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Mid-term evaluation OP I Cohesion policy 2007-2013

Presentation to Monitoring Committee

29 April 2011, Malta



EUROPEAN REGIONAL DEVELOPMENT FUND
EUROPEAN SOCIAL FUND
COHESION FUND
MALTA 2007-2013



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



About this presentation

This deliverable is addressed to the Planning and Priorities Coordination Department (PPCD), in its role as the Managing Authority, and has been prepared in accordance with our terms of engagement as specified in the contract with identification number CT2611/2009. The purpose of this presentation is to provide the respective Monitoring Committee of each Operational Programme with an overview of the key findings and recommendations of the Mid-term Evaluation of Operational Programmes I & II engagement.

We have indicated in our evaluation reports the sources of information presented. We have not sought to establish the reliability of those sources.

The scope of our work was different from that for an audit and, consequently, we do not issue any opinion or any other certificate or confirmation relating to the utilisation or absorption of Cohesion Policy funds allocated to Malta for the programming period 2007 – 2013, indicators, or the related internal control systems.

Our report makes reference to quantitative and qualitative techniques and analysis; this indicates only that we have undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data.

In carrying out our work, we have relied on information obtained from parties not employed by us and this information has been assumed to be true and correct. We have for the most part based our work on information, including audited and unaudited financial information, relating to the implementation of the Operational Programme I. We do not accept responsibility for such information which remains the responsibility of the Managing Authority, the Intermediate Bodies and other relevant stakeholders consulted during the course of our work. We have not sought to establish the reliability of this information by reference to sources independent of the Managing Authority, the Intermediate Bodies and other stakeholders consulted. Our reliance on and the use of unaudited information should not be construed as an expression of our opinion on it. We do not accept any responsibility or liability for the impact on our analysis and conclusions of any inaccuracies in such information.

The analysis and findings set out in this deliverable take into account all the information known and made available to us up to the 31st March 2011 and is therefore current as at the document date, or such other date that may be specified.

Our duties in relation to this presentation are owed solely to the PPCD and accordingly we do not accept any responsibility for loss occasioned to any third party acting or refraining from action as a result of this presentation.

This presentation does not constitute our final deliverable but merely presents a summary of the key findings and recommendations as reflected in our final reports to the Managing Authority and is to be used solely for discussion purposes.

Reliance should only be placed on our final deliverable.

Summary of fieldwork

- Inception phase
- Data collection, verification & analysis
- Conclusions & recommendations
- Reporting

Summary of findings

- Key indicators
- Relevance
- Effectiveness
- Efficiency

Summary of recommendations



Summary of fieldwork

Project phases

Summary of fieldwork

Inception Phase

During the inception phase, we embarked on a series of activities which included:

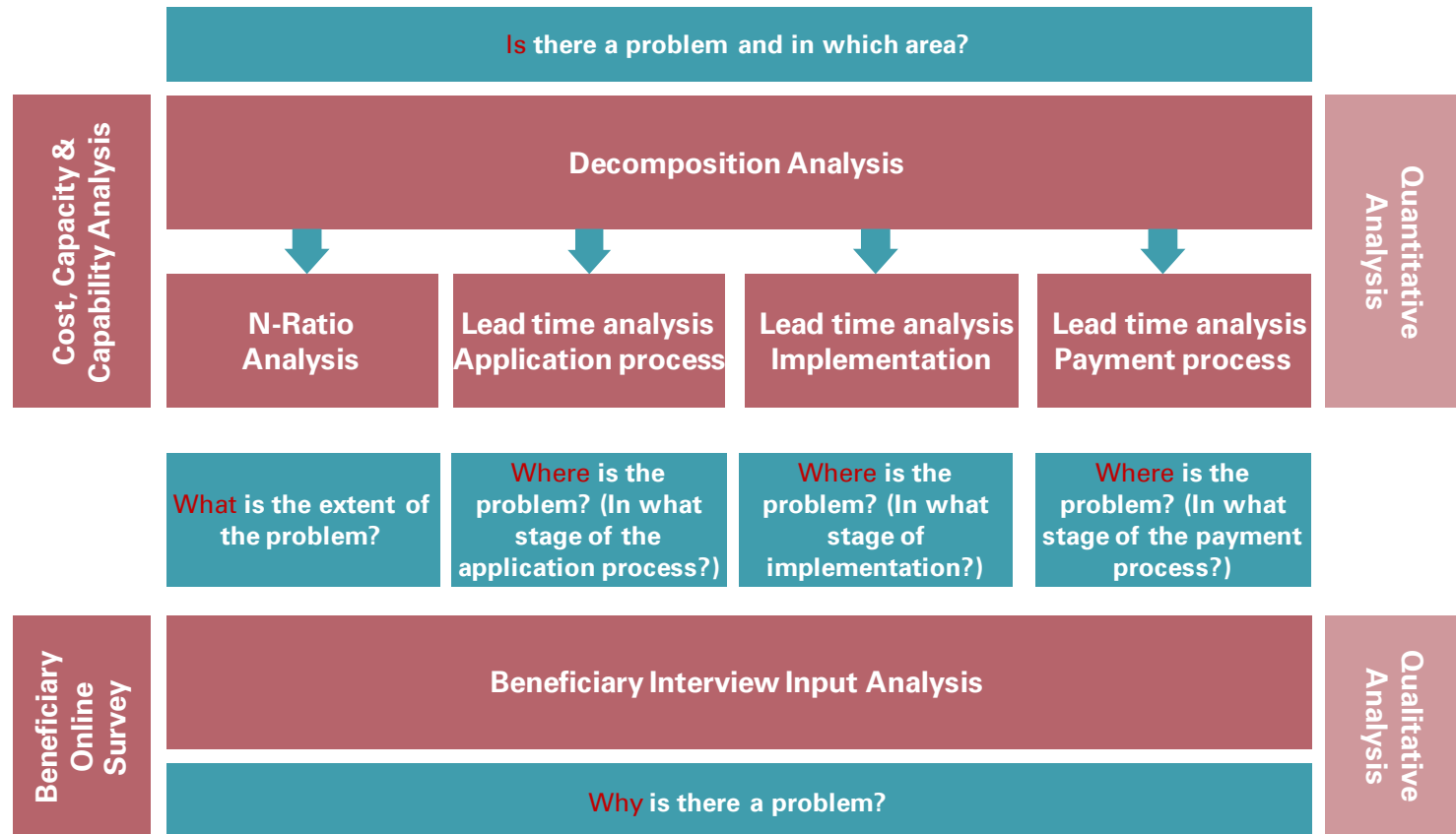
- kick-off workshops with stakeholders and project leaders
- presentations to the Monitoring Committees
- discussions with the Managing Authority and Intermediate Bodies
- commenced preliminary data collection in support to the multi-dimensional analysis which included requests for data on:
 - OP allocation by fund and priority axis, indicator data
 - selected and non-selected operations data (including detailed information relevant for the purposes of our analysis)
 - “calls” data
 - capacity, capability and labour cost data.

Key outputs included:

- summary findings of kick-off workshops and post-workshop feedback/comments
- informed stakeholders and Monitoring Committees
- final Inception Report dated 23 August 2010.

Summary of fieldwork

Data collection, verification & analysis



Summary of fieldwork

Conclusions & recommendations

During this phase, we developed our analysis further and evolved our findings in the light of:

- the outcome/s of the Internal Factors workshop
- the finalisation of analysis of communications plan assessment
- additional consultations and data collection activities to bring the main elements of our work current to 31 December 2010.

Key outputs included:

- completed analysis and findings
- development of conclusions and recommendations.

Summary of fieldwork Reporting

During this phase, we:

- compiled our first draft report to the MA for feedback
- evolved our report further in the light of the feedback received from the MA, clarifications, additional data, etc.

Key outputs included:

- final reports (OP I & II)
- overall report including assessment of progress of the Communications plan.

The project was executed in line with the approach and methodology reflected in the Inception Report dated 23 August 2010 as approved by the MA

- delays were encountered during the project attributable in the main to:
 - travel disruptions/force majeure situations
 - data collection (compilation, availability, quality)
 - clarification / additional data collection turnaround time
- resulting in three extensions leading to a project end-date of 18 April 2011.

Resources deployed:

The engagement was resourced in accordance with our proposal and as reflected in the project launch workshops as follows:

- key expert (lead evaluator): Mark Bamber
- project manager: Jan Grech
- other advisory professionals from the Malta and Hungary practices of KPMG.



Summary of key findings

Key indicators & evaluation criteria

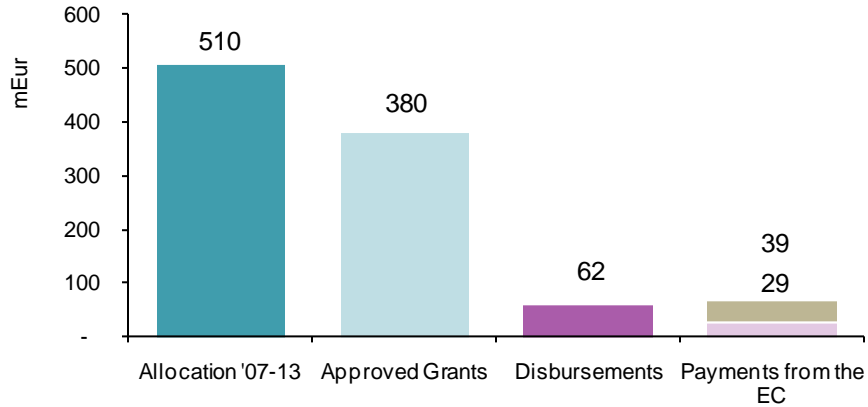
Findings – key indicators

Operational Programme I

Summary of findings

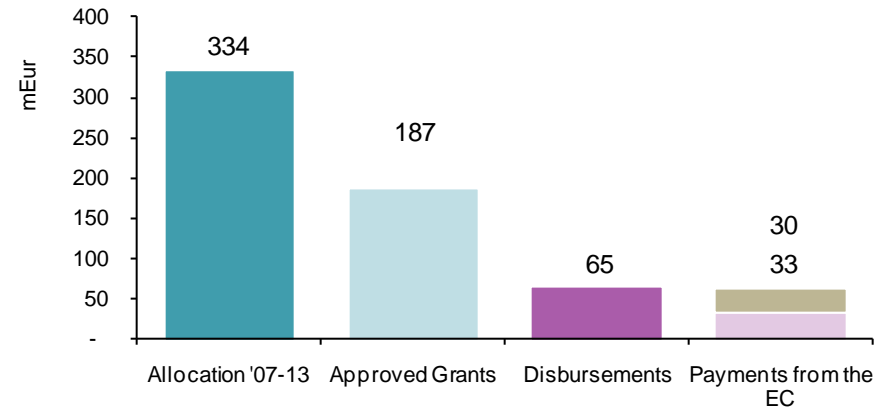
A financial perspective – as at December 2010

OP I - ERDF utilisation to Dec 2010



■ Allocation '07-13 ■ Approved Grants ■ Disbursements ■ Interim payments ■ Advance payments

OP I - CF utilisation to Dec 2010



■ Allocation '07-13 ■ Approved Grants ■ Disbursements ■ Interim payments ■ Advance payments

Summary of findings

DCM findings as at cut-off date 30 April 2010

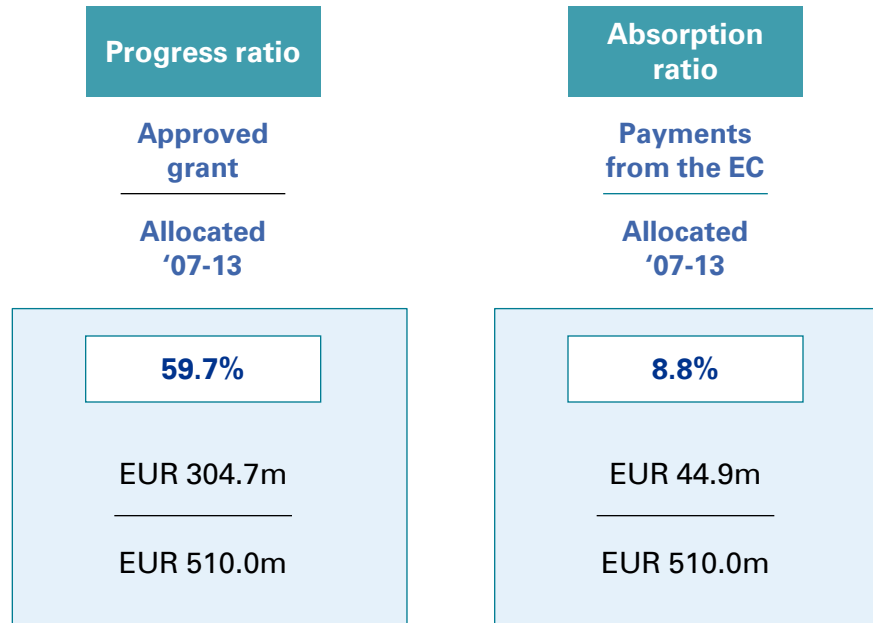
European Regional Development Fund

Utilisation ratio	Popularity ratio	Eligibility pass ratio	Approved ratio	Disbursement ratio
$\frac{\text{Disbursed grant}}{\text{Allocated '07-13}}$	$\frac{\text{Requested grant}}{\text{Allocated '07-13}}$	$\frac{\text{Eligibility passed requested grant}}{\text{Requested grant}}$	$\frac{\text{Approved grant}}{\text{Eligibility passed requested grant}}$	$\frac{\text{Disbursed grant}}{\text{Approved grant}}$
5.5%	172.1%	71.7%	48.4%	9.1%
$\frac{\text{EUR 27.9m}}{\text{EUR 510.0m}}$	$\frac{\text{EUR 878.4m}}{\text{EUR 510.0m}}$	$\frac{\text{EUR 629.4m}}{\text{EUR 878.4m}}$	$\frac{\text{EUR 304.7m}}{\text{EUR 629.4m}}$	$\frac{\text{EUR 27.9m}}{\text{EUR 304.7m}}$

Summary of findings

DCM findings as at cut-off date 30 April 2010

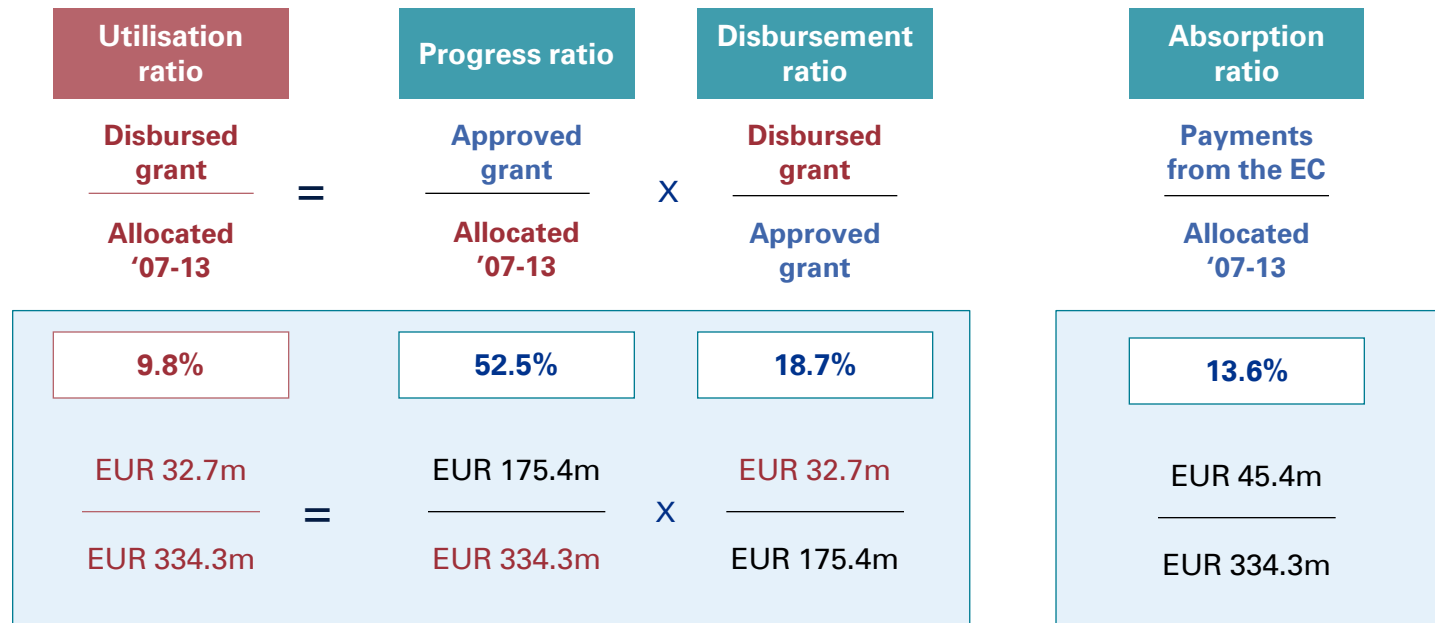
European Regional Development Fund – Other ratios



Summary of findings

DCM findings as at cut-off date 30 April 2010

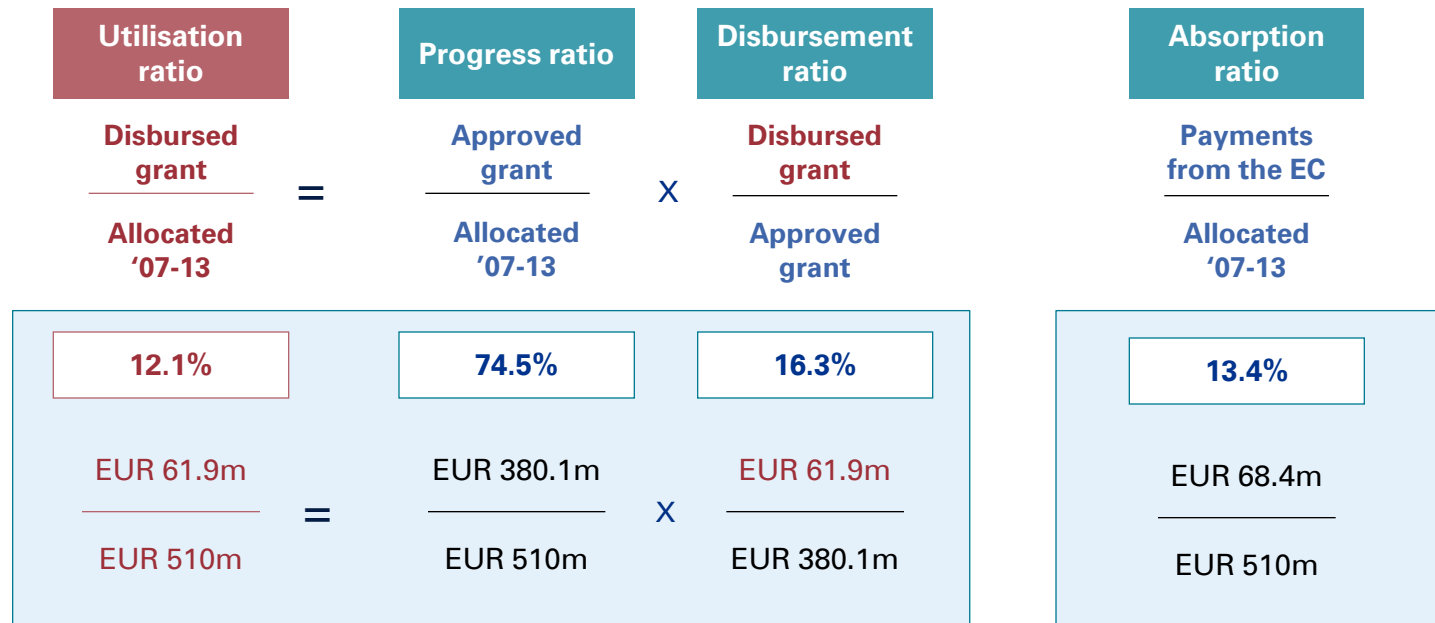
Cohesion Fund



Summary of findings

DCM findings as at December 2010

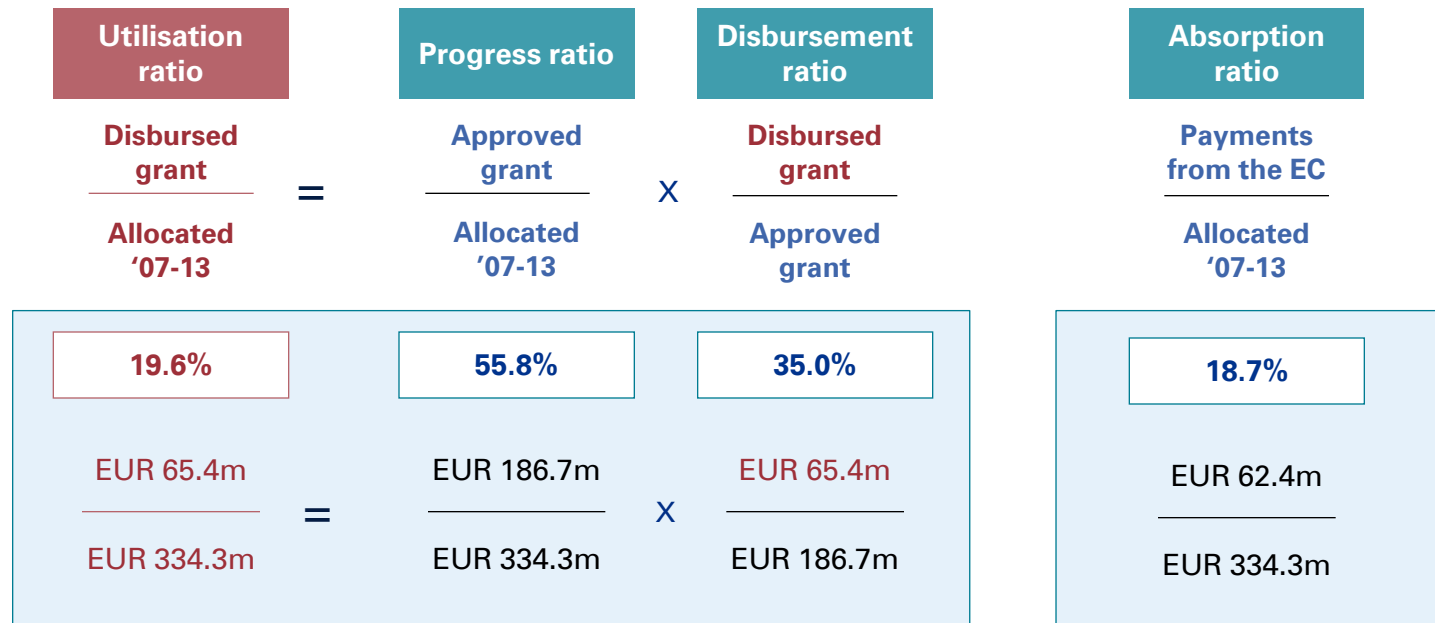
European Regional Development Fund



Summary of findings

DCM findings as at December 2010

Cohesion Fund



Findings on Relevance

Operational Programme I

Summary of findings

Relevance criterion

Socio-economic context	OP I still relevant mainly due to: <ul style="list-style-type: none">■ relatively short period between conceptualisation of OP and MTE■ policy lag■ inertia of supply side variables■ economic crisis – increases the relevance of OP rather than reducing it.
External factors	Implementation on the ground and ability to meet projected targets <p>Affected by a number of external factors</p> <ul style="list-style-type: none">■ Malta's geographical constraints<ul style="list-style-type: none">– limited quantity of public officers and potential beneficiaries– limited sectoral expertise– small number of quality potential bidders for tenders.■ economic crisis has posed challenges (cash flow, etc.) due to current economic realities despite mitigating regulatory adjustments made by the EU■ other external factors: developments with regard to international pricing of raw materials, other cost escalations, exchange rate fluctuations and technological developments.

Summary of findings

Relevance criterion (cont.)

Programme design	<p>Two main criteria confirmed, in our opinion, the adequacy of design, however minor refinements are suggested</p> <p>No significant departure from the 2006 situation analysis as also confirmed by the ex-ante evaluation</p> <p>Broadness and flexibility – pitched at the right levels</p> <p>Minor refinements to address</p> <ul style="list-style-type: none">■ strengthening of the IP framework■ enhancing opportunities for culture and creative industries■ popularisation of science.
Balance between policies & activities co-financed	<p>Main strategic, and other sectoral strategy documents identified, are aligned with Cohesion policy and hence, OP I</p> <ul style="list-style-type: none">■ Vision 2015 synchronised with the NSRF & OP in spirit and policy direction■ rationale of pre-budget documents (2008 - 2011) rooted in objectives put forward by the NSRF, Lisbon Strategy and the Community Strategic Guidelines.

Findings on Efficiency

Operational Programme I

Summary of findings

Efficiency criterion

Reasonable regard to efficiency	<p>Processes leading up to application selection not a major bottleneck</p> <p>Popularity and eligibility pass ratios demonstrate satisfactory levels</p> <p>Progress ratio in excess of linear time proportional expectation</p> <p>Evidence of ramping up (Apr '10 – Dec '10) also supported by increase in absorption ratio.</p> <p>However, lower than expected utilisation ratio indicated potential issues</p> <p>The component ratios included popularity and eligibility ratios which in themselves indicated satisfactory demand and eligibility criteria</p> <p>Utilisation ratio lower than expected resulting mainly from:</p> <ul style="list-style-type: none"> ■ average approval ratio – quality of submissions, withdrawal of applications, insufficient funds at call level, administrative capacity ■ disbursement ratio on the poor side – a mix of capacity, capability, administrative and other factors.
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DCM Ratios	ERDF	CF
Popularity		
Apr '10	172.1%	N/a
Eligibility pass		
Apr '10	71.7%	N/a
Approval		
Apr '10	48.4%	N/a
Disbursement		
Apr '10	9.1%	18.7%
Dec '10	16.3%	35.0%
Utilisation		
Apr '10	5.5%	9.8%
Dec '10	12.1%	19.6%
Progress		
Apr '10	59.7%	52.5%
Dec '10	74.5%	55.8%
Absorption		
Apr '10	8.8%	13.6%
Dec '10	13.4%	18.7%

Summary of findings

Efficiency criterion (cont.)

Balance between entities and respective tasks

Non-comparability of entities

IB perspective:

- ME most efficient from a “Cost per application processed” and “no. of applications processed per FTE” perspective
- DSWS apparently least efficient mainly due to market imperfections reflected in demand levels and number of projects selected for co-financing

Intermediate bodies - key indicators

Estimated cost per application processed - OP I

	at current levels of capacity and capability			at optimal levels of capacity and capability		
	ME	TSDU	DSWS	ME	TSDU	DSWS
	€	€	€	€	€	€
Total	302.19	636.77	1,889.41	308.81	668.54	2,109.69

Cost per 100 EUR of requested / approved grant - OP I

	at current levels of capacity and capability			at optimal levels of capacity and capability		
	ME	TSDU	DSWS	ME	TSDU	DSWS
	€	€	€	€	€	€
Total	0.48	0.39	3.65	0.49	0.41	4.08

No of applications processed per FTE - OP I

	at current levels of capacity and capability			at optimal levels of capacity and capability		
	ME	TSDU	DSWS	ME	TSDU	DSWS
	pcs	pcs	pcs	pcs	pcs	pcs
Total	110.1	11.3	13.1	97.8	10.6	9.2

FTE allocation per application processed - OP I

	at current levels of capacity and capability			at optimal levels of capacity and capability		
	ME	TSDU	DSWS	ME	TSDU	DSWS
	FTE	FTE	FTE	FTE	FTE	FTE
Total	0.01	0.09	0.08	0.01	0.09	0.11

Summary of findings

Efficiency criterion (cont.)

Balance between entities and respective tasks

Non-comparability of entities (cont.)

MA perspective:

- MA's cost per €100 of co-financing considerably lower than OP II, mainly attributable to size of projects co-financed under OP I

Managing Authority - key indicators

- est. cost per application processed – €8,173,31
- est. cost per €100 requested/approved grant – €0.16
- no. of applications per FTE – 4.46
- FTE per application processed – 0.22

Summary of findings

Efficiency criterion (cont.)

More or less resources than allocated?

Most entities indicated requirement for higher levels of capacity

This may be an indication that available capacity is not idle and working at a good rate.

However, we do not have a basis to assert justification for optimal levels of capacity and capability.

Summary of findings

Efficiency criterion (cont.)

More of the same results have been produced with same resources?

Mainstream projects - considerable amount of delay in contracting which in turn is impacting on disbursement progress

Mainly attributable to design stage, mainly in delayed start of design stage post letter of offer/selection

State-aid projects

- contracting progress well over expected levels
- actual disbursement progress is lagging

Other findings from consultations with beneficiaries sampled

Public procurement – main challenge attributable mainly to:

- limited expertise in drafting of tender documents
- changes to templates, procedures and award criteria
- delays in appeals process and apparent capacity shortages at DoC
- capacity and capability constraints related to project resources and particularly for NGO's, reluctance to proceed with contracting in the absence of a final Grant Agreement
- delays in disbursement attributed by beneficiaries to the extent of controls in place from certification to confirmation by line ministry
- timeline compression resulting in added pressures

Findings on Effectiveness

Operational Programme I

Summary of findings

Effectiveness criterion

Likelihood of achievement of project level objectives (indicators)	<p>Planned output and result indicators of selected interventions show healthy signs of likely achievement , in some cases exceeding planned amounts</p> <p>General underperformance on actual achievement reported:</p> <ul style="list-style-type: none">■ impact indicators – lowest achievers, but in general one would expect these to be measurable in the longer term■ however, it has been observed that impact indicators have poor qualities of measurability and sensitivity.
Interventions & instruments used likely to produce the expected effects and where they the appropriate means to reach set objectives?	<p>We believe that the instruments and interventions used were appropriate and are likely to produce the expected effects</p> <ul style="list-style-type: none">■ based on our assessment of the linkage between the indicators and high level objectives■ our assessment of relevance concluded that the socio-economic scenario and objectives designed to address the needs are still relevant■ there is in our opinion, consistency between objectives and indicators, and selected interventions.

Summary of findings

Effectiveness criterion (cont.)

Reasons for achievement or non-achievement of objectives	Already addressed in our assessment of efficiency and progress of implementation Mainly attributable to: <ul style="list-style-type: none">■ internal factors, and■ external factors mentioned earlier.
Generation of outputs / results that could indicate impact on target group	Limited quantifiable outputs and results available Indicator attainment can only be fulfilled , in the majority of cases, upon project completion and therefore time proportional analysis may not fairly indicate actual progress



Summary of recommendations

Operational Programme I

Malta's inherent characteristics, particularly size, location and characteristics, present both a challenge and an opportunity.

Small states such as Malta are inherently vulnerable to :

- adverse economic shocks, exacerbated by the higher degree of openness, export concentration, and dependence on strategic imports
- insularity and peripherality, resulting in higher transportation costs, and proliferation of market imperfections impair the ability to sustain economic development and growth

The institutional, infrastructural and human capital setup required to manage such funds is onerous.

Malta faces difficulties in absorbing funds with relative ease since the administrative and compliance requirements emanating from EC legislation are common across all Member States, irrespective of size.

We believe that it is essential to depart from an acknowledgement of Malta's characteristics, physical limitations and challenges, and occasional market imperfections.

We furthermore emphasise the importance of recognising and acknowledging the importance and the validity of what has already been achieved.

#1.

Speeding up of implementation

Speeding up implementation by:

- Prioritising calls in 2011 to increase progress ratio of the Programme.
- Speeding up the project selection process.
- IB's should ensure quality of applications to minimised bottlenecks at disbursement stage.
- Beneficiaries should ensure well thought out and realistic implementation schedules, which in turn should be checked for reasonableness by the PSC.
- Speed up time lag from letter of offer to grant agreement – minimise uncertainties.
- Focus calls to address underperforming output & result indicators.
- Consider an upward revision of indicators once expected over achievement realised.

#2.

On relevance

Entities encouraged to propose projects to address needs in the following sectors

- IP Framework.
- Further investment in the culture & creative industries supported by an awareness campaign (Govt.) highlighting the need for this industry and potential economic benefits to be derived and support through Cohesion Policy.
- Investing in interventions in support of science popularisation.

10% Commitment for Gozo

- In view of the synergies between OP I and II, and sectoral characteristics of the OPs, the 10% for Gozo commitment should not be tied at Programme level by across the three sources of funding (ERDF, CF & ESF).

#3.

Administrative capacity / efficiency

- Carry out a review of the existing system to evaluate opportunities for simplification of administrative requirements and burdens.
- Capacity shortfalls identified in beneficiary organisations, Line Ministries and enabling bodies (MA, IBs, Doc), which impinge on progress on implementation should be allowed to resort to fixed-term recruitment or outsource to supplement capacity.
- Potential project leaders should be made aware by their respective superiors/MA, prior to submitting a project application, of the extent of time required and associated responsibility with a view to plan ahead and have effective time and resource management within the beneficiary organisation.
- Training should be provided to potential applicants in the time period between call pre-announcements and call issue so as to develop projects in line with eligibility criteria and MA expectations. Line ministries should select the best projects which can provide the maximum possible socio-economic benefit.
- Government should set up, in conjunction with an educational institution such as MCAST, an accreditation system whereby training is provided to equip Project Leaders with the necessary knowledge dealing with applications, public procurement, project management, budgeting and other relevant areas. The training sessions would impart technical knowledge from experts and could also include knowledge sharing sessions seeking to communicate best practice.
- Broaden the pool of people who sit on the Project Selection Committee to at least eight persons to minimise delays due to unavailability. Multiple PSCs can be set up to handle submissions in relation to the different concurrent calls, thus enhancing throughput within the process.
- Changes in operational and administrative procedures (incl. DoC and development related) should be phased in.

Summary of recommendations

#4.

Public procurement

- DoC already has an official prioritisation mechanism which deals with EU funded projects. In order to expedite procurement and mitigate the risks of delays, the DoC should enhance the capacity and capability of such an office, if such an action would result in greater efficiency and timeliness.
- In conjunction with a specialist educational institution, the DoC should contribute expertise to provide specialist training to line ministries responsible for submitting tenders for vetting. Alternatively, the DoC should implant key public procurement experts in some line ministries. This would ensure good quality tender submissions, improve the standard of draft procurement documents submitted to DoC, and result in fewer delays through the procurement process.
- In order to minimise unnecessary delays emanating from the appeals process, we recommend an increase in the capacity of the Review Board and further efforts to speed up the entire process, especially where EU funded projects, which are sensitive to fund decommitment, are involved.

#5.

Maximising the potential of IT

- Introduce an automated process in the SFD which does not rely on manual date stamping input for the six levels involved in the invoice payment process.
- For Aid Schemes dealing with thousands of applications, introduce a web-based front-end interface which facilitates data entry by the beneficiaries.
- Exploit the opportunity to utilise a central Database and Document Management System which would act as the single repository for all documents to be submitted by the beneficiaries upon approval and verification by the MA/IB.

#6. Development permitting

- We recommend that a specific and focused review should be conducted in a year's time in order to assess the outcome of reforms at MEPA and its ultimate impact on EU funded projects
- Consider waiving bank guarantees/fees associated with applying for a development permit in relation to a project financed through Cohesion Policy, or making the applicability/recoverability of such fees dependent upon the eventual approval of the project by the MA.
 - Encourage applicants to give due consideration to the necessary time required for development control related consultations and permit attainment, when devising the timeline or implementation schedule.
 - Ideally, the 'Design' Stage should incorporate a lead time associated with obtaining necessary permits, clearances and certification. In addition, the PSC should ensure that the MEPA section in the application template is resonant and in line with the submitted timelines in the implementation schedule.

Thank you

Mark Bamber

&

Jan Grech



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