

Cohesion Policy 2021-2027

ERDF/CF/JTF Programme (2021-2027)
**Towards a smarter, well connected and resilient economy, a
greener environment and an integrated society**

Guidance Notes on Indicators

Call 5 for Project Proposals under

European Regional Development Fund

Priority 1

A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity

RSO 1.3

Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments (ERDF)

Indicators Overview, Definition and Guidance Document

Overview

In line with monitoring and evaluation obligations established by Regulations (EU) 2021/1060 (CPR), 2021/1058 (ERDF/CF) and 2021/1056 (JTF), the Programme for Malta for the period -2021-2027 - *Towards a smarter, well connected and resilient economy, a greener environment and an integrated Society*, is based on a number of output and result indicators which are to be reached by the year 2029 (target year).

What are indicators and why are they needed?

Simply put, indicators are a tool to measure:

- the progress experienced by a project (henceforth referred to as 'operation') during the course of its implementation;
- the final achievements and deliverables produced by an operation following its full implementation.

Indicators are an integral part of the Managing Authority's (MA) monitoring process and reflect the evolving implementation that is taking place vis-à-vis the respective operations. Monitoring of outputs and direct results allows the MA to observe whether the intended effects of the Programme are being delivered, whether outcomes are being achieved and whether implementation is on track.

Within the context of EU funds, there are both output and result indicators. Output and result indicators are set at the level of the Specific Objective (SO), for each and every Priority listed in the Programme. Output and result indicators are defined as follows:

- Output indicators relate to operations supported. An output is what is directly produced/supplied through the implementation of an operation. On the basis of Article 2(13) of the CPR, an output indicator refers to an indicator which **measures the specific deliverables of the operation**.
- Result indicators aim to track progress relevant to the objectives of the programme. Result indicators track the changes sought which might be brought about by an operation. In line with Article 2(14) of the CPR, a result indicator refers to an indicator which **measures the effects of the operations supported, with particular reference to the direct addressees, population targeted or users of infrastructure**.

Every operation is obliged by the EU Regulations to achieve a number of output indicators, and to contribute to the Programme's result indicators. In this context, Applicants must ensure that the project has clearly identifiable and measurable targets that contribute to a minimum of **one output indicator and one result indicator**. The indicators are set in the Programme under the respective Priority and SO as specified to the Call for Project Proposals. **Project Proposals that fail to do so will not be considered eligible for funding.**

Output Indicators

As previously defined, output indicators quantify the direct deliverables that can be measured following the implementation of a specific operation. Output indicators quantify what is **produced directly** from the operation, such as the number of persons trained through an operation, or the length (measured in km) of a new road constructed through an EU-funded operation. Collectively, all the operations financed under a specific Priority and SO contribute to the attainment of the Programme's (output) indicator targets. Indicators may either be common output indicators, (which are indicators whose methodology is established at an EU level) or programme-specific output indicators (which are nationally defined).

Steps to be considered by Applicants when choosing the output indicator/s for their operations during the planning:

1. **Choose the output indicator/s that best matches the operation's expected outcome and deliverables.**

The indicator/s to be assigned to the operation will depend on the aims and objectives of the respective operation, and how such aims fit into the Programme. Each indicator has a code, a name, a measurement unit, a milestone and a target (see Indicators Table on page 6). If the operation does not fit with any of the output indicators under the SO being targeted by this Call, the operation is probably not suitable for EU funding since it does not fit the objectives that the Programme wishes to achieve.

2. Take time to **establish realistic targets** that can be achieved as part of the milestone targets (end 2024) and upon full project implementation **and/or** by the end of year 2029. It is advisable that applicants neither 'over' nor 'under' set their indicator targets. Over-setting may create a situation where an operation does not reach its committed targets. On the other hand, under-setting will give a poor indication of the actual added value to be created by the operation, which may in certain cases affect the scores achieved by the operation during the Project Selection Committee. When setting milestone (2024) targets, consider a timeline to map out the expected stage of implementation of the operation by the end of the year 2024, creating a contingency for potential delays that may be experienced by then. Based on the expected stage of implementation by the end of 2024, the operation should commit to a partial indicator value, achievable by the end of 2024. This value will be a fraction of the overall value to be achieved by the end of the operation/end of 2029. The target value to be achieved at the end of the year 2029 will therefore include in cumulative form the milestone already achieved in 2024. **Documenting the methodology used to calculate the target setting will prove useful** during the operation's implementation. Applicants are encouraged to include this information in the Application Form, under the relevant Indicator section.

3. Ensure that the output indicators being chosen are calculated using the **measurement unit** established within the Programme. The indicator code and indicator name cannot be modified.
4. Elaborate a **clear and detailed methodology** which will be adopted during the course of the operation's implementation **to calculate the progress of the output indicator**. Indeed, whilst the project will commit towards a target to be reached by 2024 and later, by the end of the operation and/or by the end of the 2029, data on the progress of the output indicator/s will be reported to the MA in a staggered approach during the course of the operation's implementation. Due to reporting requirements set by the European Commission, Beneficiaries are to expect a **biannual reporting** of the indicators, as a minimum. It is important that the methodology chosen to calculate and/or source the indicator/s is readily available or can be made available at the Beneficiary's own expense, as and whenever requested by the MA or other entities involved in the implementation or auditing of EU funds.
5. Lastly, identify the **supporting documentation** that will be provided to the MA and other entities working on monitoring and evaluation of EU funds during the course of implementation. Any indicator that is reported to the MA needs to be backed up by supporting documentation. Such documentation provides **evidence** of the indicator value reached (whether partially or in whole). Indicators reported without the necessary supporting documentation **will not be considered by the MA during the implementation phase** and Beneficiaries risk loss of funds and/or other repercussions. It is therefore imperative that documentation is available or can be made available at the Beneficiary's own expense and is to accompany each indicator reported.

Applicants are to note that Steps 1 to 5 are to be followed for EACH indicator chosen. A general methodology covering several indicators is therefore not acceptable. EACH indicator needs to have a clear and separate methodology explaining its target setting; methodology detailing its achievement during the course of implementation; and the supporting documentation to be provided as proof of the indicator value being reported.

Result Indicators

Result indicators measure the direct **impact/change** resulting from the interventions being funded through the Programme vis-à-vis the national context. Whilst output indicators are a measure of what was 'created' as a direct result of the intervention, result indicators focus more on the overall effects of the operations. Result indicators therefore tend to measure broader and more macro issues, such as a change in air quality levels, or a change in the unemployment levels of the country as a direct result of an operation. Similar to output indicators, result indicators may either be common or programme-specific.

Result indicators are therefore similarly linked to the implementation of operations and are to be achieved by the end of the operation and/or by the end of the 2029. Each applicant needs to include a minimum of one result

indicator as part of the project Application Form. To this end, Steps 1 to 5 that have been presented in the section ‘output indicators’ apply equally to the result indicators, with the following exceptions:

- a. Unlike output indicators, **result indicators do not include milestone (2024) targets**. Step 2 therefore is only applicable for the 2029 target setting.
- b. Result indicators include a **baseline reference and baseline year**. The baseline is a measurement of the starting point pre-Programme, which seeks to establish the real change to be created by the operation upon reaching the target value (2029). This information is important since depending on the methodology that was used to establish the baseline value (*which methodology is shared in the next sections of this document*), Applicants and subsequent Beneficiaries will be required to follow **the same methodology and calculations to measure their indicator achievements**. Therefore, the methodology for result indicators is prescribed by the MA and does not need to be reinvented by Applicants.

Depending on the indicator and its methodology, the achieved values for result indicators will be collected either: 1) during implementation; 2) upon completion of the operation; or 3) within 12 months after the completion of the operation. Unless specified in the definition of a particular result indicator, most result indicators will be collected **during implementation**.

Understanding the Indicator Targets Set in the Programme

Whilst each respective operation will be expected to contribute to an output and a result indicator/s on an individual basis, the Programme indicator targets reflect the **cumulative target to be achieved by the various operations** financed under a particular SO. For both output and result indicators, the MA thus aggregates the indicator values achieved by each operation in order to then achieve the Programme’s targets.

In this regard, Beneficiaries have a collective responsibility in ensuring that the committed targets for their respective operations are achieved, for Malta to successfully reach the Programme’s indicator targets.

List of Indicators by relevant Specific Objective

(Applicants are expected to choose one or more output indicator/s and result indicator/s from the following list. Target values are at Programme level, i.e., each operation needs to contribute a fraction of that target. Exceptions apply in instances where only one operation is to be funded under a SO, in which case the operation will be expected to meet the full Programme target.)

Priority 1 – A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity					
Specific Objective	SO RSO 1.3. - Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments (ERDF)				
Indicator type, Code & Name	Measurement Unit	Baseline Value (only for Result indicators)	Baseline Year (only for Result indicators)	Milestone (2024) (only for Output indicators)	Target (2029)
Output Indicator RCO01 Enterprises supported (of which: micro, small, medium, large)	Enterprises	/	/	51	400
Output Indicator RCO02 Enterprises supported by grants	Enterprises	/	/	35	250
Output Indicator RCO03 Enterprises supported by Financial Instruments	Enterprises	/	/	16	110
Output Indicator RCO04 Enterprises with non-financial support	Enterprises	/	/	0	40
Output Indicator RCO15 Capacity of incubation created	Enterprises	/	/	0	50
Output Indicator PSO01 Area covered by incubation/ industrial facilities created	m2	/	/	0	17,000

Result Indicator RCR02 Private investments matching public support (of which: grants, financial instruments)	euro	/	2021	/	167,200,000
Result Indicator RCR17 New enterprises surviving in the market	Enterprises	0	2021	/	60
Result Indicator RCR18 SMEs using incubator services after incubator creation	Enterprises/year	0	2021	/	40
Result Indicator RCR19 Enterprises with higher turnover	Enterprises	0	2021	/	300

Indicator Definitions and examples of supporting documentation

Output Indicators:

- RCO01 Enterprises supported (of which: micro, small, medium, large):** This output indicator measures the total number of enterprises supported through EU funds. Support can be either in-kind or monetary. For the purpose of this indicator, enterprises are profit-oriented organisations that produce goods and services to satisfy market needs. Social enterprises whose main objective is to have a social impact may also be considered. Each enterprise supported contributes 1 to this indicator (thus excluding double-counting of enterprises).

Reporting timeframe: Beneficiaries are to be guided by the reporting timeframes listed under RCO02, RCO03 and RCO04 for reporting timeframes.

This indicator is to be further subdivided by size of enterprise, whether micro, small, medium or large.

The categorisation for the different enterprises is provided by the EU Commission, and is as follows:

- Micro enterprise (≤ 10 employees and annual turnover \leq EUR 2 million, or balance sheet \leq EUR 2 million);
- Small enterprise (10-49 employees and annual turnover $>$ EUR 2 million - \leq EUR 10 million or balance sheet in $>$ EUR 2 million - \leq EUR 10 million);
- Medium enterprise (50-249 employees and annual turnover $>$ EUR 10 million - \leq EUR 50 million or balance sheet in EUR $>$ EUR 10 million - \leq EUR 43 million);
- Large enterprises ($>$ 250 employees and turnover $>$ EUR 50 million or balance sheet $>$ EUR 43 million). If either of the 2 thresholds (employees and annual turnover/balance sheet) is exceeded the enterprises shall be categorised in the size category above.

Examples of supporting documentation to verify the attainment of this indicator (non-exhaustive list) include:

- Signed Grant Agreement or equivalent

2. RCO02 Enterprises supported by grants: This output indicator measures the number of enterprises receiving monetary support in the form of grants. Each enterprise supported contributes 1 to this indicator. This indicator is a subset of indicator RCO01.

Reporting timeframe: This indicator is to be reported during the year when the grant support is completed.

Examples of supporting documentation to verify the attainment of this indicator (non-exhaustive list) include:

- list of documentation provided for indicator RCO01.

3. RCO03 Enterprises supported by Financial Instruments: This output indicator measures the number of enterprises receiving support in the form of loans, interest subsidy, credit guarantee, venture capital or other financial instrument. Financial instruments in this context include quasi-equity, equity, guarantees, and loans as defined in Regulation EU 2018/1046 Each enterprise supported contributes 1 to this indicator. This indicator is a subset of indicator RCO01.

Reporting timeframe: For loans and guarantees, first payment from the bank to the final recipient of the underlying loan is to be considered as the timeframe to report on this indicator. For venture capital, the date of the first investment is to be considered as the timeframe to report on this indicator.

Examples of supporting documentation to verify the attainment of this indicator (non-exhaustive list) include:

- list of documentation provided for indicator RCO01.

- 4. RCO04 Enterprises with non-financial support:** This output indicator measures the number of enterprises supported through non-financial support, through EU funded projects. Each support provided contributes 1 to this indicator. One-off interactions (ex: phone calls for information requests) are not included. Examples of non-financial support include services such as (non -exclusive list): advisory services (consulting assistance and training for the exchange of knowledge and experience etc) or support services (provision of office space, websites, data banks, libraries, market research, handbooks, working and model documents etc). This indicator is a subset of indicator RCO01.

Reporting timeframe: The first time the enterprise received the non-financial support under the programme is to be considered as the timeframe to report on this indicator.

Examples of supporting documentation to verify the attainment of this indicator (non-exhaustive list) include:

- list of documentation provided for indicator RCO01.

- 5. RCO15 Capacity of incubation created:** This output indicator measures the number of enterprises that can be served on a yearly basis by a new business incubator created as a result of EU support. For an existing incubator supported to extend its capacity, the indicator measures the additional number of enterprises that can be served on a yearly basis due to the extension of incubation capacity. The objective of this indicator is to measure new incubation capacity created and not the improvement of services in existing incubators (i.e. only instances of extended capacity in existing incubators can contribute to this indicator). This output indicator is linked with result indicator *RCR18: SMEs using incubator services after incubator creation*.

Reporting timeframe: Upon creation of the incubator capacity in the supported project.

Examples of supporting documentation to verify the attainment of this indicator (non-exhaustive list) include:

- Information on the proposed intervention in terms of new and/or modernised facilities and the services being offered, including information on total infrastructural capacity in terms of total maximum number of enterprises that can be hosted by such facilities. In addition, for existing incubators, information on previous capacity is to be made available, in order to calculate the increased capacity.
- Provisional Acceptance Certificates, as applicable
- Declaration from project Beneficiary and/or professionals engaged to work on the project confirming the completion of works, as applicable.
- Other documentation considered relevant.

6. **PSO01 Area covered by incubation/industrial facilities created:** This output indicator measures the total area covered by the development of new incubation/industrial facilities.

Reporting timeframe: This indicator is to be reported at completion stage.

Examples of supporting documentation to verify the attainment of this indicator (non-exhaustive list) include:

- Certified site plans of the site showing the total area covered by the development of new incubation/industrial facilities.
- Provisional Acceptance Certificates, as applicable.
- Declaration from project Beneficiary and/or professionals engaged to work on the project confirming the completion of works and the total area upon which incubation/industrial facilities were created, as applicable.
- List / general description of the incubation/industrial facilities created over the area being considered for this indicator.
- Other documentation considered relevant.

Result Indicators:

7. **RCR02 Private investments matching public support (of which: grants, financial instruments):** This result indicator measures the total private contribution co-financing the supported projects where the form of support is a grant or is based on financial instruments. The indicator covers also the non-eligible part of the project cost, also including VAT. For state owned enterprises, the indicator covers the co-financing contributions from their own budget. The indicator should be calculated based on the private co-financing foreseen in the financing agreements. In the case of financial instruments, it is intended to cover both private financing by the intermediary (fund manager) and the final recipient. The indicator is to be used for all interventions with private co-financing foreseen in the financing agreement.

Reporting timeframe: Signature of the grant agreement or decision on Financial Instrument financial support with the final recipient.

Examples of supporting documentation to verify the attainment of this indicator (non-exhaustive list) include:

- Redacted copy of the financing agreements for enterprises benefitting from support through EU grants or financial instruments, as applicable.
- Declarations from auditors, accountants, or other relevant professionals attesting to the private co-financing incurred by enterprises benefitting from EU support through grants or financial instruments.
- Other documentation deemed relevant.

8. RCR17 New enterprises surviving in the market: This result indicator measures the number of new enterprises supported that are still active in the market at least one year after completion of output. Factors determining survival include for example the enterprise turnover declared for the fiscal year following the year when output is completed. New enterprises are considered as recently established enterprises or business ventures in their early stages of development, which did not exist during the three years period before the project started. Each new enterprise supported by this intervention contributes 1 to this indicator.

Reporting timeframe: End of fiscal year following the year when output is completed.

Examples of supporting documentation to verify the attainment of this indicator (non-exhaustive list) include:

- Information from Beneficiary on the total number of new enterprises supported through EU funds, including the date on the start of operations for each enterprise, the date of registration of the new enterprises with the MBR, and other information which shows the operability of enterprises.
- Building on the previous point, information from Beneficiary indicating the enterprises that are still operational one year after the start of operations, as per date declared in previous point.
- Declaration from enterprise's accountant, auditors, or other relevant professionals confirming operability one year after.
- Other documentation considered relevant.

- 9. RCR18 SMEs using incubator services after incubator creation:** This result indicator is based on the number of SMEs and micro enterprises making direct and active use of the new and/or modernised facilities in a given year. This indicator is to be used only for interventions aiming at creating new incubation/ additional capacity (measured by RCO15). In addition, for existing incubators, information on previous annual number of enterprises using the incubator services before the intervention is to be made available, to calculate the increased number of enterprises making use of incubator services.

Reporting timeframe: One year after the completion of incubator capacity in the supported project.

For the scope of this indicator, micro, small and medium enterprises are defined as follows:

- Micro enterprise (<= 10 employees and annual turnover ≤ EUR 2 million, or balance sheet ≤ EUR 2 million);
- Small enterprise (10-49 employees and annual turnover >EUR 2 million - ≤ EUR 10 million or balance sheet in > EUR 2 million - ≤ EUR 10 million);
- Medium enterprise (50-249 employees and annual turnover >EUR 10 million - ≤ EUR 50 million or balance sheet in EUR > EUR 10 million -≤ EUR 43 million);

Examples of supporting documentation to verify the attainment of this indicator (non-exhaustive list) include:

- Information from Beneficiary on the total number of enterprises accommodated at the facility in a given year. Documentation to be provided may include a report showing the number of lease agreements signed with SMEs for the direct use of the facilities, or other similar documentation attesting to the number of new enterprises using said facilities.
- Other documentation considered relevant.

- 10. RCR19 Enterprises with higher turnover:** This result indicator counts the number of enterprises for which the annual turnover for the fiscal year after the year of completion of output is at least as high as the annual turnover growth in the year before the project started. The indicator is to be used when the objective of the intervention is to sustain or achieve higher turnover growth. For enterprises with no or negative turnover growth before the project started, the turnover growth rate during the fiscal year after the year of output completion should be at least 2%. For the purpose of this indicator, the enterprise turnover comprises the totals invoiced by the enterprise during the reference period (one year) and it corresponds to market sales of goods and services supplied to third parties.

Reporting timeframe: End of fiscal year following the year when output is completed.

Examples of supporting documentation to verify the attainment of this indicator (non-exhaustive list) include:

- Copy of signed lease agreements, grant agreements, financing agreements, data of number of enterprises benefitting from complementary advisory services and structures support services, as applicable.
- Turnover data from financial statements submitted by Enterprises benefitting from the support. Documentation to be provided may include copies of financial statements from enterprises for the year prior the project starts and the year after project completion. Declarations from auditors, accountants, or other relevant professionals attesting the submitted financial statements.
- Other documentation considered relevant.

Other Notes

When compiling and gathering data for the indicators, the necessary audit trail should always be in place. **Applicants should note that failure to deliver on the agreed indicators could result in EU Funds being withdrawn and/or reimbursed in part or in whole by the Beneficiary.**

When an indicator seeks to measure the number of users benefiting from a project, the Beneficiary is to ensure that **complete records of users / participants** (such as names and contact details, as a minimum) are retained at the Beneficiary's end, even if these are not directly requested by the MA for indicator verification purposes (as part of the list of supporting documentation). Such user/participant details are needed to confirm the global indicator value reported, where the MA, auditors, or EU Commission representatives may request to check this data during project physical checks or audits. Furthermore, user records and contact information represent a useful source of data for programme/project evaluation purposes.