




Fostering a Competitive and Sustainable Economy to Meet Our Challenges – Operational Programme I 2014-2020

30 June 2014

Ex-Ante Evaluation

	<p>Operational Programmes I and II – Cohesion Policy 2007-2013</p> <p><i>Investing in Competitiveness for a Better Quality of Life</i></p> <p><i>Empowering People for More Jobs and a Better Quality of life</i></p>	
<p>Tender part-financed by European Union</p> <p>European Regional Development Fund (ERDF), Cohesion Funds and European Social Fund (ESF)</p> <p>Co-financing rate: 85% EU funds (70% ERDF, 30% ESF); 15% National Funds</p> <p><i>Investing in your future</i></p>		

1. *Executive Summary*

Introduction

In preparation for the upcoming 2014-2020 programming period, Article 55(1) of the Common Provision (CPR)¹ obliges each Member State to undertake an ex-ante evaluation of the various operational programmes defined within the Partnership Agreement that covers all the support that will be provided through the European Structural and Investment (ESI) funds. On 31 March 2014, Malta submitted its final draft of the Partnership Agreement to the EU Commission.

This ex-ante evaluation report is being undertaken in respect of Malta's Operational Programme I (OPI) *Fostering a Competitive and Sustainable Economy to Meet Our Challenges - 2014-2020* that will be fully funded through the European Regional Development Fund and the Cohesion Fund.

This ex-ante evaluation has been undertaken in parallel with the formulation of OPI. This report, therefore, is based primarily on an assessment of the draft OP provided to the evaluators by the EU Programming Unit within the Ministry for European Affairs and the Implementation of the Electoral Manifesto (MEAIM) in April 2014. In the intervening weeks leading to the finalisation of this report, MEAIM officials have provided the evaluators with revised and additional sections of the OP.

Programme Strategy

The appraisal indicates that there is a strong internal coherence between the programme objectives within the same Priority Axis, and also coherence, mostly in terms of interdependencies, between the programme objectives across Priority Axes.

In considering the relationship of the programme with other relevant instruments, the ERDF/CF OP has strong convergence points with the six EU 2020 flagship initiatives. As regards other EU relevant instruments, whilst the Horizon 2020, the Programme for the Environment and Climate Action (LIFE) and Connecting Europe Facility are being addressed, the COSME 2014-2020 Programme and the New Entrant Reserve (NER 300) are addressed indirectly in priority axes 4 and 5.

With respect to national strategies and policies, the assessment has concluded that all relevant strategies and policies have been considered by the OP. One notes, however, that the *Self-Employment strategy*, the *Green Paper – A framework for Poverty Reduction and for Social Inclusion* and the *Water Pricing Policy* are being addressed indirectly.

The proposed use of ERDF/CF funds is adequate in directly addressing the relevant needs and challenges highlighted in the EU 2020 strategy, Partnership Agreement, Country-Specific Recommendations and Malta's National Reform Programme. All the Priority Axes were found to be consistent with the thematic objectives selected in the Partnership Agreement and in turn aligned to the thematic objectives outlined within the Common Provisions Regulation and in the ERDF/CF Fund Specific Regulation.

Where equal opportunities are concerned, the appraisal shows that the planned measures to promote gender equality, accessibility and to prevent discrimination are adequate. Whilst the OP sufficiently addresses how relevant entities will be responsible for promoting equality, non-discrimination and

¹ REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006

accessibility during the programme implementation, further information is required within the OP for any initiatives aimed at mainstreaming equal opportunities during the project selection and implementation.

In relation to sustainable development, the assessment concludes that consideration is being given to the integration of the sustainable development principle in the selection of operations. Specific measures have also been included in the Operational Programme aimed at addressing environmental protection requirements, resource efficiency, climate change mitigation and adaptation, and biodiversity. The OP could include more details on the role of relevant bodies representing civil society in the preparation, implementation and monitoring of the Operational Programme.

Indicators, Monitoring and Evaluation

The appraisal considered the relevance and clarity of the proposed programme indicators, the appropriateness of the indicator values as well as the suitability of the performance framework milestones.

Most of the output indicators are relevant and coherent with the actions to be supported by the ERDF/CF programme over the period 2014-2020. However, there are ten output indicators that are not well defined in terms of the thematic area or intended target group, and which can give rise to ambiguity. In this regard alternative wording has been proposed. Furthermore, there is one output indicator that is not necessarily aligned with the actions being considered.

Output indicator target values have broadly been established on the basis of the funds allocation being made to the investment priority coupled with the average costs resulting from the 2007-2013 programme. There are a couple of output indicators for which the rationale needs to be specified.

Most of the result indicators appraised were found to be relevant, clear and measurable for the actions to be supported through ERDF and Cohesion funds. There are some minor exceptions that have been highlighted and proposals on how to address them have been put forward.

Result indicator target values have mainly been established based on the results achieved for the 2007-2013 programme. This rationale is valid. A number of recommendations were made in relation to a few targets for which inconsistencies between the targets and the figures in the methodology, inconsistencies between the target values and the indicators, and inconsistencies between the baseline values and the result indicators were noted. There are also some target values for which no rationale was provided in relation to the methodology adopted for setting the target value.

In terms of the milestones for 2018 set within the performance framework, the assessment has concluded that that key implementation steps far outweigh the output indicators as a selection for the targets. The indicators are reflective of where the majority of financial resources have been allocated to the priority. The 2018 targets are based on actual ERDF/CF certified amounts up until 2011 in the 2007-2013 programme. The target set for the majority of the indicators/key implementation steps for 2018 is above 50% that to be achieved by 2023, reflective of the programme mid-point reached by 2018.

The financial indicator milestones provided for 2013 per priority axis have been computed on the basis of the % allocation of the overall funds available. This approach is valid on the assumption that programme planning and execution in 2014 and 2015 will be relatively balanced across the different priority axis.

Consistency of Financial Allocations

Malta's key challenges include its low labour market participation, a very high early school leaving rate coupled with low tertiary education levels. Whilst employment remains relatively stable at 6.4%², Malta needs to continuously strive to further develop its economy – with no natural resources nothing can be taken for granted. Given that SMEs account for 99.9% of registered companies³ there is a logical need to ensure that Maltese organisations have the right economic climate and incentives to invest particularly in those strategic areas that contribute towards Malta's economic development. Furthermore, Malta has considerable challenges to meet its environmental targets for 2020. The country's geographical features and small size pose severe limitations particularly where it comes to renewable energy solutions. There are also the sustainability challenges linked to waste management, water resources as well as sustainable development of the road and maritime transport infrastructure. Like the rest of the EU, Malta also has social inclusion issues to address, particularly since the level of vulnerable persons falling within the poverty trap is on the rise. The appraisal indicates that the amount of allocations for each specific objective and investment priority is consistent and addresses these national priorities.

Besides the use of grants in priority axes 1 and 2, at this preliminary stage financial instruments are being considered under investment priorities for priority axes 3 and 4. Ex-ante assessments of these financial instruments still need to be undertaken in line with Article 37 of regulation 1303/13.

The financial plan for ERDF expenditure within the OP is regulated by Article 4 and Article 7 of the ERDF Regulation relating to thematic concentrations. One notes that 50% of ERDF funds have been allocated towards thematic objectives 1,2,3 and 4. Furthermore 12.49% of funds are being directed specifically towards thematic objective 4 dealing with the shift towards a low carbon economy, whilst another 5% of ERDF funds are being allocated towards integrated actions for sustainable urban development. On this basis the ERDF thematic concentration regulations have been applied.

Contribution to Europe 2020 Strategy

The evaluation further appraised the contribution of the OP to the Europe 2020 Strategy of achieving smart, sustainable and inclusive growth, having regard to the selected thematic objectives and priorities, taking into account national and regional needs.

For this purpose, the Priority Axes identified under this OP were assessed for their contribution towards the three overriding Europe 2020 priorities of smart, sustainable and inclusive growth. An assessment has also been made as to whether the five EU 2020 targets for Malta will be directly addressed by the eleven Priority Axes identified in this OP. In this regard, the programme objectives are aligned and are expected to contribute towards the achievement of the EU 2020 overall strategy and national and EU targets. A few discrepancies have been identified within Table 01 of the OP draft document.

Programme Implementation Measures

The OP recognises the need for the effective management, control and implementation of EU funds and commits to the strengthening and consolidation of expertise within the relevant entities. By building on the structures in place for the 2007-2013 programme, the adequacy of human resources and administrative capacity would appear suitable. However, the OP lacks further details to allow a proper appraisal of human resource adequacy.

Whilst the OP identifies the key Government bodies involved in the preparation of the programme, it is proposed, to also include the process adopted in this regard.

² Eurostat release 140/2013 – October 2013

³ European Commission Enterprise and Industry, Small Business Act Fact Sheet Malta 2012

The monitoring and evaluation framework to be adopted is expected to be modelled along the same lines as that currently in place for the 2007-2013 programme. The plans to provide training and the adoption of guidelines are good practices that will undoubtedly contribute towards ensuring the quality and consistency of data across the programme.

The planned measures to reduce administrative burden appear to be mainly related to the application, selection, procurement and payment stages. There is limited reference being made to measures aimed at reducing burden during the monitoring, reporting, and evaluation stages as required by Article 4(5) of the CPR. It is recommended that the Managing Authority adopts an appropriate mechanism to be able to monitor measures undertaken to alleviate the administrative burden on beneficiaries.

Strategic Environmental Assessment

A Strategic Environmental Assessment (SEA) was carried out in relation to Malta's Operational Programme I 2014-2020 in accordance with the SEA Regulations (Legal Notice 497 of 2010). This assessment was undertaken by Adi Associates Environmental Consultants Ltd.

The positive impacts of the OP would appear to outweigh the negative impacts. Nevertheless, the SEA proposes a plan to monitor the impacts of the OP on the environment, for which a number of relevant environmental indicators have been identified. There are also four specific mitigation measures to be considered by the EU Programming Unit at MEAIM during the OP formulation stage or else by the Managing Authority during the programme execution.