



WP1: Synthesis report

*Ex post evaluation of Cohesion Policy programmes
2007-2013, focusing on the European Regional
Development Fund (ERDF) and the Cohesion Fund (CF)*

Task 3 Country Report Malta

September 2016



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**WP1: Synthesis report
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**Task 3 Country Report
Malta**

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List of abbreviations

AIR	Annual Implementation Report
CF	Cohesion Fund
ERDF	European Regional Development Fund
ETC	European Territorial Cooperation
EU	European Union
GDP	Gross Domestic Product
GDFCF	Gross Domestic Fixed Capital Formation
MA	Managing Authority
NSRF	National Strategic Reference Framework
NUTS	Nomenclature of Territorial Units for Statistics
OP	Operational Programme
R&D	Research and Development
RTD	Research and Technological Development
SME	Small and Medium Enterprise



List of programmes and link to beneficiaries of ERDF and Cohesion Fund support

CCI	Name of OP	Link beneficiaries	N° Projects
2007MT161PO001	OP Investing in Competitive ness for a Better Quality of Life	http://eufunds.gov.mt/en/Operational%20Programmes/Operational%20Programme%20I%20Approved%20Projects%20and%20Beneficiaries/Documents/Approved%20Projects%202014/List%20of%20Beneficiaries_OPI%20ERDF%20Malta_ppcdwebsite_AS%20AT30.09.2014%20incl%20call%2020%20	134

Note: The web links above are to websites of the respective Managing Authorities who, under the rules governing the 2007-2013 programmes were required to publish the names of the beneficiaries of the funding allocated. The number of projects supported has been estimated on the basis of the information published on the website at the time when the data were downloaded. In the meantime the data concerned may have been updated. It may also be that the data have been moved to another part of the website, in which case the link may not work. If this is the case, those who wish to locate the data concerned will need to go to main OP website, as indicated by the beginning part of the link and search from there



Map 1 Malta and NUTS 2 regions, GDP/head (PPS), 2014



Malta: GDP/head (PPS) by NUTS-2 region, 2014

- Index, EU-27 = 100
- < 50
 - 50 - 75
 - 75 - 90
 - 90 - 100
 - 100 - 125
 - >= 125
- ∕ NUTS2 boundaries

Sources: Eurostat, DG REGIO



Preliminary note

The purpose of the country reports is to provide each Member State a short guide to the findings of the ex post evaluation of the Cohesion policy programmes 2007-2013 undertaken by DG Regional and Urban Policy and an overview of the context in which the programmes were carried out. It is based on information produced by Task 1 and Task 2 of WP1 and on the country specific findings from the various WPs that form the ex post evaluation. These are listed below with an indication in brackets of the case studies carried out in the Member State concerned.

WP0 – Data

WP1 – Synthesis

WP2 – SMEs, innovation and ICT

WP3 – Venture capital, loan funds

WP4 – Large enterprises

WP5 – Transport

WP6 – Environment (case study South Sewage Treatment Infrastructure)

WP8 – Energy efficiency

WP9 - Culture and tourism (case study Malta OP and two mini case studies: Grant Scheme - Historical Fortifications)

WP10 – Urban development and social infrastructure

WP11¹ – European Territorial Cooperation

WP12 – Delivery system

WP13 – Geography of expenditure

WP14 – Impact modelling

¹ The findings from WP11 – European Territorial Cooperation are summarised in a separate report as part of Task 3 of WP1.



Executive summary

During the 2007-2013 period, the Maltese economy suffered only slightly from the global recession, with GDP growth remaining positive, except in 2009, and consistently well above the EU average. As a result employment increased significantly and almost continuously, the proportion of working-age population in work rising over the 2007-2015 period from well below that in most other EU countries to only slightly below the average. The unemployment rate remained below 7% throughout the period but fell relatively little as increasing numbers of people, especially women, joined the labour force, pushing up the rate of participation.

Despite the growth, and to some extent fuelling this, the budget balance was in deficit right through the period, though remaining below 3% of GDP. Government investment, however, was reduced significantly between 2007 and 2009 in relation to GDP and remained relatively low at less than 3% of GDP up until 2015 when it increased to almost 5% of GDP.

Over the 2007-2013 period, Malta received support from the ERDF and Cohesion Fund under the Convergence Objective amounting to EUR 728 million, equivalent to 1.6% of GDP and 42.5% of Government capital expenditure, representing EUR 251 per head of population each year.

The ERDF and Cohesion Fund were mainly used for investment in environmental infrastructure projects (25%), culture and social infrastructures (23%) and transport (20%). Significant shifts of funding between policy areas occurred over the period, in particular from environmental infrastructure and transport to culture and social infrastructure mainly to increase the rate of expenditure.

Although the rate of programme implementation increased in 2013 and 2014, it was from a relatively low level and payments from the Commission to reimburse expenditure amounted to only 83% of the total funding available at the end of March 2016. Given that all funding needs to have been spent by the end of 2015 to comply with the regulations, this suggests that this might not have happened and so gives rise to the possibility of a loss of funding.

Overall, the measures co-financed over the period led directly to the creation of over 415 jobs and helped 17 businesses to start up. In addition, support for investment in transport resulted in the upgrading of 13 km of roads.

Overall, the investment supported by Cohesion and rural development policies in Malta over the period is estimated to have increased GDP in 2015 by 2.3% above what it would have been without the funding involved and in 2023, it is further estimated that GDP will be 1.6% higher as a result of the investment concerned.



1. The policy context and background

1.1. Macroeconomic situation

During the 2007-2013 period, the Maltese economy was affected much less than most other Member States by the global recession and by the financial crisis which triggered it. Although GDP declined in 2009, it grew over the period 2007-2009 instead of contracting as elsewhere in the EU, especially in the south. From 2010 on, growth was relatively strong and continuous, far exceeding the rate in the rest of the Union as well as the rate in the pre-recession period (Table 1).

As a consequence, employment increased significantly over the period, the proportion of working-age population (defined as those aged 20-64) in work increasing from under 60% in 2007, one of the lowest levels in the EU, to close to 70% in 2015, only just below the EU average. Most of the people taking the job created were new entrants to the labour force, mainly women, so the participation rate increased markedly and the unemployment rate declined only a little, though it remained below 7% throughout the period and fell to only just above 5% in 2015.

Table 1 GDP growth, employment and unemployment, Malta and the EU, 2000- 2015

	2000-07	2007-09	2009-11	2011-13	2013-14	2014-15
GDP growth	(Annual average % pa)					
Malta	2.3	0.4	2.8	3.5	4.1	4.9
EU average	2.3	-2.0	1.9	-0.1	1.4	1.9
	2000	2007	2009	2011	2013	2015
Employment rate (% 20-64)						
Malta	57.5	58.6	59.0	61.6	64.8	67.8
EU average	66.5	69.8	68.9	68.6	68.4	70.1
Unemployment rate (% lab force)						
Malta	6.3	6.5	6.9	6.4	6.4	5.4
EU average	9.2	7.1	8.9	9.6	10.8	9.3

Source: Eurostat, National accounts and Labour Force Survey

The public sector balance was in deficit even before the onset of the global recession and it increased only slightly in 2009 as GDP fell. For most of the period from then on, it remained at around 2.5% of GDP below falling to 1.5% in 2015. (Table 2). In consequence, public sector debt which was already above 60% of GDP in 2007 remained at just below 70% of GDP for much of the period without posing financing problems for the Government. Government investment, however, was reduced in 2009 from just under 4% of GDP to only 2.4% as GDP fell and it remained at below 3% in the following years up until 2015 when it was increased to almost 5%. For most of the period, therefore, public investment was lower than the EU average and lower still than in most other EU12 countries.

Table 2 Government budget balance, accumulated debt and investment, Malta and the EU, 2000-2015

	2000	2007	2009	2011	2013	2015
Public sector balance	(% GDP)					
Malta	-5.5	-2.3	-3.3	-2.6	-2.6	-1.5
EU average	0.0	-0.9	-6.7	-4.5	-3.3	-2.4
Public sector debt						
Malta	60.9	62.4	67.8	69.9	68.6	63.9
EU average	60.6	57.9	73.1	81.1	85.5	85.2
General Government investment						
Malta	3.9	3.8	2.4	2.8	2.9	4.6
EU average	2.9	3.2	3.7	3.3	3.0	2.9

Source: Eurostat Government financial accounts



1.2. Regional Disparities

Malta is a single NUTS2 region with a population of around 429 thousand and a GDP per head, which was 78% of the EU average in 2007 but which, because of the growth over the period, had increased to 86% in 2014. The employment rate, has noted above, has also tended to converge towards the EU average.

The Maltese archipelago includes three islands: Malta, Gozo and Comino. The latter two are less developed than Malta, the main island, with a GDP per head which is only around two-thirds of the latter. This gap remained much the same over the programming period and, if anything, widened marginally.

2. Main features of Cohesion Policy implementation

2.1. Nature and scale of Cohesion Policy in the country

During the 2007-2009 programming period, Malta received support from the ERDF and Cohesion Fund under the Convergence Objective. There was just one Operational Programme OP, 'Investing in Competitiveness for a Better Quality of Life' which had 6 priorities : (a) improving knowledge and innovation; (b) promoting sustainable tourism; (c) developing the TEN-T; (d) climate change and resource efficiency; (e) safeguarding the environment and risk prevention; (f) urban regeneration and improving the quality of life.

The funding available for the period 2007-2013 amounted to EUR 728 million, equivalent to around 1.6% of GDP over the period and to 42.5% of Government capital expenditure or to EUR 251 per head per year, 20% more than average in Convergence regions in the EU12 (Table 3).

Table 3 ERDF, Cohesion Fund and national co-financing for the 2007-2013 period in Malta, initial (2007) and last (April 2016)

	2007				2016			
	EU funding	National public funding	National private funding	Total	EU funding	National public funding	National private funding	Total
EUR million								
Convergence Change, 2007-2014	728.1	128.5	-	856.6	728.1	128.5	-	856.6
Convergence % GDP	1.6	0.3	-	1.8	-	0.0	-	0.0
% Govt. capital expend	42.5	7.5	-	50.0	42.5	7.5	-	50.0
Per head (EUR) pa								
Convergence	251.2	44.3	-	295.6	251.2	44.3	-	295.6
EU15								
% GDP	2.1	0.4	0.1	2.6	2.2	0.4	0.1	2.6
% Govt. capital expend	38.3	7.6	1.0	46.9	38.7	6.4	1.4	46.5
Per head (EUR) pa								
Convergence	212.4	42.1	5.6	260.2	214.6	35.5	7.8	258.0

Note: EU funding relates to decided amounts as agreed in 2007 and as at 14 April 2016. The figures for % GDP and % Govt. capital expenditure relate to funding for the period as % of GDP and Govt. capital expenditure aggregated over the years 2007-2013. Govt. capital expend is the sum of General Government gross fixed capital formation and capital transfers. The EU12 figures are the total for the EU12 countries for comparison.

Source: DG Regional and Urban Policy, Inforegio database and Eurostat, national accounts and Government statistics

2.2. Division of funding between policy areas and changes over the period

Funding was concentrated in three broad policy areas, all concerned with expanding and improving infrastructure endowment – the environment (25%), transport (20%) and cultural and social infrastructure (23%) (Table 4).



Table 4 Division of financial resources in Malta for 2007-2013 by category, initial (2007) and last (April 2016) and shift between categories

Category	EUR mn					% Total	
	2007	2016	Added	Deducted	Net shift	2007	2016
1.Innovation & RTD	50.5	61.2	24.9	-14.2	10.7	6.9	8.4
2.Entrepreneurship	11.5	17.7	6.2	-	6.2	1.6	2.4
3.Other investment in enterprise	8.0	5.4	-	-2.6	-2.6	1.1	0.7
4.ICT for citizens & business	27.0	16.7	-	-10.3	-10.3	3.7	2.3
5.Environment	258.4	184.5	37.3	-111.3	-74.0	35.5	25.3
6.Energy	34.8	75.5	51.4	-10.8	40.6	4.8	10.4
7.Broadband	-	-	-	-	-	-	-
8.Road	132.3	103.4	6.4	-35.2	-28.9	18.2	14.2
9.Rail	-	-	-	-	-	-	-
10.Other transport	56.0	41.7	4.5	-18.8	-14.3	7.7	5.7
11.Human capital	-	-	-	-	-	-	-
12.Labour market	-	-	-	-	-	-	-
13.Culture & social infrastructure	128.4	170.3	65.9	-23.9	41.9	17.6	23.4
14.Social Inclusion	-	-	-	-	-	-	-
15.Territorial Dimension	10.7	41.2	34.6	-4.1	30.6	1.5	5.7
16.Capacity Building	2.0	0.6	-	-1.4	-1.4	0.3	0.1
17.Technical Assistance	8.5	9.9	3.7	-2.3	1.4	1.2	1.4
Total	728.1	728.1	234.8	-234.8	-	100.0	100.0

Note: 'Added' is the sum of additions made to resources in OPs where there was an increase in the funding going to the category. 'Deducted' is the sum of deductions made to resources in OPs where there as reduction in the funding going to the theme.

Source: DG Regional and Urban Policy, Inforegio database, 14 April 2016

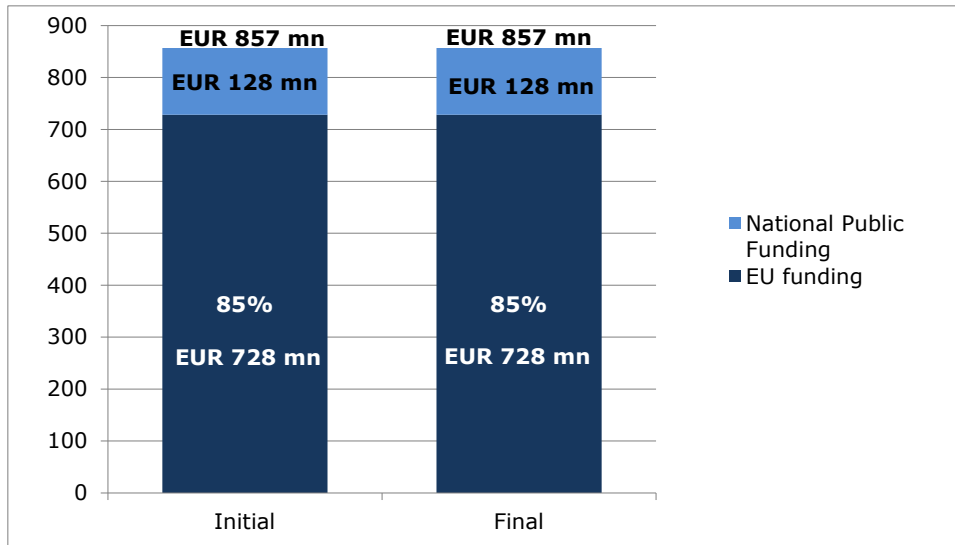
This distribution is somewhat different from that planned at the beginning of the period. In particular, a significant amount of funding was shifted away from the environment and, to a lesser extent, transport, to culture and social infrastructure, energy and tourism (included in the 'territorial dimension' in the table). These changes had two main aims, to increase the rate of absorption of funding – or the rate that expenditure was taking place, which was indicated below was relatively slow up to 2013 – and to redirect funding to areas considered more effective for realising policy goals, in this case a more immediate effect on economic activity.

2.3. Policy implementation

There was no change over the period in the amount of funding from the ERDF and Cohesion Fund or from national government. The EU co-financing rate remained at 85% and there was no loss funding from de-commitments (i.e. a failure to spend funding within the two years allowed), at least up to the end of 2015 (Figure 1).



Figure 1 Total funding going to expenditure on Cohesion policy programmes for the 2007-2013 period, initial planned amount and final amount (EUR mn)

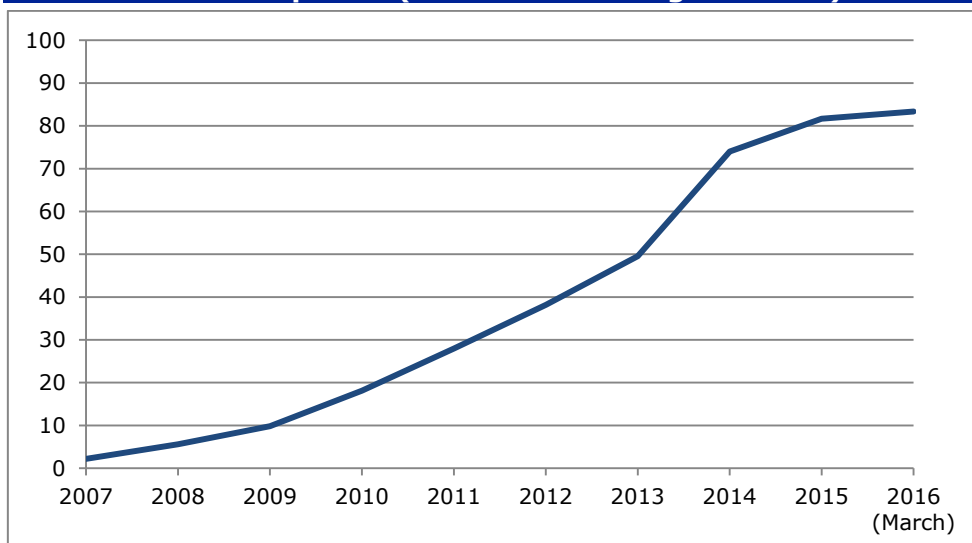


Source: DG Regional Policy financial data, 14 April 2016

The rate of implementation of programmes, as reflected in payments from the Commission to reimburse expenditure carried out and claimed for in relation to the total funding available, was slow up to the end of 2013, 7 years into the programming period, when less than half of the funding had been paid (Figure 2).



Figure 2 Time profile of payments from the ERDF and Cohesion Fund to Malta for the 2007-2013 period (% of total funding available)



Source: DG Regional Policy financial data, end-March 2016

Funding was shifted between policy areas, as well as within them, in response to this in both 2013 and 2014 and the rate of expenditure increased markedly over the remaining part of the period. Nevertheless, at the end of March 2016, only 83% of the funding available had been paid, suggesting that all of the funding might not have been spent by the end of 2015 as required by the regulations. This raises the possibility that funding might be lost as a result, though it is also possible that the authorities were slow to claim payment for the expenditure which had been undertaken or payments were delayed.

3. The outcome of Cohesion Policy programmes – main findings from the ex post evaluation

The main findings summarised here come from the evaluations carried out under the Work Packages (WPs) of the ex-post evaluation exercise. These covered in detail the following policy areas:

- Support to SMEs – increasing research and innovation in SMEs and SME development (WP2);
- Financial instruments for enterprises (WP3);
- Support to large enterprises (WP4);
- Transport (WP5);
- Environment (WP6);
- Energy efficiency in public and residential buildings (WP8);
- Culture and tourism (WP9);
- Urban development and social infrastructure (WP10);
- European Territorial Cooperation (WP11);
- Delivery system (WP12);
- Geography of expenditure (WP13);
- The impact of cohesion policy 2007-2013: model simulations with Quest III and Rhomolo (WP14).

All of these are relevant for Malta except the evaluation on large enterprises (WP4), which focused on the countries for which support for these was largest, which did not include Malta, and the evaluation on the delivery system (WP12), which did not



include Malta among the Member States examined in detail. The evaluation of ETC (WP11), it should be noted, is the subject of a separate report, while the estimates produced by WP13 on the allocation of funding and of expenditure between regions are not considered here².

3.1. Enterprise support and innovation (WP2, WP3 and WP4)

The ERDF allocated to this broad policy area amounted to around EUR 84 million, or just under 12% of the total funding available from the ERDF and Cohesion Fund combined. The larger part of the funding (almost three-quarters) went to RTD and innovation, the remainder going to the support of other investment in enterprises (apart from innovation and RTD) and of entrepreneurship.

SME support, R&D and innovation (WP2)

The share of funding going to the support of SMEs, whether directly or indirectly, amounted to only 3% of the total funding available. It was equivalent to only 0.4% of total investment gross domestic fixed capital formation in the country over the period, only half of the average in other EU12 Member States. Overall, up to the end of 2014, 15 RTD projects had been carried out with ERDF support and 17 businesses had been helped to start up.

Financial Instruments for enterprises (WP3)

EUR 10.2 million was put into Financial Instruments (FIs) in the 2007-2013 period, around 12% of the total ERDF support to enterprises. By the end of 2014, all the funding allocated to FIs had been paid into funds and 81% had reached final recipients, leaving only 19% to reach them in the final year.

FIs were used mainly to compensate for the lack of access of SMEs to credit from the financial market. There was a single JEREMIE Holding Fund, managed by the European Investment Bank, which financed one specific fund managed by a private fund manager (the Bank of Valletta). The scheme was successful in that the guarantees of EUR 10.2 million led to over EUR 60 million of loans being extended to SMEs by financial institutions.

3.2. Transport (WP5)

Some EUR 145 million, or just under 20% of the total funding available, went to support investment in transport over the period. Most of this (71%) was allocated to roads. The EU represented a significant source of funding for transport in the country, amounting to 60% of the total government investment undertaken between 2007 and 2013.

At the end of 2014, the support given had led to the reconstruction of 13 km of existing roads in Malta (see Table 5 at the end of this section).

3.3. Environmental infrastructure (WP6)

EUR 182 million of funding was set aside for the environment over the period, 25% of the total available, which is much less than initially planned (35%). Much of this (EUR 119 million) went to investment in waste management (EUR 37 million), clean water supply and wastewater treatment (together accounting for EUR 82 million), the areas covered by the WP6 evaluation.

Over the 2007-2013 period, the share of municipal waste recycled was increased from 2% to 6%. No data are reported on the results of the water supply and wastewater treatment projects in terms of the population covered (but see Box).

² They are available at: http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/#1.



Malta South Sewage Treatment Infrastructure case study³

The project had a total cost of EUR 68 million, of which 85% was co-financed by Cohesion policy funding. The project was aimed at helping Malta comply with the Urban Waste Water Directive and the Bathing Water Directive⁴. As a result of the project, all wastewater in the country was collected and the aim of complying with the Bathing Water Directive was achieved. However, it did not succeed in removing sufficient organic compounds to fully comply with the requirements of the Urban Waste Water Directive.

3.4. Energy efficiency in public and residential buildings (WP8)

Some EUR 33 million, or 4% of the total funding available, was allocated over the period to investment in energy efficiency, co-generation and the energy management, which included energy efficiency in public and resident buildings, the focus of the evaluation carried out by WP8. Support went to both public and residential buildings to extend and improve insulation of roofs and walls and basements and to install new heating, cooling and ventilation systems.

3.5. Culture and tourism (WP9)

Tourism is a key driver of economic growth in Malta and over the 2007-2013 period, EUR 102 million was allocated to support both tourism and culture, the preservation of the cultural and historical heritage being of major importance to attracting tourists. Indeed more funding was set aside for support of cultural assets, primarily historical structures (EUR 64 million), than tourism (EUR 38 million). The overall amount of funding represented 14% of the total available, larger than in other Member States. Projects were implemented through a centralised, top-down approach, which ensured a high level of absorption of funds (close to 100%) as well as high level of complementarity between ERDF interventions and national ones.

The main aim of the projects carried out was to reduce the seasonality of tourism by diversifying the attractions available and capitalising on the country's natural and cultural resources. Additional aims were to increase the use of e-business services, to ensure a more sustainable development of tourism and to support investments in less touristic parts of the island.

Support was concentrated on large infrastructure projects, such as, in particular, the renovation of the historical fortification⁵ at a total cost of EUR 34.4 million. According to the MA surveyed, without ERDF support, the majority of projects would have been more limited in scope, involved a lower standard of work and undertaken later.

Evidence from the case study carried out also suggests that ERDF co-financing had an important leverage effect, triggering private investment in both the culture and tourism sectors (see Box).

Case Study on Malta: effectiveness of culture and tourism interventions⁶

The case study shows that the interventions financed served to leverage private investment. For example, the project for the 'Repair and maintenance of the historical fortification ramparts' led to private investment in adjacent places, while projects carried out in Valletta and Birgu resulted in buildings being refurbished and new businesses being formed. The case study, however, indicated a need to reduce the administrative burden on businesses supported, especially the

³ The full case study report can be consulted here:

http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp6_case_study.pdf.

⁴ Respectively 91/271/EEC and 2006/7/EC.

⁵ The full Mini case study report can be consulted here:

http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp9_mini_case_malt_goz_o_en.pdf.

⁶ The full case study report can be consulted here:

http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp9_case_study_malta_e_n.pdf.



cost of applying for funds and providing monitoring information. In addition, in the case of the 'Grant scheme for sustainable Tourism'⁷, the time lag between expenditure being incurred and reimbursement being made could create financing problems for the businesses concerned.

3.6. Urban development and social infrastructure (WP10)

EUR 112 million was set aside for investment in urban development and social infrastructure, around 15% of the total funding available. Almost all of the funding went to support of the construction and improvement of social infrastructure, some EUR 54 million going to healthcare facilities, EUR 45 million to education buildings and facilities and EUR 2.5 million to other social facilities or amenities.

3.7. ETC (WP11)

Malta was involved in one Interreg programme financed under the Cross-border Cooperation strand of the ETC Objective. This was with Italy. The ETC-funded programme are the subject of a separate report.

3.8. Impact on GDP (WP14)

At the end of the programming period, the investment supported by Cohesion and rural development policies in Malta is estimated to have increased GDP in 2015 by around 2.3% above the level it would have been in the absence of the funding provided⁸. It is also estimated that in 2023, 8 years after funding for the period coming to an end, GDP will be 1.6% higher as a result of the investment carried out.

3.9. Overview of achievements

Table 5 summaries the data reported by the MA on the core indicators established to show the outcome of ERDF and Cohesion Fund programmes over the 2007-2013 period. Up to the end of 2014, the investment undertaken by these programmes resulted in the direct creation of 415 jobs in Malta, as noted above. As also noted above, very few core indicators were reported on by the MA over the period.

Table 5 Values of core indicators for ERDF co-financed programmes in Malta for 2007-2013 period, as at end-2014

Core Indicator Code	Core indicator name	Value up to end-2014
1	Jobs created	415
4	Number of RTD projects	15
8	Number of start-ups supported	17
16	km of reconstructed roads	13

Note: The figures in the table are those reported by MAs in Annual Implementation Reports. Core indicators for which no data were reported by the Member State are not included.

Source: Annual Implementation Reports, 2014 and DG Regional Policy post-processing of these, August 2016

⁷ The full Mini case study report can be consulted here: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp9_malt_grant_scheme_en.pdf.

⁸ Estimates by the Quest model, a new-Keynesian dynamic general equilibrium model in kind widely used in economic policy research, developed by DG Economic and Financial Affairs to assess the effects of policies. See The impact of Cohesion Policy 2007-2013: model simulations with Quest III, WP14a, final report, http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp14a_final_report_en.pdf.

