



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

# Strategic Report Cohesion Policy 2007-2013

Malta  
December 2009



*Investing in your future*

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## List of Acronyms

Active Labour Market Policies	ALMP
Employment and Training Corporation	ETC
European Employment Strategy	EES
European Regional Development Fund	ERDF
European Social Fund	ESF
Foreign Direct Investment	FDI
Greenhouse Gas	GHG
Gross Domestic Product	GDP
Information and Communication Technologies	ICT
Labour Force Survey	LFS
Malta College of Arts Science and Technology	MCAST
Malta Council for Economic and Social Development	MCESD
Malta Environment and Planning Authority	MEPA
Malta- EU Steering & Action Committee	MEUSAC
Malta Qualifications Framework	MQF
National Action Plan for Employment	NAP
National Energy Efficiency Action Plan	NEEAP
National Reform Programme	NRP
National Statistics Office	NSO
National Strategic Reference Framework	NSRF
Nominal Effective Exchange Rate	NEER

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Non Governmental Organisations	NGOs
Operational Programme I	OPI
Operational Programme II	OPII
Planning and Priorities Coordination Division	PPCD
Project Selection Committee	PSC
Purchasing Power Standard	PPS
Real Effective Exchange Rate	REER
Science and Technology	S&T
Single Programming Document	SPD
Temporary Humanitarian Protection	THP
Unit Labour Cost	ULC
Vocational Qualification Package	VQPACK

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## 01. Introduction

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This report is being compiled in line with Article 29 of EC Regulation 1083/06. The report was compiled by the Planning and Priorities Co-Ordination Division (PPCD) within the Office of the Prime Minister with the support of a number of Ministries and other organisations. The outline of the report was presented to the two Monitoring Committees for Cohesion Policy on 20<sup>th</sup> November 2009 and has also been placed on the PPCD's website.

Malta was the first Member State to have its NSRF approved and the whole Cohesion Policy Package was approved only six months later with implementation starting in earnest in mid-2007 which saw the setting up of the Monitoring Committee and the first launch for calls for project proposals. In 2007 and 2008 various measures have been undertaken in line with the strategy and the priorities identified in the Operational Programmes (OPs). The onset of the global financial crisis in 2008 did slow down implementation in the latter half of 2008 and 2009; however a heightened<sup>1</sup> alert on Cohesion Policy projects by a number of stakeholders as well as an enhanced monitoring system were introduced in order to seek to bring implementation back on track.

Malta's Strategic Report 2009, provides an update of the (socio-economic as well as territorial) situation analysis (**Chapter 02**) since the drafting of the National Strategic Reference Framework (NSRF) and seeks to make an assessment of the impact (actual and expected<sup>2</sup>) of Cohesion Policy on the Maltese economy and quality of life of the citizens. It also seeks to provide an insight into the implementation problems and the measures taken to address these issues. The report also includes an update of the Lisbon commitments<sup>3</sup> as well an overview of the main financial data. The cut-off date for the data and information in this report is 30<sup>th</sup> September 2009. The sources of the greater part of the data, comes from the National Office of Statistics, the Economic Policy Division (within the Ministry of Finance, the Economy and Investment) as well as the PPCD<sup>4</sup> itself.

At this point of the implementation process, one can safely say that the unforeseen challenges of the international economic crisis have been the main cause of the set-backs and delays which started becoming apparent immediately after the first signs of the crisis in late 2008. A series of measures aimed at addressing the challenges emanating from the international economic crisis were undertaken, using both national and Cohesion Policy

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<sup>1</sup> Includes regular reporting to Cabinet by Ministers as well as high-level bilateral meetings with beneficiaries.

<sup>2</sup> Given that a number of large projects are still at contracting stage, no real impact can be quantified at this stage.

<sup>3</sup> Earmarking exercise.

<sup>4</sup> The PPCD is Malta's sole Managing Authority for Cohesion Policy Programmes 2007-2013.



funds with a view to minimise and mitigate the impact of the crisis. Both OPI and OPII were found to be flexible enough to contribute to these measures, especially with respect to increased support to enterprises. The objective was to persuade and support enterprises to keep investing so that they would be even *fitter* for business once the crisis would subside. The crisis, did, however have an impact on the implementation of infrastructural projects, particularly given Malta's market size and also its insularity.

The delays in implementation obviously had an effect on progress in a number of areas. The mid-term evaluation scheduled to take place in 2009 will now be undertaken in 2010 and given that implementation of the (larger) operations is still in contracting and early phases of actual physical realization, it is understandable that data with regard to progress of the Programmes' targets and indicators, particularly with regard to results and impacts, is still (largely) not available. Notwithstanding, an update with respect to the indicators has been included in **Chapter 03** of this Report.

**Chapter 04** highlights a detailed review of the relevant evaluations carried out to date as well as provides an update with respect to the preparations which are currently underway regarding the mid-term evaluation which is expected to be carried out in the first half of 2010. Information regarding national expenditure declared by OP, an analysis including all the information as at 30<sup>th</sup> September (the cut-off date for this report) has been provided in **Chapter 05** of the Report.

The link between Cohesion Policy, the Community Strategic Guidelines and the National Reform Programme (**Chapter 06** and **Chapter 09** respectively) has always deemed to be critical in terms of implementing cohesion policy projects. Within this context, Malta's Strategic Report highlights the synergies between the Community Strategic Guidelines and the NRP with the strategic Objectives highlighted in the NSRF. Furthermore, in an effort to better describe this synergy, a comprehensive list of projects which are currently being implemented through Cohesion Policy has also been included.

**Chapter 07** and **Chapter 08** highlight the role of ESF in terms of the implementation of the European Employment Strategy and the National Strategy Reports on Social Protection and Social Inclusion. The progress achieved since the submission of NSRF both in terms of programme implementation as well as from a strategy perspective is included in **Chapter 10** and **Chapter 11** respectively. Furthermore, a detailed overview of the Contribution of the OPs with respect to the European Economic Recovery Plan can be found in **Chapter 12** of the report. **Chapter 13** highlights the progress registered in terms of Territorial Cooperation whereas **Chapter 14** outlines the four examples of good practice, both in terms of project concept and project implementation.

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## 02. The Socio Economic Situation and Trends<sup>5</sup>

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### 02.1. General Overview

Like many other regions in the EU Malta's overall economic performance in 2008 and 2009 was effected by the global slowdown as a result of the world financial crisis. Malta has an open<sup>6</sup> economy and therefore the international economic developments inevitably have a direct impact on it. This year (2009), in particular, global economies have been faced with massive challenges and Malta was no exception. Notwithstanding, the fact that the worst of the crisis appears to be over and subsequently that the rate of economic growth will continue to recover slowly, there is still a lot of uncertainty. A number of measures have been undertaken during 2009 and will continue to be sustained during 2010. Such measures aim to support the financial markets which are still struggling to recover from the crisis. In addition these measures also aim to ensure economic stability in a scenario where the price of raw materials, including oil, continues to rise, and hence may potentially jeopardise the local economy.

When compared to the EU27 average, Malta's GDP per capita in purchasing power standards (PPS) which has been increasing progressively during the period 2005-2007, and declined in 2008 to 75.4% of the EU27 average when compared to 77.5% recorded during the previous year. This represents a decline of 3.0 percentage points from the level recorded in 2003. Consumption expenditure and net exports were main contributors to economic growth in 2007, followed by a lesser positive contribution from investment, while Government consumption contributed negatively to growth.

The turmoil in the international financial markets which began in the second half of 2007 started intensifying during the course of 2008, leading to a global economic downturn which severely has hit global credit and demand conditions and thus, in turn, also affected the local economy via the external sector. Economic growth thus started slowing down in 2008 reaching 2.1% in real terms and signifying a 1.6 percentage point decrease from the growth registered in the previous year

Malta's export sector was negatively affected by the global economic crisis. In fact, exports of goods and services suffered a significant decline in 2008 when compared to the preceding year due to a downturn in both manufacturing exports and in the tourism industry. Overall, the decrease in exports of goods and services was mostly pronounced during the last quarter of 2008. At the same time, in response to lower exports and investment,

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<sup>5</sup> Economic Update is based on EU 27 statistics, whereas NSRF and OPs are based on EU 25.

<sup>6</sup> The degree of openness of the Maltese economy is mainly reflected in the local economy's reliance on the external sector as part of an export-oriented growth model.

imports also declined in 2008, contracting by 6.0% when compared to a real growth rate of 1.2% in the previous year.

During the first two quarters of 2009, the Maltese economy experienced a contraction of 2.6% in real terms when compared to a positive growth of 2.7% recorded during the same period of the previous year. During the first half of 2009, general Government consumption expenditure contributed positively to GDP growth albeit such contribution was small. Meanwhile, gross fixed capital formation and private final consumption expenditure contributed negatively to GDP growth. Exports and imports of goods and services decreased by 11.6% and 19.0% respectively during the first six months of 2009 when compared to the same period during the previous year. The larger decrease in imports over exports resulted in a positive contribution of net exports to growth for both 2008 and the first half of 2009.

During the 2006-2008 period, the current account deficit expressed as a percentage of GDP improved reaching 5.6% when compared to 9.2% in 2006. The improvement in the current account deficit during 2008 was driven by the amelioration of net current transfers which more than offset the worsening of net trade and services. The improvements in the current account deficit registered during 2008 continued during the course of the first half of 2009. In fact, during this period, the current account reached a surplus of 1.4% of GDP when compared to a deficit of 8.4% registered during the first half of 2008. The improvement of the current account during the first two quarters of 2009 was due to the amelioration in net trade and services and net current transfers which more than offset the deterioration in the income account. Developments in the current account for the period 2005 to 2008 are presented in **Table 01** below.

**Table 01 – Current Account<sup>7</sup>**

Current Account				
	2005	2006	2007	2008
Current Account (€ millions)	-420.4	-472.0	-379.2	-317.9
Net trade and services	-256.7	-253.1	-154.4	-182.4
Net income	-199.6	-212.5	-168.9	-168.8
Net current transfers	35.9	-6.4	-55.8	33.3
<b>Current Account Balance (% of GDP)</b>	<b>-8.8</b>	<b>-9.2</b>	<b>-7.0</b>	<b>-5.6</b>

The 12-month-moving-average harmonized index of consumer prices (HICP) shows that inflation in Malta averaged a steady 2.6% during the period 2004 to 2006 before declining in

<sup>7</sup> Source: National Statistics Office

2007. In fact, in 2007 HICP inflation decreased by 1.9 percentage points when compared to the inflation recorded in the preceding year, reaching a rate of 0.7%. HICP inflation edged up in the subsequent year reaching 4.7% in December 2008 following inflationary pressures emanating from increasing international oil and commodity prices during the year. HICP inflation in August 2009 reached 3.6%, down by 0.1 percentage points when compared to the same month in 2008. While inflation remained high during the first half of 2009, it has declined more recently. **Table 02** presents a number of main economic indicators for the period 2005-2008.

**Table 02 – Main Economic Indicators<sup>8</sup>**

Main Economic Indicators				
	2005	2006	2007	2008
Nominal GDP (€ millions)	4,781.2	5,114.1	5,447.9	5,687.2
Real GDP (€ millions)	4,179.0	4,336.8	4,498.6	4,593.2
Real GDP growth (%)	4.1	3.8	3.7	2.1
Expenditure Components of GDP at constant 2000 prices (% change)				
Private final consumption expenditure <sup>9</sup>	2.2	0.6	2.0	5.8
General Government final consumption expenditure	-0.5	6.0	-0.5	12.9
Gross fixed capital formation	10.2	2.4	1.3	-21.3
Exports of goods and services	0.6	10.5	2.7	-5.4
Imports of goods and services	3.2	9.5	1.2	-6.0
HICP inflation (%)	2.5	2.6	0.7	4.7
Employment growth (%) <sup>10</sup> *2	1.9	1.0	2.8	2.3
Labour productivity (%)	4.5	2.1	1.5	0.3

Over the past few years, the Maltese Government has made significant efforts to improve the sustainability of public finances. Indeed this has been distinguished by a notable

<sup>8</sup> Source: National Statistics Office

<sup>9</sup> Includes NPISH final consumption expenditure

<sup>10</sup> Based on LFS data

decrease in the general Government deficit over the 2005-2007 period. In fact, the general Government deficit as a percentage of GDP decreased from 2.9% of GDP during 2005 to 2.2% in 2007. More recently, general Government's deficit position worsened during 2008, reaching 4.7% of GDP. Whilst weaker economic activity emanating from the effects of the international economic crisis led to lower tax receipts during 2008, the increase in general Government deficit was also due to specific factors, namely the voluntary redundancy schemes for employees of the Malta Shipyards Ltd. And the reclassification of the company into the general Government sector, as well as the extension on a temporary basis of a subsidy to the energy utility sector. These fiscal developments are reflected in the general Government debt ratio to GDP which also decreased over the 2004-2007 period before increasing from 62.0 per cent in 2007 to 63.8 per cent in 2008. **Table 03** below, shows the general Government deficit and debt as a percentage of GDP.

**Table 03 General Government Deficit and Debt<sup>11</sup>**

General Government Deficit and Debt				
	2005	2006	2007	2008
General Government Deficit as a % of GDP	2.9	2.6	2.2	4.7
General Government Debt as a % of GDP	70.2	63.6	62.0	63.8

## 02.2 International price competitiveness and labour productivity

Malta's real effective exchange rate (REER)<sup>12</sup> was higher than the nominal effective exchange rate (NEER) over the period 2004-2006. Moreover, over this period, the gap between Malta's REER and the NEER also increased, thus signifying adverse domestic inflationary developments which continued to exceed those abroad. On the other hand, during 2007, the difference between Malta's NEER and REER decreased. The improvement in domestic inflation during 2007 was also reflected in an increase in the gap between the REER of the EU27 when compared to that of Malta. In 2008, Malta's REER increased, widening the gap between Malta's REER and NEER as well driving Malta's REER closer to that of the EU27. Overall, in 2008, Malta registered a higher REER when compared to 2003. Nevertheless, the situation reversed during 2004 and Malta's REER has kept below that of the EU27 average for the following years up to 2008.

Malta's nominal unit labour cost (ULC) growth was positive during the period 2004-2007, albeit remaining relatively contained. In fact, during the period 2004-2007, Malta's ULC averaged 0.7%. During 2008, the ULC growth edged up from 0.9% registered in 2007 to 3.8%, signifying an increase of 2.9 percentage points. The increase in ULC growth in 2008

<sup>11</sup> Source: National Statistics Office

<sup>12</sup> The effective exchange rates are based on comparative data with respect to 36 trading partners (Source: Eurostat)

was the result of a decrease in productivity. An increase in the nominal ULC adversely affects a country's international competitiveness.

### 02.3. Economic reforms

Over the past years, the Maltese Government has been focusing on reforms aimed at increasing and attracting investment, improving the educational sector as well as improving infrastructure, while also striving toward a better environment. The Maltese Government has also continued in its liberalisation efforts. In responding to the economic consequences of an ageing population, the labour market is amongst the most important aspects for the socio-economic development of the Maltese islands. Within this context, the Maltese Government is also currently active with a number of reforms aimed at achieving an increased labour market participation rate with also a number of specific measures aimed at increasing the participation rate of older workers. In successive budgets, including that for 2009 and 2010, Government announced the allocation of additional spending for training schemes provided by the Employment and Training Corporation (ETC), some of which are part funded by the European Social Fund (ESF). Moreover, active labour market policies (ALMP) are provided in order to help assist people in job transitions. Malta has an extensive social safety-net for combating social exclusion and ensuring equal opportunities and which places specific focus on the most vulnerable groups of society. Recent Budgets have also included a mix of measures ranging from revisions of income tax bands, fiscal measures aimed at encouraging higher female participation which are funded by the national budget and other measures such as re-skilling opportunities, awareness raising, as well as investment in child care facilities so as to encourage work effort and further increase labour market participation which are part funded by the ESF. Additionally, with regards to efficient public employment, the quality of education, and affordable and quality care services and family friendly measures, as well as social protection systems, the Maltese Government has already introduced a number of measures that derive from the flexicurity concept.

### 02.4. Main Economic Sectors

#### 02.4.1 Manufacturing

As can be seen from **Table 04** below, the percentage share of output and gross value of a number of industries has shifted over the course of the period 2003-2008. A number of sectors such as the manufacturing industry, construction, mining and quarrying industry, the wholesale and retail trade, as well as the hotels and restaurants industry have seen a decline in their share of output and gross value added in total economy over the course of 2003 to 2008. On the other hand, industries such as real estate and other community, social and personal services sector have seen a notable increase in both output and gross value added. The share of output in the total economy pertaining to financial intermediation

and the electricity, gas and water supply sectors also increased albeit their share of gross value added remained more stable during the same period.

**Table 04 – Analysis of Gross Value Added by Industry**

Analysis of Gross Value Added by Industry								
% share in total economy	2005		2006		2007		2008	
	Output	GVA	Output	GVA	Output	GVA	Output	GVA
Agriculture and Fisheries	2.6	2.7	2.7	2.8	2.8	2.4	2.4	1.7
Manufacturing	28.2	17.1	27.3	16.2	26.0	16.3	24.2	16.6
Electricity, gas and water supply	5.0	1.0	5.7	1.6	5.6	1.5	6.3	0.5
Construction, mining and quarrying	4.7	4.2	4.4	4.2	4.3	3.9	4.3	3.9
Wholesale and retail trade	8.7	13.3	7.8	12.3	7.7	11.8	7.7	11.5
Hotels and Restaurants	6.3	5.9	5.6	5.3	5.7	5.3	5.8	5.1
Transport, Storage and Communication	10.5	9.6	10.0	9.5	10.2	9.5	9.9	9.8
Financial Intermediation	5.5	4.9	5.6	5.0	5.9	4.3	5.9	4.6
Real Estate Services	10.6	15.6	11.0	16.5	10.8	16.8	11.0	17.3
Other community, social and personal services	5.9	6.1	8.5	7.8	9.5	9.4	10.3	10.0
Health, Education and public administration	12.0	19.5	11.4	18.7	11.5	18.6	12.2	19.0

Over the recent years, the manufacturing industry has come across a number of challenges emerging particularly from competition encountered by locally oriented enterprises from imports; as well as to export-oriented subsidiaries from low-cost countries. International competition will remain a key concern and further investments in support infrastructures are required to assist enterprises in dealing with such challenges. Continuing the restructuring process of the domestic manufacturing industry towards higher value added activities is also crucial. Progress to this effect has taken place with the contraction of textile, clothing and footwear sub-sectors and the emergence of high value-added new growth sectors such as the pharmaceutical sub-sector. However, the emerging manufacturing sectors have not compensated for the declining traditional sectors leading to an overall shrinkage of the domestic manufacturing industry. Indeed, employment levels in the manufacturing industry have generally followed a downward trend in recent years, declining by 15.0% between 2005 and 2008.

As highlighted in **Table 05**, aggregate nominal output from manufacturing activity has declined in 2004 and 2005, the latter mainly attributable to the difficult and subdued environment of the semi-conductor international business, which constitutes a large share in total manufacturing, and offset positive results registered in other sub-sectors. Subsequently, in 2006, the manufacturing output increased by 9.0% owing to an improvement in the semi-conductor sub-sector. During the following two years,

performance by the manufacturing sector was subdued as in 2007 output remained at the levels registered in 2006, while a drop of 3.4% was registered in 2008.

**Table 05 – Analysis of Gross Value Added – Manufacturing Industry<sup>13</sup>**

Manufacturing Industry				
	2005	2006	2007	2008
Output (€ 000)	2,453,694	2,674,934	2,675,889	2,585,380
Output Growth (%)	-2.7	9.0	0.0	-3.4
Gross Value Added(€ 000)	703,694	717,007	769,485	820,932
Gross Value Added (%)	5.1	1.9	7.3	6.7

Value added per capita has registered an increase of 10.1% in 2007, following an increase of 24.7% in 2005 and a marginal drop in 2006. Per capita personnel costs rose by 7.8% and 8.2% in 2005 and 2006 respectively, followed by a marginal increase of 0.9% in 2007. Gross operating surplus per capita in the manufacturing industry in 2005 grew significantly by 44.2% per cent before declining by 6.3% in 2006, and by a further 19.1% in 2007.

The contribution from the food, beverages and tobacco sector to total value added remained one of the largest in the industry. The chemicals and chemical products sector and manufacturing (industry, the radio, TV and communication equipment sector) have also been registering strong growth rates (**Table 06**). These sectors, with the exception of the foods and beverages sector, also tend to be characterised by a relatively high concentration of foreign-owned firms activity geared extensively to the export markets.

<sup>13</sup> Source: National Statistics Office



Table 06 – Value Added at Factor Cost per capital<sup>14</sup>

Value Added at Factor Cost per capita				
				€
		2005	2006	2007*
Food, Beverages and Tobacco Products		35,418	31,868	32,761
Textiles and Textile Products		45,860	43,841	50,017
Wearing Apparel and Clothes		33,042	14,634	21,598
Leather and Leather Products		13,130	7,810	9,571
Wood and Wood Products		7,779	7,976	9,723
Paper and Paper Products		24,447	27,089	24,487
Publishing and Printing		24,680	27,819	30,365
Chemicals and Chemical Products		63,254	106,612	121,156
Rubber and Plastic Products		27,524	26,289	29,518
Other Non-Metallic Mineral Products	19,721	21,658	25,594	23,533
Fabricated Metal Products	14,342	18,848	15,539	16,736
Machinery and Equipment n.e.c.	22,440	30,416	28,499	26,375
Electrical Machinery and Apparatus	39,094	35,815	42,772	50,679
Radio, TV and Communication Equipment	45,461	47,403	43,590	45,108
Medical, Precision and Optical Instruments	21,951	20,503	21,093	28,286
Motor Vehicles, Trailers and Semi-Trailers	21,695	14,128	12,480	8,972
Other Transport Equipment	3,740	18,084	12,767	10,347
Furniture and Other Manufacturing n.e.c.	21,238	24,095	24,537	24,954
Recycling	53,169	42,156	39,265	48,865
<b>Total Manufacturing</b>	<b>25,012</b>	<b>31,195</b>	<b>30,882</b>	<b>34,005</b>
* Provisional				

#### 02.4.2 Tourism

The tourism sector has long been an important pillar of the Maltese economy contributing to employment creation and foreign exchange earnings and accounting for around 14 per cent of total exports of goods and services. The tourism industry is an ever changing industry which is subject to several external influences. Particularly, in the first half of 2008, changes in energy prices impinged on airlines' profitability. This is a crucial issue for Malta given that local tourism is highly dependent on air transport. The international economic and financial crisis undermined both consumer and business confidence, which in turn affected tourism demand negatively. Exchange rate developments are another important factor affecting the tourism industry. As a Euro Area Member State, the recent strengthening of the Euro

<sup>14</sup> Source: National Statistics Office

against the Sterling is a particular challenge for the local tourism industry. The world tourism market is also characterised by an increasingly competitive environment, especially in the Mediterranean region, where developments directly affect activity in the domestic tourism industry.

The relatively modest increases in tourism departures registered in 2005 were reversed as tourist departures declined by 4.0 during 2006. Following this decline, tourist departures increased by 10.6 per cent in 2007. This notable recovery in tourist departures registered in 2007 was sustained with an increase of 3.8% to 1,290,856 visitors in 2008. The introduction of other low-cost airlines servicing from Malta, as well as the introduction of new routes by low-cost airlines already operating from Malta continued to improve Malta's accessibility. The increase in tourist departures during 2008 was primarily attributable to an increase in holiday visits mainly from the Italian (30,805), German (20,744) and Spanish (12,069) markets. Meanwhile, decreases recorded with respect to the British (28,049) market are attributable to exchange rate developments, the slowdown in consumer demand, as well as due to the fact that some of the low-cost carriers did not continue to service particular routes during the winter schedule.

As indicated in **Table 07**, following significant increases over the first six months of 2008, growth in tourist departures in July and August was marginal. Meanwhile, declines were registered during each of the subsequent four months to December 2008. In particular, during the last quarter, tourist departures declined by an average rate of around 10% over the same months in 2007, reflecting the effect of the international economic crisis on the tourism sector. The declining trend persisted in the first eight months of 2009 with tourist departures between January-August 2009 standing at 806,046, a decrease of 11.0% over the corresponding period in 2008. This decrease reflects primarily a drop in holiday visits from the British, German and Scandinavian markets.

Malta's tourism trends continued to exhibit strong seasonality patterns with the four months between June and September accounting for around 47 per cent of tourist departures recorded during 2008. This seasonal concentration has an impact on a number of issues, in particular on the local infrastructure network, hotel occupancy, as well as on the labour market, whereby such impacts are more pronounced in Gozo than in Malta. All this highlights the importance of investment in niche markets (e.g. cultural / religious tourism) in order to achieve a better seasonal distribution.

Table 07 – Tourist Departures<sup>15</sup>

Tourist Departures				
	2005	2006	2007	2008
January	53,124	50,523	51,736	63,850
February	44,393	47,302	50,547	57,336
March	71,276	64,343	71,280	90,503
April	88,279	97,785	101,792	104,894
May	112,559	102,737	109,027	131,353
June	113,922	109,038	117,421	129,378
July	135,750	131,806	147,699	149,491
August	178,308	164,302	176,372	178,569
September	133,591	121,955	143,697	139,794
October	129,332	116,427	139,930	126,941
November	69,652	71,535	82,477	73,608
December	40,412	46,483	51,532	45,139
<b>Total</b>	<b>1,170,598</b>	<b>1,124,236</b>	<b>1,243,510</b>	<b>1,290,856</b>
<b>% change</b>	<b>1.1</b>	<b>-4.0</b>	<b>10.6</b>	<b>3.8</b>

Gross foreign exchange earnings decreased by 0.6% in 2006, increased by 9.4% in 2007 but decreased again by 2.7% in 2008. On a per capita basis, expenditure by tourists increased by 3.5% in 2006 but declined by 1.1% and 6.3% in 2007 and 2008 respectively. During 2008, the average length of stay stood at 8.7 nights, a decline of 0.2 nights as compared to 2007. This is in line with a declining European average length of outbound trips as tourists are opting for shorter but more frequent holiday trips. Earnings per nights spent also decreased by 4.8% in 2008. The overall trend in gross tourism earnings persisted in the first six months of 2009 during which a decline of 10.3% was registered in earnings.

Malta has continued to increase its popularity as a port of call. During 2006, cruise passenger arrivals increased by 25.8% and by a further 21.4% in 2007. During 2008, the cruise liner industry continued to expand following Malta's investment and promotion in modern cruise liner facilities. Indeed, in 2008, cruise passenger arrivals increased by 12.7 per cent, reaching 537,707. This development was largely attributable to increases in the American, British and Spanish markets. Meanwhile, similar to developments in other Mediterranean countries, during the first eight months of 2009 cruise passenger arrivals

<sup>15</sup> Source: National Statistics Office

declined by 28.2% over the corresponding 2008 period, mainly attributable to the impact of the international crisis.

The importance of tourism contribution to employment creation and foreign exchange earnings highlights the need to further invest in order to diversify the tourist market, to upgrade the domestic tourism market, to tap new underserved routes through low-cost airlines, and to offer a more price competitive package to the potential tourist. Investment is required to improve Malta's tourism product (both in human resource development and marketing of the Islands) to develop the potential of niche markets such as cultural/religious tourism.

The islands' tourism product is substantially linked with its cultural heritage and the islands' characteristics. Accordingly, development in the tourism sector is intrinsically linked with the promotion of Malta's cultural heritage. The Maltese archipelago has one of the highest densities of cultural heritage sites in the world. The local landscape has been intensively exploited and reshaped by different civilizations for thousands of years, resulting in a rich array of archaeological, architectural and historic remains from different epochs in a relatively small and manageable area. Thus, the Maltese history and cultural segments enhance the product offered to the tourist. The ERDF is making a substantial contribution in this regard.

#### **02.4.3 Other service industries**

The financial intermediation sector has been one of the strong elements in Malta's economic diversification over the past years. Moreover, the financial services sector drew more foreign investment in this service industry, attracting major financial firms and institutions to operate through Malta's legislative and regulatory framework. The development of this sector contributes to the shift towards a high value added and knowledge based economy. In 2006, Government launched the Industry Strategy for Malta 2007-2010 which apart from promoting access to finance with an emphasis to small and medium sized enterprises, also specifically targets the area of financial management services. In 2007, a public-private initiative led to the establishment of FinanceMalta which aims to promote Malta as a financial services centre both locally and abroad. Recent important legal developments included the Securitisation Act and the Insurance and Intermediaries Act as well as the publishing of amendments to Various Financial Services Laws. Moreover, the full adoption of the European Directive on Capital Adequacy of Investment Firms and Credit Institutions together with the Markets in Financial Instruments Directive were also important developments. Other legal developments over the 2006-2008 period were aimed at improving internal governance and capital adequacy, as well preventing money laundering. The share of the financial intermediation sector in total gross value added of the economy fluctuated between 4 and 5 per cent of gross value added in

the 2004-2008 period. Full-time employment in the financial intermediation sector stood at 5,640 in December 2008.

The construction sector's high degree of local value added has a stable and important share in the local economy. This sector's share of total gross value added stood at around 3.9 per cent in recent years. However, during 2007 and 2008, a decrease in gross value added has been registered. In fact, the gross value added within this sector has decreased to 3.63 and 3.56 respectively when compared to 3.89 in 2005<sup>16</sup>. The full-time employment in the construction sector stood at 12,799 in 2008, accounting for a share of 8.9 per cent. However, the latest figures as at June 2009<sup>17</sup>, show a considerable decrease in full-time employment figures which have decreased to 10,251 amounting to a decrease of approximately 20%. Key national infrastructure projects have an important effect within this sector. Such a decline, highlights the need for accelerated implementation of cohesion policy infrastructural projects which can be significant contributors towards this sector of the economy.

Malta's geographical location, air connections to major international destinations, as well as the characteristics of the labour force, provide the ideal ingredients for attracting investment in the aviation maintenance and repair sector. While this sector promises success, sustainability is dependent on the ability to provide skilled workmanship in terms of new personnel as well as the re-skilling and up-skilling of the existing workforce. With this aim, skill mismatches in the aviation industry are currently being addressed.

The other community, social and personal service activities sector includes the gaming industry. Owing to this industry, this sector has evidenced significant growth rates throughout the later years, though it has slowed down in 2008, halving the rate of growth when compared to 2005<sup>18</sup>.

#### 02.4.4 Agriculture and fisheries

Agricultural activities in Malta can be divided into three categories, namely those involving the irrigation of land and cultivation of fruits and vegetables, those involving dry land farming, and the farming of livestock. Livestock farming activities focus on the production of hogs, rabbits, poultry and eggs, as well as cattle, the latter also contributing to the production of dairy products. The share in total gross value added of the agriculture, hunting and forestry sector stood at 1.5% in 2008. While this figure represents only a slight

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<sup>16</sup> National Statistics Office – Malta in Figures 2009. Available online from: [http://www.nso.gov.mt/statdoc/document\\_file.aspx?id=2569](http://www.nso.gov.mt/statdoc/document_file.aspx?id=2569). [Accessed on: 27 November 2009]

<sup>17</sup> National Statistics Office - Labour Force Survey Quarter 2 – 2009. Available online from: [http://www.nso.gov.mt/statdoc/document\\_file.aspx?id=2595](http://www.nso.gov.mt/statdoc/document_file.aspx?id=2595) [Accessed on 27<sup>th</sup> November, 2009]

<sup>18</sup> Indeed, from a growth rate of 23.0% in 2005, in 2008 growth rate increased by 12%.

decline from a share of 1.7 registered during the previous year, this sector's share of total gross value added has been declining progressively over the recent years. In fact, over the period 2003-2008, its share from total gross value added declined by 0.8 percentage points from 2.3% to 1.5%. Despite its small size, this sector forms an important part of the local social and economic fabric by serving the welfare of the farming community and also by helping enhance the islands' landscape and rural areas. Full-time employment in the agriculture, hunting and forestry sector stood at 1,792 in 2008, representing a share of 1.2% and contrasting with a steady average share of 2.1% sustained during the 2003-2007 period.

Fishing activities in Malta include both traditional fishing methods as well as fish farming aquaculture techniques. While the latter serve mainly for exportation purposes, the traditional fishing techniques supply the local fish market with a number of fish varieties, primarily dolphin-fish (lampuki), blue fin tuna, and swordfish. Gross value added of fishing activities held a stable share of total gross value added during the 2003-2007 period, averaging 0.7%, before registering a decrease in 2008. In fact, in 2008 the share of fishing in total gross value added decreased by 0.6 percentage points from 0.7% recorded in 2007 to 0.1% in 2008. The fisheries sector employed a total of 544 full-time workers in 2008. The share of employment in the fisheries sector with respect to total full-time employment stood at around 0.4% in recent years.

While small in size, the agricultural and fisheries sectors, still provide an important part of the local social and economic fabric. In fact, these two sectors provide income and employment to a number of families and individuals, while at the same time providing the country with a degree of self-sufficiency in the provision of food. As a secondary effect, these sectors also enrich the cultural heritage of the Maltese islands, enhancing the value of tourist experiences and thus also contributing to one of Malta most important sectors.

## 02.5. Labour market

The impact of the international economic crisis has also been felt on the local labour market. During the first quarter of 2009, the total overall employment rate stood at 54.9%(EU27: 65.9%<sup>19</sup>). Whilst the rate for males stood at 72.0% (EU27: 72.8%), the rate for females was of 36.9% (EU27: 59.1%). The same trend followed for the activity rate, where the rate for males stood at 76.8% as opposed to 39.9% for females. Females also experienced a higher unemployment rate, 7.4% when compared to 6.1% for males during the first quarter of 2009. An analysis of employment rates by age group illustrates that the highest rates for males are found in the 25 to 54 age bracket (88.8%) whereas female employment rates tend to be higher in the 15 to 24 age bracket (44.3%). The unemployment rate as at the

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<sup>19</sup> EU27 Employment rates available were for December 2008, EUROSTAT website.

first quarter of 2009 stood at 6.5% which represents an increase of 0.2 percentage points over the 2008 period. Between 2005 and 2009, the unemployment rate in Malta has been constantly lower than the EU27 average. Approximately 34.4% of the unemployed in the first quarter of 2009 were aged between 15-24.

An overview of those registering for employment with the national employment agency shows that as at end March 2009 there were a total of 7,083 persons registering for employment, amounting to an unemployment rate of 4.7% of the labour supply. Of these 6,544 registered for employment under Part I and 539 were registered under Part II.<sup>20</sup> This represents a decrease of 12.9% over the previous year. Between 2005 and 2009, the majority of the unemployed under Part I were those looking for elementary and low-skilled occupations. Some main indicators for the labour market are highlighted in **Table 08**. The labour force increased by 7.3% between 2005 and the first quarter of 2009, with a marginal increase of 2.7% registered between 2007 and 2008. Meanwhile, the number of persons with a part-time job as their main occupation stood at 14,692 during the first quarter of 2009, representing a decrease of 3.0% over the previous year. Between 2005 and the first quarter of 2009, the growth rate of part-time employment as a main occupation was higher for males than for females. There was also a decrease in female part-time employment between the first quarter of 2009 and the same period in 2008. However, in the first quarter of 2009 the number of females holding a part-time job outnumbered their male counterparts.

**Table 08 – Overall Labour Market situation**

Labour Force	2005	2006	2007	2008	2009 Q1	2009 Q1
Employed	148,229	152,530	156,849	160,507	161,310	161,279
Unemployed*	11,757	10,954	9,985	10,825	11,265	12,109
<b>Total</b>	<b>159,986</b>	<b>163,484</b>	<b>166,834</b>	<b>171,332</b>	<b>172,575</b>	<b>173,388</b>
<b>Unemployment Rate (%)<sup>21*</sup></b>	<b>7.0</b>	<b>6.5</b>	<b>6</b>	<b>6.3</b>	<b>6.5</b>	<b>7.0</b>

Annual Labour Force Survey

Source: National Statistics Office.

<sup>20</sup> Registered unemployed with ETC is composed of both Part I and Part II of the Register. Part I of the Register includes those who are eligible for work and registering with ETC as unemployed, while Part II incorporates other categories of persons searching for work but are not eligible to register under Part I.

<sup>21</sup> The unemployment figures and rates are based on the Labour Force Survey (annual data sets). The Labour Force Survey is a household survey carried out by the NSO in accordance with methodologies of the European Union's statistical agency, Eurostat, and the International Labour Organisation. It is important to note that the actual figures and rates of unemployment based on registered persons with ETC.

The domestic labour market has been characterised by relatively weak conditions in particular as regards developments in full-time employment<sup>22</sup> and in unemployment levels. The process of economic adjustment triggered by industrial restructuring in both public and private enterprises, fiscal consolidation, as well as sluggish growth in the economies of Malta's main trading partners and the steep rise in international oil prices posed an increased uncertainty that affected adversely employment developments. Nonetheless, the performance of the labour market during the 2008 and the first quarter of 2009 is characterized by the increase in registered unemployed following the financial crises and the worldwide economic recession that followed.

In the period 2005-2008, employment in the private sector was on an upward trend. Furthermore, in the first quarter of 2009, private sector employment stood at 114,545 an increase of 3,872 or 3.4% over 2008. Higher employment in the private sector reflects a significant expansion in private market services over the period 2005 to 2009, most notably in real estate, renting and business activities; transport, storage and communications; and in health and social work. These increases in private market services employment were partly countered by a decline in employment in private direct production, owing to an active restructuring process in the industrial sector.<sup>23</sup> On the other hand, due to the restructuring of public enterprises, private initiatives, as well as Government's policy to restrict recruitment in non-essential categories in Government Departments and Agencies, public sector employment has been following a downward trend over the recent years. In fact, public sector employment declined from 47,018 during 2005 to 46,765 in 2009.

With respect to undeclared work, while it is generally acknowledged that a degree of such employment exists, by its very nature, it is impossible to quantify precisely. It is widely believed that such work occurs in sectors such as construction-related trades and in domestic and personal services. ETC is preparing a campaign to raise awareness of the benefits of working within the formal economy, as well as, penalties for operating outside it. ETC is also conducting extra training in those areas where employers are claiming not to find local labour (hence, requiring foreign labour). The challenge is to help transform such work into declared employment through making-work-pay measures. Significant measures in this regard have been taken in the last two budgets which, for instance, allow preferential tax rates for 'secondary' spouses earning below the minimum wage, and a pro-rating of the national insurance contribution. Although it will probably always pay certain tradespersons more to operate as self-employed rather than employees, there is still scope to encourage

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<sup>22</sup> It is notable that over the recent years, increasing importance is being attached by both economic operators and employees to part-time work as the main occupation. This indicates changing working patterns and the relative degree of flexibility of the labour market.

<sup>23</sup> This has been particularly evident in the textiles manufacturing sector.



such persons to operate as self-employed in the formal economy. ETC operates a Law Compliance Unit, and this Unit follows up on hotline and other reports of such irregular employment of both Maltese and foreigners.

With respect to the impact of foreign workers in Malta, these may be grouped into three categories. First, permits for EU nationals are issued automatically. Second, permits for recognized refugees, persons with temporary humanitarian protection (THP), and asylum seekers, are also issued automatically. Third, permits for third country nationals are issued on a case-by-case basis. The latter is in line with labour market shortages and depends upon the employers' submission of full job descriptions and CVs, and of their efforts to locate suitable Maltese workers. At end-August 2009, there were 9,000 active work permits, of whom (a) 1275 were recognised refugees, THPs or asylum seekers; (b) 4405 EU nationals; and (c) 3320 third country nationals.

## **02.6. Territorial Cohesion**

Latest data published by the National Statistics Office (NSO) estimates that in 2007, Gozo's GDP per capita was 75.9% of that of Malta and remained stable at around 76% for the three year period 2005-2007. GDP produced in Gozo amounted to around 6% of the national total for 2007

The economic context of Gozo is shaped by a number of characteristics of the island; namely, its small size, peripherality, as well as double insularity. These characteristics lead to vulnerability making Gozo more susceptible than the island of Malta to adverse economic events which are outside the control of national policy formulation, including lower economic growth and lower consumption per capita.

On the other hand, these and other characteristics provide the area with a number of inherent strengths and opportunities that can be exploited to stimulate economic activities. Over the years, Gozo has recorded progress across a number of socio-economic areas. Government remains committed to continue Gozo's transformation into becoming more environmentally, socially and economically viable. Amongst others, Government will focus on generating continued sustainable employment within a number of high value-added sectors which have already recorded positive developments. Government will also seek to provide the right environment for attracting and supporting new start-ups as well as to stimulate new ideas, particularly within the private sector.

The manufacturing sector employs about 10.2% of total employment in Gozo which is considerably lower than manufacturing employment in Malta. Indeed, Gozo's employment in this sector has been declining as Gozo's economy became more services-oriented. Indeed, tourism and the wholesale and retail sectors are the main two economic sectors in Gozo together with other emerging sectors such as the call centres which are establishing their base in Gozo.

Tourism is a main contributor to income and employment in Gozo. Indeed, tourism related activities offer opportunities to increase both value added and employment in niche activities. Gozo offers a number of highly valued attractions, including a safe environment, a distinctive Mediterranean lifestyle coupled with a hospitable community and a flexible workforce. Moreover, the attractiveness of the landscape, fine restaurants and hotels and a relatively rich history and culture further add to the opportunities and experiences that are available for the tourists. If these attractive assets are fully exploited, they can enhance Gozo's potential as a tourist destination. There is special focus on tourism, as well as industry-related policies working within the framework of Eco-Gozo.

In Gozo, the sector which had the largest contribution to employment over the period 2004-2007, was the 'other services sector', followed by the wholesale and retail trade. These two sectors represent almost 65% of all employment in Gozo over the same period with the former sector, in which government employment is listed, employing one-third of total employment. Sectoral trends also show increases in other services such as in hotels & restaurants and real estate activities.

Gozo's labour market is characterised by a low labour market activity rate and extensive employment in lower-value-added activities. When compared to Malta, the employment rate in Gozo is lower, standing at 51.9% in the first quarter of 2009 (Malta: 60.6%) with 67% being males (Malta: 74.9%) and 36.5% females (Malta: 45.5%). Lower participation rates largely reflect the unavailability of full time productive jobs in Gozo, leading to seasonal, part-time and irregular employment.

The Gozitan economy also depends even to larger extent than that of Malta, on the public sector. In 2009, employment in this sector in Gozo accounted for 39.3% of total employment on the island when compared to 27.5% in Malta. A significant amount of these employees is found in the lower level industrial grades. Tangible steps in re-deployment have recently been taken with the transfer to Gozo of various back-office operations pertaining to the public sector. This has created new jobs especially for new entrants in the labour market but has not solved under-employment in other categories.

The unavailability of jobs in Gozo does not always induce Gozitans to move or commute to Malta, especially due to the hardships (social, financial and others) that are associated with working in Malta. The Gozitan labour market is also characterised by a lack of appropriate skills, including skill mismatches and negative attitudes towards labour market employment. In this regard, the European Social Fund is supporting measures which "positively discriminate" in favour of job creation in Gozo.

Government acknowledges the fact that in order for the Gozitan economy to flourish a considerable amount of investment is required with a view to address the specific needs of the island. Within this context, Government's commitment has been shown by allocating 10% of Cohesion Policy funds specifically to Gozo related projects

### 03. Contribution of the OPs to the NSRF objectives and indicators

The National Strategic Reference Framework (NSRF) outlines four strategic objectives and indicates the potential measures which will be implemented through the Operational Programmes.

#### 03.1 Strategic Objective 1: Sustaining a growing, knowledge-based, competitive economy

This objective is underpinned by initiatives supporting enterprises, mobilising investments in RTDi and sustaining the tourism industry and promoting culture.

This Strategic Objective endeavours to consolidate the existing foreign direct investment (FDI) and also strives to attract new FDI. Furthermore, this objective aims to enhance the local business potential through:

- the upgrading and the embellishment of various industrial estates in Malta;
- the expansion of incubation centres ;
- direct assistance to the manufacturing and service industries through different aid schemes focusing on start ups;
- innovation actions;
- e-business development;
- research & development;
- energy-related initiatives; and
- international competitiveness.

Malta is taking a multi- pronged approach towards the development of the RTDi sector; namely to develop the necessary infrastructure in research centres (which currently consist largely of investments within the University of Malta as well as the building of infrastructure aimed at enhancing the interaction between industry and academia); to promote research and innovation within the private sector through aid schemes and financial engineering options ; as well as investments in human resources within the tertiary and vocational educational levels. Whilst the first two are largely funded by the ERDF, the investment in human resources is being undertaken by the ESF through the provision of scholarships in an effort to increase the research base in Malta.

Service-providing sectors are one of the growth sectors in Malta. Multinationals providing ICT-based services in foreign markets often find lack of workforce skills. The competitiveness of this sector, as well as other economic sectors such as ICT services, financial services, pharmaceuticals, the aviation maintenance and the film industry, is dependent on the availability of trained personnel available on the Island. The provision of sector-specific training through the ESF aims to address such a need within the ICT, financial and aviation sectors. Related infrastructure complements this by providing the necessary training and work-related facilities on the island, examples being the setting up of the ICT Faculty at the University of Malta and the upgrading and expansion of the ICT Institute at MCAST; and the setting up of national measurement standards for calibration.

Tourism is one of the main pillars supporting Maltese economic activity. Within this context, the Maltese Government is focusing its efforts towards making the industry more sustainable with a better seasonal spread in turn creating more and better jobs. In this regard, there is also a similar effort for this sector as there is for research and development, namely investments in physical infrastructure (Operational Programme I is investing in measures supporting niche markets such as safeguarding the country's heritage sites such as fortifications and neolithic temples; upgrading tourist zones as well as preserving the natural heritage along the coast); a continued effort to stimulate direct investment by the private sector (ERDF co-financing for innovative efficient business processes, marketing activities and new e-services within tourism enterprises) and spearhead investment in human capital (the ESF is providing a number of training options aimed at different target groups operating in the sector).

### **03.2 Strategic Objective 2 – Improving Malta's attractiveness and the quality of life**

Improving Malta's attractiveness and the quality of life of its citizens is on the top of Government's Agenda. Within this context, Strategic Objective 2 aims at improving and expanding the transport infrastructure; increase investment in the environment, energy and risk prevention sectors; investing in urban regeneration; strengthening information society and expanding e-services; and supporting education and social infrastructure including health infrastructure.

Although Malta can be described as an urban environment, the territory's specificities of insularity, fragmentation but at the same time extreme high population warrant the need of investments in transport infrastructure. Extreme population density and high degree of urban sprawl also restrict the current options available. The upgrading of the TEN-T and non TEN-T roads allows for better linkages between the international airport, the two TEN-T international seaports while meeting the country's growing transport requirements also on the arterial and distributor roads. Investments in port infrastructure are also critical to the Islands' economy.

Improving the quality of life is also being addressed through the enhancement of the state of the environment, managing waste whilst minimising sources of pollution, improving the quality of water, conservation of cultural and natural assets, raising awareness of environmental issues and sustaining efforts towards environmental protection through monitoring. The Operational Programme I identifies a number of major projects, as well as other measures which will minimise landfilling of waste, rehabilitate disused landfills and increase the capacity of waste treatment for energy recovery. One major project specifically targets the treatment of urban waste water and sewage transmission which will complement two other existing plants and treat 80% of all sewage generated on the Maltese Islands.

Within this objective, Malta is also trying to address the issue of climate change. In fact, flood relief during heavy storms during autumn and winter, is another priority which is currently being explored for co-financing. The focus of energy efficiency and renewable energy, is primarily aimed at reducing the use of fossil fuels with a view to mitigate resultant emissions. The aim is to improve air quality while maintaining or increasing output. Within this context, a number of measures are

being implemented, including operations that contribute to the national supply mainly through solar and wind options; as well as schemes for both the private and domestic sectors.

With regard to urban regeneration, it has been difficult to find good proposals for integrated projects. A number of local and regeneration plans for urban areas exist, however these address primarily the issue of vacant residences. Interventions are currently underway within the inner harbour area by way of a co-financed project which will look at housing, land transportation, urban embellishment and open and green spaces.

The Smart Island National ICT Strategy 2008-2010 looks at use of ICT as a way to promote a knowledge economy, inclusion, education, quality of life, access to government services and as an overall enabling infrastructure. Cohesion Policy 2007-2013 is investing in ICT related infrastructure as well as ICT soft skills within a number of educational institutions as well as through aid schemes (under Article 87 of the Treaty) with a view to: provide new e-services; attract more students to take up science and technology; equipping businesses, parents, educators, unemployed and semi-skilled workers with ICT skills; and also facilitating e-commerce and e-business solutions.

In an effort to enhance quality of life by increasing life expectancy and reducing premature death, Cohesion Policy is targeting the health sector as a means to complement the investment already undertaken by the Maltese Government. The interventions through the Operational Programme I have been restricted to specialized hospitals and the Gozo hospital while the Operational Programme II aims to strengthen the regulatory role and the service provision; support research and capacity building; as well as human resources sustainability. Preparations are currently underway for a major project in the health sector which will see the setting up of a new oncology hospital. (ERDF)

### **03.3 Strategic Objective 3 – Investing in Human Capital**

Investing in human capital is supported through investments in education and employment; enhancing social inclusion and institution building.

Projects in the field of education and employment are geared towards physical infrastructure; improving skills, employability and adaptability; and life long learning. Vocational and tertiary educational institutions as well as the national employment services (ETC) are the main beneficiaries and are working towards the installation, upgrading and expansion of labs, workshops and classrooms. In parallel, a number of initiatives are being undertaken through the OPII to promote new flexible training opportunities in various fields and increase the supply of knowledge workers. Quality assurance is pivotal to the strengthening of educational pathways and thus accreditation systems and occupational standards are being enhanced to cover vocational, on-the-job training qualifications and also life long learning. Through the European Social Fund various proposals target the re-integration of women into the labour force while also making available subsidies for childcare services.

Education and employment are instrumental towards the achievements of social cohesion. Within this context, professionals working with disadvantaged and disabled groups are being provided with

intensive, focused, hands-on training a view to provide the opportunity to enhance their skills while a number of training options are available for various target groups even through the initiative of Non Governmental Organisations (NGOs) which tend to be closer to certain sectors of the local community.

The Maltese Government, being one of the main employers in Malta, is focusing its efforts to streamline the workforce and re-allocate and re-train surplus staff. Furthermore, the Public Sector is also in the process of reorganizing procedures and operations; integrating the use of ICT and implementing e-government services. Seven projects have been approved under Priority Axis 4 of OPII which target a number of areas including better regulation, IT, public procurement, equal opportunities as well as partnerships, the latter with the aim of strengthening social dialogue.

#### **03.4 Strategic Objective 4 – Addressing Gozo’s regional distinctiveness**

Addressing the distinctiveness and specificities of Gozo as an Island Region goes beyond interventions within the three other strategic objectives. This objective looks at enterprise promotion, accessibility, inter-island transportation issues and human capital *specifically* within the region of Gozo.

The restricted internal market and limited export opportunities characterize the economic activity in Gozo with perceived strengths being the service sector but featuring a decrease in the traditional manufacturing sectors. Infrastructural investments look at the creation of sustainable job opportunities through the enhancement of vocational and tertiary education; ICT; tourism facilities to improve the *Gozo product*; upgrades of the industrial estate as well as the setting up of a biological treatment and transfer plant.

The issue of double insularity leads to accessibility constraints on the movement of goods, persons and services. Facilitating the crossing through investments in the relevant ports and port areas will, in turn, improve waiting conditions for those making use of the ferry crossings, attract additional business concern in Gozo whilst the upgrading of road infrastructure will alleviate mobility around Gozo as a means to address transport inefficiencies and alleviate associated costs.

Gozo suffers from a lower employment rate than Malta as well as a mismatch between the unemployed (elementary occupations such as labourers, agricultural workers, machine operators, etc) and the vacancies available (service industries). Gozo is very dependant on seasonality which leads to a higher unemployment rate during the winter months when compared to the summer period. Within this context, in order to address Gozo specific needs, the Operational Programme II is co financing higher education part time courses in related subjects. Moreover, national projects being implemented by the Ministry of Education, vocational institutions as well as the employment services, offer the possibility of having a number of courses in Gozo to encourage Gozitans to take up further training without the burden on their quality of life associated with regular crossings to Malta. The employment aid programme also provides for additional support to Gozitan employers with regard to the employment aid for disadvantaged groups.

### 03.5 NSRF Targets and Impact Indicators

The overall vision 2007-2013 is underpinned by two goals namely Convergence and Cohesion. Convergence refers to the goal of converging Malta's GDP per capita to that of the EU25<sup>24</sup> average. On the other hand, cohesion is transferred into the goal of increasing Gozo's GDP per capita as a percentage of that of Malta (in Purchasing Power Standards terms).

Two specific target indicators for the NSRF rest on the objectives of increasing competitiveness and achieving growth in jobs. This is translated into the objective to increase the exports of goods and services and to increase the employment rate. **Table 09** below shows the overall vision 2007-2013 in terms of convergence and cohesion as well as the NSRF core target indicators.

**Table 09 Convergence and Cohesion for 2007-2013**

Overall Vision 2007-2013	Convergence	Cohesion
	Converging Malta' GDP per capita to that of the EU25 average (in PPP terms)	Increasing Gozo's GDP per capita as a percentage of that of Malta (PPS terms)
	<i>69.2 % (2005) to 74.0 % (2013)</i>	<i>71.0 % (2003) to 78.0 % (2013)</i>

NSRF Core Target Indicators	Increasing competitiveness	Growth in Jobs
	% increase in nominal exports of goods and services	% increase in the employment rate
	<i>Increase of 4.0 % over the 2007-2013 period</i>	<i>Increase from 54.3 % in 2005 to 57.0 % (2013)</i>

The monitoring of these goals is undertaken on a regular basis. The latest figures available are those pertaining to 2008. These results are outlined in **Table 10** below.

<sup>24</sup> Figures are now updated to make reference to EU27



Table 10 – Goal/Indicators as at 2008<sup>25</sup>

Goal/Indicator	Baseline (Year)	Target (Year)	Update (Year)
Converging Malta' GDP per capita to that of the EU25 average (in PPP terms)	77.8 % <sup>26</sup> (2005)	To be advised <sup>27</sup>	75.5 (2008)
Increasing Gozo's GDP per capita as a percentage of that of Malta (PPS terms)	75.9 % <sup>28</sup> (2003)	78.0 % (2013)	76.9 (2006)
% increase in nominal exports of goods and services <sup>29</sup>	€4,451, 454 (2006)	4% increase on 2006 figures (2013)	3.7% increase on 2006 Figures (2008)
% increase in the employment rate	54.3 % (2005)	57.0 % (2013)	52.9% (2008)

As can be seen from the table above, it is clear that Malta has been effected by the international economic crisis. This is clearly reflected in the decrease of GDP per capita amounting to 2.3 percentage points. With respect to Gozo's GDP, the latest figures available (2006) show an increase of 1 percentage point when compared to the 2003 figures; however this is expected to decrease in 2008. Within the employment sector, the impact of the international economic crisis was also felt and in fact a decrease of 1.4 percentage points from the baseline in 2005 has been registered.

### 03.6 OP Targets and Indicators

One aspect of the monitoring process with respect to the implementation of the Programme is linked to the monitoring of the output and results indicators as part of the physical checks on the project.

Data is collected by each Beneficiary and/or Intermediate Bodies who are responsible to ensure coherence with established national methodologies for specific indicators. Data is collected through the Project Progress Report and is collated by the Managing Authority for subsequent publication of in the Annual Implementation Report at Operational Programme level.

<sup>25</sup>National Statistics Office

<sup>26</sup> *ibid*

<sup>27</sup> The NSRF identifies a target based on EU 25 figures. Target to be revised to reflect EU 27 figures

<sup>28</sup> National Statistics Office

<sup>29</sup> Figures quoted in '000s

### 03.6.1 Operational Programme I – Output, Results and Impact Indicators

Updated achievement figures as at 30<sup>th</sup> September 2009 are indicated in **Table 11** below. Since the Annual Implementation Report 2008, further achievements have been registered in 5 indicators, of which 3 are core indicators (Pupils/ students/ trainees benefiting from upgraded and modernized facilities; No of RTDi projects; and kms of roads upgraded) and an impact indicator (Number of direct jobs created).

These achievements are mainly resulting from the projects approved during the first open Call for Proposals. Achievements relate to the educational infrastructure where additional square meters of modernized facilities have been created (Output Indicator Axis 6) which in turn has affected the result indicator (Axis 6) 'Pupils/ students/ trainees who are benefiting from upgraded and modernized facilities/services (per annum)'.

Further to this, progress has been registered on the output indicator within Priority Axis 1, 'No of RTDi projects (core indicator)' resulting from infrastructure set up to stimulate research related initiatives.

**Table 11 – OPI Indicators**

Indicators		2007	2008	2009 (as at 30/09/09)	Total
<b>Impact Indicators</b>					
<b>Indicator 1:</b> % Increase in RTDi expenditure as a percentage of GDP	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	0.75%
	Baseline	0.3%	n/a	n/a	0.3%
<b>Indicator 2:</b> % Increase of earnings from tourism	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1.0%
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 3:</b> % Increase of manufactured export earnings	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	3.2 %
	Baseline	2.7%	n/a	n/a	2.7%
<b>Indicator 4:</b> Number of direct jobs created	Achievement	0	0	10	10
	Target	n/a	n/a	n/a	1,400 full-time equivalents
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 5:</b> Transport weighted average	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	176.5
	Baseline	100	n/a	n/a	100
<b>Indicator 6:</b>	Achievement	0	0	0	0

Indicators		2007	2008	2009 (as at 30/09/09)	Total
<b>Impact Indicators</b>					
average	Target <sup>30</sup>	n/a	n/a	n/a	622.7
	Baseline <sup>31</sup>	100	n/a	n/a	100
<b>Indicator 7:</b> Quality of Life Weighted Average	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	263.8
	Baseline	100	n/a	n/a	100
<b>Indicator 8:</b> CO2 equivalent emissions	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	Low carbon with the ultimate aim of achieving carbon neutrality
	Baseline	n/a	n/a	n/a	n/a

<sup>30</sup> The targets provided are for the whole programming period.

<sup>31</sup> The baseline data provided is not necessarily the data provided in 2008 but the year of the data as provided in OPI.

Indicators		2007	2008	2009 (as at 30/09/09)	Total
<b>Core Indicators</b>					
<b>Indicator 9:</b> No of start-up businesses supported (core indicator) (8)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	35
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 10:</b> No of enterprises involved in networking and new collaboration with other businesses and academia (core indicator) (5)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 11:</b> No of RTDi projects (core indicator) (4)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 12:</b> No of assisted tourism and cultural projects (core indicator) (34)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	308
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 13:</b> Kms of roads upgraded (core indicator) (16)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	20 Kms
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 14:</b> No of storm water management (risk prevention) projects (core indicator) (31)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a

<b>Indicator 15:</b> Pupils/ students/ trainees benefiting from upgraded and modernized facilities/services (per annum) (core indicator) (37)	Achievement	0	1,158	0	1,158
	Target	n/a	n/a	n/a	25,000
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 16:</b> No of projects ensuring sustainability and improving the attractiveness of towns and cities (core indicator) (39)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	3
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 17:</b> No of projects [Health] (core indicators)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	3
	Baseline	n/a	n/a	n/a	n/a

## Priority Axis 1 – Enhancing Knowledge and Innovation

Indicators		2007	2008	2009 (as at 30/09/09)	Total
<b>Output Indicators</b>					
<b>Indicator 1:</b> No of new/upgraded industrial zone projects by the end of 2013	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	5
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 2:</b> No of upgraded crafts villages	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 3:</b> No of SMEs receiving grants	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	450
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 4:</b> No of RTDi projects (core indicator)	Achievement	0	0	1	0
	Target	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 5:</b> No of new/modernized specialized learning facilities constructed/refurbished	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	22
	Baseline	n/a	n/a	n/a	n/a
<b>Result Indicator</b>					
<b>Indicator 6:</b> No of new enterprises (local and foreign) / expansions in sites upgraded	Achievement	0	0	0	0
	Target <sup>32</sup>	n/a	n/a	n/a	25
	Baseline <sup>33</sup>	n/a	n/a	n/a	n/a

<sup>32</sup> The targets provided are for the whole programming period.

<sup>33</sup> The baseline data provided is not necessarily the data provided in 2008 but the year of the data as provided in OPI.

<b>Indicator 7:</b> % increase in the number of tourists visiting the crafts villages	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	37%
	Baseline	90,937 visitors	n/a	n/a	90,937 visitors
<b>Indicator 8:</b> No of start-up businesses supported (core indicator)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	35
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 9:</b> No of SMEs launching new or improved product or processes	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	35
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 10:</b> No of SMEs improving their use of ICT for e-business	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	49
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 11:</b> No of SMEs improving their market penetration efforts	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	35
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 12:</b> No of SMEs assisted in environmentally sensitive technologies, operating systems and processes	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	100
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 13:</b> No of enterprises involved in networking and new collaboration with other businesses and academia (core indicator)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 14:</b> % increase of students taking up S&T related studies at the vocational/higher education levels at targeted intervention institutions	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	45%
	Baseline	3092	n/a	n/a	3092

## Priority Axis 2 – Promoting Sustainable Tourism

Indicators		2007	2008	2009 (as at 30/09/09)	Total
<b>Output Indicators</b>					
<b>Indicator 1:</b> No of assisted tourism and cultural projects (core indicator)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	8
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 2:</b> No of new/upgraded beaches	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	5
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 3:</b> Surface area of rampart elevation plan restored (m <sup>2</sup> )	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	135,000
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 4:</b> No of marketing measures to penetrate/develop new/established niche markets	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	4
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 5:</b> No of projects implemented by NGOs/enterprises	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	300
	Baseline	n/a	n/a	n/a	n/a
<b>Result Indicators</b>					
<b>Indicator 6:</b> % overall increase in the number of paying visitors at upgraded Sites	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	4% increase
	Baseline	154,000	n/a	n/a	154,000
<b>Indicator 7:</b> % of total tourists visiting upgraded cultural sites	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	8% increase
	Baseline	62,333	n/a	n/a	62,333



<b>Indicator 8:</b> % average increase in tourist departures for the established niche segments	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	3% increase
	Baseline	36.6%	n/a	n/a	36.6%
<b>Indicator 9:</b> No of enterprises/NGOs adopting new products and processes	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	250
	Baseline	n/a	n/a	n/a	n/a

### Priority Axis 3 – Developing the TEN-T

Indicators		2007	2008	2009 (as at 30/09/09)	Total
<b>Output Indicators</b>					
<b>Indicator 1:</b> Kms of roads upgraded (core indicator)	Achievement	0	0	0.4km	0
	Target	n/a	n/a	n/a	20 Kms
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 2:</b> Sq m of new/refurbished infrastructure	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	76,200m <sup>2</sup>
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 3:</b> Construction of new sea passenger terminal	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a
<b>Result Indicators</b>					
<b>Indicator 4:</b> % increase in satisfaction rate of transport operators/users	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	10%
	Baseline	n/a	n/a	n/a	n/a

<b>Indicator 5:</b> Reduction in journey time (minutes)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	-5 mins
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 6:</b> % reduction in traffic accidents in the areas of intervention	Achievement	0	0	0	0
	Target	0	0	0	10% reduction
	Baseline	193	n/a	n/a	193
<b>Indicator 7:</b> % increase in cargo per annum	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	2,0% increase
	Baseline	6,206,185	n/a	n/a	6,206,185
<b>Indicator 8:</b> % increase in sea passengers per annum	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	2,5% increase
	Baseline	3,804,221 passengers	n/a	n/a	3,804,221 passengers

#### Priority Axis 4 – Mitigation and adaptation to climate change

Indicators		2007	2008	2009 (as at 30/09/09)	Total
<b>Output Indicators</b>					
<b>Indicator 1:</b> No of boilers (generation plant) upgraded	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 2:</b> Annual penetration rate of installed PV, micro-wind and solar (in	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	340

kWpeak/annum or equivalent in energy saving) generating systems starting in 2008 (kpW/annum)	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 3:</b> No of energy efficiency schemes	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	2 – 3
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 4:</b> No of storm water management (risk prevention) projects (core indicator)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 5:</b> No of studies	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a
<b>Result Indicators</b>					
<b>Indicator 6:</b> Compliance with LN 329/2002 (Directive EC/80/2001)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	Full
	Baseline	In breach	n/a	n/a	In breach
<b>Indicator 7:</b> Total annual electricity generated from small scale PV and micro-wind installations (MWh/annum) (core indicator)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	3,000
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 8:</b> Total energy savings per year (MWh/annum)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	24,300
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 9:</b> M3 of new rain water retention and storage capacity in catchment	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	300,000

areas	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 10:</b> Frequency of flooding within areas of intervention	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1 every 5 years
	Baseline	5 per year	n/a	n/a	5 per year

### Priority Axis 5 – Sustaining the Environment

Indicators		2007	2008	2009 (as at 30/09/09)	Total
<b>Output Indicators</b>					
<b>Indicator 1:</b> No of solid waste treatment plants constructed	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 2:</b> No of landfills rehabilitated	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 3:</b> No of liquid waste treatment plants constructed	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a
<b>Result Indicators</b>					
<b>Indicator 4:</b> Landfill volumes saved on an annual basis as at 2013 (m3)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	130,000 m3 (110,000 tonnes)
	Baseline	290,000 tonnes	n/a	n/a	290,000 tonnes

<b>Indicator 5:</b> Total RES recovered from waste by 2013 (GWhrs/annum)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	17.0(GWhrs/annum)
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 6:</b> Sq m of rehabilitated land from landfills	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	300,000m2
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 7:</b> % decrease in national; sewerage effluent discharge/additional population served (core indicator)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	80%
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 8:</b> Status of coastal waters in the South of Malta (from Class 3)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	Class 1
	Baseline	Class 3	n/a	n/a	Class 3

### Priority Axis 6 – Urban Regeneration and Improving the Quality of Life

Indicators		2007	2008	2009 (as at 30/09/09)	Total
<b>Output Indicators</b>					
<b>Indicator 1:</b> No of projects ensuring sustainability and improving the attractiveness of towns and cities (core indicator)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	3
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 2:</b> Km of upgraded roads (non TEN-T)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	7
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 3:</b> No of projects promoting Modal Shift	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 4:</b> No of new e-services for the public and the business community	Achievement	0	0	0	0
	Target	n/a	n/a	0	4
	Baseline	58 e-services	n/a	n/a	58 e-services
<b>Indicator 5:</b> No of existing learning facilities refurbished (with new equipment) /constructed within intervention areas by 2013	Achievement	0	4	4	4
	Target	n/a	n/a	n/a	30
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 6:</b> No of projects [Health] (core indicators)	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a
	Achievement	0	0	0	0

<b>Indicator 7:</b> No of environmental monitoring projects	Target	n/a	n/a	n/a	4
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 8:</b> Sq m of modernized facilities refurbished (with new equipment /constructed within intervention areas by 2013)	Achievement	0	1,302.4	1,623.40	,1,623.40
	Target	n/a	n/a	n/a	2,040
	Baseline	n/a	n/a	n/a	n/a
<b>Result Indicators</b>					
<b>Indicator 9:</b> Average % redevelopment of units in regeneration areas of total National regeneration	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1,27%
	Baseline	0,03%	n/a	n/a	0,03%
<b>Indicator 10:</b> Road surface condition of upgraded roads	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1,0 – 1,5
	Baseline	4.66	n/a	n/a	4.66
<b>Indicator 11:</b> % increase in use of non-car modes	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	8%
	Baseline	29,745,123	n/a	n/a	29,745,123
<b>Indicator 12:</b> % increase in use of e-services	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	20% increase
	Baseline	80,545	n/a	n/a	80,545
<b>Indicator 13:</b> Pupils/ students/ trainees benefiting from upgraded and modernized facilities/services (per annum) (core indicator)	Achievement	0	1,158	2,063	2,063
	Target	n/a	n/a	n/a	25,000
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 14:</b> % of total patients [within	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	60%

intervention areas] using new/ upgraded equipment /services	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 15:</b> No of new services offered in the health sector	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	3
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 16:</b> National monitoring programmes established	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	4
	Baseline	n/a	n/a	n/a	n/a

### 03.6.2 Operational Programme II – Output, Result and Impact Indicators

Similar to projects funded under Operational Programme I, OP II projects has started being implemented. This is reflected in the first achievements registered in the relevant indicators showing number of participants in study and training programmes. **Table 12** below indicates the achievements registered on OP II indicators for the years 2007, 2008 and 2009 (cut off date 30<sup>th</sup> September). Resulting from the ongoing implementation of projects which started in 2008, the number of students participating in Science and Technology(S&T) or ICT in further or higher education and training programmes has increased and is reflected also in the indicator measuring the percentage of participants gaining a further or higher education and training qualification in S&T or ICT. On the other hand, new achievements can also be noted in the Priority Axis 2 indicators where the number of persons trained/supported stood at 1848 persons. This is then reflected in an achievement of 4.6% of the target for participants gaining a qualification/certification. This achievement can be mainly attributed to the Employability Programme. Additional persons trained have also been registered under Priority Axis 5 where we have seen an increase of 11.5% (over the 2008 figure) in the amount of persons trained. This increase consists mainly of new Project Leaders and new members of staff working with the horizontal stakeholders. Under the same Axis, an additional publicity measure has also been carried out, bringing the total of this indicator up to 16.



Table 12 – OPII Indicators

Indicators		2007	2008	2009 (as at 30/09/09)	Total
<b>Impact Indicators</b>					
<b>Indicator 1:</b> % Increase in participation rates in upper secondary education level or more, of 20-24 years old	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	n/a
	Baseline	53.7	n/a	n/a	53.7
<b>Indicator 2:</b> % Decrease of early school leaving rate	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	n/a
	Baseline	38.9	n/a	n/a	38.9
<b>Indicator 3:</b> % Increase in the number of adults (25-64 years) participation in lifelong learning	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	n/a
	Baseline	5.4	n/a	n/a	5.4
<b>Indicator 4:</b> Increase in female employment	Achievement	0	0	0	0
	Target	n/a	n/a	0	0
	Baseline	33.9	n/a	n/a	33.9

## Priority Axis 1- Improving Education Skills

Indicators		2007	2008	2009 (as at 30/09/09)	Total
<b>Output Indicators</b>					
<b>Operational Objective A: To increase student participation rates in general field of study (non S&amp; T or ICT) at a further or higher level of education.</b>					
<b>Indicator 1:</b> Number of persons participating in further or higher education & training programmes	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	2,000
	Baseline	n/a	n/a	n/a	
<b>Operational Objective B: To increase student participation rates in science, technology and ICT at a further or higher level of education.</b>					
<b>Indicator 2:</b> Number of persons participating in S&T or ICT in further or higher education & training programmes	Achievement	0	25	75	75
	Target	n/a	n/a	n/a	600
	Baseline	n/a	n/a	n/a	
<b>Indicator 3:</b> Number of persons participating in S&T or ICT capacity building education & training	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	250
	Baseline	n/a	n/a	n/a	
<b>Indicator 4:</b> Number of S&T or ICT actions/studies/campaigns/research activities carried out	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	
<b>Operational Objective C: To improve the quality or relevance of education provision</b>					
<b>Indicator 5:</b> Number of persons trained through capacity building courses	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	750
	Baseline	n/a	n/a	n/a	
<b>Indicator 6:</b> Number of persons trained through supplementary courses, modules or credits for better skills matches	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	3,000
	Baseline	n/a	n/a	n/a	

<b>Indicator 7:</b> Number of actions supporting educational quality, relevance, structures, systems, campaigns and research	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	20
	Baseline	n/a	n/a	n/a	
<b>Result Indicators</b>					
<b>Operational Objective A: To increase student participation rates in general field of study (non S&amp; T or ICT) at a further or higher level of education.</b>					
<b>Indicator 1:</b> % of participants gaining a further or higher education & training qualification	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	75%
	Baseline	n/a	n/a	n/a	
<b>Operational Objective B: To increase student participation rates in science, technology and ICT at a further or higher level of education.</b>					
<b>Indicator 2:</b> % of participants gaining a further or higher education & training qualification in S&T or ICT	Achievement	0	18%	35	0
	Target	n/a	n/a	n/a	75%
	Baseline	n/a	n/a	n/a	
<b>Indicator 3:</b> % of participants gaining a qualification/certification in capacity building education/training	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	80%
	Baseline	n/a	n/a	n/a	
<b>Operational Objective C: To improve the quality or relevance of education provision</b>					
<b>Indicator 4:</b> % of participants gaining a qualification/certification	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	80%
	Baseline	n/a	n/a	n/a	

## Priority Axis 2- Broad Target Groups

Indicators	2007	2008	2009 (as at 30/09/09)	Total	
<b>Output Indicators</b>					
<b>Operational Objective A: To increase participation rate in lifelong learning</b>					
<b>Indicator 1:</b>	Achievement	0	0	1848	1848

Number of persons trained/supported	Target	n/a	n/a	n/a	45000
	Baseline	n/a	n/a	n/a	
<b>Indicator 2:</b> Number of actions supporting educational structures, systems, campaigns and research	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	5
	Baseline	n/a		n/a	
<b>Operational Objective B: To support the adaptability of undertakings through skills improvements and upgrading of workers</b>					
<b>Indicator 3:</b> Number of undertakings supported	Achievement	0	n/a	0	0
	Target	n/a	n/a	n/a	700
	Baseline	n/a	n/a	n/a	n/a
<b>Result Indicators</b>					
<b>Operational Objective A: To increase participation rate in lifelong learning</b>					
<b>Indicator 1:</b> % of participants in employment or further study 6 month after receiving assistance	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	20%
	Baseline	n/a	n/a	n/a	
<b>Indicator 2:</b> % of participants gaining a qualification/certification	Achievement	0	0	6%	0
	Target	n/a	n/a	n/a	60%
	Baseline	n/a	n/a	n/a	
<b>Operational Objective B: To support the adaptability of undertakings through skills improvements and upgrading of workers</b>					
<b>Indicator 3:</b> % of participants gaining a qualification/certification	Achievement	0	0	0	
	Target	n/a	n/a	n/a	0%
	Baseline	n/a	n/a	n/a	60%

### Priority Axis 3 – Promoting an equal and inclusive labour market

Indicators		2007	2008	2009 (as at 30/09/09)	Total
<b>Output Indicators</b>					
<b>Operational Objective A: To increase female participation rate</b>					
<b>Indicator 1:</b> Number of actions supporting a lifecycle approach to work	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	
<b>Indicator 2:</b> Number of women trained/supported	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	2,000
	Baseline	n/a	n/a	n/a	
<b>Indicator 3:</b> Number of families benefiting from childcare	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	1,600
	Baseline	n/a	n/a	n/a	
<b>Operational Objective B: To contribute towards the integration, retention and progression of disadvantaged groups in the labour market, whilst addressing labour market distortions</b>					
<b>Indicator 4:</b> Number of vulnerable persons trained/supported	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	6,500
	Baseline	n/a	n/a	n/a	
<b>Indicator 5:</b> Number of persons trained in capacity building courses	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	600
	Baseline	n/a	n/a	n/a	
<b>Indicator 6:</b> Number of studies, actions, campaigns, research activities carried out	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	
<b>Indicator 7:</b> Number of civil society projects	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	50
	Baseline	n/a	n/a	n/a	

<b>Result Indicators</b>					
<b>Operational Objective A: To increase female participation rate</b>					
<b>Indicator 1:</b> % of participants in employment or further study 6 months after receiving assistance	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	20%
	Baseline	n/a	n/a	n/a	
<b>Indicator 2:</b> % of participants gaining a qualification/certification	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	50%
	Baseline	n/a	n/a	n/a	
<b>Operational Objective B: To contribute towards the integration, retention and progression of disadvantaged groups in the labour market, whilst addressing labour market distortions</b>					
<b>Indicator 3:</b> % of vulnerable persons in employment or further study 6 months after receiving assistance	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	20%
	Baseline	n/a	n/a	n/a	
<b>Indicator 4:</b> % of participant in capacity building gaining a qualification/certification	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	80%
	Baseline	n/a	n/a	n/a	

#### Priority Axis 4 – Strengthening of institutional and administrative capacity

Indicators	2007	2008	2009 (as at 30/09/09)	Total
<b>Output Indicators</b>				
<b>Operational Objective A : To strengthen the efficiency and effectiveness of the public sector</b>				
<b>Indicator 1:</b> Number of persons participating in training in a year	Achievement	0	0	0
	Target	n/a	n/a	n/a
	Baseline	n/a	n/a	n/a
<b>Indicator 2:</b> Number of studies/actions/campaigns /research activities carried out	Achievement	0	0	0
	Target	n/a	n/a	n/a
	Baseline	n/a	n/a	n/a

<b>Operational Objective B: To contribute towards the development of effective partnerships in a wide range of policy areas</b>					
<b>Indicator 3:</b> Number of projects supporting partnership	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	7
	Baseline	n/a	n/a	n/a	
<b>Result Indicators</b>					
<b>Operational Objective A : To strengthen the efficiency and effectiveness of the public sector</b>					
<b>Indicator 1:</b> % of participants gaining a qualification/certification	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	80%
	Baseline	n/a	n/a	n/a	
<b>Operational Objective B: To contribute towards the development of effective partnerships in a wide range of policy areas</b>					
<b>Indicator 2:</b> % increase in the technical capacity (secretariat) at MCESD to support council (and sub-committees) in reaching informed opinions in policy issues.	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	50%
	Baseline	3	3	3	

#### Priority Axis 5: Technical Assistance

Indicators	2007	2008	2009 (as at 30/09/09)	Total	
<b>Output Indicators</b>					
<b>Overall Objective: to facilitate the overall implementation of the Programme.</b>					
<b>Indicator 1:</b> Number of Persons Trained	Achievement	3 (3F)	233 (3)	260	260
	Target	n/a	n/a	n/a	350
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 2:</b> Number of evaluations carried out	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	4
	Baseline	n/a	n/a	n/a	n/a

<b>Indicator 3:</b> Number of Publicity measures undertaken	Achievement	4	15	16	16
	Target	n/a	n/a	n/a	15
	Baseline	n/a	n/a	n/a	n/a
<b>Indicator 4:</b> Number of studies / research activities carried out	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	5
	Baseline	n/a	n/a	n/a	n/a
<b>Result Indicators</b>					
<b>Overall Objective:</b> to facilitate the overall implementation of the Programme.					
<b>Indicator 1:</b> Reaching N+3 / N+2 targets	Achievement	0	0	0	0
	Target	n/a	n/a	n/a	80%
	Baseline	n/a	n/a	n/a	n/a



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## 04. Evaluation

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Malta has undertaken a number of studies in relation to evaluation of Structural Funds Programmes. This section of the report aims to highlight the main results of the evaluations and the insights provided towards achieving the objectives of the policy.

The report by independent, third party experts entitled “Evaluation of the Efficiency of the Implementation of Malta’s Single Programming Document (SPD) 2004-2006” examined the efficiency of Malta’s Structural Fund Implementation System. It provided a review of the implementation structures and made recommendations<sup>34</sup> - mainly related to the implementation system – to improve the programme’s execution and therefore ensure the attainment of the policy’s objectives. In addition, the evaluators also made a number of recommendations with an eye on the 2007-2013 programming period in order to improve the overall efficiency and effectiveness of the current (07-13) Programmes’ implementation by learning from the lessons learned under the first round of Structural Funds in Malta. The *ex-ante* evaluation of the 2007-2013 Operational Programmes acknowledged that most of the recommendations proposed in the above-mentioned report on the 2004-2006 programme had been taken on board by the Managing Authority.

At the end of 2008, Malta undertook two further evaluations concerning the 2004-2006 period which, apart from studying a number of issues specific to the 2004-2006 Programme, were intended to also provide input into the evaluation activities planned under the 2007-2013 programming period<sup>35</sup>. The first evaluation focused on an analysis of the impact and effectiveness of a number of ERDF interventions, mainly related to the environment (this being the single largest Beneficiary sector under the 2004-2006 SPD) as well as the specific territorial dimension<sup>36</sup>. The evaluators were also requested to make realistic and pragmatic recommendations on how best to improve evaluations in Malta, taking into account the local structures, constraints and limitations of a small administration as well as other territorial specificities which impinge on planning and implementation of programmes and projects. In so doing they were expected to draw on issues encountered by them in this particular exercise.

From the report submitted, it emerged that the territorially earmarked measures<sup>37</sup> were found to be second best performing measures out of the fourteen measures contained in the SPD 2004-2006. In terms of strengthening the monitoring and evaluation function, the evaluators recommended the establishment of a set of indicators to be used for each ESF project in order to facilitate data collection whilst for ERDF they advised that, in view of the ready availability of statistics, more

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<sup>34</sup> Discussed at and followed up by the Monitoring Committee

<sup>35</sup> An Evaluation Plan for the 2007-2013 period was drawn up in mid-2008

<sup>36</sup> The 2004-2006 SPD had a specific axis which was earmarked for Gozo

<sup>37</sup> Measures 4.1 and 4.2 of the SPD

meaningful indicators should be set for the 2007-2013 period. These recommendations were taken up.

The second evaluation was a pilot tracer study for 2004-2006 ESF interventions under the SPD. An important aim of the study was to provide also some insight into possible issues and difficulties regarding the proposed development of the fully fledged tracking system which the Maltese MA intended to undertake for Operational Programme II (2007-2013)<sup>38</sup>. The study encountered certain problems which made it harder to carry out than initially anticipated. Not all beneficiaries kept data in a standard format and participants proved difficult to track down. This problem was made worse because considerable time (even years) had elapsed between participation in the training and the study. This means that any tracking system would have to be continuously ongoing throughout the Programme and this, in turn, poses difficulties with regard to formulation of the tender (and duration of contract) as it would not be feasible to quantify, at this stage, given that the number of projects (and therefore participants) is still not known and 3 years of implementation have already passed. Moreover, during the course of the evaluation, the cost (in terms of financial and human resources) and benefit (of knowing the whereabouts of participants 6 months after participation in an ESF intervention) ratio was not always very clear. In light of this experience, the MA is investigating the feasibility of the tracking system in further detail.

Nevertheless, the exercise did provide interesting results with regard to a number of issues related to the interventions. The MA has taken up a number of the recommendations made by the evaluators and also internalized a number of measures to facilitate future evaluations. For example, there is an obligation on beneficiaries to collect, process and analyse participants' evaluation sheets<sup>39</sup>. Furthermore, beneficiaries are also required to retain participants' contact details for possible future reference. Participants are also being informed in advance that they may be contacted for evaluation purposes.

## 04.1 Specific Evaluations for the 2007-2013 Programmes

### 04.1.1 Evaluation of the Strategy (ex-ante)

The *ex-ante* evaluation of the 2007-2013 Operational Programmes assessed the consistency of the strategy and the priorities chosen within the framework of the Community Strategic Guidelines and the National Reform Programme. The exercise was carried out by independent experts, in line with the Regulations.

In general the experts made recommendations both from a policy perspective (arising from their appraisal of the socio-economic analysis, the relevance of the strategy, its consistency and rationale) as well as from an efficiency point of view (targeting the implementation system).

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<sup>38</sup> Refer to the Evaluation Plan 2007-2013

<sup>39</sup> Manual of Procedures for Project Implementation – Cohesion Policy 2007-2013 (page 66)

Moreover, the strategies of both Ops were strengthened with more quantification of data and indicators as well as supporting statistical information. With regard to the implementation system, a recommendation to encourage public-private partnerships, particularly in the case of Operational Programme I, was also taken on board. In the case of Operational Programme II, the main recommendations concerned the targeting of specific groups and the delineation of potential interventions under the different Priority Axes as well as the integration of horizontal principles such as innovation and trans-nationality which were also integrated into the scoring grid used for the selection of projects.

The main recommendations made by the *ex-ante* evaluators were taken into consideration by the Managing Authority in the revised version of the Operational Programmes that were subsequently submitted to and approved by the European Commission.

#### 04.2 Other Evaluations

The MA had presented its Evaluation Plan for the 2007-2013 programme period to Monitoring Committee on 22 May 2008. The primary purpose of this Plan is to provide a framework for the evaluation of the two Operational Programmes. The plan makes reference to monitoring systems being set up in order to check for deviations from the set targets, as well as outlining various types of evaluations to be undertaken throughout the period. Tasks set out in the Evaluation Plan for 2007-2013 are to be carried out at two levels – strategic and operational. Evaluations of an operational nature such as mid-term evaluation, aim to support the monitoring of the Operational Programme. On the other hand, evaluations of a strategic nature aim to examine the evolution of the Programmes in relation to EC and national priorities.

Malta has so far launched the tender for the mid-term evaluation of both OP I and OP II. This was launched slightly later than foreseen in the Plan as implementation has been slower than expected in the first years of the period, due to the economic crisis as well as preparatory work associated primarily with public procurement, planning permits as well as environmental and cost / benefit studies. The call for tenders will close on 12 January 2010 and the contractors are expected to start work by Q2 2010. For the sake of consistency and cohesiveness, also given the single implementation system, the mid-term evaluation of both Programmes will be carried out by one evaluation team, who will provide three separate reports. The objective of the exercise is to confirm the relevance and assess the likelihood of achieving the Programmes' objectives, and to evaluate the efficiency and effectiveness of the Programmes by taking into account the current status of their implementation (the cut-off date will be agreed between the MA and the contractor on the commencement of the contract). The consultants are expected to present a first draft within 5 months, with the final draft being ready within 6 months of start of contract. The document will be discussed by the Monitoring Committees of both Programmes. It is expected that following the results of the mid-term evaluation, the MA will also re-assess the Evaluation Plan.

The next steps in terms of the Evaluation Plan will be to decide on the way forward about the ESF tracking system (in view of the results of the above-mentioned tracer study) and to prepare the draft

terms of reference for the first round of thematic evaluations. The first thematic evaluation being planned in relation to OP I deals with the issue of increased competitiveness through OP I support initiatives. In terms of OP II, the thematic evaluation shall be the assessment of the contribution of OP II initiatives relating to the participation in further and higher education and life-long learning. These should be launched in 2010.

In undertaking new evaluations the MA will also take into account results emanating from the evaluation exercises of the European Commission as well as new evaluation methods which were recently discussed at the conference called “New Methods for Cohesion Policy Evaluation: Promoting Accounting and Learning” organised by DG Regio in Poland between 30 November and 1 December 2009.

## 05. National Level of Expenditure declared by OP and Progress in Committing Planned Allocations.

Since the approval of the Operational Programmes in 2007, Malta has presented one request for interim payments in terms of Article 87 of Council Regulation EC1083/2006. The following amounts were declared and duly received from the Commission:

Operational Programme I – ERDF:	€1,636,873
Operational Programme II – ESF:	€71,429

No amounts have been claimed to date on the Cohesion Fund. The first declaration will be forwarded by the end of 2009 when Malta presents a new request for interim payments to the Commission.

In addition to the interim payments, by the end of April 2009 Malta received the full amount of advance payments due on all three Funds, namely:

- Operational Programme I – ERDF: €39,958,023 (9% of EU allocation)
- Operational Programme I – Cohesion Fund: €29,835,227 (10.5% of EU Allocation)
- Operational Programme II – ESF: €10,080,000 (9% of EU Allocation)

These figures are reproduced in **Annex I**.

### 05.1 Progress in committing planned allocations to selected operations

As at 30<sup>th</sup> September 2009, Malta had committed around half of the EU (and overall public) allocation<sup>40</sup>. This amount is expected to increase in the first quarter of 2010 when two other major projects are expected to be submitted to the EC and the agreement mobilizing Jeremie concluded. Moreover, the ongoing project evaluation process for a number of focus areas under Priority Axis 6 is also expected to be finalised.

**Annex II** gives a snapshot of the commitments made by the Managing Authority under the different categories of expenditure. It is clear that these categories are indicative and some changes may be necessary in upcoming requests for modification of the Operational Programme but these relate

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<sup>40</sup> This does not include the *reserved* funds for the major projects planned to be submitted formally in 2010. In the current calculation only TEN-T phase I is being included as this is the only project that has been formally submitted to the EC as at 30<sup>th</sup> September 2009. It also does not include the amount allocated to the Jeremie initiative and projects approved since 30<sup>th</sup> September 2009.

largely to changes within clusters of categories (priority themes) rather than between priority areas. The changes will largely relate to a better (and more exact) definition of the actual expenditure.

A quick glance at the amounts allocated in the NSRF (and respective OPs), clearly shows that the ESF earmarked categories under Operational Programme II are more or less on track. There are a few categories where no (or few) projects have, as yet, been forthcoming (categories 63, 64, 65, 67 and 68), however the amounts allocated to these categories is rather small and therefore there is still sufficient time to pick up given that there are still funds available under each Axis of the OP. One also notices that a number of categories are well on track (categories 62, 71, 72, and 73) with a few categories (66 and 74) that have already been reached and exceeded. The Managing Authority is planning two calls for launch in quarter 1 of 2010, under Axes 1 and 3<sup>41</sup>.

With regard to Operational Programme I (ERDF and Cohesion Fund), in the case of categories 01 – 09, the allocation in the OP is around €70 million. Although the commitments in actual projects do not exactly correspond to the indicative commitment made in the OP for each category the overall (sum) allocations in projects for the same categories (all earmarking categories) totals €64 million. Given that, at this stage, the commitments in projects represent what has been committed in the Grant Agreements and also the overlapping nature of the different categories, one can safely say that the commitments in these categories, representing the core of the earmarked categories, is more or less on track, especially when one factors in that there is still some unallocated money under Axis 1 (which is the so-called *Lisbon Axis*).

With regard to categories 13, 26, 47, 75 this is expected to reach the target in the OP in the first quarter of 2010 when the evaluation of a call for proposals under these categories is expected to be concluded.

With regards to category 21, the balance is a second major project which is being prepared<sup>42</sup> and expected to be submitted by end of 2010 in which case the earmarked amount will also be reached. In the case of categories 22 and 23, although the amounts allocated so far in projects in each category do not correspond exactly to the commitments in the OP, the overall sum allocated to projects under these categories are in line with the commitments made in the OP. In the case of category 30, a call has been launched which will close in quarter 1 2010 so the amount committed in projects will increase in 2010.

In the case of categories 39, 40, 41 and 43 (renewable energy and energy efficiency), although once again the amounts allocated in projects to these categories vary from the commitments in the OP, the (approved) sum (in projects) under the four categories is so far €21 million (compared to €34 million in the OP) and there are still funds under Axis 4 of OPI which still have to be allocated. The underutilisation of category 39 is largely due to planning restrictions which are currently being finalised by the Malta Environment and Planning Authority.

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<sup>41</sup> A pre-announcement was issued on 11<sup>th</sup> October 2009.

<sup>42</sup> Design as well as Cost Benefit Studies and Environmental studies are currently underway.

In the case of category 50, a major project is expected to be submitted to EC by quarter 1, 2010 and two other major projects under categories 44 and 53 are being prepared for submission later on in 2010.

Categories 55-60 all relate to Priority Axis 2 of OPI. Once again although the amounts allocated to projects so far do not correspond to those indicated as commitments in the OP, the sum allocated to these categories so far totals around €61 million (as compared to the €93 in the OP). The balance is expected to be allocated in 2010 following a new call under the tourism priority axis.

Finally under priority Axis 6, the amount allocated to health infrastructure is expected to increase in the second quarter of 2010 when the project (now identified as a major project) is expected to be submitted to the EC.

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## 06. Realised or expected contribution to the tasks of the Funds detailed in the Community Strategic Guidelines

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Malta's NSRF highlights Government's strategy to improve the country's socio-economic development through the implementation of the Community Strategic Guidelines for the period 2007-2013. The Maltese Government has focused its actions and limited resources on promoting sustainable economic growth, improving Malta's competitiveness and the creation of more and better jobs with a view to achieve a better quality of life. These ambitious objectives can only be achieved if a coherent approach is undertaken with the contribution of the various actions within a multitude of sectors.

Malta is committed towards the achievement of the Lisbon goals. Within this context, Cohesion Policy has proved to be a valuable tool which aims at addressing the following three Community Strategic Guidelines, namely:

- Making Europe and the regions more attractive places to invest and work;
- Improving knowledge and innovation for growth; and
- More and better jobs.

### 06.1 Making Europe and the regions more attractive places to invest and work

The provision of modern infrastructure such as transport, environment and energy, is a key contributor towards ascertaining economic growth and rendering European regions more attractive places to invest work and live. Such infrastructure contributes towards the performance of national, regional and local economies in terms of efficiency and effectiveness and hence has an overall impact on the economic and social aspect attractiveness of regions and cities and the quality of life of European citizens.

This Guideline is being achieved in Malta through the thorough implementation of the NSRF Strategic Objective 2 – Improving Malta's attractiveness and the quality of life. Within this context, a number of strategic investments are being undertaken with a view towards the achievement of this guideline. Investments which are currently being undertaken include:

- *the expansion and improvement of transport infrastructure:* namely TEN-T roads and other roads (arterial and distributor Roads). A number of projects aimed at improving transport infrastructure are already underway. These include both TEN-T and also arterial and distributor roads, namely : Council of Europe Avenue & Garibaldi Road Luqa, Sea Passenger Terminal Access Road, Marfa Road Mellieha<sup>43</sup>, Marsascala by-pass, and

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<sup>43</sup> TEN-T roads (part of major project awaiting EC approval)



Zurrieq Road in Malta as well as Mgarr Road<sup>44</sup>, Xlendi Road and Ta' Pinu Road in Gozo, amongst others. Attempts at creating modal shift, such as park and ride schemes, restricted access to cities by cars, and reforms in public transport are also being implemented, albeit largely from national resources.

- the *upgrading of environmental infrastructural* with particular reference on water quality including waste water, solid waste management rehabilitation of the physical environment and risk prevention. Such investments include the setting up of an Urban Waste Water Treatment Plant<sup>45</sup>, the setting up of the Gozo Waste Treatment and Transfer Facility and the National Flood Relief Programme<sup>46</sup>. Furthermore, a number of investments within the waste sector are also underway. These include the rehabilitation of landfills (quite advanced) and a mechanical biological treatment plant to treat Municipal Solid Waste.
- *investments in energy networks* with a view to decrease dependency on fossil fuels whilst increasing investments in renewable sources of energy and energy efficiency. Within this context the Maltese Government has embarked upon a number of energy related projects such as the installation of photovoltaics, solar water heaters, wind turbines<sup>47</sup> and other energy efficient devices in public buildings. Furthermore, a scheme to promote energy efficiency equipment (e.g. solar water heaters) and renewable energy sources within households as well as another scheme specifically for businesses is also being undertaken with a view to decrease Malta's dependency on fossil fuels. A specific call for projects under this thematic area was also issued for Gozo in line with the Government strategy of eco-Gozo. In addition, within Government is also investing in projects which have components that aim to convert waste to energy namely: Malta South Sewage Treatment Plant and the Mechanical Biological Treatment Plants

## 06.2 Improving knowledge and innovation for growth

In today's highly competitive market, knowledge and innovation play a critical role since these are two major contributors towards economic growth. Malta acknowledges the need to invest within this sector and in fact has committed itself towards the achievement of the above mentioned community strategic guideline, through the implementation of the NSRF Strategic Objectives 1, 2 and 3.

- *NSRF Objective 1: Sustaining a growing knowledge based competitive economy* – investments addressing this objective include: public infrastructure in research centres that

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<sup>44</sup> *ibid*

<sup>45</sup> This is major project expected to be submitted formally to EC in Q1 2010.

<sup>46</sup> This is a major project expected to be submitted formally to EC in Q2 2010.

<sup>47</sup> Expenditure in wind energy is still rather low largely due to planning restrictions by the Malta Environment and Planning Authority which is still finalizing its policy in this regard.

first and foremost seek to provide the necessary framework for research to take place in Malta. Most of this investment is taking place at the University of Malta. The strategy also caters for public infrastructure aimed at promoting stronger linkages between industry and academia such as a new life sciences centre (which will build upon current Malta's current success of the pharmaceutical and bio-tech industries), an expansion of the incubation centre as well as an Interdisciplinary Material Testing & Rapid Prototyping R&D Facility. Apart from investments in public infrastructure, a number of measures are also investing directly in enterprises and to this effect a number of aid schemes have been set up which include: Innovation Action Grant Schemes and Research and Development Grant Schemes, Small Start Up Grant Scheme and the e-Business Development Scheme.

- *NSRF Strategic Objective 2: Improving Malta's attractiveness and the quality of life* – through investment in people with respect to ICT education as well as the further development of e-society. Various initiatives targeting this sector are being undertaken. These include the ICT Training Programme, increasing ICT student capacity in Malta, an on-line e-learning management system for post-graduates, the digitisation strategy and framework for the National Library and the setting up of the Construction and Equipping of University Computing Services Centre Building.
- *NSRF Strategic Objective 3: Investing in human capital* through various initiatives aimed at strengthening Malta's knowledge base which are in the main being implemented under OPII. In fact, the Maltese Government is investing in human capital through the provision of numerous training measures aimed at various target groups. These initiatives include scholarships for post-graduate studies at Masters and Doctoral levels, the introduction of courses to address skills mismatches in new industries (e.g. aviation maintenance), the provision of training courses with a view to enhance the employability and adaptability of the workforce, the introduction of various ICT/ECDL courses at institutional and community level, the Youth Employment Programme and the Training Aid Framework – the latter catering also for the training needs of enterprises.

### 06.3 More and better jobs

Given that Malta does not have any natural resources, investment in human capital remains on top of the national agenda as the resource which can provide value added to the Maltese economy. Over the past years Government has invested heavily in improving the educational sector through initiatives aimed at improving educational infrastructure and the quality of education and training provided. This Guideline is intrinsically linked to Malta's National Strategic Reference Framework since it is directly linked to NSRF Objective 3 Investing in human capital. Operational Programme II aims at strengthening social and economic development by improving employment and job opportunities, encouraging a high level of employment and more and better jobs. Furthermore, it supports initiatives which aim at increasing employment opportunities and improve the quality and productivity at work, promote social inclusion and encourage disadvantaged people to join the work

force. Examples of initiatives which are currently being undertaken include the Training Aid Framework and the Employment Aid Programme. The former seeks to increase the adaptability (for better jobs) employability of persons through training whilst the latter aims to create more job opportunities, particularly for disadvantaged groups.

In addition to the above initiatives, OPII also provides support to a myriad of training initiatives (being organised by various stakeholders) addressing both the needs of the participants of the labour market, disadvantaged groups<sup>48</sup>, professionals operating within the education and training and employment sectors as well as Local Councils/ NGOs and the public sector in general. Acting collectively, these measures will result in the necessary skills base required by the local industry. .

The public sector remains one of the country's largest employers. In this regard Cohesion Policy is also contributing towards the amelioration of the public sector and public service in general. A number of capacity building projects are being implemented addressing areas such as Better Regulation, equal opportunities, employee support as well as IT. Furthermore, a number of projects aiming to strengthen social dialogue between the public sector and social partners are already being implemented. These initiatives aim to ensure the participation of civil and social actors in Government reforms / policies

In terms of infrastructure, OPI is also contributing towards more and better jobs. OPI is in fact contributing towards more growth and jobs through the provision of necessary infrastructure in particular within the education sector.

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<sup>48</sup> Including disabled persons, victims of domestic violence, persons with mental health problems, youth, long term unemployed and women returnees, amongst others.

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## 07. Contribution of the ESF to the implementation of guidelines and recommendations under the European Employment Strategy<sup>49</sup>

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With the re-launch of the Lisbon Strategy in March 2005 and the adoption of the integrated guidelines for growth and jobs, Malta has committed itself to contribute towards the achievement of the Lisbon priorities. The Maltese Government is committed towards the achievement of the Lisbon priorities and believes that investment in human capital is one of the main drivers towards the attainment of the objectives of economic growth and more and better jobs. Human capital is Malta's only resource and in its effort to continue to actively support this resource and upgrade skills, Government has, over the past years, sustained its investment in the provision of good quality education and training for all citizens which is deemed to be crucial for the country's long-term socio-economic development and competitiveness.

Malta's response to the guidelines adopted under the European Employment Strategy (EES) has been formulated in the National Reform Programme (NRP) which supports the objectives of the National Action Plan for Employment (NAP). The NAP was the first plan outlining Malta's principal employment strategy for the period 2005-2010 which was submitted as one of the contributors towards the European Employment Strategy. This plan sets out Government's policy and measures to be implemented within the labour market sector with a view to effectively support Malta in reaching the Lisbon objectives. To this end, Operational Programme II, entitled *Empowering People for More Jobs and a Better Quality of Life* (OPII), following the strategic directions of the NRP, is supporting different initiatives closely interlinked to the priorities of the European Employment Guidelines, namely:

- increasing the adaptability of workers and enterprises;
- attracting more people to the labour market and making work a real option for all; and
- investing more and more effectively in human capital and lifelong learning.

### 07.1 Increasing the adaptability of workers and enterprises

Improving the adaptability and employability of the workforce results in improving the job prospects of the population and in increasing productivity with a positive effect on competitiveness. Within this context, through a number of measures being implemented under OPII, workers now have the opportunity to increase their skills capacity. Such an opportunity is expected, in turn, to result in an improvement in their employment potential both in Malta and in Gozo. A number of measures in

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<sup>49</sup> As set out in Article 2 (1) of Regulation No. 1081/2006.

this regard are being implemented by the national Employment Services as well as public authorities in key sectors such as tourism and ICT.

Moreover, through the Training Aid Framework, the ESF supports companies through the provision of training for the workforce in fields that may encourage the enterprise to enter into new markets and/or increase market share. This investment in human resources is enabling enterprises to modernise, become more productive and competitive through the development of skills, qualifications and knowledge. Meanwhile, individuals participating in training have the opportunity to progress within their career structure and/or consolidate their position within the sector.

In the last years, the investment in ICT has become one of the priorities of the Maltese Government. The Government acknowledges the potential of ICT to increase Malta's economic development and competitiveness. In this regard, the Smart Island National ICT strategy 2008-2010 seeks to address proactively the major challenges which Malta's development in this sector shall inevitably face if the country wants to fulfil its objective to establish Malta as a centre of excellence in this area and be in a position to provide the necessary supporting framework for the SmartCity project which is expected to generate a substantial amount of new employment opportunities, the majority of which are directly ICT related. The development of an even smarter workforce by continuously investing in people and nurturing their skills and potential has become one of the main objectives which is strongly supported by ESF. Several initiatives contribute significantly towards investments targeting particularly the ICT sector<sup>50</sup>. Apart from supporting several initiatives offering IT courses at different levels and to a broad range of target groups, a number of ESF projects are also focusing on offering IT as a means that will enable working opportunities that are more conducive to a family –work life balance as well as an opportunity for those that have been away from the labour market to learn new skills in a relatively short time and in a sector that has a considerable earning potential – even from the comfort of one's home.

Furthermore, ESF measures are supporting the improvement of skills of jobseekers. Within this context, a number of ESF interventions provide the opportunity for an assessment and trade testing for jobseekers, as well as give them a chance to upgrade their skills and abilities through traineeships that include a combination of on-the-job and off-the-job training in occupational areas which are in demand. Participants in these training programmes are given the opportunity of being accredited, instilling in them the encouragement to take up life-long learning which subsequently would aid them in retaining long-term employment.

## **07.2 Attracting more people to the labour market and making work a real option for all**

The Maltese Government is also committed towards making education and training pathways more attractive, accessible and flexible to provide maximum possible fulfillment of the potential of all persons throughout their working lives. In line with this commitment, OPII aims to contribute towards addressing labour market distortions and also ensuring that work pays.

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<sup>50</sup> There is also good co-ordination and synergies with ERDF interventions with regard to this particular sector.

ESF is contributing, also with the support of a number of NGOs and Partners, towards the integration, retention and progression of disadvantaged individuals by upgrading their skills through work experience. Simultaneously, through the provision of financial assistance, ESF is encouraging employers to recruit individuals who, due to preconceived ideas, are likely to be excluded from the labour market.

In addition to the above, a number of measures aimed at educating and informing the population with respect to employability and job prospects are also being undertaken. In line with EU and national policy, ESF is financing a media campaign initiative aimed at increasing the female employment rate, promoting financial independence for women and reducing the care gap through the sharing of non-remunerated family work. The campaign also targets employers by highlighting the benefits that increased work-life reconciliation measures at work can have for both employers and their employees. Furthermore, in line with national priorities, there is the added value of promoting the benefits of work-life balance in the private sector where the majority of women work and where ambivalence may still prevail

### 07.3 Investing more and more effectively in human capital and lifelong learning

Investing in human capital is of most relevance to the ESF Operational Programme which mainly focuses on the need to improve the quality of life-long education for all and skills level of the labour force. Fostering a knowledge-based culture is, in fact, considered essential to improve the country's competitive edge<sup>51</sup>. In this regard, the Government is ensuring a holistic approach to investment in human capital but in the first instance providing more opportunities (including through innovative technologies such as e-learning) for citizens to improve their levels of education (in Malta, in Gozo<sup>52</sup> and abroad) whilst at the same time building capacity to enable change and reform in the education system as well as providing the relevant expertise in the educational institutions to cater for new sectors and areas of studies.

There are a number of ESF projects which are offering scholarships for diploma, degree, Masters and even Doctorate levels of study. These measures seek to give a direct injection into the country's human capital, particularly in those areas where Malta is lagging behind as well as those areas where Malta is experiencing a brain drain (e.g. medical profession). These scholarships will enable Malta to catch up quickly and provide the necessary human resources for the country to continue to attract high value added activity to Malta and compete in global markets. These measures are aimed at addressing needs in the immediate and medium term. With regard to the long-term perspective, Government is trying to encourage a higher uptake of science subjects by

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<sup>51</sup> 'Investing in human capital focuses on education and employment sector, including social inclusion and institution building. The objective is to provide quality education for all, leading towards the fostering of a knowledge-based culture to improve the country's competitive edge( pg 62, NSRF2007-2013).

<sup>52</sup> To facilitate access to higher education not currently available in Gozo.

younger students. In this regard ESF is supporting a number of initiatives targeting secondary school students (and parents) with a view to breaking existing prejudices and barriers (particularly for girls) and encouraging them towards choosing a science related career.

Within this comprehensive approach, OP11 strongly sustains those initiatives that aim to accelerate education reform in order to be able to ensure that the education system is catering for the skills requirements of the labour market in the future. ESF is, in fact, supporting the training of Career Guidance personnel, at postgraduate and Masters degree level with a view to render a more effective professional service within a dynamic framework in the educational and training institutions at all levels of the different career paths. Course participants will be empowered with information and skills to enhance employability, flexibility, social competences and a deep understanding of the labour markets. In parallel capacity building measures, also funded through ESF, are ongoing to provide specialist training to support educational institutions to be able to innovate and be in a position to provide young people with the right skills in line with demands of the market. These initiatives will facilitate the participation of specialised professionals in the development of better educational services (teaching, administration, new fields of study, etc.) and are expected, in turn, result in available resources for the development of new areas of economic activity or for the further expansion/ consolidation of high growth segments.

Malta has just approved 7 projects aimed at capacity building of the public administration. Training is foreseen in a number of areas, including public procurement, financial management, better regulation and equal opportunities. There are also measures which support employees that are going through particular hardships (and have therefore diminished in their productivity) to help them return back to their jobs at regular capacity. In this way it is believed that not only is the project supporting social inclusion but also increasing productivity.

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## **08. Contribution of the ESF to the relevant objectives and targets of the National Strategy Reports on Social Protection and Social Inclusion and to other Community priorities and objectives in the field of education and training.**

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The European Employment Strategy (EES) is not the only strategy which is currently being supported. In fact the ESF initiatives in Malta also contribute towards the integration into the labour market of persons who, due to their special characteristics, may be excluded from the labour market. In fact this is one of the most important objectives of ESF initiatives in Malta.

Priority Axis 3 within OPII, '*Promoting an equal and inclusive Labour Market*' is the pillar within which the initiatives aimed at social inclusion are being framed. This priority targets those interventions which contribute towards the integration, retention and progression of disadvantaged groups in the labour market whilst addressing labour market distortions. However, "promoting non-discrimination and social inclusion" is an objective that is pursued in each ESF Priority Axis, notwithstanding its specific assignation of PA 3.

Furthermore, the overall and specific objectives of ESF Operational Programme 2007-2013, are consistent and reinforce the objectives of Malta's National Strategy on Social Protection and Social Inclusion 2008-2010. In particular, the ESF OP is addressing the over-arching policy priority objectives, as identified in the national strategy, which are:

1. Improving the social inclusion prospects of children and young persons;
2. Promoting active inclusion for all vulnerable groups; and
3. Promoting equality of opportunities.

### **08.1 Improving the social inclusion prospects of children and young persons**

Malta's National Action Plan on Social Inclusion placed children and young people at the centre of policy formulation and implementation efforts. The rationale pursued is that children and young people encountering situations that impinge on their life chances are at greater risk of poverty and social exclusion<sup>53</sup>. Therefore, effective education and increasing a person's employability and nurturing his/her creative potential, becomes a priority of a long-term strategy that focuses principally on the effective and sustainable integration of future generations within Maltese society.

Within this context, ESF is contributing towards several initiatives that aim to prepare young people for future employment by raising aspirations and increasing participation in learning. To this effect, a multi-dimensional programme not only aims to reach out to youths and inform them about

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<sup>53</sup> National Strategy on Social Protection and Social Inclusion 2008-2010.



available services as early as possible, but also offers skills profiling exercises, referrals to training and job vacancies that are relevant to their qualification and experience as well as provides vocational guidance specific to their needs. An innovative service offered under this project is the provision of psychological services, more targeted and comprehensive career guidance, the services of youth workers as well as follow-up. The services offered by the programme will equip young people with the skills and competences necessary to adapt to rapidly changing economic and social conditions. Other initiatives (targeting also parents) aimed at addressing early school leavers as well as youths plagued with drug, alcohol or gambling addiction, or by surrounding social issues and lack of educational attainments as well as capacity building in educational facilities to be able to cope and address such issues are also being supported through OPII.

## **08.2 Promoting active inclusion for all vulnerable groups.**

Malta's commitment towards safeguarding, the rights as well as personal development and well-being of vulnerable groups has been crucial and an important objective outlined by the National Action Plans since the 2004-2006 period. Through the provision of different programmes, Malta has, in fact, put in place several initiatives aimed at mitigating or reducing the challenges for inclusion encountered by vulnerable persons and those at increased risk of social exclusion.

ESF is contributing effectively to this purpose by supporting actions that seek to improve the employability of disadvantaged groups including those having physical and intellectual disabilities, persons with mental health difficulties, ex-convicts, ex-substance abusers and those subject to domestic violence. Multiple initiatives are being undertaken, including traditional train the trainers programmes as well as more innovative measures such as the generation of employment opportunities from waste. In this context, a valuable aspect of implementation is the contribution made by Social Partners and Civil Society groups – acting both as Beneficiaries of operations as well as Partners in projects implemented by public organisations. However, notwithstanding the notable achievements reached by Malta in the last years, the country still faces a number of challenges, including the illiteracy, the inadequate participation of women in the labour market, the low participation of vulnerable people in employment and their integration in society.

## **08.3 Promoting equality of opportunities.**

Combating discrimination in its various forms constitutes an important dimension of Malta's overall strategy<sup>54</sup>. The designed policy aims to ensure full social participation irrespective of religion or belief, disability, age, race and ethnic origin, gender or sexual orientation. Malta is committed towards the promotion of equal opportunities and intends to advance equality of opportunity and

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<sup>54</sup>National Strategy on Social Protection and Social Inclusion, 2008-2010. Pg 21

social inclusion by (a) combating discrimination, (b) promoting the integration of third country nationals<sup>55</sup> and (c) mainstreaming social inclusion and antidiscrimination issues<sup>56</sup>.

Recent studies have shown that addressing lack of female participation is crucial in augmenting the female employment rates. The majority of women in Malta and Gozo are no different than their peers in a number of European countries, struggling to reconcile their work life with their private life. A number of ESF projects seek to provide support in this regard by first and foremost providing studied country specific research with regard to why women in Malta and Gozo are finding it difficult to continue training and employment, after they have a family. The research will not stop at the stage of analysis but will also seek to make recommendations. A number of other projects seek to capture the attention of the inactive population, in general by offering courses (also in innovative areas such as IT) in the local community. In this way it is hoped that more inactive people, particularly women, will be encouraged to take up training in those skills which may enable further possibilities of working from home.

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<sup>55</sup> Most of the current projects addressing point (b) are being implemented through other Programmes, in line with the delineation entrenched in the OP between ESF and other projects addressing these target groups such as the Refugee Fund.

<sup>56</sup> Pg, 29, National strategy on social protection and social inclusion, 2008-2010.

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## 09. Contribution towards the National Reform Programmes under the Lisbon Agenda.

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Malta's first National Reform Programme (NRP) 2005-2008 proposed a number of measures aimed at contributing towards the achievement of the renewed Lisbon Strategy. The renewed Lisbon Strategy, aims 'to make Europe the most dynamic and competitive knowledge-based economy in the world' by 2010. Malta is party to the Lisbon process and is committed towards achieving the Lisbon targets through its own NRP. This three year cycle programme was launched for the first time in October 2005<sup>57</sup> with the aim to improve Malta's economic growth, improve Malta's competitiveness and create more and better jobs for the local community. The main strategic thrusts within the NRP 2005-2008 (on which also the NSRF priorities were aligned) include: the Sustainability of public finances; Competitiveness; Employment; Education and training; and Environment. Through this first cycle of the NRP, Malta has managed to register a number of positive results in a number of sectors; namely an improved fiscal position, the adoption of the Euro currency, reduction in unemployment rates, incremental measures in the pensions reform, taxation measures, ICT, tourism and FDI amongst others.

In October 2008, Malta has published the second NRP covering the period 2008-2010 which, builds upon the results achieved during the 2005-2008 cycle. The second Malta NRP focused on the priorities put forward by the European Commission through its Country Specific and General recommendations. Furthermore, the Malta NRP also contributes towards addressing national issues with a view to improve Malta's competitiveness. The main thrusts which will be addressed within the 2008-2010 period include:

- Unlocking business potential;
- Investing in knowledge and innovation;
- Energy and climate change; and
- Investing in people and modernising labour markets.

The aforementioned strategic thrusts put forward in the renewed NRP are in line with the strategic objectives highlighted in Malta's NSRF. **Figure 01** below highlights the link between the NSRF strategic objectives and the strategic thrusts in the Malta NRP.

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<sup>57</sup> Malta's National Reform Programme 2005-2008 was subsequently updated through two Annual Progress Reports published in October 2006 and October 2007 subsequently.

Figure 01 – Link between the NSRF, the Malta NRP 2005-2008 and the Malta NRP 2008-2010.

NSRF Strategic Objectives		NRP 2005 -2008 Strategic Thrusts	NRP 2008-2010 Strategic Thrusts
<b>Strategic Objective 1</b> Sustaining a growing, knowledge-based, competitive economy.	Supporting Enterprise	Sustainability of public finances  Competitiveness	Unlocking business potential
	Mobilising investment in RTDI		
	Sustaining the tourism industry and promoting		
<b>Strategic Objective 2</b> Improving Malta's attractiveness and the quality of life	Improving and expanding the transport infrastructure	Sustainability of public finances  Competitiveness  Environment	Investing in knowledge and innovation  Energy and Climate Change
	Environment and risk prevention		
	Energy		
	Urban regeneration		
	E-Society		
	Health		
<b>Strategic Objective 3</b> Investing in Human Capital	Education and Employment	Education and Training	Investing in people and modernizing labour markets
	Social Inclusion	Employment	
	Institution Building		
<b>Strategic Objective 4</b> Addressing Gozo's Regional Distinctiveness	Enterprise Promotion	Competitiveness  Education and Training   Employment	Unlocking business potential
	Accessibility and inter-island transport		Investing in knowledge and innovation
	Human Capital and skills		Energy and Climate Change
			Investing in people and modernizing labour markets

As can be seen from the figure above, the Malta NSRF is working in synergy with both the NRP2005-2008 and the NRP 2008-2010. It is worth noting that Gozo's regional distinctiveness is addressed throughout the Malta NRP as well as through all the priorities in both Operational Programme I and II..

Both the 2005- 2008 NRP and 2008-2010 NRP are consistent with the Community Strategic Guidelines. This synergy has been outlined in detail in the earmarking exercise put forward within Malta's National Strategic Reference Framework. It is worth noting that Malta is not bound by earmarking targets, notwithstanding Malta has shown its commitment towards contributing towards

the achievement of this target. **Table 13** below shows the earmarked categories for OPI as at end September 2009.

**Table 13– Categorisation including Earmarking – OPI**

Categories of Expenditure (Article 9(3))		Amount Allocated as per OP <sup>58</sup>	Amount Committed in Projects and aid schemes
01	RTD activities in research centres	€6,000,000	€99,043
02	RTD infrastructure ( <i>incl. physical plant, instrumentation and high speed computer networks linking research centres</i> ) and centres for competence in a specific technology	€22,500,000	€28,544,370
03	Technology transfer and improvement of cooperation networks between small businesses (SMEs), between these and other businesses and universities, post-secondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles ( <i>scientific and technological parks, technopoles, etc.</i> )	€2,500,000	€4,255,262
04	Assistance to RTD, particularly in SMEs ( <i>incl. access to RTD services in research centres</i> )	€6,500,000	€4,622,037
05	Advanced support services for firms and groups of firms	€11,500,000	€4,558,559
06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes ( <i>introduction of effective environment managing system, adoption and use of pollution prevention technologies, integration of clean technologies into firm production</i> )	€6,000,000	€4,972,500
07	Investment in firms directly linked to research and innovation ( <i>innovative technologies, establishment of new firms by universities, existing R&amp;TD centres and firms, etc.</i> )	€2,500,000	€1,487,500
08	Other investments in firms	€8,000,000	€10,327,500
09	Other measures to stimulate R&I and entrepreneurship in SMEs	€4,500,000	€5,647,491
13	Services and applications for the citizen ( <i>e-health, e-government, e-learning, e-inclusion, etc.</i> )	€25,000,000	€530,772
15	Other measures for improving access to and efficient use of ICT by SMEs	€2,000,000	€2,125,000
21	Motorways (TEN-T) <sup>59</sup>	€97,000,000	€48,950,124
26	Multimodal transport	€2,500,000	€0
28	Intelligent transport systems	€3,500,000	€0
30	Ports (TEN-T) <sup>60</sup>	€46,000,000	€13,232,160
39	Renewable energy: wind	€8,350,000	€499,733

<sup>58</sup> Commitment based on EU Share of the Total Allocation of the OP.

<sup>59</sup> This is major project (CF117 – Improvement of the TEN-T Road Infrastructure (PHASE I) which has been approved by the Maltese Managing Authority and the Commission.

<sup>60</sup> Refers to a Non-Major Project CF 124 Refurbishment of the Valletta and Marsaxlokk Main Breakwaters.

40	Renewable energy: solar	€8,350,000	€13,603,909
41	Renewable energy: biomass	€1,700,000	€0
43	Energy efficiency, co-generation, energy management	€15,590,000	€6,833,211
52	Promotion of clean urban transport	€4,000,000	€0
<b>Total</b>		<b>€283,990,000</b>	<b>€150,289,170</b>

Further detail in relation to the above categories may be found in Section 5 of this Report.

**Table 14 – Categorisation including Earmarking – OPII**

Categories of Expenditure (Article 9(3))		Amount Allocated as per OP	Amount Committed in Projects and Aid Schemes
62	Development of lifelong learning systems and strategies in firms; training and services for employees to step up their adaptability to change; promoting entrepreneurship and innovation	€14,000,000.00	€ 10,835,316.52
63	Design and dissemination of innovative and more productive ways of organising work	€1,400,000.00	€ 0
64	Development of specific services for employment, training and support in connection with restructuring or sectors and firms, and development of systems for anticipating economic changes and future requirements in terms of jobs and skills	€ 3,595,200.00	€ 89,935.95
65	Modernisation and strengthening labour market institutions	€ 3,001,600.00	€ 0
66	Implementing active and preventive measures on the labour market	€ 996,800.00	€ 1,514,006
67	Measures encouraging active ageing and prolonging working lives	€ 1,500,800.00	€ 0
68	Support for self-employment and business start-up	€ 2,004,800.00	€ 0
69	Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation in the labour market, and to reconcile work and private life, such as facilitating access to childcare and care for dependent persons	€ 7,996,800.00	€ 2,760,773
70	Specific action to increase migrants' participation in employment and thereby strengthen their social integration	€ 504,000.00	€ 0
71	Pathways to integration and re-entry into employment for disadvantaged people: combating discrimination in accessing and progressing for the labour market and promoting acceptance of diversity at the workplace	€ 18,995,200	€12,543,298
72	Design, introduction and implementation of reforms in education and training systems in order to develop employability, improving the labour market relevance of initial and vocational education and training, updating skills of training personnel with a view to innovation and a knowledge based economy	€18,502,400.00	€ 10,041,343
73	Measures to increase participation in education and training throughout the life cycle, including through action to achieve a reduction in early school leaving, gender-based segregation of subjects and increased access to and quality of initial vocational and tertiary education and training	€ 13,003,200	€ 10,944,150.09

74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses	€ 7,000,000.00	€ 8,707,543.52
<b>Total</b>		<b>€92,500,800.00</b>	<b>€57,458,787</b>
Projects and Schemes Approved:		<b>€57,458,787</b>	
% of Project and Schemes Approved falling under the Earmarking categories:		<b>62%</b>	

Further detail in relation to the above categories may be found in Section 5 of this Report.

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## 10. Summary of the main measures taken, difficulties overcome to accelerate implementation of the 2007-2013 programmes on the ground

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Already in 2006 and 2007, a number of measures were taken by the Maltese Authorities to ensure that implementation under the 2007-2013 Programmes (which combined are financially 10 times larger than the 2004-2006 Cohesion Policy budget) could start without any major difficulties. These included the early approval of the NSRF and the Operational Programmes; the early setting up of the monitoring committees and the approval of the project selection criteria as well as addressing a number of efficiency issues which were identified in the mid-term Update of the 2004-2006 Programme that also included a number of recommendations with regard to the 2007-2013 Cohesion Policy period.

These efficiency measures included a pre-financing arrangement for payments (also for NGOs and local authorities) in order to mitigate against delays arising from cash flow problems; a reform of the structural fund database to enhance existing functions as well as introduce new ones; a re-organisation of the horizontal structures, introducing middle layers of senior management; as well as the strengthening of capacity in a number of horizontal organisations such as the Managing Authority, the Department of Contracts, Treasury, Certifying and Audit Authority. In this regard, a training plan was also drawn up by the Managing Authority (MA) in conjunction with the Staff Development Organisation (SDO) in April 2007. The Plan provides for the first time a structured approach to capacity building of Structural Fund stakeholders. Implementation of this Plan started in April 2009. Beneficiaries are also included in these training sessions which cover the main aspect of Cohesion Policy as well as other relevant Community Policies such as public procurement.

However, despite these measures taken in 2006 and 2007, Programme Implementation did encounter a number of difficulties. The main difficulties encountered at this stage of the implementation period include:

- delays in approving operations;
- delays in the procurement process;
- approval of planning permits; and
- delays arising from the crisis<sup>61</sup>.

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<sup>61</sup> These are dealt with in the introduction of the report.



## 10.1 Delays in approving operations

In the case of ERDF and ESF the Maltese system foresees an open call procedure for all operations, apart from major projects. The Project Selection Committee (PSC)<sup>62</sup> has acknowledged that there was a steep learning curve amongst project promoters and therefore has taken a number of measures to ensure that all applicants were given a fair chance and equal access to the Programmes. These measures included bi-lateral meetings with Applicants and clarification letters to ensure that there is a clear understanding of the proposal. This system has been very taxing on the administration, particularly on the Managing Authority that provides the secretarial support to the PSC. In 2008, a second PSC was set up to address the backlog and now each Operational Programme has a dedicated PSC. A number of meetings were also held in the afternoon during the summer months; however the opinion is that there is further scope for efficiency measures and streamlining of the process.

Whilst appreciating the transparent and competitive process of the current system, experience has shown that this is very capacity intensive and not necessarily yielding the results it was intended to achieve. In this regard, the Managing Authority has already held a discussion to this effect at the Monitoring Committee of November 2009 and will seek to address this issue in more depth through the upcoming mid-term evaluation which is expected to kick off in Quarter 2 of 2010<sup>63</sup>. The objective behind any change should be to speed up the current process whilst still guaranteeing a level playing field for all potential promoters as well as ensuring that the best projects are funded.

## 10.2 Delays in the Procurement Process

There have been delays in the procurement process, very similar to those encountered in the 2004-2006 period at the same time of the programme cycle. This was somewhat expected as national financial rules do not permit the launching of tenders by Contracting Authorities without these having secured the funds for the project. Upon approval of the first wave of projects in Q1 2008, the Central Contracting Authority was inundated with draft tender dossiers for vetting and a backlog was created. Capacity had been increased in 2007 and 2008, however the initial effects of such capacity building measures were offset by staff turnover and therefore the net effect was negligible. Malta plans to decentralise further its procurement process (which till now has been very centralised through the Central Contracting Authority) whilst providing support to Contracting Authorities to ensure compliance. This decentralisation will be phased and will initially not apply to Cohesion Policy tenders, however due to the fact that resources are expected to be set free from the Central Contracting Authority due to the implementation of the first phase of decentralisation, it is expected that this backlog (for EU funded projects) will ease.

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<sup>62</sup> The PSC is charged with supporting the Managing Authority in the selection of operations.

<sup>63</sup> The mid-term evaluation has been delayed to mid-2010 due to implementation having slowed down in 2008 and 2009, largely also due to the economic crisis.

Moreover, the issuing of Contracts Circular 18/08 (by the Central Contracting Authority) regarding the requirement of planning permits (prior to launching of tenders), further delayed the launching of tenders given that many Beneficiaries were not aware (when planning their contracting and disbursement schedules) of this Circular and therefore did not factor the relevant time-frames in their implementing schedule. A Committee was set up between the Central Contracting Authority, MEPA<sup>64</sup> and Beneficiaries to avoid unnecessary delays.

### 10.3 Planning Permits

Given Malta's territorial specificities, including size, high levels of urban sprawl as well as extreme population density, planning permits are an issue for any type of infrastructure. The issues increase exponentially when planning permits are sought for typical Cohesion Policy type projects which are large and often new to the Island. In such cases, planning permits can often take years to obtain, also due to environmental studies (often seasonal) that need to be undertaken before recommendations can be made to the relevant authority. The delays arising from the planning process increase substantially when no tenders can be launched<sup>65</sup> in parallel with the planning process.

Realising the potential bottleneck that can be created, Government appointed a focal point within MEPA to ensure that Beneficiaries as well as horizontal stakeholders such as the Managing Authority and the Central Contracting Authority would have one contact point on all projects being co-funded under Cohesion Policy. This measure has proved to be very effective with regular updates being provided to stakeholders by the focal point. The focal point has also been instrumental to ensure that feedback required by public authorities is given in due time and that reports by planning and environment case officers is provided within reasonable time-frames.

### 10.4 Delays due to the global crisis

The unforeseen delays arising from the effects of the global economic crisis have already been mentioned in the introduction of this report. A number of beneficiaries, including enterprises, were reluctant and unable to implement projects due to the new circumstances arising from the crisis. Even public sector projects experienced delays as contractors (foreign and local) experienced problems with suppliers. The specific measures that were put in place to mitigate the specific issues arising from the crisis are outlined under Chapter 12 of this report.

The overall delays in implementation are of serious concern to Government and in this regard the monitoring function has been enhanced substantially both in regularity as well as in level. Strategic monitoring of projects is taking place regularly by the Cabinet of Ministers and a new monitoring process, chaired by the Principal Permanent Secretary (PPS), is also being undertaken on a

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<sup>64</sup> Malta Environment and Planning Authority responsible

<sup>65</sup> Circular 18/08 mentioned earlier on in this section.

monthly basis since the summer of 2009<sup>66</sup>. The monthly *PPS bi-laterals* (as they have become known) are held at the highest administrative level with the participation of the PPS, the Managing Authority, Beneficiaries of public organisations represented at the highest level through their Permanent Secretaries as well as Project Leaders, the Central Contracting Authority (Department of Contracts) and MEPA. The Managing Authority undertakes a monthly assessment of bottlenecks and draws up a list of those projects that warrant a discussion at this forum. The participants in the meeting are identified by the Managing Authority and restricted to those organisations which can add value to the discussion as well as unblock deadlocks. During the meeting, which often span two half days, issues are discussed and deadlines are given for action to be taken by the relevant organisation/s. The MA then monitors the follow-up and alerts the relevant authorities where progress is not forthcoming. As the projects move from the procurement cycle to the payment phase, it is expected that the Treasury<sup>67</sup> will also be a stakeholder in the process. The meetings are proving to be very effective with progress on projects often being registered as soon as the Agenda for the meeting is circulated.

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<sup>66</sup> Previously these meetings were held twice a year with the first one taking place in December 2008.

<sup>67</sup> Further capacity building measures at Treasury are currently being undertaken in an attempt to mitigate backlogs in 2010 which is an N+3 year.

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## 11. Developments in National Strategies

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Malta's Strategy for Cohesion Policy is complemented by a number of strategic documents aiming at delineating Government's objectives over the forthcoming years. The main strategic documents which have been published after the launching of Malta's NSRF include the:

- Pre-Budget and subsequent Budget Documents for 2008, 2009 and 2010<sup>68</sup>;
- National Reform Programme including Annual Progress Reports for 2007, National Reform Programme 2008-2010 and its subsequent Annual Progress Report 2009; and
- Vision 2015.

Apart from these national strategies, which cut across sectors, a number of sectoral strategies have also been issued / updated since the adoption of the NSRF. These include the Tourism Policy for the Maltese Islands 2007-2011; Eco-Gozo Strategy; Proposal for Energy Policy 2009; National Strategy for Policy and Abatement measures relating to the reduction of Greenhouse Gases 2009; the Smart Island Strategy; National Report on Strategies for Social Protection and Social Inclusion and the implementation of the Education reform - For All Children to Succeed. The alignment of such strategies with Cohesion Policy programming documents is also being assessed in this chapter of the Strategic Report.

The Maltese Government firmly believes that consultation process is at the very heart of the Maltese policy making process. In fact, Government has appointed a Parliamentary Secretary for Information and Public Dialogue with a view to have a political champion focusing specifically on public dialogue. In addition, Government has also strengthened the Malta- EU Steering Action Committee (MEUSAC), an administrative set-up used for the consultation process during the EU accession negotiations, which has now been brought to the heart of Government, within the Office of the Prime Minister and given a fresh mandate with a view to ensure that the communication channels of public dialogue are kept open.

### 11.1 Malta's Budget and Pre-Budget Documents

Within this context Government has also sustained its commitment towards launching Pre-Budget Documents (the launch of the original document, 2006-2010, had coincided with the drafting of the NSRF in 2006) - based on a wide consultation process carried out with various stakeholder groups on annual basis.

*The Pre-Budget Document 2010 Growth, Jobs and Social Cohesion* is Government's response towards the challenges which are currently being faced by Malta due to the current world economic turmoil. Due to the overarching nature of the crisis, Government has opted to focus its efforts on

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<sup>68</sup> The Pre-Budget Document 2010 builds upon and supersedes Pre-Budget Document 2008 and 2009 hence the link between the NSRF and Pre-Budget Document has been highlighted for 2010.

the sustainability of economic structures with a view to ensure the continued sustainability of the well being of the Maltese society. In fact, the Pre-Budget Document 2010 focuses on:

- the current economic scenario;
- the challenges within the labour market;
- a thorough analysis of Malta's Competitiveness and its Public Finances; and
- the challenges and opportunities of economic development in Gozo.

As can be seen from the above mentioned priorities the Pre-Budget Document 2010 is intrinsically linked with the objectives put forward in the Malta NSRF, the Lisbon Strategy as well as the Community Strategic Guidelines, namely: Making Europe and its regions more attractive places to invest and work; Improving Knowledge and Innovation for growth; and more and better jobs. All these strategic documents strive to contribute towards economic growth which is necessary for the creation of more and better jobs.

## 11.2 Budget Document 2010

The Budget Document 2010 builds upon the actions put forward in the Pre-Budget Document 2010. In the main, the Budget Document for 2010 outlines Malta's reaction towards mitigating the impact of the economic crisis. Within this context, the Budget Document 2010 focuses on the following objectives, namely:

- *addressing the economy and financial sustainability*: through the implementation of a number of measures aimed at restricting Government's expenditure as well as through the enforcement of local fiscal laws. Government believes that the meticulous implementation of these measures will lead to fiscal sustainability without the need to introduce new taxation measures;
- *incentivising productive investment for job creation*: through the provisions of incentives aimed at: enterprise development and new business start ups, the promotion of foreign and local investment (with an emphasis on new markets), new sectors having a high added value and granting of assistance to enterprises to engage in international business;
- *investing in the country's infrastructure to sustain economic growth*: through the improvement of Government's basic infrastructure including new arterial and residential roads, port regeneration, construction and embellishment of public places, investment in historic and cultural heritage;.
- *investment within the energy, wastewater, ICT and property sector*;
- *implementing Government's vision for Gozo as an ecological island*: through the thorough implementation of the 'Eco-Gozo – a better Gozo. Proposed action 2010-2012', aimed at improving the economic growth and increase wealth within the island of Gozo;

- *continuing to strengthen education and training towards a knowledge-based society and economy*: through various investments aimed at improving the primary, secondary, tertiary and higher education sectors;
- *stronger investment and continued support to the needy in society*: through the provision of adequate social assistance to those in need focusing mainly on the: protection of children, assistance to single mothers, persons with disability, social accommodation, improvement in the health sector; and
- *caring for the local environment*: through the implementation of various environmental measures with particular efforts within the energy sector with a view to mitigate climate change.

The implementation of the measures put forward within the budget document will be financed both from national and funds made available through Cohesion Policy as well as other resources. Cohesion Policy contributes towards various sectors within Government's portfolio. In fact significant investments made through Cohesion Policy are being made in the Tourism, Transport, Energy, Environment, Education, and Research amongst others. The eco – Gozo vision is also in line with the priorities of the NSRF and the territorial dimension of the Operational Programmes as well as Malta's continued insistence of the territorial dimension of Cohesion Policy.

### **11.3 National Reform Programme 2008-2010 and the Annual Progress Report 2009.**

Malta's NRP 2008-2010 builds upon the results achieved during the first cycle of implementation whilst also taking into consideration the strategic thrusts put forward by the European Commission within its Spring European Council for 2008.

The NRP 2008-2010 provides a closure report for the 2005-2008 period with reference to the results achieved with respect to the five pillars, namely: the Sustainability of Public Finances, Competitiveness, Education and Training, Employment and Environment. The Maltese Government deems that during this reporting period, Malta has registered a number of positive results in a number of areas in particular: an improved fiscal position, the adoption of the Euro Currency, reduction in the unemployment rate, the introduction of incremental measures in the pensions reform, revision of taxation measures with a view to boost the labour market, the development of the ICT sector, increased investment in the tourism sector and FDI.

Furthermore, the Malta NRP 2008-2010, is also addressing the Commission's concerns which were put forward in the Country Specific Recommendations and Points to Watch. These recommendations were taken on board and a number of initiatives have been undertaken to address these concerns.

In addition to the above recommendations, Malta is also addressing the following four strategic thrusts highlighted by the European Commission, namely:

- Unlocking business potential;
- Investing in knowledge and innovation;

- Energy and climate change; and
- Investing in people and modernising labour markets.

These strategic thrusts build upon the Commission's priorities towards the achievement of the Lisbon objectives. In addition these thrusts are in sync with the pillars put forward within Malta's NRP 2005-2008 as well as with the priorities highlighted within Cohesion Policy. Addressing these strategic thrusts, will positively contribute towards improving Malta's competitiveness and will also contribute towards economic growth leading to the creation of more and better jobs.

Since the submission of the Malta NRP 2008-2010 in October 2008, Malta has managed to register significant progress notwithstanding the economic turmoil which is currently effecting the world's economies. Significant progress has been registered in the following sectors, namely:

- *healthcare*: investment in prevention and health promotion, human resource development and improving financial management and control systems;
- *competitiveness*: in particular the introduction of a Better Regulation Strategy 2008-2010, the implementation of the Services Directive, Small Business Act, One Stop Shop for business start ups, the establishment of an independent Malta Fair Trading Authority, the amendment and introduction of various provisions to Consumer Affairs Act and Competition Act and the launch of a new procurement management system and website;
- *transport*: reforming the public transport through The Public Transport Reform;
- *knowledge and innovation*: incentives to boost R&D in industry and the introduction of new e-Government services in a range of different areas;
- *energy and climate change*: the launching of A National Strategy for Policy and Abatement Measures relating to the Reduction of Greenhouse Gas Emissions and A National Energy Efficiency Action Plan, linking Malta to the European energy grid and the review of the car registration tax system;
- *employment*: increase in female participation within the labour market; introduction of measures to promote employment among older persons, provision of training courses to enhance the employability and adaptability of the workforce and the implementation of the Flexicurity Road Map; and
- *education and training*: the publication of the first strategy document for the further and higher education sectors entitled "Further and Higher Education Strategy 2020; the introduction of several initiatives to address skills shortages and new occupational needs; the setting up of Colleges and the Education Act Reform; the introduction of measures to promote lifelong learning and increase in the number of childcare centres.

## 11.4 Vision 2015

In 2008, Government launched its Vision for Malta outlining the objectives to be achieved by 2015. Within this context, Government has identified seven sectors for development which will contribute towards the achievement of a comparative advantage by 2015. These sectors include:

- *Financial Services*: the positive results registered within this sector are encouraging; however the Maltese Government believes that investments within this area should be strengthened. Government aims to strengthen Malta's position as an important financial services centre in the Euro-Mediterranean region, by 2015.
- *Information and communication technology (ICT)*: Government has recognised the importance of this sector and its valuable contribution to the local economy. Within this context Government aims to sustain its efforts with a view to extend the 'smart' concept, in order to attract greater investment within this sector.
- *Tourism*: sustaining Malta's investments in tourism areas and in the restoration and upkeep of heritage sites. Such investments are aimed at addressing the challenges emanating from competing with new destinations and product offerings, and dealing with new operators and customer trends.
- *Manufacturing*: investing in high-value-added production sectors such as pharmaceuticals, biotechnology and sophisticated technology. It is the intention of the Maltese Government to offer incentives for industrial investment and industrial zones will be developed, including new factories. Furthermore, in the light of Malta's geographical location, Government will also continue improving and benefitting from Malta's air and sea links.
- *Health*: developing health services to the highest degree possible with a view to provide the development of the healthcare industry and medical tourism in Malta.
- *Education*: investment in human capital is deemed as critical in the achievement of Government's vision for 2015. Within this context, Government aims to develop Malta's educational structures and systems – both private and public – with a view to create scope for the provision of training and higher education to students from other countries.
- *Gozo, an ecological island*: Government aims to focus its efforts towards improving Gozo's environment and agritourism, crafts museums and heritage sites will be developed and country lanes will be maintained. Furthermore, investment in fishing-ports and in facilities for cruise liners and for sport-based tourism will also be undertaken.

Both the Malta NRP and the Vision 2015 are interlinked with Government budget documents. Clearly, these documents provide the strategic direction which needs to be adopted with a view to the targets and objectives outlined within the same strategies. Hence, these national strategies cannot be implemented in isolation but are rather complemented by a number of cross sectoral



strategies addressing the main strategic sectors namely Tourism, ICT, Climate Change, Energy, etc.

## 11.5 Sectoral Strategies

The Maltese Government has launched a number of sectoral strategies to set objectives and targets within key strategic sectors and enable the main stakeholders to take appropriate actions to achieve those objectives. The main sectoral strategies supporting the above include: the Tourism Policy for the Maltese Islands 2007-2011; Eco-Gozo Strategy, Proposal for Energy Policy 2009; National Strategy for Policy and Abatement measures relating to the reduction of Greenhouse Gases 2009, the Smart Island Strategy, National Report on Strategies for Social Protection and Social Inclusion and the implementation of the Education reform – For All Children to Succeed.

### 10.5.1 Tourism

Tourism is one of the main pillars of the Maltese economy, and is the country's foremost economic activity, generating 24.3% of GDP and contributing significantly to Malta's economic growth, employment creation<sup>69</sup>. Within this context, the Maltese Government has published the Tourism Policy for the Maltese Islands with a view to outline Government's guiding principles for the period 2007 – 2011 upon which decisions, actions and other matters relating to tourism in Malta are to be based in the five years targeted within this policy. Furthermore, Malta's tourism policy document aims to provide a framework for tourism related matters to ensure the sustainability of the tourism sector. Malta's tourism policy document highlights a number of objectives which need to be addressed, namely:

- manage tourism in Malta and Gozo on the principles of sustainable development;
- maintain and conserve, environmental and socio-cultural resources being the key elements of the Maltese Islands' tourism product;
- increase tourism earnings and tourism value added;
- sustain existing jobs and create more and better jobs;
- achieve a fair distribution of income;
- increase Malta's competitive advantage and deliver quality and distinct tourism product, built on local characteristics
- reduce seasonality;
- capitalise on the unique characteristics of Gozo;
- increase accessibility to and from Malta;
- benefit from e-business in tourism; and

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<sup>69</sup> Operational Programme I – Cohesion Policy 2007 – 2013.

- maximise on Malta's membership of the European Union.

This policy document has been the basis of the implementation of all projects funded through Cohesion Policy 07-13 Programmes. In the main, projects undertaken within the tourism field aim to ameliorate the local tourism product and increase tourism value added. To date, 13 tourism infrastructural projects have been approved by the Maltese Authorities which vary from restoration and valorization of cultural heritage to the upgrading of coastal areas as well as aid schemes under Article 87 of the Treaty to support the private sector. In addition to these initiatives, three other projects are being implemented (for the sector) through the ESF, namely: Developing Leaders for Change and Innovation in Tourism, Training Courses to enhance Employability and Adaptability of the Workforce (language courses) and higher education courses to address skills mismatches in Gozo (diploma/ degrees in tourism studies). These projects aim to address various niche markets within the Tourism sector and hence strive to ameliorate the local tourism product creating an improved experience for those tourists visiting Malta.

#### 10.5.2 Addressing the local ICT sector – The Smart Island – the National ICT Strategy 2008-2010

The Maltese Government has a vision for Malta to become The Smart Island by 2010, i.e. one of the top ten information societies in the world. Within this context, Government has launched a National ICT Strategy with a view to achieve this goal. The main objectives set within the Strategy include:

- preparing Malta for the next generation of technology by laying the foundations for a world class infrastructure;
- overcoming the last miles of the digital divide, whilst bringing people together irrespective of their social status, using ICT to give new opportunities;
- developing an even smarter workforce by continuously investing in people and nurturing their skills and potential;
- using information systems and technology to improve the quality of life of Maltese citizens;
- re-inventing the Government of Malta by transforming the public service in terms of its service delivery and governance;
- enhancing the productivity of Malta's private sector and its competitiveness through the adoption of e-business; and
- promoting Malta as a world-leading ICT hub for foreign direct investment whilst using ICT as a pillar to the economic growth of the nation.

In addressing the above objectives, Government has based its national ICT strategy on seven different streams each outlining a number of key targets. These streams include:

1. Robust ICT Environment and next generation infrastructure;
2. A connected society;
3. Creating a smart workforce by developing human potential;

4. e for everything – enhancing our citizens' quality of life through ICT;
5. Re-inventing Government – transformation and open Government through e-delivery;
6. Taking Care of eBusiness; and
7. Developing a world-leading ICT industry.

The implementation of this National Strategy is strongly supported by Cohesion Policy whereby a number of initiatives are currently being implemented. In terms of infrastructure a number of projects contributing towards the objectives of the ICT strategy are already underway. Infrastructural projects currently in implementation phase include: the Construction, Finishing and Equipping of an ICT Faculty within the University of Malta, the upgrading of ICT laboratories at MCAST (National Vocational Institute); the Refurbishing the Signal Processing Laboratory within the Department of Communications and Computer Engineering, the development of the Maltese Text to Speech Synthesis.

In addition to the above infrastructural initiatives, a number of projects aimed at increasing capacity building in particular in the field of ICT, are also being implemented through the European Social Fund. Such initiatives include:

- the creation of an Online e-Learning Management System for Post-graduate Medical Training Activities;
- enhancing the confidence within ICT through the Parents and Teachers Fusion ICT Training Programme;
- the provision of higher education courses to address skills mismatches in Gozo including courses within the field of ICT;
- increasing ICT Student Capacity in Malta through the provision of full-time ICT related courses at MCAST;
- the provision of a Diploma in Information Technology, Information Systems, or in Computing and Information Systems for specific target groups, including school leavers, women who want to return to the workplace, individuals who work in the manufacturing industry, unemployed, semiskilled employees, and individuals risking long-term unemployment. In addition, an education and awareness campaign will also be co-ordinated to promote ICT education and careers<sup>70</sup>;
- the provision of training opportunities within the ICT field aimed at vulnerable persons and women within the local community<sup>71</sup>

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<sup>70</sup> Second Step – ESF 2.12

<sup>71</sup> REACH- Opportunities close to home – ESF 3.54

### 10.5.3 Energy and Climate Change

Economic growth has been a major stimulus to Malta's energy demand growth. Ascertaining that the local energy demand is met, requires a heavy investment within the sector with a view to bring it in line with the economic and social requirements. In addition, such investments will also enable Malta to meet its obligations as a member of the European Union and the international community in general, in particular, those specific obligations arising from the Third Energy and Climate change package.

Currently, Malta is almost totally dependent on imported fossil fuels for meeting its energy needs, both in the energy production and supply sector as well as in the transport sector. The current situation with respect to the energy sector becomes even more taxing when one considers that Malta is heavily dependent on desalination plants for the production of water which creates an additional burden on electricity production. Furthermore, the share of renewable energy sources within the Maltese context is currently minimal which has been attributed to various factors including physical space constraints.

The Maltese Government is committed towards reducing Malta's dependence on fossil fuels. Within this context, Government has outlined a number of policies which aim to foster a culture of energy efficiency and utilising energy from renewable sources. In fact, Government has committed itself to achieve a 9% reduction in energy end use through energy efficiency measures by 2016.

In addressing the current situation, Government is investing heavily within the energy sector (both through national and European funds), in particular within the renewable energy and energy efficiency sectors to reduce the dependency on fossil fuels. Three strategic documents have been published to create the necessary framework to achieve this objective. These include:

1. National Strategy for Policy and Abatement Measures Relating to the Reduction of Greenhouse Gas Emissions: published in September 2009 after a thorough consultation process, outlines 96 concrete measures aimed at reducing Malta's impact on Climate change. These measures address various sectors in particular the energy and transport sectors which are the main contributors towards climate change. This policy document is based on three strategic thrusts, namely the:
  - a. inculcation of a culture that recognizes the importance and responsibilities relating to Climate Change by means of securing the participation of all stakeholders within the Maltese polity;
  - b. establishment of a governing framework for Climate Change that will ensure that Climate Change as a national agenda issue is supported by the necessary sustained critical mass; and
  - c. importance of underpinning decisions relating to the design of policy and the identification of abatement measures in order to secure Greenhouse Gas (GHG) emissions reductions with the economics of Climate Change.

This strategy is also supported by the National Energy Efficiency Action Plan (NEEAP) and *A Proposal for an Energy Policy for Malta* which are outlined below.

2. National Energy Efficiency Action Plan (NEE AP): launched in 2008, aims to identify cost-effective measures that will generate energy efficiency and to chart a plan whereby these measures are implemented in a structured holistic manner. Through this action plan Government aims to achieve the following objectives, namely:
  - a. ensure that the public sector becomes a role model in energy efficiency;
  - b. promote increased awareness and behavioural change by consumers on an individual level;
  - c. adopt financing tools and economic incentives targeting all sectors, implemented in full compliance with the applicable State aid rules, that will stimulate take up of more efficient technologies;
  - d. Take advantage of, and support, international efforts – in particular at EU level – to ensure that more efficient energy using products become available to the consumer;
  - e. Use legislation and fiscal instruments judiciously, for example by setting standards for energy performance in buildings or for providers of energy services such as auditors or installers;
  - f. Carry out research in energy efficient technologies and practices suitable for adoption in Malta; and
  - g. create the organisational structures necessary to support the achievement of these objectives.
3. *A Proposal for an Energy Policy for Malta*: launched for public consultation in April 2009, this document aims to provide the necessary framework for the provision of both conventional and renewable electricity in Malta. Furthermore, this document includes projects necessary to meet this objective in the most effective and feasible way both economically and environmentally with enhancement of security of supply.

Mitigating the impact of climate change requires extensive infrastructural investments in particular within the renewable energy and energy efficiency sectors. Within this context, the Maltese Authorities are currently implementing a series of projects, in the public, private as well as the domestic sectors aimed at addressing climate change, a number of which are funded through Cohesion Policy, particularly the ERDF. These include investment in renewable energy and energy efficiency equipment in the public sector; grants (in line with current State Aid rules) to the private sector; schemes for renewable energy *network projects* and energy efficiency projects for households; as well as projects aimed at mitigating other effects of climate change. The latter include a flood relief programme spanning various regions across the country as well as measures

to reduce Nox and dust particles from current generation plants and will hence reduce green house gas emissions<sup>72</sup>.

It should be noted that the Maltese Authorities have taken a conscious decision to provide additional marks within the project selection process to those projects which include climate change mitigating measures within the proposed operation.

#### 10.5.4 The Regional Aspect of Gozo – The Eco-Gozo Strategy

Gozo's regional distinctiveness has always been on the top of Government's Agenda, and has featured throughout a number of national strategic documents in particular the Budget and Pre-Budget Documents, the National Reform Programme as well as Cohesion Policy documents including the National Strategic Reference Framework and both Operational Programmes. The above, the Maltese Government has now launched its vision for the island of Gozo to become an eco-island under the concept of eco-Gozo by 2020. The primary objective of the eco-Gozo strategy is to serve as a blueprint for the achievement of sustainable development goals for the island of Gozo.

This strategy aims to create the necessary framework which will contribute towards the economic development of the island of Gozo, its tourism product, and the generation of a number of new jobs within this area. Government believes that the 'unspoiled' coastline and the presence of rural activities is one of Gozo's strengths which can contribute towards improving the Island's economy. The Maltese Government is aiming to promote environmental awareness and responsibility through various initiatives amongst stakeholders. The main principles underpinned within this strategy include:

- quality investment for more sustainable jobs;
- a better quality of life;
- a society exerting less pressure on the environment;
- a wholesome natural and cultural environment;
- a caring society for all; and
- sustaining the island's identity.

In order to achieve the objectives of the eco-Gozo strategy, Government has committed itself to allocate both national and European funds towards these goals.

#### 10.5.5 National Report on Strategies for Social Protection and Social Inclusion

The Maltese Government is committed towards ensuring a better quality of life to its citizens. In achieving this objective, Government is focusing its efforts towards persons who are vulnerable and therefore at greater risk of social exclusion and poverty. Malta's Strategy for Social Protection and

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<sup>72</sup> Malta has also applied for European Energy Programme for Recovery funding for the construction of an inter-connector.

Inclusion 2008-2010 builds upon the actions put forward within the previous plan whilst also taking into consideration the challenges which are currently being faced by Malta. The challenges identified within the National Action Plan for Social Inclusion 2008-2010 include:

- tackling school absenteeism, learning difficulties and illiteracy and pursuing the commitment to reduce the rate of early school leavers educational underachievement;
- increasing the overall employment rate, particularly through (a) the inclusion of older workers, women and vulnerable groups within the labour market, and (b) making work pay;
- promoting greater availability of adequate and affordable housing;
- combating the intergenerational transmission of poverty and social exclusion;
- addressing the social aspects of migration and promoting equality and diversity; and
- reforming the social protection system to ensure its sustainability, adequacy and comprehensiveness.

Government is committed towards addressing these challenges and in fact has set a number of targets. This strategy has not been drafted in isolation but has been created in sync with other main Government documents namely: the National Action Plan for Employment, the National Strategic Reference Framework, the National Reform Programme and the National Strategy for Sustainable Development. Such synergies have resulted in significant investment through Cohesion Policy. In fact various projects both ERDF and ESF are currently being implemented. From an infrastructure perspective a series of projects have been undertaken in particular within the University of Malta, the Malta Council for Art, Science and Technology, the Employment and Training Corporation and State Schools with a view to create the necessary infrastructure to attract students towards education and contribute towards the reduction of absenteeism and the reduction of early school leavers. Furthermore, these measures will also enable prospective students to acquire the necessary skills and potentially will make them more employable. These initiatives are also supported by other actions funded through the ESF which aim to provide training and increase the employability of persons within vulnerable groups. Training provided through ESF varies from ICT/ ECDL to literacy and language courses. In addition, training opportunities are also provided in terms of life long learning such as Online e-Learning Management System for Post-graduate Medical Training Activities, Accrediting Quality Vocational Training, Strategic Educational Pathway Scholarships – STEPS and the Training Aid Framework .

#### **10.5.6 Reforming the Educational Sector**

In June 2005, Government has embarked on an ambitious education reform entitled, "For all Children to succeed". This reform triggered a series of actions over the past few years with a view to achieve a number of objectives which have enabled the thorough implementation of this report. These objectives and subsequent actions are outlined below:

- Review of the national curriculum at secondary level to include vocational/technical subjects
- the introduction of initiatives related to core competencies in literacy and numeracy; transition pathways from primary to secondary level education; science and technology curricula; laboratories and teacher training; student services for inclusive and special education; guidance services; school building and human resources and an eLearning platform to transform the overall quality of compulsory education for better learning outcomes in the long run;
- the development of alternative modes of delivery for those school leavers who choose to work on a full-time basis, to pursue part-time/evening programmes at MCAST and ITS;
- the expansion of Junior College spaces and facilities and refurbishing of science laboratories;
- the implementation of the MCAST master plan for a new campus;
- the referencing vocational education and training programmes to the Malta Qualifications Framework (MQF), to ensure standards and quality, comparability and permeability and facilitate mobility;
- giving more visibility and status to Vocational Education and Training using a career guidance tool called “Vocational Qualification Package” (VQPACK).
- promote life-long learning through: the establishment of the Directorate for Life Long Learning and development of a strategy for Lifelong Learning; the opening up of a new Lifelong Learning Centre and the provision of adult training by Local Councils and Voluntary Organisations; and
- the provision scholarship schemes for supporting adults in access to specialist higher education and training.

Cohesion Policy has been instrumental in the implementation of the above actions. In fact, Cohesion Policy has contributed towards the education sector both in terms of infrastructure as well as in terms of capacity building. From an OPI perspective, one may note a major overhaul in terms of the projects being carried out at the University of Malta, MCAST, state schools<sup>73</sup>. In terms of OPII, various training initiatives are being offered<sup>74</sup>. Together, the actions being implemented through Cohesion Policy are enabling the thorough implementation of the Education Reform providing additional value added to the educational sector.

## 11.6 The Introduction of National Reforms

The constant need to improve and fine tune, the provision of necessary public services has given rise to the need for reform in a number of sectors. Over the past few years, the Maltese

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<sup>73</sup> A full list of the approved projects with respect to OPI including education projects (Beneficiaries: University Of Malta, MCAST and Ministry for Education, Culture, Youth and Sports) may be found on: [http://www.ppcd.gov.mt/projects\\_07\\_13?l=1](http://www.ppcd.gov.mt/projects_07_13?l=1). [Accessed on 16<sup>th</sup> December 2009]

<sup>74</sup> Such initiatives promote basic literacy, life long learning, further and higher education, vocational training and continuous professional development.



Government has embarked on the implementation of three major reforms. These include: the Public Service Reform, the Malta Environment and Planning Authority (MEPA) Reform and the Public Transport Reform.

### 11.6.1 Public Service Reform

During the last decade a series of reforms within the public service in general have been undertaken with a view to improve its efficiency and responsiveness to Government and to the public. Notwithstanding the achievements registered so far, Government is committed towards ameliorating the public service hence the need for further reform.

Within this context, in 2009 Government has enacted the Public Administration Act<sup>75</sup> (Cap. 497 of the Laws of Malta) with a view to strengthen the leadership of the Public Service and to introduce more flexibility in the management of government departments. The Act provides a legal framework for the organisation and management of the Service. In fact, the Act provides for:

- a strengthened leadership within the Public Service, with a clear definition of the roles of the Principal Permanent Secretary and individual Permanent Secretaries;
- the devolution of management powers to heads of department, subject to scrutiny by the Public Service Commission; and
- the establishment of a Senior Executive Service consisting of all senior managers in the Public Service.

In addition, the Act also lays down a set of values of public administration (including public sector entities) and establishes a legal basis for the Code of Ethics for public employees which are enforceable through disciplinary measures. Furthermore, the Act has provided the necessary impetus towards the:

- enacting of the Freedom of Information Act;
- setting up for the Centre for Policy Research; and
- revision of performance agreements for Headships positions.

In addressing the above provisions Government has embarked on a number of projects funded through cohesion policy. Such projects include: the Strengthening of Information Management Unit's and other related functions through Specialist Training Programmes (Beneficiary: Centre for Policy Research) and Capacity Building in Equality and Diversity (Beneficiary: National Commission for Promotion of Equality).

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<sup>75</sup> The Public Administration Act. Available online from: [http://docs.justice.gov.mt/lom/Legislation/English/Leg/VOL\\_16/Chapt497.pdf](http://docs.justice.gov.mt/lom/Legislation/English/Leg/VOL_16/Chapt497.pdf) [Accessed on 24th November, 2009]

### 11.6.2 Malta Environment and Planning Authority (MEPA) Reform<sup>76</sup>

In July 2009, Government has launched one of its largest reform processes, i.e. that of the environment and the planning authority. The aim of this reform is to make MEPA more consistent in its decisions, more efficient in its operations, more accountable to society and more equipped to enforce its decisions. In fact, the reform has been based on four pillars namely:

- consistency: in the strategic direction including MEPA's policy making process and decision making process;
- efficiency: both in terms of human resource capacity as well as in reviewing and strengthening processes such as the EIA processes;
- accountability: strengthening of the verification and operational processes whilst also improving the current notification processes; and
- enforcement: strengthening enforcement through the setting up of an enforcement directorate .

Over the past months, Government has carried out a thorough consultation process with all interested parties including constituted bodies, MEPA employees and the public in general. Based on the outcome of this consultation process, the MEPA reform is now being presented for final consultation prior to commencing the implementation of this reform.

It is the intention of the Maltese Government, to make the necessary investments within the Authority with a view to improve its efficiency and effectiveness. Cohesion Policy is also contributing towards the achievement of these objectives, and in fact the Authority is currently implementing a project with a view to strengthen its national environmental monitoring capacity in five environmental themes namely air, water, radiation, noise and soil.

### 11.6.3 Public Transport Reform<sup>77</sup>

Over the last thirty years, travel habits in Malta have changed. People now travel more frequently and travel further distances on a daily basis, and more people prefer to utilise private cars as opposed to public transport therefore making travel patterns more complex. The increase in demand for both personal mobility and the movement of goods by road has led to a rapid growth in modernisation at a national level. In the last few years, Government has been seeking to encourage a modal shift towards public transport by attracting more passengers to the national public transport system. However, it has been very difficult to attain this objective within the current system and hence Government has felt the need for a more extensive reform.

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<sup>76</sup> MEPA Reform, Available online from: <https://opm.gov.mt/mepa?l=2> [ Accessed on 25<sup>th</sup> November, 2009]

<sup>77</sup> Public Transport Reform Available online from: <https://mitc.gov.mt/page.aspx?pageid=339&lid=1> [ Accessed on 25<sup>th</sup> November, 2009]

Government's Strategy towards encouraging a modal shift between private to public transport is underpinned by the National Public Transport Reform. Government aims to have a new public transport system to be operational by 2010. The main objectives of this reform include:

- the provision of public transport for (i) peripheral destinations (ii) having links between different settlements that is: bus routes which do not necessarily begin or end in Valletta;
- the introduction of a modern, lower emission and accessible fleet of buses having different seating capacities to suit the network needs;
- the introduction of concession fares and discounted fares for frequent travellers which encourage the public to use public transport more frequently;
- the introduction of Scheduled Bus Services which are managed professionally and which are regulated by a minimum level of service standards;
- the application of improved working conditions for drivers including maximum driving time, minimum break periods and rest periods for bus drivers; and
- the use of information technology in the operation of Scheduled Bus Services in order to keep the public fully informed in real time about the said operations.

Cohesion Policy, as yet, has no projects which are targeting direct support to this reform, largely because the reform has not yet been completed and therefore direct support is expected in future calls for projects, under both the ERDF and the ESF. In terms of modal shift, however, one project which provides for alternative mobility between the centre of Valletta and the harbour area is expected to be approved by end of 2009.. This project is expected to benefit locals and tourists alike, particularly those arriving on cruise liners. Another call under modal shift is expected in the second half of 2010.

## 12. European Economic Recovery Plan

Malta welcomed the attempts taken under various policy areas within the Economic Recovery Plan and which aimed at facilitating the absorption of Cohesion Policy resources in its attempt to mitigate against the effects of the global economic crisis. A number of measures were undertaken in this regard:

### 12.1 Financing

#### a. Pre-financing

The global crisis brought about a cash flow problem. In order to support organisations implementing Cohesion Policy projects, Malta decided at the onset of the implementation process to pre-finance all its projects, both in the case of public sector projects as well as NGOs and projects implemented by Partner organisations (e.g. Social Partners). In this regard, the EU funding component required in a particular year by an operation that is approved by the Managing Authority is provided for in a specific vote in the budgetary estimates of the relevant Ministry<sup>78</sup>. This minimises significantly the potential cash flow problems that organisations could face when implementing projects on the ground. Although this places some burden on central structures such as the Treasury that is charged with the processing of payments and therefore also additional controls ex-ante (i.e. before payments are processed), the system is very efficient in ensuring sufficient cash to implement projects and effective in encouraging NGOs and Partner organisations in participating in Cohesion Policy.

In the case of Aid Schemes under Article 87 of the Treaty, Malta also uses a pre-financing system, albeit slightly different from the one described above. In this case enterprises (Beneficiaries) submit claims for reimbursement at different levels of implementation to the Government and the Government reimburses from its pre-financing budget without waiting for the interim payment to be declared to the EC. There are no advances given to enterprises.

#### b. Declaration of costs related to major projects

Malta has two operational programmes, OP I and OP II. OP I includes an indicative list of 7 major projects: 2 under **Priority Axis (PA) 3**, 2 under **PA 4** and 3 under **PA 5**. Following a re-assessment of the costs of one of the major projects indicated in the OP (PA 4), namely *Reduction of Emissions from Delimara Power Station*, it has been decided (also through support provided by JASPERS) that this project will no longer fall within the category of major project as stipulated under Article 39 of Regulation 1083/06. However, it is foreseen that the number of major projects

<sup>78</sup> OPM in the case of NGOs, Social Partners and Local Councils.

under OPI will remain the same as one project foreseen under Axis 6 (the building of an Oncology Hospital) will fall under the category of major projects.

Malta has only submitted one major project formally to the EC, namely *Improvement of the TEN-T Road Infrastructure (PHASE I)*<sup>79</sup> and is currently awaiting the communication of the Commission Decision. Two other major projects, entitled *Malta South Sewage Treatment Infrastructure and Rehabilitation and Restoration of Closed Landfills* having a total budget of €96,985,474 and €27654,700<sup>80</sup> respectively, have been submitted *informally* to EC and comments have been received and the applications revised. These two projects are expected to be submitted formally to the EC by Q1 2010. The rest of the major projects indicated in the OP, including the new one concerning the oncology hospital, are expected to be submitted to EC later on in 2010.

Since the entry into force on Council Regulation (EC) No 284/2009 of 7 April 2008 (amending Regulation (EC) No 1083/2006), the Maltese Authorities have decided to make use of the flexibility offered by the newly introduced measures and declaring to the Commission expenditure for major projects. Although no such expenditure has been declared to the EC as yet the next statement of expenditure to be declared to the EC will include such costs. In fact €13,183,942.89 (of such costs) have been verified by the MA and passed on to the Certifying Authority on the 27<sup>th</sup> November 2009 to be included in the next statement of expenditure. The CA is expected to certify this expenditure to the EC by end 2009.

There are no major projects foreseen under OPII.

#### **c. Declaration of advances to SMEs**

As stated above (section 12.1 a), no advances are given to SMEs under state aid schemes implemented under Article 87 of the Treaty and therefore no such advances are certified to the EU. A Pre-financing of reimbursement (from a national pre-financing budget) of paid expenditure exists as described under Bullet A above.

#### **d. Frontloading of investment**

The Maltese Authorities aim to commit most of the funds available under both Operational Programmes (including funds earmarked for major projects) in the first five years of the programming period. As at the cut off date for this report, approximately 50% of both OPs were committed in projects (including indicative budgets reserved for major projects) and aid schemes (committed by the MA to the IB<sup>81</sup>) respectively. While these figures could still vary once the public

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<sup>79</sup> Major Project was submitted to Commission on 26 August 2009.

<sup>80</sup> Values for both projects amount to the eligible cost and exclude VAT which is ineligible.

<sup>81</sup> In the case of major projects, these would still need to be submitted to and approved by the EC for the commitment to be legally binding. In the case of funds committed in aid schemes by the MA to the Intermediate Bodies, the latter would still have to commit these funds in projects on the ground (allocate money to enterprises) for the commitment circle to close completely.

procurement process of approved projects and the commitment circuits are complete in the case of major projects<sup>82</sup> and aid schemes, the current achievement is well in line with the plan of the authorities.

Moreover, Intermediate Bodies have frontloaded planned investments for aid schemes under Article 87 of the Treaty and issued additional calls (originally planned for later on in the programming period). The objective is to encourage enterprises to undertake their investments in this lean period so that companies are ready to react to the market demands once this starts picking up.

#### **e. Modulation of EU contribution rate**

The Maltese Programmes are based on public expenditure. For all projects approved, the co-financing rate is fixed at the maximum allowed in Annex III of Regulation (EC) No 1083/2006. There is no intention to modulate the EU contribution to projects up to 100%.

### **12.2 Simplification of categories of eligible expenditure:**

#### **a. Indirect costs declared on a flat-rate basis**

The Maltese Authorities are currently discussing with the CION the methodology to be used in applying such measure to ESF. The discussions are still underway and given the circumstances and also the nature of the investment, it is unlikely that the measure will be implemented under OPI for this programming period.

#### **b. Flat-rate costs calculated by application of standard scales of unit cost**

To date no decision has been taken as to whether this measure will be utilised within the local context.

#### **b. Lump sums to cover all or part of the costs of an operation**

To date no decision has been taken to use the lump sum facility in the implementation of the Operational Programmes.

### **12.3 Enlarging or adjusting the priorities of Ops**

#### **a. General changes to the Operational Programmes**

A proposal for change to OP I was made and approved by the Monitoring Committee on 12<sup>th</sup> May 2009. This proposal was subsequently presented to and approved by the European Commission

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<sup>82</sup> In the case of a number of major projects, studies are still underway and therefore indicative budgets could change.

on 5<sup>th</sup> August 2009<sup>83</sup>. The main changes that have taken place so far and which arise from new information available after the approval of the Operational Programme concern the co-financing of two major projects related to environmental infrastructure. These changes came about following more in depth analysis at the preparatory stage of the flood relief programme (originally planned under Cohesion Fund, Axis 5) and also following the public procurement process of the waste water treatment project (originally planned under ERDF, Axis 4). The change concerns an increase in budget in the latter project and a decrease in the budget of the flood relief programme following a more in depth analysis of the economic and financial issues. From a content point of view, the Programme now also has an axis dedicated solely to climate change issues. There was no need to change the OP as a reaction to the crisis as the relevant measures – including those with respect to energy efficiency and renewable energy – were deemed flexible enough to meet the required investment.

In the case of OP II, the ESF measures outlined in the existing Operational Programme were deemed to be sufficient and flexible enough to cater for the measures required to react to the economic crisis<sup>84</sup>, however a minor change was approved by the Monitoring Committee held in December 2007 with regard to the implementation of aid schemes under Article 87 of the Treaty. In this regard, the selection of operations is a now demand driven process which allows the authorities to react immediately to the needs of industry.

#### **b. Changes with regard to energy efficiency and renewable energies in housing**

The Maltese OP I already allows the possibility to fund energy efficiency and renewable energy in the domestic sector. With regard to the renewable energy component, given that these are measures which, although being physically located on roofs of houses, they are deemed to be *network projects* since the power generated feeds directly into the national electricity grid. With regard to energy efficiency, most of the interventions foreseen in the domestic sector will focus on the installation of solar water heaters (also on roofs of houses). Given that this infrastructure does not feed into the grid, the investments foreseen are considered as *housing* but the Operational Programme already foresaw such investments at the onset of the programming period and therefore no change of the OP is necessary. It should be noted that given the small size and other territorial specificities of the country, it has been rather difficult to determine criteria of eligible housing that would not create additional burdens in terms of control mechanisms. However, these have now been identified and the scheme will be launched in Q1 2010.

#### **c. Access to finance instruments (to benefit SMEs)**

Over the past months, the Maltese Authorities have decided to increase the initial allocation for JEREMIE from € 5 million to € 10 million, as part of the response to the economic crisis. The EU

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<sup>83</sup> Deemed admissible on 27th May 2009

<sup>84</sup> These were complemented also by a number of measures using national and other resources.

co-financing will be 85% of public eligible costs. It is the intention of the Maltese Authorities to focus Jeremie on micro-credit. Discussions are ongoing with the EIF to finalise the relevant agreements. It is expected that Jeremie can be launched in Q1 2010.

**d. Capacity building (for public authorities implementing structural funds)**

The Maltese Authorities consider the issue of capacity building within public authorities managing structural funds as very important. For the 2007-2013 period, the Managing Authority has drawn up a training plan to ensure that horizontal stakeholders as well as Beneficiaries participate in capacity building initiatives. Such initiatives need to be repeated on a regular basis to cater for newcomers to the system as well as remain effective. There has been no need to modify the Operational Programmes as yet to cater for such measures, however some changes will be required at the national level to cater for certain requests given also budgetary restrictions, particularly in the ESF technical assistance budget.

## **12.4 Simplifying the implementation mechanisms**

**a. National measures aimed at accelerating the implementation of Operational Programmes**

The Maltese Government has undertaken a number of simplification (and streamlining) measures at the onset of the Programme (when designing the implementation system) following the experience of the 04-06 programming period.

At present blockages are being encountered in the project selection process and in the procurement stage. These are largely due to the centralisation of certain practices, mainly because of the size of the Programme. Malta is currently assessing the possibility of decentralising the procurement process and it is also expected that the mid-term evaluation planned for Quarter 2 2010 will also come up with some pragmatic and practical recommendations regarding the project selection process, as the measures mentioned in one evaluation undertaken in 2005 have already been implemented with some results, but still not generating the desired level of efficiency<sup>85</sup>.

The current practice with regard to project selection (according to chapter 5 of both Operational programmes) is that ERDF and ESF funds are committed to projects following an open call for projects. This has a substantial impact on the number of projects received for consideration, the result of which is a lengthy selection process. Past calls have clearly shown that the current project selection procedure is resulting in a lot of effort from a number of organisations with public sector projects competing against each other (often targeting the same target groups especially in ESF) and with NGOs and local Government struggling to have their proposals compete with those (of

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<sup>85</sup> With regard to the project selection process, it should be pointed out that Malta has already taken some measures in this regard and in 2008 created a second project selection committee, however this is still not deemed to be sufficient. In this regard some considerations aimed at accelerating the project selection process have already been flagged, also within the monitoring committee.



central government departments and agencies) which are high on the national agenda. This is linked to the strategic nature of such (public sector) projects and their alignment to national strategies.

In order to avoid having many Government projects competing against each other whilst at the same time providing a more level playing field to NGOs and local councils and to shorten the project selection process, the Maltese Government is currently considering the possibility of ring fencing part of the remaining budget within the Programme (under the relevant axes) for calls specifically targeting NGOs and local councils. The remaining budget would, in turn, be issued through a number of restricted calls within Government. The restricted call within Government should also serve as an incentive for more inter agency co-ordination within the public sector. However, given the imminent start of the mid-term evaluation, this issue will also be assessed and any recommendations will be studied. Any such changes will require a modification of the OP as well as the implementing system.

#### **12.5 Use of possibilities under the Temporary state aid framework:**

##### **a. “Compatible limited amount of aid” up to € 500 000**

There are no plans to use Cohesion Policy Funding to fund such Temporary State Aid schemes, although the Maltese Government does not exclude plans to use national funds for such schemes.

#### **12.6 Public Procurement**

##### **a. Accelerated public procurement procedures**

The competent authority for public procurement (Central Contracting Authority) informs that the minimum period for public procurement procedures is generally 52 days. This period can be further reduced to 40 days through the accelerated procedure provided that the procedure respects a number of conditions

### 13. Territorial Cooperation<sup>86</sup>

Malta is currently participating in six programmes under objective 3 for the 2007 – 2013 period, namely the Italy-Malta cross-border programme, the Med programme, the Interreg IVC programme, the Interact II programme, the ESPON 2013 programme as well as the ENPI CBC MED programme. The priorities addressed under such programmes touch upon a comprehensive list of thematic areas, several of which are also reflected in Malta's mainstream programmes (e.g. strengthening innovation capacities, environmental sustainability, the promotion of cultural heritage, renewable energy and energy efficiency, maritime safety as well as support to mobility, exchanges and training). This clearly demonstrates that the measures underpinning these Programmes are consistent with national priorities and are not only contributing to the overall achievement of the national strategy, but also providing the European dimension to the said strategy.

The contribution of the operations funded under the territorial co-operation programmes enhance measures taken within mainstream programmes through the exchange of best practice and the transfer of knowledge. Such collaboration provides added value to the work already carried out by Maltese partners in addressing the objectives of the two national Operational Programmes for the 2007-2013 period entitled *Investing in Competitiveness for a Better Quality of Life* and *Empowering People for More Jobs and a Better Quality of Life*.

Following the approval of the respective Operational Programmes under the Territorial Co-Operation objectives, various calls for proposals have been launched. Several Maltese entities have shown an interest in joining such projects and in fact, Malta is currently participating in fourteen projects, seven of which are funded under the IVC programme, six under the Med programme and one under the ESPON 2013 programme. Two of the projects selected under the first call of the IVC programme, namely the *EVITA* and the *DC* projects address innovation and the knowledge economy, with a particular focus on the Information Society whereas the *RSC* project deals with natural and technological risks, particularly climate change. With regard to the projects selected under the programme's second call, two projects, namely *Pre Waste* and *Sharp* address waste and water management respectively whilst the other two, *Pooling4Clusters* and the *ICT-VN* projects focus on innovation and the information society vis-à-vis competitiveness.

Similarly, the projects selected under the first call of the Med programme are also underway. Two of the projects, *Developmed* and *Transit*<sup>86</sup> focus on the impact of transport and communication networks on the country's competitiveness, whereas *Biolmed* deals with the potential development of the local olive oil sector. On the other hand, the *I.C.E.* project targets the strengthening of SMEs operating in the artistic and cultural sector, whilst *Philoxenia* promotes the start up of micro-enterprises through technical and financial assistance supported by a common operational

<sup>86</sup> This Chapter was requested by the Commission during the Annual Review Meeting

mechanism. Finally, *Rimed* supports the promotion of corporate social responsibility amongst various industries.

The Italy-Malta cross-border programme will be launching its first call for project proposals during the last week of 2009. This call will be open to standard project proposals under all the programme's specific objectives which will address issues in the fields of research and innovation, accessibility, culture and tourism, environment and natural resources, renewable energy and energy efficiency, and risk prevention. This call has been delayed mainly because of difficulties encountered by the Managing Authority (Sicily) as well as the unusually lengthy process taken in setting up the Joint Technical Secretariat to ensure proper programme management.

With regard to ESPON 2013 programme, Malta participates in one project that was selected under the second call for proposals. *EUROISLANDS* is a study that addresses the situation of Europe's islands within the context of sustainable development. This project is important for Malta also with a view to the territorial dimension of Cohesion Policy which Malta has been on the forefront of promoting.

It is important to note that the projects mentioned above are currently in the first year of implementation and it is premature to assess their impact at this stage. Nevertheless, it is envisaged that the contribution of such programmes will be strengthened further by means of additional projects selected through future calls. Furthermore, several calls for strategic projects, which will focus on a number of important thematic areas, such as maritime safety, renewable energy, energy efficiency, sustainable tourism, integrated coastal management, the efficient use of water resources, waste treatment and recycling as well as support to SMEs with regard to solar energy related activities, are foreseen to be launched in the 2010. In addition to such projects, the call for capitalisation projects under the IVC programme, which was launched on 9<sup>th</sup> December and which aims at transferring best practices into national programmes is also expected to complement and contribute towards the effective achievement of national priorities and objectives.

## 14. Examples of Good Practice

Malta has identified four examples of good practice, addressing the following:

1. Making Europe and its regions more attractive places in which to invest and work;
2. Improving Knowledge and innovation for growth;
3. More and better jobs; and
4. The territorial dimension of cohesion policy.

### 14.1 Making Europe and its regions more attractive places in which to invest and work

Country:	Malta										
Region:	MT										
Operation, scheme, policy:	<b>Improvement of the TEN-T Road Infrastructure (Phase I)</b>										
Duration:	2007 - 2012										
Objective:	Convergence										
Funding:	<table> <tr> <td>Total Cost :</td> <td>€ 57,588,381</td> </tr> <tr> <td>EU contribution :</td> <td>€ 48,950,123.85</td> </tr> <tr> <td>National</td> <td>€ 8,638,257.15</td> </tr> <tr> <td>Regional</td> <td>n/a</td> </tr> <tr> <td>Private</td> <td>n/a</td> </tr> </table>	Total Cost :	€ 57,588,381	EU contribution :	€ 48,950,123.85	National	€ 8,638,257.15	Regional	n/a	Private	n/a
Total Cost :	€ 57,588,381										
EU contribution :	€ 48,950,123.85										
National	€ 8,638,257.15										
Regional	n/a										
Private	n/a										
Contact :	<p>Name: Mr. Robert Zerafa,</p> <p>Organisation: Malta Transport Authority</p> <p>Address: Network Infrastructure Directorate, Triq Agius de Soldanis, B'Kara</p> <p>SVR 1910</p> <p>Email: robert.zerafa@maltatransport.com</p> <p>Internet: www.maltatransport.com</p>										
Operation / policy description:	The Malta Transport Authority is proposing the reconstruction and upgrading of the five sections of the Trans-European Network – Transport (TEN-T) road network in Malta (arterial routes 1 and route 6) at Luqa, Floriana, Marsa, Mellieha, Naxxar, and another one in Victoria (Gozo). These five projects form part of a planned program of improvements of the TEN-T network in Malta and										

	<p>Gozo. This project consists of five sub-projects being proposed for financing. These are of strategic importance and will improve the main road network links to the Air Passenger Terminal at Gudja, the Sea Passenger terminal and Ro-Ro terminal in the Grand Harbour, the tourist areas in the northern part of Malta, access to the internal seaports at Cirkewwa and the continuation of the main link road from Mgarr Ferry Terminal and Victoria, Gozo's capital city.</p> <p>The implementation of the proposed two phased-project<sup>87</sup> will result in the improvement of another 20 km of the TEN-T road. This means that by the end of 2013, 62% (31.8km out of a total of 51km) of the TEN-T would have been reconstructed and upgraded since 1999. (3km, from 1999 to 2003 + 8.8km 2004 - 2006 + 20 km 2007-2013)</p> <p>The main beneficiaries of the investment in the TEN-T road network infrastructure are the citizens of Malta, all visitors (tourists) to the islands and the business community in view of the fact that more efficient road networks will result in enhanced business performance particularly in relation to the transportation of goods and people both from and to Malta as well as within the territory (including improved access to and from Gozo).</p>
Strategic Context:	<p>The TEN-T network is a key element in the Lisbon strategy in terms of competitiveness. The TEN-T plays a crucial role in securing the free movement of passengers and goods in the European Union and in fact the European Union has set its target to complete the TEN-T network by 2020. The Malta Transport Authority had commissioned studies in 2002 and 2006 in order to assess the situation of the TEN-T road network in Malta. The study undertook a situation analysis and created a priority list according to a number of criteria. Since then, the ADT has reconstructed and upgraded a number of roads on the priority list through similar projects, including those co-financed through the Structural Funds and the Cohesion Fund 2004-2006 as well as national resources.</p> <p>In its Budget 2009, the Maltese Government identified the need for investment in six important sectors, amongst which, the construction of roads. A number of roads have been identified for reconstruction and upgrading, amongst which are those stretches of road forming part of the Trans-European Network, as defined by the TINA study (2002). Five of these roads make up the proposal in question. These roads are considered to be of strategic importance and thus needed to be upgraded to contribute to the realisation of transport infrastructure</p>

<sup>87</sup> Apart from the present proposal submitted to the Commission on the 26th of August 2009, a second proposal for the upgrading of TEN-T roads is expected to be submitted.

	<p>elements and to comply with the current and future economic and social needs.</p> <p>In addition, one of the roads being proposed i.e. the construction of a one-way vehicular underpass below route 6, the re-alignment of 13th December road, the reconstruction and upgrading of the existing Triq l-Ghassara ta' L-Gheneb and Moll ic-Ciangatura is one of the interventions being implemented in line with Government's vision for the regeneration of the Grand Harbour.</p> <p>Further to this, the National Reform Programme 2008 – 2010 (Measure 14.5) indicates the upgrading of roads to ensure road safety, improve security and reduce traffic congestion as one of the measures that would be undertaken as a means of supporting and facilitating the transformation of the economy and ensuring effective and efficient connections with European mainland..</p> <p>The sub-projects are intended to reduce long queues and delays, eliminate / reduce traffic accidents at junctions, improve access and connectivity between the Grand Harbour, a TEN-T port, and the TEN-T road network in Malta and between Gozo and Malta for both goods and passengers as well as improved access within Gozo and a reduction of the insularity effects on the smaller Island.</p>
<p>Operation / policy design/ implementation:</p>	<p>The Malta Transport Authority (ADT), a public authority established by virtue of Malta Transport Authority Act, Cap. 332 of the Laws of Malta, is responsible for: (a) the regulation and management of public transport services, (b) the operation, maintaining, improving of the road network and traffic management and; (c) the licensing and registration of vehicles in Malta. The Network Infrastructure Directorate (NID) is the Directorate responsible for the operation, maintenance and improvements of the road infrastructure in Malta.</p> <p>On completion, the routine maintenance and periodic maintenance of the five roads will be managed by the Network Infrastructure Directorate. The directorate engages a number of contractors to carry out the maintenance works and repair works along the network. A number of measures will be adopted in order to mitigate the inconvenience that will be created with the closing down of the proposed routes. One of the said measures will be the setting up of appropriate deviation routes as well as visible and effective traffic management signs.</p> <p>The overall project management and supervision duties rely with the Director NID. In addition, a different architect has been appointed for each sub-project with a view to allow more a direct and focused supervision which in turn leads to a closer monitoring of the: works being undertaken, highlight any deviations from the original implementation and to ensure that the committed</p>

	<p>disbursement schedules are being honoured.</p> <p>Another action being undertaken by the beneficiary is the grouping of sub-projects with a view to benefit from economies of scale in particular for the purposes of procurement of Project Supervision and Works which reduces the number of contracts to be managed. This is expected to reduce the administrative burden on the entity as well as encourage</p> <p>In relation to the pillar <i>'Making Europe and its regions more attractive places in which to invest and work'</i>, the upgrading of stretches within the TENT network in Malta is crucial in order to enhance mobility between strategic locations including the airport, and the 4 main ports which connect Gozo and Malta to the rest of Europe. By means of this operation the Malta Transport Authority aims to enhance the flow of traffic which will result in a reduction in journey time and improve road safety for motorists. The envisaged interventions will have spill over effects on the economy as a whole through the achievement of better access to ports, thus reducing costs for transport operators, improved linkages between the Northern and Southern parts of Malta, improved support to the tourism industry mainly to the cruise liner sector through better access with the Sea Passenger Terminal and the Cruise liner Terminal as well as improved accessibility to the tourist resorts in the Northern part of Malta and Gozo and safer and faster access to the International Airport in Luqa.</p>
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## 14.2 Improving Knowledge and innovation for growth

Country:	Malta
Region:	MT
Operation, scheme, policy:	Setting up of Life Sciences
Duration:	4 years 5 months
Objective:	Convergence
Funding:	<p>Total Cost : € 13,302,095.00</p> <p>EU contribution : € 11,306,780.75</p> <p>National € 1,995,314.25</p> <p>Regional N/A</p> <p>Private € 0</p>
Contact :	<p>Name: Mr. Joseph Sammut</p> <p>Organisation: Malta Enterprise</p> <p>Address: Enterprise Centre, Industrial Estate, San Gwann, SGN 3000</p> <p>Email: <a href="mailto:info@maltaenterprise.com">info@maltaenterprise.com</a></p> <p>Internet: <a href="http://www.maltaenterprise.com/">http://www.maltaenterprise.com/</a></p>
Operation / policy description:	<p>The development and building of a state-of-the-art Life Sciences Centre located within walking distance of the main acute Hospital, Mater Dei Hospital and the University of Malta. This Centre will have a focus on Life Sciences and associated technologies and is aimed to drive knowledge-based industrial growth and synergies by providing the necessary services, common facilities and infrastructure for research, development and innovation to take place. The Centre will mainly target Foreign Direct Investment (FDI), existing Small and Medium Enterprises and knowledge-based organisations and New Technology based firms.</p>
Strategic Context:	<p>Over the past years Government has shown its commitment to invest in RTDi. In its first Pre-Budget Document, 'A Better Quality of Life' 2006-2010, Government outlined its strategy for Malta and, namely the creation of a dynamic, high value-added economy. A number of key fundamental elements that would contribute towards increased national productivity and competitiveness were identified, of</p>



which it included: an increased investment in research and innovation in order to sustain the creation of a high-value added, technology-intensive and knowledge-based economy.

Government's commitment to the creation of a high value-added economy is undeniably in line with the Lisbon Agenda, with the aim for Europe to become by 2010 'the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment'. In order to set out the comprehensive strategy to deliver growth and jobs in line with the refocus of the Lisbon Agenda, Malta chose five strategic themes for its National Reform Programme for the period 2005 to 2008 of which one strategic theme focused on competitiveness, in particular the review of Malta's enterprise policy in a key number of areas, including research and development and innovation in order to target new sectors (including healthcare, pharmaceuticals, hi-tech and value-added manufacturing).

In drawing up Malta's National Reform Programme, Government has ensured that the document, ties in with Government's strategy. These two documents are further complemented by other national policy documents: the yearly Pre-Budget Document; and the National Strategic Reference Framework for 2007 to 2013 which clearly states that one of the Strategic Objectives is 'to sustain a growing, knowledge-based, competitive economy' by 'supporting enterprise and mobilising investment in RTDi'. Out of this strategic priority, the Operational Programme I, entitled 'Investing in Competitiveness for a Better Quality of Life' specifically allocates funding to invest in: enterprise-support infrastructure (including industrial parks); and RTDi related infrastructure.

Furthermore two sectoral policies i.e. – the Industrial Strategy for Malta 2007-2010 and the National Strategic Plan for Research and Innovation 2007-2010 – have been prepared in order to set out the framework needed in order to achieve this success.

The *Industrial Strategy for Malta 2007-2010* states that Malta must build on its comparative advantages by focusing on the existing industry base and on new investment, of both FDI and local oriented investment. This strategy indicates that Government should set up a centre(s) to assist industries achieve quality high value-added and secure productivity growth. The strategy identifies a number of sectors, of which Healthcare, Bio-technology, Bio-Informatics and Pharmaceuticals relate directly to the sectors targeted by the Life Sciences sector.

Based on the Industrial Strategy the Life Sciences Centre will primarily provide assistance in:

	<ul style="list-style-type: none"> <li>• specialist advice on technology acquisition and implementation, the transfer of updated technologies, as well as in the provision of Business to Business and Business to Customers e-commerce solutions in order to ensure productive growth;</li> <li>• developing patent oriented technology; and</li> <li>• business intelligence on geographical, sectoral and customer specific markets, as well as assisting industries in their marketing initiatives and the branding of their respective sectors.</li> </ul> <p>Apart from the Industrial Strategy, the Life Sciences project contributes also towards the achievement of the <i>National Strategic Plan for Research and Innovation 2007-2010</i>, by providing the environment for industry to invest in R&amp;D and biotech related field, both within the public and private sector. The proposed Life Sciences Centre will be creating the right environment to foster the creation of knowledge-based activities – Research, Development and Innovation – among the sectors of Health, Biotechnology, and Hi-Tech Engineering. Through the Centre’s research facilities, Malta will achieve excellence in the designated platforms of strategic importance, which in turn are integrated within the European Roadmap for Research Infrastructure.</p> <p>This project aims to increase and improve investment in Research and Technological Development. Furthermore, the Centre will also contribute towards the EU’s aims of growth and job creation, which in the case of Malta requires a structural shift in the economy towards knowledge based activities. In fact the Life Sciences Centre will create new high quality jobs given that employment in this sector is one of high value added content. Finally, according to the Community Strategic Guidelines, there is a need to focus on the provision of the collective business and technology services to groups of firms, in order to help them improve their innovative activity. The implementation of this project will significantly improve given that innovative companies will be housed in the Life Sciences Centre.</p>
Operation / <b>policy design/</b> implementation:	<p>Apart from the Strategic Context within which this project was formulated, the design of the project was based on the data derived from a study commissioned by Malta Enterprise which focused on the market and the requirements needed in setting-up a Life Sciences based Science and Technology Park in Malta. The study highlighted a strategic need amongst enterprises visited (currently operating in Malta) for such a facility with regard to investment in the high value end of the life sciences value chain.</p> <p>Currently the Pharmaceutical sector based in Malta, operates manufacturing</p>

plants with no R&D facilities. The project acknowledges this and the need to create new knowledge-based companies through the provision of fully equipped facilities with the right functional environment whereby target companies will achieve expansion and growth through specialization in key knowledge based activities and networking with companies from the same sectors, with the hospital, academia and other service providers – like laboratories –who choose to set up an operation within the Centre.

This project is designed to:

- contribute to the creation of new enterprises in life sciences and related technologies and the attraction of new knowledge-based companies;
- support existing SMEs to invest in knowledge-based activities and increase collaboration between knowledge institutes (University and Hospital) and Maltese enterprises. The project is designed to bring together basic research, applied research, spin-offs, SMEs, and large firms, which through a clustering and networking based approach root a life sciences and associate technologies sector as a sustainable high valued added economic sector in Malta; and,
- promote entrepreneurship, facilitate the creation and development of new firms, and promote spin-out and spin-off companies from research institutions.
- develop an unutilised area designated for industrial activity.

### 14.3 More and better jobs

Country:	Malta										
Region:	MT										
Operation, scheme, policy:	Title: Professional Development Programmes for MCAST Staff and Student's Top-Up Degrees										
Duration:	4 years 1 month - 1 <sup>st</sup> October 2008 – 31 <sup>st</sup> October 2012										
Objective:	Convergence										
Funding:	<table> <tr> <td>Total Cost :</td> <td>€ 5, 921,566</td> </tr> <tr> <td>EU contribution :</td> <td>€ 5, 033,331.10</td> </tr> <tr> <td>National</td> <td>€ 888,234.90</td> </tr> <tr> <td>Regional</td> <td>€ 0.00</td> </tr> <tr> <td>Private</td> <td>€ 0.00</td> </tr> </table>	Total Cost :	€ 5, 921,566	EU contribution :	€ 5, 033,331.10	National	€ 888,234.90	Regional	€ 0.00	Private	€ 0.00
Total Cost :	€ 5, 921,566										
EU contribution :	€ 5, 033,331.10										
National	€ 888,234.90										
Regional	€ 0.00										
Private	€ 0.00										
Contact :	<p>Name: Mr Anthony Saliba (Project Leader)</p> <p>Organisation: Malta College of Arts, Science and Technology (MCAST)</p> <p>Address: MCAST Main Campus, Administration Building, Corradino Hill, Paola PLA 9032</p> <p>Email: anthony.saliba@mcast.edu.mt</p> <p>Internet: <a href="http://www.mcast.edu.mt/">http://www.mcast.edu.mt/</a></p>										
Operation / policy description:	<p>The project will support the professional development of academic and administrative staff at MCAST, also with the aim for the College to start providing vocational degrees. The project will also see the development of vocational degree programmes and their launch for students to participate in such courses.</p> <p>The project consists of two main activities namely: (1) Professional development of academic and administrative staff at MCAST; and (2) Launch of vocational degree programmes for students in possession of a Level 5 VET qualifications or equivalent academic qualification.</p>										
Strategic Context:	In recent years, the Maltese Government focused on encouraging higher value added activities to operate in the Maltese economy. This, in turn, has led Government to invest more in education and training. Indeed, its strategy in this										

	<p>regard involved both a process of reforming compulsory education while at the same time investing heavily in vocational and higher education. In particular, the surge in investment in medium and higher education levels has seen, amongst other things, the formation of the National Commission for Higher Education (NCHE), the establishment of the Malta Qualification Council (MQC) that has conducted a nation-wide consultation process to set up a National Qualifications Framework for Lifelong Learning, the setting up of and opening up of new courses at the Malta College of Arts, Science and Technology (MCAST) as well as the award of student support schemes at undergraduate, masters and doctoral levels. These policies underline the importance that Government attaches to the nourishment of skills, as an important vehicle towards increasing productivity and competitiveness more generally.</p> <p>For this purposes, the Government is undertaking a dual action: one directed towards compulsory education and the other one towards vocational and higher education. The Government is implementing the reforms of the compulsory education system in the strategy document entitled "<i>For all Children to Succeed</i>". The aim of the strategy is to change the structure of state schools into colleges, thus aiming to achieve a better teaching delivery as well as increased use of IT. The rest of the schools are undergoing a process of upgrading and refurbishment.</p> <p>In terms of vocational and higher education, the Government is investing in order to ensure that formal, informal and non-formal qualifications and skills are certified. Within this area, investments stress particularly in areas of science and technology in order to ensure a supply of skilled labour to the new enterprises currently being targeted for foreign direct investment. Moreover, it is considered essential to have the required institutions providing programmes which offer the widest possible range of opportunities to satisfy the needs of individuals and the economy in terms of levels of knowledge, competence and skills.</p>
Operation / policy design/ implementation:	<p>The design of this project is perfectly in line with the national strategy as described above and provides a good response to the Government's commitment towards constant re-skilling and retraining with a view towards ensuring that the workforce (current and future) will remain in synch with the developments of the labour market and economic opportunities that present themselves.</p> <p>Fostering lifelong learning with a view to strengthening the opportunities of those who may have fallen behind and to enable them to improve their re-integration prospects into the labour is in fact the project's main objective.</p>

	<p>The innovative aspect of this project relies mainly on the fact that it is providing opportunities that have not been offered before in Malta. The project is attributing a central role to vocational education providing an alternative route to the University education. In particular, MCAST will offer courses in strategic fields (such as ICT, Engineering, Agriculture, Building and construction, etc) that are relevant to the national economy.</p> <p>The course curriculum and material will be also designed specifically according to societal and students' needs. The innovative element is that for the first time students following traditional vocational streams will be able to top up their vocational studies with further credits to make their qualification and certification equivalent to that of a degree course. Moreover, the <i>top-up</i> degree programmes are not being offered at degree level by the University of Malta, or elsewhere on the island. Students opting for these courses will be <i>vocationally</i> oriented learners with years of hands-on experience, as opposed to those progressing through the traditional educational route. Moreover, with reference to the professional development of academic and administrative staff at MCAST, it is important to note that the College has never embarked on similar staff development projects (of this scale) nor has any other teaching institution in Malta for that matter.</p>
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#### 14.4 The territorial dimension of cohesion policy

Country:	Malta
Region:	MT
Operation, scheme, policy:	Employment Aid Programme (Aid Scheme)
Duration:	4 years 9 months, January 2009 until September 2013
Objective:	Convergence
Funding:	Total Cost : € 9,314,495
Contact :	Name: Mr Raphael Scerri (Project Leader) Organisation: Employment and Training Corporation Address: ETC, Head Office, Hal Far, BBG 3000 Email: raphael.p.scerri@gov.mt Internet: <a href="http://www.etc.gov.mt/site/page.aspx?pageid=2304">http://www.etc.gov.mt/site/page.aspx?pageid=2304</a>
Operation / policy description:	<p>Certain disadvantaged groups experience particular difficulty in finding work because employers may consider them to be less productive and also because of lack of information on the part of the inactive / disadvantaged persons. The perceived lower productivity may be due to perceived and / or real practical difficulties. These include lack of recent experience of employment; (including young people, adult and older people who wish to enter or to re-enter working life); past experience of the individual's personal life and / or permanent disability.</p> <p>The Employment Aid Programme aims to encourage employers to recruit individuals who, due to preconceived ideas on the part of the employers and society at large, are likely to be excluded from the labour market, unless incentives are offered in relation to their employment.</p>
Strategic Context:	Malta's national priorities focus on the need to increase the employment rates particularly in disadvantaged segments of the population. When analysing the profile of some of the disadvantaged groups, vulnerabilities arising from personal circumstances are often coupled with a low level of education and further compounded by issues such as mobility problems, the absence of facilitating aids, as well as discrimination adding yet more hindrances with respect to access to the labour-market and training services. For this reason,

	<p>as highlighted in the ESF Operational Programme, social benefits must respond to changing social and economic realities and must facilitate access to training as well as the (re-)entry of excluded individuals into the labour market. The national challenge is to develop and deliver co-ordinated policies which encourage the uptake of formal employment by such groups, including persons engaged in the informal economy.</p> <p>The Employment Aid Programme is actively providing an effective response in this direction. Furthermore, this initiative is contributing to reach Malta's national objectives as identified in the National Action Plan for Employment (2004) and which have been re-confirmed in the National Reform Programme (2005-2008) - in particular: to raise the employment rate of the Maltese workforce to achieve the targets set for 2010, as well as to increase the female and older workers employment rate in the labour market to achieve the overall employment targets and to generate personalised employment pathways for females, older workers and young jobseekers. This initiative will help substantially in reaching.</p> <p>The EAP scheme also contributes to sustain and increase employment rate in Gozo by providing more favourable conditions for employees based and working in Gozo. Gozo's labour market is in fact characterised by a low labour market activity rate and extensive employment in lower value-added activities. It is the Government's objective to close the gap in employment and participation rates that currently exists between Gozo and Malta and to transform Gozo and the Gozitan society into a sustainable reality not only environmentally, but also economically and socially. This is perfectly in line with NSRF Strategic Objective <i>Addressing Gozo's regional distinctiveness</i> and the overall target of internal cohesion.</p>
<p>Operation / policy design/ implementation:</p>	<p>The design of this project was based on one of the Government's primary objectives for the ESF Operational Programme - which is to increase the participation rate in the labour market of vulnerable groups. From an implementation point of view the experience of the Employment and Training Corporation in this field was also taken into account.</p> <p>The design of the Employment Aid Programme aims to harmonise a number of schemes, to improve the operations related to them and provide better and individualised services to jobseekers and employers. Experience has shown, in fact, that disadvantaged groups, compared to other jobseekers, need additional assistance to be successfully placed in employment. Schemes facilitate the integration of these client groups in the labour market. Within this context, the Programme aims to create job opportunities for disadvantaged</p>



	<p>persons and to contribute towards the integration, retention and progression of disadvantaged persons in the labour market.</p> <p>The management and monitoring system of the project relies on the involvement of different roles that together with the project leader and the project coordinator will assist the Employment Aid Programme Unit in reaching the set targets and objectives. Specifically, a <i>Business Development Unit</i> is responsible for the development of the IT infrastructure required to facilitate the matching process; to provide information for the verification of the eligibility of employers/companies and for the matching of participants with the vacancies available and to provide statistics and other data required for the organisation and implementation of the envisaged activities and for the provision of the necessary reports and updates. There is also a <i>Vacancy Profile Unit</i> responsible for the task to input the vacancies received from employers in the Corporation's database and display such vacancies on relevant websites. The <i>Finance Division</i> is responsible for the scheme's financial control and acts, as a reference point on public procurement issues. Moreover, a <i>Supported Employment &amp; Administration Division</i> provides relevant data for the verification of the eligibility of the client groups (persons with disability and persons with social problems) falling within the remit of the division. There is also the <i>ETC Gozo branch</i> which assists the Employment Aid Programme Unit in reaching the targets set for Gozo. A <i>Human Resources Section</i> assists in the recruitment of the necessary project management staff and the <i>Communications Unit</i> assists and provides guidance in publicity actions.</p> <p>This differentiated structure aims to provide a timely and efficient management and monitoring of the scheme.</p>
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## 15. Conclusion

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Finally one can conclude that apart from the unforeseen impact of the global economic crisis, the strategy and priorities as outlined in the NSRF and the Operational Programmes remain valid and have been confirmed in a number of subsequent Government strategic and sectoral documents. The various examples of operations being implemented<sup>88</sup> also clearly indicate that the translation of the strategic priorities into tangible benefits to the economy and to the citizens is ongoing and is expected to increase in the years to come when more projects are concluded and results become more apparent. It is clear that measures to mitigate the effect of the crisis have been taken both at national as well as at European level and these have to continue as the impact of the crisis will remain over the next months, if not years.

In the meantime, implementation is ongoing and original targets seem to remain valid, albeit some adjustments may be necessary in the months to come to reflect realities on the ground. The mid-term evaluation which will be undertaken in the first half of 2010 will also bring added insight into the process and make recommendations in this regard.

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<sup>88</sup> Cited in several chapters of the report.