



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

# Strategic Report

## Cohesion Policy

### 2007-2013

Malta

December 2012



*Investing in your future*

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## List of Acronyms

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Active Labour Market Policies	ALMP
Annual Implementation Report	AIR
Bank of Valletta	BoV
Better Regulation Unit	BRU
Common Database	CDB
Community Strategic Guideline	CSG
Cost of Living Adjustment	COLA
Department for Social Welfare Standards	DSWS
Department of Contracts	DoC
Electronic Procurement Management System	EPMS
Employment Action Programme	EAP
Employment and Training Corporation	ETC
Environmental Impact Assessment	EIA
European Computer Driving License	ECDL
European Investment Fund	EIF
European Economic Recovery Plan	EERP
European Employment Strategy	EES
European Financial Stability Facility	EFSF
European Regional Development Fund	ERDF
European Social Fund	ESF

Employment Training Centre	ETC
Foreign Direct Investment	FDI
Financial Intermediary	FI
Freedom of Information Act	FOI
Greenhouse Gas	GHG
Gross Domestic Product	GDP
Gross Value Added	GVA
Information and Communication Technologies	ICT
Instructions to Tenderers	ITT
Intermediate Body	IB
Joint European Resources for Micro to Medium Enterprises	JEREMIE
Labour Force Survey	LFS
Legal Notice	LN
Managing Authority	MA
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
Malta Tourism Authority	MTA
Malta Environmental and Planning Authority	MEPA
Mid Term Evaluation	MTE

Monitoring Committee	MC
Most Economically Advantageous Offer	MEAT
National Action Plan for Employment	NAPemp
National Energy Efficiency Action Plan	NEEAP
National Reform Programme	NRP
National Statistics Office	NSO
National Strategic Reference Framework	NSRF
Nominal Effective Exchange Rate	NEER
Non Governmental Organisations	NGOs
Operational Programme I	OPI
Operational Programme II	OPII
Planning and Priorities Coordination Division	PPCD
Principal Permanent Secretary	PPS
Project Selection Committee	PSC
Purchasing Power Standard	PPS
Real Effective Exchange Rate	REER
Research, Technological Development and Innovation	RTDi
Science and Technology	S&T
Single Programming Document	SPD
Strategic Environmental Assessment	SEA
Temporary Humanitarian Protection	THP
Training Aid Framework	TAF

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Transport Infrastructure Needs Assessment	TINA
Transit Oriented Development Approach	TOD
Treaty on the Functioning of the European Union	TFEU
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 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 this report was presented during the Monitoring Committee for Cohesion Policy meeting on 16<sup>th</sup> November 2012 and the final version uploaded on PPCD website for public viewing.

The Implementation of the two Programmes started in earnest in mid-2007 through the setting up of the Monitoring Committee and the first launch for calls for project proposals. Further calls were issued on a regular basis every year, and as at end 2012, commitment is at the end stages with most Priority Axes being fully committed.

Malta's Strategic Report 2012, provides a general update on the information and data provided in the Strategic Report of 2009. The structure used is similar. It reports on the (socio-economic as well as territorial) situation of the Maltese islands (**Chapter 02**) since the 2009 update and seeks to make an assessment of the actual impact of Cohesion Policy on the Maltese economy and quality of life of the citizens. The 2012 Strategic Report also seeks to provide an insight into the implementation problems that continued to emerge during implementation and the measures taken to address these issues. Furthermore, the report includes an update of the Lisbon commitments<sup>1</sup> as well an overview of the main financial data with the cut-off date for the data and information being 30<sup>th</sup> December 2011. The source 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>2</sup> itself.

Even though the Maltese Economy seems to have fared better than it's EU counterparts with respect to the international economic crisis, its impact, even if perhaps felt later, cannot be ignored. Cash flow problems had an impact and delayed infrastructural works whilst SMEs delayed planned investments (even when co-funded). Nevertheless, as reported in the 2009 Strategic Report, the implementation of the Programmes was the key factor in mitigating the impacts of the financial crisis. The measures put in place (both through National and Cohesion Policy funds) - especially the increased support to enterprises - helped in persuading businesses to continue to invest (even if with some delays). This resulted in the better economic situation that Malta seems to face when compared with the

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<sup>1</sup> Earmarking exercise, which in themselves contribute to the EU 2020 objectives and targets.

<sup>2</sup> PPCD is Malta's sole Managing Authority for Cohesion Policy Programmes 2007-2013.

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other EU Member States. Of particular relevance was the further increase in the allocation of funds towards Aid Schemes and launch of the JEREMIE instrument on the Market in April of

The delays in implementation as reported in the 2009 Strategic Report continue to have an impact on achievements recorded. The mid-term evaluation took place in 2010 and was concluded in April 2011 (with the cut off date being end of December 2010). At the time a number of indicators had not been fully achieved and this is still the case as at December 2011. An update with respect to the indicators has been included in **Chapter 03** of this Report.

**Chapter 04** provides a detailed review of the relevant evaluations carried out to date, namely the Mid-Term Evaluation and the Cohort Study on Training financed by the ESF. The chapter also provides an update with respect to the preparations which are currently underway regarding the Thematic Evaluations which are envisaged to be carried out in 2013. Information regarding national expenditure declared by OP, an analysis including all the information as at 30<sup>th</sup> December 2011 (the cut-off date for this report) is being 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 and also assesses the contribution (expected or realized) to other priorities of the National Reform Programme under the Europe 2020 Strategy.

**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 six 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>3</sup>

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### 02.1 General Overview

The performance of the Maltese economy in recent years suggests that it was not affected by the global recession to the same extent as other EU Member States. Indeed, in the years leading to 2011, Malta's economic growth rate was relatively higher than that of its EU counterparts. The relative resilience of the Maltese economy was partly the result of the significant diversification that the economy was subject to during the past decade and the implementation of a set of policy measures intended to ensure the short-term stability of the Maltese economy, such as the introduction of support schemes to prevent significant labour shedding in the wake of the international economic crisis.

The Maltese economy registered a healthy economic growth rate of 4.0 per cent in 2008. However, real output declined by 2.4 per cent in 2009 and recovered in 2010 when real GDP grew by 3.4 per cent. Economic growth was sustained in 2011 as the economy grew by 1.9 per cent. In large part, the economic growth registered during 2011 was attributable to a good performance in the exports sector. Indeed, the external sector contributed 2.6 percentage points towards overall growth while domestic demand contributed 0.9 percentage points.

Growth in the domestic sector during 2011 was strengthened by growth in private household consumption and government expenditure which grew by 4.1 per cent and 3.2 per cent respectively. On the other hand, gross fixed capital formation decreased by 14.7 per cent. In the external sector, exports grew by 2.5 per cent while imports grew by 0.1 per cent. From a longer term perspective it is noted that the increase in private household consumption registered in 2011 marked a turnaround following a decline of 1.8 per cent recorded during 2010. Growth in fixed capital formation has been very volatile while government expenditure registered negative growth rates only during 2009. Similarly, exports of goods and services recorded a decline of 9.3 per cent during 2009 and recovered in subsequent years. Imports also declined in 2009 by 10.1 per cent but increased in the two subsequent years. These developments have important implications for the country's current account.

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<sup>3</sup> Economic Update is based on EU 27 statistics, whereas NSRF and OPs are based on EU 25.

Indeed, during the period 2009-2011, the current account deficit decreased from 7.5 per cent of GDP in 2009 to 1.3 per cent of GDP in 2011 following an increasing deficit recorded in 2009 as compared to that in 2008. This improvement was mainly driven by net trade and services, which turned to a surplus in 2010 and continued to increase in the following year. This performance amounted to an increase in net exports of goods and services of around €409.9 million over the 2009-2011 period. Declines in net income and net current transfers partially offset this. Such developments continued during the first quarter of 2012, as the current account deficit decreased to €54.8 million from €221.6 million recorded during the corresponding period of the previous year. However, contrary to developments in the 2009-2011 period, net income and net current transfer payments made abroad decreased during this period, providing a positive contribution to the decrease in the current account deficit. Net exports of goods and services were again the major contributor, as a deficit of €16.3 million registered in the first three months of 2011 turned to a surplus of €102.2 million in the same period of 2012. Developments in the current account for the period 2008 to the first quarter of 2012 are presented in Table 1.

**Table 01 – Current Account**

<b>Current Account</b>						
Table 1	Euro millions					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2011 Jan-Mar</b>	<b>2012 Jan-Mar</b>
Current account balance	-292.7	-438.8	-354.7	-86.4	-221.6	-54.8
Net Trade and services	-111.9	-84.2	98.9	325.8	-16.3	102.2
Net Income	-174.4	-397.3	-482.3	-440.0	-184.6	-143.9
Net Current transfers	-6.5	42.7	28.7	27.8	-20.7	-13.1
Current account balance as a per cent of GDP	-5.0	-7.5	-5.7	-1.3	-14.2	-3.5

Source: National Statistics Office

The inflation rate as measured by the Harmonised Index of Consumer Prices (HICP), declined from the relatively high rate of 4.7 per cent recorded in 2008 to 1.8 per cent in 2009. This decline was mainly attributable to the transport sub-index, specifically reflecting developments in prices for motor cars, fuels and passenger transport by air. In 2010 and 2011, the 12-month moving average increased gradually to peak at 2.9 per cent in October 2011. Subsequently, it regressed to 2.5 per cent in December 2011, mainly reflecting

developments in transport, food and non-alcoholic beverages sub-indices. The data for inflation and other main economic indicators are presented in Table 2.

**Table 02 – Main Economic Indicators**

<b>Main Economic Indicators<sup>1</sup></b>				
Table 2	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Nominal GDP (€ millions)	5,859.20	5,857.40	6,234.60	6,499.20
Real GDP (€ millions)	4,068.60	4,019.00	3,973.40	4,124.60
Real GDP growth (%)	4	-2.4	3.4	1.9
<b>Expenditure Components of GDP at constant 2000 prices (% change)</b>				
Private final consumption expenditure <sup>2</sup>	5.7	-1.1	-1.8	4.1
General Government final consumption expenditure	12.2	-1.6	1	3.2
Gross fixed capital formation	-19.7	-16.6	13	-14.7
Exports of goods and services	0.6	-9.3	18.5	2.5
Imports of goods and services	0.2	-10.1	13.8	0.1
HICP inflation (%)	4.7	1.8	2	2.5

<sup>1</sup> Source: National Statistics Office

<sup>2</sup> Includes NPISH final consumption expenditure

Another challenge for the Maltese economy relates to public finances. The downward trend registered in the general Government deficit-to-GDP ratio over the 2004-2007 period was reversed in the following year as exceptional expenditure outlays towards the shipyards and utilities sector contributed towards an increase in the fiscal deficit ratio in 2008 to 4.6 per cent of GDP. Meanwhile, the unfolding international economic developments adversely affected the Maltese economy, and the contraction in economic activity exerted negative repercussions on the public finance position as declines in certain revenue streams were registered. In response to the challenging economic environment at the start of the global-wide economic crisis, Government adopted a less restrictive fiscal stance, such that the fiscal deficit remained above the 3 per cent benchmark at 3.7 per cent of GDP in 2009.

**Table 03 – General Government Deficit and Debt**

**General Government Deficit and Debt**

Table 3

	2008	2009	2010	2011
General Government deficit as a % of GDP	4.6	3.7	3.7	2.7
General Government debt as a % of GDP	62	67.5	68.2	70.8

Against this background, on 7 July 2009, the Ecofin Council decided that an excessive deficit existed in Malta and issued recommendations in accordance with Article 104(7) of the Treaty establishing the European Community to correct the excessive deficit by 2010. On 16 February 2010, on the basis of a Commission recommendation, the Council concluded that effective action had been taken in compliance with the above recommendations but unexpected adverse economic events with major unfavourable consequences for public finances were also considered to have occurred. As a result, the Council recommended that the deadline for the Maltese authorities to put an end to the excessive deficit be extended by one year. Indeed, the Council recommended Malta to bring the deficit below 3.0 per cent of GDP in a credible and sustainable manner by 2011 and to ensure a fiscal effort of  $\frac{1}{4}$  of a percentage point of GDP in 2011.

In line with the EDP recommendation, Malta took effective action to bring down the general Government deficit below the 3.0 per cent threshold by the end of 2011 to 2.7 per cent of GDP. Nevertheless, achieving a balanced budget over the cycle remains a main objective of Government's economic policy.

The fiscal imbalances recorded in recent years are reflected in a higher level of Government debt, which over the recent years has been following an upward trend. Indeed, the general Government debt ratio to GDP increased from 62.0 per cent in 2008 to 70.8 per cent of GDP at 2011. Developments in the general Government debt ratio also reflect Malta's contribution towards the lending of money to the Hellenic Republic and the EFSF debt re-routing procedure, in view of the agreement approved by the Euro area Member States following a decision of the Council of the European Union. As has been the case in recent years, general Government debt is mainly made up of Malta Government Stocks with a long-term maturity. A long maturity structure of Government debt reduces the risk of interest rate hikes which may materialise in the future should economic conditions improve and the monetary stance become more restrictive than at present.

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## 02.2 International Price Competitiveness and Labour Productivity

Malta's real effective exchange rate (REER)<sup>4</sup> was higher than the nominal effective exchange rate (NEER) over the period 2008-2011. However, the difference in the annual change of the NEER and the change in REER was minimal, suggesting that there were no persistent losses or gains in price competitiveness relative to the major trading partners. This was also partly confirmed by looking at the movement of NEER for Malta and for the EU-27. Indeed, since 2008 the NEER for both economies declined, with the EU-27 registering an average decline in the NEER of 2.6 per cent while Malta's NEER declined on average by 1.0 per cent.

Between 2008 and 2011, growth in Malta's Nominal Unit Labour Costs (ULC) was positive with an average increase of 2.3 per cent. The average increase in ULC during these years was underpinned by differing trends in productivity and wage cost. While productivity increased marginally by 0.1 per cent between 2008 and 2010, compensation per employee increased on average by around 2.8 per cent. These developments were the result of a strong increase in compensation of employee registered in 2008, in light of the early retirement schemes relating to Malta Shipyards. In addition, there was also an element of labour hoarding during the 2009 recession which helped to increase ULC. During the 2011 ULC increased by 1.3 per cent in light of an increase in compensation per employee increased by 0.8 per cent and a decline in productivity by 0.5 per cent.

## 02.3 Economic Reforms

The main policy efforts which the Maltese Government is currently focused on include the attraction of investment, improving the road and energy infrastructure and maximizing the use of Malta's human resource complement.

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<sup>4</sup> The effective exchange rates are based on comparative data with respect to 36 trading partners (Source: Eurostat)

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In order to stimulate the investment prevailing in the Maltese economy, a number of policies have been introduced that seek to increase the attractiveness of investment and increase the funding opportunities for investment. With respect of the latter, the JEREMIE initiative was launched in a bid to facilitate access to finance especially for start-ups and businesses that cannot provide high levels of collateral. Furthermore, Government also sought to introduce a number of incentives that seek to support investments by micro enterprises and self-employed individuals to innovate, expand or develop their operations through the Microinvest scheme.

Another improvement that has been targeted, partially by employing EU Funds, pertains to the road infrastructure, particularly the key roads in Malta's road network. In this regard, between 1999 and 2011, 24.9 per cent of the TEN-T road network across the island of Malta and Gozo was either reconstructed or upgraded. Moreover, a further 24.3 per cent of the TEN-T road network will be similarly upgraded by 2013.

The energy infrastructure of the country is also witnessing a rapid transformation. In particular the sector has benefited from substantial investment on the part of Government that is geared towards ensuring a steady energy supply that meets the requirements of a growing economy. In particular, key investments in the energy sector that are currently underway, include, the extension of the Delimara Power Station and the interconnection to the European Energy Grid. The latter is expected to be commissioned by the end of 2013.

Further improvements and reforms are also underway in the educational sector. There is little doubt that the establishment of MCAST was a successful milestone in providing a platform that would equip students that were not eligible, or willing, to pursue further education at the University of Malta, with the set of skills that are required by today's dynamic labour market. This success is being consolidated by the building of a new campus and the launching of vocational degree programmes for students. Moreover, further targeted initiatives such as the STEPS and MGSS scholarship programs and the Get Qualified scheme are ensuring that the workforce has the necessary opportunities to attain the relevant educational background and specialisation required by high value added sectors of activity that Government is attracting and is continuing to attract to Malta.

Arguably, the largest reform that has occurred in the past decade pertains to the improvements that have been registered in the labour market participation rate, in particular the female participation rate. In this regard Government has employed a combination of tax incentive schemes, and a number of initiatives such as the afternoon school program and

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an increase in the number of child care centres in a bid to make female participation in the workforce attractive and, more importantly, manageable. Moreover, the staggered increase in the retirement age as introduced in 2008 is yet another reform which will gradually ensure that older workers remain in employment for a longer period.

## 02.4 Main Economic Sectors

### 02.4.1 Manufacturing

The composition of Gross Value Added (GVA) in the Maltese economy registered some notable changes during the last years. As can be seen from Table 4, the percentage share of gross value of a number of industries has shifted. A number of sectors such as the manufacturing industry, construction, and the wholesale and retail trade have seen a decline in their share. On the other hand, industries such as financial and insurance activities, and those classified under professional, scientific and technical activities, as well as the administrative and support service activities have seen a notable increase in their importance to the economy in terms of GVA.

At a more disaggregated level, 2011 was marked by the recovery of traditional sectors such as wholesale and retail trade, transportation and storage (with the exception of air transport), the accommodation and food service activities subsector as well as in various sectors where the public sector plays an important role. These include education and human health and social work activities. There was also a recovery of the manufacturing sector, mainly driven by the manufacture of food products, computer, electronic and optical products, paper products and printing, and repair and installation of machinery and equipment. A marked improvement was also registered in the arts, entertainment and recreation, repair of household goods and other services resulting from online gaming and betting activities, as well as in the financial and insurance activities, namely from the financial service activities (except insurance and pension funding).

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

**Analysis of Gross Value Added by Industry**

Table 4

	Share of Total GVA				Annual Growth Rate			
	2008	2009	2010	2011	2008	2009	2010	2011
Agriculture, forestry and fishing	1.5	1.8	1.8	1.7	-23.2	18.5	6.1	0.6
gas, & water supply	17.4	15.7	15.5	14	6.5	-10.6	5.9	-6.4
of which Manufacturing	15.4	12.8	12.9	12.9	8.7	-17.6	7.8	3.6
Construction	5	4.7	4.3	4.1	10	-6.4	-2.8	-1
Wholesale and retail trade	22.8	21.7	21.5	21.8	1.6	-5.3	5.5	5
Information & communication	5.5	5.3	4.9	5.1	10.9	-5	-1.5	8.6
Financial & Insurance activities	4.7	6.4	7.9	8.5	0.7	35.9	31.5	12.1
Real estate activities	6.2	6.4	6.2	6.1	3.2	2	3.2	3.3
Professional & administrative	7.4	8.1	8.1	8.3	9.4	8.3	7.1	6.2
including education & human health	18.4	19.5	19.2	19.3	7.5	5.1	5.2	4.2
Entertainment & other services	11.1	10.5	10.8	11.1	44.1	-6.3	9.6	6.6

Over the last decade, the manufacturing industry faced a very elevated level of uncertainty due to more intense international competition. Thus, the ongoing restructuring process, in the form of a shift towards high valued added, new growth sectors such as pharmaceuticals and aircraft maintenance, was and remains crucial to the local industry. In fact, the contribution of some manufacturing sectors to the Maltese economy has declined significantly in recent years. These include sectors such as the manufacturing of wearing apparel and the dressing of leather, the manufacture of some transport equipment (ship-building and ship-repair) as well as the manufacturing of some food and tobacco products. Indeed, employment levels in the manufacturing industry have generally followed a downward trend in recent years, declining from 22,847 in 2008 to 19,881 in 2011.

Output in the manufacturing industry declined by 1.0 per cent in 2011, following a strong increase of 10.8 registered in 2010, while in 2008 and 2009 output declined sharply mainly as the result of the international recession. On the other hand, intermediate consumption dropped more sharply than output during 2011 resulting in an increase in GVA. Indeed, GVA registered an increase of 3.6 per cent in 2011, following an increase of 7.8 per cent in 2010. This increase follows a sharp decline in GVA of 17.6 per cent in 2009 following the drop in international demand. Table 5 shows the developments of GVA and output during the last four years.

#### **Table 05 – Analysis of Gross Value Added – Manufacturing Industry**

**Analysis of Gross Value Added – Manufacturing Industry**

Table 5

	2008	2009	2010	2011
Output (€ 000)	2,551,995	2,176,812	2,411,504	2,387,801
Output Growth (%)	-2.7	-14.7	10.8	-1
Gross Value Added(€ 000)	789,658	651,047	701,540	726,995
Gross Value Added (%)	8.7	-17.6	7.8	3.6

Source: National Statistics Office

**02.4.2 Tourism**

Tourism remains a major contributor to employment and is an important form of income generation in the local economy. Generally speaking, tourism activity is highly sensitive to economic and geo-political developments and consequently, the international economic crisis, rising unemployment, volatile oil prices, environmental conditions, public austerity measures implemented by various Governments in Malta's main source markets and exchange rate developments have all affected the demand for holiday destinations.

In Malta, the notable recovery in tourist departures registered in 2007 was sustained with an increase of 3.8 per cent to 1,290,856 visitors in 2008. However, in 2009, the international economic and financial crisis impinged negatively on tourism activity, and tourist departures decreased by 8.4 per cent over the previous comparable period to 1,182,490 visitors. Following this decline, the tourism sector recorded a positive performance with an increase in tourist departures of 13.0 per cent in 2010. This increase was sustained in 2011, where tourist departures increased by 5.6 per cent, to reach 1,411,748 inbound tourists. The introduction of low-cost airlines servicing the Malta route, along with the introduction of new routes, improved Malta's accessibility, leading to an increase in inbound tourists. Furthermore, the political and economic problems in Tunisia and Greece may have diverted some tourists to Malta, thus contributing to a positive tourism performance in 2011.

As shown in Table 6, during 2011, on a monthly basis, increases in tourist departures were evident in almost all of the months except in August and December. Even after an adjustment made to take into account the impact of the arrival of the significant number of evacuees from Libya in the first quarter of 2011, during the same quarter a significant positive performance in tourist departures was still registered. During 2011, the highest percentage increases in tourist departures were recorded in March, followed by February

and April. Inbound tourists in February totalled 65,487, an increase of 23.6 per cent over the previous corresponding month in 2010, where such an increase is partly attributable to the unrest in Libya. However, even by excluding the latter effect, one can still infer a total number of tourist departures of 62,768 for this month, that is, an increase of 18.4 per cent over February 2010. Similarly, by excluding the effect of the unrest in Libya in March, departing tourists for this month would amount to 89,232, an increase of 16.9 per cent over the comparable period in the previous year. Meanwhile, the increase in inbound tourism in April is mainly attributable to the timing of Easter and also to the weak performance in the corresponding month in 2010 when European airspace was closed for about a week due to the ash cloud following the eruption of a volcano in Iceland.

**Table 06 – Tourist Departures**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
January	63,850	51,450	56,841	64,853
February	57,336	51,199	52,995	65,487
March	90,503	71,129	76,333	99,668
April	104,894	101,557	100,539	121,947
May	131,353	108,165	127,214	129,807
June	129,378	113,930	136,758	137,022
July	149,493	135,773	159,519	161,648
August	178,569	172,438	195,258	191,583
September	139,793	130,244	151,419	154,529
October	126,941	124,150	146,405	147,708
November	73,606	72,484	79,325	83,720
December	45,140	49,970	53,784	53,776
<b>Total</b>	<b>1,290,856</b>	<b>1,182,490</b>	<b>1,336,390</b>	<b>1,411,748</b>
<b>% change</b>	<b>3.8</b>	<b>-8.4</b>	<b>13</b>	<b>5.6</b>

With regards to tourist nationality, the UK remains the major market in the Maltese tourism sector though its share has generally declined over the years, while other markets have gained in importance. In fact, during 2011 almost all the source markets reported positive results, a development which may be attributable to the introduction of new and additional air routes to various countries. However, the Libyan, Italian and Spanish markets recorded significant declines during 2011. The decline in the number of tourists during 2011 from the

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Spanish market may in part be due to a downward review by the Spanish Government of financial programmes intended to enable students to study English in foreign countries such as Malta. The significant decrease that was recorded from the Libyan market was due to the unrest in the country. UK remained the largest tourism market, accounting for almost a third of 2011's total tourist departures while the second largest market, Italy, recorded a decline in visitors of 8.2 per cent over the previous comparable period, with its share falling from 16.3 per cent in 2010 to 14.2 per cent in 2011. Meanwhile, arrivals from Germany recorded an increase of 6.7 per cent and the number of tourists from France recorded a significant increase of 19.8 per cent during the period under review.

Tourism earnings decreased by 12.3 per cent in 2009 but registered a significant increase of 27.2 per cent in 2010 in line with the positive performance registered in the tourism industry. In the twelve months to 2011, tourism earnings recorded an increase of 11.7 per cent. Expenditure by tourists on a per capita basis, increased to reach €643.7 in 2011 following a decline from €564.9 in 2008 to €541.1 in 2009. Similarly, earnings per nights spent increased from €64.3 in 2009 to €77.8 by 2011. The average length of stay for the tourists visiting Malta recorded a marginal decline during 2008-2011, declining from 8.5 nights in 2008 to 8.3 nights in 2010, remaining stable at that level in 2011. This is in line with the changes in tourist behaviour in favour of shorter but more frequent stays.

With regards to cruise passenger arrivals to Malta, following a record level of cruise passenger arrivals (excluding Maltese passengers) in 2008, arrivals decreased in the subsequent two years. However, this trend was reversed in 2011 and a new record of 541,565 passengers was recorded. This constituted an increase of 14.2 per cent over the 2010 level.

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 2008-2011. This seasonal concentration implies significant challenges for the domestic tourism industry, in particular, on the infrastructure, hotel occupancy, as well as on the labour market, where resources are severely burdened during the peak season and relatively underutilised during the winter months.

Both the Government and the Malta Tourism Authority (MTA) are continuously striving to address this seasonal concentration. During 2011, both Government and the MTA concentrated their efforts in addressing underserved routes, thus enhancing Malta's accessibility by air. Moreover, the Government and the private sector continued to invest in this sector, namely through efforts to diversify the tourist market and by continuing to

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upgrade the domestic tourism market while the MTA strengthened its efforts in marketing and advertising campaigns. Furthermore, in 2011, the Ministry for Tourism, Culture and the Environment started to formulate the Tourism Policy for the Maltese Islands for 2012-2016. This policy follows the National Tourism Policy 2007-2011 which introduced measures and actions aimed at enhancing Malta's accessibility, improving Malta's tourism product and ensuring effective marketing efforts. As stated in the Tourism Policy for the Maltese Islands (2012-2016), one can say that the 2007 tourism policy brought Malta in line with other competing tourism industries by introducing a number of changes locally, most notably the facilitation of low cost travel to Malta and the widespread use of internet technology as a means of promoting and booking holidays to Malta. It was in fact acknowledged that for an effective local tourism product, the tourism industry needs to continuously adapt and respond to the ever changing nature of this industry.

#### **02.4.2 Other service industries**

The strength and wellbeing of the financial system and in particular, the robustness of the banking sector is of paramount importance in supporting economic growth. It is to be noted that the Maltese banking sector has weathered the global financial crisis well, as the conservative funding models and minimal exposure to U.S. toxic assets have shielded the sector from spillovers associated with the global financial crisis. Nevertheless, the sector is not devoid of vulnerabilities, albeit limited, in view of the relative exposure to the property market. Consequently, the banking sector remains vulnerable to credit risk in the eventuality of prolonged subdued economic growth or declines in real estate prices.

Data from the Financial Stability Report of the Central Bank of Malta shows that credit growth decelerated after the international recession but this factor was largely demand-driven rather than as a result of credit constraints. Indeed, lower corporate sector borrowing mirrored lower investment activities, largely reflecting the situation in the construction sector which continued to operate below potential against a background of oversupply in the property market. Demand for consumer loans was also subdued, probably reflecting pressures on households' disposable incomes. Although credit standards remained tight, particularly towards sectors facing a less optimistic outlook, these levelled off in 2011, and did not put undue restraint on demand. Consequently, in spite of the challenges within which the banking sector operates, lending dynamics in Malta remained relatively normal and in line with the experience of recent years.

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In recent years, an increasing number of multinational companies opted to relocate their business interests to Malta's jurisdiction. Such players include a wide array of financial services firms including financial and credit institutions, insurance companies, professional investor funds and investment services companies, trustees and fiduciary services firms. Indeed, GVA of the financial and insurance activities sector increased on average by 20.1 per cent from 2008 to 2011. Consequently, its share of GVA increased from 4.7 per cent to 8.5 per cent during the period under observation.

### 02.4.3 Agriculture and fisheries

The local economy's agricultural activities mainly reflect the production of fruit and vegetables, livestock, and dairy produce, which in turn also serve as inputs for other activities such as meat processing and meat preparations, the canning of fruit and vegetables, the production of animal feeds, as well as the produce from vinification.

A characteristic of the local agricultural sector is its lack of economies of scale. Operators in the local agricultural sector also face difficulties related to scarce water supply and fragmented land ownership. 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. Furthermore, 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. 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.

Agricultural and fisheries output increased by 2.0 per cent in 2011 when compared to the previous year. This development follows years of negative growth where output declined on average by 7.4 per cent between 2008 and 2010. On the other hand, GVA increased on average by 0.5 per cent during the 2008-2010 period while during 2011 GVA registered a marginal increase of 0.6 per cent over the previous year. Table 06 shows the developments of GVA and output during the last four years.

**Table 07 – Analysis of Gross Value Added – Agriculture and Fisheries Sector****Analysis of Gross Value Added – Agriculture & Fisheries Sector**

Table 7

	2008	2009	2010	2011
Output (€ 000)	249,956	242,613	223,918	228,504
Output Growth (%)	-11.60%	-2.90%	-7.70%	2.00%
Gross Value Added(€ 000)	76,694	90,907	96,447	96,991
Gross Value Added (%)	-23.20%	18.50%	6.10%	0.60%

Source: National Statistics Office

## 02.5 Labour Market

Data from the Labour Force Survey (LFS) shows that during the three years leading to 2011, Malta recorded a positive performance across most segments of the labour market particularly when compared to other EU Member States. Indeed, labour supply increased from around 169,400 in 2008 to 177,900 in 2011. This was underpinned by growth in the female labour supply by about 5,600 to 62,500 and an increase in male labour supply by about 2,900 to 115,400. Consequently, the activity rate for females increased from 40.2 per cent in 2008 to 44.1 per cent in 2011. An increase of 1.6 percentage points was also recorded in male activity rate such that in 2011 the total activity rate stood at 61.6 per cent. This means that the activity rate increased by 3.4 percentage points when compared to 2000 but remains below the EU-27 activity rate of 71.2 per cent.

Malta's low female participation reflects the traditional caring function played by females in the Maltese society. Furthermore, the low participation rate of the older female cohorts, who tend to have limited skills and labour market experience, is dragging down the overall female participation rate. The Maltese Government has in recent years taken a number of measures including the undertaking of tax exemptions and the opening of child care centres to ensure that it is easier and more feasible for mothers to re-enter the labour market (see Section 2.3 for further details).

**Table 08 – Overall Labour Market Situation**

<b>Overall Labour Market situation</b>				
Table 8				
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Labour Supply	169.4	171.2	174.2	177.9
Employment	159.1	159.3	162.0	166.3
Full-time	141.5	142.2	143.1	145.7
Part-time	17.6	17.1	18.9	20.6
Unemployment Rate (%)	6.1	7.0	7.0	6.5

*Source: National Statistics Office.*

The increase in the labour supply was in part matched by the increase in labour demand. Indeed, employment increased every year throughout the period ranging from 2008 to 2011 to stand at 166,300 in 2011. This represents an increase of around 7,200 over 2008. By the end of 2011, the number of males in employment stood at 108,200 while the number of females in employment stood at 58,100.

These developments reflect an increase in both full-time and part-time employment. Indeed, full-time employment increased from 141,500 in 2008 to 145,700 in 2011 while part-time employment increased by around 3,000 to 20,600 in 2011. Consequently, the share of part-time employment in total employment increased only marginally from 11.1 per cent in 2008 to 12.4 per cent in 2011.

In 2011, the unemployment rate stood at 6.5 per cent, 0.5 percentage points lower than the rate recorded a year earlier. The unemployment rate increased from 6.1 per cent in 2008 to 7.0 per cent in 2009 and remained on average at that level during 2010.

The employment rate increased from 55.3 per cent in 2008 to 57.6 per cent in 2011 to remain some 6.7 percentage points below that of the EU-27. Viewed from an age perspective, Malta's employment rate compares well to that of the EU-27 in case of youths, but less so in the case of older cohorts. In spite of a decline in the youth employment rate (15 to 24 years) over the period ranging from 2008 to 2011, Malta's employment rate for youths stood at 44.7 per cent compared to 33.6 per cent for the EU-27. On the contrary, the employment rate for persons aged between 25 to 54 years increased from 67.3 per cent in 2008 to 70.6 per cent in 2011 but remains 7.0 percentage points below that recorded by the EU-27. Similarly, the employment rate of older workers increased from 29.2 per cent in

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2008 to 31.7 in 2011 but remains a significant 15.7 percentage points below that of the EU-27 average.

## 02.6 Territorial Cohesion

In 2010, Gozo's nominal GDP amounted to €341.3 million growing annually on average by 4.3 per cent over the period 2007-2010 and accounted for 5.5 per cent of GDP recorded on a national basis in 2010. On a per capita basis, Gozo's GDP ratio to National GDP dropped from 76.5 per cent in 2005 to 74.3 per cent in 2009 thus suggesting that the rate of GDP growth per capita recorded nationally was higher than that for the region of Gozo.

In general terms, the economic context of Gozo appears to be similar to that at national level with the larger share of the economic activity being generated by the services sector. However, a closer look reveals that Gozo's economic structure is actually different from that recorded nationally. These differences are derived by several factors which mainly originate from the special characteristics of this island region namely, double insularity, the very small size of the island both in physical terms and in terms of population and its higher dependence on agriculture and tourism industries.

On the other hand, actions have been undertaken specifically to strengthen Gozo's economic weaknesses. These include agri-tourism related incentives in order to enhance investment and growth in this potential growth industry and the launch of the eco-strategy in Gozo. In fact, the 'Eco-Gozo' Strategy was launched in 2010 and includes four main strands:

- improving the environment through sustainable energy, cleaning the environment and improving the landscaping,
- improving education, youth and health services, developing the ICT industry and green technology to boost the Gozitan economy,
- improving the Gozo tourism product and
- schemes to increase art and culture appreciation in Gozo.

The agriculture and fishing sector amounts to over 4 per cent of total GVA generated in Gozo, while it only amounts to around 1.5 per cent of the GVA generated nationally. The

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GVA and employment generated by the agriculture and fishing sector remained practically stable throughout the period 2006-2010. It should be noted that over 80 per cent of the GVA and employment generated resulted from the agriculture sector whilst the fishing sector continues to be relatively very much smaller.

Industry (which includes mining and quarrying, manufacturing and electricity and water supply and waste management) in Gozo generates around 12 per cent of the GVA as opposed to the 16 per cent generated at national level. The increase in GVA evidenced in the 2006-2010 period was noted to be generally in line with the national performance of the industry. However, the employment performance of same sector has not registered improvements during the same period, dropping by 0.4 per cent annually. This is a somehow positive performance when compared to the employment generated in the sector at national level which evidenced an annual average drop of around 3 per cent. The total employment by the industry amounted to over 13 per cent in 2010 which is still lower than the 16 per cent generated at national level.

Meanwhile, the construction sector had a relatively stable performance in the Gozitan economy, in line with the performance at national level both in terms of GVA generated and employment levels. It is noteworthy that the employment and GVA concentration in this sector is substantially higher than at national level.

As already mentioned, the services industry grew throughout 2010 amounting to around 77 per cent of GVA generated by the Gozitan economy and accounting for 71 per cent of the total employment in Gozo. Indeed, employment levels have been increasing at an annual average growth of around 5 per cent between 2006 and 2010. In contrast with national level, the services sector of Gozo is highly concentrated in public administration, accommodation and food (which reflects the performance of the tourism industry) and to a much lesser extent in the real estate activities.

Tourism is one of the major contributors towards the Gozitan economy and provides significant spillovers to the rest of the economy. In view of the high seasonality of this industry in Gozo, tourism-related opportunities in niche activities are being explored to increase both value added and employment in Gozo. 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. These

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attractions are used to identify the right niche tourism markets. This should help alleviate seasonality issues and creating more full-time employment rather than only part-time seasonal employment within this important industry in Gozo.

The Gozitan economy also depends on the public sector even to larger extent than that at national level. In 2010, employment in this sector in Gozo accounted for 38 per cent of total employment on the island when compared to 30 per cent recorded at national level. A significant number of these employees can be found in the lower level industrial grades of the Public Service. The re-deployment that took place in 2008 with the transfer to Gozo of various back-office operations pertaining to the public sector has created new jobs which were essentially filled by Gozitan public servants working in the main island.

Gozo's labour market also possesses particular dynamics that are distinct from those observed at the national level. For starters, the unemployment rate is higher in Gozo and in 2011 stood at 7.9 per cent when compared with the 6.5 per cent registered at national level. In 2010, the number of persons unemployed dropped significantly to rise again in 2011. Another interesting characteristic is the ratio of self-employed within the gainfully occupied population in the region of Gozo which is higher by 6 percentage points than nationally and amounted to 18.7 per cent in 2011. This suggests that a significant part of Gozitan business units are sole ownership. With regards to part-time employment in Gozo, it has been on an upward trend between 2007 and 2011 with the largest rise registered in 2011 whereby the number of persons employed increased by 180 or by 4.8 per cent. This reflects an increase in the number of persons with part-time employment as primary job.

As was already stated above, the share of sole owners and partners in total Gozitan business units is significantly higher than at national level and stands at around 81 per cent as opposed to the 64 per cent at national level. The number of business units has been on the rise between 2007 and 2010, stabilizing in 2011. These developments were mainly evidenced in sole owners and partners, but also in limited and public business companies which registered an increase as well. On the other hand, the number of other structures of business units (e.g. co-operations, corporations and joint ventures) declined in the same period.

The problem of double insularity has negative implications for quality of life and economic performance in Gozo in view of its repercussions for movement of people, import, export and economic activity in general. This problem is compounded by the fact that the Gozitan labour market is also characterized by skill mismatches and the concentration on lower-

value added sectors. Furthermore, the economic nature of Gozo, with its labour-intensive and lower value added sectors, does not always lead to substantial higher skilled labour force. This is resulting in Gozitan skilled workers opting for employment in the main island whilst at the same time Gozo continues to maintain the status quo economic characteristics.

Government acknowledges the dynamics within the Gozitan economy and recognizes the need for investment with a view to address the specific needs of the island. Within this context, Government's commitment has been shown by allocating 10 per cent of Cohesion Policy funds, i.e. 10 per cent from each funds (Structural Funds and Cohesion Funds) specifically to Gozo-related projects.

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

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The four strategic objectives outlined in the National Strategic Reference Framework (NSRF) delineate the potential activities and measures that could be financed through both Operational Programmes.

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

The NSRF envisages that this objective is sustained through investments in private enterprises, the enhancing of investments in Research, Technological Development and Innovation (RTDi) as well as by measures addressing the tourism industry (including cultural measures).

This objective sets a target to consolidate and promote the existing foreign direct investment (FDI) while striving to attract new FDI. From a local perspective, investment in local businesses is assisted via the OPs through various initiatives implemented within Article 107 of the Treaty on the Functioning of the European Union (TFEU). Such initiatives include investment in innovative actions, assistance given to start ups, e-business development, promotion of research and development, energy related investment as well as the promotion of international competitiveness. This is complemented by investments undertaken to embellish various industrial areas in Malta and the expansion of incubation centres.

A special focus of both OPs is on the expansion and diversification of the RTDi sector. The ERDF investments seek to target infrastructure (such as the investments at the University of Malta and the Life Sciences Centre), and the private sector through Aid Schemes and Financial Engineering initiatives. On the other hand, the ESF focuses on developing the research base at the academic and vocational tertiary level. By the end of 2011 more than 700 scholarships at Masters and PhD levels were financed through the ESF.

In order to complement the endeavours made to attract FDI in various service providing sectors and to promote the competitiveness of Malta, both OPI and OPII focus on addressing sector specific needs. The ESF seeks to develop skills mirroring the developments being made in the private

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sector through the financing of training initiatives in ICT, aviation, tourism, financial services and in the film making industry which have been on offer in the current programming period by the relevant stakeholders. Concurrently, the ERDF has financed numerous new investments and upgraded research, educational and other relevant infrastructure within the University of Malta (such as the Information and Communication Technologies (ICT) Faculty and various research labs), the upgrade of workshop equipment at MCAST, the setting up a manufacturing research platform as well as the creation of a national measurement standards lab for calibration.

The tourism industry continues to be a cornerstone for the local industry and the NSRF strategic objective envisages investment aimed at promoting the sustainability of this industry, both in terms of enhancing the quality as well as diversifying the tourism product. In this regard, the public infrastructure projects co-financed by the ERDF include the upgrading of cultural sights and the creation of new cultural experiences both in the main tourism spots as well as other locations in order to attract other niche markets. This is further enhanced by investments in the private tourism sector promoting innovative and efficient business processes and e-services. Such infrastructural investment is flanked by the ESF initiative to train management personnel (aspiring to work in this sector) and in the provision of formal higher education qualifications at Malta Qualifications Framework (MQF) level 5.

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

The second strategic objective is linked to the improvement of transport infrastructure, investment in environment, energy and risk prevention sectors, investing in urban regeneration, strengthening information society and expanding e-services; and supporting education, social and health infrastructure.

This strategic objective translates itself into a number of projects mainly co-financed through the ERDF and the CF in different sectors. Despite, and perhaps because of, the rather urban physiognomy of Malta, its territorial constraints warrant the need for tailor made solutions. In this respect, the upgrading of TEN-T stretches of road and the two international TEN-T ports allows for better inter-linkages, shorter travel time and, in turn, enhanced competitiveness. Furthermore, within OPI, the upgrading of the road network also spills into non-TEN-T roads (through ERDF) for road stretches linking strategic economically important locations, such as Marsascala in Malta and Xlendi in Gozo (key tourism locations). Another important link is being created between the Valletta

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waterfront and more central Valletta (Barrakka Gardens) through the creation of a Vertical Connection. This link will create an alternative to public transport and use of private modes by facilitating access from the Grand Harbour which is a landing point for incoming activities by sea to central economic hub of Valletta.

OPI identifies environmental related initiatives both as a focus in their own right as well as a horizontal priority. A number of investment initiatives (including Major Projects) envisaged are aimed specifically at enhancing the environment, managing waste, improving water quality, conserving natural assets as well as raising awareness and monitoring. The largest investment to date is the South Sewage Treatment Plant which is now fully functioning.

OPI will also complement the investment made during the 2004-2006 programming period (Sant Antnin waste treatment plant), with a new waste treatment plant in the north of Malta and a waste transfer facility in Gozo. In addition to activities undertaken during the 2004-2006 programming period, work on the rehabilitation of closed landfills is ongoing in this programming period. Through the efforts of a CF co-financed project, three closed landfills will be regenerated and returned to public use.

The focus on energy efficiency and renewable energy remains, together with the target to reduce fossil fuels in order to mitigate resultant emissions and ultimately improve air quality, while at the same time increasing output. To this end, schemes for both the private and the domestic sector are being implemented through OPI with 250 enterprises benefitting from grants through the Energy Aid Scheme, while another 5,274 households have been granted assistance for the installation of energy efficiency measures (photovoltaic panels and solar water heaters).

The OPI makes provisions for urban regeneration projects with multifaceted approaches. The Strategic Report 2009 had indicated a lack of projects in this focus area but one project has since been approved and is currently being implemented. This project targets the Inner Harbour Region in the South of Malta and will seek to embellish a number of public spaces, the integration of cleaner and more efficient traffic nodes to make the area more accessible, as well as making two public housing blocks more environmentally friendly.

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Another aspect of the improvements expected in the quality of life is the decrease of the digital divide and the promotion of the use of ICT in various sectors including e-commerce and e-business solutions. These initiatives can be seen through the ERDF investment in the ICT infrastructural backbone with the ESF assisting through the enhancement of skills to skilled and semi-skilled workers, micro companies, parents, educators, and the unemployed.

Health related investments both through OPI and OPII focus on one single aspect: increasing life expectancy and preventing premature death. Malta is currently building its first specialised Oncology hospital (on the same footprint as the Mater Dei Hospital). This investment is complemented through a capacity building initiative funded through ESF, for the specialisation of medical staff to work within the new Oncology Centre.

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

The third strategic objective of the NSRF focuses entirely on the investment necessary for Human Capital in Malta with four particular priorities: investing in the formal education system; promoting lifelong learning; enhancing social inclusion and administrative capacity building.

Improvements in the infrastructural aspect of the formal and lifelong education have been undertaken through the ERDF co-financing initiatives at different levels of the education pyramid including:

- upgrades and new facilities for all public school at primary and secondary level (installation of interactive whiteboards and new science and technology equipment in all schools);
- expansion of the capacity of the Junior College and MCAST (new Applied Science and Business and Commerce Institutes);
- installation of new labs and equipment in workshops at MCAST (language labs, multimedia training centre, mechanical engineering labs, aviation workshops, electrical and electronics workshops);
- and increased capacity for lifelong learning at the Employment and Training Corporation.

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The quality of the educational experience is being enhanced with more innovative methodologies (e-learning) and delivery (blended learning) with more flexible options (new courses) being made possible for students.

The possibility of different learning options with more flexible approaches is also targeted towards women wishing to return to work and also those less able to be physically present in a more traditional classroom environment. These options, together with other initiatives for social inclusion are being co-financed through the ESF, mainly, youth empowerment programmes; promotional campaigns aimed at stimulating a change in mind-sets; assistance for disabled persons to be trained and work; and basic literacy programmes. Non-Governmental Organisations (NGOs) are in fact very active in this sphere and this is reflected in the number of ESF project beneficiaries which are more in touch with the grassroots and seem to have easier access to the most disadvantaged.

Capacity building within the public administration as well as within the social partners' network is also part of this strategic objective. The recent reform in the public administration puts a spotlight on maximising the potential of its workers through training and re-skilling, reorganising work procedures, integrating ICT into its work plans and making better use of e-government services (for increased use by private individuals). Recently approved OPII Axis 4 projects are in fact aimed at widening the training opportunities for public administration employees in line with new working processes and pilot quality frameworks for the services delivered. The involvement of the social partners aims at strengthening the dialogue with relevant stakeholders to enhance their contribution to the social dialogue both on a local and European level.

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

The island of Gozo faces a set of additional challenges linked to its double insularity from the European mainland which the NSRF recognises as the fourth Strategic Objective for Cohesion Policy in Malta. This objective looks at the promotion of jobs in Gozo (mainly to create better jobs and combat seasonality), inter-island transportation and human capital challenges specifically with the Gozo Region. In this regard, both the OPI and OPII have directed investments to address the related needs arising from these limitations.

Unemployment rates are still higher in Gozo and skills remain mismatched with the job market. Investments approved are focused on increasing job opportunities by improving the further and higher education available in Gozo (rather than offering options only in Malta); investing in tourism

facilities to improve the Gozo product (while decoupling it from the Malta product) as well as upgrading industrial estates.

The ESF, in particular, co finances Level 5 and 6 in relevant diploma and degree programmes in Gozo while also offering wage subsidies to encourage the employment of persons living in Gozo as part of the Employment Aid Programme (implemented under Article 107 of the TFEU).

### 03.5 NSRF Targets and Impact Indicators

The overall vision and the core target indicators set for Cohesion Policy 2007-2013 (indicated below) mirror the two goals of Convergence and Cohesion. The combination of these targets reflects the strategic objectives of enhancing Malta and Gozo's competitiveness and the focus on economic growth while at the same time increasing the employment rate.

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

Overall Vision 2007 -2013		Convergence	Cohesion
		Converging Malta's GDP per capita to that of the EU 25 average (in PPP terms)	Increasing Gozo's GDP per capita as a percentage of that of Malta (PPS terms)
		69.2% (2005) to 74.0% (2013)	71.0% (2003) to 78.0% (2013)
NSRF Core Target Indicators		Increasing competitiveness	Growth in Jobs
		% increase in nominal exports of goods and services	% increase in employment rate
		Increase of 4.0% over the 2007-2013 period	Increase from 54.3% in 2005 to 57.0 % (2013)

The Managing Authority is responsible for monitoring the achievements of these indicators through the National Statistics Office. The table below reflects the updates available as at end of September 2012.

Table 10 – Update on achievement of Goal/Indicators

Goal/Indicator	Target (Year)	Baseline (Year)	Update 1 <sup>5</sup> (Year)	Update 2 (Year)
Converging Malta's GDP per capita to that of the EU 25 average (in PPS terms)	74.0% <sup>6</sup> (2013)	78% <sup>7</sup> (2005)	79% (2008)	83% (2011)
Increasing Gozo's GDP per capita as a percentage of that of Malta (PPS terms)	78.0% (2013)	72.89% (2003)	70% (2008)	72% (2010)
% increase in nominal exports of goods and services	4% increase on 2006 <sup>8</sup> figures by 2013	€4,387,488 (2006)	€4,855,592 (2008) 11% increase on 2006 figures	€5,348,191 (2011) 22% increase on 2006 figures
% increase in employment rate	57.0% (2013)	55% <sup>9</sup> (2005)	55 <sup>10</sup> % (2008)	57.3% (2011)

Revisions of the 2009 figures were necessary and supplied by the NSO even to reflect the change from EU 25 to EU27. Despite the revision of the figures, a slow but steady progress can be noticed in Malta's GDP per capita. Unfortunately this is not reflected in the Gozo GDP (as a percentage of that of Malta). The undulating trend which had seen a dip in 2008 (lower than the baseline of 2003) increased in 2010 to come back up to 2003 figures.

<sup>5</sup> As reported in Strategic Report 2009

<sup>6</sup> Figure based on EU25

<sup>7</sup> Source: NSO. Revised figure based on EU27. Original Target based on EU25: 69.2%

<sup>8</sup> Source: NSO Updated figure. Figures for 2006 and 2008 have been updated by the NSO.

<sup>9</sup> Source: NSO Updated figure

<sup>10</sup> Source: NSO Labour Force Survey.

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A more positive figure is however available with respect to the increase of exports (both goods and services). After the increase seen in 2008, figures in 2009 dipped again to 2006 levels with a sharp increase in 2010 which was then sustained in 2011. Both goods and services contributed to the growth in exports. The main contributor to the increase in services was in the personal, cultural and recreational services.

In the Strategic Report 2009, Malta had indicated a dip in the employment rate (persons in employment between 15 and 64 yrs as a % of the population of working age) as at end of 2008. However revised figures show a consistent 55% between 2005 and 2009 with a slight increase to 56.3 in 2010 and a further slight increase to 57.6 in 2011.

If one had to consider the NSRF goals as a monitor of the Maltese economy one would deem it to be growing at a slow but steady pace. It is within this context that the investment initiative co-financed through both the OPs needs to be considered.

### **03.6 OP Targets and Indicators**

The Managing Authority is also responsible to monitor the output and result indicators of the two Operational Programmes on an annual basis. The information is reported in the Annual Implementation Report as requested within Article 67 of the 1083/2006 Council Regulation. The data is collected (through the Project Progress Report) from each Beneficiary and Intermediate Body and collated at Programme level.

#### **03.6.1 Operational Programme I – Output, Result and Impact Indicators**

Table 11 below outlines the achievements registered on the impact and core indicators under OPI as at end 2011. A number of projects have been completed and therefore there is now a noticeable increase in the targets achieved. In this regard a substantial increase was recorded in impact indicators Imp01 (% Increase in RTDi expenditure as a percentage of GDP), Imp04 (Number of direct jobs created) and Imp08 (CO2 equivalent emissions). The increase in Imp01 was principally attributable to the projects undertaken by the University of Malta under PA 1 related to research and development. On the other hand, achievement of Imp04 was realised through numerous projects implemented under Axes 1, 2, 5 and 6 with the main contributors being the ERDF child-care scheme (Twenty-five (25) direct jobs created as at end 2011. The latter also stimulated by

regulatory obligations which requires that for every six (6) children there has to be a child carer. Regarding the CO2 equivalent emission savings (Imp08), the RES/EE household scheme under PA 4 made substantial contribution towards this increase by means of the RES and EE installations carried out across numerous households in Malta and Gozo. The indicators Transport weighted average (the indicators contributing to the Transport weighted average are as follows: Upgraded non Ten-T roads; No of total sea passengers; Tonnes of sea cargo), Environmental weighted average (the indicators contributing to the Environment weighted average are as follows: RES Energy produced; Share of Population equivalent with complete wastewater treatment; Total amount of waste treated), and Quality of life weighted average (the indicators contributing to the Quality of life weighted average are as follows:; Redevelopment of unit in urban regeneration areas; Children benefiting from childcare facilities; Population making use of e-services; health infrastructure will be calculated at the end of the programme.

Some of the changes proposed to the OP) have affected both the performance (including the identification of new core indicators) and impact indicators, however the table below reflects indicators as per last approved OP as at end of December 2011, 2009 version, and not as revised (eventually the OP was approved in May 2012).

**Table 11 – OPI Indicators**

Impact Indicators							
Indicators		2007	2008	2009	2010	2011	Total
% Increase in RTDi expenditure as a percentage of GDP [Imp01]	Achievement	0	0	0	0.2746%	0.48%	0.48%
	Target	n/a	n/a	n/a	n/a	n/a	0.45%
	Baseline	n/a	n/a	n/a	n/a	n/a	0.3%
% Increase of earnings from tourism	Achievement	0	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	n/a	1.0%
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a

[Imp02]							
% Increase of manufactured export earnings [Imp03]	Achievement	0	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	n/a	0.5 %
	Baseline	n/a	n/a	n/a	n/a	n/a	2.7%
Number of direct jobs created [Imp04]	Achievement	0	0	16	36	109	109
	Target	n/a	n/a	n/a	n/a	n/a	1,400 FTEs
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
Transport weighted average [Imp05]	Achievement	0	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	n/a	75% increase
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
Environment weighted average [Imp06]	Achievement	0	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	n/a	500% increase
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
Quality of Life Weighted Average [Imp07]	Achievement	0	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	n/a	150% increase
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
CO <sub>2</sub> equivalent emissions [Imp08]	Achievement	0	0	0	1,537 Tonnes of CO <sub>2</sub> reduction	4,700 Tonnes of CO <sub>2</sub> reduction	4,700 Tonnes of CO <sub>2</sub> reduction
	Target	n/a	n/a	n/a	n/a	n/a	Low carbon with the

							of achieving carbon neutrality
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a

Core Indicators							
Indicators		2007	2008	2009	2010	2011	Total
No of start-up businesses supported (core indicator number 8) [A1R02]	Achievement	0	0	0	0	3	3
	Target	n/a	n/a	n/a	n/a	n/a	35
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
No of enterprises involved in networking and new collaboration with other businesses and academia (core indicator number 5) [A1R08]	Achievement	0	0	0	11	36	36
	Target	n/a	n/a	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
No of RTDi projects (core indicator number 4) [A1O04]	Achievement	0	0	0	11	11	11
	Target	n/a	n/a	n/a	n/a	n/a	10
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
No of assisted tourism and cultural projects (core indicator number 34) [A2O01]	Achievement	0	0	0	12	17	17
	Target	n/a	n/a	n/a	n/a	n/a	308
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a

Kms of ( <i>TEN T</i> ) roads upgraded (core indicator number 16) [A3O01]	Achievement	0	0	0	0	0	0
	Target	n/a	n/a	n/a	n/a	n/a	20Kms
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
No of storm water management (risk prevention) projects (core indicator number 31) [A4O04]	Achievement	0	0	0	1	1	1
	Target	n/a	n/a	n/a	n/a	n/a	1
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
Pupils/ students/ trainees benefiting from upgraded and modernized facilities/services (per annum) (core indicator number 37) [A6R05]	Achievement	0	1,158	1,606	7883	8550	8550
	Target	n/a	n/a	n/a	n/a	n/a	25,000
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
No of projects ensuring sustainability and improving the attractiveness of towns and cities (core indicator number 39) [A6O01]	Achievement	0	0	0	1	1	1
	Target	n/a	n/a	n/a	n/a	n/a	3
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a
No of projects [health] (core indicator number 38) [A6O06]	Achievement	0	0	0	2	2	2
	Target	n/a	n/a	n/a	n/a	n/a	2
	Baseline	n/a	n/a	n/a	n/a	n/a	n/a

### Priority Axis 1 – Enhancing Knowledge and Innovation

Indicators		2007-2010	2011	Total
<b>Output Indicators</b>				
No of new/upgraded industrial zone projects by the end of 2013 [A1O01]	Achievement	6	<b>6</b>	
	Target	n/a	n/a	
	Baseline	n/a	n/a	n/a
No of upgraded crafts villages [A1O02]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
No of SMEs receiving grants [A1O03]	Achievement	252	<b>291</b>	<b>291</b>
	Target	n/a	n/a	450
	Baseline	n/a	n/a	n/a
No of RTDi projects (core indicator) [A1O04]	Achievement	8	<b>9</b>	<b>9</b>
	Target	n/a	n/a	10
	Baseline	n/a	n/a	n/a
No of new/modernized specialized learning facilities constructed/refurbished [A1O05]	Achievement	12	<b>24</b>	<b>24</b>
	Target	n/a	n/a	22
	Baseline	n/a	n/a	n/a
<b>Result Indicators</b>				
No of new enterprises (local and foreign)/expansions in sites upgraded	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	25

[A1R01]	Baseline	n/a	n/a	n/a
% increase in the number of tourists visiting the crafts villages [A1R02]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	37%
	Baseline	n/a	n/a	90,937 visitors
No of start-up businesses supported (core indicator) [A1R03]	Achievement	0	<b>3</b>	<b>3</b>
	Target	n/a	n/a	35
	Baseline	n/a	n/a	n/a
No of SMEs launching new or improved product or processes [A1R04]	Achievement	23	<b>35</b>	<b>35</b>
	Target	n/a	n/a	35
	Baseline	n/a	n/a	n/a
No of SMEs improving their use of ICT for e-business [A1R05]	Achievement	0	<b>10</b>	<b>10</b>
	Target	n/a	n/a	49
	Baseline	n/a	n/a	n/a
No of SMEs improving their market penetration efforts [A1R06]	Achievement	0	<b>33</b>	<b>33</b>
	Target	n/a	n/a	35
	Baseline	n/a	n/a	n/a
No of SMEs assisted in environmentally sensitive technologies, operating systems and processes [A1R07]	Achievement	5	<b>14</b>	<b>14</b>
	Target	n/a	n/a	100
	Baseline	n/a	n/a	n/a
No of enterprises involved in networking and new collaboration with other businesses and academia (core indicator) [A1R08]	Achievement	11	<b>33</b>	<b>33</b>
	Target	n/a	n/a	10
	Baseline	n/a	n/a	n/a

% increase of students taking up S&T related studies at the Vocational / higher education levels at targeted intervention Institutions [A1R09]	Achievement	0.169	<b>1.075</b>	<b>1.075</b>
	Target	n/a	n/a	45%
	Baseline	n/a	n/a	3,092

### Priority Axis 2 – Promoting Sustainable Tourism

Indicators		2007 - 2010	2011	Total
<b>Output Indicators</b>				
No of assisted tourism and cultural projects (core indicator) [A2O01]	Achievement	12	<b>17</b>	<b>17</b>
	Target	n/a	n/a	308
	Baseline	n/a	n/a	n/a
No of new/upgraded beaches	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	5
	Baseline	n/a	n/a	n/a
Surface area of rampart elevation plan restored (m <sup>2</sup> ) [A2O03]	Achievement	18,900	<b>65,471</b>	<b>65,471</b>
	Target	n/a	n/a	135,000
	Baseline	n/a	n/a	n/a
No of marketing measures to penetrate/develop new/established niche markets [A2O04]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	4
	Baseline	n/a	n/a	n/a
No of projects implemented by enterprises [A2O05]	Achievement	93	<b>93</b>	<b>93</b>
	Target	n/a	n/a	300
	Baseline	n/a	n/a	n/a
<b>Result Indicators</b>				
% overall increase in the number of arriving visitors at	Achievement	0	<b>0.17%</b>	<b>0.17%</b>

	Target	n/a	n/a	4% increase
	Baseline	n/a	n/a	154,000
% of total tourists visiting upgraded cultural sites [A2R02]	Achievement	0	<b>0.11%</b>	<b>0.11%</b>
	Target	n/a	n/a	8% increase
	Baseline	n/a	n/a	62,333
% average increase in tourist departures for the established niche segments [A2R03]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	3% increase
	Baseline	n/a	n/a	36.6%
No of enterprises/NGOs adopting new products and processes [A2R04]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	250
	Baseline	n/a	n/a	n/a

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

Indicators		2007-2010	2011	Total
<b>Output Indicators</b>				
Kms of roads upgraded (core indicator) [A3O01]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	20 Kms
	Baseline	n/a	n/a	n/a
Sq m of new/refurbished infrastructure [A3O02]	Achievement	1,045 m <sup>2</sup>	<b>8,267 m<sup>2</sup></b>	<b>8,267 m<sup>2</sup></b>
	Target	n/a	n/a	76,200m <sup>2</sup>
	Baseline	n/a	n/a	n/a
Construction of new sea passenger terminal	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	1

	Baseline	n/a	n/a	n/a
Indicators		2007 - 2010	2011	Total
<b>Result Indicators</b>				
% increase in satisfaction rate of transport operators/users [A3R01]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	10%
	Baseline	n/a	n/a	n/a
Reduction in journey time (minutes) [A3R02]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	-5 mins
	Baseline	n/a	n/a	n/a
% reduction in traffic accidents in the areas of intervention [A3R03]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	10% reduction
	Baseline	n/a	n/a	193
% increase in cargo per annum [A3R04]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	2.0% increase
	Baseline	n/a	n/a	6,206,185
% increase in sea passengers per annum [A3R05]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	2.5% increase
	Baseline	n/a	n/a	3,804,221

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

Indicators		2007-2010	2011	Total
<b>Output Indicators</b>				
No of boilers (generation	Achievement	0	<b>0</b>	

<sup>11</sup> The project submitted under Call 7 by Enemalta Corporation (issued and closed in 2009) was the main project that could have contributed to this indicator via the planned upgrade of two (2) boilers. However, in the first part of 2011, the project proponent informed the MA that the project was being withdrawn following the successful implementation of other mitigation measures through own resources. This decision was subsequently reflected in the changes to the OP as presented to the MC members in November 2011 and subsequently transmitted to the CION in March 2012.

plant) upgraded <sup>11</sup> [A4O01]	Target	n/a	n/a	n/a
	Baseline	n/a	n/a	n/a
Annual penetration rate of installed PV, micro-wind and solar (in kW <sub>peak</sub> /annum or equivalent in energy saving) generating systems starting in 2008 (kWp/annum) [A4O02]	Achievement	1,643.7	<b>4,608.5</b>	<b>4,608.5</b>
	Target	n/a	n/a	340
	Baseline	n/a	n/a	n/a
No of energy efficiency schemes [A4O03]	Achievement	2	<b>2</b>	<b>2</b>
	Target	n/a	n/a	2-3
	Baseline	n/a	n/a	n/a
No of storm water management (risk prevention) projects (core indicator) [A4O04]	Achievement	1	<b>1</b>	<b>1</b>
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
No of studies [A4O05]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
<b>Result Indicators</b>				
Compliance with LN 329/2002 (Directive EC/80/2001) <sup>12</sup> [A4R01]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	Full
	Baseline	n/a	n/a	In breach
Total annual electricity generated from small scale PV and micro-wind	Achievement	2,464	<b>7,877</b>	<b>7,877</b>
	Target	N/A	N/A	3,000

<sup>12</sup> Same as footnote 13

installations (MWh/annum) [A4R02]	Baseline	N/A	N/A	N/A
Total energy savings per year (MWh/annum) [A4R03]	Achievement	2,479.8	<b>12,711</b>	<b>12,711</b>
	Target	n/a	n/a	24,300
	Baseline	n/a	n/a	n/a
M <sup>3</sup> of new rain water retention and storage capacity in catchment areas [A4R04]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	300,000
	Baseline	n/a	n/a	n/a
Frequency of flooding within areas of intervention [A4R05]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	1 every 5yrs
	Baseline	n/a	n/a	5 per year

#### Priority Axis 5 – Sustaining the Environment

Indicators		2007-2010	2011	Total
<b>Output Indicators</b>				
No of solid waste treatment plants constructed [A5O01]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	n/a
	Baseline	n/a	n/a	n/a
No of landfills rehabilitated [A5O02]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	1
	Baseline	n/a	n/a	n/a
No of liquid waste treatment plants constructed	Achievement	0	<b>1</b>	<b>1</b>
	Target	n/a	n/a	1

[A5O03]	Baseline	n/a	n/a	n/a
<b>Result Indicators</b>				
Landfill volumes saved on an annual basis as at 2013 (m <sup>3</sup> )	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	130,000
[A5R01]	Baseline	n/a	n/a	290,000 ts
Total RES recovered from waste by 2013 (GWhrs/annum)	Achievement	0	<b>2.71</b>	<b>2.71</b>
	Target	n/a	n/a	17.0
[A5R02]	Baseline	n/a	n/a	n/a
Sq m of rehabilitated land from landfills	Achievement	0	<b>15,000</b>	<b>15,000</b>
	Target	n/a	n/a	300,000
[A5R03]	Baseline	n/a	n/a	n/a
% decrease in national; sewerage effluent discharge / additional population served	Achievement	0	<b>80%</b>	<b>80%</b>
	Target	n/a	n/a	80%
[A5R04]	Baseline	n/a	n/a	n/a
Status of coastal waters in the South of Malta (from Class 3)	Achievement	0	<b>Class 1</b>	<b>Class 1</b>
	Target	n/a	n/a	Class 1
[A5R05]	Baseline	n/a	n/a	Class 3

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

Indicators		2007-2010	2011	Total
<b>Output Indicators</b>				
No of projects ensuring	Achievement	1	1	

sustainability and improving the attractiveness of towns and cities (core indicator) [A6O01]	Target	n/a	n/a	
	Baseline	n/a	n/a	n/a
Km of upgraded roads (non TEN-T) [A6O02]	Achievement	4.70	<b>6.19</b>	<b>6.19</b>
	Target	n/a	n/a	7
	Baseline	n/a	n/a	n/a
No of projects promoting Modal Shift [A6O03]	Achievement	1	<b>2</b>	<b>2</b>
	Target	n/a	n/a	2
	Baseline	n/a	n/a	n/a
No of new e-services for the public and the business community [A6O04]	Achievement	0	<b>52</b>	<b>52</b>
	Target	n/a	n/a	4
	Baseline	n/a	n/a	58
No of existing learning facilities refurbished (with new equipment) / constructed within intervention areas by 2013 [A6O05]	Achievement	31	<b>43</b>	<b>43</b>
	Target	n/a	n/a	30
	Baseline	n/a	n/a	n/a
No of projects [health] (core indicator) [A6O06]	Achievement	2	<b>2</b>	<b>2</b>
	Target	n/a	n/a	2
	Baseline	n/a	n/a	n/a
No of environmental monitoring projects [A6O07]	Achievement	1	<b>1</b>	<b>1</b>
	Target	n/a	n/a	4
	Baseline	n/a	n/a	n/a

Sq m of modernized facilities refurbished (with new equipment/constructed within intervention areas by 2013) [A6O8]	Achievement	11,842	<b>13,839.5</b>	<b>13,839.5</b>
	Target	n/a	n/a	2,040
	Baseline	n/a	n/a	n/a
<b>Result Indicators</b>				
Average % redevelopment of units in regeneration areas of total National regeneration [A6R01]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	1.27%
	Baseline	n/a	n/a	0.03%
Road surface condition of upgraded roads [A6R02]	Achievement	0	<b>1.0-1.5</b>	<b>1.0-1.5</b>
	Target	n/a	n/a	1.0
	Baseline	n/a	n/a	4.66
% increase in use of non-car modes [A6R03]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	8%
	Baseline	n/a	n/a	29,745,123
% increase in use of e-services [A6R04]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	20% increase
	Baseline	n/a	n/a	80,545
Pupils/ students/ trainees benefiting from upgraded and modernized facilities/services (per annum) (core indicator) [A6R05]	Achievement	10,305	<b>18,752</b>	<b>18,752</b>
	Target	n/a	n/a	25,000
	Baseline	n/a	n/a	n/a
% of total patients [within intervention areas] using new/upgraded	Achievement	0	<b>100</b>	<b>100</b>
	Target	n/a	n/a	60%

equipment/services [A6R06]	Baseline	n/a	n/a	n/a
No of new services offered in the health sector [A6R07]	Achievement	0	<b>5</b>	<b>5</b>
	Target	n/a	n/a	3
	Baseline	n/a	n/a	n/a
National monitoring programmes established [A6R08]	Achievement	0	<b>0</b>	<b>0</b>
	Target	n/a	n/a	4
	Baseline	n/a	n/a	n/a

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

Achievements in output and results indicators are reported regularly in the Annual Implementation Report (AIR) and are monitored and verified by the Managing Authority. During 2012 a change to the OP also included a change in the targets of some indicators<sup>13</sup> to better reflect the strategic direction of the OP and the way it was being implemented on the ground. These changes were envisaged in the AIR 2011 and were subsequently approved in July 2012.

Table 12 below outlines the achievements registered till end of 2011 as reported in AIR 2011. Some adjustments to the achievement figures<sup>14</sup> have been made to reflect the verification exercise that the MA does regularly on the reported figures.

Overall achievements have been registered on the ground in line with the expected aims, objectives and targets of the programme. The number of students following S&T and ICT studies has increased; and the overall number of persons continuing their education beyond obligatory years has been enhanced with both initiatives under Axis 1 and 2. The formal education system has been supported and enhanced via capacity building addressed specifically at educators, education specialists and education administrators. Success rate in terms of certification has also been

<sup>13</sup> PA 1 [Output 1, 2]; and PA 4 [Output 1]

<sup>14</sup> PA 1 [Output 2, 5, 6]; PA 2 [Output 1, 2; Result 1, 2]; and PA 3 [Output 1, 2; Result 2, 3]

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recorded within all three Operational Objectives focusing on the formal education sector (Priority Axis 1).

From a lifelong learning perspective, the ESF programme is well on the way towards achieving the 45,000 target of persons trained. This is further complemented by training within private undertakings for which the target has already been exceeded. Result indicators (certification) for lifelong learning mirror the progress of the OP and are currently around the 50-60% achievement rate. The result indicator linked to training in the private undertakings currently lags a bit further behind, mainly due to the way the scheme is implemented.

The first wave of projects that was approved within Priority Axis 3 is in its final phase. More than 9,000 vulnerable persons have been trained since 2008. Furthermore 300 professionals in the field have also been trained to complement the quality structures surrounding the most vulnerable. A critical target that was set (% of assisted persons remaining in employment and/or further training 6 months later) has been exceeded. This bodes well for the durability and sustainability aspect of the respective interventions.

Despite the numerous efforts to attract more projects to enhance female employment, this remains low and consequently figures on the relevant indicators remain low. On the same lines, the number of projects being implemented by social partners remains low as compared to the target.

The first wave of projects targeting the public administration and the social dialogue is made up of a small number of projects, which since the end of 2011 has been further complemented by a new group of projects approved during 2012. The small number of projects being implemented up to December 2011 reflects the contained achievements of Priority Axis 4 indicators. Achievement so far is expected to increase in the coming years as a result of the implementation of newly approved projects in 2012 (once these are implemented).

Indicators for the Technical Assistance Axis reflect the capacity building, publicity and evaluation initiatives that the Managing Authority and the horizontal stakeholders undertake. It is expected that the targets are achieved within this Axis by the end of the programming period.

Table 12 – OPII Indicators

Priority Axis 1 – Improving education skills						
				2007-2010	2011	Totals
Output	A	Indicator 1: Number of persons participating in further or higher education & training programmes	Achievement	249	140	389
			Target	n/a	n/a	600
			Baseline	n/a	n/a	n/a
	B	Indicator 2: Number of persons participating in S&T or ICT in further or higher education & training programmes	Achievement	1194	685	1,879
			Target	n/a	n/a	3,000
			Baseline	n/a	n/a	n/a
		Indicator 3: Number of persons participating in S&T or ICT capacity building education & training	Achievement	40	52	92
			Target	n/a	n/a	250
			Baseline	n/a	n/a	n/a
		Indicator 4: Number of S&T or ICT actions/studies/campaigns/research activities carried out	Achievement	5	0	5
			Target	n/a	n/a	n/a
			Baseline	n/a	n/a	n/a
	C	Indicator 5: Number of persons trained through capacity building courses	Achievement	1348	392	1,740
			Target	n/a	n/a	750
			Baseline	n/a	n/a	n/a
Indicator 6: Number of persons trained through supplementary courses, modules or credits for better skills matches		Achievement	615	3,477	4,092	
		Target	n/a	n/a	3,000	
		Baseline	n/a	n/a	n/a	
Indicator 7: Number of actions supporting educational quality, relevance, structures, systems, campaigns and research	Achievement	5	6	11		
	Target	n/a	n/a	20		
	Baseline	n/a	n/a	n/a		
Results	A	Indicator 1: % of participants gaining a further or higher education & training qualification	Achievement	4%	6%	10%
			Target	n/a	n/a	75%
			Baseline	n/a	n/a	n/a
	B	Indicator 2: % of participants gaining a further or higher education & training qualification in S&T or ICT	Achievement	30%	60.5%	90%
			Target	n/a	n/a	75%
			Baseline	n/a	n/a	n/a
Indicator 3: % of participants	Achievement	6%	20%	26%		

		gaining a qualification/certification in capacity building education/training	Target	n/a	n/a	80%
			Baseline	n/a	n/a	n/a
	C	Indicator 4: % of participants gaining a qualification/certification	Achievement	33%	62%	95%
			Target	n/a	n/a	80%
			Baseline	n/a	n/a	n/a

Priority Axis 2 – Investing in employability and adaptability of the workforce						
				2007-2010	2011	Totals
Output	A	Indicator 1: Number of persons trained/supported	Achievement	18,798	15,271	34,069
			Target	n/a	n/a	45,000
			Baseline	n/a	n/a	n/a
		Indicator 2: Number of actions supporting educational structures, systems, campaigns and research	Achievement	0	1	1
			Target	n/a	n/a	5
			Baseline	n/a	n/a	n/a
B	Indicator 3: Number of undertakings supported	Achievement	1338	1,110	2,448	
		Target	n/a	n/a	700	
		Baseline	n/a	n/a	n/a	
Results	A	Indicator 1: % of participants in employment or further study 6 month after receiving assistance	Achievement	21%	34%	55%
			Target	n/a	n/a	20%
			Baseline	n/a	n/a	n/a
		Indicator 2: % of participants gaining a qualification/certification	Achievement	35%	32%	66%
			Target	n/a	n/a	60%
			Baseline	n/a	n/a	n/a
	B	Indicator 3: % of participants gaining a qualification/certification	Achievement	19%	0	32%
			Target	n/a	n/a	60%
			Baseline	n/a	n/a	n/a

Priority Axis 3 – Promoting an equal and inclusive labour market						
				2007-2010	2011	Totals
Output	A	Indicator 1: Number of actions supporting a lifecycle approach to work	Achievement	0	1	1
			Target	n/a	n/a	10
			Baseline	n/a	n/a	n/a
		Indicator 2: Number of women trained/supported	Achievement	312	379	691
			Target	n/a	n/a	2,000[1]
			Baseline	n/a	n/a	n/a

		Indicator 3: Number of families benefiting from childcare	Achievement	0	0	0
			Target	n/a	n/a	1,600
			Baseline	n/a	n/a	n/a
	B	Indicator 4: Number of vulnerable persons trained/supported	Achievement	4711	4,591	9,302
			Target	n/a	n/a	6,500
			Baseline	n/a	n/a	n/a
		Indicator 5: Number of persons trained in capacity building courses	Achievement	282	30	312
			Target	n/a	n/a	600
			Baseline	n/a	n/a	n/a
		Indicator 6: Number of studies, actions, campaigns, research activities carried out	Achievement	4	9	13
			Target	n/a	n/a	10
			Baseline	n/a	n/a	n/a
	Indicator 7: Number of civil society projects	Achievement	2	1	3	
		Target	n/a	n/a	50	
		Baseline	n/a	n/a	n/a	
Results	A	Indicator 1: % of participants in employment or further study 6 months after receiving assistance	Achievement	0%	5%	5%
			Target	n/a	n/a	20%
			Baseline	n/a	n/a	n/a
		Indicator 2: % of participants gaining a qualification/certification	Achievement	10%	9%	19%
			Target	n/a	n/a	50%
			Baseline	n/a	n/a	n/a
	B	Indicator 3: % of vulnerable persons in employment or further study 6 months after receiving assistance	Achievement	10%	47%	57%
			Target	n/a	n/a	20%
			Baseline	n/a	n/a	n/a
Indicator 4: % of participants in capacity building gaining a qualification/certification	Achievement	38%	5%	43%		
	Target	n/a	n/a	80%		
	Baseline	n/a	n/a	n/a		

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

			2007-2010	2011	Totals	
Output	A	Indicator 1: Number of persons participating in training in a year	Achievement	213	2,205	2,418
			Target	n/a	n/a	9,000
			Baseline	n/a	n/a	n/a
		Indicator 2: Number of studies/actions/campaigns/research activities carried out	Achievement	1	1	2
			Target	n/a	n/a	30
			Baseline	n/a	n/a	n/a

Results	B	Indicator 3: Number of projects supporting partnership	Achievement	2	0	2	
			Target	n/a	n/a	7	
			Baseline	n/a	n/a	n/a	
	A	Indicator 1: % of participants gaining a qualification/certification	Achievement	1%	37%	38%	
			Target	n/a	n/a	80%	
			Baseline	n/a	n/a	n/a	
		B	Indicator 2: % increase in the technical capacity (secretariat) at MCESD to support Council (and sub-committees) in reaching informed opinions in policy issues	Achievement	57%	0%	57%
				Target	n/a	n/a	50%[2]
				Baseline	n/a	n/a	n/a

#### Priority Axis 5 - Technical Assistance

				2007-2010	2011	Totals
Output	A	Indicator 1: Number of Persons Trained	Achievement	214	31	245
			Target	n/a	n/a	350[1]
			Baseline	n/a	n/a	n/a
		Indicator 2: Number of evaluations carried out	Achievement	0	1	1
			Target	n/a	n/a	4
			Baseline	n/a	n/a	n/a
		Indicator 3: Number of Publicity measures undertaken	Achievement	17	5	22
			Target	n/a	n/a	15
			Baseline	n/a	n/a	n/a
		Indicator 4: Number of studies/research activities carried out	Achievement	1	0	1
			Target	n/a	n/a	5
			Baseline	n/a	n/a	n/a
Result	A	Indicator 1: Reaching N+3/N+2 targets	Achievement	0%	100%	100%
			Target	n/a	n/a	80%
			Baseline	n/a	n/a	n/a

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## 04. Evaluation

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The *Evaluation Plan for the Programming Period 2007-2013* highlights a number of studies planned to be carried out in relation to the evaluation of Structural and Cohesion Fund implementation in Malta. This section of the report aims to highlight the main findings emerging from the evaluations carried out to date since 2009 (being the update provided within the 2009 strategic report). This chapter will also highlight planned evaluations, the aims and findings that the ongoing evaluations will try to reveal, and the insights that such studies will provide of the contribution of the Programmes towards achieving the objectives of the policy.

### 04.1 Revised Evaluation Plan for the Programming Period 2007-2013

The Evaluation Plan for 2007-2013 was revised and presented to the respective Operational Programmes' Monitoring Committees in Q4, 2011. The original aims of the Evaluation Plan were to provide a framework for the evaluation of both Operational Programmes I and II and to contribute further to the evaluation capacity development in Malta, whilst these objectives are still relevant to date, the Managing Authority (MA) felt the need to revise the plan to better align it to the actual status of the Programmes' implementation, to reflect the progress achieved in the Mid-Term Evaluation (MTE) and also to reflect changes in the structure of the Thematic Evaluations to take stock of the timing of the launch of the thematic evaluations. The relevant changes to the revised Evaluation Plan were:

- 1) An update on the activities related to the 2004-2006 Programming period to include evaluations undertaken from 2008 to 2010;
- 2) An update of evaluation activities undertaken so far so as to include the latest updates on the Cohort Study<sup>15</sup> and outcomes of the MTE; and
- 3) A revision to the structure of the planned thematic evaluations. Instead of drawing up two thematic evaluations for each Operational Programme, it was decided to combine them into one evaluation for each Operational Programme in order to increase the efficiency, reduce costs and delays in the procurement process as well as the administrative burdens.

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<sup>15</sup> The original Evaluation Plan 2007-2013 referred to this study as a *Tracking System* however due to a number of difficulties related the development of a fully fledged tracking data system the MA decided to carry out a Cohort Study.

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## 04.2 Mid-Term Evaluation

The Mid-Term Evaluation (MTE) provided an independent review with respect to the progress attained towards the key objectives of the respective Operational Programmes. It reported on the likely achievement of the objectives, relevance, efficiency and effectiveness of each Operational Programme in light of the progress or status of the implementation as at the agreed cut-off date.<sup>16</sup>

In synthesis, the MTE's outcomes for both Operational Programme I and II highlighted that:

- 1) In terms of relevance, both Operational Programmes' objectives were considered still relevant in the actual socio-economic context, reflecting a satisfactory balance between the policies and the activities being co-financed. According to the evaluators the economic crises, increased the Operational Programme's relevance. Although the implementation of the Programmes was effected by a number of factors throughout the programming period, such as Malta's geographical constraints and the economic crises in the MTE it was reported that the OPs are still valid and adequate to address the needs of the 2006 situation analysis presented in the ex-ante evaluation carried out by independent experts;
- 2) In assessing the efficiency of both Operational Programmes, there was evidence of "ramping up"; meaning that the current processes adopted, leading up to projects' approval/selection do not present major indication of bottlenecks;
- 3) The utilisation ratio and the level of disbursement for both Operational Programmes, at the time of the reporting, were significantly low. The latter was attributed to problems related to administrative bottlenecks and other incidental factors. Nonetheless, particularly for Operational Programme I, there has been noted improvement in the absorption ratio<sup>17</sup> from cut-off date (start of the MTE) up until the date of contract execution (final reporting); and

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<sup>16</sup> The cut off date of the MTE was 31<sup>st</sup> December 2010.

<sup>17</sup> Project Commitments

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- 4) In terms of effectiveness, for the most part, the planned achievement (planned contribution of approved operations towards the targets) of output and result indicators showed healthy prospects of their likely achievement. On the other hand, impact indicators were the lowest achievers due to the fact that their progress was hard to measure at the stage at which the programme implementation was being evaluated,

The evaluators presented a number of recommendations captured under six headings namely, speeding up of implementation; ensuring adequate administrative capacity; simplifying and speeding up the public procurement process; maximising the potential of information technology (management information tools); simplifying and accelerating the process for development consent; accelerating the certification process and enhancing capacity and role shadowing at the Certifying Authority. In addition to this, in relation to the assessment of horizontal actions, the evaluators reported that given the current lag in the implementation of the Operational Programmes, a revision of certain aspects of the Communication Plan was necessary.

The recommendations for each Operational Programme were in some aspects similar and a number of them were taken on board by the MA. In both reports, under the heading 'speeding up of implementation', the evaluators recommended that the MA should prioritise the issue of new calls during 2011 in order to increase the progress ratio of the Programme commitment and tailor calls for applications in such a way as to attract projects which would contribute towards specific result and output indicators. Focus was to be made on those indicators which were still lacking performance in order to increase their likelihood of achievement.

In addition to that, the evaluators also recommended the MA to increase training being delivered (to new beneficiaries) and increasing the pool of the Project Selection Committee (PSC) members so as to minimise postponement and delays in the selection process due to availability of some of the member<sup>18</sup>. The changes to Operational Programme I, proposed to the Monitoring Committee members in November 2011 addressed a number of the recommendations put forward by the MTE. These changes were accepted by the European Commission on 24<sup>th</sup> May 2012. The changes included one of the recommendations by the MTE, namely that of including 'initiatives (projects) in support of science popularisation' with the purpose of increasing the potential science and technology (S&T) pool and in the long-term strengthening the research and development (R&D) base for Malta.

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<sup>18</sup> This was proposed considering that the members of the Project Selection Committee are all senior public officers.

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Following the recommendations of the MTE, changes to Operational Programme II were also proposed to the Monitoring Committee on 8<sup>th</sup> March 2012. These changes were accepted by the European Commission on 3<sup>rd</sup> July 2012. Such changes included the shifting of funds from under-achieving areas to more successful areas, namely from Priority Axis (PA) 4 to PA1. The evaluators also recommended issuing tailored calls. Following an internal review to identify under- and over-achieving operational objectives under the different Priority Axes and different focus areas, the MA, issued a pre-announcement call in 2011 and three calls for project proposals in 2012 addressing specific priority areas under Priority Axes 2, 3, 4.

Furthermore, in view of the recommendation, applicable to both Operational Programmes I and II, to accelerate the certification process that occurs following the verification of expenditure by the MA, the Certifying Authority has changed the way the certification (testing on expenditure accepted by the MA) is done. This has resulted in a marked improvement to the certification process.

#### **04.3 Cohort Study on training co-financed by ESF in Malta and Gozo**

Within the evaluation plan, the MA planned to carry out a Cohort Study on training co-financed by ESF under the current programming period on a sample of participants who have successfully completed their training. The study will report on the short to medium-term outcomes of the training and of the support provided through ESF-funded projects (within one year of participants completing the training activity).

The system was further developed with the proposed design involving a longitudinal quantitative survey to be carried out through concise telephone interviews on a significant number of participants.

During 2011, the MA developed the terms of reference for the Cohort Study following complex discussions in relation to the implementation of this approach which proved to be more challenging than anticipated. The contract was signed on 24<sup>th</sup> November 2011 and the Inception Report was submitted by the National Statistics Office (NSO), contracted to carry out the study, on 27<sup>th</sup> December 2011. The report illustrated and further elaborated the methodology and the way data would be analyzed.

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The sample for the study is stratified by age group and district of residence. In view of the vast number of courses under study, it was not possible to consider the type of course attended by trainees in the stratification phase since this would have resulted in a much larger sample size in each wave. However, other main socio-economic variables such as the educational level, labour status of trainees as well as the type of course attended were taken into consideration in the selection of the sample. Although it was agreed at Inception stage that the number of participants would be that of 300 per wave (two waves per year from 2012 to 2014 and three waves during 2015), after further discussion with the NSO, the MA decided to increase the sample size to 500 participants per wave in order to increase the study's effectiveness..

The first draft report of the wave, covering the period from 1<sup>st</sup> February till 31<sup>st</sup> July 2011, was submitted by the NSO on 10<sup>th</sup> September 2012 following several discussions with the MA in order to ensure that there is the same understanding of what the study is trying to achieve. Any impediments encountered during the gathering of data and reporting were also discussed so as to prevent the same issues from repeating themselves in the coming waves.

#### 04.4 Thematic Evaluations of Operational Programmes I and II

During 2011, the MA prepared the draft tender dossier for the combined Thematic Evaluations of Operational Programme I titled *Thematic Evaluation: Assessment of the Contribution of Operational Programme I Initiatives to Competitiveness and Improvement of Quality of Life* and of Operational Programme II titled *Thematic Evaluation: Assessment of the Contribution of Operational Programme II Initiatives to Education and Lifelong Learning and to the Enhancement of Employability and Adaptability of the Workforce*. As already explained above, the objective of these studies is to have one thematic evaluation assessing the contribution of selected projects currently under implementation in two separate but related aspects, i.e. competitiveness and improvement of quality of life in the case of Operational Programme I and education, life long learning and enhancement of employability and adaptability of the workforce in the case of Operational Programme II.

The thematic evaluation of Operational Programme I will mainly assess:

- 1) The contribution of Operational Programme I interventions towards sustaining and increasing Malta's competitiveness;<sup>19</sup>
- 2) The contribution of Operational Programme I interventions towards the overall improvement of quality of life of the Maltese citizens;<sup>20</sup>
- 3) The output and result indicators and any monitoring data, including an assessment of impact indicators and (the likelihood of) their achievement as well as any underlying reasons for over/under performance;
- 4) The identification of potential actions where the European Regional Development Fund (ERDF) and Cohesion Fund (CF) could intervene and which are possibly not yet addressed by the current Programme; recommend how the actions which are being undertaken could be strengthened in future Programmes; and identify some examples of good practice; and
- 5) The contribution of Operational Programme I initiatives to competitiveness and improved quality of life in relation to the crosscutting horizontal themes of Equal Opportunities and Environmental Sustainability.

The tender was launched and awarded in 2012. The draft inception report was also submitted by the selected consultancy firm and this is in the final stages of acceptance by the MA. The consultants are expected to present the first draft related to Task 1<sup>21</sup> in Q3 of 2013. Such evaluation shall lead to a set of concrete conclusions based on findings and a thorough and justified assessment by the Contractor's experts, together with relevant and implementable recommendations for the upcoming (2014-2020) Programming periods.

On the other hand, the thematic evaluation of Operational Programme II will mainly assess:

- 1) The opportunities provided and success achieved across the Programme in increasing the participation rate in further and higher education and lifelong learning; creating lifelong learning opportunities to enable the adaptability and employability of the Maltese workforce; and in addressing skills mismatches;

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<sup>19</sup> Malta's Competitiveness will be assessed by specifically studying the effects (existing and potential) of the Programme's interventions on (public) infrastructure, investment (including foreign) and job creation, competitiveness of enterprises (particularly SMEs), the national capacity (including infrastructural) for RTDi and science and technology, enhancement of tourism product (particularly niche areas) and the relevant improved transport connections and facilities.

<sup>20</sup> The overall Improvement of Quality of Life of the Maltese citizens will be assessed by studying the effects of interventions in the following sectors: environment, climate change and energy, educational, social and health infrastructure, as well as e-accessibility.

<sup>21</sup> The first Task shall consist of a qualitative and quantitative assessment to analyse the achievement of interventions undertaken through OPI and their contribution to competitiveness and improved quality of life as planned through the relevant objectives of the OPs.

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- 2) The opportunities created for the unemployed by increasing their employability potential through training programmes and other tools; creating new jobs through skills improvement, and upgrading and assisting in the integration of disadvantaged groups in the labour market; the extent to which ESF interventions are addressing the skills needed in the identified different sectors financed by ESF; the progress in attaining the impact indicator of “Number of Jobs” created; and an assessment of Operational Programme II interventions vis-à-vis the two pillars of the European Employment Strategy (EES), namely employability and adaptability;
  - 3) How far the development and delivery of interventions under assessment have taken into account the horizontal priorities and the ESF principles; and
  - 4) The identification of potential actions (through gaps) where ESF could intervene and which are possibly not yet addressed by the current Programme; recommending how the actions which are being undertaken could be strengthened in future Programmes; and identifying good practice examples.

The tender was launched in June 2012 but had to be reissued in December 2012. There seemed to have been a general misconception by the bidders in terms of the requested output related to such evaluation, which was then reflected in the financial breakdown.

#### 04.5 Upcoming Evaluations

In view of the next Programming period, the MA has drafted the terms of reference for the *Ex-Ante Evaluation* which was launched in September 2012. The role of the ex-ante evaluation is being reinforced in the new programming period as future Cohesion Policy should be strongly oriented towards results in order to contribute to the EU’s strategy for smart, sustainable and inclusive growth (Europe 2020 strategy). Moreover, its recommendations should be clearly defined, based on evidence and adapted to the particular needs of the Programmes.

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

Since the approval of both Operational Programmes in 2007, Malta has presented twenty three<sup>22</sup> requests for interim payments in terms of Article 87 of Council Regulation EC1083/2006.<sup>23</sup> The table below indicates the interim payments which were requested and received from the Commission per year.

**Table 13 – Interim Payments requested and received (2009 – 2011)**

Fund	Year	Requested to EC	Received from EC
		(EU share, €)	(EU share, €)
ERDF	2009	5,354,678	1,636,873
	2010	24,383,279	28,101,084
	2011	62,093,266	44,371,149
	<b>Total</b>	<b>91,831,224</b>	<b>74,109,106</b>
CF	2009	13,183,943	--
	2010	39,220,765	32,538,384
	2011	12,004,660	27,096,878
	<b>Total</b>	<b>64,409,368</b>	<b>59,635,262</b>
ESF	2009	574,893	71,429
	2010	4,755,783	5,259,247
	2011	10,316,697	10,316,697
<b>Grand TOTAL</b>		<b>15,647,373</b>	<b>15,647,373</b>

<sup>22</sup> Requests for interim payments were carried out as follows: ERDF – April 2009, November 2009, June 2010, September 2010, January 2011, May 2011, September 2011 and November 2011. CF – November 2009, April 2010, September 2010, December 2010, April 2011, September 2011, November 2011. ESF – April 2009, November 2009, June 2010, September 2010, January 2011, April 2011, July 2011, September 2011.

<sup>23</sup> As at December 2011 eight requests for interim payments were submitted under both ERDF and ESF while seven requests for interim payments were submitted under CF.

As reported in the previous Strategic Report, by end of December 2011 Malta had received the full amount of advance payments for all three funds. The table below shows the total amount of advance and interim payments received by end December 2011 per fund as a percentage of the Community financial allocation.

**Table 14 – Advance and Interim Payments as a % of EU Allocation (2009 - 2011)**

Fund	Advance Payment	Interim Payments	Total	% of EU Allocation
ERDF	39,958,023	74,109,106	114,067,129	26%
CF	29,835,227	59,635,262	89,470,489	31%
ESF	10,080,000	15,647,373	25,727,373	23%

Further information is provided under Annex I.

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

**Table 15 – Committed Amounts as a % of EU Allocation**

OP	Fund	EU Allocation	Committed Amount	Committed vs EU Allocation
		<i>EU Share, €</i>		%
OPI	ERDF	443,978,031	362,093,680	82%
	CF	284,145,020	155,592,088 <sup>24</sup>	55%
	Total	728,123,051	517,685,768	71%
OPII	ESF	112,000,000	92,471,889	83%

As can be seen in Table 15, as at 31<sup>st</sup> December 2011, Malta had committed 71% of the EU allocation of Operational Programme I and 83% of the EU allocation of Operational Programme II (and overall public) allocation.

<sup>24</sup> This amounts includes the Major Projects approved for co-financing by the European Commission, namely Malta South Sewage Treatment Infrastructure (CF 116), Improvement of the TEN-T Road Infrastructure (PHASE I) (CF117) and Rehabilitation and Restoration of Closed Landfills (CF 118).

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This amount increased in 2012, with the submission and approval of another Major Project ERDF 196 - Mater Dei Centre Hospital Oncology Centre and the increase in Commitment due to the publication of additional calls and approval of new projects from ongoing and new calls. As at December 2012 the MA was waiting feedback from the Commission for the approval of another Major Project ERDF 120 – National Flood Relief Project.

Annex II gives a snapshot of the commitments up to December 2011 under the different categories of expenditure. As already reported in the previous Strategic report, the ESF earmarked categories under Operational Programme II are on track. Most of the categories are well on track (such as categories 62, 69, 71, 73), with a number of categories (66, 72 and 74) where the target has been reached and exceeded. These categories focus mainly on the improvement of human capital and the social inclusion of less favoured persons. On the other hand, some of the categories which focus mainly on the design of innovative and more productive ways of organising work, on the development of specific services for employment, training and support to anticipate economic changes as well as those that focus on the improving access to employability and sustainability such as categories 63, 64, 65, 67, 68 and 70 are still relatively low. In 2012, in line with the MTE recommendation, the MA issued calls with priority to projects that contribute to these categories of expenditure. Notwithstanding this commitment to these categorisation is still relatively low.

With regard to Operational Programme I, even though Malta is not bound by the targets of earmarking (Lisbon, now EU2020 objectives), it has always been committed to making an effort towards earmarking categories of intervention. Following the OP changes approved by the Members of the MC in December 2011, Malta is increasing its efforts towards the earmarking process. The indicative Community allocations from OPI to the earmarking categories now add up to €337.49 million which is slightly more than 40% of the Community funds allocated under Cohesion Policy.

The commitment level as at December 2011 (represented by the eighty-eight (87) approved projects (including the Aid Schemes)) adds up to €196.47 million (58% of the earmarked allocation of the Operation Programme). Out of the €196.47million committed by end 2011, €10.95 million have been committed in the NUTS region of Gozo and Comino (MT002) equivalent to around 6% of the total committed to earmarking categories by end of 2011. As at end 2011 only two Lisbon-related categories remained untapped. The categories that did not register a commitment were Code 41 'Renewable energy: biomass'<sup>25</sup> and Code 52 'Promotion of clean urban transport'.

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<sup>25</sup> CF 116 - Malta South Sewage Treatment Infrastructure is a Major Project that does indirectly contribute to this indicator but such contribution cannot be quantified.

However, it is expected that CF 119 (Malta North Waste Treatment Facility) will address code 41 while ERDF 256 (MODUS: Encouraging a Modal Shift in Land Transportation) will be targeting code 52.

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## 06. Realised or expected contribution to the tasks of the Funds set out in Article 3 of the General Regulation and to the priorities detailed in the Community Strategic Guidelines in particular to the objectives of the National Strategic Reference Framework

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Malta's NSRF focuses on the development of the country's socio-economic situation by sustaining economic growth and competitiveness, safeguarding the natural and urban environment as well as investment in human capital and education. The major objectives of the NSRF follow the Community Strategic Guidelines for the period 2007-2013.

The Maltese Government has focused its efforts towards combating the country's challenges by sustaining the country's vision in promoting a competitive, high value adding economy and by focusing on the achievement of sustainable development earmarked for a better quality of life, both nationally and through Cohesion Policy instruments.

Malta is committed towards achieving the Lisbon goals as well as the EU 2020 strategy namely by addressing the following CSGs:

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

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

In order to ensure growth and jobs, it is essential to guarantee that the necessary infrastructure is available for businesses. This CSG is being addressed by Strategic Objective 2 **Improving Malta's attractiveness and the quality of life** which is characterised by efforts towards improving and expanding the transport infrastructure, investing to achieve a sustainable environment, investing in risk prevention, investing in services of general economic interest, the promotion of energy efficiency and the diffusion of renewable energy sources (RES). Furthermore, this Strategic Objective also focuses on the improvement of accessibility measures, the undertaking of urban

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regeneration, and towards supporting investment in health care and social infrastructure. The Maltese government believes that these are the requirements which are needed to make Malta an attractive location for foreign and indigenous investment as well as improving the quality of life of its citizens. The ERDF and CF in Malta thus have a major role to play in this regard as can be seen by a number of investments in these areas:

A) *The expansion and improvement of transport infrastructure:* Maintaining and improving competitiveness is one of the central goals in Government's economic and industrial policy. Malta's NSRF specifically identifies the underlying importance of having a modern and secure infrastructure in order to boost competitiveness and assist in achieving a better standard of living.

Considering Malta's limited physical space, it is of utmost importance that accessibility issues related to road networks and seaports infrastructure are identified and addressed accordingly. The NSRF is in fact drafted in line with the Transport Infrastructure Needs Assessment (TINA) study, which identified the priorities of the network components for Malta's TEN-T infrastructure. In this context, a number of projects aimed at improving transport infrastructure are currently being implemented. The reconstruction of a total of five stretches of road (consisting of a total of 11.7 km) is already in the implementation stage, whilst the Salina Coast Road project, is currently at the tender preparation stage, and will contribute a further 7.3 kms to the TEN-T Infrastructure. Due to the highly dense population of the Maltese islands, these projects will be targeted towards the achievement of the objectives outlined in the NSRF; mainly to decrease traffic congestion and hence contribute to increased competitiveness in the local economy.

Malta's geographical position as an island located in the centre of the Mediterranean should not be underestimated, and the NSRF thus also gives particular importance to the need for having efficient maritime transport. In fact, Malta's NSRF identifies Valletta & Marsaxlokk as being the main ports serving international traffic, both of which capable of providing a comprehensive package of cargo storage and other maritime services. In addition, particular importance is also given to the seaport at Ċirkewwa, which serves as a crucial link between the islands of Malta and Gozo. In line with these priorities, approved projects include the landside development of the Port of Ċirkewwa through the construction of a safe and efficient ferry terminal, the refurbishment of the Valletta and Marsaxlokk Main Breakwaters, and the refurbishment of the Deep Water Quay in Valletta.

B) *Environment and risk prevention – The upgrading of environmental infrastructure.* Malta is currently investing in a National Flood Relief Project that will lay the foundations for a secure

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physical infrastructure which will ensure that a proper and efficient storm water management is in place. This project will benefit Malta and its inhabitants by reducing risks to life and property and also by mitigating other damage to buildings and economic activities. Malta's attractiveness will be enhanced also by ensuring that there is a secure and reliable source of energy (which steers away from the traditional sources of burning of heavy fuel oil) and investments in waste related infrastructure including waste management. In 2011 the Waste Water Treatment Plant was completed but the biggest Municipal Solid Waste Plant at an advanced stage of preparation.

**C) *Investment in energy networks*** - The Maltese Government has embarked on a number of energy related projects with the aim of decreasing dependency on fossil fuels, increasing investments in renewable energy sources (RES) and incentivising the use of energy efficient (EE) measures. The public, private, as well as the voluntary and the domestic sector have benefited as a result of the ERDF Funds and as at December 2011 the penetration of installed registered Micro-Wind Turbine and PhotoVoltaic Systems had reached 4,608.5Kwp (as reported in the Annual Implementation Report, 2011). Nevertheless, further investment in RES is needed in order to reach the 3.0% share of energy from renewable sources in gross final energy consumption by end of 2014 to be in line with Malta's EU 2020 commitments. More projects undertaken by the Public and Voluntary Sector will be approved in the coming months, thus contributing towards Malta's objective to further increase investments in energy networks.

**D) *Urban Regeneration*** - Considering that Malta is the most densely populated EU member state, Malta's NSRF highlights the importance of having a feasible and efficient Urban Regeneration strategy. The increase in urban development inevitably led to an ever-growing increase in the demand for housing units. The rehabilitation of brown-field sites is one of the main objectives highlighted in the NSRF in order to find a practical solution to the present situation that can lead to an increase in economic competitiveness.

In this context, the ERDF project for Cottonera aims to regenerate the urban core within the Inner Harbour Region of Cottonera and includes objectives that are in line with both the NSRF and the Operational Programme. Its primary aim is to integrate the mobility, social and housing concerns of the area and will cater for various targets, such as the restoration and rehabilitation of the waterfront area, the embellishment and upgrade of common spaces in housing quarters, and the upgrade of present dead space into recreational space in order to enhance the living conditions of the community realm. This urban regeneration development is modelled around the Transit Oriented Development Approach (TOD), an integrated strategy specifically designed to cater for an efficient mixture of land use around a high quality transport service.

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## 06.2. Improving Knowledge and Innovation

Through this CSG, focus is being placed on the need to shift the economy towards knowledge-based activities, particularly by increasing Research and Technological Development, promoting innovation, strengthening competition, increasing regional capacity and absorbing new technologies. Malta acknowledges the need to invest within this sector and in fact has committed itself towards the achievement of the abovementioned Community Strategic Guideline, through the implementation of the NSRF Strategic Objectives 1, '*Sustaining a growing knowledge based competitive economy*', 2 '*Improving Malta's attractiveness and quality and life*' and 3 '*Investing in Human Capital*'

A) *Supporting enterprises* – This objective is driven by the Industry Strategy for Malta 2007-2010 which has the vision of enabling industry to achieve high value-added and productivity growth. In this regard it is worth noting that the ERDF Aid Schemes assist enterprises by means of financial incentives aimed at addressing the challenges such enterprises are presented with during the different stages of a business life-cycle. In fact, PA1 targets a wide array of challenges faced by enterprises such as the setting up of their business (the Start-up Scheme), as well as the necessity to invest more by providing assistance through the R&D, e-business, international competitiveness, environmental innovation, and [general] innovation schemes. These schemes contribute towards Malta's competitiveness and are aimed to eventually lead to improvements in Malta's economy and increase employment prospects.

By the end of 2011, Malta Enterprise, (the IB managing the largest number of schemes and volume of funds) had issued 550 grant agreements (under all schemes) with a total grant value of €33,292,309 and various projects approved under calls 1 and 2 of the support schemes had been implemented. Most of these projects constituted significant investments from SMEs in innovative technological solutions that enabled the beneficiaries to remain competitive and increase their capability of developing innovative services and products.

In 2011 alone, seventy-four (74) operations concluded their activities - bringing the total number of completed operations to 120. In 2011 €5,096,344 were paid bringing the total amount disbursed by the end of 2011 to €8,072,214. Certification of payments increased considerably when compared to previous years. In 2011, €3,558,424, were certified bringing the total amount certified to the EC to €6,116,441 by end of year. New calls are planned for 2012.

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B) *Mobilise investment in RTDi* – The Maltese government acknowledges the need to invest in RTDi as can be seen from the aforementioned NSRF objective which focuses on selected areas of economic performance; providing the appropriate framework to enable SMEs to innovate and flourish; exporting locally generated Research and Innovation; expanding Malta's science, engineering and technology base; establishing the nexus between the knowledge institutions and business; and developing a national pro-innovation culture supportive of invention, risk-taking and entrepreneurship.

A scheme administered by Malta Enterprise specifically provides grants to enterprises carrying out Industrial Research and Experiential Development activities leading to the development of new or significantly improved products, processes or services. It is designed to help enterprises meet today's business challenges by supporting them carry out R&D projects leading to new products, processes and services. The scheme co-finances the costs of wages, equipment, materials and contractual research specifically incurred as part of the research project. By end 2011, 26 enterprises had a signed agreement for financial aid with Malta Enterprise.

Till December 2011 a few of projects supported through Call 1 of the ERDF Research and Development Grant scheme had been successfully implemented by the respective beneficiaries. The supported undertakings were mainly locally based operations with a positive outlook towards developing an RTDi. These companies included start-ups and in most case were SMEs. As beneficiaries they had the opportunity to carryout projects that help them develop intellectual property that would support further development in products and services. Till the end of 2011, a total of 5 projects had been completed with a total investment (public) of around €500,000.

C) *Sustain the tourism industry (and promote culture)* – Tourism has always been one of the main pillars of economic activity in Malta, hence the NSRF places particular emphasis on consolidating and improving the contribution of this industry to the socio-economic well being of the country. Tourism contributes significantly to Malta's economic growth, employment and foreign exchange earnings and the ERDF is thus playing a great role in encouraging the private enterprises which operate in the tourism sector to invest and invigorate Malta's tourism product into a leading and pioneering business foundation rooted in sustainable development. ERDF is cofounding a scheme which aims at stimulating investment in order to improve the quality of services offered, enriching the visitor's experience and satisfaction while at the same time improving the enterprises' competitiveness. The Scheme aims at strengthening Malta's competitive advantage in this sector

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and is therefore meant to grant aid for operational expenditure for businesses in the tourism sector with the scope of enhancing investment in tourism products and services (given/produced by organisations in the tourism sector) beyond the expected requirements stipulated in the legal notices. This scheme is therefore not being used to co-finance organisations to attain standards that they are supposed to already have but for project which go beyond the basics, in order to offer an improved and enhanced tourism product in the Maltese Islands.

This CSG is also addressed through the second NSRF Strategic objective '*Improving Malta's attractiveness and quality and life*'. The ERDF in Malta is in fact contributing towards improving Malta's attractiveness and quality of life by co-financing interventions which seek to promote an E-Society. In this context, investment in technology infrastructure has been given top priority, as evidenced by the *e-Accessibility for all* project currently being implemented. This project targets various sectors of ICT, namely the introduction of a single National Identity Management System (e-ID), the setting up of an e-Forms solution related to various Government services, and the procurement of Interactive Whiteboards and an e-Learning Solution in Government schools. These initiatives will help to improve education experience, while instilling a greater degree of efficiency and time management in relation to present Government services.

This CSG is also being targeted by the third Strategic objective '*Investing in Human Capital*'. Within this context, it should be noted that the ESF is also contributing towards innovation and knowledge through initiatives such as the setting up of an Intellectual Property and Knowledge Transfer Framework, the development of training in entrepreneurship; the training of educators in using e-Learning technology and use of interactive whiteboards to foster knowledge and an interactive teaching approach; the adoption of a novel approach of staff professional development; and the upgrading of vocational training with the aim of becoming more relevant to the current demand. The ESF also funds scholarships in R&D and Innovation. Further information with respect to the contribution of the ESF will be provided in the following section.

### **06.3. More and better jobs.**

Since the human resource is essentially the only natural resource of the country, investment aimed at maximising people's potential in contributing to the economy whilst improving their standard of living remains a top priority on the Maltese national agenda. This CSG is being addressed by the *NSRF Strategic Objective 3 – Investing in Human Capital*. In fact the NSRF aims at investing in

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education and employment sectors as well as investing in social inclusion and institution building in the public and NGO sector. The main thrusts of this objective underpin the Priority Axis of Operational Programme II which seeks to address the development of human resources and the employment needs of the country. It is based on two specific objectives targeted towards the investment in human capital and the strengthening of labour market structures. OP II in fact seeks to tackle the main challenges relating to labour market and education/training issues in Malta and is earmarked to contribute towards the strengthening of economic and social cohesion.

This is being achieved through investments aimed towards improving education and skills, such as the provision of support and bursaries for post-graduate and other levels of education in areas like ICT, science and technology and other areas of national relevance and importance. Education and skills are also being addressed by the use of innovative learning methods such as e-learning.

Investing in employability and adaptability of the workforce is also one of the thrusts of the NSRF and the direct focus of one of the Priority Axis under Operational Programme II. In fact, support is being provided in the form of training to assist jobseekers, the inactive and the employed who are interested in upgrading their knowledge. Up-skilling and certification is also being done in areas which are deemed as crucial in the Maltese economy such as tourism, ICT as an entrepreneurial tool as well as addressing numerous skills shortages in industrial sectors. Further support is also being provided to the private sector through the Training Aid Framework (TAF). This aid scheme, which is being implemented by the Employment Training Corporation (ETC), who is the Intermediate Body (IB), supports undertakings in training their workforce by providing them with assistance in the form of a training grant. As at the beginning of December 2012, 3272 Grant Agreements were signed with 772 separate undertakings.

The Maltese Government views employment and education, not only from the economic perspective but also as an instrument to achieve social cohesion and avoid poverty. Support towards an equal and inclusive labour market is the main focus area under one of the Priority Axis under Operational Programme II. One major thrust in Malta's education strategy is to reduce the risk of social exclusion by seeking to reduce early school leavers and assisting young people in improving their job prospects. OP II is in fact assisting towards achieving this objective through programmes aimed at young adults in order to make them more employable by providing training, developing living skills and other necessary skills in order to enhance their labour market integration. Moreover, since it is seen that low employment rates exist mostly among disadvantaged groups who often have a low level of education, Malta believes that it is crucial to ensure that all disadvantaged groups are provided with a lifelong learning vision of education.

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Interventions under OP II thus seek to assist these disadvantaged groups such as young single mothers, victims of domestic violence, ex-convicts, disabled persons and other vulnerable groups by providing direction to find work, training in the ICT sector, educational upskilling as well as raising awareness among professionals who come into contact with vulnerable people. The Employment Aid Programme (EAP) which is implemented by the ETC as the IB, provides employment aid to employers in Malta and Gozo to promote the recruitment of disadvantaged and/or disabled persons. This programme is intended to increase the employment rate of such target groups. As at end November 2012, 2,944 Grant Agreements were signed, representing 2,944 different employees.

In order to obtain a fully-fledged economy it is also necessary to consolidate, sustain and further improve the role of the public administrative capacity. This is in fact a priority within this strategic objective in the NSRF as well as one of the Priority Axis under OPII. In the Maltese scenario, this becomes even more coherent when one considers that the public sector is essentially one of the major employers on the island. Funding under OP II in this area seeks to provide scholarships and training to the public administration in areas that were identified as a necessary area for development such as financial management, information management, human resources, policy development and so on. Also in line with government's priority on lifelong learning in the ICT sector, OP II is currently funding training courses for civil servants in the ICT field. Other interventions include providing employee support for psycho-social problems which may hinder the work performance of officers, simplifying regulations in order to reduce administrative burden, improving the consumer and competition division as well as strengthening the educational skills of people working within the science and technology areas in Malta. Although take up was deemed to be low up to December 2011, this increased in 2012 and is expected to increase further in 2013 with the launch of additional calls and the resulting approval of new projects.

In this regard it is also worth noting that OP I is also contributing towards more and better jobs through the financing of the necessary infrastructure within the educational sector such as the University of Malta and MCAST. The ERDF is in fact co-funding the setting up of a number of laboratories at the University of Malta, together with the building of an ICT Faculty and a new Computer Services Centre Building, with the aim of creating a new, well trained and knowledgeable workforce capable of satisfying the needs of an increasingly research oriented economy. Furthermore, the ERDF is also co-financing the building of Applied Science and Business and Commerce Institutes at the MCAST. These investments are being made with the aim of ensuring a new influx of graduates prepared and highly trained in a vast range of areas, from S&T to Business and Commerce, in line with the Government's vision for the country's focus in the coming years.

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## **07. Contribution of the ESF to the implementation of guidelines and recommendations under the European Employment Strategy (as set out in Article 2.1. of Regulation No. 1081/2006)<sup>26</sup>**

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In accordance with Article 2 (1) of Regulation EC No1081/2006, the ESF shall support actions that are in line with measures of the guidelines adopted under the European Employment Strategy, as incorporated into the Integrated Guidelines for Growth and Jobs and accompanying recommendations. The European Employment Strategy aims at increasing human capital and quality of work particularly through education and training and, in line with this strategy, Operational Programme II seeks to create more and better jobs in Malta. To this end, the measures which are encouraged through the European Employment Strategy, aligned with the renewed Lisbon Agenda and the targets for the Europe 2020 strategy, are reflected within Operational Programme II through specific provision within each Priority Axis.

To reach the Europe 2020 objectives, the European Employment Strategy encourages measures to meet three headline targets by 2020, namely the increase of employment rates of people between 20-64; reducing school drop-out rates while focusing on lifelong learning and reducing the risk of poverty and social exclusion. The national priorities of the Maltese Government also seek to address these objectives; this endeavour can clearly be seen in published national documents such as the National Reform Programme under the Europe 2020 Strategy.

### **07.1. ESF's contribution to the European Employment Strategy in line with the Europe 2020 Strategy**

The ESF OP in Malta is directly aligned to the *Smart Growth* target under the Europe 2020 strategy. Although one can state that assisting young people to become more employable is a cross-cutting objective across the entire OP, Priority Axis 3 is directly aligned to the flagship initiative of 'Youth on the Move'. This initiative is targeted towards helping students and trainees study abroad while equipping young people better for the job market and improving all levels of education and training, all of which are a priority within Operational Programme II. The Maltese Government believes that specific attention is to be given to young people, given that long-term unemployment, at the start of

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<sup>26</sup> As set out in Article 2 (1) of Regulation No. 1081/2006.

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the working life is likely to have long-term consequences for the person's development and social welfare.

One of the operational objectives under Priority Axis 3 is to contribute towards the integration, retention and progression of disadvantaged groups in the labour market, whilst addressing labour market distortions. Young people fall within this target group and thus the OP is currently funding youth employment interventions which seek to increase the employability and labour market integration of young people, particularly early school leavers who would benefit from further training as well as greater knowledge of their rights and responsibilities at work. Labour market integration of young people is also being aided by interventions which seek to develop their living skills, lead healthy lifestyles and minimise social exclusion.

ESF in Malta also plays a role in assisting young teen parents with emotional or challenging behaviour to become more employable by offering courses aimed at instilling a process of reflexivity and towards taking a critical stance towards life's challenges which would eventually lead to better employment prospects. Youths are also targeted in general through interventions which seek to provide direction towards the work ethics and procedures of vulnerable people. The need to help young people to form part of the labour market can also be seen in the National Action Plan for employment (NAPemp) which seeks to raise youth employment levels.

The European Employment Strategy urges Member States to focus on Education by encouraging people to learn and study and to update their skills. Education and skills development have always been high on the Maltese national agenda; this can clearly be seen through national policies and documents such as the NSRF, the various editions of the NRP as well as Budget Documents. In fact even though all the Europe 2020 targets are being addressed through Malta's *National Reform Programme Under the Europe 2020 Strategy*, education is one of the challenges that is being given priority. Human resources are Malta's main natural resource, and thus it follows that knowledge and higher educational attainment levels are critical contributors to Malta's economic growth and the improvement of the standard of living of its citizens. Consequently, Government's priority remains that of encouraging and supporting people to realise their full potential in order to contribute towards the country's socio-economic development.

Education is an important consideration within Operational Programme II. However, Priority Axis 1 aims at investment in human capital, increase the overall participation rates in education at all levels, thereby increasing and upgrading the knowledge and skills levels of the labour force and

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increasing the relevance of courses offered within higher education. The operational objectives of this Priority Axis are targeted to increase student participation in general fields of study (non S&T or non ICT) at further or higher levels of education; to increase student participation rates in science, technology and ICT; as well as to improve the quality or relevance of the educational experience. This is being done through the financing of post-graduate courses and training in fields which are deemed crucial to Malta's economical development such as ICT, science and technology and business, with the aim of supporting the professional development of individuals which will ultimately contribute to better job prospects. Improving the educational system is also the focus of a number of measures throughout this OP such as, for instance, interventions that address skill mismatches for educators resulting from educational reforms; employability and the educational processes needed to close the gaps between formal education and employment as well as training Career Guidance and personnel. One of the projects under this Priority Axis aims to transform the University of Malta's library facilities and information services from one primarily based on printed material to a digitalised online format. It is thus proposing to conduct a research study on the requirements of such a system, identify best practices and train staff in this

Refocusing on Research and Development and innovation policy is one of the major challenges of the EU, as can be seen by the flagship initiative of 'Innovation Union'. The Maltese government, as can also be seen under *Malta's National Reform Programme Under the Europe 2020 Strategy*, believes that addressing labour productivity by focusing on education, research and development is one of the keys for Malta to address its challenges with regard competitiveness. The investment in education and skills reflects a major aim of the "Innovation Union" initiative and the ESF is playing a major role in this objective. In fact a number of post-graduate bursaries at Masters and Doctoral level in the field of Research and Development and Innovation are currently being funded under the ESF bringing about important results in enlarging the pool of Malta's researchers, especially in areas which have been identified as priority research areas in the 2007-2010 national R&I strategic plan have. In this regard, ESF is also funding the in setting up an intellectual property and knowledge transfer framework office within the University of Malta and introducing an intensive training programme in science and technology entrepreneurship.

The EU targets under the Europe 2020 Strategy, particularly under the Inclusive Growth headline also focus on getting more people into work with particular focus on women and low skilled people. Better educational accomplishment such as the reduction of early skill drop out rates and the increase of educational attainment are also amongst the main aims of this headline target. The Maltese Government, as can also be seen in the later editions of the National Reform Programme, has always placed particular emphasis on education and employment. All of the ESF Operational Programme focuses on creating more and better jobs with interventions targeting specific areas.

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One of the focus areas of intervention under Priority Axis 3 is aimed at increasing female participation in the labour market. In fact the ESF is currently funding actions such as research with the aim of understanding what hinders women from getting involved in training and employment, while at the same time incentivising and ensuring equal access to employment by sensitizing employers. Training with the ultimate aim of raising employment levels in women, in areas which are deemed indispensable to the Maltese economy, such as ICT and business, are also being funded through ESF. In fact, this fund does not only aim to make women more employable, but it also targets victims of domestic violence through training and sensitizing the various professionals who come into contact with them as well as raising general public awareness on the matter.

It is worth noting that ESF is not only supporting activities which assist in job-seeking or up-skilling, but also provides incentives to encourage enterprises to allow disadvantaged persons the opportunity to be engaged in employment. NGOs are also involved in a number of measures being implemented with regard to inclusive employment, thus highlighting the multi-governance approach adopted in implementing the ESF OP.

The European Employment Strategy seeks also to reduce the school dropout rates. As reported in *Malta's NRP Under the Europe 2020 Strategy*, Malta has set the following targets in dialogue with the Commission:

- Reducing school drop-out rates to 29% by 2020, and
- Increasing the share of 30-34 years old having completed tertiary or equivalent education to 33% by 2020.

Throughout 2010 and 2011 Malta has continued to offer new possibilities for learning with ESF playing an important role in this regard. For instance courses intended to create the set-up for the design of occupational standards of skills within key sectoral areas such as Art & Design, Community Service, Agribusiness, Electronics etc are being offered with the aim of leading to formal certification and quality assurance. In line with the Europe 2020 objectives, the Maltese Government is also placing particular emphasis on increasing the educational attainment of low-skilled workers. As a reflection of this, ESF interventions are focusing on the development of teaching tool kits for Maltese literacy skills to adults with low levels of literacy.

Encouraging people to acquire new skills in order to adapt to a changing labour market, helping them make successful career shifts and modernising labour markets to raise employment levels,

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reducing unemployment and raising labour productivity are key actions towards making the flagship initiative of “*An Agenda for new skills and Jobs*” successful. During the period under review, the Training Aid Framework, a scheme funded through ESF, has continued to support companies by the provision of funds for training and training related costs for staff development courses both locally and abroad. This aid aims at improving the skills of employees, providing them with the necessary abilities to enhance their future employability options while also catering for the provision of expertise for the modernisation and innovation of enterprises. Through these actions, this scheme enables enterprises to become more productive and competitive while other interventions seek to identify potential skills gaps while re-training and re-skilling the workforce in order to meet new market demands, as well as up-skilling of human resources in civil society in various areas including in the areas of ICT and tourism. Given that the State is one of the major employers on the island, this approach can also be seen across interventions aimed at capacity building of the public administration. For instance a “training needs analysis” of skills required in the public administration has been conducted in order to identify the areas of specialisation/skills necessary for the public service to function efficiently within today’s challenges. This lacuna has also been counteracted by the provision of scholarships and training for the civil servants with the objective of indirectly enhancing the possibility of career shifts, the latter being also an aim of the Inclusive Growth Target. Training aimed at improving the human resource knowledge within the public administration in the area of ICT in line with new market trends is also being funded through ESF.

The ‘European Platform against Poverty’ flagship initiative aims at ensuring economic, social and territorial cohesion as a way of guaranteeing respect for the fundamental rights of people experiencing poverty and social exclusion. Although the entire Operational programme seeks to reduce poverty through the provision of skills and jobs by means of actions such as training, on-the-job experience, networking, awareness raising and so on, Priority Axis 3 places a direct emphasis on socially excluded persons with the aim of improving their employment prospects, hence creating a barrier against poverty. Socially excluded persons such as the disabled and visually impaired are being assisted through the provision of assessments and support services, job-coaching, learning support assistance and personal assistance and training. In this regard it is worth noting that the Employment Aid Programme has been highly successful in integrating socially excluded/vulnerable persons into employment by providing subsidies for employers in order to incentivise employment of disadvantaged and disabled groups.

Overall one can state that the ESF has been a major contributor to the achievement of the aims of the European Employment Strategy. All of its interventions ultimately seek to increase employment prospects and improve the working conditions of all. Funding is based on areas which are needed to improve the economic performance of Malta by training people in critical areas, training

vulnerable people, strengthening the public administration and civil society, improving the educational system and providing skills in order to address skills mismatches and to make people benefiting from training offered through the programme more employable.

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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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Malta's long-term vision remains that of promoting and sustaining a better quality of life for all, particularly for those who are considered to be more vulnerable and therefore at greater risk of social exclusion and poverty. To this end, the European Social Fund in Malta supports interventions which are in line with the national strategy on social protection and social inclusion.

The National Strategy on Social Protection and Social Inclusion identifies the major challenges in combating poverty and social exclusion which are namely: to increase the overall employment rate, particularly through the inclusion of women and vulnerable groups within the labour market; pursuing the commitment to reduce early school leaving and educational underachievement; promoting greater availability of adequate and affordable housing; combating the intergenerational transmission of poverty and social exclusion; promoting equality and diversity; reforming the social protection system to ensure its sustainability, adequacy and comprehensiveness as well as improving access, quality and adequacy of health and long-term care.

ESF initiatives play a major role in addressing these challenges particularly through Priority Axis 3 'Promoting an equal and inclusive Labour Market' which seeks to promote the uptake of stable and quality employment by persons who find difficulties in participating in the labour market. More specifically this Axis seeks to increase the female participation rate and to contribute towards the integration, retention and progression of disadvantaged groups in the labour market, whilst addressing labour market distortions. ESF is thus addressing the over-arching policy priority objectives which are 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

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### 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 places children and young persons on the forefront of policy formulation and implementation efforts. In this Strategy the Maltese government places particular emphasis on the need to address the intergenerational transmission of poverty and social exclusion while providing a platform of opportunities that advance children and young persons' personal development, well-being, rights, interest and responsibilities. Personal development relies heavily on effective formal and informal education, employability prospects and the fulfilling of one's potential through participation and creativity. In this regard emphasis is being placed on the various priorities such as the continuation of the reform of the educational system (making it more relevant), modernisation of schools, promotion of further and higher education and lifelong learning, the promotion of inclusive education, investment in ICT training and education, informal learning as well as youth employment services.

ESF plays a crucial role. Funding is being provided for initiatives that assist young people prepare for future employment by raising aspirations and increasing participation in lifelong learning. The Youth Employment Programme seeks to increase the employability and labour market integration of young people, particularly early school-leavers, who would benefit from further training as well as greater knowledge of their rights and responsibilities at work. This is being done by offering services such as career guidance, occupational therapy and psychological services as outreach measures for youths between 16-24 years old. As at end December 2011, more than 2500 youths had benefited from such services and were registered as being either in employment or in further study 6 months after receiving assistance. Moreover, one of the client groups targeted by the Employment Aid Programme provides financial incentives to young people under 25 within two years of completing full-time education and who have not previously obtained their first regular paid employment. Other measures financed through ESF seek to provide individualised assistance in order to give youths living skills and other necessary skills to help their labour market integration, maintain stable employment, lead a healthy lifestyle and minimise social exclusion. This is being done through the profiling of beneficiaries supporting and sustaining them in settling into adequate living arrangements as well as accompanying them to seek up employment.

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## 08.2. Promoting active inclusion for all vulnerable groups

The Maltese government has always emphasised the need to ensure the well-being of vulnerable groups. Vulnerable groups such as single parents, persons with a disability, persons with addictive behaviour, persons with mental health difficulties, victims of domestic violence, and other crimes, such as human trafficking, asylum seekers, and former prison inmates are targeted by the measures included in the National Reform Programme as well as the 2012 National Strategy on Social Protection and Social Inclusion. In fact, the latter recognizes that vulnerable people are at greater risk of poverty and social exclusion and thus additional consideration needs to be given towards particular sub-groups of these populations who due to multiple forms of deprivation may additionally be at greater risk of poverty and social exclusion.

Priority Axis 3 within the ESF plays a fundamental role in addressing the socio well being of vulnerable groups. Various groups such as disabled people, visually impaired, victims of domestic violence, asylum seekers and ex-convicts are participating in training and receiving assistance in order to make them more employable. Such actions include training that introduces them to work ethics and other actions aimed at assisting them to secure formal employment. The national employment centre is also currently implementing a project which seeks to integrate disabled persons in the labour market through assessments and support services. Other approved interventions seek to identify the main obstacles and labour market distortions which need to be addressed to develop, improve or change policies and systems that contribute towards the access, integration, retention and progression of vulnerable groups, particularly for those facing mental health difficulties.

ESF does not only contribute by providing direct assistance to vulnerable people, but also by assisting educators and carers to enhance their skills. To this end, ESF is financing a project that provides training for staff working with disabled persons who have challenging behaviour. Training is also being provided to the family members of vulnerable groups in order to help them cope better with their situation. Other interventions include Job Coaching and Personal Assistance allowance to employers during work exposure or employment. Within this context it is worth noting that the aforementioned scheme, the 'Employment Aid Programme', provides financial incentives for employers in order to employ vulnerable groups and hence increases the employment levels of this particular group. This scheme is expected to assist more than 2,800 employers and will be

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providing the opportunity to vulnerable individuals for job exposure that will enable them be more employable.

### 08.3. Promoting Equality of opportunities.

The promotion of equality in all its forms is crucial for Combating poverty and social exclusion. The Maltese government seeks to advance equality of opportunity by (a) combating discrimination, (b) promoting the integration of third country nationals<sup>27</sup> and (c) mainstreaming inclusion and anti-discrimination issues. Increasing the overall employment rate, particularly through the enhancement of inclusion of women in the labour market is also crucial in this regard. The government in fact is investing in various measures to enhance work life balance and consolidate family friendly measures such as providing fiscal incentives to encourage more women to participate in the labour market and opening more childcare centres to complement the present number of childcare centres around Malta.

In accordance with Article 16 of Regulation EC/1083/2006, Malta is committed towards the promotion of equality through the implementation of Cohesion Policy. Within this context, actions aimed at promoting equal opportunities are encouraged at every stage of the programme. At the initial stage of the project, the prospective applicants are encouraged to discuss different possibilities which could be included within their project proposal with the Commissions with respect to equal opportunities namely, the National Commission for Persons with a Disability (NCPD) and the National Commission for the Promotion of Equality (NCPE). The same organisations are also invited to information sessions held in relation to open calls for proposals and are listed with contact persons in the relevant Guidelines to Applicants.

During the project rating and selection stage, proposals showing added efforts in the integration equal opportunities are awarded marks. The Project Selection Committee does not further sub divided the marks allocated for 'Equality' as a horizontal priority and thus the project is assessed in terms of its totality and its contribution to this priority during both the drafting, and implementation stages. Therefore the marks are allocated for all types of initiatives including: gender sensitiveness and/or competence of the applicant; commitment of the applicant towards the gender

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<sup>27</sup> Most of the current projects addressing point b are being implemented by other programmes such as the European Fund for Third Country Nationals rather than by ESF.

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mainstreaming; gender analysis of the problem/policy area of the project; gender budgeting; the way a gender perspective has been integrated in the different steps of the project implementation; and gender disaggregated data

ESF here also plays a major role in terms of combating discrimination and mainstreaming inclusion and anti-discrimination issues. Actions include campaigns to promote financial independence for women and the greater involvement of men in sharing the non-remunerated family work. Within the framework of another approved project, research is being undertaken to provide an understanding of the jobs/skills matching of members within the inactive population, in order to ensure employability, while increasing sustainable participation and progress of women in employment. Eventually the research findings are aimed at reducing gender based segregation in the labour market.

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## 09. Contribution expected or realized to other priorities of the National Reform Programme under the Europe 2020 Strategy.

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Malta's current National Reform Programme proposes a number of measures which seek to ensure smart, sustainable and inclusive growth (as per Europe 2020 Strategy). Whilst the Europe 2020 targets are being addressed through the NRP, employment and education challenges are being given priority since the Maltese government believes that these two challenges hold the key towards improvement in the social sphere as well as in research and innovation. To this end, and in this context, the NRP clearly supports employment, education, environment, poverty and research and development. Such a commitment address labour productivity and improve market functioning, two factors which are primary sources to address Malta's competitiveness challenges.

The main aims of the structural measures of the NRP are that of recapturing Malta's pre-crisis levels growth. It is expected that through the measures proposed, such as community work scheme, the revision of means testing social assistance, pro-rata NI contribution for Part-Time self employed women, child care centres, afternoon school programmes, training programmes for minimum wage earners, incentives to support persons with disability to participate in labour market, R&I and commercialisation programmes and Life Science Centres, will stimulate job creation. Furthermore, the investment in various infrastructural projects in energy, transport, education, industrial facilities, research and development are also expected to improve growth, and, in this regard, Structural Funds investments are providing a significant contribution.

The NRP 2011 identifies 5 major bottlenecks to growth (further reiterated in the NRP 2012) which are:

- (i) Ensuring the Long Term Sustainability of Public Finances in View of Ageing of the Population.
- (ii) Ensuring that Productivity Growth Underlines Wage Developments to Safeguard Competitiveness.
- (iii) A further move to Higher Value-Added Activities by Raising Investment in new areas of growth
- (iv) Ensuring better Utilisation of the Economy's Labour Potential, in particular that of women and older workers, and Improving the Skills Base Force
- (v) Addressing the Weaknesses in the Business Environment and Enhancing Competition.

These bottlenecks can be translated into three main challenges for Malta, namely:

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- (i) Safeguarding competitiveness through enhanced productivity by upgrading skill and education levels, increasing investment and improving market functioning.
  - (ii) Ensuring long-term sustainability of public finances through a fiscal consolidation strategy and structural reforms which address the long term ageing problem.
  - (iii) Ensuring convergence of per capita income levels through higher labour market participation, particularly female and old age participation and the creation of new employment opportunities, particularly quality jobs in targeted niche sectors.

The thematic objectives targeted through this NRP which seek to address these challenges and bottlenecks, with the aim of ensuring growth in line with the Europe 2020 Strategy, are (i) Employment, (ii) R&D, (iii) Energy, (iv) Education (v) Poverty.

### 09.01 Target 1 – Employment

The Maltese Government identifies Employment as one of the key factors that need to be addressed in order to reach the Europe 2020 Targets. The main challenge identified for this priority area is to increase the participation rate in employment by those capable and able to work. This includes women who opt not to work due to family commitments; making work pay; receptiveness to incentives of older workers; ageing population and weak uptake of work-life balance, and availability of child care. To address its challenges, Malta aims at increasing the participation of women in the labour market, increasing the employment rate of older workers, activating vulnerable groups, improving the employability of the workforce. In this regard, the European Social Fund is a major contributor towards this aim.

Various interventions being undertaken seek to encourage women to enter in the labour market. Amongst such interventions one can find Media Campaigns that aim to instil a sense of financial independence in women while at the same time addressing men so as to promote the benefits of sharing paid and non-remunerated work between the family. The aim is to change the idea that women should take the full burden of family and household responsibilities and consequently lead to an increase in female employment rates. Raising awareness by targeting employers is also targeted through ESF. In this regard, one finds interventions that seek to promote greater work-life reconciliation measures at the workplace.

Furthermore, the Employment Aid Programme assists disadvantaged persons, including inexperienced young jobseekers, inactive women, older persons, persons with disability and the long-term unemployed, to enter in the labour market. This is being achieved by facilitating access to employment through financial assistance and upgrading skills through work experience. Through

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this scheme, employers receive part of the wage costs as a subsidy with the aim of increasing employment levels of these vulnerable groups. As a result of this intervention, as at the end of 2011, 901 disadvantaged persons were retained in employment

In order to increase employment levels of young people ESF is also funding other initiatives which seek to increase the employability and labour market integration of young people, particularly early school-leavers, through further training, actions such as career guidance, psychological services, occupational Therapy Services and Outreach Services.

Other ESF funding initiatives implemented by the national Employment and Training Centre, are aimed at facilitating the integration of job seekers (including but not limited to youths) through various means such as job searches seminars, job skills programmes, work orientation initiatives, traineeship schemes, and training subsidies. The Training Aid Framework scheme promotes, develops, manages and implements a system through which eligible employers implement training programmes for their employees. This is done through the support of undertakings in providing training to their workforce and upgrading their skills through the provision of financial incentives for these training costs. By the end of 2011, over 2,000<sup>28</sup> undertakings had benefitted from the scheme.. Other initiatives contributing to this theme have been explored in previous chapters.

## 09.02 Target 2 – R&D

In line with the Innovative Union Flagship Initiative, the NRP highlights the importance of efforts to support knowledge as well as the transformation of good ideas and research results into innovative products and services. Both Operational Programmes are, as a result, contributing towards this measure.

One of the Grant Schemes financed by the ERDF seeks to help enterprises invest in R&D activities by supporting pre-R&D activities required to develop and test the concepts of the envisaged research project; supporting industrial research and experimental development activities; supporting interactions between large companies and SMEs and also between industry and the research institutions; and supporting SMEs in the patent registration of successful research projects.

Moreover, through the ESF, bursaries are being provided to students in the areas of R&D. Various students have benefited from these scholarships – in fact, up to December 2011, there were 219 people bursaries in this area of which 77 were following a Doctoral Programme.

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<sup>28</sup> This includes repeat beneficiaries.

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The NRP places particular attention on Malta's aim to place the R&D target in a wider context of supporting local innovation. Several measures are planned through the ERDF in this regard including the provision of investment for the infrastructure of a Life Sciences Centre which aims to encompass the whole Innovation life cycle and supply chain process for companies specialising in areas related to Life Sciences and to facilitate innovative start-ups. The measure is expected to result in an increase in RTDi expenditure of around 0.45% of GDP and has an employment potential of 138 people.

All this is in addition to investments within the University of Malta for equipping labs with the necessary equipment to enable students to learn and use equipment typically identified in industry and to make it possible to host post grad students. In fact, by means of the ERDF funded projects, the UoM is now in a position to supply the Maltese labour market with a steady influx of graduates and researchers properly trained in various areas of R&D, ranging from chemistry to physics, biotechnology and medical engineering, geared to adequately contribute to Malta's continuous strive to improve its credentials in R&D and innovation. Furthermore, the Faculty of ICT, also financed through the ERDF, will provide the economy with hundreds of IT graduates to further enhance and sustain the Government's vision of a Smart Malta and an increasingly e-economy.

### 09.03 Target 3 – Energy

In enhancing Malta's growth potential and the achievement of smart, sustainable and inclusive growth, the NRP includes measures aimed at consolidating Malta's progress towards its EU 2020 targets for, inter alia, energy. In this respect, Malta has set ambitious targets for energy efficiency, renewable energy and greenhouse gas emission reduction. Operational Programme I includes, in fact, a dedicated Priority Axis chapter that is supporting and implementing the strategy outlined in the NRP.

One of the mostly welcomed investments under ERDF is the incentive provided for the installation of renewable energy infrastructure in the domestic sphere. This ERDF investment, coupled with a Government impetus through a feed-in tariff, shifted awareness to the importance of RES. A second ERDF investment is currently being assessed to meet the ever-increasing demand and to make the best use of the limited space available to the Maltese Islands.

As highlighted in the NRP, though not being the major large-scale projects, a great share of renewable energy will be generated from a relatively higher number but smaller capacities of renewable energy sources distributed across all the Maltese Islands mainly integrated in existing building infrastructures due to Malta's limited space and the conflicting use by other activities. The

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ERDF has been pivotal in securing funding for a large number of Government buildings that have increased the uptake of RES. The buildings hosting MCAST and the Housing Authority have benefitted from the ERDF to install renewable sources of energy (through photovoltaics and a wind-turbine) and energy efficient measures (through lighting optimizers). The ERDF is also providing investment for larger RES installations at the Gozo General Hospital and Gozo educational and vocational institutions. Apart from the Government-owned buildings subscribing to address Malta's targets under the EU 2020 targets, a substantial number of non-governmental, voluntary and church organizations are also investing mainly in RES but also in energy efficient technologies under the ERDF. These investments are explained under CSR 5 of the NRP. In addition to these, the ERDF is also financing investments in RES for a new intake of the above-mentioned non-governmental, voluntary and church organizations.

Investments in the form of capital grants for renewable energy and energy efficient technologies in the commercial and industrial sector are also being provided through the Energy Grant Scheme under the ERDF. The success of this scheme exemplified the needed fund injection to which this sector positively responded as a result of the adverse economic scenario.

The ERDF is also supporting the investment to instill an effective modal shift which should lead to a curtailment of private transport use and a consequential GHG reduction from private passenger transport.

The generation of energy from Renewable Energy Sources (RES) and Energy Efficiency is a key objective in the Government's energy policy given that it can contribute towards the economy as well as help in achieving social and environmental objectives. In this regard, the NRP sets various targets for energy efficiency, renewable energy and greenhouse gas emissions reduction. The NRP highlights also the commitment of Government to improve energy security and to reduce carbon emissions given that these methods also have the double effect of reducing costs since a range of sources of supply will lead to competitive prices as opposed to the current scenario of total dependence on imported fuels and the relative international price.

With regard to Waste, the Cohesion Fund is also envisaged to finance one mechanical biological treatment plant and a Civic Amenity site equipped with energy recovery measures.

Capital grants for residential solar photo voltaic systems and solar water heaters are also being financed through the ERDF. The RES support scheme provides financial support to cover part of the costs of RES equipment used in the domestic sector (solar water heaters photovoltaic panels and micro wind turbines). Available funds are allocated according to the type of equipment purchased and an education campaign focusing on reducing energy usage is currently operating in line with these schemes. Investments in the form of capital grants for micro-generation renewable

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energy technologies in the commercial and industrial sector are also being provided through the ERDF.

In fact an ERDF Grant Scheme is providing the possibility of financial assistance for proactive businesses that are willing to invest in solutions that will reduce their carbon footprint, whilst also helping them reduce the impact of energy costs on their business. Enterprises are thus being given the opportunity of a 50% refund on their approved projects, whereby costs can be claimed on investments in energy saving solutions such as: intelligent lighting systems, solar heating, thermal insulation, build management systems and energy-saving lighting, and alternative energy technologies such as solar power and wind power.

Moreover, it should be noted that the ERDF is also financing an extensive number of projects which contribute to the share of renewable energy trajectory targets, including curtailment of CO<sub>2</sub> emissions. Such examples include the installation of electrical power generating systems at the Malta College of Arts, Science and Technology and the University of Malta as well as the installation of Photovoltaic systems in various strata of society including government buildings, households and commercial premises.

Apart from a specific Priority Axis under OPI dealing with Energy, achieving a low carbon Programme is an overall (horizontal) impact indicator of the OP and therefore other projects across the Programme are encouraged to include energy efficient and renewable energy components within these projects.

#### **09.04 Target 4 – Education**

Under the thematic objective of 'Education' within the NRP, Malta targets to reduce school drop-out rates and to increase the number of mature students accessing and completing tertiary level of education. In order to reach these aims, the primary aim of this measure is that of offering more Opportunities for Participation in Vocational Education. In fact, Vocational Training is deemed to be an important tool towards encouraging more students to continue their education beyond the school-leaving age and to develop their true employment potential. In this respect, the setting up of MCAST has been an important milestone, allowing Malta to register significant improvements in educational attainment levels over the last few years. Through ERDF funds, MCAST is currently implementing a project for the extension of its Campus including new buildings for the Institute of Applied Sciences and the Institute of Business and Commerce. This new campus will host 10,000 full-time students and many others on a part-time basis. This will represent a ten-fold increase from the initial full-time students enrolled in vocational courses at MCAST in the first year of operation.

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Other education initiatives being targeted under Priority Axis 6 (OP I) include different operations involving extensions and upgrading of buildings and services at secondary, post-secondary and tertiary educational institutions, such as the University Computing Services Centre building and the Junior College building extension.

Education is considered to be a cross-cutting objective in OP II (ESF) of particular relevance are initiatives financed within Priority Axis 1 of the OP which addresses formal education particularly by strengthening capacity in the educational system through the consolidation and upgrading of existing resources in the various institutions, including the University and MCAST, through the provision of [post-graduate] scholarships, as well as by introducing new qualification levels at MCAST. The OP is providing for a comprehensive approach towards education reform by ensuring that all stakeholders involved in the delivery of formal education, including parents, are supported. Top-up degrees are being offered in collaboration with reputable research institutions to develop academic courses in an effort to improve the current offer and to launch new educational opportunities for students and staff. Furthermore the ESF is also providing funding for the training of teachers through an eLearning Platform as an additional intervention which directly contributes towards this theme.

#### 09.05 Target 5 - Poverty

In line with the EU 2020 strategy, Malta is committed towards promoting social inclusion, in particular through the reduction of poverty. Malta is primarily focusing on those people who are materially deprived, amongst whom are those who are both materially deprived and at risk of poverty. Three particular target groups have been identified namely children, the elderly and jobless households.

In this regard, the ESF has a major role to play, particularly through interventions financed under Priority Axis 3, which seek to increase the employment levels of vulnerable people. Interventions are also being focused on efforts towards combating child poverty. Operational Objective B of the aforementioned Axis seeks to contribute towards the integration, retention and progression of disadvantaged groups in the labour market. This is being done particularly by increasing employability of young people, addressing early school leavers, supporting young adolescents with emotional behaviour and enabling young people to get a fair start in life. This is being done through various actions such as training, outreach and guidance services (as already explored and explained within this chapter and elsewhere within this document).

The provision of Incentives and Support to Persons with a Disability to Actively Participate in the Labour Market is also a main aim under this NRP target. OP II, particularly through PA3,

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contributes directly towards this aim by providing incentives such as the support of disabled persons to enter the labour market through training aimed at facilitating their integration into the labour market and retention of jobs. On the other hand, OPI has also assisted in a parallel manner with the setting up of the independent living centre where disabled individuals are guided on the use of assistive devices with the ultimate aim of living more independently.

The ESF not only assists this vulnerable group by facilitating its access to employment, but also provides training to people that work with them such as trainers and therapists, with the aim to help them prepare disabled people for increased independence. The ESF also seeks to identify the main obstacles and labour market distortions which need to be addressed to develop, improve or change policies and systems that contribute towards the access, integration, retention and progression in particular of disadvantaged groups.

An ERDF project is aimed to launch an integrated urban regeneration project for Cottonera. The interventions include, amongst others, the development of different locations through embellishment and the upgrading of social conditions through housing programmes. These projects are intended to strengthen neighbourhoods in the locality and instill sustainable regeneration through better accessibility and mobility.

Together with the 5 headline targets of the NRP, various other measures to achieve the national and European objectives for growth are being implemented through Structural Funds investment. Such examples include but are not limited to:

- (i) Public Infrastructural Projects – Investment expenditure related to major infrastructural projects such as investments in renewable energy sources, municipal solid waste, the management waste water, and investments in transport sector. Such investment is expected to increase Malta's gross fixed capital formation.
- (ii) Private Investment Incentives – A total of seven ERDF grant schemes focus on the promotion of R&D, Innovation, Eco-Innovation, ICT, Energy, Start ups and growth through the tapping of new markets. It is expected that 450 SMEs will benefit from these grants. As at the end of 2011 120 SME's have benefited from these grants. Furthermore, the ERDF has also allocated a total of €10million towards the creation of a rotating Financial Engineering fund (JEREMIE) with the aim of creating a portfolio of over €50 million in first loss portfolio guarantees for the benefit of SMEs and Start Ups. These ERDF initiatives seek to complement the ESF schemes in providing assistance in the infrastructural set up of a business which can concurrently benefit from the training and supporting initiatives covered by the ESF co-financing.
- (iii) Better Regulation – Also in line with EU targets, Malta intends to reduce the administrative burden on business by 15% by 2012. This was being done through a

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study financed through a project under the ESF which is currently during its last stages and which seeks to identify, measure, and reduce administrative burden in the priority areas as well as introduce 100 simplification measures across line Ministries. At the time of writing of this report a draft code of practice has been presented and training to public administration officials was all undertaken as planned.

- (iv) **Strengthening Market Structures** – This NRP identifies the set up of the Malta Competition and Consumer Affairs Authority as a means to improve competitiveness of the Maltese markets. In this regard it is worth noting that the European Social Fund is currently investing in the training within this Authority with the aim of ensuring that officers are in a better position to take a more proactive approach in investigating allegations of market abuses. Training of the Authority is particularly needed to address the current legal framework brought about by the amendments to the Competition Act.
- (v) **Health and Oncology sector** – ‘Health’ is identified in the NRP as one of the national research priorities in Malta’s National Research & Innovation (R&I) Strategic Plan 2007-2010, which recommended the development of a thematic research strategy in the area. The mentioned priority areas have been retained in the new draft Research and Innovation Strategy 2011-2020 which was launched for public consultation in December 2011. With respect to Health, the ERDF is co-financing a Major Project for the construction of an Oncology Centre physically annexed to the Mater Dei General Hospital. This Centre is aimed to provide, together with oncological care and treatment, the infrastructure needed by diagnosticians to further their research on the incidence, prevention and treatment of cancer and enhance the diagnostic aspect of cancer care. This project was submitted to the European Commission for funding in January 2012, and subsequently approved in April of the same year. Work is ongoing and the Centre is expected to be fully operational in early 2014.

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

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At the time of the drafting the management and control system for the OPI and OPII, a number of measures were taken by the Maltese Authorities to ensure that implementation under the 2007-2013 Programmes 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;
- a pre-financing arrangement for payments (also for NGOs and local authorities) in order to mitigate against delays arising from cash flow problems;
- a newly developed management information system (the Structural Funds Database 2007-2013) intended to enhance functions existing with the old system (SFD 04-06) as well as introduce new ones;
- a re-organisation of the horizontal structures, introducing middle layers of senior management; as well as; and
- the strengthening of capacity in a number of horizontal organisations such as the Managing Authority, the Department of Contracts, Treasury, Certifying and Audit Authority;
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Nevertheless, the Implementation of the Programmes remains a challenging task and some difficulties persist. The main problems encountered at this stage of the implementation period include:

- delays in the selection process
- delays in the procurement process;
- delays in the payment process;
- delays in the approval of planning permits;
- delays arising from the global economic crisis and
- problems related to the implementation of Article 55 in the context of EE and RES projects and delays due to the development of a Feed-In Tariff policy

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## 10.1 Delays in approving operations

In the case of ERDF, the calls issued in 2010 were less in comparison to the amount of calls issued in previous years. The reason was that the three calls issued in 2009 continued to be evaluated in 2010. In order to pre-empt unnecessary delays, in 2010, the PSC undertook some revisions in its procedures, mainly not to send applicants requests for detailed clarifications, but notwithstanding this, delays still persisted largely due to availability of the members of the Committee. In order to mitigate against this and in line with the recommendations of the MTE, the number of people on the Project Selection Committee (PSC) was increased, and sessions were allowed to be held if there was a quorum (at least three members). The latter changes helped speed up the assessment for calls issued in 2011 and 2012

Some delays were also experienced in the selection of operations under the state aid schemes. In the case of the Childcare Aid Scheme, apart from the limited experience in EU funding of the Department for Social Welfare Standards (DSWS), the IB also misjudged the amount of interest that the scheme would attract (much less than expected). While in the case of the Aid Schemes administered by Malta Enterprise, delays arose from national decisions on issues related to the applicable feed-in-tariff (FIT) in the case of the energy scheme as well as the untimely re-organisation process within the IB itself (including the appointment of a new Project Leader for all ME schemes) which lead to delays in the project selection process for Call 3.

With regard to ESF, two calls were issued in 2010 covering all Priority Axes, whereas no calls were issued in 2011; however the PSC met numerous times to evaluate projects submitted in calls issued in 2010. The fragmentation of the projects received under the calls issued as well as the volume of work created (when compared to the amount of funds available and the potential commitments arising from the conclusion of this evaluation) made the selection process particularly burdensome and slow. Some procedural changes as outline above were made. However, even though the MA encouraged cooperation between partners traditionally linked with ESF this did not mitigate against the fragmented approach under ESF.

A similar problem exists under the ESF Aid Schemes. The high number of small applications received created a disproportionate burden on the IB, when comparing the man-hours required to approve and reimburse one application. In order to stream line implementation, in 2011 a review process was initiated in order to simplify the implementation of the Training Aid Framework. In January 2012, the same was done with the Employment Aid Programme.

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The objective behind the changes to the selection process both at MA and IB level was 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

Public procurement is governed by Legal Notice 296 of 2010 which aims at increasing the overall strategic supervision of the Central Government Authority (DoC) as well as ensuring a more competitive and inclusive tendering process. The aforementioned LN governing public procurement was introduced in May 2010. The revisions include adjusted internal thresholds resulting in an increased devolution of functions in some instances to contracting authorities or to the newly created Departmental Contracts Committee. The DoC has also taken various corrective measures in order to decrease the rejection rate of bids at the administrative stage, to support bidders through a number of information sessions with regards public procurement in order to get it right first time and to decrease the bureaucratic process through the launch of a full e-tendering solution. This system has already started being tested and tried during 2012 however will be fully operational in 2013. With regards to the system of award, DOC showed a clear inclination towards the preference of using the *cheapest compliant offer* as opposed to the *most economically advantageous offer* (MEAT). Although this decision has encountered some criticism from Beneficiaries, DOC contended that this decision would lead to more simplified procedures and lower the number of appeals. Through these measures, together with the launching of the first stages of e-procurement facility in 2011, the DOC aimed at further simplifying the tendering process and to cut through unnecessary delays throughout the procurement stages.

The role of the Departmental Contracts Committee (DCC) as per requirements of LN 296/2010 is to review and approve the Evaluation Committee's recommendations prior to award of a tender. In the case of tenders below the €47,000 (excl. VAT) threshold, the Contracting Authorities manage their own procurement, and the Departmental Contracts Committee has a supervisory role over tenders issued.

The centralisation of the procurement process, albeit providing quality assurance, inevitably creates delays because of backlogs at the various stages of the process with a number of months needed for a tender to go through the different stages i.e. from the vetting of a tender, to the actual award of the tender. Nevertheless, when considering the benefits of consistent quality assurance, this

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centralised system is still considered to have an overall positive impact on the implementation of the OPs.

The problems that have been so far encountered during the public procurement process include: delays in the vetting process prior to launch; delays due to the non-compliance of presented bids with the Instructions to Tenderers (ITT) or with the technical requirements which lead to the need to re-issue tenders; a perceived weakness in the evaluation process as carried out by Evaluation Committees where in the majority of cases the evaluation process would take more than normal to conclude; delays in the vetting of the evaluation report; delays due to appeals, as well as the lengthy preparation of contracts. A significant problem encountered during previous years, the relatively high number of unsuccessful tendering procedures, in particular the submission of administratively non-compliant bids, was partly addressed in April 2010 with the publication of revised regulations and revised templates. These allowed the possibility of an additional two working days for the bidder to rectify its administrative non-compliance instead of being eliminated from the tendering process. During the same year, the Department published updated and simplified tender templates. In particular the updated tender templates: clearly spell out the selection criteria to be used in the Instructions to Tenderers, including the minimum requirements that have to be met in order to be considered eligible in terms of excluding circumstances, financial standing, and technical capacity in line with Regulation 51 and 52 of LN296/2010; clarify that tenderers are not required or expected to submit with their offer, any components of the tender document except those specifically mentioned in a particular clause of the ITT; and clarify that in cases where audited accounts are requested, they would need to be submitted with the offers only if not appearing on the Malta Financial Services Authority Website by the closing date of the call for tender. As a consequence, these updated tender templates considerably reduce administrative errors but also facilitate the Evaluation Committee during their evaluation process. One should also note that with the introduction of e-tendering, the Department of Contracts will further simplify both the submission of offers and the evaluation process of call for tenders.

Whilst in 2008 and 2009, the main bottlenecks were at the vetting and evaluation stages, in 2010 and 2011, due to capacity issues at the Central Government Contracting Authority (made even more acute because of the many different procedures coming to a close (award) at the same time), the main backlog was in the finalisation of contracts, with a number of weeks passing from the award of the contract to the actual signature by both parties. As a countermeasure, the concept of a Letter of Intent was introduced. Such a letter is issued by the DoC following the appeals period, in order to formalise the award of the tender, and to create a legally binding obligation leading to a contract between the two parties involved. The Letter of Intent also specifies that once the contract is signed, its Terms and Conditions will retrospectively govern the work carried out by the Contractor following the issue of the letter but prior to the actual signature of the contract.

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On a positive note, as a result of new procedures introduced in 2010, the rejection rate due to administrative omissions significantly decreased. Nevertheless there are still cases where bidders still fail to submit complete documentation, even after being provided the opportunity to do so by means of a rectification request. In its endeavour to assist bidders, the Department held a series of information sessions for potential bidders in order to guide them on tender submissions. These information sessions saw a very high turnout. This led to an improvement in the quality of the tender offers and an increase in the number of new participants in several areas. This was due to the heightened exposure that the concerned Department is giving to published tenders through various means, including online.

To date the electronic procurement management system (EPMS) only gave online access to bidders to view/purchase the tender Documents, seek clarifications and view results of awards. With the new e-procurement solution, bidders can now also submit tender offers electronically. As from January 2013, the EPMS will be the single point of reference for public procurement activities in Malta with respect to Open Tender Procedures

Lastly, one should note that procurement by NGOs has presented challenges of its own especially due to the limited expertise available within such organisations. Consequently, the MA has sought to provide constant support and has organized specific training for these organizations, which has helped, to a certain extent, to mitigate the problems arising from the incorrect application of the procurement principles.

### 10.3 Delays in Payment Process

Although there was a substantial increase in the disbursement during 2010 and 2011, the amount disbursed remained relatively low when compared to the amount contracted. Delays in procurement but also delays during the implementation act as a general hindrance to the rapid disbursement. This has an impact on the verification process of the payments by the MA and the IB (the latter in case of Aid Schemes) which in itself presents a different set of challenges that delay the submission of payment claims to the Commission.

In the case of **ESF mainstream projects**, most projects are very fragmented requiring very detailed monitoring and lengthy checks (with validation and cross-checking of various documents). This requires substantial capacity at both the Beneficiary and subsequently at the MA's end during the verification of such expenditure. Considering that we are now halfway through the Programmes' implementation, a monitoring and verification system at Beneficiary and MA level, related to checks being carried out, such as the method used to check scholarship contracts, have now been

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established and the procedure is becoming more efficient in certain aspects, although the entire process remains still very resource intensive.

In addition, the lack of experience in the implementation of Cohesion Policy projects of some Beneficiaries cannot be ignored as this often causes delays at the initial stages of the project implementation (soon after approval) which are then never recovered and are only compounded during the implementation of the projects. This is also the case in the implementation of the Aid Schemes, that is, the lack of experience at enterprise level to cope with the administrative requirements, which in itself presents a challenge.

The **implementation of Aid Schemes** by IBs is a very challenging experience for the organisations as well as Beneficiaries alike. The whole course of action – the launching of the calls for proposals, the evaluation and ranking of applicants, the checks that need to be undertaken to verify claims made by the Beneficiaries (which at times are poorly presented and fragmented), and the payment process, is extremely time consuming. IBs tend to run into difficulties particularly when it comes to obtaining the correct documentation to process claims, often stalling the payment and verification processes for months. Beneficiaries in Malta are largely small or even micro enterprises and hence limited in the capacity. Beneficiaries often tend to complain that the processes are over-engineered and too heavy in terms of administrative burden, particularly for such small organizations which in the last months had to continuously grapple with the effects of the crisis. In some cases delays in obtaining the relevant planning permits (particularly in case of the child care scheme) also delayed implementation and eventual disbursement.

Through bilateral meetings, the MA monitored the backlog of claims under the Aid Schemes and suggested simplified ways on how these can be processed quicker without undermining the frequency, the level and quality of the checks.

As indicated earlier, following complaints from private sector organisations with regards to delays in particular under the ESF schemes, the IB, together with the MA and various stakeholders has carried out a simplification process which was launched in July 2011 in the case of TAF and January 2012 in the case of EAP. As a result of this review, the disbursement as at end of 2011, has slightly improved.

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On a positive note, all IBs are now beyond the half way mark in the scheme's implementation and at the peak of their learning curve. The MA seeks to support its IBs in a very direct manner, providing constant advice and guidance as well as training and support especially in relation to the first level of control checks. The setting up of the IB network proved to be a step in the right direction, enabling IBs from ESF and ERDF to come together and share their experiences to ensure that an integrated and common approach is adopted as much and whenever possible.

#### 10.4 Delays in the Planning Process

The MA (and where appropriate, the IBs) rely on the advice and decisions taken by the Malta Environment and Planning Authority (MEPA) on all matters related to environmental and planning issues<sup>29</sup>. During 2010, following, and also in view of, a substantial reform aimed at enhancing its efficiency, impact and accessibility in the areas of Consistency, Efficiency, Accountability and Enforcement, the MEPA has sustained its assistance to the MA in terms of feedback in relation to applications (environment and development consent applications) in relation to operations submitted and / or approved under OPI. This allows the MA to monitor and track the progress of applications for environmental and planning permits, EIAs and authorisations as well as compliance issues.

The planning process of large scale infrastructure necessitates a number of studies – such as *EIAs* and *other Impact studies* – which include consultation with stakeholders, including civil society stakeholders and citizens at large. In Malta the complexity of this process is compounded by its territorial profile and constraints with most planning procedures (even those which are not considered of national importance) being often contested by various stakeholders and, at times, becoming highly controversial issues. This contestation results in additional delays in the planning and environmental permitting process which has a direct impact on the progress on the ground and in most cases results in delays in the procurement process (given that tenders cannot be published without an approved planning permit).<sup>30</sup>

Beneficiaries are well aware of the substantial time required for the issuing of the necessary development consent. In order to advance on time, Beneficiaries (especially in the case of bigger

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<sup>29</sup> The Malta Environment and Planning Authority (MEPA), is the body responsible for environmental and planning consent.

<sup>30</sup> Few exceptions have been made to publish tenders prior to the planning approval, usually only when MEPA provided a no objection in principle letter.

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projects) sometimes start the preparation of baseline studies following informal consultation with MEPA who provides draft Terms of Reference (ToRs) of the EIA until the Project Description Statement (PDS) is approved before the contracting of the EIA consultants and the final ToRs by MEPA are issued. In order to mitigate against any potential delays, in certain instances the Beneficiary seeks to pre-empt problems by holding consultations *a priori* with the relevant stakeholders and undertaking the required changes to the plans prior to the start of the official consultation process. Finally, the MEPA continues its co-operation with various Government Departments and Authorities and other organisations, also through its participation in the High Level monitoring meetings which are held on a monthly basis.

In order to improve the quality of project applications submitted to the MA, applicants are encouraged to consult MEPA before the submission of the Project Application to the PSC. In order to facilitate this, a contact point within the MEPA has been identified (applicants can ask for guidance on the permitting requirements related to their application). To further strengthen environmental considerations and in line with the Strategic Environmental Assessment (SEA) Regulations, an Environment Committee has been established by the MA to ensure the integration of environmental considerations into the Programme, throughout its lifecycle.

Given Malta's territorial specificities, including size, high levels of urban sprawl as well as its extreme population density, planning permits are an issue for any type of infrastructure. The problems 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 be granted, especially when there is the need of environmental studies (often the need for seasonal studies) that need to be undertaken before recommendations can be made to the relevant authority. As was explained above, the delays arising from the planning process increase substantially as no tenders can be launched<sup>31</sup> in parallel with the planning process.

The appointment of a focal point within the MEPA in relation to projects co-funded under Cohesion Policy 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.

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<sup>31</sup> DoC Circular 18/2008.

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## 10.5 Delays due to the global economic crisis

The unforeseen delays arising from the effects of the global economic crisis have affected a number of beneficiaries, including enterprises, who 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 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 monthly basis since the summer of 2009<sup>32</sup>. These monthly *Project Progress Meetings* 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), Treasury (where relevant) and the MEPA focal point. 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 problematic situations. The MA then monitors the follow-up and alerts the relevant authorities where progress is not forthcoming.

## 10.6 Problems related to the implementation of Article 55 in the context of EE and RES projects and delays due to the development of a Feed-In Tariff Policy

Problems in 2010 were also encountered in the selection and implementation of energy efficiency and renewable energy projects under PA 4. The current Regulation (Article 55) establishes that revenue generation projects are subject to the funding gap methodology. Even though changes in the Regulation sought to provide some simplifications to the Rule, EC Guidance Notes<sup>33</sup> still obliged Managing Authorities to adhere to sound financial management principles without giving specific guidance of what this entails. The MA interpreted this as that in practice it is still required for Beneficiaries to present a feasibility study in order for the MA to ensure that the projects were receiving sufficient (but not unnecessary) funding. In 2010, the MA had sought clarifications from the Commission on the matter and the original interpretation was confirmed. This has resulted in a number of organisations, public and NGOs, not being able to provide the relevant matching funding and hence withdraw the project. Whilst it is clear that projects that have the potential to raise

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<sup>32</sup> Previously these meetings were held twice a year with the first one taking place in December 2008.

<sup>33</sup> COCOF 07/0074/09 dated 30 November 2010

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revenue should not be given public funds that can be obtained through other sources, this logic is not consistent with pressures being made to adopt Renewable Energy Sources (RES) and Energy Efficiency (EE) measures in the immediate term.

Another issue which delayed the implementation of RES projects approved under PA 4, including those approved under the aid scheme, is the national discussion and the development of the FIT policy. The policy was announced in July 2010 and subsequently the legal notice was issued in September. This delayed the signature of Grant Agreements under the (State) Aid scheme, the domestic scheme as well as other project proposed by Government Entities/NGOs/Local Councils. Whilst this gave rise to delay in the preparation and finalisation of Grant Agreements, it is positive that the policy is now in place and operational and provides a bigger incentive for Beneficiaries to undertake such investments.

### **10.7 Delays due to the concerns with the financial management of non-Governmental Beneficiaries**

Some of the calls issued under both the ERDF and the ESF were made accessible also to a number of non-Governmental entities in view of their non-profit making nature, which rendered them automatically ineligible to benefit from the Grant Schemes available under both funds. Participation and approval of projects, and subsequent take up of funds by NGOs and Local Councils was significant, especially under PA 2 (Promoting Sustainable Tourism) and PA 4 (Mitigation and Adaptation to Climate Change) of Operational Programme I as well as PA3 (Equal Opportunities and Social Inclusion) of Operational Programme II.

Such participation was considered to be very positive by the MA, particularly under ESF. It is widely acknowledged that NGOs, through their grass-root and community-based operations, give a very valid contribution to reach ESF target groups which would otherwise not be reached through normal public entities. Conscious of the obligations which Cohesion Funding poses in terms of implementation, the Managing Authority set up specific tailor-made monitoring mechanisms as a *preventive measure*, to ascertain the soundness of the checks and balances system of such beneficiaries from the onset of the implementation of their approved project. Even though no problems of major concern were found as at the date of drafting of this document, the checking of the financial management of each beneficiary necessitated the presence of the Financial and Control Unit, as well as the Monitoring Team within the Managing Authority in the earliest stages of the project implementation following approval. This means that the same team within the MA involved in the monitoring, checking and verifying expenditure (and thus ensuring the fulfilment of the N+3 and N+2 Commitments) had to concentrate concurrently on pre-implementation training, checking and discussions, possibly leading to delays in the commencement of these projects and

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on the verification of others. This problem was partially mitigated by the organisation of collective Training Sessions, but the MA still believes in the importance of one-to-one checks on the management system of each Beneficiary, and is of the strong opinion that delays incurred as a consequence of such procedures are overall mitigated by a better and more efficient management of the project and decreased verification hitches in the later stages of implementation. It is pertinent to note that the regular training offered by the MA, assisted in strengthening the knowledge capacity of NGOs in implementing successfully their respective projects, and although there is still room for improvement, adequate progress has been registered in the past months.

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## 11. Developments in National Strategies

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Since 2010, Government continued in setting the strategic direction and defining its targets over the forthcoming years which is also a reflection of Malta's Strategy for Cohesion Policy. The main strategic documents which have been published since the presentation of the Strategic Report 2009 include the:

- Annual pre-budget and subsequent Budget Documents for 2011 and 2012
- National Reform Programme under the Europe 2020

Apart from these National Strategies, which are aimed to be horizontal policies cutting across sectors, a number of Sectoral Strategies have also been issued and updated since the presentation of the 2009 Strategic Report. These include the Digital Inclusion Strategy 2012 - 2015, the eBusiness Strategy 2012 – 2015, the Strategy for Social Protection and Inclusion 2012, the National Action Plan for Social Inclusion 2012, the National Curriculum Framework of 2011, the Draft Lifelong Learning Strategy, the National Sexual Health Policy 2010, A Healthy Weight for Life: A National Strategy for Malta issued 2012, Strategy for the Prevention and Control of Non communicable Disease in Malta 2010 and the National Cancer Plan 2011-2015.

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

Government has continued to launch the Pre-Budget Document based on a wide consultation process carried out with various stakeholder groups on an annual basis.

The latest Pre-Budget Document, the 2012 pre-budget document, presents Government's response towards the challenges which are currently being faced by Malta from both an economical and social perspective. Malta's economy has undergone a major restructuring programme amidst the global economic crisis and in this regard the pre-budget document focuses on the means to sustain growth and create more and better jobs. In fact, the Pre-Budget Document 2012 places particular attention on:

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- The current economic and financial scenario including addressing the short-term fiscal adjustment strategy through the implementation of various revenue-increasing measures;
  - Means to maintain fiscal and economic sustainability including indicators and measures to reduce macro-economic imbalances;
  - Enhancing Malta's economic growth by adapting, competing and succeeding in the knowledge-based global economy. This is being done by continuing to place the country's focus on core functions while ensuring a competitive level playing field; creating the right condition for people to excel; investing and seeking partnerships in key strategic areas in the economy including R&D, environment and modern infrastructure as well as through the creation of the right business environment for enterprises to invest and grow. This also includes the challenges and opportunities of economic development in Gozo;
  - Optimising the economic contribution to Malta's human resources by encouraging more workers to enter the labour market; investing in people; and investing in active labour market policies;
  - Increasing Human resource potential through education and training by investing in compulsory education, vocational learning, lifelong learning, educational infrastructure, and investment in further and higher education;
  - Increasing social inclusion through the provision of social protection, social cohesion, support mechanisms for persons with disability and housing for people in need;
  - Infrastructure in transport and communication including public infrastructure projects; and investments in improving Malta's public transport network;
  - RES and EE initiatives: Moving towards a greener economy by addressing production, consumption and distribution systems.

As can be seen from the aforementioned priorities, the Pre-Budget Document 2012 is intrinsically aligned with the objectives put forward in the Malta NSRF, and the NRP's. Within these documents, significant importance has been given to the main principles and priorities of Cohesion Policy in Malta including improvement of the country's attractiveness, improved accessibility to all, preservation of the environment, investment towards innovation, entrepreneurship and ICT, the creation of more and better jobs and increased investment in human capital.

### 11.1.1 Budget Document 2012

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The Budget Document 2012, which follows, provides greater focus on some of the actions put forward in the Pre-Budget Document 2012. The Budget Document outlines Malta's reaction towards mitigating the impact of the economic crisis and this is being accomplished by safeguarding employment, incentivising investment, measures intended to stimulate development within the economy, investing strongly in education, keeping the tax burden low, fighting inflation, reducing bureaucracy, strengthening pensions and social benefits, supporting the neediest families and continuing in investing in the development of health services. Within this context, the Budget Document 2012 focuses on the following objectives, namely:

- **Addressing the Maltese economy** whereby focus is being placed on the sustainability of the Government's finances and decreasing deficit and debt levels;
- **Employment, enterprise and tourism** by providing incentives for industry in order to increase jobs and increase Malta's competitiveness levels; investing in innovation such as research; increasing investment in SME's; fostering of the financial service sector; working to attract more tourism in Malta; furthering investment in cultural programmes; protecting the consumer; investing in the integration of workers in the labour market; increasing women's participation in the labour market; family-friendly measures; and strengthening fiscal enforcement;
- **An investment programme in Malta's infrastructure and environment** which is being done through investing in infrastructure, heritage and the reduction of air pollution; implementing the public transport reform; providing further incentives for cleaner private vehicles on our roads; investing in cleaner systems of electricity generation and incentivise the use of alternative energy; providing incentives to families to meet the challenges of the energy sector; investing in towns and cities to improve their appearance and the quality of life; investing in the maritime infrastructure; and the implementation of a solid waste management strategy.
- **Improving Gozo's socio-economic situation** through the creation of incentives that increase employment; infrastructure projects; improving the tourism product in Gozo; and implementing measures in line with Eco-Gozo;
- **Education** whereby Government focuses on developing each person's potential; investing in the compulsory education sector; investing in further and higher education; investing in youth's non-formal education; and also assisting sports associations;
- **The family and the social sector** through increasing direct aid to families with children and to the most vulnerable senior citizens; increase the minimum rate for children's allowance; increasing certain pensions; provision of support for disabled persons; further assistance to voluntary organisations; schemes to help families improve their residence or become home-owners; increasing health services for all; and measures to increase participation of the elderly in all sectors of society.

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The implementation of some of the measures put forward within the Budget document are financed through Cohesion Policy funds. Cohesion Policy contributes towards various sectors within Government's portfolio such as Education and Employment; Innovation through Research and Development; Transport, Health, Tourism, Energy and Education related Infrastructure.

A significant number of approved projects promote investment in areas such as innovation and R&D, infrastructure, cultural heritage; alternative energy, waste management and tourism. Other areas that are being targeted by the Budget 2012 and which Cohesion Policy is addressing through the projects being undertaken include investment in the integration of workers (especially females) in the labour market; investment in the education sector (including both formal and lifelong learning education) as well as providing support to disadvantaged groups.

## 11.2 National Reform Programme

### 11.2.1 National Reform Programme Under the EU 2020 and its updated report.

In 2011, Malta published a renewed National Reform Programme which puts forward Government's commitment towards obtaining the Europe 2020 Targets. An update of the NRP was published in April 2012. The latter NRP sheds light on the progress made by Malta in view of the commitments set in the NRP for 2011 and reports on the economic imbalances and bottleneck to growth identified in the previous NRP. The NRP update, together with the update of the Stability Programme, outlines the Maltese Government's vision and policies for economic growth and sustainable fiscal consolidation. This Report also addresses the five priorities identified by the European Commission in the Annual Growth Survey 2012, namely:

- Pursuing differentiated growth-friendly fiscal consolidation.
- Restoring normal lending to the economy.
- Promoting growth and competitiveness for today and tomorrow.
- Tackling unemployment and the social consequences of the crisis.
- Modernising public administration.

Furthermore, the updated NRP presents a detailed outline of the progress achieved to date in implementing the Euro Plus Pact measures and the measures under the National Targets for Employment, Energy, Education, Environment and Poverty Reduction. A detailed report on the implementation of the Country Specific Recommendations (CSRs) published in June 2011 is also

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being provided through this NRP. In addition to ongoing measures announced in the NRP for 2011, the updated NRP includes 22 distinct new measures aimed at consolidating Malta's progress towards its EU 2020 targets.

Various measures highlighted within the NRP under the EU 2020 are being addressed through projects being funded under the Cohesion Policy 2007-2013. These include better utilisation of vulnerable group's employment potential, promotion of energy efficiency the offering of more opportunities for participation in vocational education, provision of support to persons with a disability towards labour participation and the promotion of social inclusion through the reduction of poverty.

### 11.2.2 Country Specific Recommendations

With regard to the CSR 1 which seeks to ensure correction of the excessive deficit by 2011, in line with the EDP recommendations Malta has taken effective action to bring down the general Government deficit below the 3 per cent threshold by the end of 2011 to 2.7 per cent of GDP. The 2012 budget document in fact includes various revenue and expenditure impact measures.

The second CSR urges Malta to take action to ensure the sustainability of the pension system. The NRP makes reference to the latest projections which indicate an increase in the average exit age from the labour market which is expected to exceed the gains in life expectancy up to 2030. In this context it is also worth noting that one of the most important measures addressed by the 2006 Pension Reform Process in Malta was the continued periodic review of the pensions system. Similarly to this CSR, the Pensions Working Group (PWG) has also recommended that Government introduces the Third Pension framework to provide the appropriate vehicle for persons to save on a voluntary basis for their pension. This report is currently being considered by Government. The second CSR also refers to measures to enhance employment of older workers and active ageing policies and calls for a 'comprehensive active ageing strategy'. In 2008, the Maltese government incentivised measures that allow people who attain retirement age to stay in work while starting to receive a pension. This has increased the employment rate for persons aged 60-64 from 10.8% in 2000 to 14.2% in 2010<sup>34</sup>. An ad hoc Inter-Ministerial Committee was set up under the stewardship of the Ministry of Health, the Elderly and Community Care in order to identify

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<sup>34</sup> These figures were published in Eurostat.

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the actions that are already being undertaken in this area and prepare an advanced strategy based on the principles of intergenerational solidarity, employability, volunteering and health. This strategy will define measures that may be included in the next programming period.

CSR 3 urges Malta to focus education outcomes more on labour market needs. In this regard it should be noted that a number of measures included in the 2011 NRP address the issues of improving access to Higher Education and to strengthening the effectiveness of Vocational Education and Training. ESF has a major role to play in this regard particularly through the provision of bursaries for adults and the extension of an array of vocational subjects provided by post-secondary vocational education and training institutions. Moreover, the Maltese Government is focusing on measures to reduce early school leavers by tackling absenteeism through the strengthening of student services, the introduction of vocational subjects in secondary schools as well as through the introduction of embedded learning for foundation students. This is being done both through national and EU funds as explored in Chapter 9.

CSR 4 recommends Malta to review and take the necessary steps to reform the wage bargaining and wage indexation to ensure that wage growth better reflects developments in labour productivity and competitiveness. The Maltese Authorities are currently conducting an analysis of the impact of the cost of living adjustment (COLA) on the functioning of the labour market and the underlying competitiveness position with an emphasis on Malta.

CSR 5 states that Malta should strengthen efforts to reduce Malta's dependence on imported oil by increasing investments in renewable energies and making full use of available EU funds to upgrade infrastructure and promote energy efficiency. In this regard it is worth noting that EU Funds are currently co-funding various initiatives which seek to improve energy efficiency as well as increasing the use of renewable energy. A scheme amounting to more than €16m administered by the Malta Resources Authority provides financial support to cover part of the costs of RES and EE equipment used in the domestic sector. Other projects promoting energy efficiency include the installation of Renewable Energy Sources at MCAST, the conversion of the offices of Housing Authority in Floriana into eco-friendly, energy smart building as well as the installation of PV panels at various locations. On the other hand, when it comes to improved energy efficiency in transport, a project which is co-financed through ERDF shall be setting up a core Intelligent Management System with the aim to contribute towards an efficient public transport system. Similarly, measures intended to stimulate private sector investment in RES and EE initiatives (enterprises) is also being implemented through ERDF funds. Finally, following the change to OPI, approved by the

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Commission earlier in 2012, a further €55million ERDF funds will focus on energy and resource efficiency projects.

Malta is committed towards obtaining its EU 2020 measures through activities and initiatives which address the 5 priority areas, namely Employment, R&D, Energy, Education, Poverty Reduction and Social Inclusion. Details of the Operational Programmes contribution in this regard are found in Chapter 9 of this Strategic Report.

### 11.3 Sectoral Strategies

The Maltese Government has launched a number of sectoral strategies to set objectives and targets within key sectors and to enable the main stakeholders to take appropriate actions in order to achieve those objectives. The main sectoral strategies supporting the above which are most relevant to investment being undertaken through Cohesion Policy include: the Strategy for Social Protection and Inclusion 2012; National Action Plan for Social Inclusion 2012; National Curriculum Framework of 2011; Draft Lifelong Learning Strategy; and National Cancer Plan 2011-2015.

#### 11.3.1 Education and Social Policy

Malta's long term vision is that of creating a better society, one which offers an array of opportunities for all individuals, especially for those who are to be considered more vulnerable and therefore at greater risk of social exclusion and poverty. It is a vision which caters for the well-being of each citizen, by providing the right tools and resources to live well.

It thus follows that the main thrust of Malta's actions in education and social policy should reconcile institutional interventions with more appropriate and sustainable approaches that sufficiently correct or compensate against social imbalances within an overall sustainable public budgeting process. Therefore, major emphasis must be put on education, social inclusion, pensions, health and long-term care.

Malta's Strategy for Social Protection and Inclusion 2012 builds upon the actions put forward within the previous plan for the period 2008-2010 whilst also complementing the Europe 2020 Strategy,

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particularly the target which seeks to reduce poverty and increase social inclusion across Europe. The challenges identified within the National Action Plan for Social Inclusion 2012 include:

- increasing the overall employment rate, particularly through the inclusion of women and vulnerable groups within the labour market;
- pursuing the commitment to reduce early school leaving and educational underachievement;
- promoting greater availability of adequate and affordable housing;
- combating the intergenerational transmission of poverty and social exclusion;
- promoting equality and diversity;
- reforming the social protection system to ensure its sustainability, adequacy and comprehensiveness;
- improving access to quality health and long-term care.

These challenges shall be addressed by efforts geared towards (i) social inclusion which includes the advancement of children and young persons' well-being, active inclusion, active ageing and equality of opportunities, (ii) pensions reform and strengthening further the adequacy and sustainability of pensions in Malta, and (iii) improving access, quality and services of health and long-term care.

In line with the Europe 2020 Strategy, Malta, through this strategy is committed towards improving the well-being of young people, elderly people, jobless as well as other vulnerable groups. Operational Programme II is providing a significant contribution towards this particularly through Priority Axis 3 co-funded projects, which seek to improve employability and adaptability of various types of vulnerable groups.

As reported in the previous Strategic report, government is determined to reform the educational sector, a drive that has been ongoing on various fronts since 2005. Review of the national curriculum at secondary level was undertaken to include vocational/technical subjects. Key ideas in the National Curriculum Framework 2011 include:

- The development of lifelong learners who are engaged and responsible citizens, and active in the economy;

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- The support for all learners to achieve and succeed, whatever their backgrounds, needs and aptitudes;
  - A clear focus in colleges and schools on meeting the needs of all learners through increased curricular autonomy;
  - The creation of active, inclusive learning communities which put learning and learners at the heart of all that they do and are accountable to their stakeholders;
  - Seamless progression through the early, primary and secondary years;
  - Learning which is active, personalised, relevant, and purposeful;
  - Learning that emphasises the application of knowledge and skills in different contexts and settings as well as breadth of knowledge and depth of understanding;
  - A curriculum framework that focuses on learning areas, creating links and synergies across traditional subjects;
  - Assessment and evaluation which use information and feedback to plan improvement;
  - Cycles of quality assurance and evaluation which recognise that continuous professional learning is an essential part of educational practice.

In August 2012, the final report on the analysis of feedback to the Consultation process on the Draft National Curriculum Framework was published by the Government of Malta and the recommended way forward is a paradigm shift in the way learning, teaching and the curriculum are perceived. Key ideas for managing change, proposed implementation timelines and a strategy for the development and implementation of a pedagogical framework for the Maltese curriculum were identified within this consultation document.

Malta's National Qualification Framework captures formal, informal and non-formal learning in a single comprehensive credit system that cuts across the level descriptors based on learning outcomes. This process follows the publication of Legal Notice 347 of 2005 which saw the birth of the Maltese Level Descriptors for a framework of qualifications. In 2011, the Maltese government published the Draft Lifelong Learning Strategy which aims at improving further specialisation in post-graduate education, to ensure the intellectual and economic growth necessary for a knowledge-based economy. The strategy identifies twenty indicators for assessing progress to be achieved by 2015. The overall riding concept of this strategy is to promote effective incentives to those within and outside employment; the opportunity to every adult to re-train; and to move a step up in their qualifications.

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Structural Funds have 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 investments in terms of the projects being carried out at the University of Malta, MCAST and investment within state schools as already explained in previous chapters. On the other hand, various training initiatives are being financed under OP II, both in terms of addressing the capacity building of the educational sector directly; through more flexible learning pathways within the formal education sector; and through the provision of lifelong learning/training options to the various strata in society. The actions being implemented through Cohesion Policy are enabling the thorough implementation of the Education Reform providing additional value added to the educational sector as already explained in Chapter 9.

### 11.3.2 Health

Malta's vision for a healthy workforce is multi faceted and is addressed through a number of thematic health policies. Of relevance is the National Cancer Plan 2011-2015. The aim of this strategy is to reduce occurrences of cancer, prolong survival and ensure the best quality of life possible for cancer patients by providing high-quality and equitable cancer services. According to the formulated plan, the process of providing cancer care should not be aimed solely at treating the cancer patient's disease, but should equally be geared towards making the patient's and their carer's experience as positive and empowering as possible.

Linked to this is the Major Project for the building and equipping of Malta's Oncology facility, which is being financed through OPI, whilst complementary capacity building actions of medical staff needed to staff the facility are being financed through OP II.

### 11.3.3 Information and Communication Technology

For the last two decades, ICT has been prioritised by successive Governments with the result that Malta has become a leader in all aspects of the ICT spectrum, at both a national and international platform.

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As stated in the Digital Inclusion Strategy and the e-Business Strategy, the Government policy towards ICT is that in an age where ICT plays a central role in everyday life and where those who actively engage in online activity enjoy significantly more opportunities than those who are not ICT literate or active participants in the online society, it is imperative that each and every citizen has both access to ICTs, as well as the competences required, to fully participate in the Networked Society.

ICT is one of the areas which both the NSRF and Europe 2020 strategy give significant importance; in fact the Europe 2020 strategy aims to achieve smart growth, and ICT is one of the tools to achieve this, together with more effective investments in research and innovation. The NSRF also highlights the importance of ICT within the Maltese context whereby one of Government's objectives highlighted is increased technology take-up at all levels i.e. household, education and business levels.

A number of projects being co-financed through Cohesion Policy address significant improvement in the use of ICT within various aspects of society, including the construction and equipping of the Faculty of ICT at the University of Malta, the development of a Maltese speech engine, the provision of e-services to the public through an e-form system, the provision of e-ID, and an E-Learning Platform for the educational system. Other initiatives being co-funded include also: the provision of European Computer Driving License (ECDL) courses for teachers and parents to enhance ICT confidence so as to encourage the use of ICT within their children and students; E-learning Management system as a support for post-graduate medical training and continued professional development; deliver a training curriculum on ICT as a robust entrepreneurial tool; and other ICT capacity building initiatives at MCAST in order to increase the pool of ICT skills.

#### **11.4 Public Service Reform**

Changes in policy are also linked and driven by continuous within the public service. Indeed government is driven to provide and integrate a more pro-technological environment, leading to various changes to the existent public service policies. Amongst the numerous reforms, it was essential to adopt one Common Database (CDB) which allows government organisations to easily obtain information from such database or through other means when it is necessary thus lessening the administrative burden both on citizens and respective businesses.

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The constant diffusion of information and communication technologies helped empowering all stakeholders to convert commitments into action. The Department of Information has managed to extend its information services through the developments in social media. E-government has strongly shifted expectations of what governments can and should do, by using modern information and communication technologies and increasing the role of e-government in encouraging inclusive and participatory development. This goes hand-in-hand with the growing demands for transparency and accountability. Since 2008, the Ministry of Finance, the Economy and Investment (MFEI) introduced its services through electronic means, by implementing the Procurement Management System. This allowed a growth in the transparency and efficiency of the procurement process, considering that it became visible 24x7. It has most definitely helped to decrease the administrative burden on economic operations, especially SMEs. In conjunction with this initiative, 2 years down the line, the department introduced other adjustments which rendered public procurement a more user-friendly one. Besides reducing the volume of the tender templates, economic operators were able to amend/supplement certain administrative aspects of their tender against a nominal fee, instead of having their offer rejected.

Following Cabinet's approval of Malta's Better Regulation Strategy 2008-2010 in 2008, the Better Regulation Unit (BRU) within the Office of the Prime Minister (OPM) has been required to work closely with the public administration to ensure that Better Regulation principles and procedures are applied consistently throughout the Public Sector in order to promote simplification, improvement of existing regulation, better design of new regulation; design and application of better regulation tools and good practices. ESF funded specialised training, in order to help public administrators to understand the concept of better regulation and also to translate its objectives into tangible savings for businesses, ensuring that the regulatory environment in which businesses operates is devoid of unnecessary administrative burdens, thus supporting businesses' competitiveness and their ability to grow and create jobs.

In view that the overall aim is to train and provide people with the necessary tools for their development, from both a personal as well as a career level, the Centre for Development Research and Training (CDRT) addressed a number of areas as a result of specific shortages of skills and expertise in the public administration which were similarly identified through an ESF funded project (ESF 4.100). The main focus was placed on multiple aspects including information management, EU structures and processes and continuous human development amongst others. However CDRT felt that this was not enough and subsequently offered the possibility to provide sponsorships to a number of promising officers for courses which are in line with the government's vision and direction.

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In its commitment towards promoting and supporting the physical and psychological well being of public employees, the Public Administration, through the Corporate Projects Directorate within the CDRT, is implementing the ESF4.97 Project-Employee Support Programme for Public Employees (ESP). The Programme is designed to cater for employees experiencing personal and work related difficulties such as work-related stress and disability issues. It will help employees to take responsibility for their own health and wellness in order to contribute towards a healthier work environment. Six partner organisations helped in realising this project, including the Foundation for Social Welfare Services, the Hospice Movement, Kummissjoni Nazzjonali Persuni b'Dizabilita', OASI Foundation, Richmond Foundation and Cana Movement. To date, there are around 3,300 public employees who already benefitting from different training and information components.<sup>35</sup> Further assistance was also provided to children who are finding it difficult to reintegrate and learn in classes due to social, emotional and behavioural difficulties that they are experiencing. Specialised teachers and learning support assistance are helping out these kids with such frustrations. On the other hand, career advisors are holding one-to-one sessions with Form 5 students, during which they discuss his/her post-secondary career path.

In order to reinforce further the concept of a work-life balance, the government generated a set of family-friendly measures whereby the prime priority is that of keeping the public workforce motivated whilst obtaining an enhanced productivity. All this contributes to Malta's achievement of its EU 2020 targets.

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<sup>35</sup> This Programme is co-financed under the European Social Fund, Operational Programme II.

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## 12. European Economic Recovery Plan

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In an attempt to mitigate the effects of the global economic crisis in December 2008, the Commission presented a proposal aimed at facilitating the absorption of Cohesion Policy. Such measures were meant to boost demand and stimulate confidence but also to reinforce Europe's competitiveness in the long-term. The key measures undertaken (linked to Cohesion Policy) in this regard were:

### 12.1 Financing

#### 12.1.1 Pre-financing

One of the two pillars of the European Economic Recovery Plan (EERP) included an immediate budgetary impulse at both EU and national level as a means to address in part the cash flow problem brought about by the financial crisis. In the case of Malta, it was 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 order to support such Structural Funds Beneficiaries,. In practical terms this means that 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>36</sup>. This minimises significantly the potential cash flow problems that organisations could face when implementing projects on the ground. Although this places a burden on central structures such as the Treasury,(charged with the processing of payments) and also results in 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 to participate in Cohesion Policy.

In the case of Grant 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 such expenditure from its pre-financing budget without waiting for the interim payment to be declared to the EC. There are no advances given to enterprises. No changes in thi regard occurred since the 2009 strategic report.

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<sup>36</sup> OPM in the case of NGOs. Social Partners and Local Councils.

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### 12.1.2 Declaration of costs related to major projects

Malta has two operational programmes, Operational Programme I (OPI) financed by the ERDF and the CF and Operational Programme II (OPII) financed by the ESF. It is only under OP I that Major Projects are envisaged. In this respect OPI<sup>37</sup> provides an indicative list of 7 major projects: 2 under PA 3, 4 under PA 5 and 1 under PA 6.

By December 2011 three (3) Major Projects had been submitted and approved by the EC, namely *Improvement of the TEN-T Road Infrastructure (PHASE I)*, *Malta South Sewage Treatment Infrastructure* and *Rehabilitation and Restoration of Closed Landfills*. The Major Project concerning the Mater Dei Hospital Oncology Centre, was submitted to EC in January 2012 and approved in April 2012, whilst the Major Project concerning the National Flood Relief Project was submitted to the EC in August 2012 and expected to be approved in end 2012. The other two Major Projects are expected to be submitted to the EC in early 2013.

Since the entry into force of 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. Expenditure declared to the EC included expenditure in relation to the Malta South Sewage Treatment Infrastructure, Improvement of the TEN-T Road Infrastructure (PHASE I), Rehabilitation and Restoration of Closed Landfills, National Flood Relief Project and Mater Dei Hospital Oncology Centre. This allowed the Maltese authorities to verify and certify an amount equivalent to € 26,222,736 (EU Share) out of €60,404,634 (EU Share) certified amounts till end December 2011.

### 12.1.3 Declaration of advances to SMEs

As stated above (section 12.2.1), no advances are given to SMEs under state aid schemes implemented under Article 87 of the Treaty and therefore no such advances were certified to the EU. A Pre-financing of reimbursement (from a national pre-financing budget) of paid expenditure exists as described under Bullet 12,2,1 above.

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<sup>37</sup> As approved by the Monitoring Committee for onward submission to the Commission in November 2011. The revised OPI was submitted to the Commission in 13<sup>th</sup> March 2012 and approved on 24<sup>th</sup> May 2012

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#### 12.1.4 Frontloading of investment

It was the intention of the Maltese Authorities 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. This did not occur, partly because of delays in the project selection process and partly because of the need to issue additional calls to those originally envisaged. It is not expected that funds under the two Operational Programmes will be fully committed by the first half of 2013.

It is important to point out that during the course of implementation a number of projects under both OPs have registered substantial savings necessitating the issuing of new/additional calls to commit funds that were previously committed. In the case of OPI, the change to the OP in 2011 (approved by the EC in 2012)<sup>38</sup> had the impact of releasing funds previously committed to a Major Project which necessitated the issuing of new calls. In the case of OPII, a change was made in 2012 which resulted in the need to issue additional calls under PA 1 which was previously fully committed. As at the cut off date for this report, 71% and 83%<sup>39</sup> of OPI and OPII was committed in projects (including indicative budgets reserved for Major Projects) and Grant Schemes (committed by the MA to the IB<sup>40</sup>) respectively. While these figures could still vary once the public procurement process of approved projects and the commitment circuits are complete in the case of Major Projects<sup>41</sup> and Grant Schemes, the current achievement is well in line with the plan of the authorities.

Furthermore, Intermediate Bodies have frontloaded planned investments for Grant Schemes under Article 87 of the Treaty and issued additional calls (originally planned for later on in the programming period). IBs, too, are facing a situation whereby the withdrawal of project, savings registered within approved projects and irregularities necessitated the issuing of additional calls.

#### 12.1.5 Modulation of EU contribution rate

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<sup>38</sup> In particular the transfer of NFRP Major Project from ERDF to CF

<sup>39</sup> Both figures are as at 31<sup>st</sup> December 2011. As at 30<sup>th</sup> October 2012, these figures are as follows 80% and 86% for OPI and OPII respectively.

<sup>40</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.

<sup>41</sup> In the case of a number of major projects, studies are still underway and therefore indicative budgets could change.

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Both Operational Programmes are expressed on public eligible expenditure with the co-financing rate 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:**

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

Following lengthy discussions with the Commission, the implementing conditions for applying such measure to the ESF were approved on 26<sup>th</sup> August 2010. Up to December 2011 a total of 26 out of 60 approved operations (excluding Aid Schemes and TA) applied to use this flexibility. Given the circumstances and also the nature of the investment, it was deemed not practical to apply this measure and implemented under OPI for this programming period.

### **12.2.2 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.

### **12.2.3 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**

### **12.3.1 General changes to the Operational Programmes**

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In 2011 a number of changes to OPI were proposed by the MA to the Monitoring Committee (MC) meeting held on 17<sup>th</sup> November 2011. These changes were mainly triggered by the availability of funds under the Cohesion Fund following the substantial savings registered following the contracting of a number of tenders under the TEN-T Phase I project, the outcome of the Mid-Term Evaluation and the further alignment of the available funds under the ERDF with the EU 2020 targets.

The main changes presented and approved by the MC in November included:

- the transfer of the NFRP Major Project from PA 4 to PA 5, thus releasing substantial funds under PA 4 to be used for climate change initiatives;
- the transfer of funds from PA 3 to PA 5 (between Cohesion Funds)
- the introduction of a new focus area under PA 4 (Resource Efficiency); and
- an overall increase in the earmarked categories of intervention.

This proposal was subsequently presented to the European Commission in March 2012 and approved in May 2012.

In the case of OPII, up to December 2011 no changes to the OP were presented. Nevertheless, during the last quarter of 2011, the Maltese Authorities felt that a change was necessary. This was triggered by the need to address implementation difficulties (consisting in a low take-up) experienced under Priority Axis 4 and the need to address some of the issues identified in the Mid-Term Evaluation. The changes were presented to the MC in February of 2012 and subsequently approved in July of 2012. The changes were mainly concerned with a shift of funds between Priority Axis 4 and Priority Axes 1.

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

Regulatory changes made it easier for Structural Funds to contribute to actions for the implementation of energy efficiency and renewable energies in housing. In the case of Malta as was reported in the 2009 Strategic Report, the OP I as had been submitted to the Commission already included energy efficiency and renewable energy actions in the domestic sector.

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In line with the COCOF guidance document 08/0034/04 – EN, even though these are physically located on roofs of houses, the Renewable Energy actions foreseen under OPI were deemed to be network projects, since the power generated feeds directly into the national electricity grid. Therefore, these actions are not considered to be “housing related” in the way meant within the Regulation. On the other hand, with regard to Energy Efficiency under OPI, the action foreseen within the domestic sector was the installation of solar water heaters. As was reported in the 2009 Strategic Report, given Malta’s size and its territorial specificities, it was difficult to determine the necessary criteria required to launch the scheme until Q1 2010. Notwithstanding, implementation still proved to be difficult and take up was low, especially when considering the additional burden required to adequately run this scheme. Subsequently the unallocated funds were shifted to the RES activities within the same operation as it proved that there was a substantial demand for RES from the domestic sector.

### 12.3.3 Access to finance instruments (to benefit SMEs)

As was reported in the 2009 strategic report, Malta committed €10 million to the Joint European Resources for Micro to Medium Enterprises (JEREMIE) initiative as part of the crises response package in order to facilitate SMEs access to finance.

In March 2010, the Hon Minister for Finance, the Economy and Investment and the President of the EIF (European Investment Fund) signed the Funding Agreement which formalised the allocation from the OP of €10 million to the Holding Fund. In June 2010, the Investment Board Members approved the implementation of a First Loss Portfolio Guarantee product. This decision was based on the fact finding exercise carried out by EIF with the main players of the Maltese financial market.

Late in 2010 the Call for Expression of Interest for Financial Intermediary (FI) was launched through which Bank of Valletta (BoV) was chosen to act as the FI for the JEREMIE instrument in Malta. The negotiations with BoV were concluded in March 2011, and the Operational Agreement for the implementation of a First Loss Portfolio Guarantee instrument was signed between the EIF and BoV on 6<sup>th</sup> April 2011. The agreement signed with BoV is a thirty-six (36) month agreement within which BoV is entrusted with the task to build up a portfolio of €51.04 million in eligible loans (in order for the €10 million allocated to JEREMIE through Operational Programme I to be deemed eligible). By December 2011, 179 loans were signed for a total investment of €25.5 (including customer contribution) representing €15.8 million of the JEREMIE portfolio (or 31%). In 2011 the total disbursements amounted to €7.78 million. Out of the 179 loans sanctioned in 2011, 80 loans

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were related to Start-Up companies (representing a portfolio commitment of €6.6m), whilst 55 were micro-loans (<€25,000) representing a commitment of €820 thousand of the JEREMIE portfolio.

Part of the success of this quick build-up of the portfolio was the result of the intense PR and marketing efforts by the selected FI.

#### **12.3.4 Capacity building (for public authorities implementing structural funds)**

As was reported in the 2009 Strategic Report, Malta considers capacity building within the Managing Authority and the other horizontal stakeholders to be crucial in the successful implementation of the two Operational Programmes. In this regard the MA continues to implement the training plan to ensure that horizontal stakeholders as well as Beneficiaries participate in capacity building initiatives. These initiatives are repeated for newcomers in order to render the system more effective. Finally since Q4 of 2011 ad hoc thematic sessions started being held, intended to make sure that lessons learnt are communicated effectively to all project beneficiaries. Finally although no changes to the Operational Programmes were made in this respect by December 2011, in February 2012, the MA proposed a number of changes to Operational Programme II, which included amongst others the shift of funds to the Technical Assistance Priority axis to take into account clarifications received from the Commission on expenditure in relation to IB function.

### **12.4 Simplifying the implementation mechanisms**

#### **12.4.1 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, the procurement stage and reimbursements under the Grant Schemes. These are largely due to the centralisation of certain practices and the size of the Operational Programmes. In 2011, Malta revised the project selection process and is now also considering building more capacity at Line Ministry in order to

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raise the threshold of the tenders which are reviewed by the Departmental Contracts Committee rather than the General Contracts Committee within the DoC. The latter would focus on the bigger tenders.

The selection process, which is by nature very time-consuming, is often worsened by the fragmentation of projects received and the volume of work created especially when compared with the indicative amount of funds available and the potential commitments arising from the conclusion of this evaluation. In order to reduce some of the delays registered during the selection process in previous years, the Project Selection Committee (PSC) made some changes to both its membership as well as to the procedures adopted during the selection process. Two of the most notable changes was the inclusion of alternate Chairpersons should the Head of the MA not be available and the number of PSC members which was also increased from three (3) to five (5) with the inclusion of two (2) ad hoc experts. Moreover, revisions were made with regards to the required quorum for the PSC sessions; whereas in the past, all members had to be present in order for a session to be held, through the revised terms of reference, the availability of two members would suffice for those sessions during which proposals are only discussed; for the consolidation of the rating and ranking sessions, at least three (3) out of five (5) of the PSC members need to be present. These fundamental changes in the operation of the PSC improved the frequency of the meetings held and definitely helped in speeding up the evaluation process. Another important decision which started to be implemented in 2011 was to limit the requests for clarifications to the applicants. In the past this used to delay the process considerable.

The Schemes implemented through the OPII undertook a significant simplification process which started in 2010 and continued to mid-2011. In 2011, the IB together with the relevant stakeholders, including the MA and the private sector representatives, were engaged in discussions in order to improve the implementation of the scheme. This resulted in the adoption of concrete measures, such as changes to the eligibility criteria and the evaluation process, a simplified application form and revised implementation and guidance notes as well as more simplified reimbursement procedures (i.e. including measures such as, applicants were given the option to claim the minimum wage<sup>42</sup> (instead of the actual wage) which required less documents to be submitted at reimbursement stage). An effort was also made to streamline checks undertaken (remove repetition of the same checks at different stages of the payment process) in order reduce the time lag between request for payment by the beneficiary and the actual payment. In order to strengthen the potential effectiveness of the simplification process, the IB organised information sessions to introduce the revised documents to businesses and their representatives. Moreover, in 2011, the

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<sup>42</sup> This applies exclusively to the Training Aid Framework Scheme

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IB started to hold one-to-one meetings with those undertakings that frequently submit TAF applications and those who submitted applications with the highest values.

Malta Enterprise (ME) was entrusted to be the IB for the administration of 7 Grant Schemes falling under the purview of OPI, with the bulk of payments (from a total of €45million) envisaged to be processed through the system in 2013. As means of simplification, and to ensure that the 2013 disbursement targets are reached, the stakeholders (MA, IB, and Treasury) came to an agreement that the checks undertaken by LM and Treasury need not be repeated at each level during the verification process. This simplification process was aimed at reducing the administrative burden, while ensuring that the relative assurances remain intact; given that each claim will still be checked in its totality by both LM and Treasury prior to payment being affected by Treasury. The checks undertaken by the IB remained unchanged.

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

### **12.5.1 “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**

### **12.6.1 Accelerated public procurement procedures**

The minimum period for public procurement procedures, as confirmed by the Central Contracting Authority is generally 52 days. Nevertheless this period can be further reduced to 40 days in restricted or negotiated procedures through the accelerated procedure provided that the procedure respects a number of conditions namely

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- the publication of after prior publication of an EU contract notice and where urgency renders impracticable the timelines laid down in the Public Procurement Regulations<sup>43</sup>.with respect to restricted and negotiated tenders; and
  - if notices are drawn up and transmitted by electronic means, and by a further 5 days if tenders are accessible electronically with respect to open tenders.
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It is pertinent to note that the Department of Contracts only uses such accelerated procedure in one-off situations

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<sup>43</sup> As per the provisions of Article 40(7) of the Public Procurement Regulations - SUBSIDIARY LEGISLATION 174.04

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### 13. Territorial Cooperation

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Malta is participating in five Territorial Cooperation Programmes under the 2007 – 2013 programming period, namely the Italy-Malta Cross-Border Programme, the Med Programme, the Interreg IVC Programme, the Interact II Programme as well as the ESPON 2013 programme. In addition to the above mentioned Programmes, Malta is also participating in the ENPI CBC MED programme, which focuses on socio-economic development, environmental sustainability, the free movement of goods and citizens as well as the promotion of cultural dialogue and local governance.

The priorities addressed under Territorial Cooperation Programmes touch upon a comprehensive list of thematic areas, several of which are also reflected in Malta's two national Operational Programmes for the 2007-2013 period - *Investing in Competitiveness for a Better Quality of Life* (ERDF and CF) and *Empowering People for More Jobs and a Better Quality of Life* (ESF). The fact that a number of thematic areas, which include environmental sustainability, renewable energy, sustainable tourism, waste and water management, climate change and transport, are common to both national and Territorial Cooperation Programmes should not be seen merely as a coincidental overlap but rather as a complementary measure which enhances the attainment of national priorities.

Further to the approval of the respective Operational Programmes under the above mentioned Programmes, various calls for proposals have been launched. Several Maltese entities have shown an interest in participating in such projects and in fact, a number of Maltese entities are currently involved in seventy-nine joint projects. Some of these projects are outlined below:

- The *Resi* and the *PortPVEV* projects, funded under the Italia-Malta Programme as well as the *Marie* project under the Med Programme, all of which touch upon renewable energy;
- The *ICT-VN* project, which is funded under the IVC Programme and which focuses on the promotion of ICT vis-à-vis the development of SMEs, with a specific focus on specific sectors, including commerce and tourism;
- The *Moriso* (Italia-Malta Programme), *Mediwat* (Med Programme) and *SWMED* (ENPI CBC Med Programme) projects, all of which focus on water resources;
- The *Pre-waste* project (IVC Programme), which aims at the prevention of waste;

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- The *RSC* project (IVC Programme) which deals with climate change;
  - The *Streets* project and the *D-Air* project, both financed under the Italia-Malta Programme, which focus on transport matters;
  - The *Sibit*, *Obimed*, *Gardmed* and the *Archeotour* projects, all of which are funded under the Italia Malta Programme and aim at upgrading Malta's tourism product.
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Territorial Cooperation Programmes are not only contributing to the overall achievement of Malta's national strategy, but they are also providing a European dimension to such a strategy. Such Programmes are therefore a valuable source which complements and provides an added value to the work carried out in connection to the mainstream Programmes. Furthermore, apart from contributing towards the improvement of the respective thematic areas addressed under Operational Programme I, all Territorial Cooperation projects contribute towards the enhancement of national skills, due to the inherent nature of such projects, which encourage and promote the exchange of expertise and best practices. Consequently, such projects are also instrumental in strengthening Malta's institutional and administrative capacity, which is an important objective addressed by means of Operational Programme II.

## 14. Examples of Good Practice

Malta has identified six 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:	4 years 6 months (01.06.2008 – 31.12.2012)										
Objective:	Convergence										
Funding:	<table> <tr> <td>Total Cost :</td> <td>€ 57,588,381.00</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 :	€ 57,588,381.00	EU contribution :	€ 48,950,123.85	National	€ 8,638,257.15	Regional	n/a	Private	n/a
Total Cost :	€ 57,588,381.00										
EU contribution :	€ 48,950,123.85										
National	€ 8,638,257.15										
Regional	n/a										
Private	n/a										
Contact :	<p>Name: Mr John Demicoli</p> <p>Organisation: Malta Transport Authority</p> <p>Address: Roads and Infrastructure Directorate, Triq Agius de Soldanis, B'Kara</p> <p>SVR 1910</p> <p>Email: <a href="mailto:john.demicoli@transport.gov.mt">john.demicoli@transport.gov.mt</a></p> <p>Internet: <a href="http://www.transport.gov.mt">www.transport.gov.mt</a></p>										
Operation / policy	The Malta Transport Authority is implementing a project involving the										

description:	<p>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). This project consists of five sub-projects forming part of a planned programme of improvements of the TEN-T network in Malta and Gozo. 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>44</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.</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 itself the 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, Transport Malta 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 2009 Budget, 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</p>

<sup>44</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 by early of 2013.

	<p>are those stretches of roads 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 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' Avenue, the reconstruction and upgrading of the existing Triq l-Ghassara tal-Gheneb and Moll ic-Ciangatura are also part of wider strategic context i.e. 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>Moreover, in the April 2012 update of the NRP, it is stated that Development of the TEN-T network and external links are crucial for Malta's tourism and export oriented economy as well as to ensure the mobility of persons. In this respect, the continued development and completion of the TEN-T network, the development of maritime links and ports (freight) and aviation links and ports (tourism/business) continue to be crucial for Malta.</p> <p>Between 1999 and 2011 14.4km or 28.2% of the TEN -T road network across the islands of Malta and Gozo have been reconstructed and upgraded. A further 11.7km or 22.9% of TEN-T road network will be similarly upgraded by 2013 these upgrading projects will be mainly funded from a budgeted amount of €57 million of EU Cohesion funds. The first of these phases will also include access network upgrading for two of Malta's sea ports, while further consideration is being given to the upgrading and refurbishing of international port infrastructures with a view to improve cargo and passenger capacity. Since transport is such an important factor in the mobility of goods and persons both within the Maltese islands and externally with our trading partners, Malta recommended, and the Commission accepted, an extension to its present 51km TEN-T road network. Furthermore significant preparation is being made to establish the feasibility of a road tunnel between Malta and Gozo.</p>
Operation / policy	The Malta Transport Authority (Transport Malta), a public authority established

design/ implementation:	<p>by virtue of Authority for Transport in Malta Act, Cap. 499 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 Roads and Infrastructure Directorate (RID) 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 roads included in the five sub-projects will be managed by the Roads and Infrastructure Directorate (RID). The directorate engages a number of contractors to carry out the maintenance works and repair works along the network. A number of measures have also been adopted during implementation in order to mitigate any inconveniences created with the closing down of the proposed routes. One of the said measures has been 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 RID. In addition, a different architect has been appointed for each sub-project (each stretch of road included within the Major Project) with a view to allow 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 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 reduces the administrative burden on the entity implementing the projects.</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 TEN-T 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</p>
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	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 as well as safer and faster access to the International Airport in Luqa.
Country:	Malta
Region:	MT

## 14.2 Improving Knowledge and innovation for growth

Country:	Malta
Region:	MT
Operation, scheme, policy:	Enhancing Health Biotechnology Facilities at the University of Malta
Duration:	3 years 9 months (01.10.2008 – 31.07.2012)
Objective:	Convergence
Funding:	Total Cost : € 4,384,256.59 EU contribution : € 3,726,618.10 National € 657,638.49 Regional N/A Private € 0
Contact :	Name: Professor Alex Felice Organisation: University of Malta Address: Faculty of Medicine and Surgery, Laboratory of Molecular Genetics, Biomedical Sciences Building, University of Malta, Tal-Qroqq, Msida MSD 2080. Email: <a href="mailto:alex.felice@um.edu.mt">alex.felice@um.edu.mt</a> Internet: <a href="http://www.um.edu.mt">www.um.edu.mt</a>
Operation / policy description:	This project concerns the enhancement of the Health Biotechnology Facility laboratories located at the University of Malta.

	<p>Home to the Departments of Physiology and Biochemistry, Anatomy, Clinical pharmacology and Therapeutics and Pathology, this biotechnology project has created a 1400 square meter facility, housing an array of <i>state of the art</i> laboratory equipment. The laboratories now hold technologically advanced equipment, such as an upright multiphoton confocal microscope, a spectrophotometer, a laser based flow cytometer with cell sorter, and tandem mass spectrometer with HPLC amongst many others.</p> <p>Such investment will be providing scientists, academics and research students with the necessary infrastructure to enable them to carry out ground breaking research and the necessary framework for post grad training . This project is one of a number of projects implemented by the University of Malta intended to provide university students <i>hands-on</i> experience whilst carrying out their research. It will be creating a more experienced and specialized S&amp;T graduate pool; a pool of graduates with a broad knowledge and understanding of skills required to excel in the biotech – pharmaceutical industry.</p> <p>This investment aims to result in a marked improvement in Malta’s Research and Development potential in the fields of genetics, cellular physiology and pharmacogenomics.</p> <p>The investment made through this ERDF project, will bring research to a new level. Such research will also provide the opportunities for networking/collaborations with businesses (e.g. pharmaceutical industry) resulting in the knowledge transfer between academia and businesses.</p>
Strategic Context:	<p>Over the past years, the Maltese government has expressed its commitment towards investment in the area of research and innovation as part of its strategy for Malta. Research and innovation development.</p> <p>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 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.</p> <p>Government’s commitment to the creation of a high value-added economy is undeniably in line with the EU 2020 objective of Improving Knowledge and innovation for growth.</p> <p>The strategy outlined in the <i>National Strategic Plan for Research and Innovation</i></p>

	<p>2007-2010 presents a vision for R&amp;I in Malta as well as a set of underpinning strategic principles for its achievement. This document highlights <b>health biotech</b> as a platform of strategic importance and consequently as an area of focus.</p> <p>The <i>Industrial Strategy for Malta 2007-2010</i> 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.</p> <p>This Health Biotech project, approved in 2008, directly contributes to both these sectoral policies. The project contributes to the National Strategic Plan for Research and Innovation 2007-2010 by providing specialized teaching, innovation and hi-tech collaborative support in biotech areas. Furthermore the biotech facility will also support RTD activities in start-up companies and local SMEs. It will assist such organizations to set-up RTD centres within their own premises by producing graduate engineers with the skills and knowledge demanded by the locally emerging biotech industry and by allow the knowledge transfer and application to local industry thus helping it to improve its R&amp;D capacity, the skills of its working force &amp; consequently improving Malta's innovation and competitive performance..</p> <p>This project contributes towards the achievement of the Industrial Strategy by providing a pool of highly trained S&amp;T graduates geared with exposure to the latest biotech technology employed in the field. This knowledge attained through <i>hands on approach</i> using the latest scientific equipment will be of paramount importance towards the proposed Life Sciences Centre (now being referred to as BioMalta Campus). The Life Sciences Centre also funded through ERDF 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>Research and Innovation is an important pillar for the economy as portrayed by the Maltese Government's vision for the future. The recently published National Reform Programme (NRP) 2012 has again identified Research and Development as one of the national targets to ensure that Malta meets its Europe 2020 targets (0.67% of GDP by 2020).</p>
Operation / policy	The design of this project is an example of good practice in addressing one of

design/ implementation:	<p>Government's objectives for the ERDF Operational Programme – to <b>enhance knowledge and innovation</b> through investment/s in RTDi and RTDi-related infrastructure.</p> <p>The University of Malta, through the expertise of the project leader and his team in this highly specialized area, designed a biotech project which targets to support and augment:</p> <ul style="list-style-type: none"> <li>- the research activities in the field of Biotechnology</li> <li>- the academic level of both undergraduate and postgraduate students</li> <li>- training of students (Medicine and Surgery, Pharmacy, Pharmacology, Biology and medical sciences students etc)</li> <li>- Malta's attractiveness for FDI in the aforementioned fields and thus contribute to improved academic-business linkage</li> </ul> <p>This project involved setting up of a fully functional Health Biotechnology Unit equipped with scientific instrumentation in the fields of molecular genetics, genomics, proteomics, pharmacogenomics, cellular physiology and bio-informatics; operated to good practice standards, available to researchers, academics and students and promoting collaborative industry-academia research projects. With the successful completion of this ambitious project through ERDF funds, this project has paved the way for the creation of a <b>Health Biotech Centre of Excellence</b>.</p> <p>Following this investment in infrastructure, the project promoters have immediately embarked into creating Malta's first Biobank. Biobanking is the collection of samples (DNA material collected e.g. through blood or human tissue) so as to create a library of information which scientists may access during their genetic research studies of illnesses.</p> <p>Although these laboratories have previous experience in the area of biobanking dating back to the 1990's, the project investment has "<i>brought this to a whole new level</i>". It is envisaged that this biobank will be composed of two main categories of samples:</p> <p>(a) a clinical bank will contain different disease collections (e.g. Parkinson's, Haemoglobin disorders, diabetes) and</p> <p>(b) a population bank which will contain random neonatal and senior citizen collection.</p> <p>Data and sample collection is however only the start. These samples will subsequently be utilized in genetic studies so as to study links between our genes</p>
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	and our illnesses (e.g. haemoglobin disorders, diabetes etc). Furthermore the equipment purchased, allows for further specialized scientific sample analysis which were not available before locally.
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### 14.3 More and Better Jobs

Country:	Malta
Region:	MT
Operation, scheme, policy:	Title: Strategic Educational Pathway Scholarships (STEPS)
Duration:	6 years (01.09.09 – 31.08.15)
Objective:	Convergence
Funding:	Total Cost: €9,937,291 EU contribution: €8,446,697 National : €1,490,594 Regional: n/a Private: n/a
Contact :	Name: Mr Mario Azzopardi (Project Leader) Organisation: Directorate for Lifelong Learning Address: Ministry for Education and Employment, Great Siege Road, Floriana Email: <a href="mailto:mario.d.azzopardi@gov.mt">mario.d.azzopardi@gov.mt</a> Internet: <a href="https://www.education.gov.mt/Page.aspx?pid=266&amp;depid=2&amp;pageid=13">https://www.education.gov.mt/Page.aspx?pid=266&amp;depid=2&amp;pageid=13</a>
Operation / policy description:	The Strategic Educational Pathways Scholarships (STEPS) scheme offers post-graduate bursaries at Masters and Doctoral level for fields of studies in areas of national priority.  The key objectives of STEPS are to: assist students to pursue further levels of

	<p>academic research; encourage more student participation at a postgraduate level of academic research, both locally and internationally; improve the quality and relevance of the education system; reduce skills mismatches particularly within higher value added and expanding economic sectors; support further research in science and technology; and increase the capacity and level of research, innovation and development activity in Malta.</p> <p>It is worth noting that as at end of 2011 more than 500 students had obtained a scholarship for Masters or PhD degree.</p>
Strategic Context:	<p>Human resources are Malta's premier resource, thus knowledge and advanced skills are critical contributors to Malta's economic growth. In the recent years, the Maltese Government focused on sustaining the pace of reform in education so as to further increase existing participation rates in further and higher education in an inclusive manner in line with the nation's socio-economic development needs. Moreover, the national agenda requires the need to address an ever changing market economy through education support in order to create a knowledge-based society with the right competencies and skills to adjust to such changes. The project is in line with the strategic objectives of the National Reform Programme (2005 – 2008) as it provides a funding mechanism which encourages and assists graduates in pursuing post-graduate level of academic research in identified areas of national priority. It also contribute to increase overall participation rate in higher education and addresses capacity building for education services, skills mismatches, research in science and technology and ICT.</p> <p>The project also contributes towards those areas identified as national priority areas in the National Strategic Plan for Research and Innovation 2007-2010 which identifies four platforms of strategic importance (PSIs) for national economic development: ICT; Environment and Energy Resources; High Value-Added Manufacturing and Services; and Health-Biotech. These four areas are specifically identified within the STEPS Regulations in relation to scholarships within research and innovation in science and technology.</p> <p>The Government also believes that quality education for all at all levels (including compulsory education) should be given prime importance. Within the STEPS project, scholarships for Capacity Building in the Education system are also being offered in order to invest in the development of education and administration of educational systems and policies.</p> <p>In addition, STEPS also co-funds scholarships addressing Skills Mismatches</p>

	<p>support studies in higher value-added and expanding economic sectors (such as pharmaceuticals, aviation maintenance, financial services, health care and creative industries as well as agricultural and fisheries sectors; and the environmental sector).</p> <p>The project also links with the EU 2020 strategy and the need for Inclusive Growth in that by 2020 more jobs will require higher qualifications, and fewer jobs requiring low-skill-levels, which means that acquiring and building on new skills is ever more important. STEPS is giving the opportunity to more students to acquire these new skills and is helping people of all ages anticipate and manage change through investment in skills and training.</p>
Operation / policy design/ implementation:	<p>The project was designed to target one of Government's objectives within the ESF Operational Programme – that of improving education and skills. STEPS is perfectly in line with the draft Lifelong Learning Strategy (2011) given that the provision of scholarships is specifically targeted to address the issue of student participation in higher education, skills and competencies shortages and the need of more professionals in national priority areas particularly in science and technology.</p> <p>Eight (8) calls for scholarships were issued throughout the implementation of the project. The priority areas addressed by the scholarships such as financial support, research and development, innovation and ICT are considered within the NRP as pillars of Malta's competitiveness. This is an active measure towards enhancing the knowledge base economy and will eventually lead to improved local industry competitiveness.</p>

Country:	Malta
Region:	MT
Operation, scheme, policy:	Training Aid Framework (Aid Scheme)
Duration:	5 years 3 months (01.06.08 - 30.09.13)
Objective:	Convergence
Funding:	<p>Total Cost: € 8,851,620</p> <p>EU contribution: € 7,523,877</p>

	<p>National : € 1,327,743</p> <p>Regional: n/a</p> <p>Private: n/a</p>
Contact :	<p>Name: Ms. Katya Dingli (Project Leader)</p> <p>Organisation: Employment and Training Corporation (ETC)</p> <p>Address: ETC, Head Office, Hal Far, BBG 3000</p> <p>Email: <a href="mailto:katya.dingli@gov.mt">katya.dingli@gov.mt</a></p> <p>Internet: <a href="http://www.etc.gov.mt">www.etc.gov.mt</a></p>
Operation / policy description:	<p>Given the ever-changing market needs, the private sector needs to continually respond to challenges in order to remain competitive in the global economy. To achieve the latter, the private sector needs to invest in its workforce by providing them with training to become more productive and adaptable to the changing needs of the company/market.</p> <p>The Training Aid Framework aims to promote the concept of training amongst undertakings (employers) by providing assistance in the form of a training grant that will be reimbursed to the undertaking on successful completion of the training. The aid depends on the size of the undertaking (i.e. whether it is Large/Medium/Small/Micro) and the type of training provided (if it is specific/generic). This aid is available to all non-public entities, excluding support to farmers, fisherman and related cooperatives.</p> <p>As at end 2011, over 2,000 (including repeat beneficiaries) training grants were provided to the self-employed and to private sector employers to train their staff including on-and-off the job training. Undertakings benefiting from this scheme embarked on a wide range of courses from basic courses in first aid, health and safety to specialised courses in areas such as IT, finance and management.</p>
Strategic Context:	<p>The integration of the world markets through globalisation brought about the restructuring of the Maltese economy. To address this issue, Government committed itself to provide incentives to support enterprises to meet the current and future needs of the country as per the Competitiveness Strategic Theme of the National Reform Programme (2005-2008). In this regard, TAF is making an effective contribution through the upgrading the human resource skills and competences. Through this scheme, ESF funds are making a valid contribution to increase the effectiveness and efficiency, hence competitiveness of undertakings to compete in new markets, or sectors it has not operated in</p>

	<p>before.</p> <p>Moreover, the scheme is also addressing the NSRF Strategic Objective which focuses on <i>Addressing Gozo's regional distinctiveness</i>. The scheme is improving the quality of the human capital, making the island more competitive.</p> <p>The TAF is also linked to the objectives of the Europe 2020 strategy in particular 'Inclusive Growth' by promoting investment in skills and training. . The Maltese Government has identified Employment as one of the key factors that need to be addressed in order to reach the Europe 2020 Targets with the main target to increase the participation rate in employment by those capable and able to work. TAF scheme has promoted and developed a system through which eligible employers implement training programmes for their employees. By the end of 2011, over 2,000<sup>45</sup> undertakings benefitted from the scheme</p>
<p>Operation / policy design/ implementation:</p>	<p>This scheme was designed to target one of the objectives of the ESF Operational Programme – which is to invest in the employability and adaptability of the workforce, in particular by supporting the adaptability of undertakings through skills improvements and upgrading of workers.</p> <p>The Training Aid Framework is contributing to this aim as entrepreneurs are investing in the development of their workforce making them more skilled and flexible to market changes. The scheme is therefore providing a win-win situation for all and it helped reducing the negative impact of the economic crises on the Maltese Islands.</p> <p>The management and monitoring system of the scheme relies on the involvement of the project leader and the different units within ETC so that the scheme reaches its target and objectives. In the day-to-day management of the scheme, the Project Leader is assisted by executives and senior clerks. In addition, other corporate divisions also provide their assistance (such as the Finance Division which conducts financial checks on grants).</p> <p>Moreover, in order to ensure the development of the human resources in Gozo, ETC briefed thoroughly an officer within the MEUSAC office in Gozo, to assist Gozo enterprises at both application and reimbursement stage.</p> <p>This structure aims to achieve the targets and objectives of the scheme in an efficient and timely manner.</p>

<sup>45</sup> This includes repeat beneficiaries.

Country:	Malta
Region:	MT
Operation, scheme, policy:	Title: ME2 - Integration of persons with a disability into the Labour Market
Duration:	4 years (01.12.08 – 31.12.12)
Objective:	Convergence
Funding:	<p>Total Cost: € 1,297,403</p> <p>EU contribution: € 1,102,793</p> <p>National : € 194,610</p> <p>Regional: n/a</p> <p>Private: n/a</p>
Contact :	<p>Name: Stephen Vella</p> <p>Organisation: Foundation for Social Welfare Service</p> <p>Address: 2, Braille Street, Sta Venera SVR 1690</p> <p>Email: <a href="mailto:stephen.c.vella@gov.mt">stephen.c.vella@gov.mt</a></p> <p>Internet: <a href="https://secure3.gov.mt/SOCIALPOLICY/SocProt/family/fsws/appogg/appogg_info.aspx">https://secure3.gov.mt/SOCIALPOLICY/SocProt/family/fsws/appogg/appogg_info.aspx</a></p>
Operation / policy description:	<p>The project supports disabled people who are at a disadvantage in the open labour market when compared to others by: assessing their needs, strengths and abilities; evaluates and validates their skills and competences; helping them to be placed in employment; promoting their independence, while at the same time helping them to contribute with their skills to the dynamic needs of the labour market.</p> <p>The above has been attained through a number of activities namely: training delivery; training aid; studies and transnational activities. Examples of such training delivery include: Basic Communication skills, Health and Safety in the Workplace, Financial Budgeting, Boundaries and Harassment, Dealing with Negative Emotions, Basic Literacy, First Aid, Supporting Structures and Bullying. As at end of 2011, there were sixty-seven (67) participants with disabilities benefiting from Job Exposure, through this project in collaboration with the private sector and local government.</p>

	<p>Furthermore, the transnational activity helped both the disabled persons as well as the professionals who were assisting them to gain experience further knowledge regarding job shadowing, possible employment niches for disabled individuals and on creating and managing a successful cooperative.</p>
Strategic Context:	<p>The project is in line with the Government Strategy of focusing on assistance and investment aimed at an increasing employability potential of disabled persons. The project trains, exposes to work and places disabled persons in employment by coaching them towards successful job-retention.</p> <p>Employment and education and training are two of the strategic objectives of the NRP (2005 – 2008). In fact Government is focused in increasing the participation rate in further education and in employment rate among certain sectors of the population. In line with these objectives the project provides vocational training for disabled persons and supports them to prepare for the transition from being economically inactive and dependent on social welfare to becoming employed.</p> <p>The project also contributes towards the EU 2020 strategy namely the objective of Inclusive Growth, by getting more people into work, especially disabled persons. By addressing the need to train and empower disabled people to enter the labour market and provide them with employment opportunities, this project clearly addresses Malta's priority of increasing the employment rate of disadvantaged groups and the targets of the EU 2020 strategy.</p>
Operation / policy design/ implementation:	<p>The project was designed to target one of Government's objectives of the ESF Operational Programme – that of promoting an inclusive society. ME2 is in line with the national strategy of enhancing the employability and productivity of vulnerable groups with low employment rates which will ultimately contribute towards increasing the overall labour supply within the economy and enhancing greater social cohesion within the country.</p> <p>Social cohesion implies empowerment. The project involves new ways of training delivery, training content and support is provided by the projects' contracted staff, modeled on other European countries and what they have managed to attain in the last years dealing with the diverse needs of disabled persons. The training delivery is a shift from the craft related training to a training scenario more specifically focused on the needs of the individual concerned rather than emphasising on the group training requirements. Transnational partners have also helped in with changes to the training delivery which has helped to develop the local context in an innovative way.</p>

#### 14.4 The territorial dimension of cohesion policy.

Country:	Malta
Region:	MT
Operation, scheme, policy:	Title: Youth Employment Programme (YEP)
Duration:	4 years (01/12/2008 – 31/12/2012)
Objective:	Convergence
Funding:	Total Cost: €817,796.80 EU contribution: €695,127.28 National : €122,669.52 Regional: n/a Private: n/a
Contact :	Name: Ms Nicola Cini (Project Leader) Organisation: Employment and Training Corporation Address: ETC Head Office, Ħal Far BBG 3000 Email: nicola.p.cassar@gov.mt Internet: <a href="http://www.youth.org.mt/">http://www.youth.org.mt/</a>
Operation / policy description:	<p>The Youth Employment Programme is intended to increase the employability and labour market integration of young people, particularly early school-leavers (i.e. young people who do not pursue post-secondary education) and young people who would benefit from further training as well as greater knowledge of their rights and responsibilities at work.</p> <p>The Project targets Youths between the ages of 16 and 24. It offers:</p> <ol style="list-style-type: none"> <li>Career guidance and psychological services</li> <li>Occupational Therapy Services</li> <li>Outreach Service</li> </ol>

	<p>d) YEP TV Programme</p> <p>e) Youth Website</p> <p>f) Youth Days</p> <p>It is worth noting that as at end 2011, a total of 5,359 vulnerable persons were trained / supported.</p>
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Strategic Context:	<p>Malta has one of the highest rates of early school leavers in Europe and this Project is intended to reach out to these youths and encourage / enable them to return to the labour market through enhanced employability. The OECD/EC (2004) states that it is a challenge for policy-makers to ensure that “career guidance is part of community-based services that are targeted at early school-leavers”. Another challenge is to “develop the capacity of communities where high levels of early school leaving occur to assist potential young school leavers to stay in school, or having left school, to help them to re-engage with learning”. In response to this, one of the policy options suggested by the OECD/EC (2004) is to make use of community outreach measures, delivered where young adults meet, and work through professionals that are in regular contact with these young adults to provide career guidance to at-risk young people. This Project is intended to provide an accessible, attractive and motivating environment to help young people take career choices, to seek and find work, and to gain a variety of skills and knowledge that will enable them to progress within work. It is particularly intended to cater for those youth who do not go on to pursue post-secondary education at other institutions and who need extra assistance to engage with the labour market and not to become long-term unemployed or discouraged / exploited workers.</p>
Operation / policy design/ implementation:	<p>The Youth Employment Programme aims at contributing towards the integration, retention and progression of disadvantaged groups in the labour market, whilst addressing labour market distortions. Furthermore, the Project also aims at promoting an inclusive society with Priority Axis 3 entitled “Promoting an equal and inclusive labour market”. The YEP was designed to attract and retain more people in employment, increase labour supply and modernize the social protection system. It was also targeted at increasing investment in human capital through better education and skills.</p>

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## 15. Conclusion

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In conclusion, whilst the economic performance of the Maltese economy in the past 3 years seems to suggest that it was not affected by the global recession to the same extent as other EU Member States. Malta's economic growth rate was relatively higher than that of its EU counterparts, mostly because of the significant diversification that the economy was subject to and the implementation of policy measures to ensure the short-term stability of the Maltese economy to which cohesion policy was a strong contributor. In the coming years it is expected that the same focus is kept on ensuring the continued resilience of the Maltese economy as much as possible with the provision of constant support to prevent labour shedding in the wake of continuous international economic crisis. Whilst the position put forward by the Commission with regards to the priorities for Cohesion Policy for the period 2014-2020 is congruent with the main policy efforts which the Maltese Government is expected to focus on including the prioritization of R&D, Ten-T infrastructure, Climate change initiatives and Social Inclusion initiatives, this will not allow cohesion policy to play the same role it did in this programming period. The limited priorities cohesion policy for the programming period 2014 – 2020 will not be flexible enough to deliver the policy objectives i.e. to help reduce regional disparities.

Since 2009, both Operational Programmes continued the implementation cycle, namely the issuing of new calls for proposals, approval of new projects, finalisation of Grant Agreements, with parallel and concurrent monitoring (and reporting on) on the implementation of projects on the ground. Great progress was achieved in terms of contracting and disbursements, as well as the contribution to the Programme targets. Under Operational Programme I, the Programme's overall commitment rate has risen to over 71%. As at end of 2011, payments under ERDF amounted to €127,346,243 and under CF they amounted to €84,274,982. Over 80% (€170,715,567) of these payments had been certified by the CA to the Commission. A total of eight hundred and ninety (890) operations coming from public sector organisations, Local Councils, NGOs and private enterprises benefitted directly from the Programme, while another five thousand, two hundred and seventy four (5,274) households benefitted through the grants offered through an ERDF-funded project, thereby spanning the benefits of Cohesion Policy across the whole Maltese territory.

Under Operational Programme II, the total funds committed as at end of 2011 stood at €108,790,458, representing 83% of the OP's financial allocation. The Programme has also

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managed to make strong headway by 2011 with cumulative payments reaching €26,790,504 (public eligible).

This intense level of activity has resulted in concrete results being registered in terms of participants of ESF projects accessing employment, gaining certification and/or qualifications as well as a number of research projects being completed and ready to feed into relevant policy areas. This was tangible to the citizen in terms of opportunities available (from a human capital point of view) as well as the improvement in the quality of life (completion of the first major infrastructural works). This was reported in Chapter 3 of this report with substantial contribution of approved operations to the Programme targets.

The various examples of operations being implemented as cited in several chapters of the report all clearly indicate that Cohesion Policy is already contributing to the EU 2020 target, showing clearly that the NSRF and Operational Programmes and the initiative being co-funded are relevant even in today's context. This is in sync with outcome of the Mid-Term Evaluation as reported in Chapter 4, which concluded that the Programmes are still relevant in today's socio-economic context. It has also concluded that the main strategic documents identified after the NSRF launch and other sectoral strategic documents are very much in line with the objectives within both OPs. Vision 2015 is in line with the NSRF and the respective Operational Programmes in policy direction whereas the rationale of Malta's Pre-Budget Documents continues to be rooted in the objectives put forward in the NSRF, the Lisbon Strategy (now EU 2020) and the Community Strategic Guidelines, as reported in Chapters 6, 9 and 11.

The implementation of the two Operational Programmes under cohesion policy has presented unprecedented challenges the Maltese administration. These were presented in Chapter 10 of this document. Delays in the selection of operations, in the procurement process and in the planning process have, since the early stages, taken their toll on the timely implementation of the two Programmes. Still mitigation measures are now in place and although the delay will never be recovered, lessons learnt will be put in good use in the final years of this programming period which inevitable will continue to pose several challenges to the MA, not only in terms of managing to commit the remaining funds but also to keep up with its disbursement commitments in accordance with the N+2/3 Rule. To this end, the MA will continue in its attempts to increase human resources in order to be able to manage the increased number of operations overseen, and simultaneously to ensure enough capacity to focus also on the drafting and preparation of the next programming period documents, to ensure that it reaps the full benefits of Cohesion Policy.

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Preparations for the next programming period are now in full swing. The preparation of the partnership contract is underway and, following the Commission presentation<sup>46</sup> of Malta's Country Specific Position, a number of meetings are planned both at local and EU level to discuss the details.

In principle Malta welcomes the European Commission position paper and believes that this will provide a good basis for discussion in terms of the EU2020 priorities. However, Malta believes that the position paper does not sufficiently take into account the permanent constraints and challenges that MT faces as an Island. Within this context, further discussions between Malta and the European Commission are expected to be undertaken within the coming months.

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<sup>46</sup> This was held on 29<sup>th</sup> November 2012