA	Certifying Authority
CBA	Cost Benefit Analysis
CDRT	Centre for Development Research and Training
CION	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	Director General
DG REGIO	Directorate-General Regional Policy
DNO	Development Notification Order
DoC	Department of Contracts
DOI	Department of Information
DSWS	Department for Social Welfare Standards
EAFRD	European Agricultural Fund for Rural Development
EAP	Employment Aid Programme
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
ETC	European Territorial Co-operation
EU	European Union
FA	Focus Area
FAQ	Frequently Asked Questions
FEI	Financial Engineering Instrument
FI	Financial Intermediary
FIT	Feed-in Tariff
FLPG	First Loss Portfolio Guarantee
FP7	7 <sup>th</sup> Framework Programme for R&D
FTE	Full Time Employee
GA	Grant Agreement
GAW	Global Atmospheric Watch
GCC	General Contracts Committee
GRTU	General Retailers Trade Union
IAID	Internal Audit Investigation Department
IB	Intermediate Body
ICT	Information and Communication Technologies
IIFY	Investing in Your Future
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
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
MEUSAC	Malta EU Steering and Action Committee
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
MJDF	Ministry for Justice, Dialogue and the Family
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 Disability
NCPE	National Commission for the Promotion of Equality
NFRP	National Flood Relief Project
NGO	Non-Governmental Organisation
NREAP	National Renewable Action Plan
NRP	National Reform Programme
NSRF	National Strategic Reference Framework
OP	Operational Programme
OPI	Operational Programme I
OPII	Operational Programme II
OPM	Office of the Prime Minister
OTS	On – the – spot
PA	Priority Axis
PAHRO	Public Administration Human Resource Office
PCRB	Public Contracts Review Board
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
SFC	Structural Funds Common Database
SFD	Structural Funds Database 2007-2013
SME	Small and Medium sized Enterprises
SOE	Statement of Expenditure
SWH	Solar Water Heater
SWOT	Strengths Weaknesses Opportunities Threats
S&T	Science and Technology
TA	Technical Assistance
TAF	Training Aid Framework
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)
Annual Implementation Report	<b>Reporting Year:</b> 2012
	<b>Date of approval of the Annual Report by the Monitoring Committee:</b> 19 <sup>th</sup> April 2013

## 02. Overview of the Implementation

### 02.1 Achievement and Analysis of the Progress

While in 2011 final disbursements were recorded for thirteen (13) projects, by end of 2012, this number increased to thirty-three (33) projects<sup>1</sup> while another thirteen (13) projects<sup>2</sup> were close to completion, and envisaged to be completed by the first quarter of 2013. The number of projects continued to increase from eighty-eight (88) in 2011 to 110 as at end 2012.<sup>3</sup> The number of projects approved under the Aid Schemes (Article 107 of the treaty) also increased from 634 in 2011 to 639 in 2012. Albeit this increase may appear minimal, one must take into account that the number of approved operations as at December 2012 is net of any operation withdrawn during the year under review.

As far as support to Small and Medium sized Enterprises (SMEs) is concerned, in 2012 highly satisfactory progress continued to be registered under the Joint European Resources for Micro to Medium Enterprises (*JEREMIE*) initiative. Following the appointment of the European Investment Fund (EIF) as the Holding Fund Manager and the contract signed with Bank of Valletta (BoV) to act as the Financial Intermediary in April 2011, the task to build up a portfolio of €51.04 million in eligible loans was initiated. By December 2012, 482 loans were signed (in 2011 there were 179 sanctioned loans), for a total investment of €64.8 million (including customer contribution) representing €40.1 million of the JEREMIE portfolio (or 78%). In 2012 the total disbursements amounted to €27.5million (up from €7.78 million from last year).

Overall contracting and disbursements increased substantially in 2012, with a 22%<sup>4</sup> and 50%<sup>5</sup> increase over 2011, respectively. Certification of funds continued to increase over 2011 with a 42% increase,<sup>6</sup> reflecting the continuation of the steady implementation activity that had already commenced to pick up in 2011.

Even though new projects continued to be approved, the year was also characterised by steady progress in the implementation of projects, with the disbursement of the European Regional Development Fund (ERDF) in 2012 alone amounting to €63,924,711, an increase of €1.3 million from what was actually disbursed under ERDF in 2011 (€62,625,657). This brought the total amount paid in 2012 under ERDF to €191,477,459 which represents more than 36%<sup>7</sup> of the total ERDF allocation. Disbursements in 2012 under the Cohesion Fund (CF) amounted to €42,466,127, an increase of more than €23 million from the amount disbursed in 2011 (€19,152,751). This increase reflects the steady progress in activities on the ground,

<sup>1</sup> CF 116 and ERDF 11, 12, 18, 22, 24, 45,48, 54, 56, 57, 58, 62, 65, 66, 72, 76, 77, 78, 79, 80, 81, 82, 83, 101, 102, 109, 114, 155, 192, 193, 234, 239.

<sup>2</sup> ERDF 17, 47, 64, 140, 142, 147, 183, 189, 212, 221, 230, 236, 243.

<sup>3</sup> Including nine (9) Aid Schemes implemented under Article 107 of the Treaty, JEREMIE, TA and the two (2) Major Projects approved at a local level (CF 119 and CF 125), which are to be submitted to CION in early 2013, and one (1) submitted Major Project (CF 120) which, as at end 2012, was still awaiting a CION Decision. Twenty- four (24) new projects were approved in 2012; four (4) under PA 2, two (2) under PA 3 (one of which is a Major Project), sixteen (16) under PA 4, and two (2) under PA 5 (one of which is a Major Project), with an allocation close to €160 million (public eligible).

<sup>4</sup> €486,788,033 - €398,694,465 / €398,694,465.

<sup>5</sup> €318,586,933 - €211,851,439 / €211,851,439.

<sup>6</sup> €260,450,806 - €183,812,460 / €183,812,460.

<sup>7</sup> €522,327,095.

especially with regard to the roads Major Project and the National Flood Relief Project (NFRP) which in 2012 was shifted from ERDF to CF (and which contributed more than €10 million in disbursements under Axis 5 between August 2012 (date of the technical shift from ERDF to CF) and December 2012. This brought the total amount paid under the CF to €127,109,473 by the end of the year, which represents 38%<sup>8</sup> of the total CF allocation. This means that by end 2012, disbursements under OPI amounted to €318,586,933 representing 37% of the total Operational Program I (OPI) allocation.

The activity related to first level of control by the Managing Authority (MA) and Intermediate Bodies (IBs) continued steadily. In 2012 alone, a total expenditure amounting to €76,638,346, made up of €47,338,473 (ERDF) and €29,299,873 (CF) was 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 €260,450,806, representing 30%<sup>9</sup> of the total Operational Program (OP) allocation. The MA achieved this through its first level of control verifications activities with 109 checks undertaken in 2012.

Throughout the year, the MA continued approving operations under the Programme, with the publication of new calls for proposals and the conclusion of calls spilling over from 2011 (calls published and closing in 2011). In this respect, in 2012, the MA issued three (3) calls for proposals under the ERDF (Axes 1, 4 and 6) with a total indicative budget of €64 million,<sup>10</sup> and one (1) for non-Major Projects under the CF (Axis 5)<sup>11</sup>. In total, forty-one (41) proposals were submitted in 2012. The Project Selection Committee (PSC) approved twenty-four (24) new projects; four (4) under PA 2,<sup>12</sup> two (2) under PA 3,<sup>13</sup> sixteen (16) under PA 4,<sup>14</sup> and two (2) under PA 5<sup>15</sup>. As at end 2012, the CF non-Major Project proposal submitted under NMC 4 and the proposals submitted under ERDF Call 14 and Call 16 were still under evaluation.<sup>16</sup> On the other hand, the PSC process for Call 15 was terminated in 2012 with results published in the first weeks of 2013.<sup>17</sup> Also during 2012, the PSC closed the evaluation NM2 and concluded that CF 121 could not be considered further due to insufficient data submitted.

The Oncology Hospital (ERDF 196),<sup>18</sup> the only Major Project under ERDF, was submitted to the Commission in January 2012 and approved in April of the same year. Preparatory work continued on all the

<sup>8</sup> €334,288,259.

<sup>9</sup> Total ERDF certified €155,375,206; total CF certified €105,075,600. Total ERDF and CF €260,450,806.

<sup>10</sup> Call 14, under PA 4, with a total indicative budget of €40 million; Call 15, under PA 1, with a total indicative budget of €12 million and Call 16, under PA 6, with a total indicative budget of €12 million.

<sup>11</sup> Non-Major Call (NMC) 4 under PA 5.

<sup>12</sup> Call 10 (launched and closed in 2011). In total, twelve (12) applications were received and four (4) projects were approved: ERDF 244, ERDF 245, ERDF 246, and ERDF 249 with a total public eligible cost of €42million.

<sup>13</sup> Non-Major Projects Call 3 issued and closed in 2011. One (1) project was submitted under PA 3 and it was approved: CF 260 with a total public eligible cost of €27 million. One (1) Major Project was also approved by the national authorities: CF 125 with a total eligible cost of €49 million.

<sup>14</sup> Calls 12 and 13 (launched and closed in 2011). In total 5 (five) applications were received under Call 12 and nineteen (19) applications were received under Call 13. Under Call 12, ERDF 261 and 262 were approved with a total public eligible cost of €5 million. An additional two (2) projects were also approved but both were withdrawn during the same year by the Beneficiary. Under Call 13, ERDF 268, 271, 272, 274, 275, 276, 277, 278, 279, 280, 281, 283, 284 and 285 were approved with a total public eligible cost of €1.7million.

<sup>15</sup> Non-Major Projects Call 3 issued and closed in 2011. One (1) project was submitted under PA 5 and it was approved: CF 266 with a total public eligible cost of €2.6 million. One (1) Major Project was also endorsed by the national authorities: CF 119 with a total eligible cost of €31 million.

<sup>16</sup> CF 312, the Non Major Project submitted under Non Major Call 4 was in turn approved in early 2013.

<sup>17</sup> One (1) project was formally approved absorbing the total indicative budget of the Call.

<sup>18</sup> Mater Dei Hospital Oncology Centre, under PA 6, with a public eligible expenditure of €44,302,722.

other Major Project CF 119,<sup>19</sup> CF 125,<sup>20</sup> and CF 120,<sup>21</sup> with the latter being formally submitted in August 2012. The other two (2) Major Projects are planned to be submitted in quarter 1 of 2013.

By the end of 2012, there were 101 approved *mainstream* projects<sup>22</sup> with a total commitment of €700,160,464 and nine (9) Aid Schemes implemented under Article 107 of the Treaty with a total commitment of €54,784,015<sup>23</sup> being co-financed through the Operational Programme. The (9) Aid Schemes are administered by three (3) Intermediate Bodies (IBs)<sup>24</sup>. Between these IBs, by end 2012, 639 operations were being implemented for a total public eligible cost of €41,522,938, representing 76% of the total public eligible amount allocated for Aid Schemes under OPI. In 2012 alone, 111 Grant Agreements (GA) were concluded between the IBs and their Beneficiaries, for a grant value of around €8,324,165.26.<sup>25</sup> So, as stated above, in total, by end 2012, there were 110 operations<sup>26</sup> being financed under OPI with a total commitment of €754,944,479 which represents 88%<sup>27</sup> of the total OPI allocation. The performance of the different Priority Axes (PA) is wide, ranging between PAs 2 and 3 having a 100% commitment rate to PA 4 having the lowest commitment rate to date, at 36.6% (this is mainly due to the shift of the NFRP Major Project from PA 4 (ERDF) to PA 5 (CF)).

Procurement continued to present the usual challenges. However, despite the difficulties, in 2012 alone the Department of Contracts (DoC) published forty-one (41) ERDF and CF tenders and signed thirty-three (33) contracts. Apart from these, the Beneficiaries also conducted their own procurement for those tenders that fall below the threshold of the DoC (departmental tenders) and procurement processes conducted by entities that do not fall under the remit of the DoC, such as Local Councils and non-governmental/voluntary organisations. In total, during 2012, 154 tenders were published and 163 contracted. Overall, this constitutes a considerable improvement on last year's figures reporting 100 procedures launched and 110 contracts signed. This shows that the implementation of the Programme continued at a steady pace and with an increased procurement momentum.

One can safely attest that 2012 was a hectic year for the implementation of the programme, loaded with the activities in relation to physical progress but also with other important deeds in relation to the demanding years ahead, especially the important N+3 and N+2 impending commitments in 2013.

<sup>19</sup> Malta North Mechanical and Biological Treatment Plant, under PA 5, with a public eligible expenditure of slightly above €31 million.

<sup>20</sup> Improvement of the TEN-T Road Infrastructure (Phase II), under PA 3, with a public eligible expenditure of €39,630,678.

<sup>21</sup> National Flood Relief Project (NFRP), transferred in 2012 under PA 5, with a public eligible expenditure of €52,809,134. This project was approved by the Commission (CION) in early 2013.

<sup>22</sup> Ninety (90) ERDF projects, including TA and the JEREMIE initiative and eleven (11) CF projects, including the (3) Major Projects not yet approved by the Commission: CF 119, CF 120 and CF 125.

<sup>23</sup> Including Aid Schemes that are being implemented under the De Minimis.

<sup>24</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>25</sup> Ten (10) under DSWS scheme, thirty three (33) under TSDU scheme, and sixty-eight (68) under ME schemes. Note that the amount of Grant Agreements is constantly changing due to project withdrawals.

<sup>26</sup> This includes: eighty-nine (89) ERDF operations, including JEREMIE; eight (8) CF operations; nine (9) Aid Schemes; Technical Assistance (TA) and three (3) Major Projects approved by the MA not yet by the CION.

<sup>27</sup> €856,615,354.

## 02.1.1 Information on the Physical Progress of the Operational Programme

### Project Selection Process

- **Calls for Project Proposals**

Following the launch of five (5) calls in 2011, 2012 saw the launch of a further four (4) calls including one (1) non-major call. These four (4) calls addressed Priority Axes 1, 4, 5 and 6 which in total attracted forty-one (41) proposals. This brings the total number of calls issued under OPI as at end 2012 to twenty (20): sixteen (16) under ERDF and four (4) calls under CF. All calls<sup>28</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.

**Table Breakdown of Proposals Submitted in 2012**

Call	Priority Axis	Indicative Budget	Proposals submitted
ERDF Call 14	PA 4 – Climate Change and Resource Efficiency	€40m	19
ERDF Call 15	PA 1 – Enhancing Knowledge and Innovation	€12m	7
ERDF Call 16	PA 6 – Urban Regeneration and Improving the Quality of Life	€12m	14
ERDF Non-Major Call 4	PA 5 – Safeguarding the Environment	N/A	1

The publication of ERDF calls are generally preceded by a pre-announcement and accompanied by information sessions undertaken by the MA, during which there is also the participation of other stakeholders such as the DoC, the State Aid Monitoring Board (SAMB) and the Malta Environment and Planning Authority (MEPA), amongst others. Such sessions are intended to explain and guide applicants on what is expected from them when the application is being prepared, how the application will be assessed and with whom they are expected to consult whilst preparing the application.

<sup>28</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.



Call 14 was launched on 5<sup>th</sup> July 2012. This call was open under two (2) focus areas, namely *Energy* and *Resource Efficiency*. Under the focus area Energy, the call was open for projects presented by Public Authorities with the aim of promoting the use of renewable energy sources at the domestic level and for any organisation i.e. Public Entities, Voluntary Organisations registered with the Commissioner for Voluntary Organisations and Social Partners for studies in areas related to the objectives of the Priority Axis and/or for energy efficiency measures. On the other hand, under the focus area of Resource Efficiency, the call was open for operations undertaken by Public Entities, Voluntary Organisations registered with the Commissioner for Voluntary Organisations and Social Partners with the aim of promoting resource efficiency in the water sector. The call closed on 30<sup>th</sup> August 2012 with a total of nineteen (19) applications submitted. As at year end (December 2012), these projects were being still under evaluation by the PSC.

Call 15 was launched on 23<sup>rd</sup> July 2012 and attracted a total of seven (7) applications. The call was restricted to interventions by Public Entities that address the priority objective to support Science and Technology (S&T) related investments in the formal and informal education streams, including infrastructure, to increase the S&T cohort in the long-term. The call closed on 17<sup>th</sup> September 2012 and by December 2012, the PSC concluded its evaluation. The results were communicated to the applicants in the first weeks of 2013.

Call 16 was launched on 14<sup>th</sup> September 2012 and closed on 29<sup>th</sup> October 2012. A total of fourteen (14) project applications were submitted. By year end, the project selection process was still at its initial stages. The process is expected to be completed by mid 2013. This call was restricted to interventions by Public Sector Organisations, including Local Councils, for project proposals that improve quality and access to excellent quality educational, social and health services.

In line with the OP, a restricted call for projects under the CF was communicated to the relevant ministry on 10<sup>th</sup> September 2012, targeting PA 5 (Environment). The call closed on 22<sup>nd</sup> October 2012 with one project submitted. The assessment and review of this project application was undertaken in quarter 1 of 2013.

- **Project Selection Outcome**

During 2012, the PSC met thirty-eight (38) times.<sup>29</sup> The PSC requested further clarifications in writing or through clarification meetings.<sup>30</sup> The project evaluation process is long and often the start of delays in the implementation process. Efforts have been made to speed up the process, particularly in view of the fact that the Programme is now approaching the end. The PSC has therefore limited itself to clarifications related to eligibility issues and, in instances when the PSC could not proceed with the ranking because it

<sup>29</sup> Four (4) times for Call 12, eleven (11) times for Call 13, ten (10) times for Call 14, four (4) times for Call 15. For the CF projects, the same Committee also met six (6) times to assess the NM3, one (1) session to assess NM2 and another two (2) times to assess CF 125.

<sup>30</sup> Limited to borderline cases and in the case of Major Projects in view of their technical complexities.

required clarity on some of the activities being proposed, the applicant was invited to attend a clarification meeting.

During the year under review, nineteen (19)<sup>31</sup> approval letters were issued by the MA in relation to calls issued in 2011. Unsuccessful applicants or those placed on a reserve list, were informed through a rejection letter and were given the right of appeal. During 2012, seven (7) applicants lodged an appeal with the Project Selection Appeals Board (PSAB) out of which, four (4) were rejected by the board, one (1) was upheld, while another two (2) withdrew their request for appeal. 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 the same year under review, the Managing Authority received two (2) requests for the review of the remaining Major Projects (CF 119 and CF 125). The MA forwarded these projects to the PSC for their review and assessment against the criteria as approved by the Monitoring Committee. In 2012, the PSC reviewed and endorsed both CF 125 and CF 119 and the MA was working with the relevant authorities to submit both Major Projects to the Commission in quarter 1 of 2013.

### Progress in Programme Implementation

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

As reported in preceding reports, Government has a territorial commitment to spend 10% of the Funds on projects related to Gozo's socio-economic development. The calls for project proposals issued in 2012 targeted both Malta and Gozo. In order to encourage the submission of Gozo based projects, an information session in relation to Call 14 under PA 4 was also delivered in Gozo. As at end 2012, there were twenty-two (22) Gozo-based projects: twenty-one (21) ERDF projects and one (1) CF project, which together amount to €44,695,443 in public eligible costs.<sup>32</sup> Six (6) of the projects were approved during 2012.<sup>33</sup> In addition, as at end 2012, there were a further fourteen (14) projects: twelve (12) ERDF projects and two (2) CF projects, which had a component targeting Gozo, totalling €24,195,294<sup>34</sup> (public eligible). Moreover, as at end 2012, sixty-three (63) Gozo-based enterprises were benefitting from grants amounting to €4,378,914 (public eligible). The JEREMIE instrument also contributes to the Gozo dimension. Following consultations with both the MC and the Investment Board, special provisions were inserted in the selection criteria for Financial Intermediary (FI) to ensure that the selected FI is able to serve Gozo-based enterprises. To date twenty-seven (27) Gozitan SMEs took loans under the JEREMIE initiative for €1.4 million representing a total investment of €2 million under the Guarantee Instrument to continue investing and expanding their business.

<sup>31</sup> One (1) of which was later withdrawn under Call 12 on grounds of state aid.

<sup>32</sup> When compared to AIR 2011, the number of projects increased by 6 (ERDF 246, ERDF 249, ERDF 261, ERDF 262, ERDF 268, ERDF 285) and the total amount of eligible costs increased by €18,084,109.

<sup>33</sup> Projects approved in 2012 are ERDF 246 and ERDF 249, approved under Call 10 (PA 2), ERDF 261 and ERDF 262, approved under Call 12 (PA 4) and ERDF 268 and ERDF 285, approved under Call 13 (PA 4). These projects have a public eligible value of €18,441,035.

<sup>34</sup> When compared to AIR 2011, the number of projects increased by 2 (ERDF 275 and ERDF 283, both under PA 4).

By way of summary, as at end of the year, the total commitment for Gozo (including Aid Schemes but excluding JEREMIE) was €73,269,651 equivalent to 9.7% of the total committed public eligible under OPI.<sup>35</sup> Table , Table and Table indicate the projects that are contributing to the Gozo commitment.<sup>36</sup>

**Table Projects Being Fully Implemented in Gozo as at End 2012**

<b>Project</b>	<b>Title</b>	<b>Public Eligible Amount</b>
ERDF 022	Wied il-Mielah	€566,789
ERDF 024	Villa Rundle	€1,951,562
ERDF 031	Upgrading of Zewwieqa Waterfront	€3,947,841
ERDF 047	Reconstruction of part of Xlendi Road and Ta' Pinu Road	€5,394,931
ERDF 068	Upgrading of Operating Theatre and Setting Up of Radiology Unit	€3,561,267
ERDF 078	Upgrading of Giordan Lighthouse Global Atmospheric Watch (GAW) Research Station	€444,824
ERDF 140	Discovering Cultural & Religious Tourism in Gozo	€344,092
ERDF 142	The Making of a People - A cultural and Historical Eco-Museum	€910,400
ERDF 147	Restoration of San Lawrenz Church to enhance cultural tourism in Gozo	€331,685
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)	€67,894
ERDF 193	Gozo Diocese Contribution to turn Gozo into an Eco-Island	€172,949
ERDF 236	Photovoltaic Panel System at Ghajnsielem Band Club	€56,162
ERDF 238	PV system for the Leone Band Club	€101,779
ERDF 239	Installation of Photovoltaic System on Oratory Don Bosco	€40,778
ERDF 246	Implementation of the Cittadella Masterplan Recommendations – Gozo	€11,960,000
ERDF 249	Setting of an Integral Archaeological and Historical Trail in Victoria	€1,305,000
ERDF 261	Renewable Energy Facilities in Educational and Vocational Institutions in Gozo	€2,259,903
ERDF 262	Carbon Footprint Reduction at the Gozo General Hospital	€2,815,002
ERDF 268	Green Football in Xaghra	€26,821

<sup>35</sup> €754,944,479.

<sup>36</sup> Lists of Beneficiaries are available on <http://ppcd.gov.mt/home?l=1>

ERDF 285	Gozo Diocese's Continued Contribution to Eco-Gozo Concept	€74,309
CF 123	Gozo Waste Treatment & Transfer Facility	€8,100,000
<b>Total</b>		<b>€44,695,443</b>

Table Projects with Components Targeting Gozo as at End 2012

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	€2,249,197
ERDF 159	EXS4ALL	€436,240
ERDF 228	Green Energy Schools	€34,765
ERDF 275	Taking Action! Installing RES	€19,626
ERDF 283	Taking it Another Step	€4,671
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>€24,195,294</b>

Table Gozitan Enterprises Benefiting from Aid Schemes as at End 2012

Grant Scheme	No. of Gozo Enterprises	Total Grant Value
ERDF 127: Small Start-Up	2	€28,136
ERDF 128A: Innovation Actions	11	€822,359
ERDF 128B: Environment Actions	4	€419,990
ERDF 133: Energy	24	€1,345,275

ERDF 134: International Competitiveness	3	€199,966
ERDF 135: Sustainable Tourism Projects by Enterprises	19	€1,563,188
<b>Total</b>	<b>63</b>	<b>€4,378,914</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 2012. Commitments (by the IBs) stood at €41.5 million, resulting in 639<sup>37</sup> operations implemented by private enterprises. The work of the three (3) IBs<sup>38</sup> focused primarily on evaluation of applications,<sup>39</sup> preparing Grant Agreements, undertaking management verification checks as well as processing payments. In 2012 alone, 111 Grant Agreements were concluded with Beneficiaries by the IBs, having a grant value of around €8.3 million.<sup>40</sup> Below is a summary of the main activities undertaken by each IB.

By the end of 2012, Malta Enterprise (ME), (the IB managing the largest number of schemes and volume of funds) had issued 518 Grant Agreements (under all schemes) with a total grant value of €33,174,281<sup>41</sup>. During 2012, ME issued and evaluated the fourth call for ERDF 127, 128A, 128B and 134, and the third call for ERDF 130. Following the aforementioned calls, together with the pending GAs under the energy scheme from 2011, sixty-eight (68)<sup>42</sup> new Grant Agreements were issued in 2012. In 2012 alone, the total number of concluded operations stood at eighty-seven (87) bringing the total number of completed operations to 207. Also in 2012, €4,237,623 worth of claims was paid, bringing the total amount disbursed by the end of 2012 to €12,309,837.53. While this is a substantial increase on the €8.1 million paid by the end of 2011 (up by 52%), it also means an overall slowdown in payments on a year on year basis; down by 17%<sup>43</sup>. Claims submitted by Beneficiaries also gave rise to 114 on-the-spot (OTS) checks during 2012. This helped ME to recommend nearly €2.7 worth of claims for certification to the European Commission (CION) bringing the total amount of funds certified to €8,676,088. By the end of the year, the issuing of a new call under the Energy scheme was being discussed and potentially planned for 2013.

In March 2012, the Tourism and Sustainable Development Unit (TSDU) concluded the evaluation of the 109 applications received under Call 3. Thirty-three (33) Grant Agreements were signed totalling €2,979,130.

<sup>37</sup> Seventeen (17) under DSWS scheme, 104 under TSDU scheme and 518 under ME schemes. This excludes projects which were withdrawn or cancelled and it is to be noted that the amount of Grant Agreements is constantly changing.

<sup>38</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>39</sup> TSDU and TSDU did not issue calls during 2012.

<sup>40</sup> Ten (10) under DSWS scheme, thirty three (33) under TSDU scheme, and sixty eight (68) under ME schemes. Note that the amount of Grant Agreements is constantly changing due to project withdrawals.

<sup>41</sup> Excluding withdrawn, rejected or revoked GAs.

<sup>42</sup> Eight (8) new GAs under ERDF 127, twenty-eight (28) under ERDF 128a, seven (7) under ERDF 128b, six (6) under ERDF 130, three (3) under ERDF 133 and sixteen (16) new GAs under ERDF 134. Further Grant Agreements are envisaged to be signed in 2013.

<sup>43</sup> €5,096,344 disbursed by ME in 2011 alone.

As at end 2012, a total of 104 operations were approved<sup>44</sup> under the scheme for a value of €7,914,343 (public eligible), which is 89% of the €8.9 million allocated for this scheme. In total, seventy-two (72) Beneficiaries had completed their projects by the end of the year. In 2012, a total of €2,880,496 was paid which is a substantial increase of over 40% when compared to what was paid in 2011. This brings the total amount disbursed by the end of 2012 to €5,467,557 which amounts to 61% of the budget earmarked for this scheme. The total amount certified in 2012 alone amounted to €1,051,592 bringing the total of certified expenditure to €1,989,794. The IB also managed to undertake fifty-four (54) on-the-spot checks on Beneficiaries during 2012. A fourth call for applications is planned for the first quarter of 2013, which should exhaust all funds allocated towards this scheme.

A further ten (10) Grant Agreements were issued by Department for Social Welfare Standards (DSWS) in 2012 following the closure of call 3 (launched in 2011). The value of these newly approved operations is €216,987 (public eligible), bringing the total commitment allocation of the Aid Scheme to €434,314, represented by seventeen (17) Grant Agreements<sup>45</sup>. Since no more calls were being envisaged, the balance from the original €590,000 allocation was returned to the programme as savings. Five (5) Beneficiaries<sup>46</sup> have also managed to complete their project by the end of the year. The IB undertook twenty-four (24) on-the-spot checks (both physical and documentary) during the year under review which gave rise to the disbursement (in 2012) of €141,791 (public eligible), bringing the total amount disbursed under the scheme to €179,454, equivalent to 41% of the revised scheme allocation; i.e. €434,314. Of the disbursed amounts, €149,706 or 83% have been certified to the CION by December 2012.

The implementation of the Aid Schemes by the IBs continued to be 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 pay and verify claims made by the Beneficiaries (which at times are poorly presented and fragmented) is extremely time-consuming. IBs tend to run into difficulties particularly when it comes to obtaining the correct documentation to process claims, often stalling the payment and verification processes for months. Beneficiaries in Malta are largely small or even micro enterprises and hence have limited administrative 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 that had to continue to be impacted by the effects of the crisis in the last months. In some cases, delays in obtaining the relevant planning permits (particularly in case of ERDF 136, the child care scheme) also delayed implementation. Many Beneficiaries also found it hard to understand that even though their operation dynamics differ from those of public organisations, considering that they are making use of public funds, they need to follow the spirit of the public procurement regulations in their procurement of works, services and supplies co-financed through

---

<sup>44</sup> Twenty-five (25) Grant Agreements under Call 1, forty-six (46) Grant Agreements under Call 2 and thirty-three (33) Grant Agreements under Call 3.

<sup>45</sup> The Grant Agreements for the October 2011 call were issued on 31<sup>st</sup> January 2012.

<sup>46</sup> Six (6) operations completed.

these schemes. Such failure has often complicated the payment, the verification and eventual certification of the claims submitted.

Such complications often hinder the payment process and as a result, the pace of disbursement of funds across the schemes, in particular those implemented by Malta Enterprise. This continued to be compounded by capacity issues and staff turnover. 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 continues 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 (transformed in a formal structure in 2010) proved to be a step in the right direction, enabling IBs from European Social Fund (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 across all Aid Schemes being implemented under Cohesion Policy (CP).

- **IB Network**

In 2012, two (2) meetings were held, in April and in October. During the first IB Network meeting, the MA provided recommendations which were gathered from the general findings arising from audits and on-the-spot checks. In the October IB Network meeting, the focus was on establishing a working note which would provide further guidance on how to tackle issues arising from procurement of works, services and supplies by Private Bodies. Other issues addressed during these meetings include the exchange of information between IBs, claims pending verification, disbursement and verification targets for 2013 and the introduction of a common data collection template.

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

2012 was characterised by JASPERS actions aimed at finalising work on Major Projects that need to be submitted to the Commission under this programming period. Furthermore, following a decision taken in 2011, JASPERS continued to assist Malta by means of interventions, mostly preparatory in their nature, targeted at earmarking possible projects to be included in the next programming period, 2014-2020. In 2012, Malta was once more one of the first Member States to sign the sixth Action Plan for 2012 with the European Investment Bank (EIB) following a confirmation of the actions that would require assistance from JASPERS. The projects identified for assistance in the 2012 Action Plan were:

2007-2013 Programming period:

- Solid Waste (Mechanical and Biological Treatment (MBT) plant);
- Flood relief;

- Trans European Network (TEN-T) road and maritime infrastructure and promotion of modal shift; and
- Traffic Management Systems.

2014-2020 Programming period:

- Energy: security of supply and the possibility of a Deep Sea Offshore Prototype;
- Adaptation to Climate Change; the development of a the Water Re-Use Strategy;
- Transport: TEN-T, the development of a National Transport Masterplan and a road link between Malta and Gozo; 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 2012, four (4) missions (and a number of teleconferences) took place, mobilising a total of nine (9) different experts in the fields of transport, telecommunications and environment. The JASPERS missions took place at different times of the year with the first taking place in March and the last mission held in November, both in relation to Transport. The main objective of the missions was to provide specialised assistance to the Beneficiaries as well as updating the MA on the progress of the various ongoing assignments. In 2012, the MA also attended the JASPERS Stakeholders Meeting in Croatia held in June intended to provide the 12 Central and Eastern European Member States (and Croatia) the opportunity to discuss issues of mutual interest and to provide feedback to JASPERS. At the meeting, structured around six (6) panel sessions, the Commission outlined the remaining challenges for the existing programming period (2007-2013) and the latest developments in relation to the new Regulations.

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

In 2012, the task to build up a portfolio of €51.04 million in eligible loans, continued. By December 2012, 482 facilities were granted (involving 434 SMEs) for a total investment of €66.87 million (including customer contribution) and up from €25.5million from last year, representing €40.32 million of the JEREMIE portfolio (or 79%). By December 2012 the total disbursements amounted to €27.08 million (up from €7.78 million last year). Out of the 482 loans sanctioned in 2012, 334 loans were related to micro-enterprises (representing a portfolio commitment of €21.41 million), eighty-seven (87) loans were related to small enterprises (representing a commitment of €15.17 million of the sanctioned facilities) with the remaining €3.7 million granted to the remaining thirteen (13) medium-sized enterprises.

The 482 facilities represented a good spread in terms of sectorial allocation. The major share was from the traditional wholesale and retail sector (29%), accommodation and food service activities represented 20% while manufacturing industries represented 12% of the sanctioned facilities. The other sectors represented



fairly equal shares and concentrated around: professional, scientific and technical; transportation and storage; human health and social work activities; information and communication; arts, entertainment and recreation; administrative and support services; amongst others.

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 Financial Intermediary (FI). The following are amongst some of the activities carried out by Bank of Valletta (BoV):

- Thirty-six (36) Information Sessions with 2,821 participants;
- 6,000 brochures published;
- Over 830 one-to-one meetings held;
- Handled over 2,200 phone enquiries;
- Six (6) billboards around Malta and Gozo;
- Eleven (11) TV adverts;
- SMS campaign reaching 2,400 people;
- Ten (10) printed articles;
- 260 branch and business centre visits;
- Thirteen (13) press releases;
- All year round advertising on TV, radio and internet.

- **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 Member States. In this respect, a meeting was held in December 2012, between the MA and a representative of the EIB, on the possibility of including a JESSICA-type financial instrument in the forthcoming EU programming period. One of the points discussed during the meeting was the option presented by the EIB representative to analyse the market potential of such an instrument through a JESSICA evaluation study for the 2014-2020 period. At the end of the year, internal discussions were ongoing within the MA and within the responsible ministries as to whether such an option should be resorted to.

- **Changes to the OP**

As reported in the Annual Implementation Report (AIR) for 2011, 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) following substantial savings registered following the contracting of the Trans-European transport network Transport (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 Malta Environment and Planning Authority (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. Following the MC’s approval (MC was held on the 17<sup>th</sup> of November, 2011), the MA finalised the Strategic Environment Assessment (SEA) screening and on 13<sup>th</sup> March 2012, the revised OP was submitted to the Commission for approval via the Structural Funds Common Database (SFC).<sup>47</sup> The OP was deemed admissible on 28<sup>th</sup> March 2012 and formally approved on 24<sup>th</sup> May 2012. Any mention to the OP changes in this report shall be in reference to this approval. The approved version of the revised OP can be found on the Planning and Priorities Coordination Division (PPCD) website (<http://ppcd.gov.mt>).

- **Impact and Core Indicators**

Table gives an overview on the achievements carried out on Impact and Core Indicators in 2012 under OPI. An increase continued to be recorded on impact Indicators Imp01,<sup>48</sup> Imp04<sup>49</sup> and Imp08<sup>50</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 (which are now complete). Out of thirteen (13) projects and one (1) scheme<sup>51</sup> contributing to this impact indicator, eleven (11) projects<sup>52</sup> were concluded by 2012, hence the % increase in RTDi expenditure as percentage of GDP increased by 0.07% from 2011 to a total achievement of 0.55% by 2012. In 2012 Imp04 continued to increase with the addition of seventy-seven (77) FTE (jobs) created bringing the total number of direct jobs created by operations financed through the OP to 186 FTE jobs by end of 2012 (out of the 1400 FTE jobs targeted in the OP). The gap between the target and the achievement is expected to narrow down when more projects are completed and achievement is reported. In fact, having to add the targets of the individual projects approved so far, the achievement will reach 889.<sup>53</sup> A substantial achievement can be noticed in Imp08 with an increase of 7,880 tonnes of carbon dioxide (CO<sub>2</sub>) reduced from being emitted in the atmosphere. The major contributor towards this indicator is ERDF 088 that gave the opportunity to 4,657 households to install photovoltaic (PV) systems and therefore generating electricity from a clean and renewable source of energy. It is worth noting that though being a qualitative impact indicator, Imp08 is being quantified by multiplying the kilo-Watt hour (kWh) of energy generated and/or saved by the grams of CO<sub>2</sub> emitted in the atmosphere for each kWh generated from Malta’s two (2) power stations still using traditional fossil fuel. Such a system ensured that initiatives undertaken by operations undertaken through the OP can be easily compared. Another impact indicator that started recording achievement in 2012 was the Environment attractiveness weighted average indicator. This indicator is made up of 4 areas, namely energy generated through alternative resources; waste water

<sup>47</sup> An extensive synopsis of the changes to the OP was included in the AIR for 2011.

<sup>48</sup> % Increase in RTDi expenditure as a percentage of GDP.

<sup>49</sup> Number of direct jobs created.

<sup>50</sup> CO<sub>2</sub> equivalent emissions.

<sup>51</sup> Seven (7) operations under ERDF 130.

<sup>52</sup> ERDF 011; ERDF 012; ERDF 018; ERDF 076 ERDF 077; ERDF 078; ERDF 079; ERDF 081; ERDF 082; ERDF 083; ERDF 084.

<sup>53</sup> This will go up to 933 if including the target of CF 119.

treated; waste treated and the amount of people being protected from storm water.<sup>54</sup> Achievement is being registered following the completion of the Major Project CF 116. This project is contributing towards a 154% increase from the baseline.

Following discussions with the Commission, four (4) new core indicators were introduced in 2012 (approved as part of the OP change in May 2012). These are *No of RES Projects (A4O08)*; *Reduction Greenhouse Emissions (A4O07)*; *Number of Waste Projects (A5O05)* and *Areas Rehabilitated (A5O04)*.

Achievement is being reported under the Core indicator *Km of TEN -T roads upgraded (A3O01)* with 9.31 Km upgraded in 2012. The sole contributor to this indicator was CF 117 - Improvement of the TEN-T Road Infrastructure (PHASE I). Core indicator A2O01,<sup>55</sup> has also registered an increase with a further four (4) projects selected for co-financing in 2012 and in fact, the number of assisted tourism and cultural projects has reached twenty-one (21), one of which withdrew during the course of 2012 bringing the number of tourism and cultural projects to twenty (20).<sup>56</sup> Achievement continued to be reported also for the Core indicators A1R03<sup>57</sup> and A6R05.<sup>58</sup> All the other core indicators remained steady as 2011 figures.

**Table Physical Progress of the OP for Each Quantified Impact and Core Indicator**

Impact Indicators								
Indicators		2007	2008	2009	2010	2011	2012	Total
% Increase in RTDi expenditure as a percentage of GDP [Imp01]	Achievement	0	0	0	0.2746	0.48	<b>0.55</b>	<b>0.55</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	0.45 <sup>59</sup>
	Baseline	n/a	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>60</sup>	<b>0</b>	<b>0</b>
	Target	n/a	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	n/a
% Increase of manufactured export earnings [Imp03]	Achievement	0	0	0	0	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	0.5 % <sup>61</sup>
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a	2.7%
Number of direct jobs created(FTEs) [Imp04]	Achievement	0	0	16	36	109	<b>186</b>	<b>186</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	1,400 FTEs

<sup>54</sup> This impact indicator is worked out on four (4) different areas, however, the calculations for the achievement of the target is worked out on three (3) areas (i.e. without the energy generated through alternative sources).

<sup>55</sup> No of assisted tourism and cultural projects.

<sup>56</sup> Twenty-one (21) projects approved by the MA (ERDF 022, 024, 031, 032, 033, 039, 140, 142, 145, 147, 151, 155, 205, 212, 213, 221, 226, 244, 245, 246 and 249). ERDF 145 was withdrawn during the course of 2012. Therefore, the tourism projects as at end 2012 stood at twenty (20).

<sup>57</sup> No of start-up businesses supported. ERDF 127 contributed to an achievement under this indicator with first operations completed in 2011.

<sup>58</sup> Pupils/students/trainees benefitting from upgraded and modernised facilities/services (per annum). Project completed under PA 6 contributed to this indicator.

<sup>59</sup> Target including baseline amounts to 0.75%.

<sup>60</sup> An increase of 0.00013% has been achieved by means of ERDF 155.

<sup>61</sup> Target including baseline amounts to 3.2%.

	Baseline	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Transport weighted average [Imp05]	Achievement	0	0	0	0	0	<b>0</b>	<b>0</b>
	Target	n/a	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	n/a
Environment weighted average [Imp06]	Achievement	0	0	0	0	0	<b>0</b>	<b>0</b>
	Target	n/a	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	n/a
Quality of Life Weighted Average [Imp07]	Achievement	0	0	0	0	0	<b>0</b>	<b>0</b>
	Target	n/a	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	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	<b>12,580 tonnes of CO<sub>2</sub> reduction</b>	<b>12,580 tonnes of CO<sub>2</sub> reduction</b>
	Target	n/a	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	n/a

Core Indicators								
Indicators		2007	2008	2009	2010	2011	2012	Total
No of start-up businesses supported (core indicator number 8) [A1R03]	Achievement	0	0	0	0	3	<b>12</b>	<b>12</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	40
	Baseline	n/a	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	13	<b>28<sup>62</sup></b>	<b>28</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a	n/a
No of RTDi projects (core indicator number 4) [A1O04]	Achievement	0	10	11	11	11	<b>11<sup>63</sup></b>	<b>11</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	15
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a	n/a
No of assisted tourism and	Achievement	0	5	11	11	16	<b>20</b>	<b>20</b>

<sup>62</sup> Even though this target has been overachieved, a decrease of five (5) is being reported from 2011. This is due to the fact that the tweaking of the reporting system indicated that there was a double count of 5 which had not been inputted cumulatively.

<sup>63</sup> These eleven (11) approved projects may include sub-infrastructures.

cultural projects (core indicator number 34) [A2O01]	Target	n/a	n/a	n/a	n/a	n/a	n/a	20
	Baseline	n/a	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	<b>9.31</b>	<b>9.31</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	20
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a	n/a
No. RES Projects (core indicator number 23) [A4O08]	Achievement	n/a	3	3	5	14	<b>30<sup>64</sup></b>	<b>30</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	30
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Reduction greenhouse emissions (CO <sub>2</sub> and equivalent, kt) (core indicator number 30) [A4R07]	Achievement	n/a	n/a	n/a	n/a	n/a	<b>0<sup>65</sup></b>	<b>0</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	3
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of Waste Projects (core indicator number 27) [A5O05]	Achievement	n/a	n/a	n/a	n/a	n/a	<b>1<sup>66</sup></b>	<b>1</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a	n/a
No of storm water management (risk prevention) projects (core indicator number 31) [A5O04]	Achievement	0	0	0	1	1	<b>1</b>	<b>1</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Areas Rehabilitated (Km <sup>2</sup> ) (core indicator number 29) [A5R03]	Achievement	n/a	n/a	n/a	n/a	n/a	<b>0.113</b>	<b>0.113</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	0.3
	Baseline	n/a	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	7541	18,752	<b>56,634</b>	<b>56,634</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	56,000
	Baseline	n/a	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	<b>1</b>	<b>1</b>
	Target	n/a	n/a	n/a	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a	n/a
No of projects [health] (core indicator number 38)	Achievement	0	1	1	2	2	<b>2</b>	<b>2</b>

<sup>64</sup> As at end 2012, the MA had approved 30 operations dealing primarily with RES, one of which (ERDF 272) withdrew in early 2013.

<sup>65</sup> This indicator will be targeted and achieved by the projects to be approved through the remaining funds under PA 4.

<sup>66</sup> This indicator was introduced with the approval of the OP change in May 2012. By end 2012, there was one (1) waste project approved: CF 266.

[A6006]	Target	n/a	n/a	n/a	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a	n/a

### Further Guidance on Implementation

- **Eligibility Rules**

No update to the eligibility rules was carried out in 2012. Version 3 (October 2011) is still in effect.

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

An update to the Manual of Procedures 2007-2013 was carried out in 2011 and was published in January 2012. The modifications to the Manual of Procedures 2007-2013, were already discussed in AIR 2011. In principle the modifications were made to represent new developments in National and Community Regulations and to streamline the text with the prevailing procedures being adopted during implementation. Version 4 (January 2012) is still in effect.

- **MA Circulars and Internal Notes**

During the year under review, the MA issued three (3) Circulars and two (2) Internal Notes highlighting various obligations, instructions and recommendations to stakeholders and Beneficiaries.

These Circulars and Internal Notes may be found on the MA's website, on the following link: <http://ppcd.gov.mt/circulars>.

#### **MA Circulars**

MA Circulars 02/2012 and 03/2012, issued on 30<sup>th</sup> January and 4<sup>th</sup> April respectively, are both targeted to Structural Funds and Cohesion Fund 2007-2013 stakeholders who make use of the Structural Funds Database 2007-2013 (SFD 07-13). MA Circular 02/2012, *Compliance with the Government of Malta Password Policy* reminds users of the SFD 07-13 that they are to disciplinary action if there is any unlawful usage of the database. MA Circular 03/2012, *User Rights and Installations* was issued following consultations between the Information Management Unit (IMU) within the OPM and the Malta Information Technology Agency (MITA). It makes reference to the changes in the user rights application, installation process and de-activation of user accounts in order to reduce the administrative burden on all users and facilitate the system whilst maintaining traceability for a full audit trail.

MA Circular 04/2012, *Reporting Requirements arising from Contracts and Services*, was issued on 2<sup>nd</sup> October 2012. This circular, addressed to all Beneficiaries, highlights the fact that costs arising from contracts for services may only be eligible if “backed up by detailed reports on the activities performed by the service provider for the period being claimed.” Failure to obtain reasonable assurances that the costs are eligible for co-financing will result in the MA not being in a position to recommend the expenditure for certification, meaning that the costs involved will have to be paid from the Beneficiary’s own funds. Beneficiaries were also reminded that as a result of such failures, there may be an impact on Malta’s risking to lose out on Cohesion Policy funds as a result of the de-commitment (N+3) rule.

### **Internal Notes**

The MA issued two internal notes both related to the procurement of works, services and supplies. The first internal note, 01/2012 dated 23<sup>rd</sup> January outlined the obligations in the case of *Procurement of Works, Services and Supplies by Private Bodies*. It targeted the ERDF Intermediate Bodies and outlined the difficulties identified by the MA and IBs in the procurement of works, services and supplies under Aid Schemes co-financed by Structural Funds and private funds. On the other hand, Internal Note 02/2012 issued on 16<sup>th</sup> July was related to procurement made by Voluntary Organisations (VOs) including church institutions and Social Partners.

Both internal notes stress that even though Private Bodies and VOs are not governed by National and EU Public Procurement Regulations, EU Treaty Principles and the General Financial Regulation, Member States are still obliged to ensure that public funds are used in line with the Public Procurement principles - best value for money, transparency, sound financial management, non discrimination, equality of treatment, mutual recognition, proportionality, good governance and respect of thresholds. Moreover both internal notes provide a series of recommendations to IBs and VOs to increase transparency and competition in the use of EU funds. Failure to abide by the Public Procurement principles may lead to recovery of funds.

- **Audits performed on the OP**

#### **Audit by the European Commission (DG REGIO and DG EMPL, 11 - 19 June, 2012)**

In June 2012, an audit mission was carried out by the auditors from the Directorate General Regional Policy. The main aim of this mission was to obtain assurance on the functioning of the systems for the programming period 2007-2013 through the review of the work of the Audit Authority (AA). The audit review was carried out in accordance to Article 72(2) of Council Regulation (EC) No 1083/2006 and it consisted of three main areas. These include:

1. Desk review of (i) organizational arrangements of the Audit Authority and other audit bodies and (ii) audit methodology prepared by the Audit Authority and other audit bodies;

2. Audit missions at the level of Audit Authority (assessment of application of the audit methodology, review of working papers of two systems audits<sup>67</sup> and six audit of operations);
3. Audits of six selected operations at the level of Beneficiaries.

Based on the work carried out, the Commission auditors have obtained reasonable assurance that the work carried out by the Audit Authority is compliant with the requirements of Regulation (EC) No 1083/2006, in particular with Article 62, and the results of the Audit Authority's audit work presented in the Annual Control Reports and that the annual opinions can be relied on for building the overall assurance for the Audit Authority Review (Article 73 of Reg. 1083/2006).

### **European Court of Auditors Mission (10 - 14 December, 2012)**

In December 2012, the European Court of Auditors carried out an audit mission. The main objective of the mission was to obtain reasonable assurance that the work carried out by the Audit Authority was compliant with the requirements of Council Regulation (EC) No 1083/2006. The audit work included the following:

1. a review of (i) organizational arrangements of the Audit Authority and (ii) audit methodology prepared by the Audit Authority;
2. a review of the Audit Authority's working documents from two (2) systems audits;
3. a review of the Audit Authority's working documents from twenty (20) audits of operations.

The audit mission was followed by another week in February 2013 in order to carry out a re-performance of five (5) operations<sup>68</sup> at the level of Beneficiaries and a review of the Audit Authority's working documents from preparation of the Annual Control Reports.

- **Strengthening administrative capacity**

#### **Capacity within Horizontal Stakeholders**

During 2012, 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 2012.

In January 2012, the MA welcomed its new Head of OPI, whilst following a number of calls for different levels of personnel (Senior Managers, Projects Managers and EU Fund Officers), which had taken place in

<sup>67</sup> The audit was carried out on the systems of ETC and TSDU.

<sup>68</sup> ERDF 033, ERDF 039, ERDF 104 and two (2) operations under the scheme ERDF 133.



the previous year, in 2012 there were a number of changes within the OPI unit which resulted in a net increase of four (4) Full Time Employees (FTE).<sup>69</sup>

Changes occurred also within the Horizontal Units. The Financial Control Unit within the MA experienced an increase in capacity of one (1) FTE,<sup>70</sup> the Treasury Department had an increase of two (2) FTEs in their department; whilst the Certifying Authority had a reduction of one (1) FTE Programme Manager.

With reference to the ERDF IBs, during 2012, all IBs experienced the replacement of at least one (1) of their officers (in the case of TSDU this was with effect in year 2013).

In the meantime, some internal re-allocations were made to meet the existing demand in capacity at the MA. By the end of year 2012, other calls within the MA were issued for the positions of EU Funds Officers, ICT Support Officer, and a Systems Administrator.

### Capacity Building/Training

During the year under review, the MA continued to organise a number of training activities with the scope of strengthening the administrative capacity within key horizontal stakeholder organisations. These included:

In-house training session on **Claiming of Flat Rate on Indirect Costs**, held on the 11<sup>th</sup> January 2012 with a total of sixteen (16) participants, out of whom four (4) participants worked on OPI and ten (10) on OPI/OPII (the rest were representing OPII).<sup>71</sup>

Another **SFD Train-the-Trainer** training was organised by the MA between January and December 2012. A total of seventy-one (71) participants attended over eight (8) sessions, thirty-seven (37) worked on OPI and seven (7) on OPI/OPII (the rest were representing OPII).

A new training course/workshop for the Voluntary Organisation titled **The Managing Authority's Observation from its Administrative Verifications on Voluntary Organisations (VO)** was held on 27<sup>th</sup> March 2012 targeting different VOs. This workshop addressed common findings from administrative verifications (desk-based and on-the-spot checks) carried out by the MA on these organisations, with the aim of mitigating problems and promoting elements of good practice. This workshop was equally applicable to existing and newly appointed persons on the projects. Thirty-six (36) participants attended in all out of whom twenty-two (22) worked on OPI and one (1) on both OPI/OPII (the rest were representing OPII).

<sup>69</sup> Reduction in capacity of four (-4) Projects Managers and an increase in capacity of eight (8) EU Funds Officers, resulting in a net increase of four (4).

<sup>70</sup> Reduction in capacity of two (2) Projects Managers, an increase in capacity of two (2) EU funds Offers and an additional increase of one (1) Senior Manager joining the Unit.

<sup>71</sup> Where reference is made to OPI/OPII, this means that the officers concerned come from the horizontal units and are therefore common to both OPs.

Training was also provided to new Beneficiaries in 2012 with the organisation of an **Induction Training for New Beneficiaries** spread over five (5) days and held between the 19<sup>th</sup> November and the 28<sup>th</sup> November 2012, and were attended by thirty-three (33) OPI Beneficiaries and two (2) OPI/OPII Beneficiaries. The training covered the following areas:

- General overview of Cohesion Policy;
- Introduction to Administrative Procedures: Who's who in Cohesion Policy in Malta;
- Introduction to Project Management (including 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).

**Training for New Recruits** was held in April, May and September 2012. These training sessions were held for the staff of the MA and also for the new recruits working within the Line Ministries and stakeholders. Eighty-four (84) participants attended these sessions, out of whom twenty-six (26) work on OPI and twenty-five (25) on both OPI/OPII.

A full-day practical training session on **1<sup>st</sup> Level of Control & Audits** was also held on 9<sup>th</sup> October 2012 for all the staff at the MA. This training included case studies on audit findings and an evaluation of the Programmes and the lessons learnt from management verifications. It also included an evaluation of the most common findings from Internal Audit and Investigation Department (IAID) audits. A total of sixty-one (61) participants attended this training, out of whom twenty (21) worked specifically on OPI and twelve (12) on both OPI and OPII.

The MA together with its technical experts, London Economics, delivered three (3) workshops on **Cost Benefit Analysis (CBA) of Structural and Cohesion Funds Projects** throughout the year and a total of 105 participants (including repeat participants) from the MA participated over the three (3) workshops.<sup>72</sup> These workshops were delivered on the following dates:

- 25<sup>th</sup> and 26<sup>th</sup> June 2012 (MA) (twenty-six (26) participants);
- 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> July 2012 (London Economics) (twenty-eight (28) participants);
- 28<sup>th</sup> September 2012 (London Economics) (fifty-one (51) participants).<sup>73</sup>

<sup>72</sup> All Officers worked on OPI related operations.

<sup>73</sup> This includes participants from the Line Ministries and Beneficiaries' consultants attending the presentation on the Guidance Notes on Cost-Benefit Analysis (CBA).

Apart from the internal training organised by the training unit, throughout the year under review, members of OPI also attended a number of courses organised mainly by the CDRT. Fifteen (15) OPI officers took part in these courses. In the majority of the cases, these courses involved energy-related topics, management, procurement and e-procurement.

A number of officers (four (4) participants who both worked on OPI/OPII) from various stakeholders also attended **training sessions abroad**, namely:

- European Public Procurement Rules, Policy and Practice; 28<sup>th</sup> February – 2<sup>nd</sup> March 2012 at Maastricht;
- Implementing the Structural Funds Regulations in 2007-2013 and 2014-2020; 7<sup>th</sup>–8<sup>th</sup> March 2012 at Maastricht;
- State Aid in the EU: Latest Development on Policy and Practice and Introductory Workshop; 12<sup>th</sup>–14<sup>th</sup> March 2012 at Maastricht;
- Performance Audit in the Public Sector Planning, Preparing and Carrying out Value for Money Audits; 28<sup>th</sup> and 27<sup>th</sup> November 2012 at Berlin.

All of the above numbers of participants include repeat trainees.

## 02.1.2 Financial Information

### Advance Payments

No further advance payments were due to Malta in 2012. 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 2012. The MA launched the Statement of Expenditure (SoE) process on four (4) separate occasions in 2012: March (ERDF & CF), July (ERDF & CF), October (ERDF & CF) and November (ERDF & CF). The total of interim payments received in 2012 amounted to €49,445,259 under ERDF and €24,929,372 under CF. Table 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 2012.

**Table Summary of Verified, Certified and Received Amounts**

Summary: Verified, Certified and Received	Verified by MA in 2012	Certified by CA in 2012	Received from CION in 2012
	<i>(public share, €)</i>	<i>(public share, €)</i>	<i>(EU share, €)</i>
ERDF November 2011	N/A	N/A	17,722,118
ERDF March 2012	14,629,919	14,629,919	12,435,431
ERDF July 2012	22,691,424	22,691,424	19,287,710
ERDF October 2012	9,868,753	9,868,753	N/A <sup>74</sup>
ERDF November 2012	4,344,142 <sup>75</sup>	148,376	N/A <sup>76</sup>
<b>ERDF Total</b>	<b>51,534,238</b>	<b>47,338,472</b>	<b>49,445,259</b>
CF November 2011	N/A	N/A	4,774,106
CF March 2012	10,888,158	10,783,156	9,165,683
CF July 2012	12,928,921	12,928,921	10,989,583
CF October 2012	5,587,796	5,587,796	N/A <sup>77</sup>
<b>CF Total</b>	<b>29,404,875</b>	<b>29,299,873</b>	<b>24,929,372</b>
<b>Grand TOTAL</b>	<b>80,939,113</b>	<b>76,638,345</b>	<b>74,374,631</b>

<sup>74</sup> The amount was received on the 6<sup>th</sup> February 2013.

<sup>75</sup> An additional €4,150,501 was verified by the MA in January 2013. In total €8,494,643 were verified by the MA for the ERDF SoE raised in November 2012.

<sup>76</sup> Amount still to be received.

<sup>77</sup> The amount was received on the 7<sup>th</sup> February 2013.

**Table Financial Information**

	Total funding of Operational Programme (Union and national)	Basis for calculating Union contribution (Public or Total cost)	Total amount of certified eligible expenditure paid by Beneficiaries <sup>78</sup>	Corresponding public contribution (CERTIFIED Only) <sup>79</sup>	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	P	48,134,119	48,134,119	40%
Priority Axis 2 <i>Promoting sustainable tourism (ERDF)</i>	120,000,000	P	34,130,838	34,130,838	28%
Priority Axis 3 <i>Developing the TEN-T (CF)</i>	145,000,000	P	36,495,169	36,495,169	25%
Priority Axis 4 <i>Climate Change and Resource Efficiency (ERDF)</i>	121,000,000	P	15,451,619	15,451,619	13%
Priority axis 5 <i>Safeguarding the environment and Risk Prevention (CF)</i>	189,288,259	P	68,580,431	68,580,431	36%
Priority Axis 6 <i>Urban regeneration and improving the quality of life (ERDF)</i>	149,000,000	P	54,951,306	54,951,306	37%
Priority Axis 7 <i>Technical assistance (ERDF)</i>	12,327,096	P	2,707,323	2,707,323	22%
<b>Grand total</b>	<b>856,615,355</b>	<b>P</b>	<b>260,450,806</b>	<b>260,450,806</b>	<b>30%</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. The management verifications are conducted through administrative verifications (both documentary verifications on the Beneficiary's files and desk-based checks on the Structural Funds Database (2007-2013) on all payment claims, complimented by physical on-the-spot checks as necessary. All checks are

<sup>78</sup> Includes Public only, certified by CA Art. 53(1) - EC1083/2006.

<sup>79</sup> Cumulative certified public.

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 2012, OPI conducted 109<sup>80</sup> documentary checks in preparation for the four (4) SoE (excluding desk-based administrative checks on all 1,947 invoices presented for the SoE). The MA conducted sixteen (16) 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.

### **Annual Control Report**

The 2012 Annual Control Report (ACR) for both Programmes (OPI and OPII), is based on systems audits and audits on operations that had expenditure declared to the Commission in 2011. The ACR, was submitted by IAID (the sole audit authority responsible to carry out the audits) on 28<sup>th</sup> December 2012 via SFC, in terms of Article 62 (1) (d) (i) of Council Regulation EC/1083/2006 and Article 18 (2) of Commission Regulation EC/1828/2006.

During the year under review, three (3) systems audits were carried out. These include the Certifying Authority, the Employment and Training Corporation (IB) and the Tourism and Sustainable Development Unit (IB). In addition forty-four (44) claims were randomly selected from OP I from a total of 267 claims certified in 2011. These claims were related to thirty-two (32) operations. The operations selected statistically for auditing covered different types of operations, different types of Beneficiaries, including beneficiaries of aid schemes. In the second half of the year, a Contradictory Procedure was also implemented, whereby draft audit reports were forwarded to the Managing Authority with a request for a written reply within a given time-limit. The Managing Authority, in consultation with the Beneficiary, provided the Audit Authority with the required clarifications to the noted findings. The Audit on Operations Report then followed.

The Annual Control Report includes also ineligible amounts detected by the Audit Authority. Ineligible amounts detected under OPI amount to €135,598.10 out of €49,793,931 of audited expenditure. Having said that, the Annual Control Report confirms that the irregularities detected were not of a systemic character and thus no additional financial corrections were necessary. It concludes with an unqualified audit opinion in terms of Article 62 (1) (d) (ii) of EC/1083/2006 which confirms that the management and control systems of the Operational Programmes function well and provides a high level of assurance as derived from the systems audits and audits on operations.<sup>81</sup>

---

<sup>80</sup> These figures take into account the checks that started in 2012 and exclude the ones that were concluded in 2012 after having commenced in previous years.

<sup>81</sup> The Annual Control Report was accepted and deemed to meet the requirements set out in Article 62 (1) (d) of EC/1083/2006 through CION letter dated 8<sup>th</sup> February 2013.

### 02.1.3 Information About the Breakdown of Use of the Funds

Chapter 3 of the OP provides a breakdown of the categories by code of intervention (Table ). With the May 2012 OP Changes, these categories were revised to be better synchronised with activities of the Programme.

In total, by 2012, the total amounts committed amounted to €641,702,807<sup>82</sup> an increase of €127.4 million (or 25%) from 2011 figures. The commitments per priority theme, economic activity and location are provided in Annex III.

When comparing the categories listed in the AIR for 2011 and the same data as at end 2012, an overall increase was recorded, however a decrease in a number of priority themes could be noted. The main reasons for the decrease can be grouped in three (3) categories:

- (i) Some of the approved projects which are now completed had some savings releasing funds that were previously committed to priority themes 02<sup>83</sup> (ERDF 011, 018, 081, 082) and 46<sup>84</sup> (CF 116);
- (ii) Actual contracted amounts were less than originally forecasted. This had an impact on priority themes 13<sup>85</sup> (ERDF 109 and ERDF 114); code 22<sup>86</sup> (ERDF 047), code 54<sup>87</sup> (ERDF 156), code 76<sup>88</sup> (ERDF 196) and code 77<sup>89</sup> (ERDF 136);
- (iii) Financial corrections resulting in an automatic reduction to the project allocation led to a decrease in code 02 (ERDF 017), code 61<sup>90</sup> (ERDF 104), code 75 (ERDF 054)<sup>91</sup> and 78<sup>92</sup> (ERDF 104);

Out of the total amount committed of €641,702,806, €62,279,202 are being invested in MT002-Gozo and Comino (though no funds were being attributed to Comino), representing more than 9% of the contributions by category.

<sup>82</sup> Including the two (2) Major Projects (CF 119 and CF 125) that were endorsed by the PSC in 2012 and were in the process of being compiled for submission to the CION. The figure shows the EU share.

<sup>83</sup> Code 02 decreased by €255,694.

<sup>84</sup> Code 46 decrease by €1,714,827.

<sup>85</sup> Code 13 decreased by €24,759.

<sup>86</sup> Code 22 decreased by €303,794.

<sup>87</sup> Code 54 decreased by €333,491.

<sup>88</sup> Code 76 decreased by €3,570,000.

<sup>89</sup> Code 77 decreased by €36,818.

<sup>90</sup> Code 61 decreased by €246,896.

<sup>91</sup> Code 75 decreased by €13,277.

<sup>92</sup> Code 78 decreased by €37,984.

### 02.1.4 Assistance by Target Group

Not applicable.

### 02.1.5 Assistance Repaid or Re-used

In the year under review, financial corrections amounting to €34,650<sup>93</sup> were made to amounts already certified under ERDF (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). These amounts were deducted from requests for payments made to the Commission during 2012. The following are the adjustments made by Fund Number and Fund Date:

Project Code	Adjustment SOE by Fund Number	Adjustment SOE by Fund Date
ERDF011	28	18/07/2012
ERDF011	28	18/07/2012
ERDF011	28	18/07/2012
ERDF017	31	02/11/2012
ERDF077	28	18/07/2012
ERDF087	36	21/12/2012
ERDF147	28	18/07/2012

The amounts cancelled have been returned to the Programme to be committed in newly approved projects. No financial corrections were made to amounts already certified under CF.

### 02.1.6 Qualitative Analysis

As in previous years, 2012 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 Treasury Department and the Beneficiaries themselves, resulting in further quantifiable progress in the implementation of the Programme.

As at end 2012, a total of 110<sup>94</sup> operations were ongoing under OPI with a total public eligible amount of €754,944,478. This amount totals to 88% of the OP allocation and represents a considerable increase of 24% on 2011 commitments. 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 101 mainstream projects

<sup>93</sup> Related to ERDF 011, 087, 147, 077 and 017.

<sup>94</sup> Including JEREMIE, TA, the three (3) approved Major Projects at a local level CF 119, CF 120 and CF 125, eight (8) approved CF projects, the nine (9) Aid Schemes and the eighty-eight (88) operations under ERDF.



(excluding the nine (9) Aid Schemes), four (4) projects<sup>95</sup> were at the initial stages of implementation, twenty-two (22) projects were still at procurement or contracting stage, twenty-nine (29) operations were in a mid-way to advanced stage of their implementation, thirteen (13) were close to completion and another thirty-three (33) were completed, of which twenty (20) completely closed with the Project Closure Report signed. With regards to Aid Schemes, out of 639 operations being implemented, 285 operations were completed by year end.<sup>96</sup>

The progress in the implementation of projects resulted in further payments being processed and paid by Treasury, with €106,390,838 (public eligible amount) processed during 2012. At the same time, the MA verified over €76,638,345 which were then certified to CION in 2012 by the CA, bringing the total certified amount by end 2012 to €260,450,806 representing 30% of the total OPI allocation. This clearly shows that despite the usual problems that continue to persist, the system still managed to gain results on the ground.

In terms of performance, results continued to be achieved in steady terms. Indicators under all PAs are being reached, and in some cases, even overachieved. An analysis of the achievements per Priority Axis will be provided in Chapter 3, while a general overview of the Impact and Core Indicators was given in Table .

### **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 towards making an effort towards earmarking categories of intervention. With the May 2012 OP changes, Malta increased its efforts towards the earmarking process even more and the Community allocations from OPI to the earmarking categories now adds up to €337,489,889 million which is roughly equivalent to just over 40% of the NSRF's Community funds.<sup>97</sup>

The contribution by the approved operations (including the Aid Schemes) to earmarking by December 2012 amounted to €263,769,301 (78% of the Programme's earmarking target mentioned above). The balance in commitment is going to be addressed once projects under Axis 1 (related to the RTD codes) and Axis 4 (related to the energy codes) are approved and funds committed thereto. Throughout 2012, the MA continued to monitor the earmarking process. As at end 2012 only two (2) 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'.

To further link the approved projects with the Lisbon objectives, all projects are expected to contribute to both the Community Strategic Guidelines (CSGs) and National Reform Programme (NRP) Strategic

<sup>95</sup> One (1) of which withdrew in early 2013 (ERDF 272) due to lack of resources.

<sup>96</sup> TSDU: seventy-two (72) operations, ME: 207 operations, DSWS: six (6) operations.

<sup>97</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).

Themes. Sixteen (16)<sup>98</sup> projects approved for co-financing under PA 4 mainly targeted the CSG: *Address Europe's intensive use of traditional energy sources* and the NRP theme of: *Energy and Climate Change*. Project CF 266 approved under PA 5 in 2012, addressed the Strategic Guideline: *Improve the environmental contribution to growth and jobs* and the NRP theme of *Energy* while CF 260 also approved in 2012 under PA 3 addressed the Strategic Guideline: *Expand and Improve Transport Infrastructures* and the NRP theme of *Employment*. In 2012, four (4) new tourism projects were also approved under Axis 2 and they all contributed to the Strategic Guideline: *Improve the environmental contribution to growth and jobs*. One (1) of the projects is also addressing the Guideline: *Address Europe's intensive use of traditional energy sources* due to its investment in PV panels. The same PA 2 projects are also contributing to the NRP strategic thrust of *Unlocking Business Potential*.

## 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>99</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 processes/technologies, 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, the Guidance Notes published with the Call for Proposals in 2012 also included the contact details of the contact person within the Tourism and Sustainable Development Unit<sup>100</sup> for guidance on how the proposal could integrate sustainable development issues throughout the project's aims and operation.

A comprehensive analysis of all projects selected for implementation in 2012,<sup>101</sup> shows that the newly approved projects<sup>102</sup> under Priority Axis 2 will focus their actions on having energy efficient technology (LED lighting and moving sensors) within the actions that will be co-financed. In addition some of the projects have also included measures to clean, restore and maintain of a number of reservoirs for water

<sup>98</sup> ERDF 261, ERDF 262, ERDF 268, ERDF 271, ERDF 272, ERDF274, ERDF 275, ERDF 276, ERDF 277, ERDF 278, ERDF 279, ERDF 280, ERDF 281, ERDF 283, ERDF 284, ERDF 285. ERDF 272 subsequently withdrew in early 2013 while two (2) projects approved in 2012 (ERDF 263 and ERDF 265) withdrew during the same year of approval, i.e. in 2012.

<sup>99</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>100</sup> As at end 2012, this Unit was under the remit of OPM.

<sup>101</sup> Twenty two (22) projects were approved in 2012: four (4) under PA 2, sixteen (16) under PA 4 and two (2) under a non-major call. ERDF 272 was withdrawn on 16th January 2013.

<sup>102</sup> ERDF 244, ERDF 245, ERDF 246 and ERDF 249.

conservation purposes. The sixteen (16) projects funded through Priority Axis 4<sup>103</sup> will specifically focus on the installation of equipment for the generation of energy from Renewable Energy Sources (RES) mainly photovoltaic panels and to a limited extent also Combined Heat and Power (CHP). Some projects will also include energy efficient measures such as solar water heaters, light triggering sensors, and low consumption lighting within the same project. Such measures will be undertaken within a number of convents and church institutions (including parish centres). Such initiatives are intended to reduce these organisations' dependency and use of non-renewable energy sources. The Major Project approved under Priority Axis 6<sup>104</sup> exemplifies sustainable development through a mix of systems within the same operation. The project includes a system of energy recovery from fresh air ventilation, whilst aiming at reducing its carbon footprint through a photovoltaic system and through the collection and treatment of grey waste water, energy efficient lighting and the collection of rain water.

In an effort to improve 'sustainable procurement', Government continues to guarantee environmental awareness at the very early stages of the procurement process.<sup>105</sup> The process involves the review of tender dossiers<sup>106</sup> before they are published. This review highlights opportunities/recommendations to reduce the carbon footprint and the overall environmental performance of OP funded projects taking into consideration the overall project context including the financial context.

## Equal Opportunities

Equal Opportunities are amongst the horizontal objectives within Malta's OP that continue to be encouraged in every project being implemented through Cohesion Policy. During the project selection process, additional marks were being awarded to projects that incorporated active measures (going beyond what is legally required) in the project design and at the various stages of the project implementation. 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 yet this does not imply that less effort is being invested within the spectrum of equal opportunities

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). During the information sessions organised before the launch of a new call, applicants are encouraged, to contact both entities.

Apart from the horizontal application of equal opportunities, OPI is also contributing to equal opportunities in a vertical manner, through various projects co-financed by the ERDF. To give an example:

<sup>103</sup> ERDF 261, ERDF 262, ERDF 268, ERDF 271, ERDF 272, ERDF 274, ERDF 275, ERDF 276, ERDF 277, ERDF 278, ERDF 279, ERDF 280, ERDF 281, ERDF 283, ERDF 284, ERDF 285.

<sup>104</sup> ERDF 196.

<sup>105</sup> The process was set up in 2007.

<sup>106</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.

ERDF 088 (PA4), titled *Promotion of renewable energy sources in the domestic sector* provides a grant of 40% (capped at €560) to persons in need of financial social assistance such as:

- households in receipt of the energy voucher;
- households in receipt of the children's allowance for household's whose income is less than €23,932,<sup>107</sup> and
- households in receipt of supplementary allowance in accordance with the Social Security Act.

This scheme offers better rates than similar nationally-funded schemes in order to encourage the portion of civil society, which would otherwise have never done so, to invest in energy efficient equipment (namely Solar Water Heaters).

ERDF 072 (PA6), titled *Construction and Equipping of an Independent Living Centre*, whose Beneficiary is the NCPD, consisted of the building of an Independent Living Centre whereby persons with a disability requiring special equipment would have the opportunity to try such equipment (to identify the gear which is most suitable for their needs) before effecting the actual purchase at a retail store.

ERDF 114 (PA6), titled *Maltese Text to Speech Synthesis* consisted in the creation of software which converts Maltese text into Maltese speech. This mainly provides assistance to the visually impaired and people with reading and learning difficulties.

ERDF 064 (PA 6), titled *Construction and Equipping of University Computing Services Centre Building* gives the opportunity to all staff working at the University to utilise computing machinery as well as internet access available at the newly constructed IT services building at the University of Malta. The latter not only is fully equipped with the latest technology but is also accessible to persons with a disability through the availability of elevators and ramps. Moreover, the proposed project will give the flexibility to allow employees, in particular parents, to benefit from tele-working opportunities.

ERDF 164 (PA 6), titled *Masterplan: Development of Applied Science and Business and Commerce Institutes*, will promote, once completed, access to education for all, including parents by offering family-friendly measures such as the inclusion of childcare centre facilities within the learning institution itself.

Furthermore ERDF 136 (PA 6), titled *Grant Scheme for Child Care Facilities*, being implemented for enterprises wishing to relocate, upgrade or start-up a business in childcare facilities, is also contributing in encouraging more women<sup>108</sup> to remain or enter the labour market.

Lastly by end 2012, there were a total of twenty-nine (29) projects being implemented by non-governmental and voluntary organisations, namely under PA 4, which benefitted from the availability of ERDF funds. Their contribution to the country's energy targets through the generation of electricity from clean and

<sup>107</sup> "Children's allowance" is defined in Article 2 of the Social Security Act and is distinct from the "fixed children's allowance" that is also separately defined in Article 2 of the same Act. Households in receipt of the fixed children's allowance are not eligible.

<sup>108</sup> Being offered the chance to work on a part-time basis or on reduced hours.

renewable energy sources will in turn allow these organisations to focus on the social dimension of their mandate rather than use most of their funds on utility bills.

## **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 to 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 with calls that can be earmarked for specific types of Beneficiaries (such as Voluntary Organisations and Social Partners).

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. This is particularly true of PA 4 that boasts a variety of non-governmental entities representing numerous social activities.

A Private and Public Partnership (PPP) is also currently in place for the construction of a public aquarium attraction in order to improve the tourism product in Malta. This is the first time that this type of procurement is being used within the local scenario. The Maltese Government has directed a lot of resources to regenerate the tourism sector and the positive results achieved over the last three (3) years are encouraging for further growth within the sector. However, there is a conscious realization for the need to provide a diversified tourism product which provides an enhanced tourism experience for visitors by focusing on a higher quality general tourism product coupled with dedicated investment in specific niche areas. The specific objectives of this public aquarium attraction are to provide a high quality tourism and recreation attraction which provides an enjoyable experience to a wide audience and therefore provide additional scope for tourists to select Malta as a holiday destination.

## 02.2 Compliance with Community law

### 02.2.1 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 by the State Aid Monitoring Board (SAMB) being the competent authority responsible for State Aid in Malta. This Board 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. During 2012, the SAMB gave its State Aid opinion on a number of project proposals to potential Beneficiaries interested in applying for funding following calls issued under ERDF and CF. Indeed, over forty (40)<sup>109</sup> applications submitted under Calls 14, 15, 16 and Non Major Call 4 issued in 2012 were scrutinised by SAMB.

The involvement of the SAMB continues even during the evaluation process on an ad hoc basis. The board has also attended meetings of the Project Selection Committee on a needs basis to discuss State Aid positions with respect to particular projects. The open interface that exists with the MA facilitates the work of the SAMB. Indeed, once a project is approved prior to the finalization of the Grant Agreement, the SAMB is required to re-confirm, on the basis of the actual applications submitted to the MA, that the projects in question do not involve State Aid. In view of this, SAMB has carried out final screening of 22<sup>110</sup> project descriptions following calls by the MA to reconfirm the original State Aid position.

Besides its involvement with calls issued by the MA, the SAMB is also in close collaboration with Intermediate Bodies administering State aid schemes financed through EU funds. 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 regards 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 development 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 organised by the MA as well as a

<sup>109</sup> Nineteen (19) projects under Call 14, seven (7) projects under Call 15, one (1) project under the Non-Major Call and fourteen (14) projects under Call 16. These applications are in addition to the opinions provided on projects whose Grant Agreements (GA) were signed in 2012.

<sup>110</sup> Twenty (20) projects were approved under ERDF and two (2) projects were approved under CF.

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 on whether State Aid could possibly be involved. It is also interesting to note that following the recommendation by the MA, most applicants are submitting to the SAMB more detailed information about their proposed project. This ensures that a formal position regarding state aid is obtained prior to submitting the respective applications.

Apart from this, discussions on State Aid were also carried out at EU level. Indeed, a Guidance Note to the COCOF was issued on the 21<sup>st</sup> November 2012 in relation to *Verification of Compliance with State Aid Rules in Infrastructure Cases*.<sup>111</sup> The purpose of this note is to provide direction on the treatment of infrastructure projects under Cohesion Policy rules and their compliance with State Aid rules.

## 02.2.2 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 expert advice on the matter. The responsibility of the Director of Contracts is to vet and publish tenders, vet tender evaluation reports prior to submission for consideration to the General Contracts Committee (GCC), as well as the drawing up of the actual contract, the signing of the contract on behalf of the Contracting Authority and the vetting of any post-contract modifications to the contract.

A total of forty-one (41) ERDF and Cohesion-funded tenders were published by DoC during 2012 with a total budget of almost €90 million. Apart from this, a total of thirty three (33) contracts were signed during 2012; twenty (20) contracts related to ERDF-funded projects and thirteen (13) contracts related to CF-funded projects. The total estimated budget for these thirty-three (33) contracts was approximately of €135 million, of which around €98 million were contacted.

Similar to the trend established in the previous year, the majority of the contracts signed in 2012 by the DoC were works contracts (slightly over 96% of the contracts signed in 2012). The most significant contracts signed by the Department 2012 were in relation to the following:

- National Flood Relief Project (NFRP): Design and Build of Birkirkara, Gzira, Wied is-Sewda tunnels; with a value of €19,879,440 (exc. VAT);
- The Design, Development and Build of Mater Dei Hospital Oncology Centre; with a value of €30,778,325 (exc. VAT); and
- Works related to the Life Sciences Centre in San Gwann, with a value of €12,708,607 (exc. VAT).

<sup>111</sup> COCOF\_12-0059-01.

These three (3) contracts add up to €63,366,372 (exc. VAT) which is equivalent to 66% of works contracts signed in 2012, and 63% of all contracts signed in 2012.

The rectification process that has been initiated during the previous year has been maintained since it has been noted that the number of bids that might have been disqualified on trivial errors have significantly decreased. However, there were still a few occasions where bidders either failed to submit a bid-bond, or else failed to fill in the price in the tender declaration and these items cannot be rectified. This goes to show that, unfortunately, there are still some bidders who submit their offer without giving it the necessary importance, resulting in rejection of offers on matters that could have been easily addressed.

In order to keep prospective bidders and the Contracting Authorities informed on the developments taking pace within the DoC, the latter organized its annual information session. This information session saw a very high turnout so much that the venue fully booked. During 2012 the focus of the information session was the introduction of the e-procurement system. The introduction of a fully blown e-procurement system is aimed at increasing the transparency of the procurement process in Malta as well as opening up greater market opportunities, at the same time facilitating the bidding process.

In view of this shift towards the introduction of an e-procurement system during 2012, the Department carried out the following initiatives in 2012:

- A review of the tender templates to significantly reduce the size of the tender document template. Besides, the three (3) different templates for each procurement type (supplies/services/works) were streamlined into one (1) template which caters for all types of procurement;
- The method used to reduce the size of the tender document template was to remove the standard clauses from the template and make these available online as reference documents;
- Besides a revision of the tender document templates, an XML Structure template which prescribes the electronic response format used on the Electronic Public Procurement System (ePPS) has been prepared and uploaded on the e-tenders portal for Contracting Authorities to make use of when drafting their e-tenders;
- The revision of the tender document template was complemented by a review of the conventional evaluation report template which was simplified and adapted to cater for the requirements of e-tenders;
- An internal reorganisation of staff to cater for the transition to e-procurement was carried out;
- In coordination with the Centre for Development, Research and Training (CDRT), the Department formally started to deliver hands-on training related to e-procurement which was more focused on the procurement procedures actually used rather than on all the potential procedures and processes offered by the system (ePPS). This was an important shift in strategy as Contracting Authorities (Government Departments and Organisations) could associate better with this type of training which catered for their immediate needs. Those attending for training were given access to the system during training through a 'tale quale' DEMO environment and as a follow-up to the



training they were given user accounts and encouraged to continue to familiarise themselves with the system;

- Besides hands-on training given to Contracting Authorities, the Department held hands-on workshops for Economic Operators in respect of each call for tenders. During these workshops economic operators were given an overview of the system and informed about the registration process. Essentially, they were trained on how to search for calls for tenders, request clarifications, compile, pack and upload offers using the ePPS;
- As a follow up to the Contracts Circular No. 13/2012, in September 2012, the Department sent an e-mail to all Directors Corporate Services in each Ministry thereby reminding them of the contents of the Circular, essentially of the importance of supporting the transition to e-procurement and requesting them to circulate the message to all Departments and Organisations falling within their Ministry. Through this correspondence, in the case of particular Ministries, the deadlines for the transition to e-procurement were shortened;
- As a result of all the above initiatives related to electronic procurement, the Department managed to publish a considerable number of e-tenders and award a good number of contracts during 2012 as per below table:<sup>112</sup>

Procurement Type	No. of Tenders Published during 2012	No. of Contracts awarded during 2012	Value of Contracts Awarded during 2012 (€)
Supplies	11	6	399,251.86
Services	6	3	65,293.00
Works	2	0	0

According to the information gathered from the Public Contracts Review Board (PCRB) in respect to tenders published and administered by the Department of Contracts, twenty-five (25) appeals were lodged in 2012.

The Public Contracts regulations allow for an appeal from a judgement delivered by the PCRB to be lodged in front of the Maltese Court of Appeal Inferior Jurisdiction.<sup>113</sup> In this respect in 2012, twelve (12) such appeals have been lodged.<sup>114</sup>

The data concerning the tenders published through the use of the e-Procurement system and the number of appeals refers to both EU funded tenders and locally funded tenders.

<sup>112</sup> The data concerning the tenders published through the use of the e-Procurement system refers to both EU funded tenders and locally funded tenders.

<sup>113</sup> As from February 2013, this changed to Superior Jurisdiction.

<sup>114</sup> These appeals exclude Schedule 3 entities (in terms of the procurement regulations of Malta, Schedule 3 entities are those entities which administer their own procurement in line with the Procurement Regulations), Local Councils, departmental tenders and NGOs.

### 02.2.3 Environmental Legislation

The MA - together with 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. MEPA has sustained its assistance both to prospective applicants as well as to the MA in terms of providing information on the screening, planning and environmental permitting related activities for 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.

*Applications for development planning permits:* In 2012, MEPA received a total of fifty-six (56) requests for screening (tracking files) related to EU funded projects. By the end of 2012, thirty-one (31) of these screening requests were validated as planning applications. Out of the remaining twenty-five (25) screening requests; three (3) were withdrawn, another three (3) were still being reviewed and the screening letter was not yet issued and nineteen (19) requests were awaiting submissions from the applicants including information which would determine whether environmental studies were necessary.

In 2012, a total of sixty-one (61) applications for development permissions in relation to EU funded projects were concluded, twenty-two (22) of which were validated<sup>115</sup> in 2011.<sup>116</sup> Three (3) out of these applications were withdrawn by the applicants before a decision has been taken. The remaining applications were validated in 2012. In addition four (4) pre-reform applications,<sup>117</sup> two (2) of which were validated in 2009 and the other two (2) validated in 2010, were also decided in 2012. 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.

*Environmental Requirements:* Out of the sixty-one (61) projects which were granted a development permit in 2012, five (5) required an environmental permit and another six (6) projects required registration with Unit A of the Environment Protection Directorate.<sup>118</sup> Out of the five (5) which required an environmental permit, two (2) have already applied while the remaining three (3) have pending applications. Six (6) of those that required registration, one (1) has been granted, three (3) have applied for the registration and two (2) have pending applications.

*Development Notifications:* Through the Development Notification Order, MEPA has issued several clearances for different developments that qualified for EU funds. The schemes issued for the installation of

<sup>115</sup> When an application is *validated*, a PA Number is given, a public consultation process (of 21 days) commences on the actual application, and external consultations with different public entities are held as well as consultation on the planning process.

<sup>116</sup> One is to note that pending applications are mainly due to: ongoing consultations with stakeholder organisations (including NCPD); pending outcome/assessment of environmental studies; or pending clarification on documents submitted.

<sup>117</sup> 2010 applications are considered as pre-reform (i.e. prior to the reform process that MEPA underwent). From 2011 onwards, applications were firstly subjected to a screening process.

<sup>118</sup> The registration of the operational permit of the infrastructure.

PV panels were all handled through this notification system. Other projects which were granted such clearances were: restoration projects and paving works either by Local Councils or Government Entities.

*Additional Information:* 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. 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).

#### **02.2.4 Strategic Environmental Assessment (SEA) Regulations**

One of the recommendations made in the SEA of Malta's Operational Programmes 2007-13 was the setting up of an Environment Committee with the aim of establishing environmental monitoring arrangements to enable the identification of corrective actions and to establish how well the Programme complies with the SEA objectives. In fact, OPI acknowledges that the role of this Committee is essential to the thrust of integrating environmental considerations into the Programme throughout its lifecycle.

The main functions of this Committee are two-fold: (i) to support the MA and other stakeholders in monitoring the implementation of commitments at Programme level and make recommendations to the MA; and (ii) to assess trends in the indicators and establish whether projects funded under OPI have had a positive or negative impact on the environment.

The core membership of the Environment Committee, hereinafter also referred to as the "Committee", is composed as follows:

**Chairperson** who is the Head for Operational Programme I or his/her substitute;

**Members (*ex-officio*):**

- A representative of the Ministry responsible for the environment;
- A representative of the Ministry responsible for the implementation of waste management;
- A representative of the Malta Resources Authority;

**Members (*ad hoc*):**

- The Chairperson of the SEA Focal Point;
- A representative of the Malta Environment and Planning Authority.

During the year under review a total of nine (9) Environment Committee meetings were held. In view of the complexity and the different nature of the projects pertaining to the Operational Programme, the Environment Committee decided to segment the Programming Period for monitoring purposes as follows:

- i) first monitoring period between 2007 and 2010;
- ii) second monitoring period between 2011 and 2012;

iii) third monitoring period between 2013 and 2015.

The first document, which shall be adopted by the Environment Committee by the first quarter of 2013, shall report on projects under OPI completed between the years 2007 and 2010, hence the first monitoring period identified above.

The Environment Committee revisited and assessed the list of projects that were on-going during the first monitoring period. As a general observation, the Committee noted that most projects were still in construction phase and thus a temporary negative impact on the environment such as dust and noise pollution was expected and inevitable. The Committee identified five (5) main Environmental Objectives which could have been impacted by the said projects, namely: (i) population in relation to waste projects; (ii) human health connected with roads projects, (iii) water in relation to liquid waste projects; (iv) air linked to roads and energy projects; and (v) climate linked to energy projects.

A tangible positive impact towards the environment could be noted in terms of 'climate and air' as a result of the numerous households, enterprises, public bodies and voluntary organisations that benefitted from ERDF funds to install renewable energy sources and energy efficient systems. Another visibly positive and significant impact was observed in relation to the 'water' objective as a result of the South Sewage Treatment Plant, by virtue of which<sup>119</sup> all Malta's wastewater was being treated before being disposed in the sea. This has led to Malta achieving a classification of Class 1 coastal water status, the highest standard possible in its category.

Less of a tangible positive impact could be observed from the 'human health' and 'population' objectives because the relevant and related projects were still on-going at the end of the first monitoring period. However it should be noted that once these projects are completed, further data will be available to identify the benefits achieved through these projects.

The Committee referred continuously to the Strategic Environment Assessment Report throughout its discussions. This served as a guide and tool for monitoring the impact of projects being implemented under OPI, but also meant that certain SEA objectives which were not harmonized with the nature and objectives of OPI had to be ignored. Such a weakness was reported in the SWOT analysis of this report. Nevertheless, this could be considered as an opportunity to recommend a better linkage of the upcoming SEA report with the future programming period.

The Environment Committee deemed that it was too early to state whether the Programme was contributing towards the achievement of the desired environmental objectives and targets. With the same reasoning, it is still premature to determine whether any mitigation measures or any adverse environmental effects have taken place.

---

<sup>119</sup> Together with the other two wastewater treatment plants.

It is expected that by the end of the second monitoring period, the Environment Committee will issue its second report and will follow-up on this report whilst identifying other issues that may have emerged. It is expected that more projects would have reached completion and other new projects which may impact other SEA objectives would have started implementation, hence providing the Environment Committee with more opportunities to assess the impact of the Programme on the environment.

#### **02.2.5 SEA Screening of the Proposed OP Changes**

The SEA screening exercise was concluded in December 2011 and the process was explained in the AIR for 2011, thus this section is not applicable for the year under review.

## 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 2012 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 2012 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 2012, four (4) calls were issued including one non-major call. These resulted in the submission of forty-one (41) proposals, which gave rise to increased workload on the Project Selection Committee who apart from evaluating the projects submitted under the 2012 calls, also had to finalise the evaluations of calls spilling over from 2011. The selection process is very time-consuming in itself and often compounded by the fragmentation of projects received. To evaluate calls published in 2012 and projects from previous calls, in 2012 the PSC had to meet thirty-four (34) times resulting in the approval of twenty-four (24) projects.<sup>120</sup> The lengthy process, coupled by the quality of submissions received, inevitably led to delays which made the process slower and arduous. The availability of the members of the Committee is also a factor in the delays.

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 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 2012 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

---

<sup>120</sup> In addition to this figure, six (6) projects were rejected.

process. Positively, in 2012, only one (1) works DoC tender had to be cancelled and re-published which in itself is an indication that the simplification to the procurement procedures is giving the desired results.

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 bids.

Another challenge which has become quite problematic during the year under review was 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), the procurement carried out by these organisations was not always of the high level necessary to withstand the detailed checks of Cohesion Policy projects. In order to address this, the MA organised a number of training sessions targeted at Voluntary Organisations (NGOs) and Local Councils entitled *MA's observations from its administrative verifications on Voluntary Organisations*.

### 02.3.3 Planning and Environmental Permitting Process

The bottlenecks and difficulties reported in previous years continued to be faced throughout 2012 as well. 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) 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 with a direct impact on the progress on the ground since in most cases it results in delays in the procurement process (given that tenders cannot be published without an approved planning permit).<sup>121</sup>

Beneficiaries are well aware of the substantial time required for the issue 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 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 where 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

<sup>121</sup> Few exceptions have been made with the provision of a no objection letter in principle.

stakeholders, undertaking required changes to the plans prior to the start of the official consultation process.

Finally, same as in previous years, 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 sé is not to be considered as a major cause for delay, several minor issues occurred which had an impact on the payment process. One of the main problems concerned the fact that delayed payments was closely linked to the delays experienced at DoC in the signature of awarded contracts. Such delays have an impact on the timely processing of initial payments. As a mitigation measure, the MA has started bringing such issues to the attention of the Director General (Contracts) during the weekly meetings being held with DoC to discuss pending issues on DoC contracts.

With regards to revenue generating projects, especially in the case of small RES and EE projects, the system was overburdened with complex calculations of how to calculate the payments to be made. During the course of 2012, the MA obtained legal clarification from the CION to apply a flat co-financing rate of 50% of eligible costs for EE and RES projects below €1,000,000. This removed the obligation to monitor any revenue streams and all invoices started being processed with a 50% public eligible value.

#### **02.3.5 The Aid Schemes**

Claims for reimbursement presented by Beneficiaries from the early calls of these schemes were often hampered by delays mainly due to the incomplete, incorrect or insufficient documentation and information provided by the Beneficiaries themselves. This was often made worse by the limited staff capacity and expertise at the IBs' end. The main problem lay in the fact that in general, Beneficiaries failed to understand the importance of following the spirit of the public procurement regulations for their acquisition of works, services and supplies in relation to the co-financed investment, even if they are not bound by these regulations. This is demonstrated by the fact that in many instances they failed to produce a minimum of three (3) comparable quotations for their procurement of activities, and/or procured from related companies. There were also instances where despite obtaining three (3) quotations, the claim for reimbursement was not made on the equivalent of the cheapest quotation obtained. This defeats the purpose of asking for the three (3) quotations in the first place which is meant as a measure through which one can obtain a true and fair snapshot of the market. Such



problems have often precluded the IBs from obtaining reasonable assurance from their verifications that the claim being presented was in line with the principles of good governance, transparency and sound financial management and had to be rejected, corrected or postponed until further assessments were made and more documentation obtained for more assurance. Similarly, such problems often precluded the MA from recommending this expenditure for certification.

To partly mitigate with these problems, the MA met regularly with the IBs through different fora and provided practical assistance on the best ways to deal with “problematic” cases. Two (2) Guidance Notes were also issued for the ERDF IBs to be guided on the procurement of works, services and supplies by Private Bodies, and on possible ways to deal with past cases which involve procurement that was not based on the cheapest quotation obtained (from a minimum of three) and/or acquired from suppliers/service providers who are either related between them and/or to the Beneficiary enterprise.

Verification checks by IBs and the MA were also strengthened following the detection of irregular practices under one of the schemes implemented by Malta Enterprise (ERDF 133) wherein there were cases involving *non bona fide* quotations. Further details and the mitigation measures taken are provided in Chapter 3 (PA 4).

## 02.4 Changes in the Context of the Operational Programme Implementation

2012 was decisive with respect to both the implementation of the Programme as well as its disbursement. Within this context, a number of measures were introduced by stakeholders involved in the implementation of the Programme with the aim of increasing the efficacy of the implementation process and consequently ensuring the steady flow of disbursement needed for the achievement of the financial target of the Operational Programme.

Simplification measures, namely that of avoiding the repetition of the checks undertaken by Line Ministry and Treasury at each level of the verification process, were emphasised and mapped with respect to the Grant Schemes. The result of such measures was to the benefit of the small and medium enterprises benefitting from ERDF aid while at the same time ensuring that the 2013 disbursement targets are reached. Further measures to counteract the long-term impacts of the financial crisis continued throughout 2012, with continuous efforts targeted towards ensuring the best possible success for the JEREMIE initiative.

With respect to the procurement process, the process is set to be streamlined and simplified through the launch of a full e-tendering solution following a testing period in 2012. Throughout the past year, the electronic public procurement system (ePPS) could be accessed only by bidders to view/purchase the tender documents, seek clarifications and view results of awards. However, as from January 2013, the ePPS will be the single point of reference for public procurement activities in Malta with respect to Open Tender Procedures.

On a wider scale, the AIR of 2011 had already indicated some changes envisaged for Operational Programme in order to better align it with the EU 2020 targets identified. These changes were namely:

- the transfer of the NFRP Major Project from PA 4 to PA 5, with the aim of releasing substantial funds under PA 4 to be used for climate change initiatives;
- the transfer of funds from PA 3 to PA 5 (between Cohesion Funds); and
- the introduction of a new focus area under PA 4 (Resource Efficiency).

Moreover, the need was felt for an overall increase in the earmarked categories of intervention and a proposal with all the changes was presented to the CION in March 2012 and subsequently approved in May 2012.

## **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) and of other existing financial instruments. In particular, OPI (ERDF and CF) is complemented by investments under OPII (ESF), primarily those areas addressing education and social related infrastructure, research and enterprise support. 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<sup>122</sup> responsible for such funds. In fact, the MA for OPI and the Division for the ETC and bilateral instruments are housed within the same building and fall under the same structure (Permanent Secretariat).

### 02.6.1 Structures

In order to ensure that no double-financing occurs and in order to enhance complementarity between the various funding mechanisms, the MA organizes the Inter-Ministerial Co-ordination Committee (IMCC) meetings covering EU infrastructure and Productive Funding Programmes. Such assurances are obtained through the checks carried out on the list of approved projects which is circulated twice a year. This happens prior to each IMC Committee.

As a result of the checks prepared during 2012, a number of potential cases and also actual instances of overlapping were identified between a number of funds/schemes implemented under Cohesion Policy (mainstream and ETC) as well as with others, including the EAFRD, EFF and a number of Community Programmes, such as FP7. In all occurrences, constant monitoring and immediate action was taken so to eliminate any investments which could have been double funded. A case in point was the overlap between ERDF 127 Small Start up Scheme and Training Aid Framework Scheme (TAF), which was straight away mitigated by deducting the respective eligible amounts accordingly. This was identified prior to the certification of expenditure to the Commission.

In all potential overlap instances, the representatives of each involved Fund were carrying out further investigations so that to achieve reasonable assurances. As a preventive measure, during the last IMCC that was held on 30<sup>th</sup> October 2012, the Chairperson proposed that each representative can adopt the Overlap Check template (as developed and circulated by the MA) as guidance with regard to the type of checks to be carried out. At the end of each check, every representative is to inform the IMCC secretariat with the outcome and verifications pursued whilst documenting any relevant correspondences.

---

<sup>122</sup> Now falling under the Ministry for European Affairs and Implementation of the Electoral Manifesto.

In some cases (especially in the case of centralised funds) it is difficult for national contact points to obtain all the necessary information. In such circumstances it was agreed that the representatives are to obtain a declaration from the Beneficiaries who are receiving financing from multiple sources. A draft template for a declaration that could be adopted was circulated amongst the Committee members. Such template will be used only in cases where no further checks can be performed due to insufficient available information.

Another action initiated by the MA to increase awareness amongst the members of the Committee of the different actions eligible under the different instruments is to ask members to deliver a presentation of the instruments. Such initiative also has the purpose to introduce newly appointed members within the Committee. In 2012, two (2) presentations were performed, one (1) related to the EFF Programme and the other to the ERDF 088 Promotion of Renewable Energy Sources in the Domestic Sector. It was the first time in both cases that these representatives participated in the IMCC. EFF representatives participated as an Intermediate Body rather than just as the Managing Authority whilst the MRA was included as part of the IMCC members since there could be potential overlaps with Measure 121- Modernization of agricultural funds which is financed through EAFRD.02.6.2.

## **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/risk prevention sectors. The CF is financing the TEN-T transport infrastructure in both the road and maritime sector. Two (2) Major TEN-T Projects<sup>123</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. Such works are more focused on supporting competitiveness (including 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.

---

<sup>123</sup> CF 117 was approved by CION on 3<sup>rd</sup> February 2010 while CF 125 has been submitted for CION approval on 18<sup>th</sup> February 2013.

## ERDF and ESF

Infrastructural investments in the social sector supported by OPI are complemented by investments in the human resource under ESF through the implementation of OPII. 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 (PA 6) which were complemented by the approval of another two (2) ESF projects. One of the projects under OPI (ERDF 159) 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 (ESF 1.123) which supplied training in relation to the usage of such provided equipment. The other ERDF project (ERDF 072) involved the construction of a centre where professionals can help disabled persons in their daily life. This was further supported through an OPII project (ESF 3.42) which aimed to provide a training package to the trainers (mainly therapists and physiotherapists) in order to prepare persons with disabilities to adopt an increased independent lifestyle. The new ETC building funded under ERDF 045, can also host courses funded through ESF. The Major Project for the construction of an Oncology Centre (ERDF196) is being complemented by training of health professionals (medical physics) in order to develop human capital that will provide high specialised services at the Oncology sector (ESF 4.175). The complementarity between OPI and OPII can also be recognized in those projects which adopt ESF components through the cross-financing mechanism (Article 34 of Regulation 1083/2006).<sup>124</sup> Numerous private bodies are also benefitting from investment Aid 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

To sustain the consistency and complimentary between Structural Funds, EAFRD and EFF specific strategies have been adopted. Such synergies can give rise to potential overlaps between EAFRD and EFF particularly with regard to actions associated with the maintenance, restoration and upgrading of the rural heritage, and for actions associated with the encouragement of tourism activities. This could be easily observed through Measure 313: *Encouragement of tourism activities* of the Rural Development Programme and the TSDU Scheme under the ERDF. Although both initiatives may in some way contribute towards the tourism sector, the measure that is administered through EAFRD focuses more on projects situated in a direct rural and agricultural ambience aiming at enhancing their rural and agricultural activity rather than towards Malta's tourism sector.

<sup>124</sup> ERDF 081: *Enhancing Health Biotechnology Facilities at the University*; ERDF 087: *Developing National Metrology Capacity in Support of Industry*; ERDF 151: *RE.VI.VE – Renewed Visitor Venues* and ERDF256 *Modus - Encouraging Modal Shift in Land Transportation*.

Grant schemes to agro-processing enterprises constitute another area of potential overlap. In this respect, Measure 123; *Adding value to agricultural products* is earmarked to serve agricultural products with the aim of achieving quality certification, improving product freshness and the promotion of the traditional cottage industry whereas ERDF will support investments for innovation in the production chain across the whole manufacturing sector.

These are just some of the complementarities that exist between EAFRD and ERDF. Prior to the first IMCC for 2012; it was felt necessary to include also the Malta Resources Authority as the entity responsible for ERDF 088 (the domestic scheme) which potentially can also be related to Measure 121 *Modernization of agricultural funds* which supports farm investment and assists agricultural holdings to improve their economic performance.<sup>125</sup>

Just as with EAFRD, there are also potential overlaps between ERDF and EFF. Operational Programme I, has two objectives: (1) *Sustaining a growing, knowledge-based, competitive economy* and (2) *Improving Malta's attractiveness and quality of life*. The central themes of the EFF OP are to improve the competitiveness of the fishing industry in a sustainable manner as well as improving the quality of life via the protection of the natural environment and the enhancement of the working environment of people in the industry. Objective 1 of OP I is supported by Priority Axis 1 '*Enhancing knowledge and innovation*' and Priority Axis 2 '*Promoting sustainable tourism*'. The EFF OP also envisages training to fishers under Measure 1.4<sup>126</sup> and the development of environmentally friendly tourism activities<sup>127</sup> as part of its thrust.

To further ensure the maximum co-ordination, the MA participates in the MCs which are organized by EFF and EAFRD. In return, EAFRD and EFF are represented by MRRA and OPM as members of the MC for OPI. Both Funds are also members on the IMCC and invited as observers at the IB Network.

### **ERDF and FP7, CIP, LIFE+, URBACT, Marco Polo II**

In addition to the OP, Malta has also the opportunity to benefit from a number of Community Programmes. FP7, the Competitiveness and Innovation Framework Programme (CIP), the environment programme LIFE+, URBACT and Marco Polo II are all programmes through which the projects funded are somehow complementing OPI investments.

Whilst FP7 Capacities Programme is directed towards research and development projects involving large-scale collaborative infrastructure for use by multiple Member States, OPI's target is that to build the necessary capacity of research infrastructure on national basis. Such ambitions will be met by

<sup>125</sup> One of the eligible actions under Measure 121 is the procurement and installation of new equipment, including installation of systems that make use of alternative sources of energy in agricultural holdings. ERDF 088 allows investments in renewable energy sources in residential properties.

<sup>126</sup> Measure 1.4 – Socio-economic compensation for the management of the community fishing fleet.

<sup>127</sup> One of the Eligible Actions listed under Measure 1.4 is 'the provision of training to fishers for occupations outside sea fishing.'

supporting modern and effective research infrastructure just as well by strengthening the innovation capacity of SMEs. Such strengthening of national infrastructure and SME ambition to be involved in Research and Development will enhance Malta ability and interest in participating in collaborative networks.

In the field of financial engineering Malta's use of JEREMIE will be complementary to opportunities under the CIP. To enhance and reinforce this idea, CIP is providing another occasion for SMEs to facilitate access through equity investments and loan guarantees in collaboration with the European Investment Fund. Support is also being offered to SMEs for eco-innovation developments whilst highlighting the importance of an entrepreneurship and innovative culture.

Contrary to the CIP, the Life+ Programme's main aim is that of bridging any gaps that there might be between research and development results and widespread implementation. However, the solutions proposed are more of an environmental nature rather than a competitive one. Part of its objectives is also to ensure that there is an integration of the environment into other policies, thereby contributing to sustainable development whilst complementing other environmentally oriented projects funded through ERDF, such as the DemoEv project that aims at demonstrating the feasibility of electric vehicles towards climate change mitigation (in complementarity with OP I's PA 4) and the R.E.P.T– Recycling Environmental Policy Tool project that aims at facilitating the implementation of the Packaging Waste and WEEE Directive (in complementarity with PA 5 of OP I).

To create further sustainable urban development, the URBACT programme is providing space for exchange and learning initiatives to take place. This will induce other projects to be carried out under ERDF which will involve regeneration of particular areas (such as the URBACT project HerO that facilitates the right balance between preserving the cultural heritage of historic urban landscapes as element of identity and integral part of European history and enabling a sustainable, future-proof urban development to maintain and to strengthen the attractiveness and competitiveness of the historic urban landscapes). On the other hand, Programmes like Marco Polo II aim at improving the environmental performance of the intermodal transport system in order to contribute towards an efficient and sustainable transport structure. On a national level, under Priority Axis 6 of the OPI, a series of bus Interchanges, Bus Priority Measures, a new Park and Ride facility and a core Intelligent Management System are being set up with the aim to contribute towards a well-organized public transport system.

## **OPI and EIB**

As at end 2012, only one (1) Major Project (CF 116) which is co-funded under OPI, resorted to an EIB loan to finance the non eligible and to finance the co-financing element. 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 provided under section 02.1.1 of this report as well as in Chapters 3 and 4.

### **ERDF and other Financial Instruments**

Besides the financial resources commonly used to finance the implementation of projects, in particular national funds, Beneficiary's own resources, private resources and EIB loans, Beneficiaries (in consultation with the MA) looked at other possibilities and measures such as the Private Public Partnership (PPP). After various considerations, a PPP model was employed in order to finance the operation of a project approved under PA 2 (ERDF 033: *Tourism Zone Upgrade with Landscaped Urban Spaces and Other Facilities*). Both the competitive dialogue procedure and the contract were finalised throughout 2011. The project which entails the design, build and operation of an aquarium attraction is well-underway and is targeted to be completed in mid-2013.

During 2012, further benefits were also provided to the Maltese SMEs, through the use of the JEREMIE financial instrument. Following the appointment of the EIF as the Holding Fund Manager and the contract signed with Bank of Valletta (BoV) to act as the FI for the JEREMIE instrument in Malta in April 2011, further progress was recorded in 2012. As already indicated in other parts of this report, the number of loans went up from 179 of 2011 to 482 in 2012 with €40.1 million in sanctioned facilities.

In conjunction to the JEREMIE, ERDF interventions are also being complemented by other investments being executed with the use of other financial sources, namely EEA/Norway Financial Mechanisms and the Swiss Financial Instrument. The operations being implemented under the EEA/Norway Financial Mechanisms are supporting specific areas such as Tourism and Waste management projects which complement the projects that are operated under ERDF. On the other hand, the Swiss Fund is promoting a different type of investment, mainly related to the health sector such as the Project financed through the Swiss-Maltese cooperation that aims to provide the access to PET/CT diagnostic facilities in Malta to all patients by installing a PET/CT scanner at Mater Dei Hospital and to provide the full range of services in the oncology field in Malta, from diagnosis to treatments. This creates additional synergies with ERDF funding, such as the project ERDF 196: Mater Dei Oncology Centre that provides an oncology centre offering advanced cancer treatment facilities in a comprehensive care setting. The Swiss Fund further complements another ERDF project (ERDF 068: *Upgrading of Operating Theatre and Setting Up of Radiology Unit*) with the purchase of equipment that will provide patients in Gozo with two (2) services not yet present at the Gozo General Hospital (i.e. CT scanning and mammography imaging).

## **ERDF and other forms of Co-operations**

Malta's development is being strengthened by its active involvement in the ETC Programmes in which Malta participates, namely the Italia Malta Cross Border Programme, the Med Programme and the Interreg IVC Programme, under which Malta is currently involved in 76 projects. Malta is also involved in the ENPI CBC Med Programme by means of 7 projects, which are currently underway. Such projects, which include Ministries, Local Councils, Governmental Entities and Authorities as well as Educational Institutions as partners, touch upon an array of thematic areas, such as innovation and the knowledge economy as well as the environment and risk prevention, thus complementing and enhancing Malta's involvement under the OPI Programme. Indeed, such projects very often provide additional knowledge in the respective areas, for instance through pilot studies or other experimental initiatives, the outcome of which may be applied at a national level, sometimes by means of the projects financed under the OPI Programme.

Malta's development is being further strengthened through other funds which fall under the ETC Programme. This comprises the Cross-border, Inter-Regional and Trans-National Co-operations. Such investments encourage improvements to take place by nourishing sustainable growth and competitiveness; keeping in mind the importance of Innovation and Knowledge Economy as well as the Environment and Risk Prevention. All this contributes further to the other projects carried out under OPI. A representative of the ETC unit is invited for the IMCC whereby information pertaining to any new projects is provided to all IMCC members so as to avoid instances of double funding.

## 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 07 – 13

During the year under review, the MA continued to improve and upgrade the national information management system whilst at the same time providing an efficient user support level. The SFD Core Group<sup>128</sup> met three (3) times to monitor the system's status, analyse new user requirements and prioritise the work programme. In addition, more than five (5) 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 in 2012 whilst other modules, such as the IB/CA/AA Verification and Audit Modules,<sup>129</sup> Data on Participants Module (Annex XXIII),<sup>130</sup> the Statement of Expenditure<sup>131</sup> and the Indicators Module<sup>132</sup> were enhanced, following feedback received by the different users. These modules' enhancements were deemed critical to guarantee the independency of the monitoring functions of the different stakeholders and of particular benefit in terms of collation of data and maintenance of an effective and efficient monitoring system.

Similarly, enhancements were carried out on several other functions, such as: the Reversal of Invoice status; the Project Description field; the length of Invoice and Adjustment Number and Document Types in the MA/IB/CA/AA Verification and Audit screens. The Reversal of Invoice status is a procedure which has reduced the administrative burden on the SFD Unit and enabled Beneficiaries to

<sup>128</sup> The SFD Core Group is composed from representatives of the different sections within the MA and representatives of MITA, the government's IT agency which is also responsible for the development of the system. Where necessary, OPM's Management Information Unit was also invited to the meeting.

<sup>129</sup> The IB/CA/AA Verification and Audit Modules were released in 2012, in order to allow officers within the IB, CA and AA to enter data on verifications and audits themselves. The functionality to add a follow-up to a verification/audit was added to the verification/audit details screen.

<sup>130</sup> The enhancement of this module consisted in the inclusion of three (3) new reports (ANNEX XXIII by Project Report, Breakdown of ANNEX XXIII Report, and Data on Participants Report) and the enhancement of the Participants Report, together with the ability to attach multiple vulnerable groups to a participant in the data on participants screen. In the case of OPI, this report is only applicable for projects with an ESF component.

<sup>131</sup> The Statement of Expenditure module was enhanced with the ability to save adjustments even temporarily when the Save Only button is pressed and the functionality that allows users to search for outstanding transactions, both at SoE by Project level. Moreover, a functionality to generate current transactions report was added in the same module.

<sup>132</sup> The Indicators module was enhanced with the ability to check the decimal validation upon the baseline and target fields. A user can also successfully select a project indicator record and decrease a previously recorded high value indicator.

process payments in an efficient manner. The Project Description field, the length of invoice and adjustment number have had their characters increased to ensure that correct full description can be entered as per documents. In 2012, additional details have been introduced to the Financial Plan through to the setting up of the *Paid Invoices Less Adjustments* column. Thanks to this new function, it is possible to monitor the financial progress of each project's component and of any adjustments attached to invoices within the relevant contract/s.<sup>133</sup>

The year under review, was also characterised for the significant number of new reports which have been introduced. These are:

- *AA Detailed Report;*
- *AA Summary Report;*
- *Annual Payments Report;*
- *Contracts Report;*
- *Expenditure Table by: Invoice/Priority/Project Reports;*
- *Focus Area Report;*
- *Indicators by Priority Axis Report;*
- *Indicators by Project Report;*
- *Management Verification & Audit Table;*
- *Management Verification & Audit Visits Table;*
- *Priority Axis Public Eligible Expenditure Report (replaces Priority Axis Expenditure Report);*
- *Project Report;*
- *Project Public Eligible Expenditure Report (replaces Project Expenditure Report); and*
- *Project Transactions Report (replaces Project Invoices Report).*

In addition to the above, some existent reports were replaced by more developed and detailed reports which provide additional information on the project's financial status. The availability of all these reports that can be generated directly by users themselves has resulted in improved monitoring.

Another highlight for 2012 is represented by the preparatory work for the renewal of the SFD contract with MITA and the agreement reached with MITA to start the work on Article 14 of the proposed CSF regulation.<sup>134</sup> All officers within the SFD Unit were trained by MITA personnel on the use of MARVAL, the system used by MITA to log users' calls. From June 2012 onwards, all calls related to SFD issues

<sup>133</sup> The amount in this column reflects the actual amount paid at invoice level *minus* the amount taken by any adjustments attached to invoices within the contract/s. In view of this enhanced validation procedure, the Allocation and Disposal values of a Financial Component are never allowed to be less than the total invoices paid less the adjustments made.

<sup>134</sup> *eCohesion 2014-2020 Consultancy Service Agreement* budgeted at €9,000 (including VAT) aims at interpreting and identifying the impact on the MA on the eCohesion policy period 2014-2020 and the new set of European Union (EU) regulations formulated under the same eCohesion policy including a gap analysis between the current and proposed system; and attend and participate to meetings, locally or abroad organised by the EU for discussion, to provide feedback in relation to the general provision of the eCohesion programme 2014-2020 and any related EU regulations.

were logged directly into MARVAL by SFD Unit personnel, which in turn reduces the administrative burden.

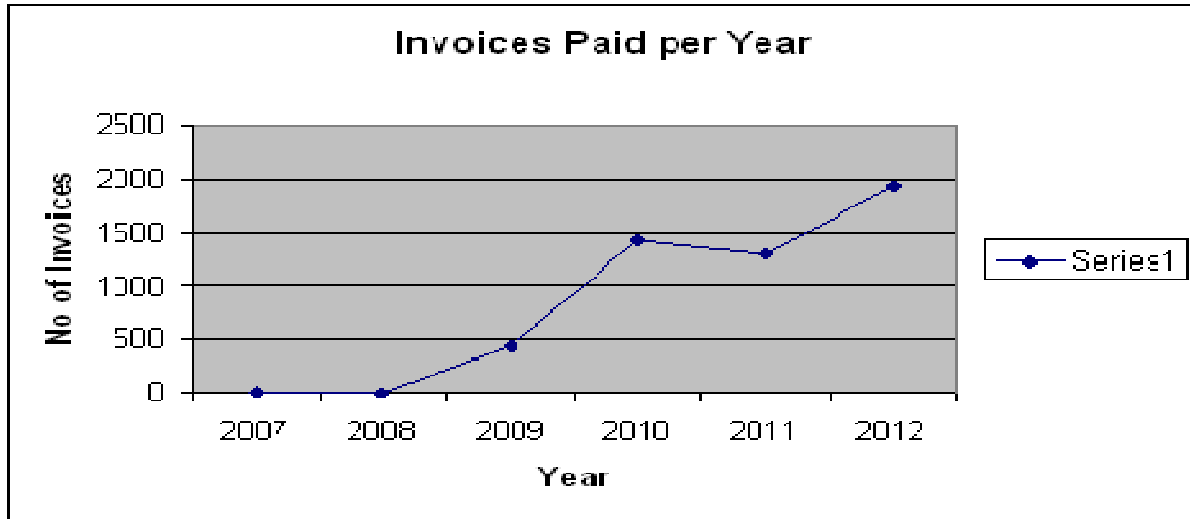
By the end of 2012, the system had more than 500 active users, and regular monitoring of user accounts ensured that unnecessary accounts were deactivated. User's guides, notes and related system documentation were created<sup>135</sup> as necessary and existing ones kept up to date with the latest enhancements and bug fixes. The documents are retrievable from the PPCD website and are also used during the Train-the-Trainer programme. Training was provided throughout the year as an organised session or one-to-one where necessary (three (3) different sessions were organised: two (2) for OP II and one (1) for OP I, all NGOs).<sup>136</sup>

### **Day-to-Day**

Given that the programming period is nearing the end, the MA has put further emphasis on day-to-day monitoring. During 2012 alone, the MA commenced 109 new verification checks and cumulatively worked on a total of 197 verification checks. These include ninety one (91) documentary checks, including follow-ups, seventy six (76) physical management verification checks and thirty (30) combined checks. These 197 checks include checks started prior to 2012 and that continued in 2012. Although there was a decrease in the number of documentary checks, when compared to 2011, the number of physical checks in 2012 almost quadrupled. All this involved the mobilisation of thirty (30) MA officers who carried out 288 visits at the respective Beneficiaries, dedicating a total of 2,440 hours for the completion of 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 such as the expenditure (payment management). Figure illustrates the number of invoices processed through SFD from the start of the programme until 2012, showing the sharp increase of payments processed from 2011 to 2012.

<sup>135</sup> User 's guides created in 2012 are: How to Access the Browser Based version; How to generate Reports in the SFD 07-13; How to Search for an Invoice; How to generate AA Detailed and Summary Reports; How to Generate Statement of Expenditure by Project; How to Re-Process a Rejected Invoice; How to Use the Data on Participants (Annex XXIII Module); How to Create and Update CA verifications; How to Generate a Statement of Expenditure by Fund; How to Create and Update IB Verifications; How to Proceed with Payment Authorisation – Line Ministry level.

<sup>136</sup> The number of participants attending SFD training increased significantly to help more the trainers because of the increase in the approved projects.

Figure Number of Invoices Inserted (OPI)<sup>137</sup>

### Project Progress Reporting

During 2012, Beneficiaries and IBs submitted a Project Progress Report (PPR) to the MA at two (2) intervals.<sup>138</sup> 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 the involvement of partners (where applicable), physical progress, implementation of project activities, update on the activities carried out in Gozo, contracting, disbursements, pending payments, project intervention codes, information on performance indicators and participants data (where applicable), details on any revenue generating activities, horizontal issues, information and publicity measures undertaken, and an overall assessment of the project during the reporting period in question. In addition, the report highlights any irregularities and risk factors, proposing relevant mitigation measures actually undertaken or planned for the following reporting period.

During 2012, 144 Project Progress Reports were received for review: seventy-nine (79) reports for the period July- December 2011 (received in January 2012) and sixty-five (65) reports for the period January-June 2012. An additional seventy-nine (79) reports are expected to be collected in February 2013 for the period July- December 2012.

### Ministerial Project Steering Committee (MPSC)

During 2012, 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 more closely and deal with arising issues that

<sup>137</sup> 2007 = 0; 2008 = 0; 2009 = 449; 2010 – 1,429; 2011 = 1,305; 2012 = 1,930.

<sup>138</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.

might be hindering project implementation. This monitoring, in turn, also continues to facilitate the programme management at MA level.

The frequency of the MPSC meetings held in 2012 remained constant to the previous year, with twenty - three (23)<sup>139</sup> sessions which were also attended by the MA on a regular basis. However it is to be noted that some Line Ministries<sup>140</sup> have also opted to hold several meetings at the relevant Permanent Secretary's office on a need basis to address issues that arise in a more timely way. Line Ministries are still reporting that the setting up of the MPSC meetings is very beneficial for the monitoring of the projects. Thus, the MA continued to encourage the Line Ministries to hold more meetings.

### **Intermediate Bodies Steering Committees**

The Steering Committees, (one for each IB) which were set up in the past as per Article 11.2 of the Covenants signed for each Aid Scheme between the MA and the different IBs, continued to function effectively. The objective of these Committees is to complement other fora where Aid Schemes are discussed and to give the MA and IBs yet another opportunity to catch up on issues related to the schemes (a kind of sub-committee of the MPSC focused solely on the Aid Scheme). Both the MA and the Line Ministries are invited as observers to the Committee in order to support the IBs on the issues raised. In 2012, TSDU held two (2) IBSC meetings, one (1) on 30<sup>th</sup> May and one (1) on 3<sup>rd</sup> October 2012. During these meetings, stakeholders discussed general issues related to the administration and implementation of the scheme.

DSWS organized two (2) IBSC meetings; one (1) held on 30<sup>th</sup> May and the other one (1) on 20<sup>th</sup> November 2012. The issues discussed concerned mainly the disbursement schedule and difficulties encountered through the implementation of the scheme. The discussion also ensued on potential considerations on the next programming period. As part of the agenda of the last organized steering committee meeting, the participants also discussed the possible use of savings made by Beneficiaries.

On the other hand Malta Enterprise did not set an IBSC meeting during the year under review. However, one should note that although a formal IBSC was not conducted, the IB, the MA and the LM met on a monthly basis for high level bilateral meetings chaired by the Principal Permanent Secretary to discuss progress of the schemes in general, in addition five (5) meetings focusing specifically on issues related to ME schemes were done during the year under review.

<sup>139</sup> MJDF held three (3), MFEI held one (1) as all projects falling under the Ministry are the subject of ongoing monitoring within the PPM high level meeting, MEDE held three (3), MGOZ held none, MITC held four (4), OPM held three (3), MHEC held four (4), MRRA held three (3), and OPM (Tourism) held two (2).

<sup>140</sup> Such as MGOZ.

## Project Progress Meetings

Project Progress monitoring meetings were originally initiated in 2008, when delays in the implementation process became apparent. During 2012 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 Principal Permanent Secretary (PPS) who chairs these meetings. During 2012, the meetings were held on a monthly basis,<sup>141</sup> during which 192<sup>142</sup> projects were reviewed in depth, with some projects being reviewed more than once, and with an average of sixteen (16)<sup>143</sup> projects being discussed in each meeting. Apart from representatives of the MA, these meetings are also attended by the Project Leader (PL) and other 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. Two (2)<sup>144</sup> Project Progress Meetings were held in 2012 for NGO's only. Seven (7) ERDF projects were discussed in the VOs bilateral meeting held on 7<sup>th</sup> August 2012 while eleven (11) ERDF projects were discussed during the bilateral meeting of the 6<sup>th</sup> November 2012.

## Cabinet Meetings

As a means to further monitor the implementation of the OP at a more strategic level, during 2012, the Cabinet of Ministers continued to be informed on progress achieved in relation to the projects within their Ministry's remit. In this regard a presentation was held in July 2012 to keep Ministers informed.<sup>145</sup> The combination of the Project Progress Meetings and the Cabinet reporting continues to ensure that any issues are brought to the attention of the relevant decision makers and decisions are taken without unnecessary delays.

### 02.7.2 Monitoring Committee

In the course of 2012, the MC was convened twice: on 17<sup>th</sup> May and 16<sup>th</sup> November. The items discussed during the May MC meeting included:

<sup>141</sup> With the exception of February and April.

<sup>142</sup> Both OPI and OPII.

<sup>143</sup> Both OPI and OPII.

<sup>144</sup> August and November. Another Bilateral meeting was held in April however this meeting covered ESF projects only.

<sup>145</sup> During this meeting a presentation was given titled - EU Funded projects update.



- A presentation on the AIR for 2011;
- An overview of the progress achieved from end December 2011 to the meeting date;
- A presentation on the progress achieved in implementing the JEREMIE instrument in Malta including the preliminary results; and
- An overview of the Annual Control Report and the unqualified opinion which accompanied the Annual Control Report.

During the days following the May MC, the revised AIR (2011) was re-circulated to the members for approval. The report was approved by the members in June 2012.<sup>146</sup> The report was submitted to the CION via the SFC on 19<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 19<sup>th</sup> September 2012 and was made available to the public by uploading it on the PPCD website.

The second meeting of the MC, which was held on 16<sup>th</sup> November 2012, presented:

- An update on physical and financial progress of the Programme;
- An overview of the Mater Dei Hospital Oncology Centre Major Project; and
- An outline of the draft Strategic Report (2012).

A detailed analysis of the findings can be found under section 02.7.4. As in the previous years, the MC meetings were well attended in 2012 and they served as a good basis not only to discuss the formal business but also to provide participating organisations with other information related to the implementation of the OP. All the presentations delivered during both MCs 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 November MC meeting (of 16<sup>th</sup> November), an Annual Review Meeting was held in accordance with Article 68 of EC/1083/2006. Given there were no particular major issues, the meeting took the form of a discussion on some clarifications required by the Commission in its assessment of the NFRP. The discussion also ensued on the possibility of some simplification in the adoption of a standard scale of unit cost within Malta Enterprise Energy Aid Scheme and on the possibility of an additional Call for Project Proposals under Priority Axis 1 (for funds released by ME Aid Schemes). As regards the implementation of Priority Axis 4, the meeting served to clarify the definition of replacements within the framework of Energy Efficiency. The Review Meeting was concluded with the MA taking the opportunity to outline the ongoing evaluation activities and the next steps in the implementation of the Operational Programme.

<sup>146</sup> The draft AIR 2011 was circulated prior to the MC meeting on 17<sup>th</sup> May. Following the introduction of some changes and to make good for the rather late dispatch, the draft has been re-circulated in track-changes on 23<sup>rd</sup> May. The report was approved by the MC on 6<sup>th</sup> June 2012.

## 02.7.4 Strategic Report 2012

In 2012, the MA also drafted the Malta's Strategic Report 2012 (as part of its obligations as outlined in Article 29 of EC Regulation 1083/06). The report was compiled by the MA, with the support of all Ministries in particular feedback on the current and future strategic policies. The Economic Policy Division (EPD) within MFEI<sup>147</sup> provided details of the Socio-Economic context within which the Operational Programme is currently being implemented and the changes within the Socio-Economic dimension since the last report (the 2009 Strategic Report).

The outline of the report was presented to the MC on 16<sup>th</sup> November 2012, with the actual report being subsequently submitted to the CION on 31<sup>st</sup> December 2012.

Malta's Strategic Report 2012 gave a general update on the information and data provided in the Strategic Report of 2009, within a similar structure. It reported on the socio-economic (as well as territorial) situation of the Maltese islands since the 2009 update while seeking to make an assessment of the actual impact of Cohesion Policy on the Maltese economy and quality of life of the citizens. The 2012 Strategic Report also sought to provide an insight into the implementation problems that continued to emerge during implementation and the measures taken to address these issues. Furthermore, the report included an update of Malta's Lisbon commitments as well an overview of the main financial data with the cut-off date for the data and information being 30<sup>th</sup> December 2011.

The Strategic Report gave an overview on:

- indicators achieved;
- relevant evaluations carried out to date and to be carried out in 2013;
- national expenditure declared as at end 2011;
- the link between Cohesion Policy, the Community Strategic Guidelines and the National Reform Programme and an assessment of the contribution (expected or realized) to other priorities of the National Reform Programme under the Europe 2020 Strategy;
- the role of ESF in terms of the implementation of the European Employment Strategy and the National Strategy Reports on Social Protection and Social Inclusion;
- the progress achieved since the submission of NSRF both in terms of programme implementation as well as from a strategy perspective;
- the contribution of the OPs with respect to the European Economic Recovery Plan; and
- the progress registered in terms of Territorial Cooperation.

---

<sup>147</sup> Now within the Ministry for Finance.

In conclusion and further to the above, the Strategic Report for 2012 also provided examples of good practice, both in terms of project concept and project implementation. The report is available on the PPCD's website.

## 02.7.5 Evaluation

### Thematic Evaluation

The terms of reference for a thematic evaluation titled *Thematic Evaluation: An Evaluation of the Contribution of Operational Programme I Initiatives to Competitiveness and Improvement of Quality of Life* was presented to the Evaluation Steering Group (ESG) on 27<sup>th</sup> January. After receiving the CION and the ESG members' feedback, the MA incorporated the necessary feedback in its tender and proceeded with sending it to the DoC on 15<sup>th</sup> March.

The tender was launched on the market on 19<sup>th</sup> June and the deadline for submission of tenders was set for 4<sup>th</sup> September. The tenders were opened in a public session at the DoC on that same date. Five (5) bids from four (4) different bidders were received by the stipulated deadline. The bids were evaluated and the tender was awarded to London Economics which was the cheapest technically and administratively compliant tender submitted.

A letter of intent was sent to the contractor by the DoC on 23<sup>rd</sup> October and a kick-off meeting followed two-weeks after. On 5<sup>th</sup> November, the MA and London Economics met to discuss the way forward and provide further clarifications with regard to the objectives and expectations of this thematic evaluation. During the meeting, it was agreed that the kick-off meeting would be considered as the commencement date of this contract. During the same meeting the approach which London Economics will be using (in terms of the proposed methodology) to collect both qualitative and quantitative information in order to deliver this thematic evaluation's objectives, was thoroughly discussed.

The first draft Inception Report was submitted to the MA on 19<sup>th</sup> November. The Inception Report includes a definite work plan, a detailed timeline, and an in-depth description of the methodology, the tasks that will be undertaken, the resources expected to be used (or to be made available) and the evaluators' approach to eliminate risks underlying the project. It also incorporates the main issues discussed during the kick-off meeting and the way forward. The CVs of the "other experts" designated by London Economics were also annexed to the Inception Report. The MA has given its feedback on the Inception Report and was approved in quarter 1 of 2013. The first draft deliverable of the Thematic Evaluation will be provided to the MA in quarter 3 of 2013.

## **Ex-Ante Evaluation 2014-2020**

On 25<sup>th</sup> September 2012, the MA launched the tender dossier in preparation for the ex-ante evaluation on Structural Funds (ERDF, ESF and Cohesion Fund) for the next programming period. The deadline for submission of tenders was 16<sup>th</sup> October. The tender is envisaged to be contracted in quarter 1 of 2013 with work starting on this contract in quarter 2 of 2013.

The role of the ex-ante evaluation is being re-enforced in the new programming period since future Cohesion Policy should be strongly oriented towards results in order to contribute to the EU's strategy for smart, sustainable and inclusive growth (Europe 2020 strategy). Under the new regulation, the aspects to be assessed by the ex-ante evaluation are more extensive and include aspects which go beyond the strategy and content of the programme such as the adequacy of human resources and administrative capacity for the management of the programme. Article 48 (1) of the Common Provision Regulation specifically requires Member States to carry out an ex-ante evaluation for each Operational Programme in order to improve the quality of the design of each programme. In accordance with Article 48 (2), ex-ante evaluation(s) should be submitted to the CION together with the Operational Programme(s).

Apart from the objectives mentioned above, the ex-ante evaluation aims to:

- Accompany the Programme's development and provide relevant input with regard to the quality and design of the draft Programme(s) and verify that the objectives and targets mentioned therein can be reached and the strategy and objectives proposed are relevant to the national needs;
- Assess whether the approach taken in the development of the Operational Programme(s) is coherent and consistent with national and EU policies;
- Provide an assessment of whether the issues presented in the draft Partnership Contract/Agreement and Operational Programme(s) have been diagnosed correctly and identify any gaps therein; and
- Assess whether the assumptions concerning 'expected results' and 'impacts' are consistent with the resources available and establish a basis for effective monitoring and evaluation.

## **Strategic Environmental Assessment 2014-2020**

The Strategic Environmental Assessment (SEA) for Cohesion Policy 2014-2020 was launched on the market on 16<sup>th</sup> November 2012. The deadline to submit the tenders was 7<sup>th</sup> December and two (2) bids were received by the stipulated deadline. By end of this reporting year, the Evaluation Committee was still evaluating the tenders received.

It is foreseen that the SEA will be done in parallel with the drafting of the Partnership Agreement/Contract, Operational Programme(s) and the ex-ante evaluation. Its main objective is to fulfil the requirements of Article 48 (4) of the Common Provision Regulations, which includes (but is not limited to):

- Undertaking the necessary screening and scoping phases of the SEA procedure in respect of the Operational Programme/s;
- Ensuring conformity of the Operational Programme/s with the SEA procedure;
- Preparing the environmental report on the basis of the SEA Regulations (Secondary Legislation 504.102 of the Laws of Malta);
- Facilitating consultations and/or make recommendations on how the results of the report/consultations are to be integrated in the new Programme;
- Working closely with other contractors, in particular with the contractor entrusted with the compilation of the ex-ante evaluation, in order to determine linkages and avoid duplication; and
- Holding meetings as may be required with the competent and designated authorities as well as other public and private stakeholders in order to discuss findings.

### **External Evaluations**

Ex-post evaluation of Cohesion Fund (including former ISPA) – Work Package E APPLICA sprl, on behalf of DG-REGIO, contacted the MA regarding Malta's country report on the ex-post evaluation of Cohesion Fund 2004-2006. Although the initial data gathering phase had taken place in 2009, the presentation on such reports was held in Brussels on 10<sup>th</sup> May 2012. Consequently, the report was verified and updated together with the EU Funds - Policy Coordination Office within OPM and the EU Paying Authority Directorate within MFEI, in order to give a coherent picture of the 2004-2006 Cohesion Fund which was used to upgrade three sections of the road network and to modernise the Sant' Antnin waste treatment and recycling facility. The MA submitted its feedback on 6<sup>th</sup> June.

Climate Change Adaptation and Cohesion Fund - Milieu Ltd, on behalf of DG-Clima, conducted an online survey as part of the work supporting the European Commission's Adaptation Strategy for Climate Change. The survey sought to identify how climate change and adaption is currently being tackled in Member States in Cohesion Policy programmes and projects; how consideration of climate change adaptation is likely to change in the next programming period; and the current capacities and barriers to address climate change adaptation in Cohesion Policy programmes and projects. The online survey was submitted by the MA on 11<sup>th</sup> July.

Implementation of Financial Engineering Instruments - The European Investment Bank Group, in close co-operation with the CION, has asked a consulting consortium comprising of Mazars, ECORYS and the European Policy Research Centre to conduct a study on Financial Instruments in

Member States. The aim was to carry out an analysis on the experiences to date with Financial Engineering instruments under Structural Funds and to provide lessons learnt for the next programming period. In order to fill in such questionnaire further information on JEREMIE Initiative was needed are therefore the Bank of Valletta as the Financial Intermediary and MFEI as the responsible Ministry were contacted. Furthermore, an interview was held between the Director-General (PPCD) and E-cubed consultants in order to further discuss the implementation of Financial Engineering Instruments in Malta, most specifically, the JEREMIE Initiative. The interview was held in August while the questionnaire was submitted in September 2012.

## **Capacity Building**

- **Participation in the Joint DG-REGIO and DG-EMPL Evaluation Network Meeting**

The MA participated in the Joint DG-REGIO and DG-EMPL Evaluation Meeting which was held in Brussels between 15<sup>th</sup> and 16<sup>th</sup> March. During the meeting, the draft guidance document on ESF Monitoring and Evaluation for the programming period 2014-2020 was presented together with the Joint Guidance Document of ESF and ERDF on the ex-ante evaluation for the new programming period.

- **Seminar on Ex-Post Evaluation of Cohesion Fund (including former ISPA) Work Package E**

A seminar by DG-REGIO on the ex-post evaluation of Cohesion Fund 2004-2006 was organised on 10<sup>th</sup> May in Brussels. During this meeting, APPLICA sprl presented its results on this study. The main points of discussions were the pace of project implementation; project preparation and the use of Cost-Benefit Analysis; deficiencies in the data available for carrying out the evaluation; the achievements of the transport and environmental projects undertaken; the management and implementation system; and the rationale and focus of Cohesion Fund. A country report was drawn up for each Member State and the members present had to submit their feedback as explained under the 'External Evaluations' section above.

- **DG-REGIO Evaluation Network Meetings**

The Evaluation Network Meeting was held between 21<sup>st</sup> and 22<sup>nd</sup> June in Brussels. The main topics discussed were the pilot exercise on future result indicators, the ex-ante evaluation guidance, the European Investment Bank contribution to Cohesion Policy and the transport sector developments in Hungary, and the ex-post evaluation of Cohesion Fund.

Another Evaluation Network Meeting was held between 22<sup>nd</sup> and 23<sup>rd</sup> November in Brussels. During such meeting, the participants mainly discussed the common indicators of infrastructure, energy and climate change, innovation and productive investment, and social infrastructure and urban infrastructure for the programming period 2014-2020.

## 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 , by the end of 2012 a total of twenty-two (22) operations were being implemented under this Axis, divided into fifteen (15) projects<sup>148</sup>, six (6) Aid Schemes<sup>149</sup> and one (1) financial engineering instrument (FEI)<sup>150</sup>. The objectives of these projects range from the upgrading of research and testing facilities (both in terms of equipment and infrastructure), specialised infrastructure for the development of a life-science sector in Malta, the upgrading and embellishing of industrial estates, to the setting up of enterprise infrastructure to enable and foster investment and entrepreneurship in Malta and other assistance to enterprises in terms of grants and measures intended to facilitate access to finance.

Table Project Approval History under PA 1

Call:	Closing date:	Focus Areas <sup>151</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<sup>152</sup></b> (ERDF 127, 128a, 128b, 129, 130 and 134)
N/A	N/A	FE	<b>1 Financial Engineering Instrument<sup>153</sup></b> (ERDF 200)

During 2012 the MA issued another call for projects proposals under the focus area *Investment in RTDI and RTDI-related infrastructure and ICT*, in order to commit the remaining amount allocated under PA 1.

<sup>148</sup> ERDF 001, 011, 012, 017, 018, 076, 077, 078, 079, 080, 081, 082, 083, 087 and 199.

<sup>149</sup> ERDF 127, 128a, 128b, 129, 130 and 134.

<sup>150</sup> ERDF 200.

<sup>151</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.

<sup>152</sup> The Covenant Agreement between the MA and the IB was signed on 20 January 2009.

<sup>153</sup> The Operational Agreement between the EIF and BoV was signed on 6 April 2011.



## Mainstream Projects

The beneficiaries of the mainstream projects under PA 1 are the University of Malta (UoM), with eleven (11) projects and the Malta Council for Science and Technology (MCST) with one (1) project under the focus area of *Investment in RTDi and RTDi-related infrastructure and ICT*, as well as the Malta Competition and Consumer Affairs Authority (MCCAA) and Malta Enterprise/Malta Industrial Parks with one (1) and two (2) projects respectively being implemented under the focus area *Enterprise Infrastructure*.

Out of the fifteen (15) projects under the two focus areas mentioned above, two projects were completed during 2012, bringing the total number of completed projects to eleven (11)<sup>154</sup>, or almost 75% of the total projects approved under PA 1. The remaining projects are still ongoing with three (ERDF 017, ERDF 087 and ERDF 001) expected to be completed in 2013.

Progress on the four (4) ongoing projects is reported in 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*” – aims at supporting the growth of new enterprises with less than fifty (50) employees. The scheme reimburses 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 co-finances 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 co-finances 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 co-finances ICT hardware costs and ICT software costs;
- ERDF 130 “*Research & Development Grant Scheme*” – is designed to help enterprises meet today’s business challenges by supporting them carry out R&D projects leading to new

<sup>154</sup> ERDF 011, 012, 018, 076, 077, 078, 079, 080 and 082 were completed by 2011, whilst ERDF 081 and 083 were completed during 2012.

products, processes and services. The scheme co-finances 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 reimburses 50% of the marketing costs, trade fair costs, product certification and the wage costs of a business development manager as part of a specified internationalisation project.

In 2012, a total of sixty-five (65)<sup>155</sup> new GAs were signed between ME and SMEs under the six (6) Aid Schemes, under PA 1, bringing the total number of signed GAs to 308. Table shows a breakdown of the signatories of the GAs under each scheme divided by size of Enterprise and territory (Gozo and Malta). Out of the 308 beneficiaries, twenty (20) were comprised of companies based in Gozo.

**Table Total GAs Signed Between ME and Beneficiaries as at End 2012**

Reference:	Scope:	Maltese Entities:					Gozitan Entities:					Total:
		MI <sup>156</sup>	SM	ME	LR	T	MI	SM	ME	LR	T	
ERDF 127	Small Start-ups	21	9	N <sup>157</sup>	N	30	2	0	N	N	2	32
ERDF 128a	Innovation	29	30	15	N	74	8	1	2	N	11	85
ERDF 128b	Environment	8	6	2	N	16	2	1	1	N	4	20
ERDF 129	E-Business	30	18	21	N	69	0	0	0	0	0	69
ERDF 130	R&D	5	16	4	4	29	0	0	0	0	0	29
ERDF 134	International Competitiveness	24	30	13	3	70	1	0	2	0	3	73
<b>Totals:</b>		<b>288 (93.5%)</b>					<b>20 (6.5%)</b>					<b>308</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, i.e. 8.3% of the total PA allocation.

<sup>155</sup>Eight (8) new GAs under ERDF 127, twenty eight (28) under ERDF 128a, seven (7) under ERDF 128b, six (6) under ERDF 130 and sixteen (16) new GAs under ERDF 134.

<sup>156</sup>Legend: “MI” – Micro enterprises; “SM” – Small enterprises; “ME” – Medium enterprises; “LR” – Large enterprises; “T” – Total.

<sup>157</sup>Legend: “N” – Not eligible.

Following the 2010 Call for Expression of Interest, in March 2011 Bank of Valletta (BoV) was chosen as the Financial Intermediary (FI). BoV, as the selected FI, was entrusted with the task of creating a portfolio of €51.04 million in eligible loans<sup>158</sup>.

By end of 2012, 79% of the total loan portfolio or €40.32 million was committed with €27.08 million being actually disbursed. Up to December 2012, 482 transactions, covering both Maltese and Gozitan enterprises were signed. This committed amount involved 434 SMEs, due to the success of the aggressive publicity and marketing activities, which lead to an increase in public awareness and take-up and which were described in further detail in Chapter 2 of this report.

### 03.1.2 Information on the Physical and Financial Progress

#### Physical Progress

- **Mainstream Projects**

As mentioned above, as at end 2012, under this PA, eleven (11) projects were completed. These projects, ten (10) of which managed by the UoM as the beneficiary and one (1) managed by MCST, are the following:

- ERDF 11 *Furnishing & Equipping of Chemistry & Biology Building Extensions*, which provided 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 12 *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 through the rapid design and development of innovative products and the redesign of existing products;
- ERDF 18 *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;

---

<sup>158</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.

- ERDF 76 *Refurbishing the Signal Processing Laboratory within the Department of CCE*, which entailed the refurbishing of the Signal Processing Laboratory within the Department of Communications and Computer Engineering at the University of Malta with state of the art equipment to capture, process and present multimedia signals for various applications;
- ERDF 77 *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 78 *Upgrading of Giordan Lighthouse global Atmospheric Watch (GAW) Research Station* brought about an upgrade to the present instrument measuring facility for atmospheric research at Giordan lighthouse in Gozo and the corresponding laboratory and 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 79 *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;
- ERDF 80 *A Super-Computing Laboratory for the University of Malta* aimed at building a state of the art computing facility for the University of Malta and for use by research-performing SMEs;
- ERDF 81 *Enhancing Health Biotechnology Facilities at the University*, which provided for the enhancement of the Health Biotechnology facility that will improve Malta's research and development potential in the fields of genetics, cellular physiology and pharmacogenomics;
- ERDF 82 *Modernizing the University of Malta's Control Systems Engineering Laboratory* which modernized the infrastructure of the Control Systems Engineering Laboratory through the replacement of presently-used equipment (which is largely obsolete) and the provision of new equipment that was not available in the laboratory; and
- ERDF 83 *Manufacturing Research Platform* which entailed the establishment of a research platform in the area of manufacturing to facilitate and accelerate the transformation of local industry to higher value-added activity. It also undertook three research projects in areas of general interest.

These investments increased the University's capacity to address modern teaching and research activities in the various corresponding areas as well as provided assistance to the local manufacturing industry by means of research collaborations between industry and the academia from the University of Malta. The equipment procured under all the above projects is available to lecturers, students and researchers and the target groups of these projects form part of both academia and the industry, the latter especially benefitting both directly (through research collaboration) and indirectly (through the provision of better trained S&T graduates).

The remaining four (4) projects under implementation saw significant progress in 2012. The upgrading and embellishment of industrial estates under ERDF 001 continued, with substantial progress registered on the ground. In 2012, three (3) DoC contracts were signed, for works in relation to two (2) Child Care facilities in Mosta and Kordin, and one (1) for the Project Management Services linked to the latter site. The contracted amount as at December 2012 totals to €14,152,244 (85% of the project's public eligible value – €16,568,200). Both Bulebel and Hal Far sites are nearing completion. Furthermore, substantial physical progress was observed at the Kordin Industrial Estate, whereas works commenced at Xewkija Industrial Estate and Mosta Child Care Centre. The total amount of payments during 2012 was of €2,191,176 bringing the total payment on the project to €9,741,606 or 69% of the contracted value.

The merging of 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. The public eligible cost of this project is of € 22,003,226. A Grant Agreement (GA) superseding the conditions attached to the GA of ERDF 084 (signed on 21 May 2009) and revoking the approval issued on the original application submitted for ERDF 004, was signed in May 2012.

Besides the finalisation of the Grant Agreement, 2012 also saw progress in the works on the ground related to the Life Sciences Centre, with the completion of the Enabling Works on the ground, the procurement and award of the contract for the Civil Works and the publication of the M&E works tender. Payments in 2012 amounted to €4,450,931, which bring the total disbursement to €5,699,174, which is 37% of the total contracted value (€ 15,360,126).

Works continued on the building of the new ICT Faculty at the University of Malta (ERDF 017). The sub-structure and superstructure works were completed with the exception of some minor works. Remaining works relate mostly to the finishes contract. This project is expected to be completed by the second quarter of 2013 enabling it to start receiving students as from the 2013/2014 academic year. €8,021,807 were disbursed in 2012, with total disbursement amounting to €12,890,850, or 79% of the contracted value (€ 16,292,419).

As far as the *Metrology Laboratory* (ERDF 087) is concerned all contracts foreseen under this project were contracted and disbursed by end of 2012. The accreditation component still needs to be completed. However, since the accreditation will be carried out by the National Accreditation Board in Malta which forms part, for accounting purposes, of the Beneficiary's internal structure, the cost related to it will be disbursed from the Beneficiary's own funds.

- **Aid Schemes**

In 2012, a third call under ERDF 130 and a fourth call under ERDF 127, ERDF 128a, ERDF 128b and ERDF 134 were issued. A total of 180 applications were received out of which seventy-five (75)<sup>159</sup> applications were deemed successful. Sixty-five (65) Grant Agreements were signed in 2012 bringing the total public eligible value contracted under this Axis for these Schemes to €20,968,349; up from €18,164,406 in 2011. Disbursements are still low however and administrative requirements are not being observed, with many of the Beneficiaries failing to provide completed or correct documentation as required. Some also failed to understand the importance of following the spirit of the public procurement regulations for the procurement of works, services and supplies. This has often resulted in delays in the processing of claims and eventual verification and certification. Further details on the financial progress of the schemes are provided in Section 03.1.3.

### Progress on Indicators

**Table Priority Axis 1 Indicators**

Indicators		2007 - 2011	2012	Total
<b>Output Indicators</b>				
No of new/upgraded industrial zone projects by the end of 2013 [A1O01]	Achievement	6	6	6 <sup>160</sup>
	Target	n/a	n/a	5
	Baseline	n/a	n/a	n/a
No of SMEs receiving grants [A1O03]	Achievement	291	356	356
	Target	n/a	n/a	450
	Baseline	n/a	n/a	n/a
No of RTDi projects (core indicator)	Achievement	11 <sup>161</sup>	11	11

<sup>159</sup> Fourteen (14) applicants under ERDF 127, twenty eight (28) applications under ERDF 128a, seven (7) under ERDF 128b, six (6) under ERDF130 and twenty (20) under ERDF 134

<sup>160</sup> This reflects projects approved that will intervene in six (6) different industrial estates in Malta and Gozo.

<sup>161</sup> Corrigendum: AIR 2011 recorded 9. This should read 11.

[A1O04]	Target	n/a	n/a	15
	Baseline	n/a	n/a	n/a
No of new/modernized specialized learning facilities constructed/refurbished [A1O05]	Achievement	24	22	22 <sup>162</sup>
	Target	n/a	n/a	22
	Baseline	n/a	n/a	n/a
No of SMEs benefiting from JEREMIE Financial Instrument [A1O08]	Achievement	n/a <sup>163</sup>	434	434
	Target	n/a	n/a	500
	Baseline	n/a	n/a	n/a
No of enterprises assisted (Non-SMEs) [A1O07]	Achievement	0	0	0
	Target	n/a	n/a	9
	Baseline	n/a	n/a	n/a
<b>Result Indicators</b>				
No of new enterprises (local and foreign)/expansions in sites upgraded [A1R01]	Achievement	0	0	0 <sup>164</sup>
	Target	n/a	n/a	25
	Baseline	n/a	n/a	n/a
No of start-up businesses supported (core indicator) [A1R03]	Achievement	3	12	12
	Target	n/a	n/a	40
	Baseline	n/a	n/a	n/a
No of SMEs launching new or improved product or processes [A1R04]	Achievement	35	49	49
	Target	n/a	n/a	40
	Baseline	n/a	n/a	n/a
No of SMEs improving their use of ICT for e-business [A1R05]	Achievement	10	38	38
	Target	n/a	n/a	49
	Baseline	n/a	n/a	n/a

<sup>162</sup> The operations contributing towards this indicator are: one (1) each under ERDF017, 076, 077, 078, 079, 080 and 082; two (2) each under ERDF 011, 012, and 087; three (3) under ERDF 018, and six (6) under ERDF 081.

<sup>163</sup> This indicator was introduced with the approval of the OP change in May 2012.

<sup>164</sup> All relevant projects are still ongoing (ERDF 001 and 199).

No of SMEs improving their market penetration efforts [A1R06]	Achievement	33	49	49
	Target	n/a	n/a	55
	Baseline	n/a	n/a	n/a
No of SMEs assisted in environmentally sensitive technologies, operating systems and processes [A1R07]	Achievement	14	16	16
	Target	n/a	n/a	35
	Baseline	n/a	n/a	n/a
No of enterprises involved in networking and new collaboration with other businesses and academia (core indicator) [A1R08]	Achievement	13 <sup>165</sup>	28	28
	Target	n/a	n/a	10
	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	1.78 <sup>166</sup>	31.63	31.63
	Target	n/a	n/a	45%
	Baseline	n/a	n/a	3,092
% increase of students registrations of S&T related studies at Secondary Level by 2015 [A1R10]	Achievement	n/a	n/a	0
	Target	n/a	n/a	10
	Baseline	n/a	n/a	n/a
Investment induced through JEREMIE Financial Instrument [A1R11]	Achievement	n/a <sup>167</sup>	€27.08 m	€27.08 m
	Target	n/a	n/a	€40 million
	Baseline	n/a	n/a	n/a

As can be seen from Table , a general increase in the achievement of the indicators has been recorded during 2012. In the case of the number of new/modernized specialized learning facilities constructed/refurbished, the target has already been reached. In other instances, the target has not only been reached but also surpassed<sup>168</sup>, such as in the case of

- the number of new/upgraded industrial zone projects by the end of 2013; and

<sup>165</sup> Corrigendum: AIR2010 reported as 33. This was due to a typing error.

<sup>166</sup> Corrigendum: AIR2010 reported 1.075

<sup>167</sup> Not recorded. This indicator was introduced with the approval of the OP changes in May 2012

<sup>168</sup> Within AIR for 2011, the indicator No of new/modernized specialized learning facilities included an instance of double counting that has been rectified for the reporting period December 2012.



- the number of enterprises involved in networking and new collaboration with other businesses and academia<sup>169</sup>.

Some indicators, such as the number of SMEs benefiting from JEREMIE Financial Instrument, the number of enterprises assisted (Non-SMEs), the percentage increase of student registrations of S&T related studies at Secondary Level by 2015 and the investment induced through the JEREMIE Financial Instrument were introduced in the OP following the approval of changes in May 2012. The changes in the OP also affected the targets of the number of RTDi projects, the number of start-up businesses supported, the number of SMEs launching new or improved product or processes, the number of SMES improving their market penetration efforts and the number of SMEs assisted in environmentally sensitive technologies, operating systems and processes. In this case, the targets of these indicators were adapted to provide a more realistic and representative picture of the progress in their achievement taking into account the funds committed (due to an increase in the schemes allocation) and the situation at the time of the OP change (in terms of achievement).

### 03.1.3 Financial Analysis

Table Priority Axis 1 - Financial Progress

Priority Axis	Total contribution	Financial Progress			
		Commitments <sup>170</sup>	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 1 (ERDF) Enhancing Knowledge and Innovation	€120,000,000	€108,061,968	€60,542,788	90.1%	50.5%

### 03.1.4 Qualitative Analysis

By the end of 2012, the amount committed under this Axis was €108,061,968 (or 90% of the allocation under PA 1). Comparison of the commitment value with previous years (€108,362,783 in 2011), could be misleading, since this value has been and can still be revised depending on, amongst other things, any savings, irregularities and contingencies returning to the programme allocation once projects are completed.

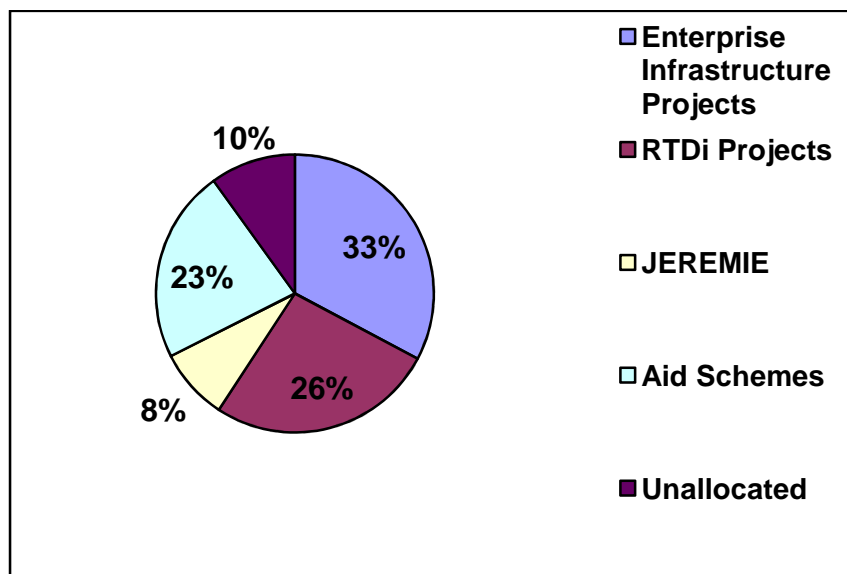
<sup>169</sup> Even though this target has been overachieved, a decrease of 5 is being reported from 2011. This is due to the fact that the tweaking of the reporting system indicated that there was a double count of 5 which had not been inputted cumulatively.

<sup>170</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 €20,968,349 as at end 2012. The amount committed is taken to be €27,000,000.

The remaining balance of €11,938,032 is planned to be allocated through the call launched in mid-2012 (following the aforementioned approval of OP changes in May 2012). The evaluation of this call is expected to be concluded during 2013.

Figure shows the split between the different interventions being undertaken through Axis 1 and the unallocated amount as a percentage of the total PA allocation.

Figure Priority Axis 1 Commitments



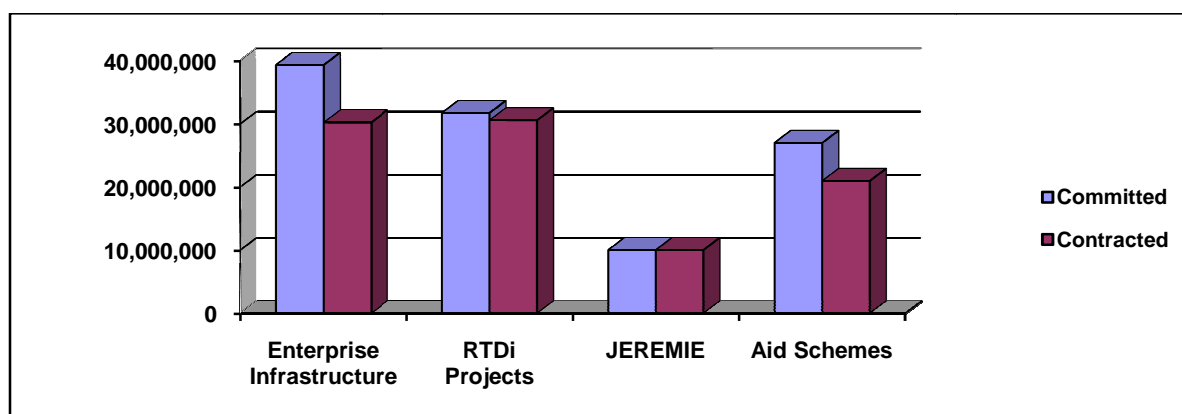
In terms of implementation, by the end of 2012, the total value of the eleven (11) projects concluded amounted to €14,424,882 or 13% of the total committed amount.

With regard to contracting, the total amount contracted under PA 1, when including the contracting (in terms of signed Grant Agreements) carried out under the Aid Schemes, as well as the JEREMIE<sup>171</sup> allocation, is €91,748,058 or 85% of the committed amount. The committed amount that still needs to be contracted (15%) reflects the final contract under ERDF 001 which was in appeal stage as at end 2012, and the contracts which are still to be evaluated or launched under ERDF 199. It is envisaged that all remaining contracts under these two projects will be contracted by mid 2013.

Out of the contracted amount of €91,748,058, €18,612,562 were disbursed in 2012, bringing the total amount disbursed by the end of 2012 to €60,542,788, or 66% of the total contracted amount. The main contributor to the payments in 2012 was ERDF 017, with a value of €8,021,807 being disbursed in 2012, followed by ERDF 199. In the case of the latter, a total of €4,440,931 were disbursed in 2012.

<sup>171</sup> For the purposes of calculating the "contracted" amounts, JEREMIE is taken as €10,000,000 and Aid Schemes €20,968,249. The commitment, disbursement and certified amounts under JEREMIE are €10,000,000.

Figure Comparison between Commitments and Contracting for Projects and Aid Schemes Under PA 1



With respect to disbursement, with the completion of eleven (11) projects as mentioned earlier, total payments to date for RTDi projects amounted to €27,082,129<sup>172</sup>, which is equivalent to 85% of the committed amount of the focus area. Under Enterprise Infrastructure, the total disbursement as at end 2012 amounted to €16,136,192, or 41% of the total committed amount of the focus area.

In terms of verifications and in preparation to the four (4) SOE verifications<sup>173</sup> held in 2012, twenty-two (22) documentary OTS verifications and eight (8) physical checks were undertaken in 2012.

Expenditure related to PA 1 projects was included in all four (4) SoEs verifications. By the end of 2012, €48,134,119 were certified, representing 82.1% of the total amount disbursed under this Axis.

Table Financial Progress Under PA 1 as at End of 2012

	Mainstream Projects	JEREMIE	Aid Schemes	Total PA 1
<b>Allocation</b>	N/A	N/A	N/A	€120,000,000
<b>Committed</b>	€71,061,968	€10,000,000	€27,000,000	€108,061,968
<b>Contracted</b>	€60,779,709	€10,000,000	€20,968,349	€91,748,058
<b>Disbursed</b>	€43,218,321	€10,000,000	€7,324,467	€60,542,788
<b>Certified</b>	€32,879,289	€10,000,000	€5,254,829.84	€48,134,119

### Further details on Aid Schemes

<sup>172</sup> Taking into account adjustments carried out following recovery of costs deemed ineligible following the issue of Irregularity Reports.

<sup>173</sup> March 2012; July 2012; October 2012; November 2012.

As far as Aid Schemes are concerned, a further €4,951,179.29 were contracted during 2012, resulting in a cumulative total of €20,968,349 contracted under all six (6) Aid Schemes by the end of year, representing 78% of the €27,000,000 allocation to Aid Schemes under this Axis, as shown in Table .

**Table Financial Summary of Approved Grants**

Reference	Scope	Allocation	Contracted	%age contracted	Remaining:	%age remaining
ERDF 127	Small Start-ups	€2,500,000	€1,984,963	79.4%	€515,037	20.6%
ERDF 128a	Innovation	€7,000,000	€6,693,617	95.6%	€306,384	4.4%
ERDF 128b	Environment	€3,000,000	€1,344,834	44.8%	€1,655,166	55.2%
ERDF 129	E-Business	€3,500,000	€2,795,513	79.9%	€704,487	20.1%
ERDF 130	R&D	€4,500,000	€3,718,029	82.6%	€781,971	17.4%
ERDF 134	International Competitiveness	€6,500,000	€4,431,394	68.2%	€2,068,606	31.8%
<b>Totals:</b>		<b>€27,000,000</b>	<b>€20,968,349</b>	<b>77.7%</b>	<b>€6,031,651</b>	<b>22.3%</b>

Total payments under the six (6) Aid Schemes during 2012 alone amounted to €3,190,746.85,<sup>174</sup> bringing the total cumulative amount disbursed under the Aid Schemes as at 31 December 2012 to €7,324,467. This increased IB activity is also visible in the number of spot checks, totalling sixty-two (62)<sup>175</sup> in 2012. This meant that €2,374,997 could be certified during 2012 as per Table .

**Table Certified Amounts Under the Aid Schemes**

Reference	Certified in 2012 Only	Cumulative Certification by End 2012
ERDF 127	€373,666	€389,758
ERDF 128 (A)	€788,947	€3,421,606
ERDF 128 (B)		
ERDF 129	€437,001	€590,258
ERDF 130	€352,910	€417,235
ERDF 134	€422,473	€435,973
<b>Total</b>	<b>€2,374,997</b>	<b>€5,254,830</b>

<sup>174</sup> Disbursement in 2012 was as follows: €545,460.40 under ERDF 127; €511,889.29 under ERDF 128a; €112,120.00 under ERDF 128b; €845,116.38 under ERDF 129; €401,320.14 under ERDF 130; and €774,840.64 under ERDF 134.

<sup>175</sup> Fifteen (15) verifications were carried out under ERDF 127, fourteen (14) under ERDF 128a and ERDF 128b, twenty nine (29) under 129, three (3) under ERDF 130 and one (1) under ERDF 134.

### 03.1.5 Significant Problems Encountered and Measures Taken to Overcome Them

Due to the variety in the nature and size of projects under this Axis, one cannot speak of horizontal problems that were identified.

The main difficulties faced during the implementation of PA 1 projects were due to delays during the original preparations of the project (the preparation of the necessary environmental studies and the issuing of the development consents), procurement process (the design of tenders and the vetting of the tender dossiers as well as delay in the evaluation and the preparation of the contract), delays ensuing during the implementation and execution of works, capacity challenges (staff turnover and the necessary learning curve for newly recruited personnel), as well as unexpected hitches faced during the works and the ancillary delays in getting such changes vetted by the DoC.

Out of the fifteen (15) projects under this PA, eleven (11) were mostly related to upgrading of existing facilities via the procurement of new equipment, with no works component included therein. Whilst this was in part an advantage, the fragmentation of tenders (due to the different nature of equipment needed) strained the administrative capacity at all levels (beneficiary, DoC and the MA).

At the UoM (which implemented 10 (ten) of such projects), this problem was mitigated in part with the help of the Projects Administration Office at UoM, which was set up to help Project Leaders on administrative issues, allowing the latter to focus on the technical side of the projects.

On the other hand, ERDF 017 consisted of three (3) main construction tenders won by two (2) different contractors. This was in itself a challenge and sometimes resulted in compounded delays (late hand-over of site, discrepancies in the handed-over substructure).

In terms of ERDF 001 and 199, the main issues were related to delays faced in the issuing of development permits, together with pre-contracting vetting delays at DoC level. Due to such delays, the process of publishing and awarding the contracts and therefore the implementation of works on the ground were negatively affected. With regard to ERDF 001, such setbacks led to the project duration being extended by 17 months until December 2013. In fact, works on the Xewkija Industrial Estate and Mosta Child Care Centre could only commence in 2012. Similarly to ERDF 017, these issues were tackled via daily monitoring by the MA to ensure that the necessary studies were submitted to MEPA on time, as well as regularly raising such concerns and discussing them during the Project Progress Meetings chaired by the Principle Permanent Secretary so that commitments from all parties concerned are ensured and followed up. The setting of such formal commitments proved much necessary and useful to avoid further delays.

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

Notable progress, albeit not at the desired pace, continued to be registered in the projects implemented under Priority Axis 2. The approval of four projects in February 2012 (submitted under Call 10<sup>176</sup>) resulted in a 100% commitment of this Priority Axis with the total number of projects being implemented under this Priority Axis (including the tourism Aid Scheme) finally reaching twenty-one (21).

The total number of approved projects under PA 2 (including the Aid Scheme) is actually twenty-two (22) but a slight setback was incurred during the year under review when ERDF 145<sup>177</sup> *Reviving Cospicua's Architectural Soul through a series of Museum Spaces* was withdrawn in March as a result of the complications and eventual delays in the issuing of the relevant MEPA permits, making it impossible to implement the project and disburse its €1.2 million budget.

During the same year under review, another project – ERDF 24 *Upgrading of Villa Rundle Gardens* was successfully completed and fully disbursed<sup>178</sup> (with a total disbursement of € 1,951,561), making it the third project to be completed project under this axis and the second project to be completed in the island of Gozo, after ERDF 22 (*Wied il-Mielah - Towards an Ecologically and Culturally Sensitive, Sustainable Tourism*) which had been completed in 2010. Therefore, to sum up, this means that out of twenty-one (21) approved mainstream projects under PA 2, three (3)<sup>179</sup> are now completed, one<sup>180</sup> (1) was withdrawn and seventeen (17)<sup>181</sup> are still under implementation. Over and above, this axis foresees the implementation of a Tourism Aid Scheme (ERDF 135).

### Calls for Project Proposals

There were no calls for project proposals under this axis in 2012 and, as stated above, the approval of four (4) new projects (after a call published in May 2011) resulted in the full commitment of the Axis allocation. The newly approved projects are ERDF 244 *Fort St Elmo Heritage Experience - Museum and Rampart*, ERDF 245 *Fort St Angelo Heritage Experience*, ERDF 246 *Implementation of the Cittadella Masterplan Recommendations – Gozo*, and ERDF 249 *Setting of an Integral, Archaeological and Historical Trail in Victoria*. In total, these 4 (four) projects have a total public eligible allocation of €42 million.

<sup>176</sup> ERDF 244, 245, 246, and 249

<sup>177</sup> Selected under Call 3 in 2008.

<sup>178</sup> Completion report is still to be submitted.

<sup>179</sup> ERDF 22, 24 and 155

<sup>180</sup> ERDF 145

<sup>181</sup> ERDF 31, 32, 33, 39, 140, 142, 147, 151, 205, 212, 213, 221, 226, 244, 245, 246 and 249

**Table Project Approval History Under PA 2**

<b>Call:</b>	<b>Closing date:</b>	<b>Focus Areas:</b> <sup>182</sup>	<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)
10 <sup>183</sup>	6 May 2011	PD, NM	<b>4 Projects</b> <sup>184</sup> (ERDF 244, 245, 246, 249)

### Mainstream Projects

The implementation of the seventeen (17) mainstream projects continued throughout 2012. However most projects experienced delays for similar reasons as mentioned above under PA 1. As a result of these delays, all projects that had to be completed in 2012 requested an extension and now expected to be completed in 2013<sup>185</sup>. The MA approved these extensions but it is acknowledged that this might prove costly in terms of Malta's N+3 commitments.

### Aid Scheme

The *Grant Scheme for Sustainable Tourism Projects by Enterprises* (ERDF 135), which provides assistance to tourism services operators in different areas, proceeded with its implementation in 2012. As at end 2012, one hundred and four (104) Grant Agreements<sup>186</sup> had been signed from the proposals submitted under the three calls.

<sup>182</sup> Legend: PD – Product Development; NM – Niche Market Development & Branding; AS - Aid Schemes to Tourism/Cultural Undertakings.

<sup>183</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>184</sup> These projects were only approved in 2012 and are thus outside the scope of this report.

<sup>185</sup> ERDF 140 from March 2012 to June 2013; ERDF 142 from December 2012 to June 2013; ERDF 147 from September 2011 to June 2013; ERDF 151 from March 2012 to December 2013; ERDF 212 from September 2012 to March 2013; ERDF 213 from December 2012 to March 2013; ERDF 221 from September 2012 to March 2013.

<sup>186</sup> 25 Grant Agreements under Call 1, 46 Grant Agreements under Call 2 and 33 Grant Agreements under Call 3.



## 03.2.2 Information on the Physical and Financial Progress

### Physical Progress

- **Mainstream Projects**

The largest project being implemented under this PA is ERDF 39 *Restoration and Rehabilitation of Historic Fortifications of Malta and Gozo* absorbing 27% of the €120,000,000 allocated for PA 2. By the end of 2012, the project, which has a total public eligible budget of € 32,268,510, had contracted 87% (€28,185,780) and disbursed 55% of the project public eligible allocation (€17,576,116). Even though the sum of €6,514,625 was disbursed in 2012, the project still continued to experience severe delays, mainly due to its fragmented procurement. In fact this project is made up of over sixty (60) contracts some of which suffered from unplanned delays due to appeals and/or the need to be re-issued. There were also instances where works on this project had to be postponed until works on some parts of the Valletta City Gate Project<sup>187</sup> were completed. On a positive note, during 2012, the beneficiary managed to conclude over twenty-one (21) contracts worth over €7 million in total. This level of contracting will now allow the beneficiary to focus more on the physical implementation of the project and the disbursement of funds allocated. Having said that, despite the fact that some parts of the Valletta, Birgu, Mdina and Cittadella fortifications are at an advanced stage of their restoration process, it is still likely that the project will continue to run up into the last months of 2014, mostly because of its magnitude and complexity, and the delicate nature of the works involved.

Regrettably 2012 was not a very positive year for a similar project in its nature, albeit on a smaller scale: ERDF 32 *Archaeological Heritage Conservation Project*, which is being implemented by Heritage Malta. Of the planned disbursement of €3.1 million for 2012, only €719,814 were disbursed and by the end of the year, overall disbursement stood at a disappointing 19% of the total project public eligible value, namely €1,649,894 out of €9,163,522. Delays in procurement procedures, mainly due to re-issuing of tenders and appeals were exacerbated by further delays on the ground by the contractors who were awarded these tenders. The Beneficiary did however manage to conclude two (2) big contracts – one for the building of a visitors' centre next to St. Paul's catacombs, and the other for the infrastructural and civil works involved at the Ggantija temple. Both contracts were awarded for slightly over €2.3 million each. The Beneficiary also concluded the negotiations of the tender for the construction of a shelter on Tarxien temples for an estimated €2.2 million (though this was later hampered by an appeal) but the contract was still being finalised by year end. If one is to take into consideration achievement in terms of contracting, it means that the project has reached a contracted rate of over 72%. It is therefore estimated that once works on these three (3) contracts progress well, a constant flow of payments would be experienced. Furthermore it is to be noted that while the main works envisaged under this project are still at an early stage, many preparatory works (that tend to be

---

<sup>187</sup> A nationally-funded project.

time consuming and with low monetary value) had to be first undertaken, including surveys, documentation and studies of the historical sites. This step was completed in 2012.

Works on ERDF 33 *Tourism Zone Upgrade with Landscaped Urban Spaces and other Facilities* progressed well during 2012, both on the ground as well as in terms of disbursement. This public-private partnership project, with a total cost of €20,785,870, can be considered as fully contracted except for a small tender for the restoration of the Wignacourt Tower at St. Paul's Bay which is expected to cost around €100,000. All other tenders are now contracted and works are at an advanced stage. Works on the biggest tender which involves the design, building and operation of an aquarium<sup>188</sup>, have reached an implementation stage of close to 65%, while all works related to Pembroke gardens are now fully completed. These gardens were in fact opened for the general public on 31<sup>st</sup> July 2012. Works on the cycle track, the Garigue Heritage Park, and the St. Paul's promenade are also at an advanced stage, while the restoration of the Madiena Tower should be completed in the first months of 2013. In terms of disbursement, the project has disbursed 83% of the public eligible allocation - €11,651,513 out of €14,004,464 (of the public eligible part).

2012 also saw the first disbursement on projects implemented by Local Councils selected under Call 8 in 2010, namely ERDF 205, 212, 221, 213 and 226. The pace of implementation however, varied considerably. While ERDF 221 *Birkirkara Heritage Route: Discovering our past by uncovering Historical Gems* managed to disburse over €304,000 and bring the project to a near completion, ERDF 226 *Peacock Gardens - Cultural Urban Landscapes for Tourism Sustainability* has barely commenced because of implementation and MEPA issues on the ground. Disbursement is in fact just over 5%. ERDF 213 *Sustainable Tourism in a Village of Culture and Heritage* was still less than half way through in terms of disbursement due to a number of issues with the works' contractor. The project was in fact extended till the first quarter of 2013. Similarly, ERDF 212 *The Regeneration of the Tourism Market in Marsaskala* was also extended till end March 2013 due to delays on the ground<sup>189</sup>. This project disbursed less than 48% of the total project eligible cost despite a planned completion by the end of 2012. Disbursement on ERDF 205 *Regenerating Balzan Square and implementing a Tourist Heritage Trail* was also relatively low at just €174,961, which means that the project which has a target completion by June 2013, is also lagging behind in terms of implementation and related disbursements.

Over €272,158 were contracted under ERDF 151 *Renewed Visitors Venue (REVIVE)* which is the only project implemented in Malta by a voluntary organisation under this PA. The project ran into a number of implementation problems, mainly due to the water seepage from the Upper Barrakka Gardens. Even though the project was earmarked to be completed by the end of 2012, disbursement was still less than 60% and the project had to be extended until end 2013. This is however expected to pick up once the works tender for the Counter Guard, Garrison Crypt and Old Headquarters, is

<sup>188</sup> €8,850,000 from public funds and €6,591,905 from private funds.

<sup>189</sup> The project was in fact completed by end March 2013 as per extended deadline.

awarded. Contracts signed during the year under review are: the tender for the works on the Saluting Battery; the tender for the Supply of the Audio Guides; the tender for asbestos removal; and another related to publicity.

Considerable activity also started taking place in relation to the four (4) approved projects under Call 10 during 2012. ERDF 244 *Fort St Elmo Heritage Experience - Museum and Rampart* has already contracted €6,501,671 of its budget of €15,345,000. These include the contract for the restoration of the Fort, awarded for nearly €4 million, and the restoration of Carafa Enceints for nearly €1.9 million, which resulted in €576,726 being disbursed by end of year. In the case of ERDF 245 *Fort St. Angelo Heritage Experience* less activity was registered. Two tendering procedures were launched during 2012 – one for the restoration of the historic fabric of Fort St. Angelo for an estimated value of €7.6 million, and the other, an Expression of Interest for the Design and Build of Infrastructural Works, for an estimated value of €5.4 million. With regard to ERDF 246 *Implementation of the Cittadella Masterplan Recommendations*, no activity was registered in 2012 (the only tender awarded was that for the Cost-Benefit Analysis of the project). Finally, ERDF 249 *Setting of an Integral Cultural, Archaeological and Historical Trail in Victoria*, managed to launch one procurement process by the end of 2012 – that for the Supply and Delivery of Light Fittings for an estimated value of €210,419. Most of the other tenders are expected to be published in the second quarter of 2013 and implementation and disbursement is expected to pick up in 2013.

The highlight of the year with respect to projects in Gozo was the completion and inauguration of ERDF 24 *Upgrading of Villa Rundle*, in Victoria, Gozo, implemented by the Ministry of Gozo. The project was originally targeted to be completed by March 2011, but experienced a delay of almost a year, mainly due to the need to re-issue a number of tenders. The project was inaugurated in May 2012 with a total public eligible cost of €1,951,562. Thanks to this project, the only sizeable public garden in Victoria, which was in a very poor state at the heart of Gozo's capital, was transformed into a more accessible space and provided an attractive space for tourists in Gozo.

Also in Gozo, another important project which also approached its completion in 2012 was ERDF 31 *Upgrading of Zewwieqa Waterfront*. By the end of the year, all works and services - except for the Lightweight structure – were contracted, and 64% of the project public eligible (€3,947,841) was disbursed by year's end. The project has nonetheless experienced some delays, mainly due to the re-issuing of the Lightweight Structure Tender (tender had to be issued three times) and delays in the execution of works because additional excavations were required. The project is envisaged to be completed in 2013.

Another project being implemented in Gozo which neared its completion in 2012 was ERDF 142 *The Making of a People* implemented by Fondazzjoni Belt Victoria, a voluntary organisation. The project, with a total public eligible cost of €910,400 progressed well with 80% of its works, services and supplies contracted and €293,000, i.e. over 32% of its budget disbursed by the end of 2012. The

physical implementation of the project is at a very advanced stage and the museum is envisaged to be opened in the first quarter of 2013. Similarly, all activities under ERDF 147 *Restoration of San Lawrenz Church* to enhance cultural tourism in Gozo, have been fully contracted by the end of 2012 for a public eligible amount of €320,377 of which €317,634 has been paid (96% of the project's original budget). Notable works completed include the restoration of the church façade, flanks, belfries and church bells, the reconstruction of the parvis, and the restoration of five paintings and pipe organ, the supply and installation of the luminaries for the illumination of the same façade and stacking of travertine paving slabs to be used in the same church. The project is also expected to be fully completed in 2013. Lastly, another project being implemented by an NGO is ERDF 140 - *Discovering Cultural & Religious Tourism in Gozo (Ta' Pinu Shrine)* which also neared its full completion by the end of 2012 with the restoration of the art works fully implemented and the restoration and conversion works to the Karmni Grima Residence reaching the 85% mark. With the exception of the security system, the audio visual equipment and other printing and publication works, all activities have been contracted for a total of €271,790 or 79% of the €344,091 project public eligible allocation. By the end of 2012, disbursement had reached €242,738, i.e. 71% of the project. The project is earmarked to be completed in 2013.

- **Aid Scheme**

Though no further calls were issued in 2012, the IB was active in finalising GAs from the third call, together with undertaking the necessary on-the-spot checks and processing claims for payments. The results achieved as at end of 2012 from all three calls are displayed in Table .

**Table Progress Under ERDF 135**

Call	Types of Enterprises	1	2	3	Total
Launched		02/02/2009	01/10/2009	29/10/2010	
Closed		30/03/2009	30/11/2009	14/01/2011	
Applications submitted		91	111	109	311
GAs Awarded <sup>190</sup>	Small:	15	32	29	76
	Medium:	6	11	4	21
	Large:	4	3	-	7
	Total:	25 <sup>191</sup>	46 <sup>192</sup>	33 <sup>193</sup>	104
Total grant values (PE)		€1,598,769.92	€3,371,282.18	€2,944,290.95	€7,914,343.13

<sup>190</sup> Amount does not include the withdrawn Grant Agreements.

<sup>191</sup> Call 1: (5) five GA were withdrawn amounting to €229,266.35

<sup>192</sup> Call 2: (14) fourteen GA were withdrawn amounting to €1,053,360.95 (€265,763.74 in the year 2012)

<sup>193</sup> Call 3: (2) two GA were withdrawn amounting to €180,714.95 (incurred in 2012)

Projects under Call 1 and 2 were completed and fully disbursed by the end of 2012. Call 3 projects are expected to be completed and disbursed by end of 2013 and the savings incurred under the scheme from Call 3 have allowed the IB to issue a fourth call in 2013.

## Progress on Indicators

**Table PA 2 Indicators**

Indicators		2007 - 2011	2012	Total
<b>Output Indicators</b>				
No of assisted tourism and cultural projects (core indicator) [A2O01]	Achievement	17	21	20 <sup>194</sup>
	Target	n/a	n/a	20
	Baseline	n/a	n/a	n/a
Surface area of rampart elevation plan restored (m <sup>2</sup> ) [A2O03]	Achievement	69,871.22 <sup>195</sup>	83,361	83,361
	Target	n/a	n/a	150,000
	Baseline	n/a	n/a	n/a
No of marketing measures to penetrate/develop new/established niche markets [A2O04]	Achievement	0	0	0
	Target	n/a	n/a	4
	Baseline	n/a	n/a	n/a
No of projects implemented by enterprises [A2O05]	Achievement	71 <sup>196</sup>	104	104 <sup>197</sup>
	Target	n/a	n/a	110
	Baseline	n/a	n/a	n/a
<b>Result Indicators</b>				
% overall increase in the number of paying visitors at upgraded Sites [A2R01]	Achievement	0.17%	0.17%	0.17%
	Target	n/a	n/a	4% increase
	Baseline	n/a	n/a	1,035,844
% of total tourists visiting upgraded cultural sites [A2R02]	Achievement	0.11%	0.11%	0.11%
	Target	n/a	n/a	14% increase

<sup>194</sup>: Fifteen (15) projects implemented by the public sector; five (5) projects implemented by NGOs. The MA had approved another project – ERDF 145 – which was withdrawn by the beneficiary itself.

<sup>195</sup> Corrigendum: AIR2011 reported 65,471. This should read 69,871.22

<sup>196</sup> AIR2011 reports 93. This has now decreased to 71 this use to include projects implemented by NGOs as well. Following the OP change in 2012 this indicator captures data only for enterprises. Furthermore the decrease is due to projects that have withdrawn.

	Baseline	n/a	n/a	1,243,512
% average increase in tourist departures for the established niche segments [A2R03]	Achievement	0	0	0
	Target	n/a	n/a	3% increase
	Baseline	n/a	n/a	36.6%
No of enterprises adopting new products and processes [A2R04]	Achievement	42 <sup>198</sup>	53	53
	Target	n/a	n/a	90
	Baseline	n/a	n/a	n/a

As can be seen from Table , projects continued to register progress in terms of achievements against established targets. It should be noted that several changes to the above targets were made following the changes to the OP approved by COIN in May 2012. These changes were 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 .

**Table Approved OP Changes Affecting PA 2 Indicators**

<b>Indicator:</b>	<b>As at 2011:</b>	<b>Change approved.</b>
No of assisted tourism and cultural projects (core indicator)	Target of 8	Target of 20
No of new/upgraded beaches	Target of 5	Indicator 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)

### 03.2.3 Financial Analysis

<sup>198</sup> Following the approval of the OP changes in 2012, this indicator now only refers to enterprises and excludes NGOs. The achievement of this indicator is being taken upon project approval.

Table PA 2 Financial Analysis

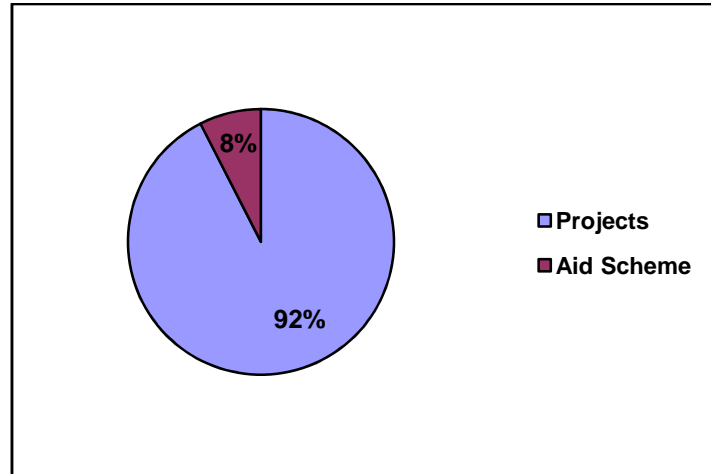
Priority Axis	Total contribution	Financial Progress			
		Commitments	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 2 (ERDF) Promoting Sustainable Tourism	€120,000,000	€ 119,282,367	€ 45,109,346	99.4%	37.6%

### 03.2.4 Qualitative Analysis

Although the MA initially overcommitted PA 2 allocation with the approval to finance the four (4) projects under Call 10, namely ERDF 244, 245, 246 and 249, the withdrawal of ERDF 145 balanced the commitment level, bring the Priority Axis to 100% commitment.

Figure compares the commitments made for various interventions under this Axis. Unlike the analysis of the other PAs, a demarcation between the two focus areas was deemed to be unnecessary since the projects approved were equally contributing to both.

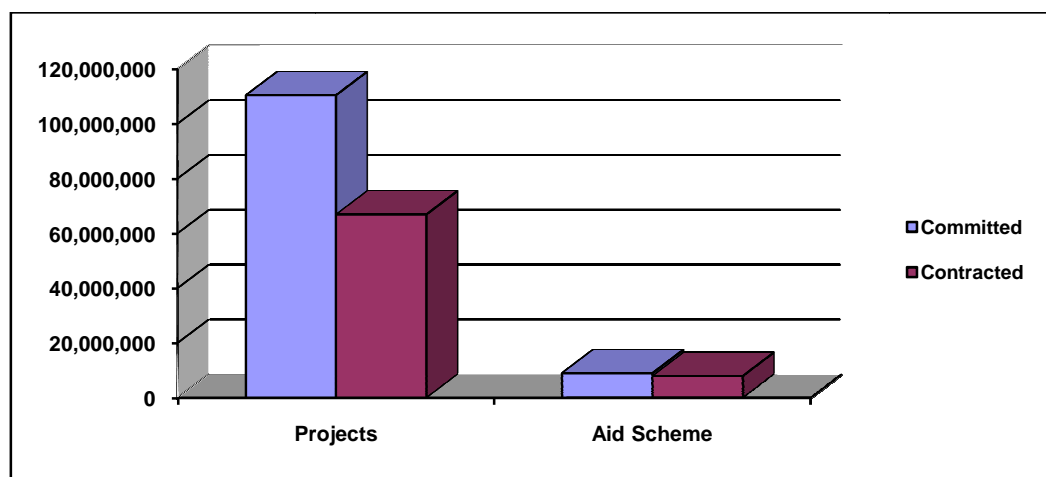
Figure PA 2 Commitments



The year 2012 saw a significant rise in contracting across PA 2. While as at end 2011 the contracted amounts stood at just over €45 million (excluding the Aid Scheme), 2012 closed with a contracted amount of €66,836,299 million – up by 49% on the previous year – mainly thanks to contracts signed under ERDF 39 and ERDF 32 which were the biggest contributors in this regard. This means that over 56% of the committed amount across PA 2 (excluding the aid scheme) is now fully contracted. Over and above, a further €7,914,343, up by nearly €2 million from 2011, is now contracted under the Tourism Aid Scheme (ERDF 135) and this amount is expected to increase following the issuing of Call 4 in 2013. Thus, in total by the end of 2012, €74,750,642 was contracted under PA 2 amounting

to 62% of the PA allocation. In terms of overall contracting, 2012 saw an increase of 47%, or €23,924,904, over the previous year.

**Figure Comparison between Commitments and Contracting Under PA 2**



With regard to payments, by end of 2012, a total of €45,109,346 was disbursed - a respectable increase of 66% from the €27,139,888 reached by end 2011. This also means that 63% of the contracted amounts for PA 2 have now been paid. Nonetheless, if one is to measure disbursement on a calendar basis, there was a slight drop in payments made – over €20 million had in fact been disbursed in 2011 while only €17.9 million were disbursed in 2012 alone. This can be attributed to the fact that as can be seen in the analysis of the physical progress, the majority of projects experienced severe delays in implementation which eventually led to a slowdown in payments made. It is however encouraging noting that the rate of contracts signed in 2012 was significant and this will lead to increased disbursement in 2013.

**Table Financial Progress Under PA 2 as at End of 2012**

	Mainstream Projects:	Aid Scheme:	Total PA 2:
<b>Allocation:</b>	N/A	N/A	€120,000,000
<b>Committed:</b>	€110,337,158	€8,945,209	€119,282,367
<b>Contracted:</b>	€66,836,299	€7,914,343	€74,750,642
<b>Disbursed:</b>	€39,641,789.38	€5,467,556.85	€45,109,346
<b>Certified:</b>	€32,147,045	€1,983,793	€34,130,838



### 03.2.5 Significant Problems Encountered and Measures Taken to Overcome Them

Although most projects continued to gain momentum during 2012, the whole axis has been hampered by severe delays on the majority of projects, resulting in a number of extensions to approved projects. Significantly large projects, such as ERDF 39, 33 and 32, have a direct impact on Malta's N+3/2 and are hence the delayed disbursements is a challenge to the MA. In this regard these projects are included in the monthly Project Progress Monitoring meeting in order to ensure a timely address of issues which within the control of the beneficiary or of the stakeholders represented during the said meeting. This is evidenced by the fact that despite the fact that the contracting rate was quite steady, not enough has been transposed into payments. In fact 10% less was disbursed when compared to 2011 under this Priority Axis.

Delays vary in nature but can be attributed to three main factors: delays on the ground by the selected contractors (basically because of their capacity especially when they are engaged on a number of tenders simultaneously), delays in the procurement processes due to the often delicate and at times complicated nature of the tenders (especially when it comes to the restoration of historical sites), and the lack of expertise and capacity at the Beneficiaries' end especially for projects administered by Voluntary Organisations and Local Councils. In a number of cases, tenders had to be cancelled and re-issued because bidders were administratively, technically or financially not compliant. Other tender procedures suffered from extensive delays because of appeals lodged after the technical and/or financial evaluation. The changes introduced by the Department of Contracts, namely the e-procurement procedure and the simplification of the Invitation to Tender Document are expected to decrease the delays ensuing from procurement. However, as at the time of drafting of the report, it is too early to really gauge the effectiveness of such measures.

During the year under review, it became even more evident for the MA that more assistance was required by Local Councils and Voluntary Organisations especially following the review by the MA of a number of procurement procedures, especially considering that these organisations rely heavily on the experience and availability of volunteer with limited experience and expertise on issues related to procurement in terms of tender preparation, assessment of feasibility studies and the quality and depth of the required reporting. This also gave rise to delays on the ground. Hence, during the year under review, the MA provide more support in terms of training, published a Guidance Note for Voluntary Organisations to guide them better on issues related to procurement. In the forthcoming year more is expected to be undertaken to continue supporting such organisations.

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

#### 03.3.1 Achievement of Targets and Analysis of the Progress

Priority Axis 3 continued to register noteworthy progress during 2012 in relation to both the major roads projects, namely the implementation of CF 117 *Improvement of the TEN-T Road Infrastructure Phase I* and the preparation of the project application and the contracts under CF 125 *Improvement of the TEN-T Road Infrastructure Phase II*. Work on the three (3) non-major maritime projects in terms of the implementation of works under CF 124 *Refurbishment of the Valletta and Marsaxlokk main breakwater*, the preparation of the project application for CF 260 *Refurbishing and Upgrading the Deep Water Quay* and the finalisation of the works under CF 198 *Ċirkewwa Ferry Terminal* was also ongoing.

As at end 2012, a cumulative total value of € 63,670,270.67 was contracted, representing 44% of the committed €145,000,000 under Priority Axis 3 (the Priority Axis is fully committed in terms of approved projects as at December 2012). Such contracts brought about the continuation of the road works envisaged under CF 117, the refurbishment works of the Marsaxlokk and Valletta breakwaters under CF124, as well as the continuation of works on the Ċirkewwa Ferry Terminal under CF198.

With respect to approval of projects and work on project applications, in 2012 another maritime project related to the refurbishment and upgrading of the Deep Water Quay within the Port of Valletta was approved by the Project Selection Committee on 26<sup>th</sup> March 2012, whilst the second phase of the TEN-T Road Infrastructure related to the Salina Coast Road was endorsed for forward transmission to the CION by the Project Selection Committee on 4<sup>th</sup> October 2012.<sup>199</sup>

#### Calls for Project Proposals

There were no further calls issued during the year under review.

#### 03.3.2 Information on the Physical and Financial Progress

The main information on the physical and financial progress of the major project falling under this Priority Axis and currently being implemented, namely CF 117 *Improvement of the TEN-T Road Infrastructure (PHASE I)*, will be provided in the Chapter 4 of this report. However, in terms of implementation and disbursement, the main progress registered was that out of a total public eligible project value of €57,588,381, €42,848,966 or 74% was contracted. Disbursement amounted to 28,582,951 or 67% of the contracted amount. Work on the ground amounted to 75 %. Savings were registered for this project, and amounted to €11,140,391.

<sup>199</sup> The Application Form will be submitted to COIN during Q1 2013.

The other major project under PA 3, namely CF 125 *Improvement of the TEN-T Road Infrastructure (PHASE II)* was still at project preparation stage by end 2012. However, during 2012, Transport Malta finalised the necessary design studies, obtained the necessary MEPA permit and during the latter half of the year drafted the tender documents for the two (2) works tenders and the pre-construction road satisfaction survey. In 2013 the focus will be on the contracting of the two main works tenders with works expected to start in the last quarter of 2013. The total public eligible cost of this project is expected to be €49,840,345.

The sections below will provide an update on the non-major projects being financed through the funds allocated for PA3.

### **Project Physical Progress**

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

With the contracting of the works tenders carried out and finalised in 2011, 2012 brought about substantial progress in the certification of the works related to both the Marsaxlokk and the Valletta breakwaters with 74% of the works on the Marsaxlokk breakwater and 82% of the works on the Valletta breakwater being certified by the supervising engineer as at year end 2012.

Implementation of the project neared completion as at year end 2012. Works on the Valletta Breakwater were completed in 2012, including works on the St. Elmo and Ricasoli Light Towers, the Light House Keepers Quarters and Top Surface & Below Deck Works at the St. Elmo Side, as well as Submarine Works, Wave Wall Works, Deck Works and Electrical Installation at the Ricasoli Side. Meanwhile, works on the Marsaxlokk breakwater, contracted in 2010, continued to record a significant improvement in implementation. Works carried out on the full seaward face of the wave wall in particular registered a notable progression during the year.

Overall, out of a total public eligible value of €10,867,996, a total amount of €10,690,943 (98%) was contracted, out of which €7,825,965, or 73%, was paid by the end of 2012. Works on the ground for both sites amounted, in total, to about 80%.

All pending works are expected to be completed in 2013 following the undertaking of the remaining works on the Marsaxlokk Breakwater.

- **CF 198 Ċirkewwa Ferry Terminal**

In 2012 the focus was to complete the works that started in 2011. The waiting area of the Ferry Terminal located in the North Quay was made operational by the end of the year, thus replacing the

temporary passenger handling structure which had been leased to accommodate passengers until the completion of the project. The completion of works also included the installation of a wind turbine, the building of a new police station within the terminal, the installation of fenders in North Quay, provision of adequate parking spaces, the provision of a vehicle marshalling area, the provision of access and exit carriageways as well as internal circulation carriageways. Relevant security systems were also installed within the terminal, while photovoltaic panels installed on the roof, and safety equipment such as fire extinguishers placed within the waiting area of the terminal. It is expected that the project shall reach full completion by the second quarter of 2013. Works on the Ċirkewwa Ferry Terminal building itself have also progressed considerably. As at end 2012, the majority of works related to the terminal were completed and the terminal building was at an advanced stage of implementation, in line with the original Grant Agreement.

Out of a total project value of €10,683,282, €10,130,362 was contracted, amounting to about 95%. Disbursement amounted to €5,531,288, or 55% of the contracted amount by end of 2012 and works on the ground reached 60%, with the terminal building, marshalling area, connecting roadways and large part of the parking area completed by the end of the year. The year 2013 shall see the full completion of the project, with the finalisation of the remaining items such as the installation of the link spans to the terminal.

### Progress on Indicators

**Table Priority Axis 3 Indicators**

Indicators		2007-2011	2012	Total
<b>Output Indicators</b>				
Kms of roads upgraded (core indicator) [A3O01]	Achievement	0	9.31	9.31
	Target	n/a	n/a	20
	Baseline	n/a	n/a	n/a
Sq m of new/refurbished infrastructure [A3O02]	Achievement	8,267	17,375	17,375
	Target	n/a	n/a	76,200
	Baseline	n/a	n/a	n/a
Construction of new sea passenger terminal [A3O03]	Achievement	0	1	1
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
<b>Result Indicators</b>				
% increase in satisfaction rate of transport operators/users [A3R01]	Achievement	0	0	0
	Target	n/a	n/a	10%

	Baseline	n/a	n/a	n/a
Reduction in journey time (minutes) [A3R02]	Achievement	0	0	0
	Target	n/a	n/a	-5
	Baseline	n/a	n/a	n/a
% reduction in traffic accidents in the areas of intervention [A3R03]	Achievement	0	0	0
	Target	n/a	n/a	10
	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
	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
	Baseline	n/a	n/a	3,804,221

As can be seen in Table , no indicators except the indicators the 'Sq m of new/refurbished infrastructure' and the 'kms of Roads upgraded' and 'Construction of new sea passenger terminal' reported progress as at end 2012. This can be explained by the fact that the projects are still in their implementation stage and achievement will be reported once the projects are completed. Hence it is expected that by end of 2013 progress on a greater number of indicators will be achieved upon project completion.

### 03.3.3 Financial Analysis

Table Financial Analysis

Priority Axis	Total contribution	Financial Progress			
		Commitments	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 3 (CF) Developing the TEN-T	€145,000,000	€145,000,000	€41,940,204	100%	28.9%

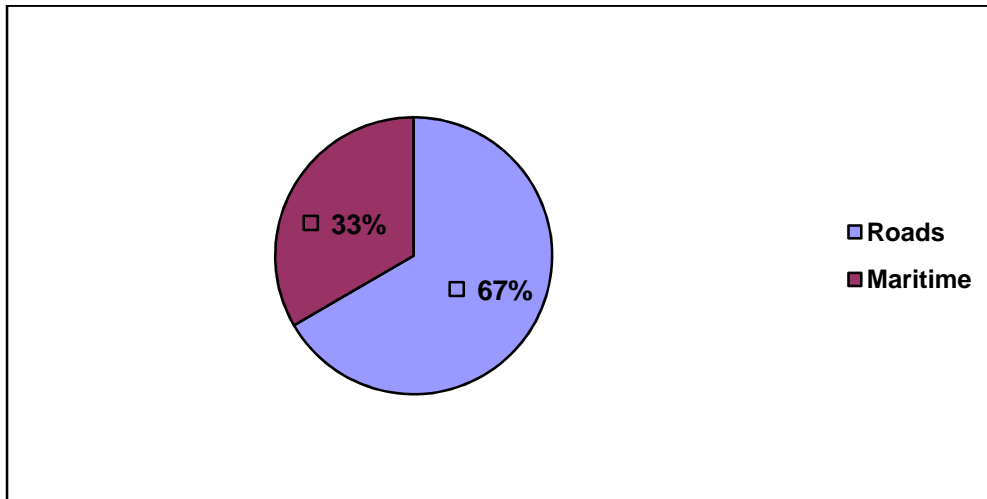
### 03.3.4 Qualitative Analysis

At end of 2012, the amount committed under PA 3 stood at €145,000,000 which amounted to 100% of the allocated amount under this Axis. This was achieved following the approval of two (2) new

projects under PA 3: Refurbishment & Upgrading of the Deep Water Quay (CF 260) as well as Improving Sections of the TEN-T Road Network Phase II (CF 125).<sup>200</sup>

It should also be noted that following the change to the OP in 2012 the allocated was reduced by €24,038,258 to €145,000,000. This amount was transferred from PA 3 to PA 5, for reasons already explained. Figure depicts the split in commitment between Roads and Maritime.

Figure Priority Axis 3 Commitments

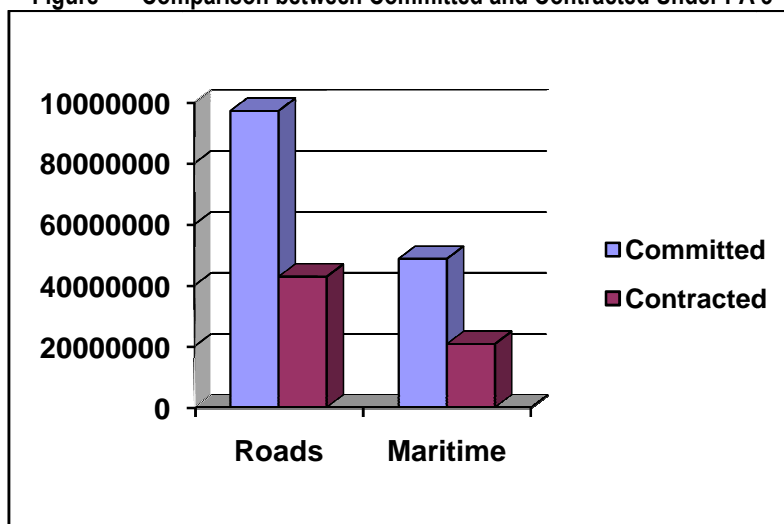


In relation to the projects that were well into their implementation (CF 117, CF 124 and CF 198); €63,670,270 was contracted by the end of 2012. Such contracting reflects that 80% of the contracts envisaged (€79,136,659<sup>201</sup>) under these projects were awarded by the end of 2012.

Figure compares the amounts committed with those contracted in relation to both the road project and the maritime projects.

<sup>200</sup> Savings amounting to €11,140,391.09 (inc. VAT) registered under CF 117 were transferred back to the Programme at the beginning of 2013, thus providing for necessary funds in relation to the new projects approved during 2012 (CF 125 and CF 260) and in preparation of the signing of their respective grant agreements. Moreover, a further amount of ca €200,000 were registered as savings.

<sup>201</sup> This figure does not take into consideration the savings generated on CF 117 at the beginning of 2013, namely €8,743,747.

**Figure Comparison between Committed and Contracted Under PA 3**

The non-contracted amounts include a total value of €49,840,345.47 allocated for CF 125 (Improvement of Sections of the TEN-T Road Network Phase II) in relation to Roads and €27,041,159 allocated for CF 260 (Refurbishment & Upgrading of Deep Water Quay) in relation to Maritime.

Of the €63,670,270 contracted by the end of 2012, €41,940,204 (representing 66% of the contracted amount) were paid out by 2012. This represents a significant improvement over the year 2011 where the cumulative total paid amounted to €16,467,446. The main contributor towards this increase was CF 117 which registered a total paid amount of €19,189,284 during 2012 alone.

**Table Financial Progress Under PA3 as at End of 2012**

	Roads:	Maritime:	Total PA 3:
<b>Allocation:</b>	N/A	N/A	€145,000,000
<b>Committed:</b>	€107,428,726	€48,711,278	€156,140,004 <sup>202</sup>
<b>Contracted:</b>	€66,836,299	€7,914,343	€74,750,642
<b>Disbursed:</b>	€42,848,966	€20,821,305	€63,670,271
<b>Certified:</b>	€25,565,547	€10,929,622	€36,495,169

Administrative checks were also carried out during the year, with one (1) administrative check carried out on each of CF124, CF 117 and CF 198 throughout 2012, resulting in a total of €25,861,195 being

<sup>202</sup> The committed amount is exceeding the allocated amount because the project cost for CF 117 was revised downwards in the first quarter of 2013 following savings registered during procurement.

certified during 2012. Additionally, one physical check was also carried out on the Marsaxlokk breakwater related to CF 124.

The amounts certified in 2012 represent 71%<sup>203</sup> of the cumulative certified amount under PA 3 during the programming period so far.

### 03.3.5 Significant Problems Encountered and Measures Taken to Overcome Them

The implementation of CF 117 is particularly challenging for a small member state like Malta having one of the highest population densities in the world, especially considering the fact that the project comprises the re-construction of arterial roads with relatively high traffic rates and re-routing can only increase traffic further.

Delays related to the works because of specific issues were also encountered, namely on Marsa Road Phase I, as a result of the stop-notices being issued by the Superintendence for Cultural Heritage following archaeological findings in the area where the works were planned. In order to mitigate against such delays, a revised programme of works was agreed upon between the Beneficiary and the contractor in order to try and recover some of delays and minimise the inconveniences to the public during implementation<sup>204</sup>. Works were, as a result, suspended in November 2012 and are expected to be resumed in March 2013 since the original plan would have led resulted in the works occurring during the winter months, having a bigger impact on the flow of traffic and on businesses. Furthermore, further likely interruptions would have been expected to ensue due to the fact that this stretch of road is particularly vulnerable to stormy weather. Meanwhile, works at Marfa Road and the Mellieħa Bypass were delayed due to changes in traffic routes that needed to be carried out in order for works to progress on different parts of the stretch. Hence, in order to recover these delays, TEN-T stretches in this location also had to be opened up in various phases simultaneously.

Some delays were also experienced in relation to amendments to existing MEPA permits, as well as new permits required for trimming and extra excavations deemed necessary during the execution of works. Nevertheless, the ongoing coordination between Beneficiary and MEPA officials resulted in the reduction of such delays to the minimum possible.

In relation to CF 124 delays were also experienced in implementation due to various factors which were deemed outside the Beneficiary's and Contractor's control, such as freak stormy weather during the months of February and March 2012, which resulted in two shutter & access systems, used for concreting of the sea side wave wall, being lost at sea, and having to be re-manufactured..

<sup>203</sup> €25,861,195 divided by €36,495,169 which is the total amount certified under PA 3.

<sup>204</sup> It has to be taken into account that this is the roads used by users of the south of the island to travel into and out of Valletta.



Considering the location of the project, the site is particularly prone to being affected negatively with such extreme changes in weather conditions, and in order to prevent such damages from happening, equipment had to be re-mobilised whenever a huge storm was predicted.

Another unforeseen event took place in April 2012 whereby damage to the water hydrant pipeline supplying Jetty 4 was incurred. All necessary repairs were carried out in the shortest time possible in order to minimise delays.

In relation to CF 125, the original plan was to also include the construction of a Grade Separated Junction in Mikiel Anton Vassalli Road in Kappara. In view of the fact that public consultation took longer than expected as a result of Kappara's complexity as a project, further studies were required, and the Beneficiary was faced with tight timeframes, it was decided to decouple the project.

The delays on CF 198 were the result of unforeseen geotechnical conditions delaying the commencement of dredging works following the lengthier than expected screening by the planning authorities of the works needed. 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 the sediment dredging at the relevant berth. Following this screening, it was concluded that a full development permit, specifically for dredging, would be required. As a result dredging works could not commence until the permit was in place. Surveys and benthic studies and a subsequent Appropriate Assessment were carried out accordingly and submitted to MEPA. During the implementation of works two other MEPA permits were required for the excavation of boreholes and the installation of a wind turbine. In order to minimise delays, the Beneficiary proceeded with the implementation on sections of the project site not affected by these permits until such permits were in place.

## 03.4 Priority Axis 4 – Climate Change and Resource Efficiency

### 03.4.1 Achievement of Targets and Analysis of the Progress

By the end of 2012, a total of thirty-one (31)<sup>205</sup> operations were approved under PA 4, consisting of thirty (30) *mainstream* projects and one (1) Aid Scheme<sup>206</sup> both under the focus area of *Energy*. This reflects a total commitment (in projects and aid scheme) of €44,318,337 or 37%<sup>207</sup> of the total Axis allocation (€121,000,000), of which €29,352,568 or 66% was contracted as at end 2012. Disbursement made in 2012 stood at €19,656,597, up by 81% from the amounts disbursed as at 2011 (€10,880,872)<sup>208</sup> and stood at 67% of the contracted amount. Following the approval of the OP changes by CION on 24<sup>th</sup> May 2012, ERDF 120 is being reported under Priority Axis 5 and therefore excluded from the above achievements. As anticipated, this shift has brought about significant decreases in the committed, contracted and paid amounts under this Priority. However, as reported below, by end of 2012, the project selection process for the latest Call for Proposals issued under this Axis was nearly concluded, and this will give rise to a commitment of a further €40 million of funds to partially make up for the shift of funds to PA 5 from the abovementioned OP change.

#### Calls for Project Proposals

PA 4 is targeted to attract interest from a variety of Beneficiaries, ranging from public entities to non-governmental and Local Councils. It has also brought Cohesion Policy and its targets (particularly those related to climate change) inside many Maltese households, through the domestic scheme (ERDF 088) being run by the MRA. A total of seven (7) calls were launched under this Axis since the start of the programming period, one (1) of which in 2012 as shown in Table . 2012 saw the conclusion of evaluations under Call 12 and Call 13, both of which launched in 2011. Out of the five (5) applications received under Call 12, four (4) operations were selected (one was eventually withdrawn, during 2012). The fifth one was rejected on eligibility grounds. Of the nineteen (19) applications submitted under Call 13, fourteen (14)<sup>209</sup> operations ranked (achieved 50 marks or more), five (5) proposals were rejected and one (1) proposal failed to attain a pass mark during the project selection process. The results were communicated to applicants in the first weeks of 2013.

<sup>205</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, ERDF 243, ERDF261, ERDF 262, ERDF 263, ERDF 265, ERDF 268, ERDF 271, ERDF 272, ERDF 274, ERDF 275, ERDF 276, ERDF 277, ERDF 278, ERDF 279, ERDF 280, ERDF 281, ERDF 283, ERDF 284 and ERDF 285. Note: ERDF 090, ERDF 190, ERDF 241 and ERDF 265 were later withdrawn whilst ERDF 263 was subsequently rejected by the MA on grounds of state aid implications. As at end 2012, ERDF 272 was one of the approved projects, however, the grant was withdrawn in January 2013. Therefore by end 2012, the total number of approved projects under PA 4 was 30.

<sup>206</sup> ERDF 133 ERDF Energy Grant Scheme.

<sup>207</sup> The decrease from the 70.5% reported as committed in AIR 2011 is due to the shift of the ERDF 120 project to PA5.

<sup>208</sup> This is a significant improvement when one considers that these payments exclude the payments made under the then ERDF 120 which was shifted to the CF in 2012.

<sup>209</sup> Including ERDF 272 that was withdrawn in January 2013.

Table Project Approval History Under PA 4

Call: <sup>210</sup>	Closing date:	Focus Areas:	Projects approved under Call:
2	22 Feb 2008	Energy (RES/EE)	<b>4 Projects</b> (ERDF 088, 090, <sup>211</sup> 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, <sup>212</sup> 192 and 193)
7	23 Nov 2009	Energy (Air quality)	None <sup>213</sup>
9	6 Aug 2010	Energy (RES/EE)	<b>10 Projects</b> (ERDF 228, 229, 230, 234, 235, 236, 238, 239, 241 <sup>214</sup> and 243)
12	2 Sep 2011	Energy (RES/EE)	<b>4 Projects</b> (ERDF 261, 262, 263 <sup>215</sup> and 265 <sup>216</sup> )
13	2 Dec 2011	Energy (RES/EE)	<b>14 Projects</b> (ERDF 268, 271, 272, <sup>217</sup> 274, 275, 276, 277, 278, 279, 280, 281, 283, 284, 285)
14	30 August 2012	Energy and Resource Efficiency	<b>19 applications submitted – the process is now in the final stages</b>

Call 14 was launched on 5<sup>th</sup> June 2012, with an indicative budget of €40,000,000, and closed on 30<sup>th</sup> August 2012, targeting the focus areas of *Energy* and *Resource Efficiency*. The call was open for projects undertaken by Public Entities as well as Voluntary Organisations registered with the Commissioner for Voluntary Organisations and Social Partners. A total of nineteen (19) applications were submitted. As at the end of 2012, the evaluation of these projects was still ongoing but also close to finalisation.

As a result of the uncommitted amounts that remained with the transfer of the NFRP to PA 5, discussions were underway between the MA and the SAMB to analyze the legal parameters within which the MA could issue further calls to commit the rest of the funds under this Priority Axis.

<sup>210</sup> Calls 5 and 12 were open to Gozitan applicants only. Calls 9 and 13 were open to NGOs and Local Councils only.

<sup>211</sup> ERDF 090 was withdrawn after approval had been already granted.

<sup>212</sup> ERDF 190 was withdrawn after approval had been already granted.

<sup>213</sup> ERDF 197 (*Reduction of Emissions from the Delimara Power Station*) was the sole submission and withdrew before approval had been granted.

<sup>214</sup> ERDF 241 was withdrawn after approval had been already granted.

<sup>215</sup> ERDF 263 was rejected by the MA on grounds of state aid implications.

<sup>216</sup> ERDF 265 was withdrawn after approval had been already granted.

<sup>217</sup> ERDF 272 was withdrawn after approval had been already granted in January 2013.

## Mainstream Projects

During the course of 2012, four (4) projects were completed, bringing the total number of closed projects under PA 4 to six (6).<sup>218</sup> All six projects involved the installation of renewable energy sources, namely photovoltaic panels generating electricity from solar energy. One of these six projects (ERDF 101) also included the installation of a wind turbine system generating electricity from wind energy whilst under ERDF 102 (completed in 2010), the beneficiary committed to an energy efficiency component through lighting optimisers aimed at saving on energy consumption. All six operations mainly involved small installations and were implemented by three (3) public entities<sup>219</sup> and three (3) voluntary organisations.<sup>220</sup>

As at end 2012, the biggest portion of the PA was committed to ERDF 088 *Promotion of Renewable Energy Sources in the Domestic Sector* which, with a total eligible budget of €16,932,025 represented 14% of the total PA allocation and 38% of the committed value under PA 4 up to December 2012. 2012 has proved to be mainly a disbursement year for ERDF 088,<sup>221</sup> with the Beneficiary processing some 2,978 payments to households. In 2012 alone, €9,044,406.89 were disbursed under this project bringing the total amounts paid under this project to €13,900,036. It is worth pointing out that this gave rise to over €10 million of private funding leveraged in relation to the programme allocation.

The focus on Gozo is also worth noting. In fact as at year's end, there were nine (9)<sup>222</sup> projects being fully implemented in Gozo and three (3)<sup>223</sup> others with a Gozitan component. Further details on the progress achieved for projects financed under the Priority Axis will follow below.

## 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 nature of projects co-funded includes PV systems, SWHs, intelligent lighting systems and Combined Heat and Power (CHP). Given the huge demand for these investments, funds allocated for this scheme were topped up by a further €3.4 million in March 2012, bringing the total funds allocated from €15 million to €18,404,493.

<sup>218</sup> ERDF 102 was completed in 2010, ERDF 101 was completed in 2011, ERDF 192, 193, 239 and 234 were completed in 2012.

<sup>219</sup> ERDF 102 (Housing Authority), ERDF 101 (MCAST) and ERDF 192 (University Gozo Centre).

<sup>220</sup> ERDF 193 (Gozo Diocese), ERDF 234 (Holy Family Home) and ERDF 239 (Oratory Don Bosco).

<sup>221</sup> Only seventeen (17) submissions (applications) for SWHs were received and processed in 2012 under this operation, resulting in twelve (12) Grant Offers.

<sup>222</sup> ERDF 192, ERDF 193, ERDF 236, ERDF 238, ERDF 239, ERDF 261, ERDF 262, ERDF 268 and ERDF 285. There were actually twelve (12) projects approved to Gozitan entities, but ERDF 190, ERDF 263 and ERDF 265 were rejected/withdrawn.

<sup>223</sup> ERDF 088, ERDF 228 and ERDF 275.

Following the two (2) calls issued in 2009 and the third call issued in 2010, no further calls were issued in 2012. In early 2012, three (3) GAs were signed for a total amount of €176,869.05, bringing the total number of valid GAs issued under the scheme by December 2012 to 210 with an equivalent grant value of €12,205,932.<sup>224</sup> Disbursement throughout the year was relatively low with just over a €1 million disbursed, bringing the total funds disbursed under the scheme to €4,985,371 or just over 27% of the scheme's allocation. The low activity in funds disbursed can be attributed to the fact that from the 26<sup>th</sup> April till 24<sup>th</sup> August 2012, the scheme was suspended due to a number of irregular practices detected during the IB/MA's verification check and an ongoing investigation by the Police. Consequently funds certified to the CION were also very low compared to previous years with just €184,650 certified, bringing the total funds certified under this scheme to €3,421,258. Another call is expected in the first half of 2013 to exhaust the remaining uncommitted funds.

### **National Flood Relief Project**

As reported earlier, the acceptance of the changes introduced to the OP in May 2012, implied also the formal transfer of the captioned major project to Axis 5. The related focus area also shifted from Axis 4 to Axis 5, together with all the related background information and indicators. Therefore as of this reporting period, the NFRP is analysed in detail under PA 5. As a consequence, there will no longer be a major project under PA 4.

## **03.4.2 Information on the Physical and Financial Progress**

### **Physical Progress**

As reported above, by end 2012, out of the thirty (30) mainstream projects<sup>225</sup> which were ongoing under PA 4, six (6) projects were completed, with four (4)<sup>226</sup> projects concluding their implementation in 2012. It is also good to note however that, even though small in nature, twenty-four (24) of the thirty (30) operations were being carried out by voluntary organisations and the very requirement of abiding by public procurement processes proved to be a major impediment for them because of their inexperience in this regard. It was also noted that there were a considerable number of appeals to tenders awarded, which translated in further delays. In the case of voluntary organisations such appeals are proving to be even more taxing because a separate appeals committee would need to be set up from within the already very limited resources. This committee would have to be composed of different members which would need to meet to conclude the appeals within a reasonable time. Furthermore, voluntary organisations also need to face the inexperience with respect to all the

<sup>224</sup> Last year it was reported 250 GAs with an equivalent grant value of €14.7 million. Since then however, a number of operations were withdrawn.

<sup>225</sup> Excluding Aid Scheme ERDF 133.

<sup>226</sup> ERDF 192 was completed in June 2012, ERDF 193 was completed in November 2012, while ERDF 234 and ERDF 239 were completed in December 2012.

processes involved in managing an EU project, such as the payment process but also the reporting obligations, which delayed the physical progress on the ground even more. Sixteen (16)<sup>227</sup> out of the thirty (30) mainstream projects were approved during 2012 under Call 12 and Call 13 and by end of year, registered only limited progress, mainly in relation to the preparation of tender documents.

The four (4)<sup>228</sup> operations completed in 2012 resulted in the installation of photovoltaic panels on the roof of various buildings around Malta and Gozo. On the ground this materialised in 488<sup>229</sup> photovoltaic panels with an annual penetration rate of 117.8<sup>230</sup> kilowatts peak in total. These operations alone will be contributing to an average of 176.7<sup>231</sup> megawatt per annum (MWH) of electricity generated from solar energy.<sup>232</sup> This clean energy also translates in a reduction of 159,584<sup>233</sup> kilograms of CO<sub>2</sub> from being emitted in the atmosphere through traditional fossil fuel burning. The completion of these projects, together with ERDF 102 and ERDF 101 which were completed in 2010 and 2011 respectively, also served the purpose of showcasing the benefits of clean energy from renewable sources to a myriad of social sectors. In fact, the beneficiaries of ERDF 101 and ERDF 192 reach out to students in view of them being educational institutions, while those of ERDF 193, ERDF 234 and ERDF 239 give visibility of the benefits of such projects, as church-related voluntary organisations, to a different portion of society. On the other hand, the beneficiary of ERDF 102 (which was the first project to be completed under this Axis), is a public housing entity open to the general public, especially those in social needs. This was also a “pilot project” which showcased the benefits of RES and EE to the housing sector in anticipation of project ERDF 088 (the domestic scheme). Due to its *sui generis* nature, ERDF 088 is being analysed separately below.

- **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, namely PVs and energy efficient improvements, such as SWHs, in households. Only seventeen (17) applications were submitted in 2012, all for SWHs, twelve (12) of which were granted the co-financing through the Grant Offer letter issued by MRA. This low level of applicants was due to the fact that most applications for PVs and SWHs were submitted in previous years. In fact only the SWH scheme remained open in 2012 while the PV scheme was fully committed in the two (2) calls issued in previous years. Due to the regulatory requirements governing housing, the social criteria tied to the SWH scheme translated into poor and slow take-up.

<sup>227</sup> Two (2) ongoing projects under Call 12 and fourteen (14) ongoing projects under Call 13. One (1) project from the latter call withdrew in early 2013.

<sup>228</sup> ERDF 192, ERDF 193, ERDF 234 and ERDF 239.

<sup>229</sup> ERDF 192 includes the installation of 120 PV panels, ERDF 193 includes the installation of 186 PV panels, ERDF 234 includes the installation of 100 PV panels and ERDF 239 includes the installation of 82 PV panels.

<sup>230</sup> ERDF 192: 28.2KWp, ERDF 193: 46.1KWp, ERDF 234: 23.5KWp and ERDF 239: 20KWp.

<sup>231</sup> ERDF 192: 42.3MWH ERDF 193: 69.2MWH, ERDF 234: 35.25MWH and ERDF 239: 30MWH

<sup>232</sup> It is worth noting that since the output and result indicators for these projects are calculated over a one year period, readings can only be verified following a complete year in operation.

<sup>233</sup> ERDF 192: 37,000 kgs, ERDF 193: 65,338 kgs, ERDF 234: 30,900 kgs and ERDF 239: 26,346 kgs.

By end 2012, a total of 5,960 Grant Offers were issued. This corresponded to an equivalent 10,517.62 kWp of PV installations and 616 SWHs. Through these grants, the Beneficiary committed €16,108,231.31 in public eligible funds and nearly €40 million of total investment (including the 50%<sup>234</sup> private share). By end of year however, the Grant Offers that were honoured and therefore paid were less. This shortfall is mainly due to incomplete documentation submitted or withdrawal from the part of the households. In fact, when compared to the above provided statistics, by end 2012, 5,223 Grant Offers were upheld, translating in €14,066,674 of public funds<sup>235</sup> and €34,743,940 of total investment. During 2012, the Beneficiary focused on the processing of payments through the SFD and on the drafting of the Educational Campaign tender which was launched and evaluated in 2012.

- **ERDF 133 – ERDF Energy Grant Scheme**

Table 25 below shows the progress registered under this scheme as at end 2012. Though no further calls were issued in 2012, the IB issued the final GAs for the third call. In early 2012, three (3) GAs were signed totalling €176,869. The suspension of the scheme stalled payments until the situation was rectified.

During the administrative verification checks carried out by the MA and the IB, the officers carrying out the checks noted that some quotations were being offered by companies with suspicious names, invoice formats and VAT numbers. These companies could not be identified through available means such as simple Google searches and neither through the more complex analysis of reviewing the lists of MRA-registered suppliers. Following further checks done by the MA and the IB, a police investigation, and after a PwC review of the system, it transpired that there were a number of cases involving *non bona fide* quotations. As a result, one supplier and a former ME employee are undergoing criminal proceedings. Irregularity reports will be finalised by the IB for a recovery amounting to close to €0.6 million. Once recoveries are made, claims for reimbursements will continue to be recommended for certification. Various meetings have been held between the MA, the IB and other stakeholders to improve the system's checks and balances and it was only after a number of mitigation measures were devised and started being implemented that the suspension of the scheme was lifted and payments (at a national level) could be processed again.

Following the lifting of the suspension, the IB continued to focus on carrying out documentary and physical checks on beneficiaries to restart the disbursement under the scheme. A total of fifty-two (52) OTS checks were carried out in this regard, bringing the total number of operations completed under this scheme to 84.

<sup>234</sup> In a number of instances this is more than 50% due to the capping set by the Beneficiary (MRA).

<sup>235</sup> This represents the amount of public eligible paid by MRA to households. The difference between this figure and the figure quoted as paid by the project by end 2012 is due to the fact that some claims for reimbursement were processed through SFD in early 2013. Also this figure includes only payments paid in relation to the scheme and therefore excludes other payments processed by MRA in relation to the recruitment component.

Table Progress Under ERDF 133 as at end 2012

	2007-2012
Calls:	3
GAs signed:	210
GAs value:	€12,205,932

Table shows which type of Beneficiaries benefited under this Scheme so far, noting that 11% of the total number of enterprises assisted was, in 2012, made up of Gozitan enterprises.

Table Breakdown of Beneficiaries Under ERDF 133<sup>236</sup>

Type of Enterprise:	Maltese enterprises:	Gozitan enterprises:	Total:
Micro	26	9	35
Small	66	11	77
Medium	62	3	65
Large	33	0	33
<b>Total:</b>	<b>187 (89%)</b>	<b>23 (11%)</b>	<b>210</b>

- ERDF 120 - National Flood Relief Project

As explained above, details related to this major project are provided under PA 5 of this Chapter and under Chapter 4 of this report.

### Progress on Indicators

Table PA 4 Indicators

Indicators	2007-2011	2012	Total	
<b>Output Indicators</b>				
No of projects dealing with Resource Efficiency [A4O06]	Achievement	n/a <sup>237</sup>	0	0
	Target	n/a	n/a	1-2
	Baseline	n/a	n/a	n/a

<sup>236</sup> Excluding withdrawn GAs.

<sup>237</sup> The text N/A is included because this is a new indicator introduced with the OP change approval of May 2012 and therefore was not available before this date.



Annual penetration rate of installed PV and micro-wind starting in 2008 (kWp/annum) [A4O02]	Achievement	4,608.5	<b>11,211<sup>238</sup></b>	<b>11,211</b>
	Target	n/a	n/a	1,500 <sup>239</sup>
	Baseline	n/a	n/a	n/a
No of RES/Energy Efficiency schemes [A4O03]	Achievement	2	<b>2<sup>240</sup></b>	<b>2</b>
	Target	n/a	n/a	2-3
	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
Solar Water Heaters – m <sup>2</sup> installed [A4O07]	Achievement	0	<b>1,415<sup>241</sup></b>	<b>1,415</b>
	Target	n/a	n/a	1,500
	Baseline	n/a	n/a	n/a
No. RES Projects (core) [A4O08]	Achievement	14	<b>30<sup>242</sup></b>	<b>30</b>
	Target	n/a	n/a	30
	Baseline	n/a	n/a	n/a
<b>Result Indicators</b>				
Total annual electricity generated from small scale PV and micro-wind installations (MWh/annum) [A4R02]	Achievement	7,877	<b>16,816<sup>243</sup></b>	<b>16,816</b>
	Target	n/a	n/a	14,000 <sup>244</sup>
	Baseline	n/a	n/a	n/a

<sup>238</sup> This includes: 9,169kWp under ERDF 088; 134kWp under ERDF 101; 3.5kWp under ERDF 102; 23.5kWp under ERDF 234; 20kWp under ERDF 239; 40.59kWp under ERDF 230, 46.1 kWp under ERDF 193; 28.20 under ERDF 192 and 1,746kWp under ERDF 133.

<sup>239</sup> Penetration of 9,000kWp/annum to be reached by the 6<sup>th</sup> year.

<sup>240</sup> ERDF 088: domestic scheme and ERDF 133: enterprise schemes were approved prior to 2012 and no further schemes are foreseen under this Priority.

<sup>241</sup> Being one of the new indicators introduced in 2012, though there were no projects ticking this indicator, by end 2012, 566 SWHs have been installed through ERDF 088. At an average of 2.5 m<sup>2</sup> each, this project alone installed some 1,415m<sup>2</sup>.

<sup>242</sup> Since this indicator was introduced with the approval of the OP change in May 2012, only Call 14 could be issued with the availability of this indicator. However, as at end 2012, the MA had approved 30 operations dealing primarily with RES.

<sup>243</sup> Given this indicator is expressed per annum, an estimated 1,500kWh/kWp has been considered.

<sup>244</sup> Annual electricity generation of 14,000MWh/annum to be reached by the 6<sup>th</sup> year.

Total energy savings per year (MWh/annum) [A4R03]	Achievement	12,623 <sup>245</sup>	<b>7,776<sup>246</sup></b>	<b>7,776</b>
	Target	n/a	n/a	40,000
	Baseline	n/a	n/a	n/a
Reduction greenhouse emissions (CO <sub>2</sub> and equivalents, kt) (core) [A4R07]	Achievement	n/a	<b>0</b>	<b>0</b>
	Target	n/a	n/a	3
	Baseline	n/a	n/a	n/a
Additional water resources through further treatment of sewage effluent [A4R06]	Achievement	n/a	<b>0</b>	<b>0</b>
	Target	n/a	n/a	5Mm <sup>3</sup>
	Baseline	n/a	n/a	n/a
% decrease in energy consumed for volume of water treated [A4R08]	Achievement	n/a	<b>0</b>	<b>0</b>
	Target	n/a	n/a	50% <sup>247</sup>
	Baseline	n/a	n/a	5 per year

As can be seen from Table , the kWp and the energy generated from RES continued to increase in 2012. These positive results were registered through the installations under ERDF 088 (the domestic scheme), ERDF 133 (the enterprise scheme) and through the completed installations on the ground (ERDF 192, ERDF 193, ERDF 230,<sup>248</sup> ERDF 234 and ERDF 239). The popularity of the photovoltaic panels has once more surpassed the indicators, even the ones revised and approved in 2012. The achievement has decreased from the last reporting period due to the fact that the approval of the OP modifications of 2012 enabled the introduction of new indicators more aligned to the new Lisbon-gear and revamped Axis. An assessment of all indicators has been made so that the approved projects under this Axis are adjusted in line with the newly established list of performance indicators. Case in point is the *No. of RES projects* indicator that though introduced in 2012, takes into account all the MA-approved projects since the start of the programme. The energy savings indicator remained the indicator least targeted as at end 2012. In fact, and following the re-alignment of the indicators with the revamped PA 4, it is ERDF 088 - through the granting of the solar water heater scheme - ERDF 102 - through the installation of lighting optimisers - and ERDF 133 - through various other energy efficient measures at the enterprise level, that are contributing to this indicator as at end

<sup>245</sup> Corrigendum: AIR 2011 reads 12,711. This should read 12,623.

<sup>246</sup> The Energy Services Directive permits domestic PV installations to count towards energy savings, therefore prior to 2012, the MWh of the energy generated from PVs was contributing to the MWh of energy saved. The OP change of 2012 has brought about new indicators that cater solely for EE measures.

<sup>247</sup> SWRO plants use 4.65KWH/m<sup>3</sup>

<sup>248</sup> ERDF 230 is not reported as one of the completed projects since the project was considered formally completed in February 2013. However, as at end 2012, the PV installation was commissioned.

2012. The lack of achievement of this target will be partly addressed through the launch of Call 14 by ring-fencing part of the eligible actions to this indicator.

As can also be noted from Table , some indicators remained untapped by end 2012. These are mainly the indicators introduced through the OP change approved in May 2012 and which were subsequently only available with the launch of Call 14 in August 2012. In fact, the 14<sup>th</sup> Call for Proposals included these indicators in the templates provided to prospective applicants. In addition, further funds remained unallocated under this Axis and which will be prioritised to target the unachieved indicators.

Lastly, it is also worth noting that the OP change approval also brought about the removal of the indicators related to the NFRP. These have shifted *in toto* to Axis 5.

Apart from the impact indicator available to all of the OP's projects aspiring at achieving a low carbon programme, the indicators of this Priority are the most popular among all other operations. In fact, many projects approved under other PAs also commit to target the energy-related indicators found under PA4, especially the annual penetration rate, electricity generated and energy savings through the installation of PVs, SWHs and energy efficient equipment.

### 03.4.3 Financial Analysis

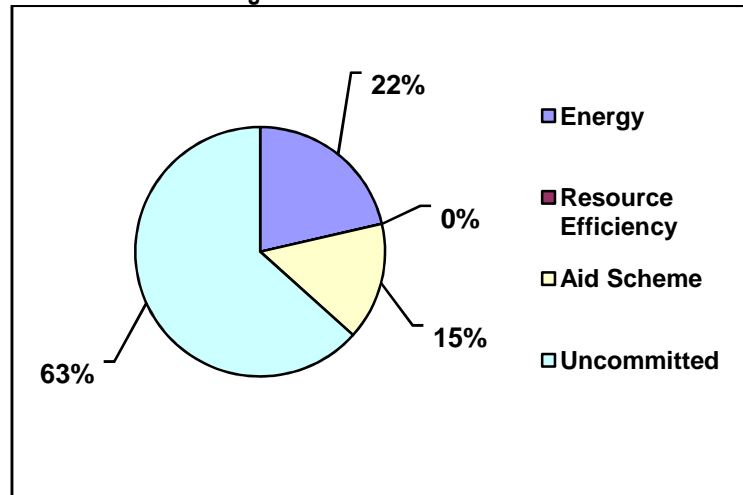
Table PA 4 Financial Analysis

Priority Axis	Total contribution	Financial Progress			
		Commitments	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 4 (ERDF) Climate Change and Resource Efficiency	€121,000,000	€44,318,337	€19,656,597	36.6%	16.2%

### 03.4.4 Qualitative Analysis

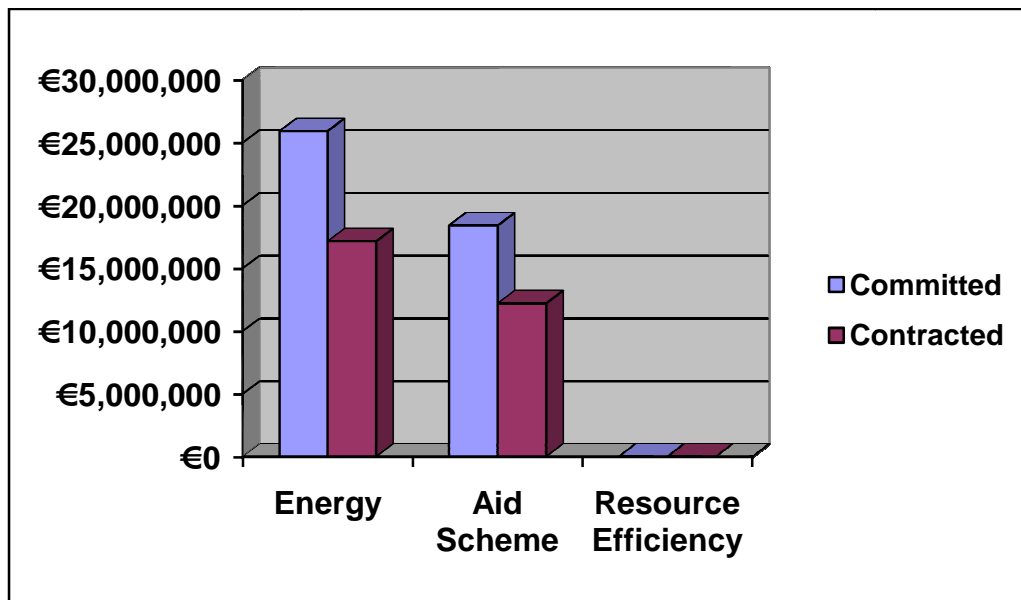
By the end of 2012, a total of €44,318,337, or 36.6% of the total allocation under PA 4, was committed, divided €25,913,844 or 21% for the mainstream projects and €18,404,493, or 15% for the Aid Scheme as shown in Figure .

Figure PA 4 Commitments



In terms of procurement, by the end of 2012, the total amount contracted under PA 4 was €29,352,568 (66%<sup>249</sup> of the committed amount); primarily due to the high commitments under both the State Aid Scheme and the domestic grant scheme<sup>250</sup> as well as the six (6) (small) completed projects. The most significant progress so far in terms of contracting was achieved under the domestic scheme of ERDF 088. A comparison between commitments and contracted amounts is shown in the next figure.

Figure Comparison between Commitments and Contracting Under PA 4



With respect to this PA, the go-ahead from the Commission to allow small RES/EE projects not exceeding the €1 million of total costs to opt for a flat co-financing rate, has impacted on the committed figures. In fact, all Beneficiaries to whom this option was offered have opted to take-up

<sup>249</sup> €29,352,568/€44,318,337.

<sup>250</sup> 66% (€12,205,932) of the commitment under ERDF 133 and 96% (€16,274,803) of the commitment under ERDF 088 were contracted by end of 2012.

this opportunity and do without the obligations of Article 55 and other monitoring obligations. Thus whilst this is a much welcomed simplification, it had a slight downwards impact on the committed amounts.

Figure can also provide an interesting comparison between the progress achieved with respect to the domestic scheme (which makes up a good percentage of the Energy focus area) and the enterprise Aid Scheme. The gap between the committed and contracted for the Energy focus area is wider than that of the Aid Scheme<sup>251</sup> which can be considered as relatively narrow. This is mainly due to the time-lag between the approval and the start of the implementation of the activities on the ground and also because of the fact that the procurement process takes longer to be concluded than the contracting procedures followed by the private sector. Furthermore, as a result of the aforementioned delay between approval and commencement of implementation, a substantial change was incurred in the final contracted values (the registered savings were almost half the estimated cost). Finally, as at end 2012, no commitments were made in respect of the newly introduced focus area, i.e. Resource Efficiency.

€76,681,663 remained unallocated under PA 4 as at end 2012. However, as reported earlier in this analysis, the allocation for Call 14 of €40 million is expected to be fully committed through projects that were ranked under this Call. In addition, the difficulties encountered in the implementation of this PA (as explained in the subsequent section), during the year under review are mainly in relation to state aid issues faced by energy projects. To mitigate against this issue, in 2012, the MA held discussions with the SAMB to formulate a Call for Proposal that would accommodate such projects.

By end of 2012, payments were recorded under twelve (12) operations<sup>252</sup> and totalled €19,656,597,<sup>253</sup> 52.7%<sup>254</sup> of which were paid in 2012 alone. In terms of certification, €6,706,894 were certified in 2012, bringing the certified amount to date to €15,451,619. When compared to 2011, the values for the commitment and contracts experienced a decrease, mainly due to the shift of the NFRP to PA 5, while the payments increased, mainly due to the upward trend of disbursements engaged by MRA under ERDF 088.

The financial progress situation under PA 4 as at end of 2012 is displayed in Table 29:

<sup>251</sup> The gap between the committed and contracted figures for the enterprise Aid Scheme was due to some savings that were revoked in early 2013 and the remaining funds were intended for further calls.

<sup>252</sup> ERDF 088, ERDF 101, ERDF 102, ERDF 133, ERDF 192, ERDF 193, ERDF 228, ERDF 230, ERDF 234, ERDF 235, ERDF 239 and ERDF 261.

<sup>253</sup> It is to be noted that due to an SFD technical issue, the amount of public eligible paid under ERDF 230 should read €31,621.15 instead of €63,242.29 (following this Beneficiary's choice of the 50% flat rate). However, as at end 2012, this error was not yet rectified. This would bring the paid amounts under PA 4 to €19,624,976.22.

<sup>254</sup> €10,356,947/€19,656,597.36. However, it is to be noted that €31,621.15 of the €10,356,947 are not to be considered due to the technical error described in footnote above. This change has insignificant impact on the percentage given in text.

Table Financial Progress Under PA 4 as at End 2012

	<b>Mainstream Projects:</b>	<b>Aid Scheme:</b>	<b>Total:</b>
<b>Allocation:</b>	N/A	N/A	€121,000,000
<b>Committed:</b>	€25,913,844 <sup>255</sup>	€18,404,493	€44,318,337
<b>Contracted:</b>	€17,146,636 <sup>256</sup>	€12,205,932	€31,983,971
<b>Disbursed:</b>	€14,671,226 <sup>257</sup>	€4,985,371	€19,656,596
<b>Certified:</b>	€12,030,361 <sup>258</sup>	€3,421,258	€15,451,619

### 03.4.5 Significant Problems Encountered and Measures Taken to Overcome Them

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

During 2012 the interpretation of Article 55 and its applicability for projects that yield cost-savings (resulting from EE actions) and revenue (primarily from the FIT) continued to be a problem as explained in AIR 2011. The repercussions of this problem were mainly the withdrawal of grants because of lack of matching funding and the extensive bureaucratic and administrative burdens on the Beneficiaries, especially the non-governmental/voluntary organisations that have a limited and non-technical capacity to implement such project. Consequently, the MA sought a mitigating solution against these repercussions with the assistance of JASPERS. In fact discussions between the MA and the experts from JASPERS led to a meeting between the latter and the MT desk officer within DG-REGIO<sup>259</sup> from which clarifications on the application and extent of Article 55 emerged. The outcome shed light on the calculation of the rate at which projects are to be assisted, and it was clarified that projects that only concern EE measures which entail cost savings, but no sale of energy, would be considered outside the scope of Article 55 and thus under no legal requirement to apply the funding-gap method. Furthermore, a 50% flat rate would be applied to projects below €1 million with surplus of energy for sale, hence exempting small RES projects from the legal requirement to apply the funding-gap methodology and its related burdens including monitoring obligations post implementation. The gist of the meeting was formally clarified through a letter to the Commission dated 11<sup>th</sup> April 2012 to which a positive reply was received via letter dated 25<sup>th</sup> May 2012. This option was offered to all concerned projects which in turn, all accepted to receive a flat co-financing rate of 50% of eligible costs and do without the obligations imposed by the funding-gap methodology.

<sup>255</sup> €16,932,025 of which under ERDF 088 alone.

<sup>256</sup> €16,274,803 of which under ERDF 088 alone.

<sup>257</sup> €13,900,036 of which under ERDF 088 alone.

<sup>258</sup> €11,456,941 of which under ERDF 088 alone.

<sup>259</sup> Meeting held in Brussels on 9<sup>th</sup> February 2012.

As explained above, this created a ripple effect due to the impact this had on the already limited commitments under the Axis.

### **Legal Obligations**

The issues related to planning processes and especially the guidelines issued by MEPA in late 2011 in relation to a list of new scheduled sites, continued to impinge on the already burdensome EU funding process under Axis 4. For instance several Beneficiaries, especially those involving the installation of PVs on churches or situated in the vicinity of historic sites, had to revise their applications and the extent of the activities. Being the Priority Axis with the most diverse variety of Beneficiaries ranging from public entities, to private, domestic, Local Councils, but also voluntary organisations representing the church, sports and band clubs, these Beneficiaries found themselves having to face planning and procurement procedures (amongst other technical issues) with which they were never or rarely faced. Furthermore, the need for ongoing guidance of these Beneficiaries also placed considerable pressure on the MA.

### **ERDF 088**

Very few grant offers were issued during 2012, and most of the work was related to the payment process. This proved to be a burdensome process in terms of the preparation of the necessary paper work to process payments. The situation worsened when the scheme was under auditing scrutiny by the statutory MRA auditors, IAID and the NAO. This was in addition to the routine checks carried out by the Line Ministry (MRRA), Treasury and the Managing Authority, giving rise to occasions where the same application was audited/checked by two different auditors on the same day. This stretched the beneficiary resources who struggled to keep the pace of payment.

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

As explained above, the implementation of the scheme suffered from serious setbacks due to a detected pattern of irregular practices involving non *bona fide* quotations. Further complications were also caused by the fact that due to delays in the approval of MRA authorisations for PV investments during 2011, some beneficiaries entered into renegotiated contracts with their selected suppliers and consequently implemented investments that differed in size from the ones approved by ME's Technical Evaluation Committee. It is however envisaged that during 2013, the pace of activity on this scheme will increase substantially following the clearance of a number of bottlenecks and hurdles related to the aftermath of its temporary suspension, details of which were provided above.

## 03.5 Priority Axis 5 – Safeguarding the Environment & Risk Prevention

### 03.5.1 Achievement of Targets and Analysis of the Progress

By consolidating the results achieved from environmental projects financed under the Cohesion Policy 2004-2006, Priority Axis 5 (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.

The financial allocation for PA 5 amounts to €189,288,259<sup>260</sup>, under the Cohesion Fund. The main operational objectives, in line with national strategies in the relevant sectors, are:

- in terms of solid waste; the minimisation of waste landfilling, the rehabilitation of disused landfills, and an increase in capacity for waste treatment and recycling;
- in terms of liquid waste; the improvement in wastewater/sewage treatment infrastructure; leading to a decrease in effluent discharge untreated to sea, and improvement in coastal water quality;
- in terms of water; the undertaking of investments in water networks;
- in terms of flood relief; the development of infrastructure to minimise the effects of storm water and reduce the incidence of flash flooding.

Minimising the effects of waste on the environment and society remains a critical strategic objective for the country, not only due to the need to comply with EU Regulations, but also considering Malta's very high population density, which imposes constraints for the development of new/additional landfills. The policy direction involves the promotion to increase 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 landfills. These targets are set to be achieved through the waste projects co-financed or being considered for co-financing under this axis, namely CF 118 *Rehabilitation and Restoration of Closed Landfills*, CF 119 *Mechanical and Biological Treatment Plant in the North of Malta* (to be formally submitted as a major project for CION approval in the first quarter of 2013), CF 123 *Setting up of the Gozo Waste Treatment and Transfer Facility*, CF 266 *Extending Waste Separation & Collection Services in the Maltese Islands* and finally CF 312 *Development of Hazardous Waste Storage Facility*<sup>261</sup>.

In terms of the Focus Area, *Water and wastewater*, the national commitment to achieve the management of waste effluent within the parameters mandated by environmental principles and targets under the Water Framework Directive was achieved in 2011. In fact, the target of reaching an

<sup>260</sup> The allocation under PA 5 increased by €24,038,259 from the previous allocation of €165,250,000 following the approval of the changes proposed under OP I by the Commission in May 2012.

<sup>261</sup> After being submitted in 2012 through the fourth call for non major project applications of 10th September 2012, this project was accepted for CF co-financing in March 2013.



overall 100% decrease in untreated sewage effluent discharge into the sea was achieved through the formal completion of CF 116 *Malta South Sewage Treatment Infrastructure* which has now the ability to treat 80% of the sewage generated with the remaining sewage treated through the wastewater treatment plants co-financed under the pre accession and Italian protocol.

Within the context of climate change, risk prevention is becoming an increasingly higher priority for the Government. Malta's topography tends to contribute to the phenomenon of flash flooding on the occurrence of heavy storms during the autumn and winter months. This phenomenon frequently leads to heavy damage to the physical environment, economic disruption and occasionally, to loss of human life. In this regard, the formulation of a proactive approach to this problem, particularly the development of infrastructural solutions to address the incidence of high storm water volumes, constitutes a major priority and will be addressed through CF 120 *National Flood Relief Project*.

Further details on the projects mentioned above can be found below:

### **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 fully operationally in 2011 and formally completed in 2012 following the finalisation of the remaining minor works. 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). The plant has the capacity to treat 60,000 m<sup>3</sup>/day of urban wastewater which accounts for approximately 80% of the total wastewater generated on the Maltese Islands. The local population, together with tourists, can thus benefit from cleaner seas around the Islands.

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

This project represents the final stage of the closure and rehabilitation of a number of landfills in Malta and Gozo which were operational before Malta's accession to the EU, namely the Magħtab and Marsascala landfills in Malta, and the Qortin landfill in Gozo. Rehabilitation and restoration of Magħtab and Qortin landfills is being achieved by, *inter alia*, the installation of an engineered capping with the objective of improving the control of gas emissions and reducing rainfall infiltration (and thus leachate production), control of surface water run-off, and restoration planting through the use of indigenous Maltese species. On the other hand, the site at Marsascala was considered as derelict land and its rehabilitation is required to allow the site to return to beneficial reuse by the community.

### **Extending Waste Separation and Collection Services in Malta (CF 266<sup>262</sup>)**

This project is aimed at improving the waste separation infrastructure in the Maltese Islands to attain higher recovery and recycling rates in accordance with EU legislation.

The application form was submitted in the last quarter of 2011<sup>263</sup>, whereby the project's design comprised the construction of a civic amenity site at Ta' Qali as well as additional equipment for other civic amenity sites. The PSC approved the application on the 8<sup>th</sup> June 2012.

### **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, thus facilitating compliance to waste regulations.

The main updates during 2012 were the provision of the completion note by JASPERS and the submission of the final CBA to the MA as will be discussed later the report.

In addition to the approved projects, intensive preparatory work has also been undertaken with respect to two (2) major projects, as outlined hereunder.

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

This major project involves the setting up of a mechanical and biological treatment plant to treat municipal solid waste (MSW) in two separate phases. The treatment combines:

- the mechanical process of separating dry recyclables such as glass, plastic, paper/cardboard and metals, leaving an organic fraction and a high calorific waste fraction called refuse-derived fuel (RDF) that can be utilised as input material for a thermal treatment plant which is to be co-financed through the CF; and,
- the biological treatment component with the aim of recovering energy from biogas, which will take place in an anaerobic digester, following in-vessel composting of the digested residues and which will be financed through National Funds and will not form part of the major project Application.

---

<sup>262</sup> First application was submitted to the PSC (as CF 122) during the second call for non-major projects under the Cohesion Fund of 5 February 2010.

<sup>263</sup> 28<sup>th</sup> October 2011.

Following the endorsement of the PSC for the onward submission to CION for its appraisal, as per Article 41 of Regulation 1083/2006, in October 2012, the major project Application Form and its Annexes were finalised in December 2012 and application will be submitted to the Commission in quarter one 2013.

Following the approval of the EIA as per EPD report (dated April 2012, but published on 22<sup>nd</sup> May 2012), MEPA validated the application and issued the PA numbers<sup>264</sup> - thus officially commencing the planning process on 25 May 2012. After consultations with the Applicant, following the required revisions to the submitted plans, and their appraisal as per legal provisions, progress on permitting was registered, and the development permit is expected to be issued in March/April 2013.

### **National Flood Relief Project (CF 120)**

For the first time, and as reported under section 3.4 of this Chapter, the National Flood Relief Project (NFRP) is being accounted for under PA 5 as from this reporting period. The approval of the OP changes in May 2012 allowed Axis 4 to entirely focus on climate change and related actions in line with the EU 2020 targets and to shift the NFRP Axis 5. The NFRP consists of five (5) project components with different systems of tunnels, reservoirs, culverts and reconstruction of bridges that will aid to divert rainwater away from the flood-prone areas whilst conserving water as much as it is economically possible. The project is a nation-wide investment across nine (9) localities and will include the construction of 16km storm-water tunnels, equipped with gratings and sedimentators capable of filtering debris and oil from the water entering the tunnel systems.

Extensive progress has been registered in 2012 and the preparatory stages towards the successful submission of this project were concluded, with the formal submission of the final application to the European Commission happening on 14<sup>th</sup> August 2012 (with additional documentation transmitted on 18<sup>th</sup> September 2012).<sup>265</sup>

### **Other Project Submitted under Non-Major Calls**

In 2012, the ongoing call NM2 under evaluation was concluded whilst a 4<sup>th</sup> call for non-major projects was issued. Significant preparatory work is also to be noted in terms of one (1) non-major project that was, as at end 2012, still under evaluation, namely:

---

<sup>264</sup> MTP plant (Tracking no 143862) and AD plant (Tracking no 143865).

<sup>265</sup> As at end December 2012, the NFRP was still not approved by the Commission. The Commission Decision is dated 14<sup>th</sup> February 2013.

## Development of Hazardous Waste Storage Facility (CF 312<sup>266</sup>)

Following the notification by the PSC in July 2012 that the evaluation of CF 121 could not be concluded in view of insufficient data submitted, the project was reworked and resubmitted as CF 312.

The objective of this project is to give Malta the capacity to manage hazardous waste namely through:

- The operation of a centralised hazardous waste management facility to provide a service for the management of industrial and household generated hazardous waste;
- The provision of a facility which will increase the ability and capacity to store and process bulky waste, thus minimising the possibility of redirecting the waste to landfill;
- The increase in capability for Malta to manage hazardous waste streams and therefore reducing negative environmental impacts;
- The increased collection, storage and management of hazardous waste directed for energy recovery;
- The increased collection, storage and management of hazardous waste directed for recycling.

**Table Project Approval History Under PA 5 (as at end December 2012)**

<b>Call<sup>267</sup>:</b>	<b>Closing Date:</b>	<b>Focus Area:</b>	<b>Projects Approved Under Call:</b>
1	17 Apr 2009	Solid Waste	<b>1 Project</b> (CF 123)
2	5 Feb 2010	Solid Waste	<b>none</b>
N/A	N/A	Solid Waste	<b>1 major project<sup>268</sup></b> (CF 118)
N/A	N/A	Liquid Waste	<b>1 major project<sup>269</sup></b> (CF 116)
3	28 Oct 2011	Solid Waste	<b>1 Project</b> (CF 266)
4	22 Oct 2012	Solid Waste	<b>1 Proposal being evaluated<sup>270</sup></b> (CF 312)

<sup>266</sup> First application was submitted to the PSC (as CF 121) during the second call for non-major projects under the Cohesion Fund of 5 February 2010.

<sup>267</sup> Non-major (CF) calls.

<sup>268</sup> Formally approved by CION on 28 July 2010.

<sup>269</sup> Formally approved by CION on 18 November 2010.

<sup>270</sup> CF 312 Development of a Hazardous Waste Storage Facility was approved in March 2013.

### 03.5.2 Information on the Physical and Financial Progress

#### Major Projects

The main information on the physical and financial progress of the ongoing and approved major project falling under this Priority Axis, namely *CF 118 Rehabilitation and Restoration of Closed Landfills* will be provided in the Chapter 4 of this report. However, in terms of implementation and disbursement, the main progress registered was that out of a total public eligible project value of €26,224,382, €8,331,465 or 32% was contracted. Disbursement amounted to €4,088,751 or 49% of the contracted amount. Work on the ground amounted has reached very different levels of completion, ranging from 95% at Marsascula, to 5% in Magħtab (Phase II). When taking an average of all the four sites involved in the project, one can infer that the implementation of works on the ground is at about 50% of completion.

With respect to *CF 116 Malta South Sewage Treatment Infrastructure (CF 116)*, the plant was fully operational and officially opened in June 2011. However, the formal project completion was delayed till June 2012 in order to complete administrative work, in particular the processing of the final payments. The project comprised of 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 Xghajra, a new 1.7 km wastewater gallery from Rinella to Ta' Barkat and the construction of a 1km submarine outfall.

Another major project falling under this axis, namely *CF 120 National Flood Relief Project*, was submitted for CION evaluation in August 2012, as stated above. Works on the ground are ongoing, and further information on its progress is provided in Chapter 4 of this report. In terms of implementation, the contracting in 2012 (of seven (7) works tenders<sup>271</sup>) accounted for €33,138,674 (or 94% of the total contracted figure), bringing the total contracted amount by the end of 2012 to €34,990,693,<sup>272</sup> representing 66% of the total public eligible value of the project (€52,809,134) and an increase of 485% over the 2011 contracted figures (€5,980,748). Disbursement amounted to €10,164,629 or 29%. The percentage of works on the ground ranged from 60% for the construction of the Gzira reservoir to 5% with regard to the Zebbug and Birkirkara tunnels. Works at Qormi and Marsascula had not started as at end 2012.

<sup>271</sup> Resident Engineer tender, Birkirkara tunnel, Zebbug tunnel, Qormi/Marsa bridges, Construction of Reservoir and Marsascula tunnel. In addition, the publicity departmental tender was also awarded and signed in 2012.

<sup>272</sup> This contracting figure also includes other miscellaneous amounts in relation to MEPA fees (€22,815.72) and adverts (€8,638.92) and lands acquisition (€197,694.92). Also included are the contracted amounts of completed contracts, namely the Consultancy for the preparation of the project (€1,366,975), the Excavation of the Reservoir (€211,220) and two (2) departmental contracts, being the construction of culverts (€39,174) and a topographic survey (€5,49975).

CF 119 is the last project falling under PA 5, and as at end 2012, was in the final stages of preparation prior to submission to the CION for approval. Discussions with JASPERS were concluded, and the application form and annexes were finalized by end of the year with the signature and closing off of the Completion Note happening in early 2013. The MEPA permit is expected to be issued in April 2013.

As mentioned above, during 2012, the PSC reviewed the application and approved its submission to the Commission. The project was submitted to the Commission in March 2013. There is as yet no physical progress to report, in view of the fact that the main Design, Build and Operate tender was only issued in December 2012.

### Physical Progress

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

This project was approved by the PSC on 31 July 2009 on the condition that the CBA is reviewed before the Grant Agreement can be finalised. JASPERS assistance was sought in this regard and three JASPERS expert missions were held in Malta in August 2010, in January 2011 and another in February 2012. Given that the finalisation of the CBA was partly dependent on a number of assumptions that were still being discussed on the Malta North major project in the pipeline (CF 119), this process took longer than expected. Following the final JASPERS mission and a final completion note was submitted to the MA in May 22, 2012.

Contracting and disbursement did not register any movement in 2012 due to the fact that the remaining tender was still in appeals stage for most of the year and other dependent contracts remained on hold. Hence a total of €1,054,733 was contracted by the end of 2012 arising from the signing of five (5) contracts<sup>273</sup> prior to 2011. Disbursement amounted to €605,228, or 57% and works on the ground reached 8%.

The 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. The tender was subject to an appeal and it was only in December of 2012 that a decision was communicated. The contract was awarded with a public eligible amount worth €6,984,663 (exc. VAT) but the signing of the contract only took place in March 2013.

In terms of permitting, all the relevant MEPA permits had been obtained prior to 2011<sup>274</sup>.

<sup>273</sup> CT 2300/2008 Works tender for the construction and upgrading of access roads for the Gozo Waste Treatment Facility in Tal Kus l/o Xewkija, Gozo (€532,091.49), WSM 25/09 Service Tender for Archaeological Services at Tal-Kus l/o Xewkija, Gozo (€24,575.42), WSM 11/09 Works Tender for the Top Soil Clearance at Tal Kus l/o Xewkija, Gozo (€24,575.42), WSM61/09 Site Investigation Tender (€4,067.25) and CT 2418/09 Service Tender for the Engineering, Supervision and Project Management of the Gozo Waste Treatment Facility in Tal Kus l/o Xewkija, Gozo (€ 409,174.00).

<sup>274</sup> PA 0676/07 (Amendments to permit PA 4399/06 for proposed civic amenity facility: for shifting of site and alterations on site layout) approved on 14 May 2008, and PA 7844/06 (A controlled facility for the receipt, sorting, processing interim storage and

- **Extending Waste Separation and Collection Services in the Maltese Islands (CF 266)**

This project was approved by PSC on 8<sup>th</sup> June 2012. The public eligible value of the project is €2,593,937.00 and is expected to be concluded by the end of December of 2013.

The main works tender, CT3009/2011<sup>275</sup> published in June 2011, was awarded in February 2012 for €746,819. Still works could not commence prior to the approval of the MEPA permit. The permit was approved on 2<sup>nd</sup> August 2012<sup>276</sup>. Six (6) other tenders, estimated at €1,640,900 (exc. VAT), were issued between June and November 2012, with two (2)<sup>277</sup> of them having to be reissued in view of the fact that all bids went over the allocated budget amount. Another two (2)<sup>278</sup> tenders closed in January 2013 whilst the remaining two (2)<sup>279</sup> were contracted within the same year with a collective public eligible value of €397,150 (exc. VAT).

By the end of 2012, the project contracted value amounted to €1,263,378, 49% of which was fully disbursed (with €495,700) within the year under review. Works on the ground progressed to 40%.

- **Other Projects**

As at December 2012 the PSC was still reviewing the project submitted in October 2012 (CF 312 - Hazardous Waste Storage Facility). Although this project was still under evaluation as at end December 2012, a number of main tenders had already been contracted<sup>280</sup>.

---

transfer/transportation of non hazardous, non-inert wastes. A facility for the interim storage, sorting and transfer of small amounts of hazardous waste) approved on 21 May 2009.

<sup>275</sup> Works Tender for the Construction and Finishing of a Civic Amenity Site at Attard.

<sup>276</sup> PA/05228/10

<sup>277</sup> (1) Tender for the Supply, Delivery, Installation & Commissioning of a Crushing & Cleaning Device for Glass Containers and (2) Tender for the Supply and Installation of an In-Vessel Composter

<sup>278</sup> CT3080/2012 - Tender for the Supply of Containers for the Ta' Qali Civic Amenity Site and CT3056/2012 -- Supply and delivery of Mobile Equipment for the Ta' Qali Civic Amenity Site

<sup>279</sup> CT3092/2011 - Tender for the Purchase of four Large Volume Waste Compactors for Civic Amenity Sites and WSM099/2012 - Tender for the Supply, Delivery, Installation and Commissioning of a Steel Weighbridge for the Ta' Qali Civic Amenity Site.

<sup>280</sup> Approval by the PSC was given on 1<sup>st</sup> March 2013.

## Progress on Indicators

Table Priority Axis 5 Indicators

Indicators		2007-2011	2012	Total
<b>Output Indicators</b>				
No of solid waste treatment plants constructed [A5O01]	Achievement	1 <sup>281</sup>	2	2
	Target	n/a	n/a	2
	Baseline	n/a	n/a	n/a
No of landfills rehabilitated [A5O02]	Achievement	3 <sup>282</sup>	3	3
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
No of liquid waste treatment plants constructed [A5O03]	Achievement	1	1	1
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
No of Storm Water Management (risk prevention) Project (Core indicator) [A5O04]	Achievement	1	1	1
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
No of waste project (Core indicator) [A5O05]	Achievement	0	1	1
	Target	n/a	n/a	2
	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	0	0
	Target	n/a	n/a	130,000 <sup>283</sup>
	Baseline	n/a	n/a	290,000 ts
Total RES recovered from waste by 2013 (GWhrs/annum)	Achievement	2.71	5.82	5.82

<sup>281</sup> Corrigendum: AIR 2011 reads zero. This indicator has been achieved by the approval of CF123 in 2009.

<sup>282</sup> Corrigendum: AIR 2011 reads zero. This indicator has been achieved by approval of CF118 in 2010

<sup>283</sup> 130,000m<sup>3</sup> is equivalent to 110,000 tonnes.



[A5R02]	Target	n/a	n/a	17.0
	Baseline	n/a	n/a	n/a
Area rehabilitated (km <sup>2</sup> ) (core indicator) [A5R03]	Achievement	n/a <sup>284</sup>	0.113	0.113
	Target	n/a	n/a	0.3
	Baseline	n/a	n/a	n/a
% decrease in national sewerage effluent discharge [A5R04]	Achievement	80%	80%	80%
	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	Class 1	Class 1	Class 1
	Target	n/a	n/a	Class 1
	Baseline	n/a	n/a	Class 3
M <sup>3</sup> of increased rain water harvesting and re-use potential in catchment areas [A5R06]	Achievement	0	50,000	50,000
	Target	n/a	n/a	300,000
	Baseline	n/a	n/a	n/a
Frequency of flooding within areas of intervention [A5R07]	Achievement	0	0	0
	Target	n/a	n/a	1 every 5 years
	Baseline	n/a	n/a	n/a

Even though there are a limited number of projects foreseen under the Axis and all of a certain magnitude, progress on a number of indicators was nevertheless made, such as with respect to the number of waste projects<sup>285</sup>, the total RES recovered from waste<sup>286</sup> and m<sup>3</sup> of increased rain water harvested<sup>287</sup>. The indicator number of landfills rehabilitated has been overachieved, since CF 118 is targeting three (3) landfills, namely Magħtab, Marsascula and Qortin. Furthermore, 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 2012. This represents a 5% achievement of the target of 300,000m<sup>2</sup> expected to be rehabilitated through this project.

<sup>284</sup> This indicator was introduced with the approval of the OP change in May 2012 so no reference data was reported for the period 2007-2011.

<sup>285</sup> This indicator has been targeted so far by CF 266 approved in the second quarter of 2012.

<sup>286</sup> This indicator is targeted by CF 116.

<sup>287</sup> The result of the Gzira reservoir being filled up five times; each time reaching the full capacity of the reservoir (10,000m<sup>3</sup>).

Other indicators, such as the number of liquid waste treatment plants constructed, percentage decrease in national sewerage effluent discharge/additional population serviced (core indicator), number of Storm Water Management (risk prevention) Projects (core indicator) and the status of coastal waters in the South of Malta, were wholly achieved (taking into account projects as approved). In fact, 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 a potential 80% treatment in national sewerage effluent (or 60,000 m<sup>3</sup>/day) 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.

These interim results are a good indication that all the targets for this PA will eventually be achieved. Furthermore, in view of the shift of the National Flood Relief Project from PA 4 to PA 5 and its incorporation in the CF, a number of indicators were also included under PA 5, namely:

- No of Storm Water Management (risk prevention) Projects
- M<sup>3</sup> of increased rain water harvesting and re-use potential in catchment areas
- Frequency of flooding within areas of intervention

Another two (2) indicators, namely the area rehabilitated (km<sup>2</sup>) (core indicator) and the abovementioned number of waste projects (core indicator), was also included following the approval of the changes to the OP to acknowledge the amount of core indicators that our Operational Programme is contributing to.

### 03.5.3 Financial Analysis

Table Priority Axis 5 Financial Progress

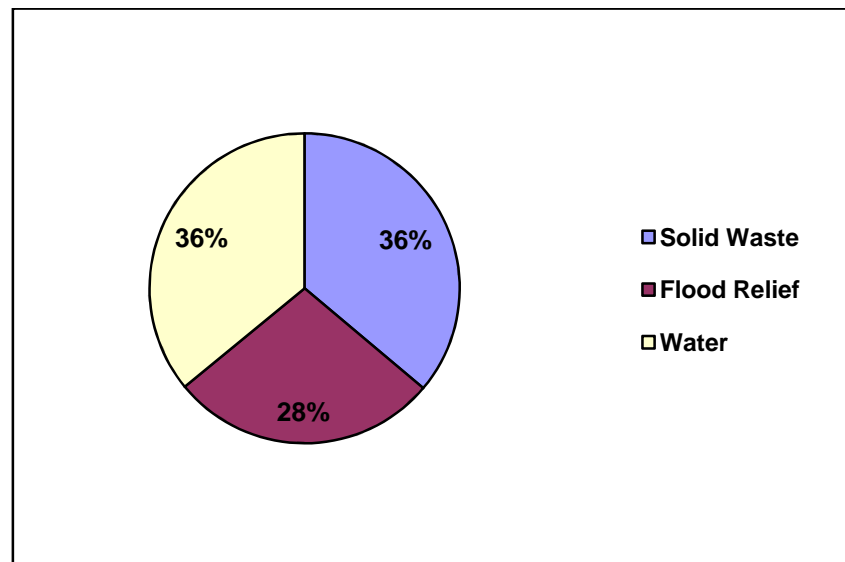
Priority Axis	Total Contribution	Financial Progress			
		Commitments	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 5 (CF) Safeguarding the Environment & Risk Prevention	€189,288,259	€189,106,585	€85,169,270	99.9%	45%

### 03.5.4 Qualitative Analysis

Both the allocation and commitment levels increased from 2011 due to the transfer of the major project CF 120 from PA 4 to PA 5 in May 2012. As shown in figure 10 below, as at end December 2012 the commitment levels stood at 99.9% of the total allocation for this PA. This is also the result of the approved project under Non Major Call 3 and the endorsement of the Project Selection Committee

of the major project CF 119 for onward transmission to the CION for evaluation. However, even though, the PA is expected to be overcommitted in 2013 following the results of the evaluation of Non Major Call 4, significant savings are also expected to be made in some projects, such as CF 118 and 120 thus balancing out any over commitment resulting through the possible approval of the final project to be submitted under CF.

Figure PA 5 Commitments



On the other hand, the above figure 10 give a general visual comparison of the approved projects under PA 5.

Figure Comparison between Committed and Contracted values Under PA 5

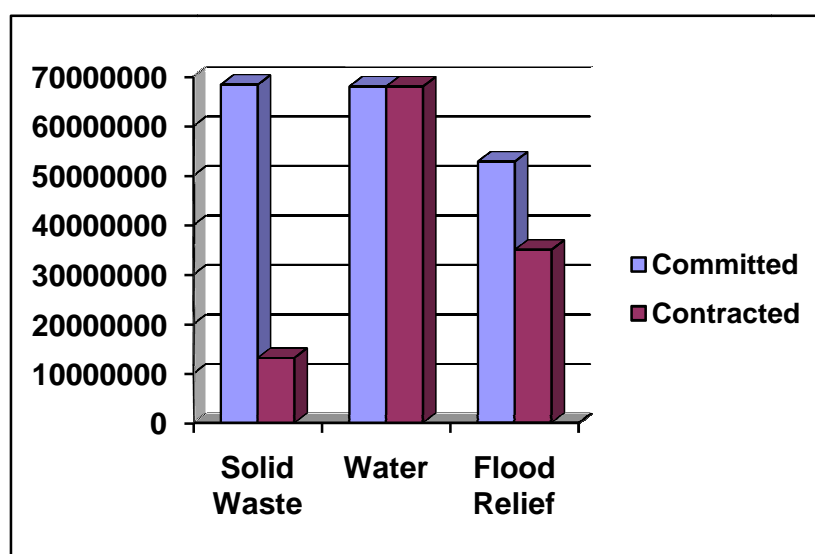


Table Financial Overview for PA 5 as at End 2012

	Solid Waste	Water	Flood Relief	Total PA 5
<b>Allocation</b>	N/A	N/A	N/A	€189,106,585
<b>Commitment</b>	€68,329,421	€67,968,030	€52,809,134	€189,106,585
<b>Contracted</b>	€13,141,418	€67,968,030	€34,990,693	€116,100,141
<b>Paid</b>	€7,036,611	€67,968,030	€10,164,629	€85,169,270
<b>Certified</b>	€1,177,511	€66,804,833	€598,087	€68,580,431

Whilst Figure 11 provides a comparison visual between the committed and contracted Table 33 above provides a financial summary for PA 5 as at end 2012. As can be noted, the NFRP shift as brought about a significant increase in the committed, contracted and paid amounts under this Priority.

In terms of certifications, a total of €68,580,431 was certified so far, with an increase of €3,552,948 from 2011, mainly attributable to CF 118, the approval of CF266 earlier in 2012 and the inclusion of CF 120 to this Priority Axis.

### 03.5.5 Significant Problems Encountered and Measures Taken to Overcome Them

The major issue faced by Priority Axis 5 was the low disbursement rate experienced throughout the year under review. In 2012, Treasury paid €17,098,600 of public eligible funds out of the €85,169,270 paid since the beginning of the Programming Period. This means that €103,937,315, or 55% of the committed amount still needs to be disbursed under this Priority Axis in the last 3 years of the programme.

The problems faced by projects under this Priority Axis are the typical problems faced by projects of significant scale. Considering the possible impact of such projects on the environment and on the socio-economic context, a number of challenges slowed down their implementation, amongst which, the lengthy process for the application and approval of the necessary environmental and planning permits.

As a mitigation measure, the relevant Line Ministry and MEPA met on a fortnightly basis with MEPA officials to discuss and address issues to ensure timely action and minimise the delays to the minimum necessary. This measure is additional to the ongoing consultation with MEPA officials as described earlier.

Significant delays in the procurement process of tenders above €47,000 influenced the progress on the implementation of these projects. Besides the expected delays related to procurement, tenders issued under this axis tend to be substantial (generally well above €1,000,000), attracting appeals following the notice of award to one bidder with the exclusion of others. This usually delays the award and start of the works/service/supply. One clear example is CF123, where the main works tender had an appeal lodged in 2011 and following the reversal of the award by PCRB, the Beneficiary had to re-evaluate the bids, with the award only occurring in December 2012. This led to the project being at a standstill for a whole year with no disbursements occurring in 2012. A possible mitigating measure would that of ensuring greater clarity in both the instructions to tender which would ensure that all bids are submitted in the required format and with no possibility of interpretation. Furthermore, greater clarity in the evaluation report would also restrict appeals made on frivolous grounds and would assist the PCRB in deciding such cases in shorter timeframes.

Finally, the turnover of project leaders remained a chronic concern for CF118 and CF123 (both WasteServ Malta Projects) creating a steep learning curve for the incoming project leader not only to manage the project but to be accustomed with the regulations and procedures related to EU Funded Projects. In order to facilitate the transition, the Chief Projects Manager was kept in the loop in all communication and issues concerning the respective projects.

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

### 03.6.1 Achievement of Targets and Analysis of the Progress

Unlike the other priority axes within the OP, PA 6 encompasses a variety of sectors, namely; *E-Accessibility, Education, Social and Health-related Infrastructure, Environmental Monitoring, Internal Mobility, and Urban Regeneration*. A total of six (6) calls for project proposals have been issued since the start of the programming period<sup>288</sup>, resulting in a total of twenty-four (24) operations including one (1) Aid Scheme being implemented under PA 6 as at end 2012, as shown in Table . The funds committed as at year end were of €136,108,123, equivalent to 91% of the total allocation to PA 6 (€149,000,000).

**Table Project Approval History Under PA 6**

<b>Call:</b>	<b>Closing Date:</b>	<b>Focus Area:<sup>289</sup></b>	<b>Projects Approved Under Call:</b>
1	7 Sep 2007	ESHI, IM	<b>13 Projects<sup>290</sup></b> (ERDF 045, 047, 048, 054, 056, 057, 058, 062, 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<sup>291</sup></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)
16	29 Oct 2012	ESHI	<b>Project selection in process</b> <b>14 applications received</b>

<sup>288</sup> one (1) of which (Call 16) was launched in September 2012

<sup>289</sup> Legend: EA – E-Accessibility; ESHI - Education, Social and Health-related Infrastructure; EM - Environmental Monitoring; IM -Internal Mobility; UR - Urban Regeneration.

<sup>290</sup> The number of projects differs from the AIR of 2011 since ERDF 63 was eventually withdrawn to become ERDF 062, with ERDF 062 being completed in 2010.

<sup>291</sup> The project was submitted under an open call for proposals. However since it exceeded Art 39 threshold in total costs, this was then considered as a Major Project.

A further breakdown of the twenty-four (24) approved projects as compared to the focus areas of interventions is displayed in Table .

**Table Approved Operations Per Focus Area**

	Call:	Focus Area:					
		EA:	ESHI:	EM:	IM:	UR:	Total:
<b>Projects:</b>	1 <sup>st</sup>		11 <sup>292</sup>		2 <sup>293</sup>		13
	2 <sup>nd</sup>	2 <sup>294</sup>				1 <sup>295</sup>	3
	4 <sup>th</sup>	1 <sup>296</sup>	2 <sup>297</sup>	1 <sup>298</sup>	1 <sup>299</sup>		5
	11 <sup>th</sup>				1 <sup>300</sup>		1
<b>Aid Scheme:</b>	2 <sup>nd</sup>		1 <sup>301</sup>				1
<b>major project:</b>	n/a <sup>302</sup>		1 <sup>303</sup>				1
<b>Total:</b>	N/A	<b>3</b>	<b>15</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>24</b>

### Call for Project Proposals

Call 16, launched in September 2012, was open to all public organisations and public equivalent bodies to submit project proposals under the Focus Area *Education, Social and Health-related Infrastructure*. Preparatory work carried out by the PSC Secretariat with regards to the fourteen (14) project proposals received is ongoing; it is envisaged that these will be reviewed and rated by the PSC in 2013.

### Mainstream Projects

By the end of 2012, twenty-three (23) projects were approved under Priority Axis 6. A total of twelve (12) projects under this Axis were completed: nine (9) under the focus area of *Education, Social and*

<sup>292</sup> ERDF 045, ERDF 054, ERDF 056, ERDF 057, ERDF 058, ERDF 062, ERDF 064, ERDF 065, ERDF 066, ERDF 068 and ERDF 072. Note: ERDF 063 was eventually withdrawn and integrated with ERDF 062

<sup>293</sup> ERDF 047 and ERDF 048.

<sup>294</sup> ERDF 109 and ERDF 114.

<sup>295</sup> ERDF 104.

<sup>296</sup> ERDF 159.

<sup>297</sup> ERDF 164 and ERDF 189.

<sup>298</sup> ERDF 156.

<sup>299</sup> ERDF 183.

<sup>300</sup> ERDF 256.

<sup>301</sup> ERDF 136.

<sup>302</sup> The project was submitted under an open call for proposals (call 6). However since it exceeded Art 39 threshold in total costs, this was then considered as a Major Project.

<sup>303</sup> ERDF 196.

*Health-related Infrastructure*; one (1)<sup>304</sup> under the focus area of *Internal Mobility*; and two (2)<sup>305</sup> under the focus area of *E-accessibility*. One (1)<sup>306</sup> approved project under the *Education, Social and Health-related Infrastructure* intervention area was withdrawn, leaving a total of twelve (12) ongoing interventions under this Axis by end of year, five (5)<sup>307</sup> of which are nearing completion and are expected to be completed by mid 2013. These interventions, when excluding the Aid Scheme and the major project, can be broken down as follows:

- Four (4)<sup>308</sup> projects under the focus area of *Education, Social and Health-related Infrastructure* - three (3) concerning extensions and upgrading of services and buildings at secondary, post-secondary and tertiary education institutions and one (1) health-related project (ERDF 068);
- One (1)<sup>309</sup> project related to *E-Accessibility*, namely the enhancement of e-services available to the public
- One (1)<sup>310</sup> project under the focus area of *Environmental Monitoring*, aimed at developing the national environmental monitoring infrastructure;
- Three (3)<sup>311</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>312</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>313</sup> of the ongoing projects are being wholly implemented in Gozo whilst five (5) other projects<sup>314</sup> are being partially implemented in Gozo.

## Major Project

With regard to the major project (ERDF 196 *Mater Dei Oncology Hospital*), the application was submitted to the Commission for approval January 2012 and approved in April 2012. This project will provide 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

<sup>304</sup> ERDF 048 was completed in 2010.

<sup>305</sup> ERDF 109 and 114.

<sup>306</sup> ERDF 063.

<sup>307</sup> ERDF 064, 068 and 189 under the focus area *Education, Social and Health-related Infrastructure*; ERDF 047 and 183 under the focus area *Internal Mobility*;

<sup>308</sup> ERDF 064, 068, 164 and 189.

<sup>309</sup> ERDF 159.

<sup>310</sup> ERDF 156.

<sup>311</sup> ERDF 047, 183 and 256.

<sup>312</sup> ERDF 104.

<sup>313</sup> ERDF 047, 068 and 189.

<sup>314</sup> ERDF 056, 058, 062, 066 and 159.



care unit. The total public eligible cost of the project is €44,302,722<sup>315</sup> (or 29.7% of the Axis' allocation).

### 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 2012 ten (10) Grant Agreements consisting of six (6) start-up and four (4) requests for upgrades of existing facilities were signed following Call 3 (October 2011) for a total of €216,987. Following the signing of these GAs, the total amount contracted via agreements signed between the IB and beneficiaries stood at €434,314 by year end.

## 03.6.2 Information on the Physical and Financial Progress

### Physical Progress

As stated earlier, as at the end of 2012, twelve (12) projects were completed, amounting to a total public eligible value of €21,378,093 (14.4% of the Axis allocation) while a number of operations originally scheduled to finish in 2012 still required an extension beyond 2012.<sup>316</sup> Nevertheless, since all projects approved under this Axis were approved in the early years of the programming period, by December 2012, most of them were either completed, at the final stages of their procurement or at implementation stage, and with a number of them being at an advanced stage of implementation or nearing completion.

- **Completed Projects**

With respect to concrete results, three (3) mainstream projects were completed in 2012. Following the completion of the infrastructural development, the installation of audio equipment and the installation of the furniture of the Junior College Building extension (ERDF 057) which occurred in 2011, the year 2012 saw the installation of the visual equipment which brought this project to an end. The completion of ERDF 114 led to the development of a Maltese Speech Engine that will allow all users and application developers to convert electronic Maltese text to speech output. When integrated within other software applications, this will provide a Maltese speech interface for applications (software). This technology will also be of benefit disabled persons using assistive ICT. This means that future e-services will be also accessible to more users resulting in greater access to information that will lead

<sup>315</sup> Commission Decision C (2012) 2309 refers to the eligible amount of €48,802,722. By the time the Grant Agreement was finalised and signed on 31 October 2012, the procurement of a number of tenders showed that ca. €4.5 million would have remained unallocated, resulting in a recovery of this amount by means of a letter dated 21<sup>st</sup> May 2012. The total project cost is €54,129,590. Amount includes ineligible costs of €9,826,868.

<sup>316</sup> ERDF 047, 064, 068, 104, 183 and 189.

to greater participation by civil society, including also increased access to education and gainful employment for disabled persons in the years to come. 2012 also saw the completion of the ERDF 109 project – Digitization Strategy and Framework for the National Library of Malta which aims to enable a variety of users, regardless of their location, to directly access and use a range of digitized material relating to Malta's history thus promoting Malta's cultural heritage and motivating foreigners to get to know more about Malta. Moreover, it will increase access to digital collections and help to preserve rare and fragile collections by providing digital surrogates.

- **Ongoing Projects (Education, Social and Health-related Infrastructure)**

The construction of the ERDF 064 *University Computing Services Centre Building* was completed in 2011 with a few items of furniture and equipment delivered in 2012. This project has been extended due to pending approvals for contract changes on the Finishes, Campus Connect and the Mechanical & Electrical contracts and all pending issues are expected to be solved during 2013.

With regard to ERDF 068 *The Upgrading of Operating Theatre and the Setting Up of a Radiology Unit*, it is to be noted that the radiology unit has been fully operational since 2011 while the refurbishment of the Operating Theatre was almost completed by end of 2012 and is expected to be fully operational in the first half of 2013. Remaining works relate mostly to the refurbishment of the Bone Mineral Density Clinic which was delayed due to procurement issues. Furthermore, two additional tenders were approved for funding from the savings incurred, namely for the purchase of furniture and another for supporting accessories, both for the Operating Theatre. As a result, this project, which was expected to be completed by September 2012, was granted an extension for completion until mid-2014.

The construction of the premises for the ERDF 164 *Institute of Applied Science and the Institute of Business and Commerce* was well underway by the end of 2012. This contract is expected to be concluded by the first half of 2013. Furthermore the Mechanical and Electrical works and the first contract for the Finishing works were contracted and started their implementation phase during 2012. As at the end of the year these works were progressing at a steady pace. The project had 52% of its activities contracted by year's end. The remaining tenders, namely the second Finishes work tender, the Laboratory Equipment and the Furniture tenders were either on the market or at adjudication stage as at the end of the year under review,

Meanwhile, under ERDF 189 *Educational Infrastructure Development at Bishop's Conservatory Secondary School - Phase 2*, 100% of the contracts were contracted and implemented during the year 2012. The project was extended till the end of the first quarter of 2013 to process any pending payments.

- **Ongoing Projects (Urban Regeneration)**

As far as ERDF 104 *Stronger Cottonera Communities - The Citizens right to accessibility and mobility* is concerned, an extension to the project's original completion date was requested in September 2012 which the MA approved; with the expected completion of this project now expected for September 2013. On 27<sup>th</sup> March 2012, the project saw the dismissal of the main contractor on one of the main components of the project: the Upgrading, Embellishment, Landscaping and Installation of Services at the East Side, Dockyard Creek. Following the dismissal of this contractor a number of tenders were issued to replace this contract. In all, fifteen (15) tenders were or are in the process of being issued. Of these, seven (7) are departmental tenders, one is a call for quotations and seven (7) are tenders administered by the Department of Contracts. Five (5) contracts have been completed. As at year end, 62% of the project's activities were contracted. During the same year the MA also approved an extension to the scope of works, with the embellishment of the Senglea Waterfront. This new extension will result in an increase of recreational space by 2% and a decrease of the underutilised space by 11%.

- **Ongoing Projects (Internal Mobility)**

The contract for works on additional stretches of road that had been approved for financing by the MA in May 2011 under ERDF 047 *Reconstruction of part of Xlendi Road and Ta' Pinu Road* was signed in mid 2012. This means that 100% of the project's activities under this project were contracted by end 2012. Since both Xlendi and Ta' Pinu roads are arterial and lead to tourist sights, works were kept on hold during the summer months, in order not to negatively impact any economic activity during the busy months. Such delay resulted in the postponement of the final completion date of the project, which is now to be completed in 2013.

The ERDF 183 *Vertical Connection* project was inaugurated towards the end of 2012, and by the end of the year was in full operation. The project closure date was extended to Q1 2013 since some snags were still being addressed in December. The last project approved under this focus area was ERDF 256 *MODUS; Encouraging a modal shift in land transportation*. During 2012, works on the Marsa Park and Ride were completed, while works on the bus interchange at the Sliema Ferries and on the Birkirkara Complex and Fleur-de-Lys interchange were initiated and were still ongoing by the end of the year. Only 23% of the project activities were contracted as at year end. More progress is expected to be recorded in 2013, where three contracts were contracted in the first Quarter of 2013 (accounting for 8% of the entire project), while the publication and award of another eight contracts are also expected under this project by the end of the year.

- **Ongoing Projects (E-Accessibility)**

Under the *eXS4ALL* project (ERDF 159), the e-id roll-out was delayed. On the other hand, interactive whiteboards were procured and their installation in both the primary and secondary schools was completed. A contract was signed in June 2012 for additional interactive whiteboards, which were all installed by the beginning of the 4<sup>th</sup> quarter 2012. Another component was added to this project which will see the eLearning Platform populated with the eContent pack. This component accounts for 16.8% of the project. Tenders for the eContent pack were published in 2012 and will be adjudicated in 2013. Once these tenders are contracted, 100% of components will be contracted under this project.

- **Ongoing Mainstream Projects (Environmental Monitoring)**

The project related to the *Developing National Environmental Monitoring Infrastructure and Capacity* (ERDF 156) had most of its activities contracted by year's end (89% of the project's public eligible value). One (1) contract was fully completed by end 2012 whereas another contract had two out of three lots completed. The equipment for particular contracts is expected to be delivered in the first two quarters of 2013. In the mean time, two (2) tenders were under evaluation and shall be contracted during 2013. Preparations were underway so that the national monitoring programmes for water and noise could commence while those on soil, air, water (part of) and radiation were being implemented.

- **Aid Scheme - Grant Scheme for Child Care Facilities (ERDF 136)**

In view of the IB's request to launch a third<sup>317</sup> call to absorb the remaining funds under the scheme, the scheme's period of implementation was extended from December 2012 to August 2013<sup>318</sup>. The results achieved as at end of 2012 from Call 1, Call 2 and Call 3 are displayed in Table .

---

<sup>317</sup> Launched in October 2011.

<sup>318</sup> As per Addendum to the Covenant dated 07/09/2012

Table Operations and Investments under ERDF 136

Call:	1 (May 2009):	2 (May 2011):	3 (Oct 2011):	Total:
Launched:	03/05/2009	25/05/2011	16/10/2011	
Closed:	22/05/2009	24/06/2011	14/11/2011	
Applications submitted:	23	7	13	43
GAs signed:	13	4	10	21
Operations: <sup>319</sup>	4	3	10	17
Beneficiaries:	4	3	10	17
GA Value: <sup>320</sup>	€129,043	€88,284	€216,987	€434,314 <sup>321</sup>
Additional investment: <sup>322</sup>	€147,111	€82,954	77188.61	€307,253
Total investment:	€276,154	€171,238	€294,176	€741,568

Ten (10) GAs signed in January 2012 under Call October 2011 are now being implemented.<sup>323</sup>

- Major Project – Mater Dei Oncology Hospital (ERDF 196)

The main information on this major project will be provided in the Chapter 4 of this report. However, in terms of implementation and disbursement, the main progress registered was that out of a total public eligible project value of €44,302,722, the amount of €31,882,972 or 72% was contracted. Disbursement amounted to €4,140,586 or 13% of the contracted amount. The percentage of works on the ground ranged from 60% with regard to the Structural Works, to 5% for the Mechanical and Electrical works and Internal Finishes. Work on the external areas reached an approximate of 25% completion.

<sup>319</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 and two GAs were terminated in August 2010. 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>320</sup> This reflects the Addendum to the Covenant signed 07/09/2012, where €259,000.90 (inc. VAT) were deducted from the original budget

<sup>321</sup> Net: €411,071.83; VAT Eligible: €23,242.47

<sup>322</sup> Including private investment and non-eligible costs.

<sup>323</sup> The contracted value has increased from €215,829 (year ending 31/12/2011) to €432,816 (year ending 31/12/2012) due to the implementation of Call October 2011.

## Progress on Indicators

Table PA 6 Indicators

Indicators		2007-2011	2012	Total
<b>Output Indicators</b>				
No of projects ensuring sustainability and improving the attractiveness of towns and cities (core indicator) [A6O01]	Achievement	1	1	1
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
Km of upgraded roads (non TEN-T) [A6O02]	Achievement	6.19	7.2	7.2
	Target	n/a	n/a	7
	Baseline	n/a	n/a	n/a
No of projects promoting Modal Shift [A6O03]	Achievement	2	2	2
	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	52	65	65
	Target	n/a	n/a	72
	Baseline	n/a	n/a	n/a
No of projects [health] (core indicator) [A6O06]	Achievement	2	2	2
	Target	n/a	n/a	2
	Baseline	n/a	n/a	n/a
No of environmental monitoring projects [A6O07]	Achievement	1	1	1
	Target	n/a	n/a	1 <sup>324</sup>
	Baseline	n/a	n/a	n/a

<sup>324</sup> Corrigendum: AIR 2011 reads 4. The target is 1.

No of Constructed learning and training facilities [A6O09]	Achievement	n/a <sup>325</sup>	7	7 <sup>326</sup>
	Target	n/a	n/a	6
	Baseline	n/a	n/a	n/a
No of refurbished existing learning and training facilities with new equipment [A6O10]	Achievement	n/a <sup>327</sup>	148	148
	Target	n/a	n/a	110
	Baseline	n/a	n/a	n/a
Sqm of modernised learning and training facilities refurbished (with new equipment) within intervention areas by 2013 [A6O11]	Achievement	n/a <sup>328</sup>	15,014	15,014
	Target	n/a	n/a	18,200
	Baseline	n/a	n/a	n/a
Sqm of newly constructed learning and training facilities within intervention area by 2013 [A6O12]	Achievement	n/a <sup>329</sup>	7,402	7,402
	Target	n/a	n/a	20,000
	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	0	0
	Target	n/a	n/a	1.27%
	Baseline	n/a	n/a	0.03%
Road surface condition of upgraded roads [A6R02]	Achievement	0	1.0-1.5	1.0-1.5
	Target	n/a	n/a	1.0-1.5
	Baseline	n/a	n/a	4.66
% increase in use of non-car modes [A6R03]	Achievement	0	0	0
	Target	n/a	n/a	8%
	Baseline	n/a	n/a	29,745,123
% increase in use of e-services	Achievement	2%	8.2%	8.2%

<sup>325</sup> This is a new indicator introduced in 2012 so no reference data is reported for the period 2007-2011.

<sup>326</sup> The projects contributing towards this indicator are: one (1) each under ERDF 045; 056; 057; 064; 072 and two (2) under ERDF164.

<sup>327</sup> This is a new indicator introduced in 2012 so no reference data is reported for the period 2007-2011.

<sup>328</sup> This is a new indicator introduced in 2012 so no reference data is reported for the period 2007-2011.

<sup>329</sup> This is a new indicator introduced in 2012 so no reference data is reported for the period 2007-2011.

[A6R04]	Target	n/a	n/a	26% increase
	Baseline	n/a	n/a	80,545
Pupils/ students/ trainees benefiting from upgraded and modernized facilities/services (per annum) (core indicator) [A6R05]	Achievement	18,752 <sup>330</sup>	56,364	56,364
	Target	n/a	n/a	56,000
	Baseline	n/a	n/a	n/a
% of total patients [within intervention areas] using new/upgraded equipment/services [A6R06]	Achievement	100	100	100%
	Target	n/a	n/a	60%
	Baseline	n/a	n/a	n/a
No of new services offered in the health sector [A6R07]	Achievement	5	5	5
	Target	n/a	n/a	3
	Baseline	n/a	n/a	n/a
National monitoring programmes established [A6R08]	Achievement	0	0	0
	Target	n/a	n/a	4
	Baseline	n/a	n/a	n/a

During the year 2012 several indicators had their targets reached or exceeded. The indicator 'Kilometres of upgraded roads (non TEN-T)' was exceeded through the contribution of projects ERDF 47 and ERDF 48. This indicator showed an increase from the 4.70 recorded until the end of 2011 to 7.2 till the end of 2012. The same projects contributed to reaching another indicator by the end of 2012, the 'road surface condition of upgraded roads'. Another indicator which was achieved is the 'Number of projects promoting Modal Shift'. This indicator was achieved through the contribution of projects ERDF 183 and ERDF 256.

The 'No of refurbished existing learning and training facilities with new equipment' was also exceeded mainly with the installation of Interactive Whiteboards in 107 training facilities as part of ERDF 159 project. This, together with the completion of two projects ERDF 57 and 64, has also impacted on, the 'number of pupils/students/trainees benefitting from upgraded and modernized facilities/services (per annum)' which increased from 18,752 to 56,364 by the end of 2012. The number of constructed learning and training facilities indicator has also been exceeded by one constructed learning facility. Projects contributing to both the above indicators are ERDF 45, 56, 57, 64, 72 and 164.

<sup>330</sup> Calculated as 1,158 students in 2008, 1,606 in 2009, 7,541 in 2010 and 8,447 in 2011.



Projects ERDF 68 and 196 continued to contribute to the indicator 'No of new services offered in the health sector'. This had already been exceeded in 2011, but the target is now exceeded with 3 new services being offered.

Other indicators registered progress between the end of 2011 till the end of 2012. An increase in the 'number of new e-services for the public and the business community' continued to progress through the completion of projects ERDF 114 and ERDF 109 and the procuring of new e-forms under ERDF 159. The completion of ERDF 114 project has also contributed to a significant increase in the '% increase in use of e-services' indicator which has increased from 2% to 8.2% as at end 2012. Another indicator which has shown progress in 2012 is the 'Sqm of newly constructed learning and training facilities within intervention area by 2013' indicator which registered an increase of 7,402sqm.

### 03.6.3 Financial Analysis

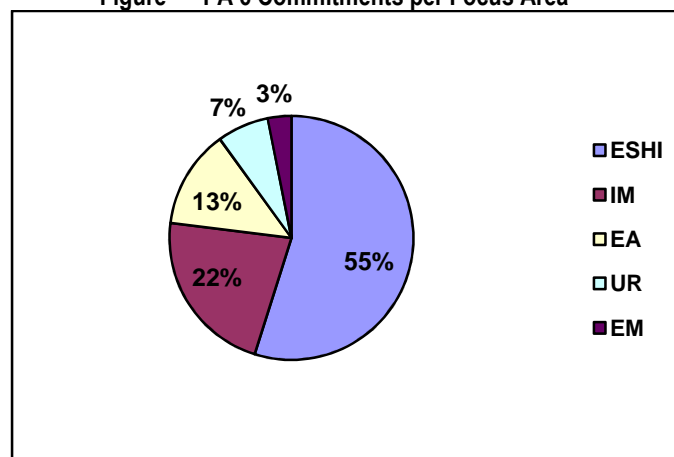
Table PA 6 Financial Analysis

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	€136,108,123	€62,074,228	91%	46%

### 03.6.4 Qualitative Analysis

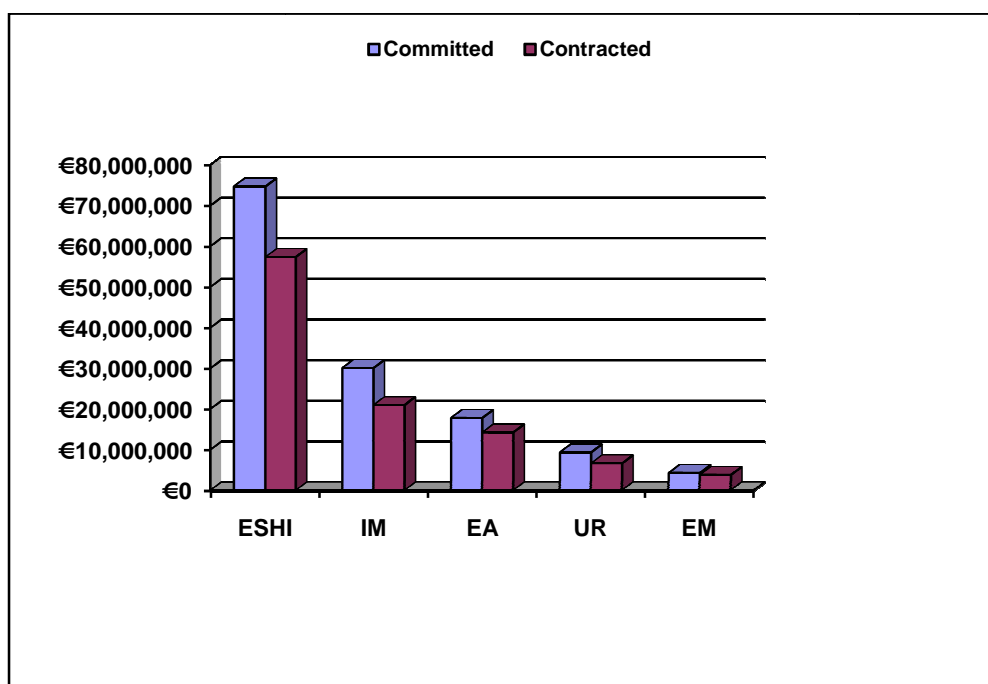
By the end of 2012, the total commitment within this PA amounted to €136,108,123, representing 91% of the allocation for this PA, equivalent to a 4% decrease from the commitment as reported in 2011. Such decrease was the result of a number of approved projects registering savings which reverted back to the Programme. As at December a total of €12,891,877 under this PA were still unallocated. This amount is expected to be allocated with the conclusion of a call under the focus area *Education, Social and Health-related Infrastructure* which was issued on September 2012 and closed on 29th October 2012. The contracted amount as at end 2012 stood at €102,963,256 equivalent to 76% of the commitments. Table gives an overview of the contracting progress per focus area, whilst Figure gives a comparison of the commitments per focus area. Out of the total contracted amount to date, €38,085,544 was contracted during 2012.

Figure PA 6 Commitments per Focus Area<sup>331</sup>



<sup>331</sup> Legend: E-accessibility (ERDF 109, 114, 159); Education, Social and Health-related Infrastructure (ERDF 045, 054, 056, 057, 058, 062, 064, 065, 066, 068, 072, 136, 164, 189, 196); Environmental Monitoring (ERDF 156); Internal Mobility (ERDF 047, 048, 183, 256); Urban Regeneration (ERDF 104).

Figure Comparison between Commitments and Contracting per Focus Area under PA 6



As at end 2012, €62,074,228 (58% of the contracted amount) was processed in payments; €17,457,977 of this amount was disbursed during 2012 alone. As at end of the year under review certifications totalled €54,951,306 which amount to an increase of 31% over the certified amount reported as at end of 2011 which was of €41,719,901.

Table Financial Progress Per Focus Area as at End 2012

Focus Area:	Committed:	Contracted:	Disbursed:	Certified:
ESHI	€74,699,367	€57,343,229	€25,934,034	€23,078,533
IM	€30,050,405	€20,950,999	€18,611,383	€17,049,672
EA	€17,780,585	€14,232,627	€11,424,592	€11,002,702
UR	€9,312,348	€6,642,753	€3,141,415	€2,326,869
EM	€4,265,418	€3,793,648	€2,962,804.23	€1,493,529.41
<b>Total:</b>	<b>€136,108,123</b>	<b>€102,963,256</b>	<b>€62,074,228</b>	<b>€54,951,305</b>

**Table Financial Progress Under PA 6 as at End of 2012**

	<b>Mainstream Projects:</b>	<b>Aid Scheme:</b>	<b>Major Project:</b>	<b>Total:</b>
<b>Allocation:</b>	N/A	N/A	N/A	<b>€149,000,000</b>
<b>Committed:</b>	€91,371,087	€434,314	€44,302,722	<b>€136,108,123</b>
<b>Contracted:</b>	€70,705,969	€434,314	€ 31,822,972	<b>€102,963,256</b>
<b>Disbursed:</b>	€57,754,187	€179,454	€4,140,587	<b>€62,074,228</b>
<b>Certified:</b>	€51,106,291	€149,706	€3,695,309	<b>€54,951,306</b>

### 03.6.5 Significant Problems Encountered and Measures Taken to Overcome Them

For the period under review, most of the projects were either well into their implementation phase or completed; however for those projects still undergoing implementation 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 and mandatory inhibitory injunctions (in particular under ERDF 156 and 164) which stalled the evaluation process for a considerable amount of time.

ERDF 68 encountered significant problems in the procurement process of the refurbishment of the Bone Mineral Density Clinic and on the Operating Theatre works. With regard to the former, some of the tenders had to be re-issued more than once mainly because of the fact that no compliant bids (or in some cases no bids at all) were submitted. A clear example is the tender for the Medical Gases System for the refurbishment of the Bone Mineral Density Clinic which was reissued twice, due to the fact that the only bid submitted in response to the first call for tenders was administratively non-compliant while there were no bids in response to the second call. Furthermore, the completion of the Operating Theatre was delayed mainly due to the fact that lead shielding works<sup>332</sup> had to be undertaken before all other refurbishment works. As a mitigation measure, the monitoring from the MA increased, as also the amount of procurement checks carried out on awarded contracts to ensure that the amounts disbursed are verified as soon as possible following their processing.

Another problem which was encountered during the adjudication of tenders pertaining to ERDF 156, ERDF 104 and ERDF 256 was that the cheapest compliant bid was more expensive than the estimated and allocated amount. This gives rise to delays as the beneficiary would have to identify the

<sup>332</sup> Contracted on 5<sup>th</sup> September 2012

sources to finance the increased cost. Nonetheless, the Managing Authority prioritises to analyse any such request for additional funds or shift from one component to another, and grants its approval as long as such increase is fair and reasonable and did not result from bad planning by the project beneficiaries (wrong estimates, delays in the publishing of tenders or under estimation).

Other delays were related to post-contracting issues, with beneficiaries making several requests for contract changes. This often results in lengthy discussions with the Department of Contracts and delays in the signing of contract addenda, execution of works and payments. As reported above, the MA is raising these issues with DoC in a meeting scheduled on a weekly basis. Such meetings are intended to follow up contracting issues with DG contracts and ensure that these are addressed in a timely manner. Furthermore, these projects are regularly discussed at high-level Project Progress Meetings which are held in the presence of the Principle Permanent Secretary and representatives from the Line Ministries and which facilitate the taking of any decisions and the setting of follow up actions that would require the coordinated efforts of all those present at the meetings.

For the project ERDF 104, as mentioned earlier on in this chapter, the main contractor on the DOCK 1 component had to be dismissed due to a lack of performance. A number of departmental tenders had to be issued in his stead which resulted in a delay in the implementation until the tenders were evaluated and contracted. By end 2012, not all tenders had been issued. Implementation on the ground moved at a lower pace due to both the social and political sensitivity of the area. The Managing Authority has included this project in monthly Project Progress Monitoring meetings held between the main stakeholders to mitigate against the slow implementation of this project. With regard to ERDF 256, one of the works contract had to be put on hold for the month of December because the works contracted were to be located in central and commercial areas. This project also included works in the same area as other ongoing projects. In order to mitigate against, coordination meetings were set up and agreement was reached between Transport Malta and Projects Division on the timing of the execution of works. It is expected that these meeting will continue to be held in 2013.

During the year under review, although most projects had the relevant permits in hand, ERDF 256 faced delays due to the need for full MEPA permits for works which previously were deemed to only require a Development Notification Order (DNO). In this regard the beneficiary has to work closely with MEPA to prepare the necessary documents. This caused considerable delays in a number of tenders that in line with DoC instructions, the tender cannot be issued without the MEPA permit being in place. The need to ensure a timely review by MEPA was highlighted to MEPA representatives that attend the PPM bilateral meetings.

## 03.7 Priority Axis 7 – Technical Assistance

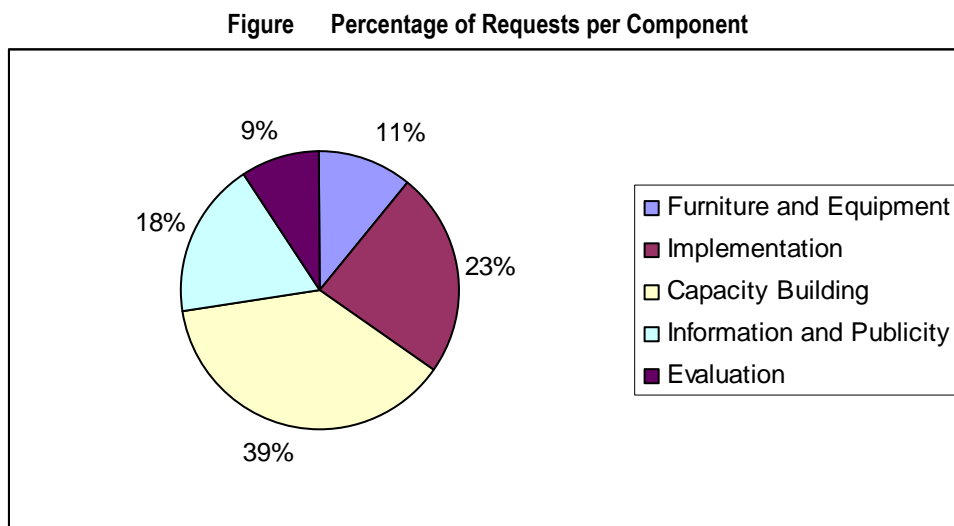
### 03.7.1 Achievement of Targets and Analysis of the Progress

Technical Assistance (TA) was of great support to the OP during 2012, with the financing of various activities, mainly focusing on general implementation actions, evaluation and monitoring as well as information and publicity. Eligible applicants for TA are the stakeholders involved in the management, implementation and control of the relevant OP such as the MA, the CA, the AA, Treasury Department, Department of Contracts, IBs and LMs.

### 03.7.2 Information on Physical and Financial Progress

#### Physical Progress

In 2012, the MA received ninety-nine (99) new requests for the use of TA, covering expenditure linked to the implementation of the Programme, furniture and equipment, capacity building as well as information and publicity and evaluation costs. Figure shows the percentage of requests received per component.



- **Implementation of the Cohesion Policy**

The progress made in the implementation of the OP resulted in an increase in the disbursement of funds, requiring an increased intensity of activity at the first level of control to verify the expenditure

paid. This necessitated additional capacity within the MA as well as within the other stakeholders<sup>333</sup>. In fact, TA continued to fund the human resources required to manage and monitor the different schemes managed by the IBs with the aim of enabling the IBs to undertake the necessary checks and controls and during the year under review, TA also started financing two (2) payment co-ordination officers within the Treasury Department responsible for the processing of payments related to OPI projects.

Other costs funded under the TA include the continued enhancement of SFD 2007-2013, namely the introduction of new functionalities on a number of modules as well as updates on other existing modules, following feedback by users. In addition, TA continued to support the project selection process and the Monitoring Committees, the Inter-Ministerial Co-operation Committee (IMCC) meetings, the IB Network meetings as well as the high-level bilateral meetings held regularly for the continuous monitoring of projects.

- **Information and Publicity**

During 2012, TA financed the publicity costs related to the three calls for applications under PA1, PA4 and PA6 held during the year under review as well as the respective information sessions. Towards the end of year 2012, the MA launched a new website dedicated to the promotion of projects funded under the Cohesion Policy 2007-2013 and this was also covered by TA.

- **Evaluation**

The tender for the Thematic Evaluation of Operational Programme I, the tender for the Ex-Ante Evaluation for Structural Funds 2014-2020, and the tender for the Strategic Environmental Assessment 2014-2020 were all launched on the market in 2012 and are also covered by TA funds.

- **Furniture and Equipment**

During the year under review, new additional office furniture was purchased and more office equipment was leased in order to cater for the new recruits who were engaged with the MA during the year to cater for the increased activity under the Operational Programme.

---

<sup>333</sup> Such as DoC, Treasury and the CA.

- **Capacity Building**

As part of a capacity building exercise, during 2012 a number of officers within the MA as well as within relevant stakeholders utilised TA funds to participate in meetings and training seminars, both locally and abroad.

### 03.7.3 Financial Analysis

**Table 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	€12,327,096	€12,327,096	€4,094,500	100%	33.2%

### 03.7.4 Qualitative Analysis

The total amount contracted under PA 7 from the beginning of the programming period until the end of 2012 was of €8,203,097<sup>334</sup>, representing 66.5% of the Axis' allocation. The expenditure incurred over the same period amounted to €4,094,500 of which 32.2% (€1,321,107.05) was paid in 2012 only. One of the reasons for the increased payments in 2012 was due to the clearing of backlogs from old payments related to expenditure incurred in 2009, 2010 and 2011 which were processed in 2012 (together with 2012 payments<sup>335</sup>). During 2012, three (3) Article 13 checks were carried out by the FCU on expenditure paid under this Axis.<sup>336</sup> With an amount of €710,070 being certified in two (2) SOEs during 2012,<sup>337</sup> the total certifications under PA 7 stand at €2,707,323 as at end of 2012. The amount of €511,855 was verified during the November SoE but was not yet certified by the CA by end of year.

<sup>334</sup> This includes multi-annual commitments related to employment contracts.

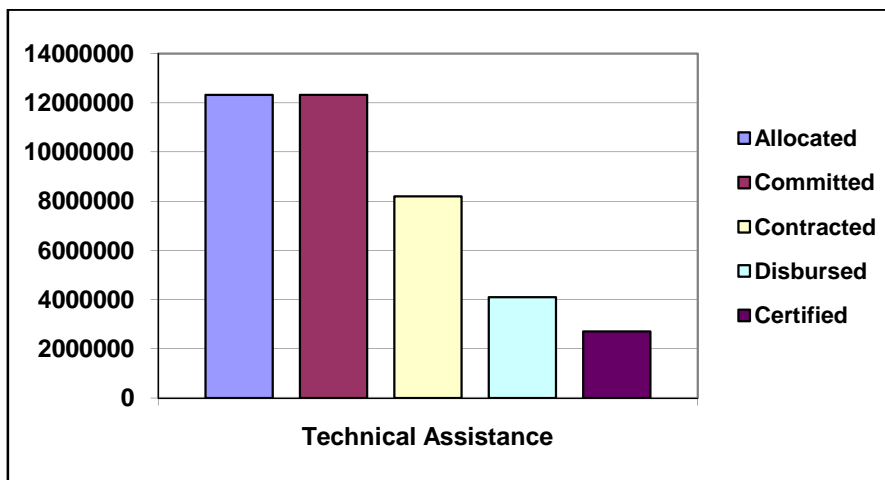
<sup>335</sup> Payments issued and paid in year 2012 amounts to €1,185,894.23

<sup>336</sup> During these spot checks a total of two hundred and eighty seven (287) invoices amounting to €1,173,349.79 were checked.

<sup>337</sup> SOEs of March and August 2012.



Figure Financial Progress Under PA 7



### 03.7.5 Significant Problems Encountered and Measures Taken to Overcome Them

During the year 2012, 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 this continued to be the main cause of delay in the processing of payments related thereto. Issues and difficulties encountered during the reimbursement process of salaries were addressed on an *ad hoc* basis, by giving guidance and direction to the stakeholders concerned. Moreover, a clarification meeting was held with all the relevant officers involved in the processing of payments related to adverts in January 2012 and a way forward was subsequently agreed upon. This proved to be effective and a large amount of invoices related to publicity were processed in year 2012, including invoices which had been pending from previous years.

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 last amended in May 2012, foresees seven (7) major projects.<sup>338</sup> By the end of 2012, all seven projects were endorsed at a national level, of which four (4) were also approved by the CION. ERDF 196 was the only project approved in 2012 by the CION while CF 120 was still awaiting approval<sup>339</sup>. CF 125 and CF 119 were still pending submission to the CION as at end of 2012<sup>340</sup>.

#### 04.1.1 Major Projects Approved by the CION

The four major projects approved by CION (listed in order of PA) to date are:

- **CF 117** - Improving the TEN-T Road Infrastructure (Phase 1);
- **CF 118** - Rehabilitation and Restoration of Closed Landfills;
- **CF 116** - Malta South Sewage Treatment Infrastructure;
- **ERDF 196** - Mater Dei Hospital Oncology Centre

#### 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>341</sup>, this project involves the upgrading, through reconstruction, of five (5) strategic sections<sup>342</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 Cirkewwa; and Mgarr Ferry Terminal (Gozo), the latter link to Victoria, Gozo's capital city. The five sections of this project will result in the reconstruction of 12 kms of road.

Table 42 above shows the project timetable for this Major Project. During 2012, with all the works tenders already contracted in the previous years, implementation progressed on all the stretches and

<sup>338</sup> Two (2) Major Projects under PA 3, four (4) Major Projects under PA5 and one (1) Major Project under PA6.

<sup>339</sup> CF 120 was approved in February 2013.

<sup>340</sup> CF 125 was submitted in February 2013 while CF 119 was submitted in March 2013.

<sup>341</sup> Total project cost as at end 2012 was €77,205,881. This is envisaged to be revised downwards in first quarter of 2013 following savings registered during procurement.

<sup>342</sup> Divided in six (6) works tenders.

by end 2012 four (4) stretches<sup>343</sup> were operational. The figure below shows one of the stretches of road, Council of Europe/Garibaldi Avenue, upon completion. Implementation on the Mellieħa Bypass and the Marsa Underpass was also progressing during 2012, with works expected to be finalised in the latter half of 2013.

**Figure Council of Europe/Garibaldi Avenue stretch of road**



The year 2012 witnessed a significant increase in the disbursement amounts on all stretches. In 2012, a total of €19,189,284 was disbursed (representing 33% of the total public eligible funds allocated to the project - €57,588,381, or 45% of the amount contracted as at 31 December 2012 - €42,848,965), bringing the cumulative project disbursement by end of 2012 to €28,582,950.83.

From the total amount of €19,189,284 disbursed in 2012, the amount of €16,171,879 was certified and reimbursed by the Commission in 2012. Total amount certified under this project as at end 2012 is €25,565,546.

**Table Project Timetable for CF 117**

	<b>Start Date (A)</b>	<b>Completion Date (B)</b>
<b>1. Feasibility Studies</b>	February 2004	November 2004
<b>2. Cost-benefit Analysis (including Financial Analysis)</b>	February 2004	August 2009
<b>3. Environmental impact assessment<sup>344</sup></b>	N/A	N/A
<b>4. Design studies</b>		

<sup>343</sup> Namely Council of Europe/Garibaldi Avenue, the Sea Passenger Terminal Phase I, Marfa Road (Mellieħa) and Victoria (Gozo).

<sup>344</sup> As per correspondence from the environmental authority dated 16<sup>th</sup> March 2009.

Project 1 – Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	February 2004	August 2009
Project 2 - Sea Passenger Terminal Access Road, Floriana/Marsa - Phase A <sup>345</sup>	February 2004	August 2009
Project 2 - Sea Passenger Terminal Access Road, Floriana/Marsa - Phase B	February 2004	September 2010
Project 3 - Marfa Road, Mellieha	February 2004	August 2009
Project 4 - Mgarr Road, Gozo	February 2004	August 2009
Project 5 – Mellieha By-pass, Mellieha	February 2004	July 2010
<b>5. Preparation of Tender documentation</b>		
Project 1 – Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	October 2008	August 2009
Project 2 - Sea Passenger Terminal Access Road – Phase A - Construction of Single Carriage road from Menqa to Sea Passenger Terminal	October 2008	August 2009
Project 2 - Sea Passenger Terminal Access Road – Phase B – Vehicular underpass at December 13th.	August 2009	September 2010
Geotechnical Investigations for Project 2B	October 2008	December 2008
Project 3 - Marfa Road, Mellieha	October 2008	August 2009
Project 4 - Mgarr Road, Gozo	October 2008	August 2009
Project 5 – Mellieha By-pass, Mellieha	August 2009	October 2010
Construction Management (for all five projects)	October 2008	September 2009
<b>6. Launch of tender procedure(s)</b>		
<p>The procurement of works for the five projects was carried out as follows:</p> <p><b>Tender 1</b> consisted of 4 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 1 lot - Construction of an Underpass from Triq Dicembru 13 to Menqa Roundabout, Marsa.</p> <p><b>Tender 3</b> consisted of 1 lot – Mellieha by-pass, Mellieha.</p> <p>One tender document was issued for Project Management of the five projects.</p>		
Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	August 2009	November 2009
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	October 2010	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 Projects)	September 2009	November 2009

<sup>345</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.

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<sup>346</sup></b>		
Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	March 2011	March 2013
Project 2 - Sea Passenger Terminal Access Road – Phase A	March 2011	March 2013
Project 3 - Marfa Road, Mellieha	March 2011	June 2013
Project 4 - Mgarr Road, Gozo	March 2011	June 2013
Geotechnical Investigations for Project 2B	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	September 2013
Construction Management (for all five Projects) <sup>347</sup>	March 2011	September 2013
Road User Satisfaction Survey (Pre-construction)	January 2010	June 2010
Road Operator Satisfaction Survey (Pre-construction)	January 2011	March 2011
<b>9. Operational phase<sup>348</sup></b>		
Project 1 - Council of Europe Avenue & Giuseppe Garibaldi Avenue, Luqa	May 2012	May 2032
Project 2 - Sea Passenger Terminal Access Road – Phase A	June 2012	June 2032
Project 3 - Marfa Road, Mellieha	December 2012	December 2032
Project 4 - Mgarr Road, Gozo	December 2012	December 2032
Project 2 - Sea Passenger Terminal Access Road – Phase B	September 2013	September 2033
Project 5 - Mellieha By-pass, Mellieha	April 2013	April 2033

This project is still suffering from delays encountered during the procurement process which have proved difficult to recover. Despite efforts from all stakeholders, delays in implementation were experienced on almost all the stretches. The underlying reasons behind these delays were various. Given that a good part of the project is being implemented in highly urbanised areas and / or commercially critical nodes, the extent of works that could be undertaken at the same time was limited because there was the need to still allow access for road users. The inclement weather conditions quite unusual for Malta<sup>349</sup> proved to be another delaying factor. These rainfalls not only stop road

<sup>346</sup> In the case of the works contracts, the completion date for the construction phase includes a period of up to 9 months following actual completion of works to cater for testing and snagging works.

<sup>347</sup> Since this contract is dependent on the works contracts, date of completion may change to reflect any changes that may occur in the timeframes of the works contracts.

<sup>348</sup> The start date is taken as the date of the completion of works in the construction phase, excluding the period for snagging and testing. The completion date reflects the period within which Beneficiary is bound to sustain the investment, that is, for at least a period of twenty (20) years as indicated in the project CBA.

<sup>349</sup> According to the national Meteorological Office, the month of February 2012 was the second wettest on record since rainfall records began in 1985, registering a total of 71.4mm which is almost double the mean monthly rainfall of 38.1mm. The same

works because implementation on the ground cannot be carried out but the excessive amounts of surface water also flood the different construction sites, causing technical problems such as erosion of existing granular material, carting of debris into uncovered structures, and possible temporary pressure build-ups behind exposed wall structures with related damages.

During the excavation works of the Sea Passenger Terminal, the discovery of archaeological remains proved to be another delaying factor, because works had to be halted until the Superintendence for Cultural Heritage inspected the site accordingly. These highly technical inspections took a number of months to be finalised. In order to minimise such delays as effectively as possible, an exercise to re-design the phasing of these works by opening different fronts simultaneously was carried out. Issues related to permits by the Malta Environment and Planning Authority (MEPA) were also the cause of delays in implementation especially where amendments to existing permits were requested in relation to the Sea Passenger Terminal Phase II. A separate permit was also requested in relation to road trimmings and extra excavations for the Mellieħa Bypass. Works on these stretches could only continue once the necessary permits as requested by the competent authority were in place.

In the light of these several contributory factors resulting in delays in implementation, (particularly due to the delay related to the Sea Passenger Terminal Phase II) have resulted in the project suffering from a delay in implementation. This project originally envisaged to be completed during Q4 2012, required an extension up till September 2013.

### **CF 118 - Rehabilitation and Restoration of Closed Landfills**

This project was approved by a CION decision dated 28th July 2010 with a total public eligible cost of €26,224,382. It targets 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 includes also the rehabilitation of the closed landfill in Marsascula from a derelict area to allow beneficial reuse by the community. The figure below shows the ongoing work at Magħtab. This figures shows works being carried out prior in preparation for Magħtab Works.

---

can be said for March 2012, which was the third wettest on record with 132.3mm compared with the mean average of 65.9mm. September 2012 was also wetter than normal, with 160.1mm compared to an average of 68.4mm.

Figure - Ongoing works at the Maghtab landfill



Table 43 lists the project timetable for this Major Project. During 2012 the project continued to progress in relation to procurement and implementation. The contracts of the works tenders for the Rehabilitation and Restoration of the Qortin Landfill<sup>350</sup> and the Marsascala Landfill<sup>351</sup> were signed and works commenced during the second quarter of 2012. In parallel, a number of enabling works amounting to approximately €470,000 were contracted to make the necessary preparations before the main works tenders could commence.

By the end of 2012, the total public eligible contracted value was €8,391,915.74, marking a 50% increase from the previous year and reaching a 32% of the total public eligible value allocated to this project. Disbursement improved considerably compared to the previous year with €3,127,071 being processed during the year under review, bringing the total disbursement value up to €4,088,752 by December. With the signing of the works tender of Maghtab Phase 2, it is expected that the disbursement shall continue to progress. Within 2012, approximately €677,509.86 was certified and reimbursed by the CION on this project.

<sup>350</sup> CT3038/2011 – Contract signed in May 2012

<sup>351</sup> CT3040/2011 – Contract signed in April 2012

Although the construction phases at Magħtab (Phase I) and Marsascula had to start towards the end of 2010, followed by Magħtab (Phase II) in mid 2011 and Qortin in late 2011, delays in procurement have stalled the process significantly. On a more positive note, a total 113,000sqm out of 370,000sqm (or 31%) has been rehabilitated, with Magħtab (Phase I) achieving circa 75,000sqm and the Marsascula landfill covering the remaining 38,000sqm.

**Table Project Timetable for CF 118**

	<b>Start Date (A)</b>	<b>Completion Date (B)</b>
<b>1. Feasibility Studies</b>	November 2008	April 2010
<b>2. Cost-benefit Analysis (including Financial Analysis)</b>	April 2009	April 2010
<b>3. Environmental Impact Assessment</b>	N/A	N/A
<b>4. Design Studies</b>	March 2009	August 2009
<b>5. Preparation of Tender Documentation</b>		
Marsascula	January 2007	October 2011
Qortin	January 2008	November 2011
Magħtab Phase I	January 2008	April 2010
Magħtab Phase II	January 2011	November 2011
<b>6. Launch of Tender Procedure(s)</b>		
Marsascula	April 2010	November 2011
Qortin	December 2011	January 2012
Magħtab Phase I	May 2010	July 2010
Magħtab Phase II	December 2011	February 2012
<b>7. Land Acquisition</b>	N/A	N/A
<b>8. Construction Phase / Contract</b>		
Marsascula Works	April 2012	December 2013
Qortin Works	May 2012	May 2013
Magħtab Works Phase I	August 2011	May 2013
Magħtab Works Phase II	February 2012	August 2014
<b>9. Operational Phase<sup>352</sup></b>	April 2014	April 2034

<sup>352</sup> Completion date calculated on a reference period of twenty (20) years.



### **CF 116 – Malta South Sewage Treatment Infrastructure**

This project was approved by the CION on 18th November 2010 with a total public eligible cost of €69,985,474. 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. This project was fully operational and was officially opened in June 2011. However, the formal project completion was delayed till June 2012 in order to complete pending administrative requirements and tasks, in particular the processing of payments. This project was completed in 2012 and more details, particularly on the achievements reached, will be provided later on in this chapter (Section 4.3.1).

### **ERDF 196 - Mater Dei Hospital Oncology Centre**

ERDF 196 – Mater Dei Hospital Oncology Centre was submitted to the CION for approval in January 2012 and was approved in April of the same year. 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 as approved by the Commission is €48,802,722. This amount was reduced to €44,302,722<sup>353</sup> following the registration of €4,500,000 savings during contracting.

The Mater Dei Hospital Oncology Centre will replace the existing Sir Paul Boffa Hospital and will be physically and organisationally inter-connected to the Mater Dei Hospital. It will accommodate around 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<sup>354</sup> with additional spaces for clinical and non-clinical support services. The figure below shows an artist's impression of the front view of this treatment centre.

<sup>353</sup> Total project cost is €54,129,590. Amount includes ineligible costs of €9,826,868.

<sup>354</sup> These being inpatient areas, outpatient areas, treatment areas including radiotherapy treatment and anaesthesia procedure facilities.

Figure - Mater Dei Oncology Centre



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 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 twelve (12) smaller, but still significantly large tenders.<sup>355</sup> The contract for Bulk Excavation was awarded in June 2010 for a total contract value of €1,173,762, out of which €992,671 was disbursed up to 2012. 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. By the end of 2012, €3,097,981.10 had already been disbursed in relation to this particular contract. The Medical Equipment tender was awarded in March 2012, whilst the Substation Tender was published in February 2012 and as at end of year, had still not yet been awarded in view of the procurement problems it continued to face, namely non-technically compliant bidders. The Furniture tender had to be cancelled due to technical incompliance and four (4) separate tenders will be issued instead in 2013, varying in the scope of supply. All the remaining tenders related to this project are expected to be issued in 2013.

Up to 2012, the total disbursement of the project amounted to €4,140,586, out of which €3,695,309 was certified to CION.

Table Project Timetable for ERDF 196

	Start date (A)	Completion date (B)
1. Feasibility Studies	N/A	N/A
2. Cost-benefit Analysis (including Financial Analysis)	October 2009	March 2011

<sup>355</sup> Out of the twelve (12) tenders, two (2) of them are budgeted at more than €1 million.

<b>3. Environmental Impact Assessment<sup>356</sup></b>	N/A	N/A
<b>4. Design Studies</b>	N/A	N/A
<b>5. Preparation of Tender Documentation</b>		
Bulk excavations	August 2009	October 2009
Design, Development & Build	May 2009	January 2012
Furniture and loose fittings <sup>357</sup>	April 2010	March 2013
Medical Equipment <sup>358</sup>	February 2010	March 2011
Brachytherapy Equipment	October 2012	March 2013
MRI Machine	July 2012	March 2013
Landscaping works <sup>359</sup>	September 2012	March 2013
ICT Equipment	October 2012	December 2012
<b>6. Expected / Launch of Tender Procedure(s)<sup>360</sup></b>		
Bulk excavations	November 2009	January 2010
Design, Development & Build	November 2010	April 2012
Furniture and loose fittings	April 2013	June 2013
Medical equipment	April 2011	July 2011
Brachytherapy Equipment	April 2013	July 2013
MRI Machine	April 2013	July 2013
Landscaping works	April 2013	June 2013
ICT Equipment	January 2013	March 2013
<b>7. Land Acquisition</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 <sup>361</sup>	September 2012	October 2013
Furniture and loose fittings	June 2013	December 2013
Medical equipment	September 2012	March 2013
Brachytherapy equipment	August 2013	December 2013
MRI Machine	August 2013	December 2013
Landscaping works	August 2013	December 2013
ICT Equipment	June 2013	December 2013

<sup>356</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>357</sup> This tender was cancelled and it was recommended that four (4) separate tenders are issued instead. They are expected to be published by first quarter of 2013.

<sup>358</sup> Although originally the Medical equipment tender included the Brachytherapy equipment tender, the latter tender will be issued separately.

<sup>359</sup> The preparation of the Landscaping tender can only be finalised following the completion of the MDHOC designs by the DD&B contractor.

<sup>360</sup> The completion date refers to the closing date of the publicised tender and does not include the evaluation process.

<sup>361</sup> This tender originally formed part of the Design, Development and Build tender; however it was not awarded and now it is being issued separately.

---

<b>9. Operational Phase</b> <sup>362</sup>	December 2013	December 2029
--	---------------	---------------

---

<sup>362</sup> The operational phase will start with project completion, i.e. with the opening of the hospital to the general public. The project has a reference period of twenty (20) years made up of the initial project implementation phase of four (4) years and a further sixteen (16) years post-commissioning period.

#### 04.1.2 Major Projects Endorsed by the MA and Awaiting CION Approval

- **CF 120** - *National Flood Relief Project (NFRP)* was endorsed by the MA in 2010 and formally submitted for CION's approval on 14<sup>th</sup> August 2012.

##### **CF 120 – National Flood Relief Project (NFRP)**

The National Flood Relief Project will address the lack of an adequate storm water management system in Malta. This project will address flooding problems not only holistically at a catchment level, but also regionally by managing runoff across catchments. It goes beyond the local-problem focus because it addresses the problematic interconnections in different localities and also seeks to connect drainage solutions of adjacent basins, in order to achieve greater cost-effectiveness and hydraulic efficiency whilst optimising the scope for future water conservation.

In 2012, the project team, the MA and the JASPERS team were engaged in the finalisation of the project application for formal submission to the CION. JASPERS continued to be strongly involved in the application form review, including the holding of a wrap-up meeting in February after the issue of the EIA permit. The project application was submitted to the CION on 14<sup>th</sup> August 2012 with a total public eligible cost of €52,809,134.<sup>363</sup>

Working in parallel, the project team was also engaged in the preparations for the award of the main work contracts and their implementation on the ground. In fact the contracts for (i) Construction for Reservoir at Wied Ghollieqa, Gzira, (ii) Services of a Resident Engineer, (iii) Design & Build of the B'Kara, Gzira and Wied is-Sewda Tunnels, (iv) Zebbug Tunnel, (v) Design & Build of Qormi & Marsa Canal & Bridges, (vi) Construction of M'Scala / Zabbar Tunnel and (vii) Publicity to Provide and Manage Publicity Filming / Photography Services were all awarded in 2012. During the reporting period, significant progress was registered on all major contracts of the project, with the majority of the works on the ground having commenced in 2012. Up until the end 2012, €34,990,693 were contracted, representing 66% of committed amount, of which €10,164,629 were disbursed and €598,088 have been both verified and certified.

Close monitoring by the Beneficiary, also through its engagement of the services of a resident engineer, meant that particular attention was being given to the implementation of works on the ground. One particular contractor defaulted from honouring its agreed deliverables within the established timeframes and the Beneficiary took remedial actions and terminated the contract in accordance with Article 61.1 of the General Conditions of the same contract. This mitigation measure

---

<sup>363</sup> Total cost of €62,505,662.

was necessary not to further delay the implementation of this particular contract<sup>364</sup>. Apart from focusing on the smooth implementation of the project, other measures were also taken vis-à-vis the planning process. Having shifted the focus on the implementation on the ground, the Beneficiary required certain planning modifications, including a new planning application submitted in relation to the already granted permit for the Birkirkara intervention area.<sup>365</sup> This planning permit allowed for an additional access shaft permitting works on the Birkirkara tunnel infrastructure to proceed simultaneously from two (2) different access points.

Figure - National Flood Relief Project

shows the site plan of the project intervention areas inclusive of the discharge points<sup>366</sup> whilst Table further below shows the timetable in relation to the project implementation.

---

<sup>364</sup> CT3099/2011 – Design and Build of Qormi and Marsa Canal and Bridges – the original contract was signed on 24<sup>th</sup> February 2012 but was terminated on 21<sup>st</sup> August 2012. It was subsequently re-assigned to the second cheapest compliant bidder in September 2012.

<sup>365</sup> PA 4926 / 09 - Storm water tunnels and other infrastructural works as part of the National Flood Relief Project (NFRP), with proposals for the areas of Birkirkara, Msida, Wied is-Sewda, Attard, Lija, Balzan, and Gzira; with a discharge point at Ta Xbiex. The new application, dated 15<sup>th</sup> June 2012, was validated on 6<sup>th</sup> September 2012 and the permit was eventually granted in the first part of 2013.

<sup>366</sup> This site-plan is included in a leaflet distributed to around 150,000 households all over Malta.

Figure - National Flood Relief Project



Table Project Timetable for CF 120

	Start date (A)	Completion date (B)
<b>1. Feasibility Studies</b>	April 2009	May 2011
<b>2. Cost-benefit Analysis (including Financial Analysis)</b>	April 2009	May 2011
<b>3. Environmental Impact Assessment<sup>367</sup></b>	April 2009	June 2010
<b>4. Design Studies</b>	April 2009	July 2010
<b>5. Preparation of Tender Documentation</b>		
Supervision Overall Project (Resident Engineer)	February 2010	October 2010
Project Scheme 1		
Part 1 - Tunnels: Birkirkara/Msida-Gzira-Marsa		
Part 2 – Gzira Reservoir	February 2010	October 2010
Part 3 – Marsa Bridges and Canals		
Part 4 – Tunnel: Marsa-Zebbug		
Project Scheme 2		
Part 5 – Tunnel: Marsascula-Zabbar	February 2010	October 2010
NFRP Equipment		
Part 6 – Supply of Machinery	January 2013	April 2013

<sup>367</sup> Two (2) EIA's were required for two (2) of the works components (Birkirkara and Marsascula basins).

<b>6. Expected / launch of Tender Procedure(s)<sup>368</sup></b>		
Supervision Overall Project (Resident Engineer)	September 2010	May 2011
Project Scheme 1 Part 1 - Tunnels: Birkirkara/Msida-Gzira-Marsa Part 2 – Gzira Reservoir Part 3 – Marsa Bridges and Canals Part 4 – Tunnel: Marsa-Zebbug	September 2010 September 2010 August 2010 August 2010	June 2011 June 2011 May 2011 May 2011
Project Scheme 2 Part 5 – Tunnel: Marsascalea-Zabbar	March 2012	December 2012
NFRP Equipment Part 6 – Supply of Machinery	May 2013	September 2013
<b>7. Land Acquisition</b>	May 2010	July 2012
<b>8. Construction Phase / Contract</b>		
Supervision Overall Project (Resident Engineer)	February 2012	June 2014
Construction phase Project Scheme 1 Part 1 - Tunnels: Birkirkara/Msida-Gzira-Marsa Part 2 – Gzira Reservoir Part 3 – Marsa Bridges and Canals Part 4 – Tunnel: Marsa-Zebbug	March 2012 March 2012 March 2012 March 2012	August 2014 March 2013 September 2013 May 2013
Construction phase Project Scheme 2 Part 5 – Tunnel: Marsascalea-Zabbar	January 2013	September 2014
NFRP Equipment Part 6 – Supply of Machinery	October 2013	October 2014
<b>9. Operational Phase<sup>369</sup></b>	September 2014	September 2043

#### 04.1.3 Other Major Projects in the Pipeline

- **CF 125** - *Improving the TEN-T Road Infrastructure (Phase II)* was endorsed by the MA in 2012 and will be formally submitted for CION's in 2013
- **CF 119** – *Malta North Waste Treatment Facility* was endorsed by the MA in 2012 and will be formally submitted for CION's approval in 2013

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

The project is the second part (complementary to CF117) of road infrastructure works on the TEN-T network planned for the programming period 2007-2013. This second phase entails the reconstruction and upgrading of the Salina Coast Road.

It is pertinent to note that as reported in AIR 2011, Transport Malta (as the beneficiary of this project) had proposed that this second phase entails both the construction of a Grade Separated Junction in Mikiel Anton Vassalli Road in Kappara and the reconstruction/upgrading of the Salina Coast Road. During the year under review (as already mentioned in Chapter 3), as the project progressed, the

<sup>368</sup> Completion date refers to the closing date of published tenders.

<sup>369</sup> The project has a reference period of 30 years and is expected to remain in operation until 2043.



beneficiary opted to submit the Salina Coast Road project as a single application for EC co-financing. The main reasons for this were due to the great maturity in project preparation together with the total project cost necessary for this priority investment.

During the year under review, the Beneficiary was heavily engaged in the ongoing preparatory work related to this Major Project, including the EIA Screen progress and the finalisation of the project proposal and the CBA. Technical assistance for this project was ongoing through JASPERS who contributed significantly with their input in relation to the studies necessary to support the project proposal. This JASPERS action follows on from the earlier Phase I assistance provided. In total, during the year under review, two further missions<sup>370</sup> were held in Malta characterised by discussions on pending issues related to the preparation for the submission of the necessary documents to COIN.

Also, work on all front proceeded in parallel to ensure consistency. Subsequent to the submission of the EIA to MEPA, the relative planning permit was issued on the 9<sup>th</sup> August 2012. Following the first submission of the project proposal and subsequent clarifications requested by the Project Selection Committee, an updated CBA was also presented to the Managing Authority in September 2012. The project was endorsed by the Project Selection Committee on the 4<sup>th</sup> of October 2012 for forward submission to COIN. The project is expected to be formally submitted to COIN Q1 2013.

This project proposal calls for the reconstruction/upgrade/realignment of the Salina Coast Road. This stretch of road translates into an additional 7.3 kms of road network, leading to a reduction in journey delays and, above all, enhanced road safety.

The table below provides a project timetable of works as at end 2012. As summarised in this table below the procurement of works will be carried out in three calls. By the end of the year under review, the tender documents for two (2) work tenders (Salina Coast Road Phase I and 2) and the pre-construction road satisfaction survey were prepared; the publication is envisaged during Q1 2013.

**Table Project Timetable for CF 125**

	<b>Start Date (A)</b>	<b>Completion Date (B)</b>
<b>1. Feasibility Studies:</b>	February 2004	November 2004
<b>2. Cost-benefit analysis (including Financial Analysis):</b>	July 2010	January 2013
<b>3. Environmental Impact Assessment:</b>	November 2010	July 2012
<b>4. Design studies including MEPA Permits:</b>	August 2008	August 2012

<sup>370</sup> 3<sup>rd</sup> May 2012; 31<sup>st</sup> July 2012.

<b>5. Preparation of Tender Documentation:</b>		
<i>Construction Management Supervision</i>	November 2012	February 2013
<i>Works Salina Coast Road Phase I &amp; II</i>	January 2012	February 2013
<i>Monitoring for Ecology, Archaeology, Dust and Noise during implementation</i>	February 2013	April 2013
<i>Road User &amp; Operator Satisfaction Survey (Pre-construction)</i>	December 2012	February 2013
<i>Road User &amp; Operator Satisfaction Survey (Post-construction)</i>	June 2014	August 2014
<b>6. Expected launch of Tender Procedure(s):</b> <sup>371</sup>		
<p>The procurement of works for the project will be carried out as follows:</p> <p><b>Call 1</b> consisting of <b>one tender</b> for Salina Coast Road Phase I from NA 8 - Maghtab</p> <p><b>Call 2</b> consisting of <b>one tender</b> for Salina Coast Road Phase II from Maghtab to Commonwealth Cemetery</p> <p><b>Call 3</b> consisting of <b>one tender</b> for Construction Management for both Phases I &amp; II of Salina Coast Road.</p>		
<b>EIS &amp; AA Studies</b>		
<i>EIA Co-ordinator</i>	August 2010	November 2010
<i>Noise Baseline Study</i>	March 2011	September 2011
<i>Cultural Heritage Study</i>	March 2011	May 2011
<i>Human Populations Study</i>	March 2011	September 2011
<i>Geo-Environment Study</i>	March 2011	July 2011
<i>Construction Management (for both Phase I and II of Salina Coast road) including adjudication of tender</i>	March 2013	September 2013
<i>Works Salina Coast Road Phase I</i>	February 2013	October 2013
<i>Works Salina Coast Road Phase II</i>	February 2013	October 2013
<i>Monitoring for Ecology, Archaeology, Dust and Noise during implementation</i>	May 2013	October 2013
<i>Road User &amp; Operator Satisfaction Survey (Pre-construction)</i>	February 2013	June 2013
<i>Road User &amp; Operator Satisfaction Survey (Post-construction)</i>	September 2014	December 2014
<b>7. Land Acquisition:</b>	N/A	N/A
Salina Coast Road	August 2012	June 2013
<b>8. Construction Phase / Contract:</b>		
EIS & AA Studies		
<i>EIA Co-ordinator</i>	November 2010	April 2012
<i>Noise Baseline Study</i>	September 2011	January 2012

<sup>371</sup> The completion date in this section includes the period required for the adjudication of tender.

<i>Cultural Heritage Baseline Study</i>	May 2011	February 2012
<i>Human Populations Study</i>	September 2011	January 2012
<i>Geo-Environment Study</i>	July 2011	January 2012
<i>Construction Management</i>	October 2013	August 2015
<i>Works Salina Coast Road Phase I</i> <sup>372</sup>	January 2014	July 2015
<i>Works Salina Coast Road Phase II</i> <sup>373</sup>	January 2014	July 2015
<i>Monitoring for Ecology, Archaeology, Dust and Noise during implementation</i>	December 2013	December 2014
<i>Road User &amp; Operator Satisfaction Survey (Pre-construction)</i>	July 2013	September 2013
<i>Road User &amp; Operator Satisfaction Survey (Post-construction)</i>	February 2015	April 2015
<b>9. Operational Phase:</b> <sup>374</sup>		
<i>Salina Coast Road phase I</i>	January 2015	2039
<i>Salina Coast Road Phase II</i>	January 2015	2039

Apart from the projects mentioned under the previous sections of this chapter, the Maltese Authorities are currently in the final preparatory stages of submitting a new project for approval by the CION.

### **CF 119 - Malta North Waste Treatment Facility**

During the year under review, ongoing work on the application and supporting documentation prevailed bringing the project preparation phase nearly to completion by end 2012. A third JASPERS mission was held (14<sup>th</sup> – 15<sup>th</sup> February 2012) mobilising a total of three (3) experts covering fields such as planning, technical, financial and economic and environmental (EIA). A JASPERS Guidance note was issued on the 29<sup>th</sup> February 2012, provided a detailed review of the discussions held and the potential project risks identified and mitigation measures discussed.

The months to follow (until the submission of the documentation to the PSC) were characterised by continuous exchange of correspondence and teleconferences between the MA, the beneficiary and JASPERS, focusing on pending issues in preparation of the application.

<sup>372</sup> Start date is taken as the date of the order to start works. Completion date is within a period of 78 weeks from order to start works, including 24 weeks for closure and up to issue of provisional acceptance certificate.

<sup>373</sup> Start date is taken as the date of the order to start works. Completion date is within a period of 80 weeks from order to start works, including 24 weeks for closure and up to issue of provisional acceptance certificate.

<sup>374</sup> Start date of operational phase is taken to be date of completion of the actual works, estimated as 54 weeks for Phase I and 56 weeks for Phase II. The project has a reference period of 25 years.

In parallel, following the approval of the EIA, MEPA validated the application; thus officially commencing the planning process, on 25 May 2012. As part of the planning process, consultations between the Beneficiary and the Environmental Health and the Superintendent of Cultural Heritage were held while MEPA carried out consultations with the Civil Protection Department, Water Services Corporation, Enemalta and the Food and the Veterinary Regulation Division. A planning decision is expected to be issued by not later than second quarter of 2013.

In terms of the project application, the Beneficiary submitted the final application for the evaluation of the PSC at the end of September 2012 and the project was eventually endorsed by the PSC for onward transmission to the CION on 8 October 2012. Formal submission is envisaged during Q1 2013.

The submitted project proposal calls for the construction of a Mechanical and Biological Treatment Plant (MBT) for the treatment of Municipal Solid Waste (MSW) to be located within the Magħtab Environmental Complex, also known as the Ghallis Waste Management Complex.

The mechanical pre-treatment stage of the plant includes two separate Mechanical Treatment Plant (MTP) lines for mixed MSW and bulky wastes with a design capacity of 76kt/ and 47kt/a respectively. The biological treatment stage, based on wet anaerobic digestion technology, consists of one line only which will treat the organic fraction of MSW. The capacities are deemed sufficient to be able to treat all mixed municipal waste that cannot be treated in the existing MBT facility in the South of Malta (Sant'Antnin), mainly the waste collected in the municipalities located in the North of Malta and in the island of Gozo.

It is to be noted that the MBT project for MSW treatment described above foresees a second phase<sup>375</sup> with additional investments intended to allow the Anaerobic Digester (AD) plant to receive an additional 39 kt/a of animal manure produced in local farms to be treated together with the organic fraction of MSW in the AD stage. One aim of this measure is to improve the biological treatment process of organic components of MSW by stabilizing the anaerobic processes and in this way increase the gas yield, whilst at the same time providing for the opportunity to treat manure that can no longer be used in agriculture due to restrictions imposed by the EU Nitrates Directive.

The total investment costs of this plant have been estimated to reach €59.2m with a public eligible expenditure of €31.4m<sup>376</sup>.

In terms of tendering, work was also registered during the year under review. As can be seen in Table 47 below, the main design and build tender<sup>377</sup> notice was published on the Official Journal of the

<sup>375</sup> Phase II investments will be tendered out separately and financed entirely through national funds. Only Phase I investments (MBT for MSW) are eligible under OP I, Priority Axis 5.

<sup>376</sup> Including VAT, following the removal of ineligible costs and taking into account the funding gap rate.

<sup>377</sup> CT3016/2011

European Union on the 22 December 2012 and the tender is expected to close on 9 April 2013. This tender was issued into three separate lots, to be awarded to the same bidder. The lots were specifically dedicated for the design and construction of the MBT plant for MSW (lot 1) while a separate lot (lot 2) will cater for the construction of facilities required for manure treatment (to be financed through national funds). Through the award of this tender, the contract will be responsible for the deliverable of the MBT plant in line with the tender specifications. Following completion of the construction and installation of the MBT equipment, the contractor will be responsible for the operation of the plan (lot 3) upon issue of the Acceptance Test Certification for the duration of 24 months. This support includes technical support to WasteServ through the efficient operation of the treatment plant whilst carrying out the necessary availability tests as indicated in the tender document. The Contractor shall support WasteServ throughout the 24 months in order to ensure the efficient and effective operation of the Waste Treatment and Biogas Facility.

**Table Project Timetable for CF 119**

	<b>Start date (A)</b>	<b>Completion date (B)</b>
1. Feasibility studies:	06/07/2010	21/09/2012
2. Cost-benefit analysis (including financial analysis):	19/07/2010	21/09/2012
3. Environmental impact assessment:		
3i Drafting and submission of EIA to Malta Environment & Planning Authority (MEPA)	05/04/2010	12/09/2011
3ii. Processing leading up to MEPA report on EIA	12/09/2011	04/2012
3.iii Submission of application for planning permit and envisaged target date for issuing of the planning permit	18/05/2011	25/05/2013 <sup>378</sup>
4. Design studies:		
4.i Studies	03/05/2010	20/02/12
4.ii. Formal Submission and approval of EU Application by European Commission	05/01/2013	05/04/2013
5. Preparation of Tender documentation:		

<sup>378</sup> This is the latest date that the planning authority could issue the permit however following the recommendation for approval issued by the case officer on 06 March 2013, indications are that the permit will be issued earlier.

5.i DBO tender MTP & AD including vetting by the Department of Contracts	21/03/2011	15/12/12
5.ii Supply of mobile plant	7/11/13	18/2/14
6. Expected launch of tender procedure(s) including evaluation and adjudication of respective tender		
6.i Tender for EPCM consultancy service for construction of MBT	20/10/2009	13/9/2010
6.ii DBO tender MTP & AD	21/12/12	30/10/13
6.iii Tender for supply of mobile plant <sup>379</sup>	18/2/14	28/10/14
7. Land acquisition: N/A	N/A	N/A
8. Construction phase / contract:		
8.i From award of EPCM <sup>380</sup> consultancy service for construction and installation of MBT	25/03/2010	14/10/15 <sup>381</sup>
8.ii From award of DBO tender MTP & AD up to Installation of MTP equipment	11/11/2013	23/04/2015 <sup>382</sup>
8.iv From award of DBO tender MTP & AD up to installation of AD equipment	11/11/2013	14/10/2015 <sup>383</sup>
8.v From award of supply of mobile plant up to provision of supply of such plant	28/10/2014	30/3/2015
9. Operational phase:	N/A	
MTP <sup>384</sup>	24/04/15	24/4/17
AD <sup>385</sup>	15/10/15	15/10/17

<sup>379</sup> The launch of this tender is dependent on the adjudicating of the DBO tender first as specifications will need to be determined with the bidder who will be awarded the DBO tender.

<sup>380</sup> Engineering, Procurement, Construction Management Consulting Services.

<sup>381</sup> Excluding the period of 24 months monitoring to be undertaken during the commissioning which the DBO contractor will have to undertake from completion of works. Issuing of final certificate (i.e following termination of operations period) expected on 20/10/2017.

<sup>382</sup> Excluding finishing works and 24 months operational commissioning.

<sup>383</sup> Excluding finishing works and 24 months operational commissioning.

<sup>384</sup> Date when 24 months operational commissioning commences. Issuing of final certificate expected on 26/4/2017.

<sup>385</sup> Date when 24 months operational commissioning commences. Issuing of final certificate expected on 20/10/2017.

## 04.2 Progress in the Financing of Major Projects

Table shows the total investment costs of the relevant major projects.

Table Sources of Co-financing<sup>386</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 I)	€77,205,881	€48,950,124	€28,255,757 <sup>387</sup>	nil	nil	nil
<b>CF 118</b> - Rehabilitation and Restoration of Closed Landfills	€30,944,771	€22,290,725	€8,654,046 <sup>388</sup>	nil	nil	nil
<b>CF 116</b> - Malta South Sewage Treatment Infrastructure	€80,073,152.51	€57,772,825.70	€22,300,326.81 <sup>389</sup>	nil	nil	€10,497,821.15
<b>CF 120</b> - National Flood Relief Project	€62,505,662	€44,887,763.90	€17,617,898.10 <sup>390</sup>	nil	nil	nil
<b>CF 125</b> - Improving the TEN-T Road Infrastructure (Phase II)	€45,500,800	€33,686,076	€11,814,724 <sup>391</sup>	nil	nil	nil
<b>CF119</b>	€59,243,056	€26,699,437	€32,543,619	nil	nil	nil
<b>ERDF 196</b> - Mater Dei Oncology Centre	€54,129,590	€37,657,313.70	€16,472,276.30 <sup>392</sup>	nil	nil	nil

Table 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 2012, of the major projects approved by the CION as well as of the major projects approved by the MA which, as at end 2012, still needed to be formally submitted and approved by the CION.

<sup>386</sup> Table as per Article 5 of Annex XVIII Annual and Final Reporting of Regulation 1828/2006.

<sup>387</sup> €8,638,257 are national public and €19,617,500 are ineligible costs.

<sup>388</sup> €10,195,205 are national public and €12,597,385 are ineligible costs.

<sup>389</sup> €10,195,204.53 are national public and €12,105,122.28 are ineligible costs

<sup>390</sup> €7,921,370 are national public and €9,696,528 are ineligible costs

<sup>391</sup> €5,944,602 are national public and €5,870,122 are ineligible costs

<sup>392</sup> €6,645,408 are national public and €9,826,868 are ineligible costs.

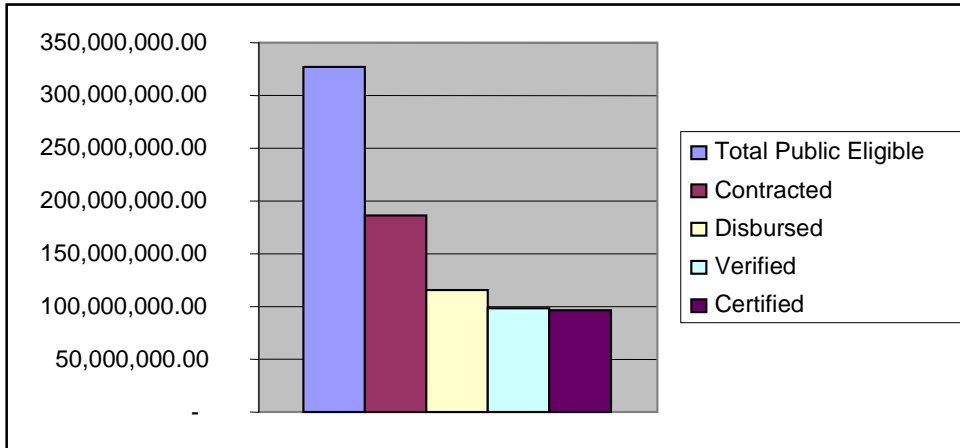
Table Financial Situation

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	€24,295,508	€4,287,443	€21,730,715	€3,834,832	€21,730,715	€3,834,832
<b>CF 118 -</b> Rehabilitation and Restoration of Closed Landfills	€26,224,382	€8,331,465	€3,475,439	€613,313	€575,883	€101,626	€575,883	€10,626
<b>CF 116 -</b> Malta South Sewage Treatment Infrastructure	€67,968,030	€67,968,031	€57,772,826	€10,195,205	€5,873,360	€10,036,475	€56,784,108	€10,020,725
<b>CF 120 –</b> National Flood Relief Project	€52,809,134	€34,990,693	€8,639,935	€1,524,694	€508,774	€89,713	€508,374	€89,713
<b>CF 125 -</b> Improving the TEN-T Road Infrastructure (Phase II)	€39,630,678	-	-	-	-	-	-	-
<b>CF119</b>	31,411,120	1,984,173	1,569,891.04	277,039.60	-	-	-	-
<b>ERDF 196 –</b> Mater Dei Hospital Oncology Centre	€44,302,722	€31,822,972	€3,519,499	€621,088	€3,141,013	€554,296	€3,141,013	€554,296



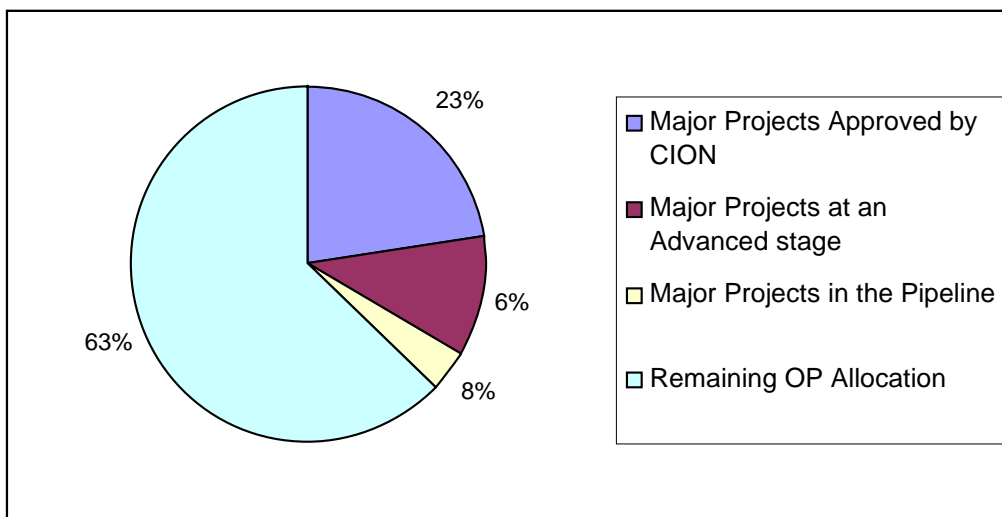
The figure below shows a snapshot of the current situation in relation to major projects already approved by CION or awaiting CION approval.

**Figure - Financial Situation**



One notes that overall, out of a total public eligible cost of € 319,934,447<sup>393</sup> allocated to major projects, 58.7% has been contracted. Out of the contracted amount, 62% has been disbursed, 83.4% of which has been verified by the MA. As at year end, 99.8% of the verified amount was certified by CA.

As at end 2012, the percentage of public eligible expenditure committed in the major projects<sup>394</sup> amounted to 37% of the total OP allocation<sup>395</sup> (as can be seen from Figure 21). 82% of the Cohesion Fund<sup>396</sup> is allocated to major projects



<sup>393</sup> This is the relevant sum of total public eligible made available to the projects in Figure 20.

<sup>394</sup> Including those approved by CION, those approved by the MA but still awaiting approval by CION and those still in the pipeline.

<sup>395</sup> €856,615,354.11

<sup>396</sup> €334,288,258.82

## 04.3 Completed Major Projects

### 04.3.1 CF 116 – Malta South Sewage Treatment Infrastructure

As explained earlier in this chapter, CF 116 was the only major project which was formally completed in 2012. The project included the construction of a new urban wastewater treatment plant at Ta' Barkat, a new wastewater pumping station at Rinella, the upgrading 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 1 km submarine outfall.

The project closure was slightly delayed due to the need of the re-designing of the connection between the wastewater treatment plant and the outfall pit; the re-designing of the pit size to cater for the width of the tunnel as well as the adverse wintery weather conditions which delayed works on the Submarine Outfall. Even though the project was fully operational and was officially opened in June 2011, the project completion date was extended till 30<sup>th</sup> June 2012 in order to complete administrative work, in particular the processing of final payments.

Out of the total €69,985,474 public eligible cost approved by the CION on 18<sup>th</sup> November 2010, €68,494,478 were contracted. Of these, €67,968,030 were disbursed while €66,804,833.17 were certified by end of 2012<sup>397</sup>. Following its completion, €2,017,444 savings generated by the project were transferred back to the programme.

It is worth mentioning, that this project on its own managed to achieve one output and two result indicators mentioned in the Operation Programme I. With regard to the output indicator, this project achieved the target of constructing one liquid waste treatment plant. When it comes to result indicators, this project also managed to achieve class 1 status of coastal waters<sup>398</sup> in the south and also fully achieved the result indicator of the OP when it comes to the % decrease of the national sewage effluent discharge. These two result indicators are of particular importance for Malta since their achievement reflects the improvement in the bathing water quality of the 5km coastline extending between Ricasoli and Marsascala in line with the bathing Water Directives 76/160/EEC and 2006/7/EEC. Moreover, together with the successes from the Gozo and the North of Malta wastewater treatment plants, Malta is now also in line with the EU Urban Wastewater Directive 91/271/EC, leading it to become the first Mediterranean country to treat all wastewater entering collecting systems, before discharge. Another result indicator achieved under this project is the one related to the total renewable energy resources recovered from waste, which during 2012 has

---

<sup>397</sup> The amount of €1,163,196.83 was included in the verifications by the MA carried out in December 2012 and eventually certified to the Commission in February 2013.

<sup>398</sup> Before this project was undertaken, the Xgħajra bathing waters were classified as Class 3 under the Barcelona Convention, whereas now it they are classified as Class 1.

reached 5.82 GWhrs. In addition to these results, this project has also created 20 new jobs and managed to increase the environment weighted average by 154%.

Thanks to these achievements, this project improved notably the socio-economic environment of the Maltese Islands. Some of these socio-economic benefits include: increased recreational value of the North East coastal area; improved potential for fishing in the area which was previously contaminated with raw wastewater, and improved quality of life for residents, in particular, those living next to the previous marine raw wastewater discharge.

As per Annex XVIII of EC/1828/2006, Table provides the total investment cost of CF 116 following its formal completion.

**Table Total Final Investment Costs**

Source of Total Investment Costs (€)					Of which (for Information)
Total investment cost [H.1.12.(A)]	Community assistance [H.2.1.5]	National public (or equivalent)	National private	Other sources (specify)	EIB/EIF loans:
(a)= (b)+(c)+(d)+(e)	(b)	(c)	(d)	(e)	(f)
80,073,152.51	57,772,825.70	10,195,204.53		12,105,122.28	10,497,821.15

As at end 2012, there were no other approved major projects which were completed. The indicative time line for the completion of CF 117<sup>399</sup> and ERDF 196 is 2013 whilst CF 118 is expected to be completed by 2014.

#### **04.4 Any Change in the Indicative List of Major Projects in the Operational Programme**

In May 2012, the OP officially formalised the change which shifted ERDF 120 from PA 4 to PA 5, automatically also shifting the source of co-financing for this project from ERDF to CF.

<sup>399</sup> In AIR 2011, CF 117 was reported to be expected to conclude by fourth quarter of 2012. However an extension was requested up till September 2013 due to the project experiencing various unforeseen delays as explained in detail in this chapter.

## 04.5 Conclusion

All seven (7) major projects identified within OPI registered significant progress in 2012. This success is 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. The year under review was also very intensive as regards the Regulatory Package for the 2014-2020 Programme. This rigorous process also involved 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 sixth 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, with expenditure mostly related to general implementation actions, information and publicity actions, evaluation and capacity building.

As already explained in previous chapters of this report, in 2012, the OP continued to gain momentum. More operations were approved and substantial progress was also registered in the disbursement of funds. This resulted in a direct impact on other phases of the project cycle, with particularly increased intensity of activity at first level of control in order to verify the expenditure paid. During the year under review, TA expenditure amounted to € 1,321,107.05, an increase of 15% when compared to 2011 (€1,123,509). In 2012, the MA received and approved ninety-nine (99) requests for the use of TA submitted by the various units within the MA and by other horizontal stakeholders, such as the Department of Contracts, the Treasury Department and the Intermediate Bodies managing the Aid Schemes. Thirty-three (33) of the said requests in 2012 were for actions worth less than €2,000 in the area of capacity building, including training costs. This inevitably resulted in fragmentation of implementation which has its own administrative weight on a number of organisations, including the Managing Authority, the Directorate for Corporate Service within OPM and the Treasury Department, the latter two (2) being critical players in the payment process.

### 05.1 Implementation of Cohesion Policy

The intensive control function required for the implementation of Cohesion Policy has continued to generate the need for additional capacity within the MA as well as other stakeholders, such as the IBs, the Treasury Department and the Certifying Authority.

With the rapid increase in implementation as well as a result of other staff movements, the MA issued a number of calls in 2012 to increase capacity in a number of different posts. Recruitment took place in the second and fourth quarters of 2012<sup>400</sup>. TA also continued to support the recruitment / procurement of additional capacity for the IBs. As at end 2012, the OP continued to have three (3) IBs managing Aid Schemes under PA 1, PA 2, PA 4 and PA 6 that were using TA funds for the implementation of the said Aid Schemes<sup>401</sup>. The main funding of the IBs is related to capacity costs, to manage and monitor the different schemes as well as to undertake necessary checks and controls. Other requests for additional capacity that were approved in 2012 are related to the Treasury Department. This brings the total number of additional officers committed under the Technical

<sup>400</sup> The Call for EU Funds Officers was issued in the second quarter; the Call for ICT Support Officer and Call for Systems Administrator were issued in the fourth quarter of 2012.

<sup>401</sup> The three IBs managing Aid Schemes under OPI are: ME, TSDU and DSWS. By end 2012, the MA had approved the reimbursement of salaries of an officer replacing a previously resigned officer within the ME.

Assistance to seven (7) new additional officers.<sup>402</sup> An officer who resigned from one of the stakeholders<sup>403</sup> will be replaced in 2013. Furthermore, one of the IBs<sup>404</sup> engaged a Project Administrator to replace a previously engaged officer (no net increase).

In preparation for the next Programming Period, the TA has also been committed to finance the contract for the provision of Consultancy Services for the drafting of the Partnership Agreement as well as the drafting of the new Operational Programmes for Cohesion Policy for 2014-2020. Both Malta's Partnership Agreement and the drafting of the OP documents will be done on the basis of a thorough literature review and consultation with the Inter-Ministerial Committee for the Programming Period 2014-2020.

During the year under review the TA continued to support the project selection process, both for projects undertaken by the MA as well as by the IBs, through providing the necessary expertise to assist in the evaluation process and to check the activities undertaken. During the said period, the Technical experts engaged by the MA for the appraisal of project CBAs / Financial Feasibility studies continued this task through the appraisal of 11 new CBAs, and provided *ad hoc* expertise to the MA on individual CBAs and Financial Feasibility studies. The said experts also submitted to the MA a draft version of a Revenue Generation Model and a draft version of a Guidance Manual<sup>405</sup> for the preparation of Cost-Benefit Analysis for projects to be financed through Cohesion Policy.

In 2012 there was continued development and enhancement on the management and information system, introducing new functionalities on a number of modules<sup>406</sup> following feedback by users. During the year under review a number of ad-hoc reports were also being requested by different stakeholders. For this reason, it was decided to incorporate such report generation as a standard output on a regular basis. As at the end of 2012, the system had over 500 registered user accounts.

Furthermore, monitoring costs were also financed through TA, including the financing of both Monitoring Committees which were held in May and November 2012, the (national) high level bilateral meetings held on monthly basis as well as the Inter-Ministerial Co-ordination Committee (IMCC) meeting held in April and October 2012.

<sup>402</sup> The seven (7) additional officers are as follows: four (4) officers net increase within the OPI unit; one (1) officer net increase within FCU; two (2) additional officers within Treasury Department.

<sup>403</sup> The Certifying Authority had a net decrease of one (1) officer who resigned; the CA is envisaging to engage a replacement in 2013.

<sup>404</sup> DSWS

<sup>405</sup> In September 2012, the experts had conducted an initial information session entitled '*Presentation of Guidance Manual for the preparation of Cost-Benefit Analysis*' targeted at Government / Public entities and CBA consultants, whereby the 'Guidance Manual' was briefly explained. This Manual focuses towards ensuring the correct submission of CBAs in accordance with EU Guidelines for certain EU projects.

<sup>406</sup> Such as, the column in the financial plan on the database entitled paid invoices less adjustments, new automated reports for financial figures and number of participants) and updates on others (more characters in the invoice and adjustment number/details, Statement of Expenditure, verification and audit modules, Debtors Ledger.

## 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>407</sup> in relation to the actions and operations/schemes, within the wider scope of the Communication Plan. TA intervention under this heading was primarily directed to support the new website as well as to publicise calls for project proposals. To this effect, during 2012, TA financed publicity related to three (3) calls<sup>408</sup> and the holding of three (3) information sessions related to these 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) held in April 2012 with the aim of discussing and co-ordinating various methods to promote and provide information about Cohesion Policy to the general public.

As indicated above, in 2012, the MA launched a new website dedicated to the promotion of projects funded under the Cohesion Policy 2007-2013 which aimed at complementing the official MA website (for additional detail on this new website, refer to section 6.6.1). The provision of translation and proofreading services for the new website were also procured through TA funds. This website was promoted through electronic adverts that featured for one (1) week on seven (7) e-news portals.

## 05.3 Evaluation

The interventions financed in the year under review were mainly actions identified in the Evaluation Plan which was presented to the Monitoring Committee members in May 2008 and as subsequently amended in 2011.

In the second quarter of 2012, the tender for the Thematic Evaluation of Operational Programme I was launched on the market. The tender was awarded in the third quarter and the contract is expected to be signed during Q1 2013. No payments were affected in 2012.

The TA also financed the Ex-Ante Evaluation for Structural Funds 2014-2020 which procurement was launched on the market in the third quarter of 2012. The tender was awarded in the fourth quarter and the Contract is due to be signed in the first quarter of 2013. Another tender which is also being financed through the TA is related to the Strategic Environmental Assessment 2014-2020. This tender

---

<sup>407</sup> Costs related to publicity actions of ME are not being financed through TA but are being funded through its own funds; however publicity actions undertaken by DSWS and TSDU are being funded under the TA.

<sup>408</sup> Call 14 (PA 4), Call 15 (PA 1) and Call 16 (PA 6); these calls were preceded by pre-announcements that are also publicised on the local media to ensure wide participation as well as increased awareness.

was launched on the market in the fourth quarter of 2012 and the evaluation process was still ongoing at end of year.

During the year under review, the TA also financed the participation of two (2) officers to local training on Evaluation and Impact Assessment as well as the participation of one (1) officer for the European Commission's DG Regio Evaluation Network meeting.<sup>409</sup>

## 05.4 Furniture and Equipment

During the year under review new office furniture and equipment was purchased and/or leased. Such necessity was brought about by the MA's move in a bigger office space to accommodate increase capacity within the MA. Consequently, a departmental tender for new furniture was awarded in August 2012 and additional desktop computers and laptops were leased during the same year.

## 05.5 Capacity Building

During 2012, 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 limited capacity at national level, a number of participants attended training<sup>410</sup> 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, Performance Audit in the Public Sector, State Aid, latest policy development, European Public Procurement, and the Implementation of Structural Funds regulations for both the current and future programming period. Expenditure related to conferences<sup>411</sup> and meetings<sup>412</sup> abroad were also covered from TA.

Through TA funds, a number of local training courses were also organised. The usual series of training modules were delivered by the MA for newcomers to the system (training to new recruits)<sup>413</sup> and new Beneficiaries<sup>414</sup>. These included sessions on Cohesion Policy, Project Management, National Procurement Regulations, Financial management, document retention and reporting procedures. Furthermore, a full-day practical training session on 'First level of Control and Audits' was provided for officers working at the MA.<sup>415</sup> A two-full-days induction training course related to Cost

<sup>409</sup> The local training was related to methodologies of Policy Evaluation and Impact Assessment, CBS and Strategies Environmental Assessment; whilst the overseas was related to a meeting organised in order to discuss between the EC and MS on issues related to evaluation.

<sup>410</sup> A total of five (5) officers participated in training seminars abroad, as follows: two (2) officers from the MA and three (3) officers from the Audit Authority.

<sup>411</sup> A total of five (5) officers participated in conferences abroad, as follows: three (3) officers from the EU Funds – Policy Coordination Directorate and two (2) officers from the MA.

<sup>412</sup> A total of twelve (12) officers travelled to attend meetings abroad, as follows: three (3) officers from the EU Funds – Policy Coordination Directorate; four (4) officers from the MA; one (1) officer from the Permanent Secretary (EU Funds); one (1) officer from MEPA; two (2) officers from the Audit Authority and an officer (1) from MITA

<sup>413</sup> Total of fifty one (51) participants attended this training

<sup>414</sup> Total of thirty five (35) participants attended this training course for new Beneficiaries.

<sup>415</sup> A total of sixty-one (61) participants attended this training session



Benefit Analysis (CBAs) for officers working within the OPI was also organised<sup>416</sup> in preparation for a more intensive and detailed training workshop on the appraisal, guidance and monitoring of Cost Benefit Analysis / Financial Feasibility studies.<sup>417</sup> Participants were trained in the actual appraisal of CBAs in order to support (in the immediate) the MA and enhance its capacity in the medium to longer term.

## 05.6 Conclusion

In line with Article 46 of the General Regulation EC/1083/2006, ca 1.5% of the total Community share of the Funds or €10,478,031, has been allocated for TA, of which, 33%, or €3,481,506 were paid by end 2012. Further details related to TA disbursements are given in Chapter 03 Section 7 of this report.

In 2012 the contribution of TA for the implementation of the Programme was crucial especially in view of the increased need for administrative capacity for implementation and verification purposes due to an 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 communication assisted in making the payment process as efficient as possible.

---

<sup>416</sup> A total of twenty-six (26) officers attended this training course.

<sup>417</sup> The training session was held over a period of three (3) days. There were fifty (50) participants attending the sessions and five (5) Trainers participated in giving the lectures.

## 06. Information and Publicity

### 06.1 Measures Taken to Provide Information and Publicity on the Operational Programmes

During the year under review, the MA continued to ensure a steady flow of information on the implementation of the Programme in order to guarantee that information is available to all interested parties on how Cohesion Policy funds are being used in Malta. Several activities have been undertaken to get the message through to potential beneficiaries and the general public in line with the obligations emanating from Implementing Commission Regulation (EC) No. 1828/2006, following on the lines of the revisions to the Communication plan as presented to the Monitoring Committee in 2011.<sup>418</sup> The activities foreseen within the plan comprise of a number of information and promotional measures using a number of tools, which are either, 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 2012.

#### 06.1.1 Analysis of Activities carried out in 2011

##### Annual Information Activity

In line with Article 7 (2) (b) of Commission Regulation (EC) No. 1828/2006, the MA is responsible for organizing one major information activity to present the achievement of the operational programme.

Figure - Promotional Image used to Advertise the IIFY Website



<sup>418</sup> The Communications Plan, originally approved by the EC on the 21<sup>st</sup> January 2007, was revised and presented to the MC on the 19th October 2011.

In 2012, the MA opted for the creation of a new website, [www.investinginyourfuture.gov.mt](http://www.investinginyourfuture.gov.mt) which aims to complement the official MA website ([www.ppcd.gov.mt](http://www.ppcd.gov.mt)). This new website (hereinafter referred to as IYF website) was launched through a press conference on 18<sup>th</sup> December 2012. Adverts on social media (as can be observed in Figure 22) as well as on the local electronic news websites, linking directly to the IYF website, were featured following the launch to raise further public awareness of the site<sup>419</sup>.

The IYF website is envisaged to remain updated and 'live' until the end of the programming period. Apart from the need to have an appealing design of the website, clean and intuitive style that appeals to the general public, the MA drew up 'fact sheets' for each ongoing and completed project under the 2007-2013 programming period and gathered photos through the Department of Information as well as from the project leaders themselves, to publicise co-financed operations.

The site avoids the use of technical jargon and is broken down according to themes which are more representative of the OPs' priorities. The themes under which the projects are grouped are:

- Heritage & tourism
- Equal opportunities
- Health
- Research, science & technology
- Education
- Life-long learning & employment
- Environment, climate change & renewable energy sources
- Waste management & risk prevention
- Public infrastructure
- Public administration
- Private sector.

Some projects were featured under more than one category in view of their wider reach. The projects featured, and the respective categories they featured under, are found in Annex IV to this report.

---

<sup>419</sup> The contract for the IYF website was signed on 15<sup>th</sup> October 2012 for €6,525.42. Cost is quoted excluding VAT. The IYF website is co-financed on a 70% ERDF + 30% ESF basis.

Figure - Screen-Shot of IYF Website

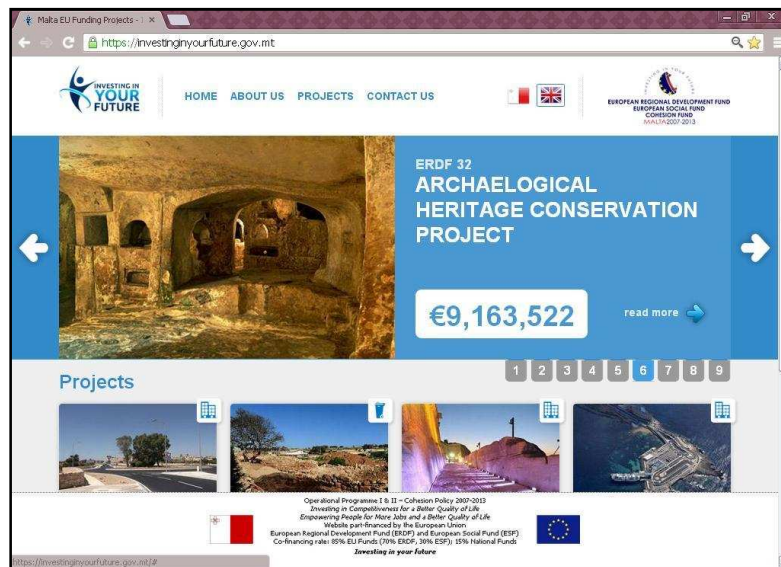
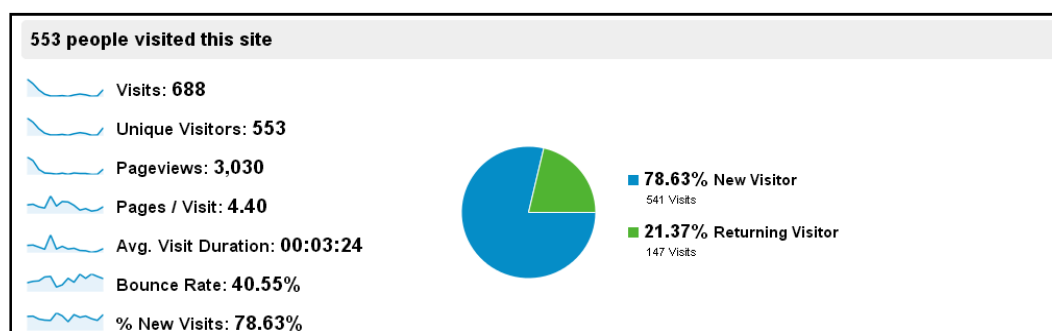


Figure 23 shows how upon loading the website, the visitor finds a dynamic slide transition featuring key projects but will also find the full complement of projects shown underneath, through thumbnail images and the project titles. The project thumbnail images include an icon, immediately depicting the theme or themes they fall under. By accessing the selected icon, the visitor will be informed on the categories mentioned above, with a short overview for each theme, and on the projects pertaining to the selected category. Further details about the individual selected project are also accessible. In order to enhance the interactive experience, the visitor can share information from the website on various social media platforms, including the most popular Facebook, Twitter and Google+.

The website also includes a page with information on the Managing Authority and a 'Contact Us' form for direct interaction with the MA. Complementary to the IYF website, a Facebook page and Twitter account have been created in order to retain a more informal, as well as ongoing means of updating the public with information on the achievements made through the projects.

Hereunder, various analytics to measure the website's impact are being reported. However, given that these refer to results registered on a short timeframe they cannot be considered as representative at this stage.

Figure - Audience Overview for the Period 18th December to 31st December 2012<sup>420</sup>

Source: Google Analytics

Figure 24 shows the Audience Overview for the period from the website's launch (18<sup>th</sup> December) to the end of the year (31<sup>st</sup> December). During this period, the website registered a total of six-hundred-eighty-eight (688) visits, with five-hundred-fifty-three 553 (80.38%) being unique visitors.<sup>421</sup> As explained earlier, the website was promoted through a number of leaderboard adverts on all local electronic news websites, with direct hyperlinks to the IIFY website. This promotion took place between 31<sup>st</sup> December 2012 and 6<sup>th</sup> January 2013. Further promotional activities will continue in 2013.

## 06.2 Other Publicity Measures undertaken in 2012

### 06.2.1 Calls for Projects and Information Sessions for Project Promoters

A total of three (3) calls for Project Proposals and two (2) pre-announcements<sup>422</sup> were issued during 2012. Information sessions were held for all calls for Project Proposals in order to guide the potential beneficiaries in preparing their submissions accordingly. Briefing sessions were also held following the publication of pre-announcements. This practice further enabled potential beneficiaries in preparing their project applications and become familiar with the processes involved in EU funded projects. Summarily, as per below Table 51, the calls and pre-announcements were:

**Table Summary of Calls for Project Proposals and Respective Priority Axes Targeted**

Pre- / Call no.	Priority Axis / Axes	Issued on	Briefing / Information Session held on
Pre-call 14	<ul style="list-style-type: none"> <li>Priority Axis 4: Climate Change and Resource Efficiency</li> </ul>	10, 13 May 2012	28 May 2012
Call 14	<ul style="list-style-type: none"> <li>Priority Axis 4: Climate Change</li> </ul>	4, 8 Jul 2012	13 Jul 2012

<sup>420</sup> The number of visits denotes the number of people who visited the IIFY website. Pages/Visit (Average Page Depth) is the average number of pages viewed during a visit to the website site (repeated views of a single page are counted). On the other hand, Average Visit Duration denotes the average time duration of a session. The % New Visits is an estimate of the percentage of first time visits whereas the Bounce Rate denotes the percentage of single-page visits (i.e. visits in which the person left the site from the entrance page). (Source: Google Analytics)

<sup>421</sup> Source: Google Analytics.

<sup>422</sup> The pre-announcement to calls 15 and 16 was issued jointly.

Pre- / Call no.	Priority Axis / Axes	Issued on	Briefing / Information Session held on
	and Resource Efficiency		
Pre-call 15 & 16	<ul style="list-style-type: none"> <li>Priority Axis 1: Enhancing Knowledge and Innovation</li> <li>Priority Axis 6: Urban Regeneration and Improving the Quality of Life</li> </ul>	8, 10 Jun 2012	22 Jun 2012
Call 15	<ul style="list-style-type: none"> <li>Priority Axis 1: Enhancing Knowledge and Innovation</li> </ul>	22, 23 Jul 2012	6 Aug 2012
Call 16	<ul style="list-style-type: none"> <li>Priority Axis 6: Urban Regeneration and Improving the Quality of Life</li> </ul>	14, 16 Sep 2012	27 Sep 2012

All calls and pre-announcements were published as Press Releases as well as adverts on all newspapers of the designated dates. Additionally, these were also advertised on the PPCD official website, its social media page, as well as on the Malta-EU Steering and Action Committee (MEUSAC)'s various communication channels. A total of 174 persons attended the information sessions held throughout the year for all calls.

### 06.2.2 Information and Publicity Networks

Article 10 of EC1828/2006 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 2012, staff from the communications unit attended and participated in the INFORM network meetings organised by DG REGIO held in Warsaw, Poland on the 10<sup>th</sup> and 11<sup>th</sup> of May, and in La Pleine Saint Denis (Paris), France on the 3<sup>rd</sup> and 4<sup>th</sup> of December<sup>423</sup>.

During the meeting in Warsaw, the core group discussed communications of EU funds in two sensitive scenarios: the financial crisis and elections; as well as auditors' reactions to incorrect publicity, among other topics. The main meeting comprised of parallel working groups which specifically dealt with chapters forming part of the guidance document for 2014+ being drafted by INFORM members and the Commission, namely, major annual information activities<sup>424</sup>, the communication responsibilities of the Beneficiary, and the responsibilities of the national information and communication officer and the national communication network. Other workshops held on the second day of the meeting related to other areas of work in terms of communicating Cohesion Policy.<sup>425</sup>

<sup>423</sup> This meeting was held jointly between DG Empl and DG Regio and therefore also involved the members of the INIO network.

<sup>424</sup> Malta delivered a presentation on the 2011 Annual Information Activity, Rotta:EU07-13 during this working group.

<sup>425</sup> Malta contributed as editor to the chapters on Communication strategy and the annual activity plan.

The meeting held in December was conducted jointly with DG EMPL and its INIO network of ESF Information Officers. The meeting started with the INFORM core member meeting for which INIO representatives were also invited. During this part of the meeting and the focus of the discussion was the formation of local (national or regional) communication networks and communication actions across Member States. During this meeting, Malta presented a short study carried out during summer 2012, giving an overview of all the communication activities, including target audiences across the Member States throughout the entire programming period so far. During the plenary sessions, a state of play on the new programming period was presented by the Commission and a number of parallel workshops ensued.

At a local level, the second Local Informal Information and Publicity (LIIP) network was organized on 13<sup>th</sup> April. 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>426</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 meeting, the MA gave an overview of the communication activities conducted during 2011 and 2012, presenting also the plans for the current year. The revised Visual Identity Guidelines were also presented to the network. Presentations from an Intermediate Body<sup>427</sup> on its experience with promoting a number of schemes it manages and from an ESF Beneficiary<sup>428</sup> on how it has carried out an awareness raising campaign were also delivered.

### 06.2.3 Website and Social Network Page

In 2012 the PPCD website continued to be updated with news about the pre-announcement of the upcoming calls for project proposals listed above for OPI and other information related to the Programme Implementation (AIR, MC presentations etc.)<sup>429</sup>. Furthermore, in line with EC/1828/2006 Art 7(2)(d), the MA continued to regularly update the list of Beneficiaries with new information as necessary. Information related to the new IIFY website (<http://www.ppcd.gov.mt/news-details?id=1911&l=1>) and to the information sessions, as well as other more generic press releases and news items issued by the Division were also made accessible through the website.

The PPCD page on a popular social networking site was also continuously updated to further supplement the website. 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

<sup>426</sup> Key Stakeholders included Line Ministries and Ministers' Communication Coordinators, MEUSAC and the EU Commission Representation in Malta.

<sup>427</sup> Malta Enterprise presented its information campaign which encompassed all the ERDF schemes it manages.

<sup>428</sup> ESF 3.59: Nista': The benefits of sharing life's responsibilities campaign

<sup>429</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 are useful as a point of reference. Both open and closed calls are also available on the website for transparency purposes.

a wider audience. Moreover, status updates over the year, have reflected ongoing EU-related events such as Europe Day (9<sup>th</sup> May) and the award of the Nobel Prize for Peace to the European Union. In the weeks leading up to the launch of the IIFY website, status updates encouraged followers of the page to look out for the website and follow its respective page for updates on achievements made by the OP.



### 06.2.4 Other Initiatives

In line with EC1828/2006 Article 7 (2)(c), the EU flag was flown outside the MA's premises during the week of the 9th May 2012 (Europe Day). During November 2012, the Managing Authority was also involved in the organization of a conference during which the Commission launched the Country Specific Recommendations for the new programming period.

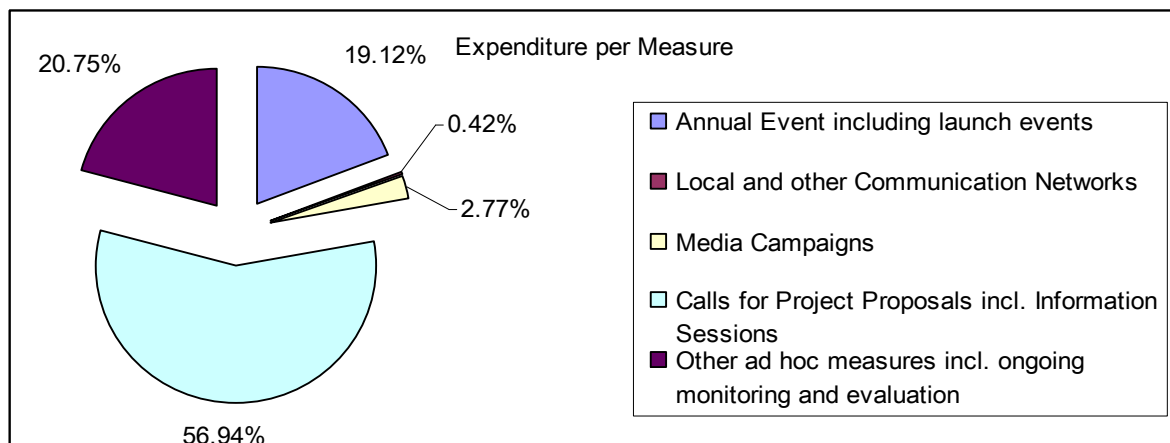
### 06.3 Expenditure during 2012

Table 52 below lists the total expenditure during 2012 which amounted to €29,547, whereas figure 25 illustrates this data in percentage form.

Table Expenditure per Information and Publicity Measure during 2012

<b>Visibility and Awareness of Cohesion Policy Aims and Results</b>	
Annual Event including launch events	€5,649
Local and other Communication Networks	€124
<b>Complementary measures to support the Information Events</b>	
Publications and collateral materials	€-
Media Campaigns	€819
Promotional Items	€-
<b>Measures relating to Transparency, Technical and Procedural Information</b>	
Calls for Project Proposals incl. Information Sessions	€16,825
Other ad hoc measures incl. ongoing monitoring and evaluation	€6,130
<b>Total</b>	<b>€29,547</b>

Figure - Expenditure per Information and Publicity Measure During 2012 in Percentage (%)



The bulk of expenditure during 2012 was taken up by *Measures relating to Transparency, Technical and Procedural Information* with a total expenditure of €22,956 (78% of the total expenditure for 2012).

Almost €17,000 were spent on the publication and promotion of calls and pre-announcements of calls for project proposals as well as the organization of Information Sessions to further explain the announcements and guide potential beneficiaries in their submissions. One expects that this measure will generate less expenditure during 2013 when the final calls under this Programming Period are issued and no, or hardly any, expenditure in the following years.

In contrast to previous years, the *Annual Events including launch events* measure did not generate large expenses. This is mainly due to the fact that the 2012 Annual Information Activity was of a soft nature (design and production of the IIFY website and launch thereof) and the cost of the related contract was relatively low. Additionally, since the IIFY website showcased both ESF as well as ERDF and Cohesion Fund projects, the contract was jointly co-financed by ESF and ERDF<sup>430</sup>. On the other hand, given that in the forthcoming years the annual events are expected to promote even more the results achieved throughout the Programme, one can expect this measure to peak again in terms of expenditure.

Within this measure, the Managing Authority also contributed to the organisation of the 'Launch of Country Specific Recommendations 2014+' meeting held by the European Commission in Malta. The cost for this event was co-financed under both ERDF and ESF<sup>431</sup>.

Additional costs linked in making the IIFY website more accessible, the services of a translator to assist the Managing Authority in the translation of the website from English to Maltese, were procured. This expenditure is categorized under *Measures relating to Transparency, Technical and Procedural Information* (line: other ad hoc measures including ongoing monitoring and evaluation).

In addition, a 12-page press pack created for the Press Conference launching the website was financed nationally and subsequently uploaded on the PPCD website (<http://www.ppcd.gov.mt/news-details?id=1911&l=1>) for public access<sup>432</sup>. With regard to promotional items, no new merchandise was procured during 2012 as items procured in 2011 were still available and hence were availed of.

---

<sup>430</sup> Total cost of contract is €6,525.42 (70% ERDF: €4567.79 + 30% ESF: €1,957.63).

<sup>432</sup> This document was uploaded primarily on a free document sharing website ([http://issuu.com/iify\\_mt/docs/investing\\_in\\_your\\_future\\_website\\_launch\\_press\\_pack?mode=window&backgroundColor=#222222](http://issuu.com/iify_mt/docs/investing_in_your_future_website_launch_press_pack?mode=window&backgroundColor=#222222)) as well as on the IIFY Facebook page (<https://www.facebook.com/IIFYMT>)

## 06.4 Expenditure to Date<sup>433</sup>

Table Expenditure to Date per Measure as at End 2012

	% of Budget	Communication Plan Budget ERDF (MA Share)	Total Expenditure to Date	% Expenditure on Budget
<b>Visibility and Awareness of Cohesion Policy Aims and Results</b>				
Annual Event including launch events	43%	€506,540	€130,099	26%
Local and other Communication Networks	2%	€23,560	€411	2%
<b>Complementary measures to support the Information Events</b>				
Publications and collateral materials	10%	€117,800	€2,331	2%
Media Campaigns	15%	€176,700	€10,432	6%
Promotional Items	15%	€176,700	€50,898	29%
<b>Measures relating to Transparency, Technical and Procedural Information</b>				
Calls for Project Proposals incl. Information Sessions	12%	€141,360	€71,234	50%
Other ad hoc measures incl. ongoing monitoring and evaluation	3%	€35,340	€7,764	22%
<b>Total</b>	<b>100%</b>	<b>€1,178,000</b>	<b>€273,169</b>	<b>23%</b>

Whilst Table 52 listed the Expenditure per Measure during the year under review, table 53 above summarises the Expenditure to Date per Measure as at end 2012. 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. As indicated in Table 53, expenditure to date on annual information events amounts to around 26% of the ERDF share allocated towards events. Almost in all the years<sup>434</sup>, the events themselves were held in both Malta and Gozo which requires a considerable commitment of financial resources.

Expenditure on promotional items has remained stable at 29% of expenditure of the allocated budget share to date. Promotional items are primarily disseminated at annual information activities as well as other information events and among stakeholders and hence the MA procures items in quantities to cater for all intended targets accordingly. Promotional items are a useful tool in the promotion of the Programmes as 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

<sup>433</sup> Information on this section relates to measures implemented from the start of the programming period to December 2012.

<sup>434</sup> With the exception of 2008 and 2012, when the activities were held only in Malta

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<sup>435</sup>.

Calls for project proposals and information sessions held in order to facilitate the application process constitute 12% (or €141,360) of the ERDF Communication budget. Out of this amount, the percentage expenditure on this measure has risen to 50% by December 2012. It is expected that expenditure related to this cost category will be used during 2013.

To date, relatively low commitment has been registered on the media campaigns and publications cost category. This is mostly due to the fact that most publications or campaigns carried out so far have been part and parcel of Annual Information Activity contracts, therefore not constituting a separate expenditure. Furthermore, such measures are considered more opportune at the outset of the Programming period (intended 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). The MA envisages that this cost category will be used towards the end of the Programme when there will be more tangible results to show.

## 06.5 Information and Publicity by Intermediate Bodies in 2012

As previously mentioned, under OPI there are three (3) Intermediate Bodies that manage Aid Schemes: Malta Enterprise; the Tourism and Sustainable Development Unit; and the Department for Social Welfare Standards. During 2012 the IBs continued to carry out a series of activities to promote and further disseminate information on the Aid Schemes they manage.

ME<sup>436</sup> is the IB for seven (7) Aid Schemes related to the Manufacturing and Service Industry. As explained earlier in Section 2.1.1 **Aid Schemes implemented under Article 107 of the Treaty**, in 2012 there was one call for project proposals, covering five (5) of the schemes<sup>437</sup>, published on 3<sup>rd</sup> February 2012. A total of eight (8) information sessions addressing a total of 155 participants<sup>438</sup> were held. One of the information sessions was organised by the General Retailers Trade Union (GRTU) about ME schemes in general during which a presentation on the Aid Schemes funded through ERDF and managed by ME was delivered. In terms of publicity, various other actions were carried out to promote the fourth call and the grant schemes such as adverts on local newspapers; radio advertising spots; online (web) adverts; press releases and various articles.<sup>439</sup>

<sup>435</sup> A proviso must be stated here that in the case of promotional items' stock rolling over from one year to another in sufficient quantities, the MA may opt not to procure new items in that particular year and make use of items in stock.

<sup>436</sup> ME provides its own funds for publicity measures

<sup>437</sup> International Competitiveness Grant Scheme; Innovation Actions Grant Scheme (Innovation); Innovation Actions Grant Scheme (Environment); Small Start-up Grant Scheme and Research and Development Grant Scheme

<sup>438</sup> 29<sup>th</sup> February – 48 participants; 2 sessions on 7<sup>th</sup> March –52 participants; 2 sessions on 4<sup>th</sup> October – 24 participants; 8<sup>th</sup> October – 3 participants; and 2 sessions on 9<sup>th</sup> October – 28 participants

<sup>439</sup> Twenty-four (24) adverts on local newspapers; 104 advertising spots on local radio stations; online adverts for three (3) weeks on a leading electronic news portal; four (4) press releases circulated through the Department of Information (DOI), two (2) articles on the ME website and on the ME newsletter, five (articles) on the Malta EU Steering Action Committee (MEUSAC) website Funding 360 and two (2) articles on the Malta Business Weekly.

During 2012, ME continued to provide the necessary information about the schemes through its websites<sup>440</sup> which also included the list of Beneficiaries per call under each scheme. The list of beneficiaries under the Aid Schemes is also uploaded on the MA website.

TSDU is the IB for the Tourism Grant Scheme. During 2012 no new calls for project proposals were published and therefore no information sessions were held. A DVD<sup>441</sup> featuring best practice projects submitted under Call 3 was created and was launched together with the results of Call 3 during a press conference which was reported on national TV stations. Promotional Diaries and Desk Calendars for 2013 showcasing projects from the past three calls have been produced and are expected to be distributed to scheme beneficiaries, MTA tourism offices, MEUSAC and the Commission Representation offices. Information about the scheme as well as the list of Beneficiaries is also available on the IB's website<sup>442</sup> as well as on the MA's website.

DSWS is the IB for the Childcare Facilities Aid Scheme. No publicity measures were undertaken in 2012 given that the last call for project proposals under this Programme was issued in October 2011. Information about the scheme may still be found on the IB's website<sup>443</sup> together with a list of beneficiaries under the scheme. The list of beneficiaries is also accessible through the MA's website.

## 06.6 Information and Publicity by Beneficiaries in 2012

During 2012 Beneficiaries continued carrying out a mixture of publicity actions in order to promote their respective projects as well as attracting prospective bidders to tender. Figure 26 below gives an overview of the publicity measures implemented during the year, whilst the figures denote the number of projects making use of a particular information and publicity measure.<sup>444</sup>

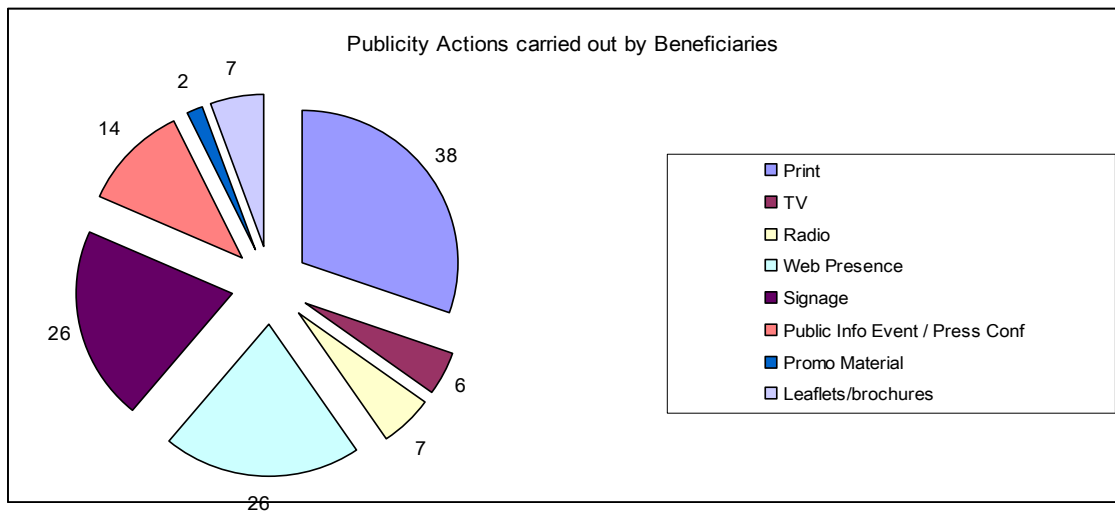
<sup>440</sup> [www.20millionforindustry.com/](http://www.20millionforindustry.com/) and [www.energy.maltaenterprise.com](http://www.energy.maltaenterprise.com)

<sup>441</sup> The production of the DVD was EU funded and cost €2,342.30(incl. VAT)

<sup>442</sup> [www.grantschemes.gov.mt](http://www.grantschemes.gov.mt)

<sup>443</sup> [https://secure3.gov.mt/socialpolicy/SocProt/family/dsws/child\\_day\\_care\\_services/erdf\\_scheme.aspx](https://secure3.gov.mt/socialpolicy/SocProt/family/dsws/child_day_care_services/erdf_scheme.aspx)

<sup>444</sup> It is important to note that projects exercise more than one (1) publicity measure

**Figure Publicity Actions Carried Out by Beneficiaries**

As can be seen in the above figure, print in the form of adverts and articles in newspapers and magazines was the most popular measure utilised. Signage and web-presence are jointly the second most popular measure used whilst events is the third most popular measure. It is expected that these forms of publicity would be the most utilised methods since the nature of the projects under OPI is mostly infrastructural. Indeed the use of signage follows the regulatory publicity obligations for infrastructural projects whereas the events reported normally are the press launches of the projects or open days/exhibitions related to the projects.

The least popular measures were the usage of brochures/leaflets, promotional material and audio-visual advertising which is understandable since this form of advertising is costly and not always relevant to the publicity needs of these projects. TV coverage is usually captured during press/information events and interviews on programmes are captured on both TV and radio.

## 06.7 Communication Plan Indicators

Table 54 below lists the achievements registered by the various communication measures on an annual basis. It is worth mentioning again that during the previous reporting year (2011), the indicators were aligned to the costs. This has resulted in indicators which are more well defined and consequently, more measurable for monitoring purposes.

The Information and Publicity activities characterising the year under review (as reported in the above sections of this Chapter) have been captured into measurable targets and are recorded hereunder. The Communication measures registering an increase in target output during 2012 include the (a) Events Measure, (b) the Print Media Measure (c) Info Sessions Measures (d) Networking (d) Public Display and (e) Publications Measure.

With the exception of the Events Measure and the Networking Measure, the increase in output indicators registered by the remainder of measures is primarily attributed to the pre-announcements and calls for projects proposals issued during the year under review.

The output target of one (1) annual event per year has also been met through the creation and launch of a new website (IIYF). Although Figure 24 above depicts the audience that viewed this website during the launch period, it is pertinent to note that due to the nature of this event it is not possible to calculate *the total number of objectively verifiable expected participant attending the event* due to the fact that the website is not a physical event such as those held in previous years (e.g. project tours in 2011 or information festivals in 2010).

Table 54 also captures the increase in output indicators for the Networking Measure, registered both at an EU level (INFORM network) and at a local level (LIIP) as previously explained in Section 6.2.2.

No increase in indicator output was registered for the Communication Measures Media Advertising and Audio Visual. During the year under review especially due to the nature of Annual Events (website) undertaken when compared to the previous year. However, some TV/radio coverage does occasionally occur during press/information events.

**Table - Communications Plan Indicators**

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 or available 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	1				6														
	Total no. of objectively verifiable expected participants attending annual events:	1,000 participants	D.N.A.*		106	D.N.A.*	400	D.N.A.*				506	Average increased awareness of Cohesion Policy 2007-2013 projects for participants following the annual event:	50%		D.N.A.		49.66	50.00%	D.N.A.					19.90%	
	MA participation in events organised by others:	10	2	1	1	0	0	0				4														
Media Advertising	Total no. of TV spots created:	7	0	0	0	0	1	0				1	25% of the population (at the time of airing)													
	Total no. of spots aired on TV:	150	0	0	0	0	37	0				37	Average expected % coverage for TV viewers:	0	0	0	0	38.20%	0						7.84%	
	Total no. of radio spots created:	10	0	2	0	2	1	0				5	25% of the population (at the time of airing)													
	Total no. of spots aired on radio:	400	0	100	0	40	84	0				224	Average expected % coverage for radio listeners:	0.00%	28.10%	0.00%	5.50%	38.25%	0							14.37%
Audio- Visual	Total no. of documentaries produced:	3	1	0	0	0	1	0				2**														
	Total no. of potential viewing sources for documentaries:	25	1	0	0	0	16	0				17**	No. of viewing times (on the web, media and during events):	300	1	0	0	0	72	96***					170	
Print Media	Total no. of adverts designed for media campaigns:	14	0	0	0	0	0	0				0														
	Total no. of adverts designed for annual events:	16	2	2	2	2	2	2				12														
	Total no. of adverts published for campaigns:	140	0	0	0	0	0	0				0	Average expected % of newspapers readers targeted:	45%	D.N.A.	51.50%	51%	49.91%	56.12%						34.76%	
	Total no. of adverts published for projects & pre-announcements:	60	2	4	12	14	10	16				58**														
	Total no. of adverts published for calls for projects & pre-announcements:	430	7	49	128	75	49	56				364**	Average expected % of newspapers readers targeted:	45%	30%	46%	51.50%	51%	49.91%	56.12%						47.42%
	Total no. of press releases for promotion of campaigns:	4	0	0	0	0	0	0				0														
	Total no. of press releases for promotion of annual events:	10	0	0	2	2	2	2				8														
Promo Material	Total no. of promotional items created:	40	1	5	0	8	8	0				22														
	Total no. of targeted items produced:	40,000	500	8,000	0	6,850	6,200	0				21,550	Average population targeted through the items produced:	5%	0.13%	2.13%	0%	1.88%	1.67%	0.27%						1.01%
Info Sessions	Total no. of information sessions for project promoters organised:	60	6	4	6	3	6	6				31**	Total no. of participants in information sessions:	1,400	138	300	219	135	76	174					1,042	
	Duration of information sessions (in days):	30	1.5	2	3.5	1.5	3	3				14.5**	Average satisfaction rate of participants in information sessions:	60%	D.N.A.	92%	72.50%	83%	92.75%						56.75%	
Networks	Participation at EU level Network meetings (INFORM):	1	1	1	1	1	1	1				1	Participation at EU level network meetings:	18	2	2	2	2	2	2					12	
	Total no. of Communication local network meetings:	7	0	0	0	0	1	1				2	Total no. of participants at local network meetings per year:	50	0	0	0	0	31	28					59	
Public Displays	Total no. of public displays:	85	1	12	0	6	42	1				62														
	Total no. of items designed including posters + items related to Programme:	10	1	2	0	1	2	3				9														
Publications	Total no. of informative material / publications created:	60	2	6	24	28	25	27				112**														
	Total no. of informative material / publications uploaded:	60	N/A	N/A	24	28	25	27				104**	Total no. of informative material / publications downloaded:	25,000	D.N.A.	2,426	6,175	7,114	9,553						25,308	
Web	Total no. of website pages (department website setup in G3/N4 of 2008):	40EN + 40MT /					40 EN + 40 MT						Average number of visits per month:	12,500	N/A	N/A	4,393	12,501	12,235	13,395					7,087	
	Total no. of web presences:	1						1****					Total no. of helpdesk queries per year:	100	66	135	90	84	92	121					522	
	Social networking page (setup in Q4 of 2010):	1	0	0	0	1	1	1				1	Total no. of social network page subscribers:	400	N/A	N/A	N/A	114	84	273					471	
Media Relations	Total no. of press participation in events:	20	1	2	0	1	4	2				10														
	Total no. of media interviews/spotlights, including articles:	35	3	4	8	8	11	3				37														
	Total no. of media queries answered:	35	1	8	9	2	5	0				25														
Launch	No. of newsrooms covering the launch:						10						Total no. of media publishing event:	10											10	
	No. of info seminars organised:						6						Total no. of participants at launch:	250											250	
													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 MEU fest (Information Festival). The nature of the events did not lend data to be captured. In 2012 the information is:

\*\*Calculated figures are for OPI only  
\*\*\* The documentary produced last year is still available online for public viewing

\*\*\*\* the data for the new website will be fully captured in 2013 - as this stage can only report for 2 weeks in December since launch was on 18/12/2012 - two weeks are not representative of the whole year + they are discussed in body of text



## Conclusion

At this stage of the programming period, the importance of promoting results achieved through the various projects and schemes implemented is acknowledged. For this reason, the Managing Authority will continue its communication efforts, giving the necessary promotion to actions under the OP, using these to inform the public on Cohesion Policy 2007-2013. While employing traditional means of communication, the Managing Authority will also be seeking out new or innovative means of informing the public. Support and cooperation by the Intermediate Bodies, Project Beneficiaries as well as other stakeholders will ensure that the right target audiences are reached, and the message put forward is a clear and positive one.

## 07. Concluding Remarks

2012 was a challenging year for both the MA and the stakeholders involved in the implementation of the Operational Programme. As in previous years, mitigating measures for methods resulting in delays continued to be identified and addressed throughout the year. The high level monitoring meetings have been even more focussed and new informal structures intended to ensure that issues identified during implementation are addressed in a timely manner have been set up and have facilitated the implementation of the programme (such as the weekly meetings between DG-Contracts and DG-PPCD). In an effort to further commit the Programme, a number of calls for proposals were issued in 2012, the biggest one being the Call under PA 4 for €40 million, and considerable effort was made by the PSC to evaluate applications received (including evaluation of calls spilling over from 2011).

In numbers, 2012 translated in the ongoing implementation of the 101 operations,<sup>445</sup> one (1) of which also involves interventions in 5,960 households. In terms of assistance to enterprise, a further 639<sup>446</sup> private Beneficiaries are benefiting from aid being granted under the schemes being managed by the three (3) Intermediate Bodies, whilst 434 SMEs are benefiting from the JEREMIE instrument in terms of 482 loans being provided under favourable terms through the JEREMIE Financial Intermediary.

This activity translated in €754,944,479 public eligible funds committed to the approved projects, of which €486,788,033 have been contracted whilst another €318,586,933 paid by year end. Up to December 2012 €264,751,574 of the paid amounts had been verified and €260,450,806 certified to the CION. The Programme's overall commitment and disbursement rates rose over the 2011 figures and in order to sustain this level of activity, the MA strengthened its internal capacity through capacity building and recruitment of additional staff. Apart from the financial progress, the completion of operations on the ground also reflected in an equivalent increase in the performance indicators.

The year 2013 will pose several challenges to the MA, not only in terms of committing the remaining funds, totalling to more than €30 million under Axis 4,<sup>447</sup> but chiefly with respect to the commitments in accordance with the N+2/3 rules<sup>448</sup> that loom over 2013. To this end, the MA will focus its efforts to warrant enough disbursement to close the gap. Apart from the mitigation measures against the potential decommitments the MA will also continue its work to select further projects to commit fully the Operational Programme.

Furthermore during 2013, the MA will be coordinating with the relevant unit responsible for programming to ensure that future programming is inclusive of as many lessons learnt, from 2007-2013, as possible.

<sup>445</sup> By December 2012, thirty-three (33) operations were completed.

<sup>446</sup> 285 operations were complete by year end.

<sup>447</sup> Another €40 million will be committed by the MA in the first half of 2013 under Call 14.

<sup>448</sup> As laid down in the provisions concerning automatic decommitment in Articles 93 to 97 of Regulation (EC) N°1083/2006.

## Annex I – Cumulative Expenditure Table<sup>449</sup>

Priority Axis	Total Contribution	Financial Progress			
		Commitments <sup>450</sup>	Payments	Commitments %	Payments %
	(a)	(b)	(c)	(b/a)	(c/a)
Priority Axis 1 (ERDF) Enhancing Knowledge and Innovation	120,000,000	108,061,968	60,542,788	90	50
Priority Axis 2 (ERDF) Promoting sustainable Tourism	120,000,000	120,000,000	45,109,346	100	37
Priority Axis 3 (CF) Developing the TEN-T	145,000,000	145,000,000	41,940,204	100	29
Priority Axis 4 (ERDF) Climate Change and Resource Efficiency	121,000,000	44,318,337	19,656,597	36	16
Priority Axis 5 (CF) Safeguarding the environment and Risk Prevention	189,288,259	189,106,585	85,169,270	99	45
Priority Axis 6 (ERDF) Urban regeneration and improving quality of life	149,000,000	136,130,493	62,074,228	91	42
Priority Axis 7 (ERDF) Technical Assistance	12,327,096	12,327,096	4,094,500	100	33
Grant Total	856,615,355	754,944,479	318,586,933	88	37

<sup>449</sup> Figures quoted represent progress as at end 2012 and are expressed in total public eligible cost.

<sup>450</sup> The committed amounts include both the approved projects (including major projects) and the Aid Schemes.

## Annex II – List of Projects and Aid Schemes as at end December 2012

### 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 140	Discovering Cultural & Religious Tourism in Gozo
ERDF 142	The Making of a People - A cultural and Historical Eco-Museum
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 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 243	Saura - Energy Generation & Conservation Project

---

ERDF 244	Fort St. Elmo Heritage Experience - Museum and Rampart Walk
ERDF 245	Fort St. Angelo Heritage Experience
ERDF 246	Implementing of Cittadella Masterplan recommendations- Gozo
ERDF 249	Setting of an Integral, Archaeological and Historical Trail in Victoria
ERDF 256	MODUS: Encouraging Modal Shift in Land Transportation
ERDF 261	Renewable Energy Facilities in Educational and Vocational Institutions in Gozo
ERDF 262	Carbon Footprint Reduction at the Gozo General Hospital
ERDF 268	Green Football in Xaghra
ERDF 271	Renewable Energy Systems for Parishes Network
ERDF 272	Towards a Carbon Neutral Schools
ERDF 274	Conserving Energy for a Sustainable Future
ERDF 275	Taking Action! Installing RES
ERDF 276	Reducing ZAK House's Carbon Footprint
ERDF 277	Neptunes Renewable Energy
ERDF 278	Ekokazin
ERDF 279	Reducing the Carbon Footprint
ERDF 280	Tennis Club Kordin goes ECO
ERDF 281	Decided to get Smarter
ERDF 283	Taking it another STEP
ERDF 284	Moving Towards a Greener Tomorrow
ERDF 285	Gozo Diocese's Continued Contribution to Eco- Gozo Concept
ERDF999	Technical Assistance - ERDF
CF 116	Malta South Sewage Treatment Infrastructure
CF 117	Improvement of the TEN-T Road Infrastructure (PHASE I)

CF 118	Rehabilitation of closed Landfills
CF 123	Gozo Waste Treatment & Transfer Facility
CF 124	Refurbishment of the Valletta and Marsaxlokk Breakwaters
CF 198	Cirkezza Ferry Terminal
CF 260	Refurbishment and upgrading of Deep Water Quay
CF 266	Extending Waste Separation & Collection Services in the Maltese Islands



## 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 133	ERDF Energy Grant Scheme
ERDF 134	ERDF International Competitiveness Grant Scheme
ERDF 135	Grant Scheme for Sustainable Tourism Projects by Enterprises
ERDF 136	Grant Scheme for Childcare Facilities

## Annex III - 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	€ 0.00
				MT002 - Gozo & Comino	
02	01	03	18	MT001 - Malta	€ 25,854,082.38
				MT002 - Gozo & Comino	€ 189,050.20
02	01	03	19	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	€ 94,525.10
02	01	03	21	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	€ 94,525.10
02	01	03	22	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
03	01	03	6	MT001 - Malta	€ 1,423,566.45
				MT002 - Gozo & Comino	
03	01	03	18	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
03	01	03	22	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
04	01	03	6	MT001 - Malta	€ 3,408,719.37
				MT002 - Gozo & Comino	

04	01	03	18	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
04	01	03	22	MT001 - Malta	€ 1,912,500.00
				MT002 - Gozo & Comino	
05	01	03	6	MT001 - Malta	€ 15,213,983.94
				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	€ 0.00
				MT002 - Gozo & Comino	
05	01	03	14	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
06	01	03	6	MT001 - Malta	€ 1,116,600.60
				MT002 - Gozo & Comino	€ 158,399.40
06	01	03	14	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
06	01	03	22	MT001 - Malta	€ 1,116,600.60
				MT002 - Gozo & Comino	€ 158,399.40
07	01	03	6	MT001 - Malta	€ 2,605,401.39
				MT002 - Gozo & Comino	€ 369,598.61
07	01	03	22	MT001 - Malta	€ 2,605,401.39
				MT002 - Gozo & Comino	€ 369,598.61
08	01	03	6	MT001 - Malta	€ 0.00

				MT002 - Gozo & Comino	
08	01	03	22	MT001 - Malta	€ 4,250,000.00
				MT002 - Gozo & Comino	
09	01	03	6	MT001 - Malta	€ 2,677,514.66
				MT002 - Gozo & Comino	€ 84,985.34
09	01	03	22	MT001 - Malta	€ 6,927,514.66
				MT002 - Gozo & Comino	€ 84,985.34
09	01	03	13	MT001 - Malta	€ 2,101,084.49
				MT002 - Gozo & Comino	€ 23,915.51
13	01	03	17	MT001 - Malta	€ 14,252,818.70
				MT002 - Gozo & Comino	€ 370,804.00
13	01	03	18	MT001 - Malta	€ 132,211.55
				MT002 - Gozo & Comino	
13	01	03	22	MT001 - Malta	€ 357,663.00
				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 - Malta	€ 42,364,293.65
				MT002 - Gozo & Comino	€ 0.00
21	01	03	11	MT001 - Malta	€ 32,480,155.62

				MT002 - Gozo & Comino	€ 7,000,964.83
22	01	03	11	MT001 - Malta	€ 10,432,273.31
				MT002 - Gozo & Comino	€ 4,585,691.35
23	01	03	6	MT001 - Malta	€ 6,638,998.22
				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	€ 0.00
				MT002 - Gozo & Comino	
26	01	03	11	MT001 - Malta	€ 4,384,491.85
				MT002 - Gozo & Comino	
26	01	03	21	MT001 - Malta	€ 394,164.98
				MT002 - Gozo & Comino	
28	01	03		MT001 - Malta	€ 5,746,221.68
				MT002 - Gozo & Comino	
30	01	03	11	MT001 - Malta	€ 41,404,586.30
				MT002 - Gozo & Comino	
30	01	03	22	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
33	01	03		MT001 - Malta	
				MT002 - Gozo & Comino	
39	01	03	8	MT001 - Malta	€ 30,281.33

				MT002 - Gozo & Comino	€ 1,143.48
39	01	03	18	MT001 - Malta	€ 62,089.64
				MT002 - Gozo & Comino	
39	01	03	21	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
40	01	03	8	MT001 - Malta	€ 27,227,943.68
				MT002 - Gozo & Comino	€ 6,463,412.85
40	01	03	11	MT001 - Malta	€ 29,287.33
				MT002 - Gozo & Comino	
40	01	03	18	MT001 - Malta	€ 15,522.41
				MT002 - Gozo & Comino	
40	01	03	21	MT001 - Malta	€ 49,867.62
				MT002 - Gozo & Comino	
41	01	03	21	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
43	01	03	8	MT001 - Malta	€ 2,576,130.36
				MT002 - Gozo & Comino	€ 1,414,204.83
43	01	03	11	MT001 - Malta	€ 263,586.01
				MT002 - Gozo & Comino	
43	01	03	18	MT001 - Malta	€ 51,741.37
				MT002 - Gozo & Comino	
43	01	03	21	MT001 - Malta	€ 448,808.61

				MT002 - Gozo & Comino	
43	01	03	22	MT001 - Malta	€ 5,905.97
				MT002 - Gozo & Comino	
44	01	03	21	MT001 - Malta	€ 28,904,283.15
				MT002 - Gozo & Comino	€ 6,885,000.00
45	01	03		MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
46	01	03	9	MT001 - Malta	€ 57,772,825.50
				MT002 - Gozo & Comino	
47	01	03	21	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
48	01	03		MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
50	01	03	6	MT001 - Malta	€ 6,184,885.75
				MT002 - Gozo & Comino	€ 529,074.00
50	01	03	8	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	€ 0.00
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	€ 0.00

				MT002 - Gozo & Comino	
52	01	03		MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
53	01	03	21	MT001 - Malta	€ 44,887,763.90
				MT002 - Gozo & Comino	
54	01	03	21	MT001 - Malta	€ 3,625,605.30
				MT002 - Gozo & Comino	€ 96,354.13
55	01	03	21	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	€ 313,150.92
55	01	03	22	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
56	01	03	21	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	€ 72,265.60
56	01	03	22	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	€ 1,936,140.20
57	01	03	14	MT001 - Malta	€ 1,569,634.67
				MT002 - Gozo & Comino	€ 298,959.87
57	01	03	20	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
57	01	03	21	MT001 - Malta	€ 470,603.78
				MT002 - Gozo & Comino	€ 99,653.29
57	01	03	22	MT001 - Malta	€ 22,505,732.81



				MT002 - Gozo & Comino	€ 4,427,462.64
58	01	03	14	MT001 - Malta	€ 380,210.74
				MT002 - Gozo & Comino	
58	01	03	18	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
58	01	03	20	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
58	01	03	22	MT001 - Malta	€ 35,957,260.83
				MT002 - Gozo & Comino	€ 16,090,669.44
59	01	03	14	MT001 - Malta	€ 179,344.69
				Gozo & Comino	
59	01	03	18	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
59	01	03	20	MT001 - Malta	€ 0.00
				MT002 - Gozo & Comino	
59	01	03	22	MT001 - Malta	€ 11,616,182.95
				MT002 - Gozo & Comino	€ 2,126,911.53
60	01	03	14	MT001 - Malta	€ 1,411,811.35
				MT002 - Gozo & Comino	€ 298,959.87
60	01	03	21	MT001 - Malta	€ 470,603.78
				MT002 - Gozo & Comino	€ 99,653.29
60	01	03	22	MT001 - Malta	€ 1,264,256.30
				MT002 - Gozo & Comino	€ 265,742.11

61	01	03	11	MT001 - Malta	€ 2,284,412.09
				MT002 - Gozo & Comino	
61	01	03	21	MT001 - Malta	€ 3,889,674.64
				MT002 - Gozo & Comino	
75	01	03	18	MT001 - Malta	€ 21,498,154.58
				MT002 - Gozo & Comino	€ 489,432.92
75	01	03	20	MT001 - Malta	€ 151,105.35
				MT002 - Gozo & Comino	
76	01	03	19	MT001 - Malta	€ 37,657,313.70
				MT002 - Gozo & Comino	€ 3,027,076.95
77	01	03	6	MT001 - Malta	€ 721,333.29
				MT002 - Gozo & Comino	€ 81,396.00
77	01	03	20	MT001 - Malta	€ 426,146.31
				MT002 - Gozo & Comino	€ 4,284.00
78	01	03	11	MT001 - Malta	€ 351,448.01
				MT002 - Gozo & Comino	
78	01	03	21	MT001 - Malta	€ 598,411.48
				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	€ 7,741,169.75
				MT002 - Gozo & Comino	
86	01	03	22	MT001 - Malta	€ 2,720,097.00
				MT002 - Gozo & Comino	
<b>Total</b>					<b>€ 641,702,807</b>

## Annex IV – ERDF and CF themes

List of ERDF and Cohesion Fund projects and respective themes as found on the *Investing in Your Future* website ([www.investinginyourfuture.gov.mt](http://www.investinginyourfuture.gov.mt)) upon launch of website (18<sup>th</sup> December 2012).

ERDF projects:

		Heritage & Tourism	Equal Opportunities	Health	Research, Science & Technology	Education	LLL & Employment	Environment, Climate Change & RES	Risk Prevention & Waste Management	Public Infrastructure	Public Administration	Private Sector
ERDF001	Upgrading and Embellishment of Industrial Estates				X					X		
ERDF011	Furnishing and Equipping of Chemistry & Biology Building Extensions				X							
ERDF012	Developing an Interdisciplinary Material Testing and Rapid Prototyping R&D Facility				X							
ERDF017	Construction, Finishing and Equipping of ICT Faculty Building				X							
ERDF018	Strengthening of Analytical Chemistry, Biomedical Engineering and Electromagnetics RTDI Facilities				X							
ERDF022	Wied il-Mielah - towards an ecologically and culturally sensitive, sustainable tourism	X										
ERDF024	Upgrading of Villa Rundle Gardens	X										
ERDF031	Upgrading of Zewwieqa Waterfront	X										
ERDF032	Archaeological Heritage Conservation Project	X										
ERDF033	Tourism Zone Upgrade with landscaped urban spaces and other facilities	X										

		Heritage & Tourism	Equal Opportunities	Health	Research, Science & Technology	Education	LLL & Employment	Environment, Climate Change & RES	Risk Prevention & Waste Management	Public Infrastructure	Public Administration	Private Sector
ERDF039	Restoration and Rehabilitation of Historical Fortifications of Malta and Gozo	X										
ERDF045	Extension of ETC Skills and Development Centre (phase 2)						X					
ERDF047	Reconstruction of part of Xlendi Road and Ta' Pinu Road									X		
ERDF048	Upgrading of Arterial and Distribution Roads									X		
ERDF054	Multimedia Training Centre at MCAST's Institute of Art and Design					X						
ERDF056	Upgrading and expansion, MCAST Institute of Mechanical Engineering at Malta/Gozo					X						
ERDF057	Junior College Building Extension					X						
ERDF058	Purchase of Science and technology laboratory equipment for state schools					X						
ERDF062	Language Lab with Contact Centre facility at MCAST Institute of Business and Commerce					X						
ERDF064	Construction and Equipping of University Computing Services Centre Building					X						
ERDF065	Expansion of MCAST Institute of Electrical and Electronics Engineering					X						
ERDF066	Computer systems and computer labs at MCAST Malta and Gozo					X						
ERDF068	Upgrading of Operating Theatre and Setting Up of Radiology Unit			X								

		Heritage & Tourism	Equal Opportunities	Health	Research, Science & Technology	Education	LLL & Employment	Environment, Climate Change & RES	Risk Prevention & Waste Management	Public Infrastructure	Public Administration	Private Sector
ERDF072	Construction and Equipping of an Independent Living Centre		X									
ERDF076	Refurbishing the Signal Processing Laboratory within the Department of CCE				X							
ERDF077	Electrical Energy and Efficiency Laboratory for the University of Malta				X							
ERDF078	Upgrading of Giordan Lighthouse global Atmospheric Watch (GAW) Research Station				X							
ERDF079	Setting up of Mechanical Engineering Computer Modelling and Simulation Laboratory				X							
ERDF080	A Super Computer Laboratory for the University of Malta				X							
ERDF081	Enhancing the Health Biotechnology facilities at the University				X							
ERDF082	Modernizing the University of Malta's Control Systems Engineering Laboratory				X							
ERDF083	Manufacturing Research Platform				X							
ERDF087	Developing National Metrology Capacity in Support of Industry				X							
ERDF088	Promotion of renewable energy sources in the domestic sector							X				
ERDF101	Installation of Renewable Energy Sources at MCAST							X				
ERDF102	Energy-Smart Authority							X				
ERDF104	Stronger Cottonera Communities - The Citizen's right to accessibility and mobility									X		

		Heritage & Tourism	Equal Opportunities	Health	Research, Science & Technology	Education	LLL & Employment	Environment, Climate Change & RES	Risk Prevention & Waste Management	Public Infrastructure	Public Administration	Private Sector
ERDF109	Digitization Strategy and Framework for the National Library of Malta		X									
ERDF114	Maltese Text to Speech Synthesis		X									
ERDF127	ERDF Small Start-up Grant Scheme											X
ERDF128a	ERDF Innovation Actions Grant Scheme (Innovation)											X
ERDF128b	ERDF Innovation Actions Grant Scheme (Environment)							X				X
ERDF129	ERDF e-Business Development Grant Scheme											X
ERDF130	Research & Development Grant Scheme											X
ERDF133	ERDF Energy Grant Scheme							X				X
ERDF134	ERDF International Competitiveness Grant Scheme											X
ERDF135	Grant Scheme for Sustainable Tourism Projects by Enterprises	X										X
ERDF136	Grant Scheme for Child Care Facilities		X									X
ERDF140	Discovering Cultural & Religious Tourism in Gozo	X										
ERDF142	The Making of a People- A Cultural and Historical Eco-Museum	X										
ERDF147	Restoration of San Lawrenz Church to Enhance Cultural Tourism	X										
ERDF151	RE.VI.VE - Renewed Visitor Venues	X										
ERDF155	Construction of Main Exhibition Hangar and Run Off Water Reservoir	X										

		Heritage & Tourism	Equal Opportunities	Health	Research, Science & Technology	Education	LLL & Employment	Environment, Climate Change & RES	Risk Prevention & Waste Management	Public Infrastructure	Public Administration	Private Sector
ERDF156	Developing National Environmental Monitoring Infrastructure and Capacity							X				
ERDF159	eServices: Accessibility for all (eXS4ALL)										X	
ERDF164	Masterplan: development of Applied Science and Business and Commerce Institutes					X						
ERDF183	Vertical Connection: Better Accessibility through Innovation and Cleaner Transport									X		
ERDF189	Educational Infrastructure Development at Bishop's Conservatory Secondary School - Phase II					X						
ERDF192	Photovoltaic System at the University of Gozo Centre							X				
ERDF193	Gozo Diocese's contribution to turn Gozo into an Ecoisland							X				
ERDF196	Mater Dei Oncology Centre			X								
ERDF199	Setting-up a Life Sciences Centre				X							
ERDF200	JEREMIE - Joint European Resources for Micro to Medium Enterprises											X
ERDF205	Regenerating Balzan square and implementing a Tourist Heritage Trail	X										
ERDF212	The Regeneration of the Tourism Market in Marsascalea	X										
ERDF213	Sustainable Tourism in a Village of Culture & Heritage	X										
ERDF221	Birkirkara Heritage Route - Discovering our past by uncovering Historical Gems	X										



		Heritage & Tourism	Equal Opportunities	Health	Research, Science & Technology	Education	LLL & Employment	Environment, Climate Change & RES	Risk Prevention & Waste Management	Public Infrastructure	Public Administration	Private Sector
ERDF226	Peacock Gardens - Cultural Urban Landscapes for Tourism Sustainability	X										
ERDF228	Green Energy Schools							X				
ERDF229	Investing in Eco-Friendly Technology for Energy and Leading by Example							X				
ERDF230	B'Kara - Energy Generation and Conservation Project							X				
ERDF234	Holy Family Home - Energy Generation and Conservation Project							X				
ERDF235	Stepping-Up Energy Saving Measures in 2 Provincial Schools							X				
ERDF236	Photovoltaic Panel System at Ghajnsielem Band Club							X				
ERDF238	PV system for the Leone Band Club							X				
ERDF239	Installation of Photovoltaics System on Oratory Don Bosco							X				
ERDF243	Saura - Energy Generation & Conservation Project							X				
ERDF244	Fort St. Elmo Heritage Experience - Museum and Rampart Walk	X										
ERDF245	Fort St. Angelo Heritage Experience	X										
ERDF246	Implementing of Cittadella Masterplan recommendations- Gozo	X										
ERDF249	Setting of an Integral, Archaeological and Historical Trail in Victoria	X										
ERDF256	MODUS: Encouraging Modal Shift in Land Transportation									X		
Total no. of projects per theme		21	4	2	15	10	1	17	0	6	1	10

## Cohesion Fund projects:

		Heritage & Tourism	Equal Opportunities	Health	Research, Science & Technology	Education	LLL & Employment	Environment, Climate Change & RES	Risk Prevention & Waste Management	Public Infrastructure	Public Administration	Private Sector
CF116	Malta South Sewage Treatment Infrastructure								X			
CF117	Improvement of the TEN-T Road Infrastructure (PHASE I)									X		
CF118	Rehabilitation and Restoration of Closed Landfills								X			
CF123	Setting up of the Gozo Waste Treatment and Transfer Facility								X			
CF124	Refurbishment of the Valletta and Marsaxlokk main breakwater									X		
CF198	Cirkewwa Ferry Terminal									X		
CF260	Refurbishment and upgrading of Deep Water Quay									X		
CF266	Extending waste separation and collection services in the Maltese Islands								X			
Total no. of projects per theme		0	0	0	0	0	0	0	4	4	0	0