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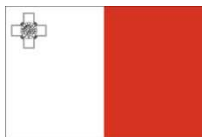
Mid-term evaluation OP II Cohesion policy 2007-2013

Presentation to Monitoring Committee

13 May 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.

Agenda

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:

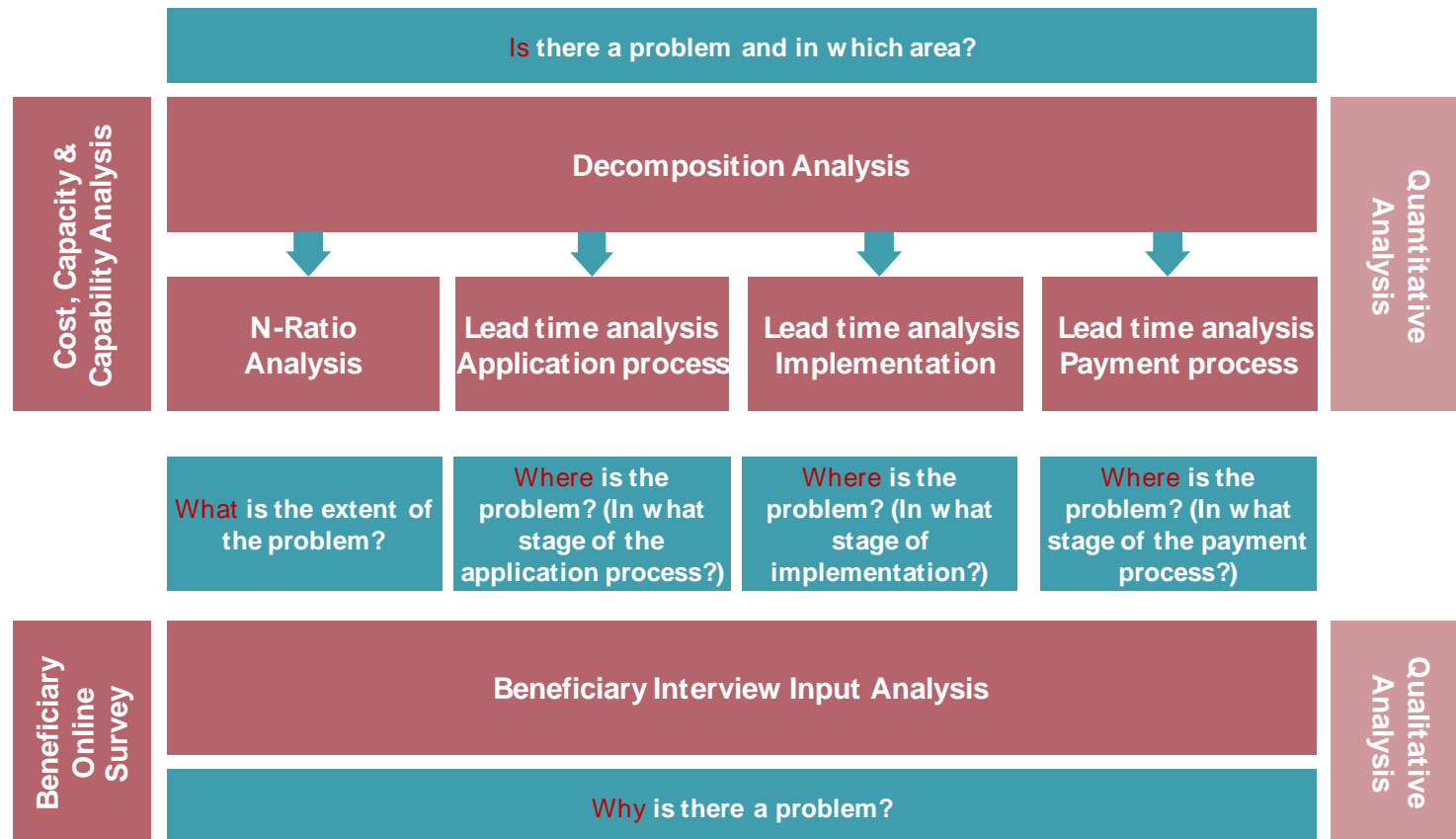
- kick-off workshops with stakeholders and project leaders
- presentations to the Monitoring Committees
- discussions with the Managing Authority and Intermediate Bodies
- commenced preliminary data collection in support to the multi-dimensional analysis which included requests for data on:
 - OP allocation 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.

Summary of fieldwork

Project execution

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

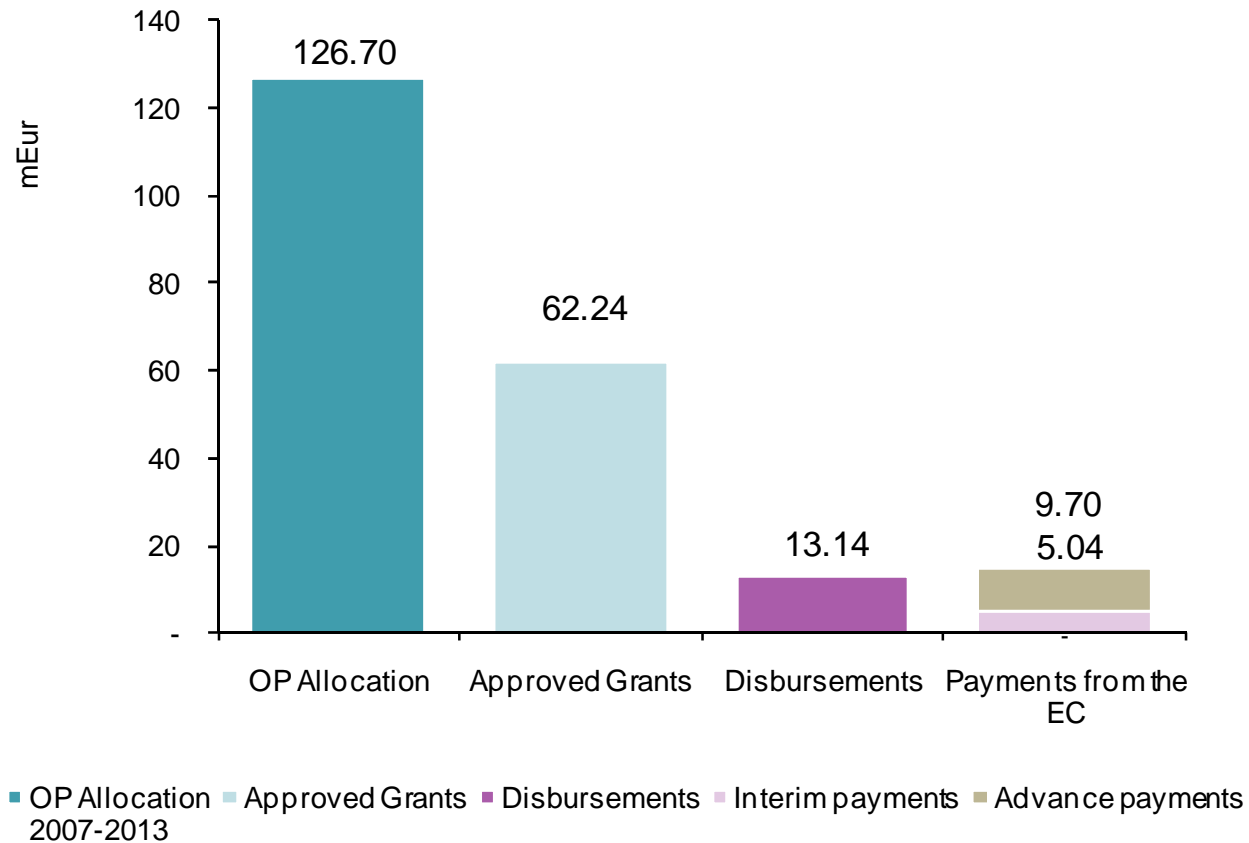
Findings – key indicators

Operational Programme II

Summary of findings

A financial perspective – as at December 2010

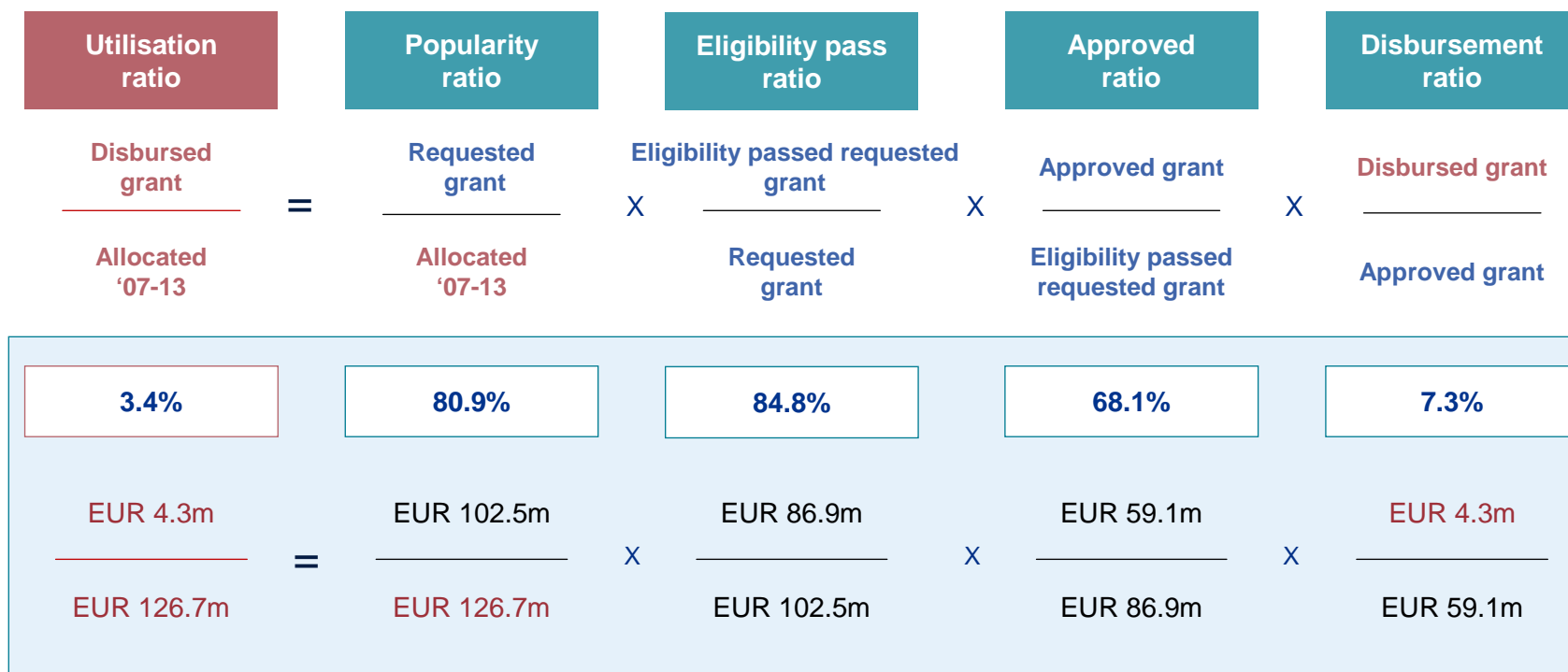
ESF utilisation to Dec 2010



Summary of findings

DCM findings as at cut-off date 30 April 2010

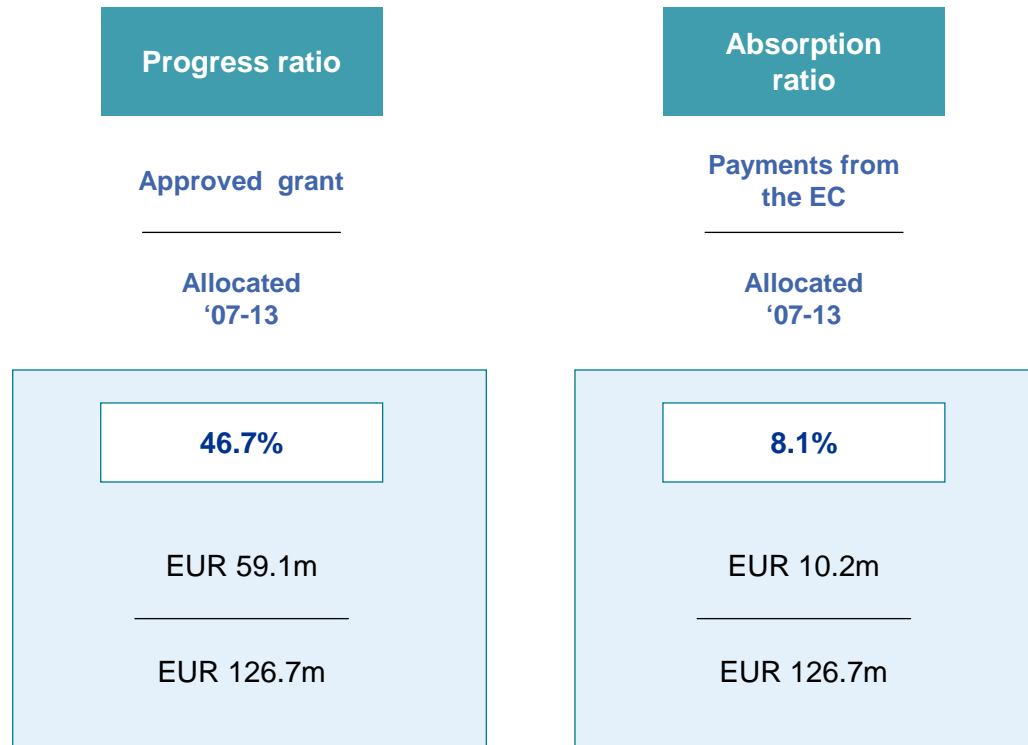
European Social Fund



Summary of findings

DCM findings as at cut-off date 30 April 2010

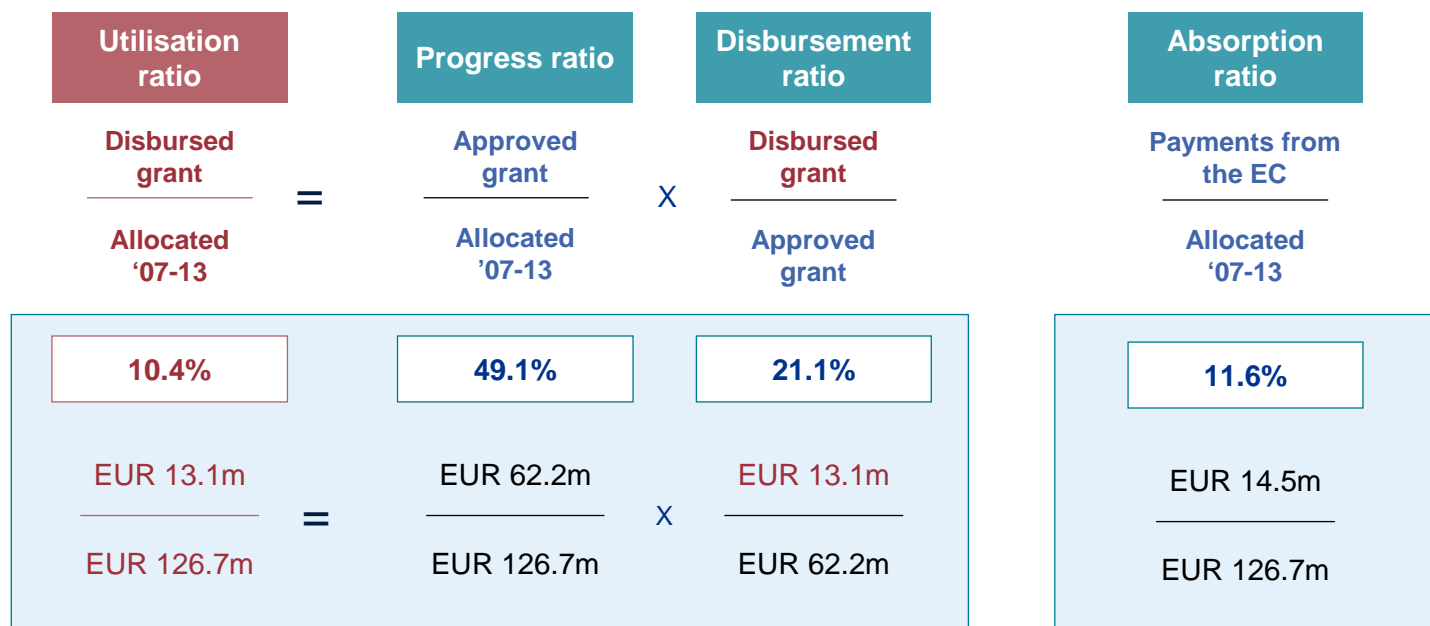
European Social Fund – Other ratios



Summary of findings

DCM findings as at December 2010

European Social Fund



Findings on Relevance

Operational Programme II

Summary of findings

Relevance criterion

Socio-economic context

OP II still relevant mainly due to:

- relatively short period between conceptualisation of OP and MTE
- economic policy lag – in terms of implementation lag
- inertia of supply side variables
- economic crisis – increases the relevance of OP rather than reducing it.

Summary of findings

Relevance criterion

External factors

Implementation on the ground and ability to meet projected targets

Affected by a number of external factors

- Malta's geographical constraints
 - limited quantity of public officers and potential beneficiaries
 - limited sectoral expertise
 - small number of quality potential bidders for tenders.
- economic crisis has posed challenges (contractors' cash flow, etc.) due to current economic realities
- Regulatory adjustments made by the EU to mitigate effects of the crisis on the programmes
- other external factors: Aid Schemes and certain projects are dependent on external or bottom-up demand, which in turn depends on a number of factors such as market realities, project awareness and social trends.

Summary of findings

Relevance criterion (cont.)

Adequacy of programme design

Two main criteria confirmed, in our opinion, the adequacy of design

No significant departure from the 2006 situation analysis as also confirmed by the ex-ante evaluation

Broadness and flexibility – pitched at the right levels

However, some needs identified in relation to

- the human capital aspect related to the strengthening of the IP framework
- enhancing funding opportunities for culture and creative industries
- addressing those skills which are becoming increasingly scarce.

Summary of findings

Relevance criterion (cont.)

Balance
between
policies &
activities
co-financed

Main strategic, and other sectoral strategy documents identified, are aligned with Cohesion policy and hence, OP II

- 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 II

Summary of findings

Efficiency criterion

Reasonable regard to efficiency

Processes leading up to application selection not a major bottleneck

Popularity and eligibility pass ratios demonstrate satisfactory levels

Progress ratio below 50% with marginal improvement between Apr '10 and Dec '10

Evidence of ramping up (Apr '10 – Dec '10).

However, lower than expected utilisation ratio indicated potential issues

Utilisation ratio lower than expected resulting mainly from:

- 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.

DCM Ratios		ESF
Popularity	Apr '10	80.9%
	Dec '10	
Eligibility pass	Apr '10	84.8%
	Dec '10	
Approval	Apr '10	68.1%
	Dec '10	
Disbursement	Apr '10	7.3%
	Dec '10	21.1%
Utilisation	Apr '10	3.4%
	Dec '10	10.1%
Progress	Apr '10	46.7%
	Dec '10	49.1%
Absorption	Apr '10	8.1%
	Dec '10	11.6%

Summary of findings

Efficiency criterion (cont.)

Balance between entities and respective tasks

Non-comparability of entities

IB perspective:

- The two aid schemes under OP II, TAF & EAP, are at comparable levels of efficiency
- Therefore, there is an apparent balance between the two aid schemes

Note: The analysis of operational cost covered the entire range of functions carried out by the IB in so far as these relate to the implementation of the Aid Schemes, and is not limited to the analysis of the selection process only.

Intermediate bodies - key indicators

Estimated cost per application processed - OP II

	at current levels of capacity and capability		at optimum levels of capacity and capability	
	ETC EAP €	ETC TAF €	ETC EAP €	ETC TAF €
Total	150.62	164.64	169.33	188.49

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

	at current levels of capacity and capability		at optimum levels of capacity and capability	
	ETC EAP €	ETC TAF €	ETC EAP €	ETC TAF €
Total	6.66	4.65	7.49	5.33

No of applications processed per FTE - OP II

	at current levels of capacity and capability		at optimum levels of capacity and capability	
	ETC EAP pcs	ETC TAF pcs	ETC EAP pcs	ETC TAF pcs
Total	95.29	81.17	83.38	61.95

FTE allocation per application processed - OP II

	at current levels of capacity and capability		at optimum levels of capacity and capability	
	ETC EAP FTE	ETC TAF FTE	ETC EAP FTE	ETC TAF FTE
Total	0.0105	0.0123	0.0120	0.0161

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 higher than OP I, mainly attributable to the significantly smaller size of projects co-financed under OP II.

Managing Authority - key indicators (at current levels)

- est. cost per application processed – € 12,133
- est. cost per €100 requested/approved grant – €1.11
- no. of applications per FTE – 2.63
- FTE per application processed – 0.38

Note: The analysis of operational cost covered the entire range of functions carried out by the MA in so far as these relate to the implementation of the OP, and is not limited to the analysis of the selection process only.

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 within expected levels
- actual disbursement progress is minimal in comparison to the expected level

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 II

Summary of findings

Effectiveness criterion

Likelihood of achievement of project level objectives (indicators)

Planned output and result indicators of selected interventions show healthy signs of likely achievement , in some cases exceeding planned amounts

General underperformance on actual achievement of output and result indicators is attributable to:

- various internal and external factors
- Indicator attainment, in some cases, measurable only at project completion.

On impact indicators:

- lowest achievers, but in general one would expect these to be measurable in the longer term
- however, the sensitivity of impact indicators to external factors may render the planned achievement targets at project level less reliable and credible.

Summary of findings

Effectiveness criterion

Interventions & instruments used likely to produce the expected effects and where they the appropriate means to reach set objectives?

We believe that the instruments and interventions used were appropriate and are likely to produce the expected effects

- 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.)

<p>Reasons for achievement or non-achievement of objectives</p>	<p>Already addressed in our assessment of efficiency and progress of implementation</p> <p>Mainly attributable to internal and external factors mentioned earlier:</p> <ul style="list-style-type: none"> ■ internal factors (e.g. low quality of submissions, withdrawal of applications, insufficient funds at call level, capacity and capability, time lag to grant agreement, tendering and contracting challenges, etc.) ■ external factors (e.g. consequences of Malta’s geographical constraints, such as relatively limited capacity in public and private sectors, limited sectoral expertise, limited number of quality potential bidders for tenders, etc.) .
<p>Generation of outputs / results that could indicate impact on target group</p>	<p>Limited quantifiable outputs and results available</p> <p>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</p>



Summary of recommendations

Operational Programme II

Summary of recommendations

Context

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.

Summary of recommendations

#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 (transfer from other PAs on 1:2:1 ratio) of PA 1 allocation given the high decomposition ratios.
 - We also recommend that prior to transfer, review those unsuccessful eligible applications rejected due to insufficient funds. This may help improve low performing PAs

#2.

On relevance

Focus on Human Capital interventions in support of:

- IP framework (thru' PA1 of OP II – Operational objective - “Improving quality/relevance of educational experience”).
- 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.
- Addressing those skills which are becoming increasingly scarce in co-ordination with MCAST – “investing in the education system”.

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).

Summary of recommendations

#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.

Summary of recommendations

#3. (cont.)

Administrative capacity / efficiency

- 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 (from PPCD, MEPA, KNPD, DoC, etc) 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.

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.

Summary of recommendations

#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.

Thank you

Mark Bamber

&

Jan Grech



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