

# **Annual and final implementation reports for the Investment for growth and jobs goal**

## **PART A**

### **IDENTIFICATION OF THE ANNUAL/FINAL IMPLEMENTATION REPORT**

CCI	2014MT16RFSM001
Title	Stimulating private sector investment for economic growth
Version	2016.0
Date of approval of the report by the monitoring committee	13-Jun-2017

## **2. OVERVIEW OF THE IMPLEMENTATION OF THE OPERATIONAL PROGRAMME (ARTICLE 50(2) AND 111(3)(A) OF REGULATION (EU) NO 1303/2013)**

### **2.1. Key information on the implementation of the operational programme for the year concerned, including on financial instruments, with relation to the financial and indicator data.**

Following the approval of the single dedicated Operational Programme (OP) for the SME Initiative, the Maltese Authorities commenced the necessary discussions for the finalisation of the Funding Agreement and the Inter-creditor Agreement. The negotiations were concluded successfully and resulted in the signature of the Funding Agreement with the European Investment Fund (EIF), and the Inter-Creditor Agreement with the European Investment Bank (EIB) and the European Commission (EC) on the 15th July 2015. In order to prepare the market of the upcoming launch of the instrument, an activity was also held in 2015 during which the instrument was presented to all possible commercial banks with a local presence in Malta and Gozo and which could be interested in participating in the envisaged Open Call for the Selection of Financial Intermediaries.

Following the closing of such Call in October 2015, the European Investment Fund (EIF) started the due diligence process with all three banks that had shown an interest. This process was concluded in January 2016 with the selection of the first Financial Intermediary on the basis of the proposal submitted, which was the only one that provided all the necessary information and clarification as prescribed under the Call for Expression of Interest. The possibility of selecting a second Financial Intermediary was left open, as long as certain conditions were met and, in fact, in July 2017 a second Operational/Guarantee Agreement was signed thus providing two Financial Intermediaries, with two different instruments, to the market.

Details of the new guarantee agreements signed in 2016 are the following:

- Bank of Valletta – €61 million Maximum Portfolio Volume (“MPV”)
- BANIF – €6.1 million Maximum Portfolio Volume (“MPV”)

The total MPV amounts to €67.1M.

Thus it can be said that the SMEi witnessed significant positive developments during 2016, first with the signature of two guarantee agreements (as indicated above) and secondly in terms of market absorption and implementation. In fact, the high absorption of the product and interest shown by financial institutions demonstrates the importance and relevance of the Initiative for the Maltese market. With two operational agreements signed respectively in January 2016 for Bank of Valletta and in September 2016 for BANIF, a total amount of €14.85M of Member States resources were committed to the Maltese market. For each euro of ERDF resources allocated to guarantee agreements, €4.10 of SME financing at reduced pricing conditions have been made available..

In terms of impact, thanks to the SMEi, out of a €55.4M allocation to date, a total of €31.6M have been committed to Maltese SMEs, through 308 loans, in only 11 months since the signature of the first guarantee agreement. The funds have benefited a total of approximately 259 SMEs with an average loan of €103,290. Around 78% of the SMEs which benefitted from this instrument employed less than 10 employees and 20% less than 50.

Furthermore, 47% of SMEs benefitting from financing were start-ups, having been established for less than three years, and the sectors receiving financing amounted to 17, amongst which manufacture and retail, hotels and restaurants, as well as professional activities. The main purpose of the loans granted in 2016 was that of financing tangible investment, with 96% of loans being granted for that reason. Working capital followed at 2%, with intangible investment and business transfer each taking up 1% of the loans granted.

In order to continue the monitoring of the progress made under this instrument, two Investors' Board Meeting were organised in the year under review, namely on the 25th of January and on the 22nd of September. During the first meeting an update was provided in relation to the selection process of Financial Intermediaries and the signature process with Bank of Valletta. During the second Investors' Board of the year, an update was given in relation to the guarantee agreement signed with Bank of Valletta together with an update related to the selection process of a second financial intermediary.

### 3. IMPLEMENTATION OF THE PRIORITY AXIS (ARTICLE 50(2) OF REGULATION (EU) NO 1303/2013)

#### 3.1. Overview of the implementation

ID	Priority axis	Key information on the implementation of the priority axis with reference to key developments, significant problems and steps taken to address these problems
1	Enhancing the competitiveness of SMEs in Malta	<p>The SMEi witnessed significant positive developments during 2016. With two operational agreements signed respectively in January 2016 for Bank of Valletta and in September 2016 for BANIF, a total amount of €14.85M of ERDF funding were made available to the Maltese market.</p> <p>In terms of impact, thanks to the SMEi, a total of €31.6M were committed to Maltese SMEs in only 11 months since the signature of the first guarantee agreement. For each euro of ERDF resources allocated to guarantee agreements, €4.10 of SME financing at reduced pricing conditions has been generated. The funds have benefited a total of approximately 259 SMEs with an average loan of €103.290. Around 78% of the SMEs which benefitted from this instrument employed less than 10 employees and 20% less than 50.</p> <p>47% of SMEs benefitting from financing were start-ups, having been established for less than three years, and the sectors receiving financing amounted to 17, amongst which manufacture and retail, hotels and restaurants, as well as professional activities. The main purpose of the loans granted in 2016 was that of financing tangible investment, with 96% of loans being granted for that reason. Working capital followed at 2%, with intangible investment and business transfer each taking up 1% of the loans granted.</p> <p>In order to continue the monitoring of the progress made under this instrument two Investors' Board Meeting were organised in the year under review, namely the 25th of January and on the 22nd of September.</p> <p>No significant problems have so far been encountered in the implementation of this instrument.</p>

### 3.2. Common and programme specific indicators (Article 50(2) of Regulation (EU) No 1303/2013)

#### Priority axes other than technical assistance

Priority axis	1 - Enhancing the competitiveness of SMEs in Malta
Investment Priority	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes

Table 3A: Common and programme specific output indicators for the ERDF and the Cohesion Fund (by priority axis, investment priority, broken down by category of region for the ERDF)

(1)	ID	Indicator	Measurement unit	Category of region	Target value (2023) total	Target value (2023) men	Target value (2023) women	2016 Total	2016 Men	2016 Women	Observations
F	CO01	Productive investment: Number of enterprises receiving support	Enterprises	Transition	845.00			259.00			
S	CO01	Productive investment: Number of enterprises receiving support	Enterprises	Transition	845.00			259.00			
F	CO03	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	Transition	845.00			259.00			
S	CO03	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	Transition	845.00			259.00			
F	1	ERDF amount committed to cover the New Debt Finance portfolio to be built up by the selected Financial Intermediary	EUR	Transition	15,000,000.00			14,849,625.00			
S	1	ERDF amount committed to cover the New Debt Finance portfolio to be built up by the selected Financial Intermediary	EUR	Transition	15,000,000.00			14,849,625.00			
F	2	Total amount of underlying New Debt Finance originated by the Financial Intermediary	EUR	Transition	60,000,000.00			31,606,617.00			
S	2	Total amount of underlying New Debt Finance originated by the Financial Intermediary	EUR	Transition	60,000,000.00			31,606,617.00			
F	4	Expected Leverage	x times the ERDF	Transition	4.00			2.30			

(1)	ID	Indicator	Measurement unit	Category of region	Target value (2023) total	Target value (2023) men	Target value (2023) women	2016 Total	2016 Men	2016 Women	Observations
			contribution								
S	4	Expected Leverage	x times the ERDF contribution	Transition	4.00			2.30			

(1) S=Selected operations, F=Fully implemented operations

(1)	ID	Indicator	2015 Total	2015 Men	2015 Women	2014 Total	2014 Men	2014 Women
F	CO01	Productive investment: Number of enterprises receiving support						
S	CO01	Productive investment: Number of enterprises receiving support	0.00			0.00		
F	CO03	Productive investment: Number of enterprises receiving financial support other than grants						
S	CO03	Productive investment: Number of enterprises receiving financial support other than grants	0.00			0.00		
F	1	ERDF amount committed to cover the New Debt Finance portfolio to be built up by the selected Financial Intermediary						
S	1	ERDF amount committed to cover the New Debt Finance portfolio to be built up by the selected Financial Intermediary	0.00			0.00		
F	2	Total amount of underlying New Debt Finance originated by the Financial Intermediary						
S	2	Total amount of underlying New Debt Finance originated by the Financial Intermediary	0.00			0.00		
F	4	Expected Leverage						
S	4	Expected Leverage	0.00			0.00		

Priority axis	1 - Enhancing the competitiveness of SMEs in Malta
Investment Priority	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
Specific objective	1 - Facilitating access to finance for SMEs through the implementation of an uncapped guarantee instrument.

Table 1: Result indicators for the ERDF and the Cohesion Fund (by priority axis and specific objective); applies also to Technical Assistance priority axis

ID	Indicator	Measurement unit	Category of region	Baseline value	Baseline year	Target value 2023	2016 Total	2016 Qualitative	Observations
1	% of unsuccessful enterprises in obtaining loan finance	%	Transition	8.70	2010	7.50			
2	Value Added	Millions	Transition	2,415.00	2013	2,851.00	3,837.00		

ID	Indicator	2015 Total	2015 Qualitative	2014 Total	2014 Qualitative
1	% of unsuccessful enterprises in obtaining loan finance	0.00		0.00	
2	Value Added	0.00		0.00	

### Priority axes for technical assistance

Table 3B: Number of enterprises supported by the operational programme net of multiple support to the same enterprises

Indicator	Number of enterprises supported by OP net of multiple support
CO01 - Productive investment: Number of enterprises receiving support	259
CO03 - Productive investment: Number of enterprises receiving financial support other than grants	259

**Table 5: Information on the milestones and targets defined in the performance framework**

Priority axis	Ind type	ID	Indicator	Measurement unit	Fund	Category of region	2016 Cum total	2016 Cum men	2016 Cum women	2016 Annual total	2016 Annual total men	2016 Annual total women
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Priority axis	Ind type	ID	Indicator	Measurement unit	Fund	Category of region	2015 Cum total	2014 Cum total	Observations			
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Priority axis	Ind type	ID	Indicator	Measurement unit	Fund	Category of region	Milestone for 2018 total	Milestone for 2018 men	Milestone for 2018 women	Final target (2023) total	Final target (2023) men	Final target (2023) women
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### 3.4 Financial data (Article 50(2) of Regulation (EU) No 1303/2013)

Table 6: Financial information at priority axis and programme level

(as set out in Table 1 of Annex II to Commission Implementing Regulation (EU) No 1011/2014 (Model for the transmission of financial data))

Priority axis	Fund	Category of region	Calculation basis	Total fund	Co-financing rate	Total eligible cost of operations selected for support	Proportion of the total allocation covered with selected operations	Public eligible cost of operations selected for support	Total eligible expenditure declared by beneficiaries to the managing authority	Proportion of the total allocation covered by eligible expenditure declared by beneficiaries	Number of operations selected
1	ERDF	Transition	Public	15,000,000.00	100.00	15,000,000.00	100.00%	15,000,000.00	13,814,417.00	92.10%	1
<b>Total</b>	<b>ERDF</b>	<b>Transition</b>		<b>15,000,000.00</b>	<b>100.00</b>	<b>15,000,000.00</b>	<b>100.00%</b>	<b>15,000,000.00</b>	<b>13,814,417.00</b>	<b>92.10%</b>	<b>1</b>
<b>Grand total</b>				<b>15,000,000.00</b>	<b>100.00</b>	<b>15,000,000.00</b>	<b>100.00%</b>	<b>15,000,000.00</b>	<b>13,814,417.00</b>	<b>92.10%</b>	<b>1</b>

Table 7: Breakdown of the cumulative financial data by category of intervention for the ERDF, the ESF and the Cohesion Fund (Article 112(1) and (2) of Regulation (EU) No 1303/2013 and Article 5 of Regulation (EU) No 1304/2013)

Priority axis	Characteristics of expenditure		Categorisation dimensions							Financial data				
	Fund	Category of region	Intervention field	Form of finance	Territorial dimension	Territorial delivery mechanism	Thematic objective dimension	ESF secondary theme	Economic dimension	Location dimension	Total eligible cost of operations selected for support	Public eligible cost of operations selected for support	Total eligible expenditure declared by beneficiaries to the managing authority	Number of operations selected
1	ERDF	Transition	001	05	07	07		08	09	MT001	3,750,000.00	3,750,000.00	3,453,604.25	1
1	ERDF	Transition	066	05	07	07		08	09	MT001	3,750,000.00	3,750,000.00	3,453,604.25	0
1	ERDF	Transition	072	05	07	07		08	09	MT001	3,750,000.00	3,750,000.00	3,453,604.25	0
1	ERDF	Transition	074	05	07	07		08	09	MT001	3,750,000.00	3,750,000.00	3,453,604.25	0

Table 8: The use made of cross-financing

1	2	3	4	5	6
<b>Use of cross-financing</b>	<b>Priority axis</b>	<b>The amount of EU support envisaged to be used for cross financing based on selected operations (EUR)</b>	<b>Share of the total financial allocation to the priority axis (%) (3/total financial allocation to priority axis*100)</b>	<b>Eligible expenditure used under cross financing declared by the beneficiary to the managing authority (EUR)</b>	<b>Share of the total financial allocation to the priority axis (%) (5/total financial allocation to priority axis*100)</b>

Table 9: Cost of operations implemented outside the programme area (the ERDF and the Cohesion Fund under the Investment for growth and jobs goal)

1	2	3	4	5
<b>Priority axis</b>	<b>The amount of support envisaged to be used for operations implemented outside the programme area based on selected operations (EUR)</b>	<b>Share of the total financial allocation to the priority axis (%) (3/total financial allocation to priority axis*100)</b>	<b>Eligible expenditure incurred in operations implemented outside the programme area declared by the beneficiary to the managing authority (EUR)</b>	<b>Share of the total financial allocation to the priority axis (%) (5/total financial allocation to priority axis*100)</b>

Table 10: Expenditure incurred outside the Union (ESF)

The amount of expenditure envisaged to be incurred outside the Union under thematic objectives 8 and 10 based on selected operations (EUR)	Share of the total financial allocation (Union and national contribution) to the ESF programme or the ESF part of a multi-fund programme (%) (1/total financial allocation (Union and national contribution) to the ESF programme or the ESF part of a multi-fund programme*100)	Eligible expenditure incurred outside the Union declared by the beneficiary to the managing authority (EUR)	Share of the total financial allocation (Union and national contribution) to the ESF programme or the ESF part of a multi-fund programme (%) (3/total financial allocation (Union and national contribution) to the ESF programme or the ESF part of a multi-fund programme*100)

#### 4. SYNTHESIS OF THE EVALUATIONS

Synthesis of the findings of all evaluations of the programme that have become available during the previous financial year, with reference of name and reference period of the evaluation reports used

No evaluation was carried out in 2016 with regard to the SME Initiative OP. In terms of the regulatory ex-ante assessment related to the implementation of the SME Initiative, the Managing Authority would like to highlight the study that was prepared by the Commission services with the input from the EIB and the EIF in 2013. This study served to identify the market gaps for each Member State in terms of additional lending to SMEs that can potentially be addressed under this joint instrument.

As per evaluation plan, the SME Initiative will be assessed as part of the bigger assessment to be undertaken in relation to the impact of the measures put in place for the benefit and to assist SMEs.

## **6. ISSUES AFFECTING THE PERFORMANCE OF THE PROGRAMME AND MEASURES TAKEN (ARTICLE 50(2) OF REGULATION (EU) No 1303/2013)**

### **(a) Issues which affect the performance of the programme and the measures taken**

During the year under review, no particular issues were identified that in any way affected the performance of the programme. The SMEi is progressing well, and neither of the two Financial Intermediaries has registered any major concerns.

Absorption is so far exceeding expectations, as is volume, and in fact, the MA is considering the possibility of increasing the ERDF allocation to this instrument in 2017.

**(b) An assessment of whether progress made towards targets is sufficient to ensure their fulfilment, indicating any remedial actions taken or planned, where appropriate.**

The progress of the SMEi is such that the MA is confident that all the targets set for this instrument will be achieved in their totality. The response of the market has to date been extremely encouraging, and 30% of the targeted number of assisted SMEs has already been achieved in the first year of implementation of the programme.

Should this momentum be kept, the MA will, as mentioned above, increase the ERDF allocation to this instrument in order to increase the scope of assistance to more local SMEs.

## **7. CITIZEN'S SUMMARY**

A citizen's summary of the contents of the annual and the final implementation reports shall be made public and uploaded as a separate file in the form of annex to the annual and the final implementation report

You can upload/find the Citizen's summary under General > Documents in the SFC2014 application

## 8. REPORT ON THE IMPLEMENTATION OF FINANCIAL INSTRUMENTS

<b>I. Identification of the programme and priority or measure from which support from the ESI Funds is provided (Article 46(2)(a) of Regulation (EU) No 1303/2013)</b>	
<b>1. Priority axes or measures supporting the financial instrument, including fund of funds, under the ESI Fund programme.</b>	
1.1. Priority axis supporting the financial instrument under the ESI Fund programme	1 - Enhancing the competitiveness of SMEs in Malta
2. Name of ESI Fund(s) supporting the financial instrument under the priority axis or measure	ERDF
<b>3. Thematic objective(s) referred to in the first paragraph of Article 9 of Regulation (EU) No 1303/2013 supported by the financial instrument</b>	<b>03 - Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)</b>
3.1. Amount of ESI Funds committed in funding agreements from the individual thematic objective chosen in field 3 (optional)	15,000,000.00
<b>4. other ESI Fund programmes providing contribution to the financial instrument</b>	
4.1. CCI number of each other ESI Fund programme providing contributions to the financial instrument	2014MT16RFSM001
30. Date of completion of the ex ante assessment	
<b>31. Selection of bodies implementing financial instrument</b>	
31.1. Has selection or designation process already been launched	Yes
<b>II. Description of the financial instrument and implementation arrangements (Article 46(2)(b) of Regulation (EU) No 1303/2013)</b>	
5. Name of the financial instrument	SME Initiative
6. Official address/place of business of the financial instrument (name of the country and city)	Valletta, Malta
<b>7. Implementation arrangements</b>	
7.1. Financial instruments set up at Union level, managed directly or indirectly by the Commission referred to in Article 38(1)(a) of Regulation (EU) No 1303/2013,	Yes

supported from ESI Fund programme contributions	
7.1.1. Name of the Union-level financial instrument	SME Initiative
7.2. Financial instrument set up at national, regional, transnational or cross-border level, managed by or under the responsibility of the managing authority referred to in Article 38(1)(b), supported from ESI Fund programme contributions under point (a), (b) and (c) of Article 38(4) of Regulation (EU) No 1303/2013	Entrustment of implementation
8. Type of the financial instrument	Fund of funds
10. Legal status of the financial instrument, pursuant to Article 38(6) of Regulation (EU) No 1303/2013 (for financial instruments referred to in Article 38(4)(b) only): fiduciary account opened in the name of the implementing body and on behalf of the managing authority or separate block of finance within a financial institution	Separate block of finance
<b>III. Identification of the body implementing the financial instrument as referred to in Articles 38(1)(a), 38(4)(a), (b) and (c) of Regulation (EU) No 1303/2013, and the financial intermediaries referred to in Article 38(5) of Regulation (EU) No 1303/2013 (Article 46(2)(c) of Regulation (EU) No 1303/2013)</b>	
<b>11. Body implementing the financial instrument</b>	
11.1. Type of implementing body pursuant to Article 38(4) of Regulation (EU) No 1303/2013 (a) existing or newly created legal entity dedicated to implementing financial instruments; (b) a body entrusted with the implementation task or (c) managing authority underatking implementation task directly (for loans or guarantees only)	European Investment Fund
11.1.1. Name of the body implementing the financial instrument	European Investment Fund
11.1.2. Official address/place of business (country and town name) of the body implementing the financial instrument	37b Avenue J.F. Kennedy, L-2968, Luxembourg
12. Procedure of selecting the body implementing the financial instrument: award of a public contract; other procedure	Designation of the EIB, EIF or international financial institutions
12.1. Description of the other procedure of selecting the body implementing the financial instrument	
13. Date of signature of the funding agreement with the body implementing the financial instrument	14-Jul-2015
<b>IV. Total amount of programme contributions, by priority or measure, paid to the financial instrument and management costs incurred or management fees paid</b>	

<b>(Article 46(2)(d) and (e) of Regulation (EU) No 1303/2013)</b>	
14. Total amount of programme contributions committed in the funding agreement (in EUR)	15,000,000.00
14.1. out of which ESI Funds contributions (in EUR)	15,000,000.00
14.1.1. out of which ERDF (in EUR) (optional)	15,000,000.00
14.1.2. out of which Cohesion Fund (in EUR) (optional)	
14.1.3. out of which ESF (in EUR) (optional)	
14.1.4. out of which EAFRD (in EUR) (optional)	
14.1.5. out of which EMFF (in EUR) (optional)	
15. Total amount of programme contributions paid to the financial instrument (in EUR)	13,814,818.00
15.1. out of which amount of ESI Funds contributions (in EUR)	13,814,818.00
15.1.1. out of which ERDF (in EUR)	13,814,818.00
15.1.2. out of which Cohesion Fund (in EUR)	
15.1.3. out of which ESF (in EUR)	
15.1.4. out of which EAFRD (in EUR)	
15.1.5. out of which EMFF (in EUR)	
15.2. out of which total amount of national co-financing (in EUR)	0.00
15.2.1. out of which total amount of national public funding (in EUR)	0.00
15.2.2. out of which total amount of national private funding (in EUR)	0.00
16. Total amount of programme contributions paid to the financial instrument under Youth Employment Initiative (YEI) (in EUR)	0.00
17. Total amount of management costs and fees paid out of programme contributions (in EUR)	444,869.00
17.1. out of which base remuneration (in EUR)	444,869.00
17.2. out of which performance-based remuneration (in EUR)	0.00
18. Capitalised management costs or fees pursuant to Article 42(2) of Regulation (EU) No 1303/2013 (relevant only for final report) (in EUR)	
19. Capitalised interest rate subsidies or guarantee fee subsidies pursuant to Article 42(1)(c) of Regulation (EU)	

No 1303/2013 (relevant to final report only) (in EUR)	
20. Amount of programme contributions for follow-on investments in final recipients pursuant to Article 42(3) of Regulation (EU) No 1303/2013 (relevant for final report only) (in EUR)	
21. Contributions of land and/or real estate in the financial instrument pursuant to Article 37(10) of Regulation (EU) No 1303/2013 (relevant for final report only) (in EUR)	
<b>VI. The performance of the financial instrument, including progress in its set-up and in selection of bodies implementing the financial instrument (including the body implementing a fund of funds) (Article 46(2)(f) of Regulation (EU) No 1303/2013)</b>	
32. Information whether the financial instrument was still operational at the end of the reporting year	Yes
32.1. If the financial instrument was not operational at the end of the reporting year, date of the winding-up	
<b>VII. Interest and other gains generated by support from the ESI Funds to the financial instrument, programme resources paid back to financial instrument from investments as referred to in Articles 43 and 44, and the value of equity investments with respect to previous years (Article 46(2)(g) and (i) of Regulation (EU) No 1303/2013)</b>	
35. Interest and other gains generated by payments from ESI Funds to the financial instrument (in EUR)	2,807.00
37. Amounts of resources reused which were paid back to the financial instrument and are attributable to ESI Funds	
37.1. out of which amounts paid for preferential remuneration of private investors operating under the market economy principle who provide counterpart resources to the support from the ESI Funds to the financial instrument or who co-invest at the level of final recipient (in EUR)	
37.2. out of which amounts paid for the reimbursement of management costs incurred and payment of management fees of the financial instrument (in EUR)	
<b>VIII. Progress in achieving the expected leverage effect of investments made by the financial instrument and value of investments and participations (Article 46(2)(h) of Regulation (EU) No 1303/2013)</b>	
<b>38. Total amount of other contributions, outside ESI Funds, raised by the financial instrument (EUR)</b>	
38.1. Total amount of other contributions, outside the	0.00

ESI Funds committed in the funding agreement with the body implementing the financial instrument (in EUR)	
38.2. Total amount of other contributions, outside the ESI Funds paid to the financial instrument (in EUR)	
38.2.1. out of which public contributions (EUR)	
38.2.2. out of which private contributions (EUR)	

**9. OPTIONAL FOR THE REPORT TO BE SUBMITTED IN 2016, NOT APPLICABLE TO OTHER LIGHT REPORTS: ACTIONS TAKEN TO FULFILL EX-ANTE CONDITIONALITIES**

Table 14: Actions taken to fulfil applicable general ex-ante conditionalities

General ex-ante conditionality	Criteria not fulfilled	Actions taken	Deadline	Bodies responsible	Action completed by the deadline	Criteria fulfilled	Expected date for full implementation of remaining actions	Commentary

Table 15: Actions taken to fulfil applicable thematic ex-ante conditionalities

General ex-ante conditionality	Criteria not fulfilled	Actions taken	Deadline	Bodies responsible	Action completed by the deadline	Criteria fulfilled	Expected date for full implementation of remaining actions	Commentary
T03.1 - Specific actions have been carried out to underpin the promotion of entrepreneurship taking into account the Small Business Act (SBA).	1 - The specific actions are: measures have been put in place with the objective of reducing the time and cost involved in setting-up a business taking account of the targets of the SBA;	In order to fulfil this ex-ante conditionality, the following action plan is being followed:  Revision of fee structure for registration of companies, in line with the SBA targets	31-Dec-2015	Ministry for the Economy, Investment and Small Business	Yes	Yes		This ex-ante conditionality was fulfilled in July 2016.
T03.1 - Specific actions have been carried out to underpin the promotion of entrepreneurship taking into account the Small Business Act (SBA).	3 - The specific actions are: mechanism is in place to monitor the implementation of the measures of the SBA which have been put in place and assess the impact on SMEs.	Drafting of the Legal Notice that will bring in force the SME Test	31-Dec-2014	Ministry for the Economy, Investment and Small Business  The Small Business Act Implementation Unit was set up in 2012 within the Enterprise Policy Directorate, Ministry for Enterprise, Investment and Business by virtue of the SBA (Cap. 512). Current work of the Unit with respect to the SBA	Yes	Yes		This ex-ante conditionality was fulfilled in July 2016.

General ex-ante conditionality	Criteria not fulfilled	Actions taken	Deadline	Bodies responsible	Action completed by the deadline	Criteria fulfilled	Expected date for full implementation of remaining actions	Commentary
				Malta involves vetting of user guidelines and explanatory notes accompanied by new legislation that affects the business environment. The unit is also working to put in place the SME test and the two month stand still period.				
T03.1 - Specific actions have been carried out to underpin the promotion of entrepreneurship taking into account the Small Business Act (SBA).	3 - The specific actions are: mechanism is in place to monitor the implementation of the measures of the SBA which have been put in place and assess the impact on SMEs.	Publication of a legal notice to update current legislation and bring into force the SME Test..	31-Mar-2015	Ministry for the Economy, Investment and Small Business The Small Business Act Implementation Unit was set up in 2012 within the Enterprise Policy Directorate, Ministry for Enterprise, Investment and Business by virtue of the SBA (Cap. 512). Current work of the Unit with respect to the SBA Malta involves vetting of user guidelines and explanatory notes accompanied by new legislation that affects the business environment. The unit is also working to put in place the SME test	Yes	Yes		This ex-ante conditionality was fulfilled in July 2016.

General ex-ante conditionality	Criteria not fulfilled	Actions taken	Deadline	Bodies responsible	Action completed by the deadline	Criteria fulfilled	Expected date for full implementation of remaining actions	Commentary
				and the two month stand still period.				
T03.1 - Specific actions have been carried out to underpin the promotion of entrepreneurship taking into account the Small Business Act (SBA).	3 - The specific actions are: mechanism is in place to monitor the implementation of the measures of the SBA which have been put in place and assess the impact on SMEs.	Train and meet with entities and departments that legislate so as to go over the requirements and obligations of the SME Test;	31-Dec-2014	Ministry for the Economy, Investment and Small Business  The Small Business Act Implementation Unit was set up in 2012 within the Enterprise Policy Directorate, Ministry for Enterprise, Investment and Business by virtue of the SBA (Cap. 512). Current work of the Unit with respect to the SBA Malta involves vetting of user guidelines and explanatory notes accompanied by new legislation that affects the business environment. The unit is also working to put in place the SME test and the two month stand still period.	Yes	Yes		This ex-ante conditionality was fulfilled in July 2016.

**10. PROGRESS IN PREPARATION AND IMPLEMENTATION OF MAJOR PROJECTS AND JOINT ACTION PLANS (ARTICLE 101(H) AND 111(3) OF REGULATION (EU) No 1303/2013)**

**10.1. Major projects**

Table 12: Major projects

Project	CCI	Status of MP	Total investments	Total eligible costs	Planned notification / submission date	Date of tacit agreement / approval by Commission	Planned start of implementation (year, quarter)	Planned completion date	Priority Axis / Investment priorities	Current state of realisation — financial progress (% of expenditure certified to Commission compared to total eligible cost)	Current state of realisation — physical progress Main implementation stage of the project	Main outputs	Date of signature of first works contract	Observations

**Significant problems encountered in implementing major projects and measures taken to overcome them**

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**Any change planned in the list of major projects in the operational programme**

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## **10.2. Joint action plans**

### **Progress in the implementation of different stages of joint action plans**

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Table 13: Joint action plans (JAP)

Title of the JAP	CCI	Stage of implementation of JAP	Total eligible costs	Total public support	OP contribution to JAP	Priority axis	Type of JAP	[Planned] submission to the Commission	[Planned] start of implementation	[Planned] completion	Main outputs and results	Total eligible expenditure certified to the Commission	Observations
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**Significant problems encountered and measures taken to overcome them**

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**PART B**  
**REPORTING SUBMITTED IN YEARS 2017, 2019 AND FINAL IMPLEMENTATION REPORT**  
**(Article 50(4), 111(3) and (4) of regulation (EU) No 1303/2013)**

**11. ASSESSMENT OF THE IMPLEMENTATION OF THE OPERATIONAL PROGRAMME**  
**(ARTICLES 50(4) AND 111(4) OF REGULATION (EU) NO 1303/2013)**

**11.1. Information in Part A and achieving objectives of the programme (Article 50(4) of Regulation (EU) No 1303/2013)**

Priority axis	1 - Enhancing the competitiveness of SMEs in Malta
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The objective of the SMEi Programme in Malta is to enhance access to finance of SMEs, and achievement of the EU 2020 objectives, as well as towards addressing market fragmentation and market gaps in the area of SME access to finance.

During the year under review, two operational agreements were signed respectively in January 2016 for Bank of Valletta and in September 2016 for BANIF, and a total amount of €14.85M of Member States resources were committed to the Maltese market.

In terms of impact, thanks to the SMEi a total of €31.6M were committed to Maltese SMEs in only 11 months since the signature of the first guarantee agreement with a leverage of 2.3. The funds have benefited a total of approximately 259 SMEs with an average loan of €103,290. Around 78% of the SMEs which benefitted from this instrument employed less than 10 employees and 20% less than 50.

47% of SMEs receiving financing were start-ups, having been established for less than three years, and the sectors receiving financing amounted to 17, amongst which manufacture and retail, hotels and restaurants, as well as professional activities. The main purpose of the loans granted in 2016 was that of financing tangible investment, with 96% of loans being granted for that reason. Working capital followed at 2%, with intangible investment and business transfer each taking up 1% of the loans granted.

**11.2. Specific actions taken to promote equality between men and women and to prevent discrimination, in particular accessibility for persons with disabilities, and the arrangements implemented to ensure the integration of the gender perspective in the operational programme and operations (Articles 50(4) and 111(4), second subparagraph, (e) of Regulation (EU) No 1303/2013)**

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**11.3. Sustainable development (Articles 50(4) and 111(4), second subparagraph, (f) of Regulation (EU) No 1303/2013)**

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#### 11.4. Reporting on support used for climate change objectives (Article 50(4) of Regulation (EU) No 1303/2013)

Priority axis	Amount of support to be used for climate change objectives (EUR)	Proportion of total allocation to the operational programme (%)
<b>Total</b>	<b>0.00</b>	<b>0.00%</b>

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#### 11.5. Role of partners in the implementation of the programme

The Programmes for the Structural and Cohesion Funds, and thus including the SMEi Programme, are coordinated and managed by the Planning and Priorities Coordination Division within the Ministry responsible for EU funds. However, in order to ensure coordination between the ESI funds and other Union and National funding instruments, the framework of the Inter-Ministerial Coordination Committee (IMCC), set up again for the 2014-2020 Programming Period, is being availed of to maximise resources and reduce overlap and/or duplication of effort. In fact, this IMCC provides direction on the demarcation between the different funds and programmes, undertakes ad hoc consultation where potential overlaps are identified and provides a forum for the sharing of knowledge of any new funds or of any changes that might be required to individual programmes that could have an impact on others.

The Partnership principle is also availed of in terms of monitoring, with a Monitoring Committee (MC) set up for the OP in line with Article 47 of Regulation (EU) No 1303/2013. This MC is in fact composed of Government representatives, socio-economic partners, civil society organisations and the European Commission. The socio-economic partners who form part of the MC represent trade unions and employers' association while the civil society organisations give voice to the organisations working in the area of equal opportunities, social inclusion and the environmental sector. The aim of the MC is in fact to monitor and assess the implementation and efficient spending of the funds under OPI as well as provide the business and civil society sectors' dimension to the process.

**12. OBLIGATORY INFORMATION AND ASSESSMENT ACCORDING TO ARTICLE 111(4), FIRST SUBPARAGRAPH, (A) AND (B), OF REGULATION (EU) No 1303/2013**

**12.1. Progress in implementation of the evaluation plan and the follow-up given to the findings of evaluations**

Please refer to Section 4.

**12.2. The results of the information and publicity measures of the Funds carried out under the communication strategy**

One of the success factors of the SME Initiative Malta in terms of disbursements can be identified as stemming from the active marketing of the SME Initiative Malta loans that both Bank of Valletta and BANIF have carried out via different channels. Actions put in place by the Financial Intermediaries on an on-going basis have included articles in the national media, intensive use of online and physical marketing tools (posters, billboards, flyers, online portals, etc.), as well as the organisation of dedicated workshops and information sessions for the SME community.

**13. ACTIONS TAKEN TO FULFILL EX-ANTE CONDITIONALITIES (ARTICLE 50(4) OF REGULATION (EU) No 1303/2013) (MAY BE INCLUDED IN REPORT TO BE SUBMITTED IN 2016 (SEE POINT 9 ABOVE). REQUIRED IN REPORT SUBMITTED IN 2017) OPTION: PROGRESS REPORT**

**14. ADDITIONAL INFORMATION WHICH MAY BE ADDED DEPENDING ON THE CONTENT AND OBJECTIVES OF THE OPERATIONAL PROGRAMME (ARTICLE 111(4), SECOND SUBPARAGRAPH, (A), (B), (C), (D), (G) AND (H), OF REGULATION (EU) NO 1303/2013)**

**14.1. Progress in the implementation of the integrated approach to territorial development, including development of regions facing demographic challenges and permanent or natural handicaps, sustainable urban development, and community led local development under the operational programme**

**14.2. Progress in the implementation of actions to reinforce the capacity of Member State authorities and beneficiaries to administer and use the Funds**

The Managing Authority for the main CF/ERDF programme is also entrusted with the implementation of the SMEi Programme, and thus the actions taken to reinforce the capacity of the Member State authorities reported with respect to the main Programme also apply herein.

Thus the MA officers entrusted with the monitoring of the SMEi, who are also entrusted with monitoring mainstream projects financed through the main CF/ERDF benefitted from the actions aimed at reinforcing the capacity of the stakeholders involved in the administration and use of the Funds, such as training events and seminars. This also applies to officers hailing from other entities involved in the implementation of the programmes. Therefore, while a number of such activities were targeted specifically to the Managing Authority, such as Capacity Building events, training on Simplified Cost Options and Horizontal Priorities, as well as ECDL training, other trainings involved also the Treasury Department, Audit Authority, the Certifying Authority, and the Malta Information Technology Agency.

**14.3. Progress in the implementation of any interregional and transnational actions**

**14.4. Where appropriate, the contribution to macro-regional and sea basin strategies**

As stipulated by the Regulation (EU) No 1303/2013, article 27(3) on the "content of programmes", article 96(3)(e) on the "content, adoption and amendment of operational programmes under the Investment for growth and jobs goal", article 111(3), article (4)(d) on "implementation reports for the Investment for growth and jobs goal", and Annex 1, section 7.3 on "contribution of mainstream programmes to macro-regional and sea-basin strategies, this programme contributes to MRS(s) and/or SBS:

EU Strategy for the Baltic Sea Region (EUSBSR)

- EU Strategy for the Danube Region (EUSDR)
- EU Strategy for the Adriatic and Ionian Region (EUSAIR)
- EU Strategy for the Alpine Region (EUSALP)
- Atlantic Sea Basin Strategy (ATLSBS)

**14.5. Progress in the implementation of actions in the field of social innovation, where appropriate**

**14.6. Progress in the implementation of measures to address the specific needs of geographical areas most affected by poverty or of target groups at highest risk of poverty discrimination or social exclusion, with special regard to marginalised communities and persons with disabilities, long term unemployment and young people not in employment including, where appropriate, the financial resources used**

**15. FINANCIAL INFORMATION AT PRIORITY AXIS AND PROGRAMME LEVEL (ARTICLES 21(2) AND 22(7) OF REGULATION (EU) No 1303/2013)**

**16. SMART, SUSTAINABLE AND INCLUSIVE GROWTH (OPTION PROGRESS REPORT)SMART, SUSTAINABLE AND INCLUSIVE GROWTH (OPTION PROGRESS REPORT)**

Information on and assessment of the programme contribution to achieving the Union strategy for smart, sustainable and inclusive growth. Information on and assessment of the programme contribution to achieving the Union strategy for smart, sustainable and inclusive growth.

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**17. ISSUES AFFECTING THE PERFORMANCE OF THE PROGRAMME AND MEASURES TAKEN — PERFORMANCE FRAMEWORK (ARTICLE 50(2) OF REGULATION (EU) No 1303/2013)**

Where the assessment of progress made with regard to the milestones and targets set out in the performance framework demonstrates that certain milestones and targets have not been achieved, Member States should outline the underlying reasons for failure to achieve these milestones in the report of 2019 (for milestones) and in the final implementation report (for targets).

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## Documents

Document title	Document type	Document date	Local reference	Commission reference	Files	Sent date	Sent By
SMEi Initiative - Citizen's Summary	Citizens' summary	26-Jun-2017		Ares(2017)32412 76	SME Initiative - Citizen's Summary	28-Jun-2017	nvassajn

**Latest validation results**

<b>Severity</b>	<b>Code</b>	<b>Message</b>
Info		Implementation report version has been validated