



# **Malta's National Reform Programme under the Europe 2020 Strategy**

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## MINISTER'S FOREWORD

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The programme of work of the Maltese Government is addressed towards the realisation of a vision for a better society, a society that creates opportunities for those willing to contribute to their own welfare, that of their families and the welfare of society at large. In light of this, Government's economic strategy remains strongly focused on securing macroeconomic stability, fostering employment, enhancing the business environment and investing in physical, human and social capital through policies aimed toward improving the educational outcomes, health services and the strengthening of social cohesion.

In spite of the challenging external environment, the Maltese economy has continued to expand in recent years, registering a growth rate of 2.1 per cent during 2011. Importantly, economic growth has also contributed towards an improvement in the labour market with the unemployment rate reaching 6.4 per cent, 3.8 percentage points lower than the rate recorded in Euro Zone. At the same time, the outlook for 2012 remains a challenging one, though one notes encouraging signs of stabilisation in both financial markets and overall economic activity in Euro zone. In this context, measures to strengthen economic growth remain at the heart of policy making in Malta. Furthermore, economic convergence to EU living standards remains a core objective of the Maltese Government. Although in recent years the Maltese economy has recorded improvements that led GDP per capita in PPS to reach 83% of the EU average in 2010, it is evident that improvements in prosperity are only sustainable if backed by increases in productivity.

During the past year, EU Member States have taken a series of decisions to enhance the co-ordination of fiscal and economic policies for the EU as a whole and for the Euro area in particular. This increased co-ordination reflects the interdependence of EU economies and is especially relevant for a small and open economy such as Malta. The Maltese Government has supported these decisions in recognition of the fact that enhanced co-ordination will strengthen the underlying fundamentals of the EU's interdependent economies and help foster an economic environment that supports growth and job creation.

The Maltese Government through this National Reform Programme (NRP) and the Update of the Stability Programme shall outline its vision and policies for economic growth and sustainable fiscal consolidation, respectively. It was inevitable that the policy developments at EU level were also reflected in the NRP since the analysis related to macroeconomic surveillance is largely consistent

with the Excessive Imbalances Procedure. 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.

In addition, while the Update of the Stability Programme provides details on Malta's medium to long term fiscal consolidation strategy, it is worthwhile noting that the measures identified in the NRP are consistent with the overall fiscal consolidation strategy. At the same time, the growth strategy in the NRP complements Government's fiscal consolidation strategy.

This NRP reports on measures addressing economic imbalances and bottlenecks to growth identified in the NRP for 2011. Furthermore, the NRP sheds light on the progress made by Malta in view of the commitments set in last year's Programme. In particular, the NRP provides 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. In addition, the NRP includes a detailed report on the implementation of the Country Specific Recommendations published in June 2011.

In view of the link between prosperity and productivity, this NRP continues to address labour productivity growth by focusing on education, investment, research and development. It is important to highlight that in addition to ongoing measures announced in the NRP for 2011, this NRP includes 22 distinct new measures aimed at consolidating Malta's progress towards its EU 2020 targets for education, employment, poverty, research and development, energy and the environment. These measures will be financed through a mix of private, public and EU funds and are considered to be essential in enhancing Malta's growth potential and the achievement of smart, sustainable and inclusive growth.

The Government of Malta is already supporting and implementing the strategy outlined in this NRP. At the same time, it is evident that the achievement of the ambitious 2020 targets entails fiscal costs and complying with the requirements of the Stability and Growth Pact will require further assistance from the EU Budget. It is therefore imperative that discussions on the EU Budget, particularly with regard to the forthcoming Multi-annual Financial Framework, take this

dimension into account, particularly for those Member States whose per capita income levels are still below the EU average. This would ensure more sustainable and equitable growth in the European Union.

A handwritten signature in black ink, appearing to read 'Tonio Fenech', with a stylized flourish at the end.

Tonio Fenech  
Minister of Finance, the Economy and Investment



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# LIST OF ABBREVIATED TERMS

BAT	Best Available Techniques	MEDE	Ministry of Education and Employment
BFID	Benefited Fraud and Investigations Department	MEPA	Malta Environment and Planning Authority
CBM	Central Bank of Malta	MEUSAC	Malta-EU Steering and Action Committee
CCI	Culture and Creative Industry	MFEI	Ministry of Finance, the Economy and Investment
COLA	Cost-of-Living Allowance	MFSA	Malta Financial Services Authority
CWS	Community Work Scheme	MITC	Ministry for Infrastructure, Transport and Communications
DSS	Department of Social Security	MJDF	Ministry for Justice, Dialogue and the Family
EAFRD	European Agricultural Fund for Rural Development	MQF	Malta Qualifications Framework
EAP	Employment Aid Programme	MRA	Malta Resources Authority
ECFIN	Economic and Financial Affairs	MRRA	Ministry for Resources and Rural Affairs
EDP	Excessive Deficit Procedure	MTO	Medium Term Objectives
EEPR	European Energy Programme for Recovery	NDC	National Defined Contribution
EPC	Economic Policy Committee	NEEAP	National Energy Efficiency Action Plan
EPD	Economic and Policy Department	NGO	Non-Governmental Organisation
ERDF	European Regional Development Fund	NRP	National Reform Programme
ESF	European Social Fund	NSO	National Statistics Office
ETC	Employment and Training Corporation	OPM	Office of the Prime Minister
ETS	Emissions Trading Scheme	PDD	Policy Development Directorate
EU	European Union	PPCD	Planning and Priorities Coordination Department
FDI	Foreign Direct Investment	PPS	Purchasing Power Standards
FES	Foundation for Educational Services	PWG	Pensions Working Group
GDP	Gross Domestic Product	R&D	Research and Development
HA	Housing Authority	R&I	Research and Innovation
IACS	Integrated Administration and Control System	RTDI	Research, Technological Development and Innovation
ICT	Information and Communication Technology	SGP	Stability and Growth Pact
ITS	Institute for Tourism Studies	SME	Small and Medium Enterprises
KBIC	Kordin Business Incubation Centre	STEPS	Strategic Educational Pathways Scholarships Scheme
MCA	Malta Communications Authority	TAF	Training Aid Framework
MCAST	Malta College of Arts, Science and Technology	TFEU	Treaty on the Functioning of the European Union
MCESD	Malta Council for Economic and Social Development	toe	Tonne of oil equivalent
MCST	Malta Council for Science and Technology	TSS	Training Subsidy Scheme
ME	Malta Enterprise	VAT	Value Added Tax





# **CHAPTER 1 – MACROECONOMIC POLICIES**

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# MACROECONOMIC POLICIES

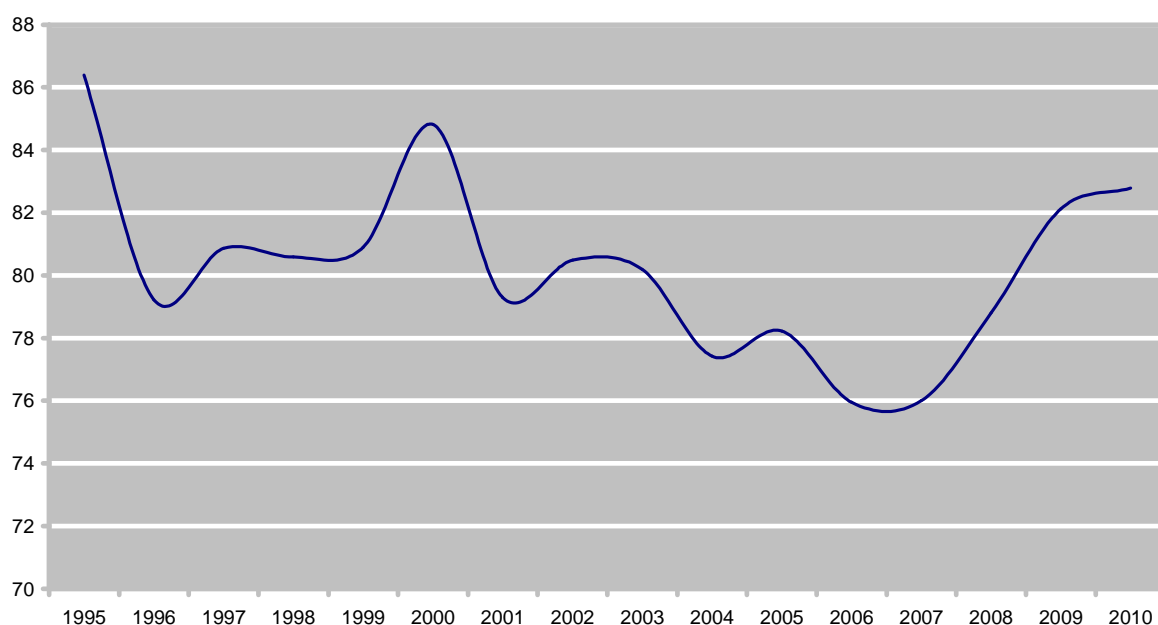
## 1.1 Macroeconomic Scenario

### 1.1.1 Macroeconomic Developments

The developments recorded in recent years suggest that the Maltese economy was not affected by the global economic slowdown to the same extent as other EU Member States. This is reflected in higher economic growth rates for the years leading to 2011 and a growth forecast close to 1.5 per cent for 2012. In part, this was the result of the significant diversification that the Maltese economy has undergone during the past decade. In fact, the services sector's share increased from 52.5 per cent in 2000 to 60.1 per cent in 2011, driven by significant growth in financial services and online gaming. During the same period and in spite of the significant growth of the pharmaceutical and aviation maintenance industries, the share of manufacturing in total gross value added declined from 22.4 per cent in 2000 to 13.2 per cent in 2011.

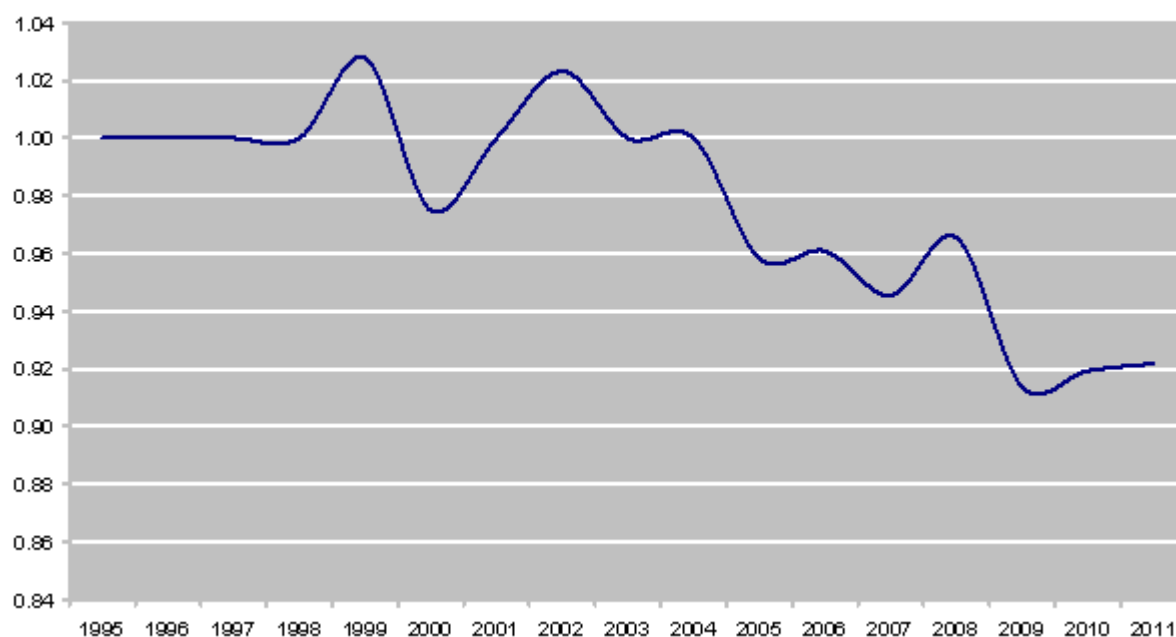
From a long term perspective, Chart 1 shows that the Maltese economy converged rather slowly to the EU-27 average GDP per capita levels (measured in purchasing power standards). In fact, GDP per capita stood at 78 per cent of the EU-27 average in 2004, and hovered in that region up to 2008, only to increase to around 83 per cent in 2010 in light of the mild impact of the economic crisis in Malta relative to the macroeconomic developments in the EU.

Chart 1 - GDP per capita in PPS (% of EU-27)



Data also shows that while Gross National Income (GNI) has been increasing, its share in GDP has been declining consistently since 2002. This is shown in Chart 2, possibly reflecting the increased presence of foreign companies operating in Malta that remit large proportions of their profits abroad. To a much smaller extent, this may also reflect the increased presence of immigrants in Malta that remit part of their wages to relatives in their home countries. Thus, over the past decade, the lack of convergence is compounded by limited progress in terms of the developments in GNI per capita.

**Chart 2 - GNI as a % of GDP**



In addition, our analysis suggests that the performance of the Maltese economy may have been conditioned by competitiveness challenges. This is particularly relevant for a small open economy such as Malta which relies heavily on foreign direct investment and export-led growth in order to sustain the productivity increases needed to improve the country's standard of living. This is reflected in the loss in Malta's world trade share. Between 1994 and 2008, Malta has gradually lost its export market share in total world trade with the exception of the 1998-1999 period. This occurred during a period in which the share of the EU-27 remained relatively stable. More recently, Malta's share in total world trade improved, but it remains to be seen whether this improvement will be sustained once world market conditions improve.

The drivers of these developments are many, but can be categorized into three, namely, factors affecting the labour force, factors effecting investment and hence the capital stocks, as well as the quality of both these factors. An exhaustive review of these factors goes beyond the scope of this Chapter. However, recent developments which are thought to play a significant role in addressing the economy's structural problems are highlighted.

In terms of labour force participation, Malta registered progress as the activity rate increased from 58.2 per cent in 2000 to 62.0 per cent in the third quarter of 2011. However, the activity

rate remains well below the EU-27 average of 71.4 per cent. This reflects developments in the female activity rate which increased by around 7.8 percentage points to 44.6 per cent in the third quarter of 2011 which was countered by a deterioration in the male activity rate from 80.3 per cent in 2000 to 78.8 per cent in the third quarter of 2011. Furthermore, despite the improvement in the female activity rate, it remains some 20.4 percentage points below that of the EU-27 average.

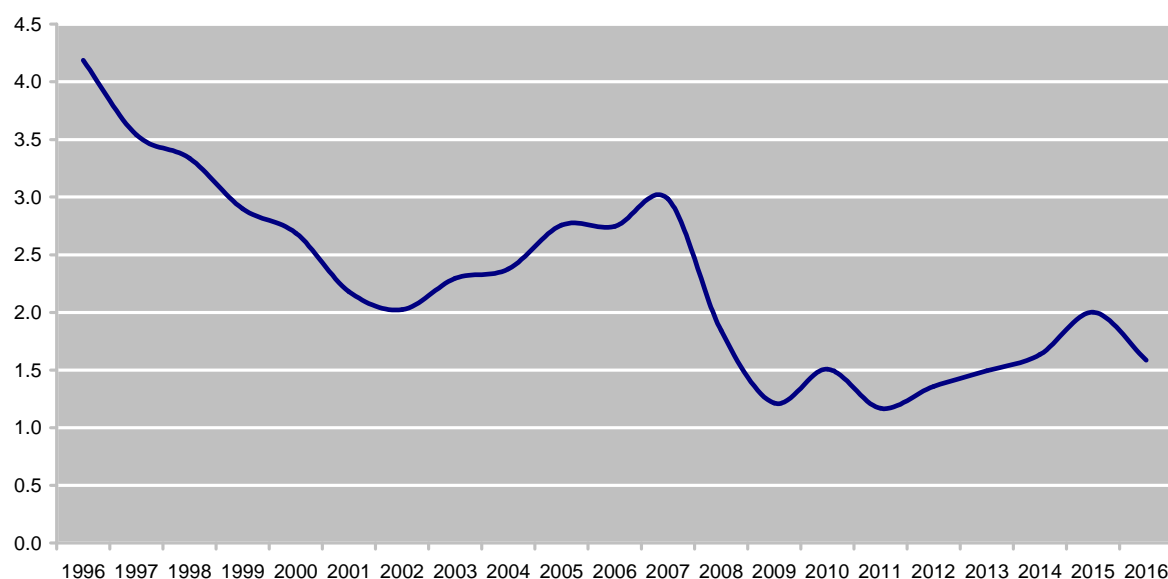
Another primary indicator of the country's potential total economic output is labour productivity. This has been following a gradual downward trend from 96.8 per cent of the EU-27 average in 2000 to 86.9 per cent in 2008. This is indicative of the need to continue directing efforts towards improving productivity which is only possible if investment is directed towards higher value-added activities which may, in turn, depend on the degree of skilfulness of the country's labour force. This underscores the importance of the education policies and training initiatives recognised by the Maltese authorities.

Indeed, investment plays an important macroeconomic role. It enlarges the country's production base and often modernises the production process. However, investment in the private sector in Malta averaged some 15.7 per cent of GDP during the 2000-2010 period compared to 17.5 per cent for the EU-27. This suggests that a higher level of investment is needed for the Maltese economy to accelerate its rate of convergence vis-à-vis the EU-27 average GDP per capita levels.

### 1.1.2 Potential Growth and Structural Reform Measures

The new measures presented in this Report show that Malta is committed to continue building on measures introduced in the recent past in order to improve the economy's potential output. Estimates for the country's potential output are presented in Chart 3. These were generated on the basis of the commonly-agreed Production Function method.

**Chart 3 - Malta's Potential Output Growth Estimates**

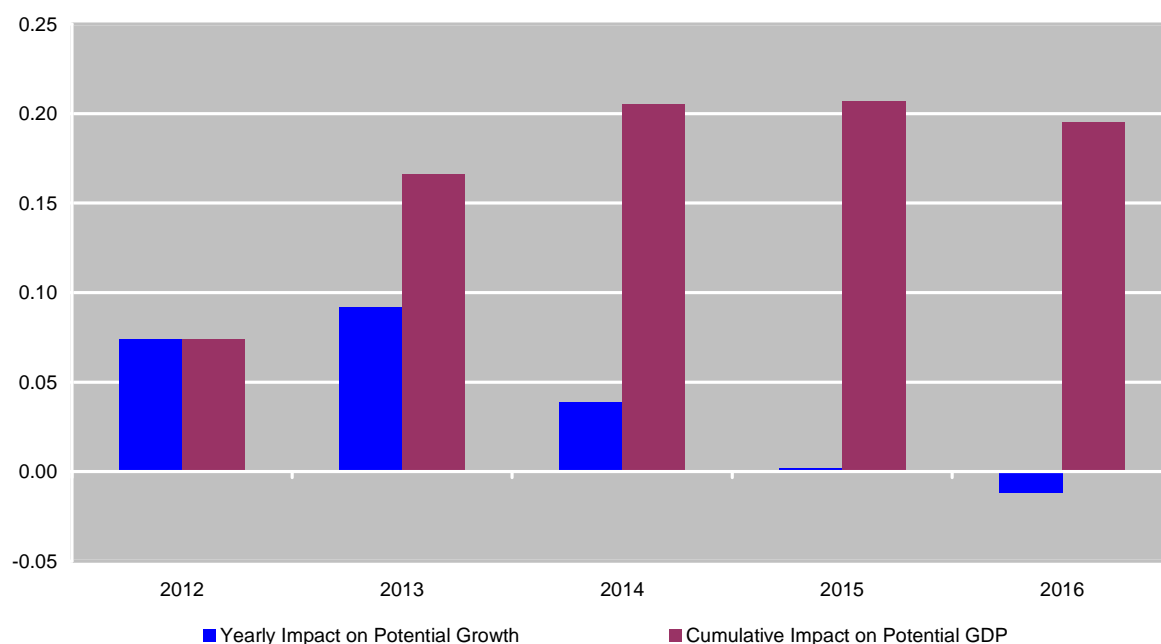


The Chart shows that the international financial crisis and the subsequent global economic slowdown led to a reduction in Malta's long term potential growth as evidenced by the decline noted in 2008 and 2009<sup>1</sup>. Since then, the Maltese Government introduced a number of measures to revert the potential GDP growth rate on an upward trend as noted by the increase in potential GDP growth in 2010. However, amid the difficult external environment, the Maltese economy suffered a relatively small reduction in potential GDP growth in 2011. From 2012 onwards, potential GDP growth is expected to follow an upward trend to reach the 2.0 per cent mark by 2015. Potential GDP growth is expected to remain above 1.6 per cent in 2016 albeit lower than the expected growth for 2015.

Chart 4 shows estimates of the yearly impact on potential GDP growth of a selection of new measures presented in this NRP as well as their cumulative impact. The measures included are:

- Employment in the social economy project.
- Employment support for persons with disability.
- Upgrading and embellishment of industrial estates.
- Extension of MCAST.
- Energy efficient measures for the hospitality sector.
- Promotion and uptake of RES and building envelope insulation.
- National R&I Funds.
- Setting up and development of the national Interactive Science Centre.

**Chart 4 - Impact of New NRP Measures on Potential GDP**



<sup>1</sup> The potential GDP growth estimates presented in Chart 3 correspond to the estimates presented in Malta's Update of Stability Programme for 2012.

Furthermore the chart also shows that these measures are expected to set the economy on a higher output path, with yearly contributions to potential GDP growth averaging 0.07 per cent for the period ranging from 2012 to 2014. In subsequent years, the higher base effect resulting from the shift of potential GDP growth to earlier years leads to negligible and negative yearly potential GDP growth in 2015 and 2016 respectively. In fact, the estimated cumulative impact on potential GDP is expected to reach 0.2 per cent by 2014 and to remain relatively stable in subsequent years. These estimates are deemed relatively conservative because impacts of new measures on productivity are not taken into account. A more detailed discussion on each of these measures is presented in the respective thematic sections of the planned measures chapter.

## 1.2 Macroeconomic Surveillance

### 1.2.1 Macroeconomic Imbalances

As the world economy continues to struggle to achieve a sustainable rate of growth, there is growing emphasis on the need to address the large macroeconomic imbalances that preceded the economic and financial crisis. For a number of years, the Maltese economy has recorded a current account deficit. As highlighted in Malta's NRP 2011, this merits particular attention, particularly when considered in conjunction with capital flows and asset price developments in the economy.

**Table 1 - Macroeconomic Imbalances Indicators**

Indicators	Unit	2006	2007	2008	2009	2010
Current account balance - % of GDP	3 year avg	-8.2	-8.3	-7.1	-6.2	-5.4
Share of world exports	5 years % change	-9.5	-12.1	-10.8	4.1	6.9
House price index - deflated	1 year % change	19.5	18.6	7.6	-6.7	-1.6
Private credit flow	% of GDP	17.2	4.6	18.2	11.4	6.9
Private debt	% of GDP	194.4	193.2	202.3	214.7	212

(1) Source: Directorate General for Economic and Financial Affairs (DG ECFIN)

### 1.2.2 Current Account Imbalances and Capital Flows

Malta has been registering a negative current account balance since the mid-nineties. This deficit persistency is potentially a signal of structural weaknesses in the ability of the economy to increase its production capacity and to export its output in competitive foreign markets. In fact, the external sector has been a minor contributor to Malta's GDP growth. On a positive note, Malta's current account balance improved markedly in recent years, as shown in Table 1 above. This largely reflects an increase in the services surplus which more than doubled from 8.2 per cent of GDP in 1995 to 19.5 per cent in 2010. At the same time, the share of exports of goods in total exports has declined progressively over the years, reflecting significant declines in manufacturing production as a share of the country's total output. Conversely, exports of services increased. This diversification in the export sector is

key for enhancing the Maltese economy's resilience to external shocks as evidenced by the role played by new services activities in cushioning the impact of the global economic slowdown. Nonetheless, the persistency in Malta's current account deficit may signal structural weaknesses in the ability of the economy to increase its production capacity and to export its output in competitive foreign markets.

While recurring current account deficits reflect the mechanics of a country spending more than it is producing, this need not be necessarily undesirable if it remains at a sustainable level and if it reflects productive investment expenditure rather than recurrent consumption expenditure. In other words, as long as the foreign capital inflows which finance this excess spending are invested productively, such that they generate an "adequately" high return in the future which has a positive impact on the country's economy, then the system is sustainable. In Malta's case, around 27 per cent of the stock of capital inflows relate to long-term foreign direct investment, which is typically more productive than other forms of short-term investments. Despite these indications, the degree of deficit persistency noted throughout the years points to the need of adjustment, which can only be facilitated by addressing the structural challenges underlying Malta's long-term export performance.

### 1.2.3 Property Prices

Table 1 above shows that following significant increases in property prices in the years leading to 2007-2008, the housing market registered a partial correction during the recent recessionary period. Indeed, the house price index declined by 6.7 per cent in 2009 and a further 1.6 per cent in 2010. Despite the potential for negative impacts, these developments have not resulted in any major problems in the financial sector<sup>2</sup>. Importantly, the share of gross value added generated by the construction sector in Malta has increased more slowly than in other EU Member States as reflected by a decline in the share of the total EU construction gross value added from 0.035 per cent in 2000 to 0.030 per cent in 2010.

### 1.2.4 Private Debt and External Indebtedness

Private household debt in Malta remains close to the euro area average at around 56%<sup>3</sup>. Despite increasing from 47 per cent of GDP in 2007 to 54 per cent in 2010, the growth in household indebtedness slowed down from 9.8 per cent in 2009 to 7 per cent in 2010. Meanwhile, private corporate debt is in excess of the euro area average. Nonetheless, the overall private debt level which in 2010 stood at 212 per cent of GDP does not appear to be alarming.

Despite a decline in the credit growth rate from 5.4 per cent in 2009 to 4.7 per cent in 2010, credit continued to increase. The slowdown reflects subdued credit demand due to lower private investment activity and tighter lending standards. Within this context, it is pertinent to focus on the extent to which the productive sector of the economy was benefiting from such sustained flows.

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<sup>2</sup>Central Bank of Malta, (2011) *Financial Stability Report 2010*.

<sup>3</sup> Central Bank of Malta, (2011) *Financial Stability Report 2010*.

### **1.3 Bottlenecks to Growth**

NRP 2011 identified five major bottlenecks to growth. These related to the long-term sustainability of public finances, productivity-wage dynamics, higher value-added investment, female participation and the business environment. Addressing these bottlenecks is a core element of the Government's structural economic policy agenda for Malta and thus these are re-iterated also in the NRP for 2012. In addition, the Maltese Government took into consideration the Annual Growth Survey 2012 which calls for a national effort to be concentrated on five priorities, 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 as well as modernising public administration.

#### **1.3.1 Ensuring Growth Friendly Fiscal Consolidation and the Long-Term Sustainability of Public Finances in View of an Ageing Population**

The Maltese Government has undertaken a number of efforts aimed at reducing the deficit in public finances in the short-term (refer to CSR1) and the sustainability of public finances over the long-term especially in view of the projected increases in age-related expenditure. Thus, addressing the low female and older workers participation rate is deemed important to ensure that a larger working population supports the non-working population. In this respect, Government is working to ensure that the level of health expenditure is channelled along a sustainable path. In addition, as stated elsewhere in this document, there are ongoing pension reform efforts directed at addressing the sustainability of public finances whilst safeguarding the adequacy of pensions (refer to CSR2).

#### **1.3.2 Ensuring Productivity Growth Underlines Wage Developments to Safeguard Competitiveness for Today and Tomorrow**

Protecting competitiveness is important for a small and open economy such as Malta. Hence, it must be ensured that wage increases reflect productivity developments. The importance of this adjustment channel is reinforced by Malta's Euro area membership.

Data for average annual compensation of employees suggests that the overall level of labour costs in Malta appears to be competitive when compared to the EU-average and the country's main competitors. This is particularly significant considering that Malta's labour productivity is higher than that of its major EU competitors. However, a time series analysis indicates that wage developments were not always in line with productivity gains and hence it is recognised that there is a need to implement reforms that set productivity on an upward trajectory.

#### **1.3.3 A Further Move to Higher Value-Added Activities by Raising Investment in New Areas of Growth**

Throughout the past two decades the Maltese economy has undergone significant restructuring. As noted earlier, during the period ranging from 1995 to 2010, the share of the manufacturing and tourism sectors in GDP declined whilst that of the share of other



emerging services sectors, including financial services, increased. In light of this, there is the need to continue diversifying the economy, particularly by addressing the declining contribution of the manufacturing sector since (unlike its competitors) Malta has not managed to attract enough activity in growth sectors to replace declining activities.

Despite the significant inflows of foreign capital, since the beginning of the decade, private sector investment in the Maltese economy has averaged around 16 per cent compared to 18 per cent for the EU-27 and 21 per cent for other relatively small and emerging economies in the EU. Within this context, Government sees value in supplementing private investment with capital expenditure, particularly in the areas of education, energy and water resources, transport, communication and the environment.

#### **1.3.4 Ensuring Better Utilisation of the Economy's Labour Potential, in particular of Women and Older Workers, and Improving the Skills Base of the Labour Force**

Although substantial improvements were registered in recent years, Malta's low employment rate stems from a low female participation rate particularly amongst older females, as well as a low participation rate for older workers in general. Their respective participation is being encouraged especially due to concerns arising from the country's ageing population. Malta has already taken steps in this direction as evidenced by measures such as tax credits for women returning to work, the removal of the capping on income that pensioners could earn without any reduction in the pension whilst paying social security contributions and the introduction of child care centres. However, adjusting to ageing may also require raising the effective retirement ages and addressing Malta's low fertility rate as well as raising the country's productivity levels. In fact, the Maltese Government has started to address these policy areas through a number of measures including the 2006 pension reform, changes in the tax-benefit system, and the increase in childcare provision enacted in recent years.

#### **1.3.5 Addressing the Weaknesses in the Business Environment and Modernising Public Administration**

Market imperfections lead to lower productivity levels and could potentially undermine the competitiveness of tradable sectors of the economy. Lowering these administrative and regulatory burdens would improve the competitiveness of businesses already operating in Malta and potentially attract new investors. In addition, it is recognised that the modernisation of public administration also plays an important role in improving the business environment.

#### **1.3.6 Tackling Unemployment and the Social Consequences of the Crisis**

The Maltese labour market fared relatively well during the financial crisis and the subsequent global economic slowdown. Indeed, in the third quarter of 2011 the unemployment rate stood at 6.2 per cent compared to 9.5 per cent for the EU-27. This means that the unemployment rate is back to the pre-crisis level as sustained growth in employment in economic sectors which were relatively resilient to the international financial crisis ensured that the performance of the Maltese labour market continued to improve. In addition, the Maltese Government continued to strengthen its efforts to improve the performance of the labour



market through measures such as the employment aid programme, the youth employment programme and employment in the social economy project. These are discussed in the Chapter 2 (Implementation) and Chapter 3 (Planned Measures).

### **1.3.7 Restoring Normal Lending to the Economy**

The health of the financial system and in particular, the robustness of the banking sector is of paramount importance in supporting economic growth. The Maltese banking sector has weathered the global financial crisis well, as the conservative funding models and little 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 in view of the high concentration to the property market, which remained rather weak. Consequently, the banking sector remains vulnerable to credit risk in the eventuality of prolonged subdued economic growth or declines in real estate prices.

The latest Financial Stability Report of the Central Bank of Malta reported credit growth decelerated but this was largely demand-driven rather than as a result of credit constraints. Indeed, lower corporate sector borrowing mirrored lower investment activities. This largely reflected 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.

## **1.4 Measures to Address Growth Bottlenecks and Economic Imbalances**

The 2011 NRP presented a number of measures aimed at addressing the country's thematic imbalances and bottlenecks to growth. These measures are ongoing and their progress is reported in Chapter 2 (Implementation). This Section only includes new measures which the Maltese Government is planning to introduce in 2012 with the aim of enhancing the country's export performance and productivity to further address the country's growth bottlenecks and economic imbalances.

### **1.4.1 Public Capital Expenditure**

Investment is an important determinant of economic growth because it increases aggregate demand in the short-term and expands the economy's capital stock in the long run. The Maltese government is thus planning to continue investing in 2012 and subsequent years such that gross fixed capital formation is forecasted to increase by 0.4 per cent in 2012 and to increase further in the following years. Government capital expenditure will include the upgrading of industrial zones, roads, projects concerning the physical appearance and history of various localities and incentives for industry amongst others. Details on some of these measures are presented in the relevant thematic sections in Chapter 2 (Implementation).

### 1.4.2 Developing Quality Management in the Public Administration through CAF

This measure is aimed at developing the skills and competencies of public officers in the application of the Common Assessment Framework (CAF) and central competencies within the MEU to lead CAF implementation in the Public Administration. This will be achieved primarily through training and networking with experienced CAF users and experts. The application of CAF in Maltese government organisations will nurture a culture of self-assessment in Malta, while giving government organisations a strong total quality management framework.

Improving levels of service delivery and quality is a primary goal on the Malta public service agenda, and has constituted a key theme since the public service change reform was initiated in 1999. The launch of various e-government and service quality initiatives, including Quality Service Charters, the issuance of Directive 4 (Consolidated Service Quality Standards, issued on 17 March 2010), and the online Customer Care System ([www.servizz.gov.mt](http://www.servizz.gov.mt)), has led to visible improvements in the quality and accessibility of public service delivery.

Government organisations are also increasingly assuming more ownership of service improvement and are recognising the importance of investing in a culture of self-assessment. Moreover, the Public Administration Act enacted in February 2009, places further emphasis on customer focus, public service delivery, increased public service efficiency, and accountability.

Notwithstanding these improvements, there exist a number of limitations which inhibit further continuous improvement at a strategic level. To date, for instance, the public administration has not committed itself to any quality management framework – such frameworks are necessary as the achievement of continuous improvement requires flexible total quality management tools which assist government organisations in planning and prioritising their resources, while bridging the gap between where they are now, and where they should be in terms of performance and delivery.

MEU has conducted a feasibility study to identify which management tool would be more suitable within the Maltese context. Among the models considered were the EFQM Excellence Model, the Balanced Scorecard (BSC) and the Common Assessment Framework (CAF)

CAF was individuated as a potentially effective management tool for Malta because of its cost-effectiveness, flexibility, adaptability, and the availability of CAF expertise in EU Member States. Moreover, CAF:

- Captures the unique features of government organisations at both central and local government level.
- Has a high level of flexibility and can be used by large, medium-sized and small government organisations.
- Can be used in a wide variety of circumstances and in parallel to other management tools.
- Facilitates benchmarking between government organisations at a national and transnational level.

- Is widely endorsed, used and promoted at a European level. In 2005, the Ministers responsible for Public Administration in the European Union encouraged an innovation agenda in the fields of benchmarking and best practices as well as in terms of the development of CAF.

CAF is a core tool to achieving sustainable excellence in all aspects of performance. The tool is based on the premise that excellent results with respect to performance, customers, people and society are achieved through leadership driving policy and strategy, that is delivered through people partnerships, resources, processes and change management.

Concurrently, MEU is seeking to build in-house expertise in CAF that would enable it to become the Maltese CAF centre. Currently, Malta does not avail itself of expert knowledge of the CAF methodology. By building its CAF expertise, MEU would be able to:

- Build CAF knowledge and expertise in other government organisations.
- Promote and facilitate the application of CAF in other government organisations by adopting a consultancy role, in line with MEU's mission statement, "To facilitate the improvement of Government Services".
- Participate in transnational external feedback and give more input in the Common Assessment Framework EU Public Administration Network.

By promoting the use of CAF, MEU would be increasing the levels of self-assessment in Malta. In turn, this would enhance accountability while enabling the public service to deliver better service quality according to the three E's that form the basis for any public service performance:

- Economy – delivering better service quality at the same price.
- Efficiency – the relationship between outputs and the resources used to achieve them.
- Effectiveness – the extent to which levels are achieved.

This measure which commenced in the first quarter of 2012 is expected to be completed by the second quarter of 2014, with a total budget of €325,354. MEU has been awarded ESF funds for this project.

- In 2012, sixty-four (64) public officers from the public sector will be trained in the CAF Model by a CAF Expert/s. Two (2) public officers will also participate in training on the Procedure for External Feedback and the CAF Label.
- In 2013, another fifty (50) public officers from the public sector be trained in the CAF Model by a CAF Expert/s. Eight (8) public officers will also participate in training on the Procedure for External Feedback and the CAF Label.

CAF will be introduced in five organisations (including one in Gozo) in 2012 and in another five organisations in 2013 (including one in Gozo).

### 1.4.3 Quality+

This scheme has been established to encourage Small and Medium Sized Enterprises (SMEs) to engage in the continuous improvement of the quality of their products, services and processes through the:

- Achievement of recognised quality certifications and quality marks related to processes, products or services.
- Achievement of recognised environmental certifications.
- Acquisition of a franchise licence.
- Acquisition of a licence required for participation in a value chain.

Eligible Certifications include:

- ISO 9001:2008.
- ISO 14001 (Environment).
- ISO 22000 (Food Safety & Hygiene).
- Hazard Analysis Critical and Control Point (HACCP).
- Halal certification & MS1500:2004.
- CE Mark.
- BSI Kitemark.

This incentive will only be granted on approved projects and may cover a maximum of €20,000 in eligible costs. Malta Enterprise may approve tax deductions representing 150% of the eligible expenditure incurred for achieving the required improvement. The fiscal support that will be available through this scheme should facilitate businesses to carry out investments that lead to superior products, services of higher value or more efficient processes.

The objective of this fiscal incentive is to support undertakings in:

- Implementing quality management procedures.
- Enhancing planning and performance.
- Increasing customer satisfaction.
- Improving efficiency of functions and processes.

The planned start date of this scheme is 17th January 2012 and its planned end date is 31st December 2013.

### 1.4.4 Gateway to Export

Malta Enterprise (ME) administers an initiative aimed at encouraging Micro and Small Enterprises to assess whether or not they are ready to venture into new markets through their exports.

This programme has been specifically designed to meet the needs of enterprises with 50 employees or less, an annual turnover of less than €10,000,000 and export sales that do not exceed 20% of turnover (if any).

The programme is aimed at enterprises working within the following sectors:

ICT; Education and Training; Creative Services; Health Services & Life Sciences; Financial Services; Transportation & Logistics; and Tourism.

The initiative's aim is to give participating enterprises the skills, know-how and confidence to excel in the international marketplace. A Business Specialist will mentor the participating enterprise through the various stages of preparing for this exciting programme and will help towards the company's readiness for export.

This initiative started in 2011 and it is open ended. It is expected that through this initiative around 15-20 SMEs will be assisted annually. It is 100% Malta funded. No particular budget has been allocated to this scheme. This scheme falls within the Malta Enterprise fund stipulated for the Enterprise Support Schemes. € 1.5 million has been budgeted for the schemes that fall within this Enterprise Support.

#### **1.4.5 Social Economy**

The Government of Malta has embarked on a project which analyses in detail, the social economy sector in the country. This is also in agreement with the work which is currently being undertaken by the European Commission on social entrepreneurship, including the Communication on the European Social Entrepreneurship Funds.

The main function of social enterprises in society is to contribute within it at the grass roots by taking enterprising initiatives to address the needs at community level for populations that hail from vulnerable sectors in society. This initiative is intended to help to strengthen the legal personality of these organisations, effectively strengthening their 'bankable' status, and thus encouraging social enterprise equity to augment participation in the social economy and provide sustainability to such entities. In addition, it is proposed that social enterprises will have access to a number of incentives and opportunities, where the sector's regulatory body can actively intervene to promote and facilitate growth through incentives such as grants and subsidies, social enterprise equity, tax relief and financial assistance.

The Ministry of Finance, the Economy and Investment commissioned a study which was completed in January 2012, which provides a snapshot of the local situation, existing legislation and the nature of organisations in the sector in Malta, while it also includes a number of recommendations whose implementation will provide opportunities for the growth of the social enterprise sector. Following this report, Government plans to publish a White Paper for consultation. The White Paper will include a draft law based on the actions identified in the study and will have as its objective the setting up of a regulatory framework.



## CHAPTER 2 – IMPLEMENTATION

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## IMPLEMENTATION

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Government believes that a timely and effective delivery of the announced policy measures in the first NRP under the Europe 2020 Strategy is a prerequisite for driving forward economic renewal as well as strengthening Malta's competitiveness. Therefore, this Chapter lays a strong emphasis on the implementation of the policy actions adopted in response to the country specific recommendations (CSRs); the various policy measures introduced towards reaching the five headline targets; the Euro Plus Pact commitments, providing the latest available data highlighting the tangible progress registered to date. In addition, an extensive progress report is also being provided on the measures taken during the past year to address the key bottlenecks identified in the first NRP.

The noteworthy progress registered to date was realised notwithstanding the global economic and financial difficulties. Against this backdrop, Government has continued to take all the necessary decisions in order to ensure financial and economic stability. This has resulted in the safeguarding of investment levels and job creation. Through prudent economic and financial management, Malta managed to sustain and increase the various incentives aimed at businesses in order to support them in expanding, tapping into other markets, investing and creating jobs.

In January, the European Commission proposed the closure of the excessive deficit procedure against Malta as a result of the timely and credible initiatives to ensure a sustainable correction of the excessive deficit. This decision reflected the adoption of a budget in 2012 that included a series of measures to contain the deficit. Government is also committed to strengthen the fiscal framework in line with the requirements of the SGP, the new economic governance framework and the agreed objectives of the Euro Plus pact.

### Country-Specific Recommendations (CSRs)

**CSR 1: Ensure correction of the excessive deficit in 2011, in line with the EDP recommendations, standing ready to take additional measures so as to prevent possible slippages, and adopt concrete measures to back up the 2012 deficit target. Bring the high public debt ratio on a downward path and ensure adequate progress towards the MTO. With a view to strengthening the credibility of the medium-term consolidation strategy, define the required broad measures from 2013 onwards, embed the fiscal targets in a binding, rule-based multi-annual fiscal framework and improve the monitoring of budgetary execution.**

### Budget 2012 and Further Measures

In line with the EDP recommendation, Malta took 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. Over the medium term, the deficit is expected to be reduced further, reflecting the implementation of a number of measures announced in the 2012 Budget aimed at reducing

further the fiscal deficit. The budgetary targets are consistent with an average annual adjustment in the structural balance, net of one-offs and other temporary measures of 0.5 percentage points of GDP per annum, ensuring an adequate fiscal consolidation path towards the attainment of a medium term objective of a balanced budget in structural terms. The main revenue and expenditure measures introduced in the 2012 Budget are displayed in Table 2 below.

**Table 2: Main revenue and expenditure impacting measures introduced in Budget 2012**

	€ ('000)	% of GDP
<b>Main measures impacting on revenue</b>		
<b>Revenue-increasing measures</b>		
Excise Duty: Mobile Telephony	500	0.01
Excise Duty: Cement	1,200	0.02
Excise Duty: Cigarettes & Tobacco	3,700	0.06
Bunkering Tax	6,000	0.09
Revision of Commercial Rents (Valletta)	3,000	0.05
Registration Tax	7,800	0.12
Efficiency in Revenue Collection	27,500	0.42
Net revenue from capitalisation and sale of property	2,200	0.03
Pension reform initiatives and enforcement	19,400	0.29
<b>Total</b>	<b>71,300</b>	<b>1.08</b>
<b>Revenue-decreasing measures</b>		
Removal of TV Licences	-1,500	-0.02
Adjustment in Income Tax Rates	-10,000	-0.15
<b>Total</b>	<b>-11,500</b>	<b>-0.17</b>
<b>Main measures impacting on expenditure</b>		
Airmalta restructuring (equity acquisition by Government)	20,000	0.30
Fund for strengthening sustainability of private schools	1,000	0.02
Children's allowance	2,800	0.04
Elderly over 80 living independently	3,500	0.05
Maternity leave	500	0.01
<b>Total</b>	<b>27,800</b>	<b>0.42</b>

In addition, owing to the increasing risks in the international economic situation as well as developments within the public finance sector, Government has undertaken a partial review of the outcomes emanating from the financial planning exercise carried out as part of the 2012 budgetary process, resulting in additional savings across recurrent expenditure headings. The expenditure review announced by Government on January 6 is presented in Table 3 below.

<b>Table 3: Expenditure Review - Adjustments to the 2012 Financial Estimates</b>					
	Approved Allocation € ('000)	Revised Allocation € ('000)	Reduction € ('000)	Reduction %	Reduction % of GDP
Restraint in Recruitment - Salaries & Wages	456,738	449,887	6,851	1.5	0.10
Restraint in Overtime	12,254	9,500	2,754	22.5	0.04
Operational & Maintenance Expenditure	117,117	112,432	4,685	4.0	0.07
Programmes and Initiatives	1,494,428	1,480,356	14,072	0.9	0.21
Contribution to Government Entities	229,620	218,139	11,481	5.0	0.17
<b>Total</b>	<b>2,310,157</b>	<b>2,270,314</b>	<b>39,843</b>	<b>1.7</b>	<b>0.59</b>

In addition to the above, Government is committed to strengthen the fiscal framework in line with the requirements of the SGP, the new economic governance framework and the agreed objectives of the Euro Plus Pact. Chapter 3 (Planned Measures) provides more detail on the Euro Plus Pact measure being proposed in relation to the Strengthening of the Fiscal Framework.

### Excessive Deficit Procedure

The Commission's assessment of the five Member States with a deadline for the correction of an excessive deficit in 2011 and 2012, as outlined in the Communication to the Council dated 11th January 2012, led to the conclusion that Belgium, Cyprus, Malta and Poland had made sufficient progress towards a timely and sustainable correction of the excessive deficit. In the case of Malta, the European Commission concluded that on the basis of available information, the Maltese authorities appear to have taken effective action towards a timely and sustainable correction of the excessive deficit. In particular, this reflected the adoption of a budget in 2012 that included a series of measures to contain the deficit

The Maltese authorities note that the Commission will continue to monitor the budgetary implementation in all Member States currently in the EDP, in view of the next comprehensive assessment that will be made in the context of the Commission services' 2012 Spring Forecast, in accordance with the Treaty and the SGP. More detailed information on the fiscal policy stance in Malta over the short-term is outlined in the Update of the Stability Programme 2012-2015.

**CSR 2: Take action to ensure the sustainability of the pension system such as by accelerating the progressive increase in the retirement age and by linking it to life expectancy. Accompany the higher statutory retirement age with a comprehensive active ageing strategy, discourage the use of early retirement schemes and encourage private pension savings.**

### Outline of the work being carried out in view of further pension reforms

Malta has always taken the matter of sustainability and adequacy of pensions very seriously as can be attested by the 2006/2007 Pension Reform and the Periodic Review and current discussions under way since the Pensions Working Group proposed new recommendations for further pension reform in its Strategic Review report.

The 2006 pension reform measures undertaken are expected to have a positive impact in terms of the average exit age from the labour market when compared to projected life expectancy developments as explained hereunder.

#### i) The 2006 Reform:

In 2006, Government implemented a set of reforms directed to secure the sustainability and adequacy of the pension of future generations. The parametric changes to the First Pension introduced in 2006 are deemed to have fulfilled their role as they braked what was an accelerated degeneration of the average pension replacement rate and thus stemmed the pension system from collapse.

The below outlines an assessment of the increases in the average exit age vis-à-vis the projected developments in life expectancy, on the basis of Eurostat data for the period 2000-2009 and the assumptions adopted by the EPC Ageing Working Group for the Ageing Report 2012.

**Table 4**

#### Projected Gains

	2030-2006	2030-2011	2040-2011	2060-2011
<b>Life Expectancy at 60</b>				
Total	:	:	:	:
Males	3.34	2.26	3.40	5.53
Females	3.07	2.24	3.34	5.39
<b>Average Exit Age</b>				
Total	4.83	2.47	2.44	2.46
Males	:	2.35	2.35	2.35
Females	:	2.69	2.69	2.69

Source: Eurostat, Commission Services

Table 4 above shows that as a result of the 2006 Pension Reform, the average exit age will increase by 4.8 years over the period 2006-2030. The estimated increase in the average exit age exceeded the projected increase in the life expectancy of 60 year olds for the same period that stood at 3.3 years and 3.1 years for males and females, respectively.

The latest projections indicate that these results would continue to hold even if one were to focus on the period 2011-2030, thus after taking into consideration the gains in life expectancy recorded over the period 2006-2010. One notes that the gains in life expectancy would exceed the increases in the average exit age only if the horizon of analysis is extended beyond 2030.

Thus, the latest projections indicate that the increase in the average exit age from the labour market is expected to exceed the gains in life expectancy up to 2030. Therefore, this shows that the gradual increase in retirement age adopted in the 2006/2007 Pension Reform remains valid in terms of the longevity gains expected until then. So, from the point of view of longevity gains, when one looks at the increases being registered in the effective retirement age as against the increases in longevity until 2030, it does not seem necessary that the increases in retirement age are accelerated further in line with the CSR recommendation “*to ensure the sustainability of the pension system such as by accelerating the progressive increase in the retirement age and by linking it to life expectancy*”, as it is expected that, should Malta continue to register such positive increases in effective retirement age, the gap between the effective retirement age and life expectancy will not increase until, at least, 2030.

- ii) Periodic review – Strategic review report tabled in Maltese Parliament on 14 December 2010 and its recommendations:

One of the most important measures addressed by the 2006 Pension Reform Process in Malta was the continued periodic review of the pensions system. In fact Article 64B of the Social Security Act (Cap. 318) requires the Minister responsible for social policy to ensure that every 5 years a strategic review of the pensions system is tabled in the House of Representatives. This report is expected to review the workings of the pension system over the past five years and present recommendations, “with a view of achieving further adequacy, sustainability and social solidarity” (extract Article 64B of the Social Security Act of Malta. The same Article 64B required that the first report was to be submitted by not later than the 31 December 2010. The Strategic Review was tabled in the Maltese Parliament on 14 December 2010. In preparing this Report and the accompanying Supplementary Papers the Working Group held a wide ranging consultation process with constituted bodies, stakeholders and engaged the World Bank to carry out studies on its behalf.

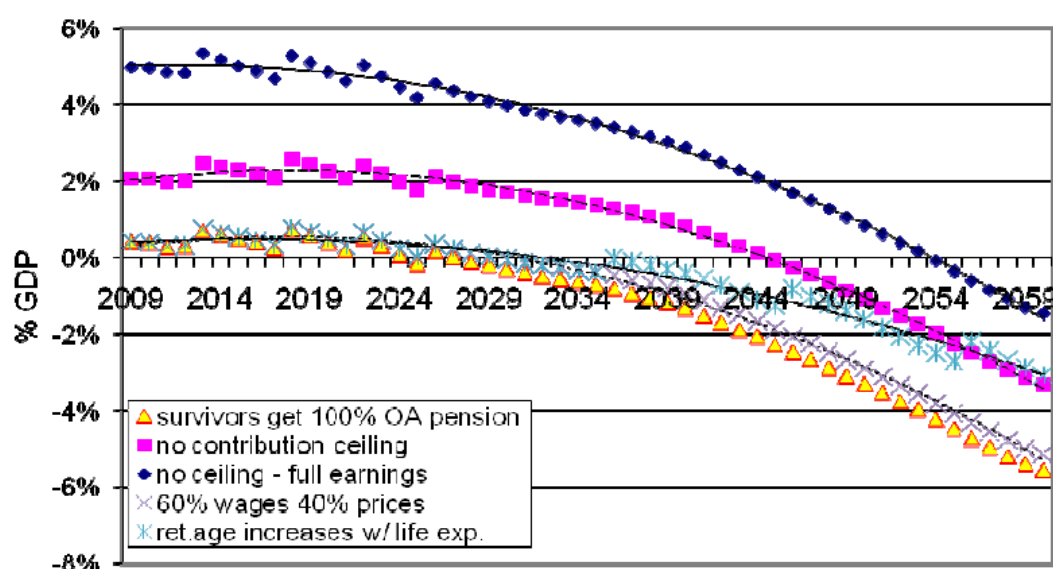
The modelled projections carried out for the period 2010 to 2060 in the Strategic Review show that the parametric changes to the First Pension project the average pension replacement rate of the First Pension will fall to around 45% by 2060. Against this backdrop the Working Group argued that the pension system, despite the parametric reforms to the First Pension in 2006, will fall short of securing over time an average pension replacement rate that will bridge to the degree possible the quality of life to be enjoyed by a pensioner as compared to that enjoyed during his or her employment – a cardinal objective that a 45% replacement rate to the average wage will not secure even if one had to consider the fact that a pension is complemented by other health care or social security pensioner directed benefits.

Aware that the projections until 2060 show a progressive worsening of the pension system balance<sup>4</sup> over the projection period, from close to balance in 2010 to a deficit of around 6% of GDP by 2060<sup>5</sup>, therefore, in the Strategic review, the Pension Working Group has proposed new solutions in order to strengthen the adequacy and sustainability of pensions in Malta. The Pensions Working Group has submitted 45 recommendations as a continuation of the pension reform process initiated in 2006/2007.

The recommendations vary and contain a number of proposals aimed at enhancing further the adequacy and the sustainability aspect of the pension system in Malta. In view of the projected gains in life expectancy and the impact of the latter on the sustainability of pension systems, one of the recommendations of the 2010 Report recommends the introduction of an explicit link between the pension age and life expectancy.

In fact, as part of the Strategic Review, the World Bank has modelled a scenario where after year 2026, when the retirement age reaches 65 years for both males and females, the retirement age is further increased in line with rising life expectancy. On average, life expectancy is projected to grow by one year every ten years. Therefore, the retirement age was assumed to increase by one year to 66 years in 2036, to 67 years in 2046, and to 68 years in 2056. It is shown that further increases in retirement age in line with life expectancy will help to alleviate this problem, reducing the PAYG deficit to about 3% of GDP by the end of simulation period. These developments are illustrated in the Graph below:

**Chart 5: PAYG Balance as a % of GDP (Source: World Bank, Pensions in Malta: Actuarial Analysis and Options)**



<sup>4</sup> Pension System Balance is the difference between Social Security Contributions (inclusive of the State contribution) and expenditure on contributory social security benefits.

<sup>5</sup> Pension System Balance is the difference between Social Security Contributions (inclusive of the State contribution) and expenditure on contributory social security benefits.

Similarly to the recommendations made in the Country Specific Recommendation, the Pensions Working Group (PWG) has in its report 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. As yet, it should be observed that the Retirement Pensions Act (Cap 514) of 2011, which has been approved by the House of Representatives but has still to come into force, allows for the licensing of retirement schemes in Malta. Retirement schemes may take the form of either a defined benefit or defined contribution and may be either occupational or personal retirement schemes. This legislation also lays down the requirements for the application, granting of a licence and prudential supervision of service providers. Service providers are entities providing one or more services to retirement schemes and include: retirement schemes administrators, custodians, and investment managers. Moreover, this Act allows for the recognition of persons providing back-office administrative activities which do not constitute as a licensable activity under this legislation. In Malta, the requirements of the Institutions for Occupational Retirement Provision (IORP) Directive have been transposed through this legislation. This Act is expected to provide the regulatory framework for establishing retirement schemes in the eventuality that the Maltese government introduces second pillar pensions in the country as well as the regulatory framework for third pillar pensions.

Other proposals by the PWG aimed at enhancing the sustainability of the pension system in Malta are:

- The recommendation to study further the possibility of introducing a Notional Defined Contribution (NDC) first pension. An NDC Pension system has in-built features, which allow it to self-adjust in order to enhance its financial sustainability and to award higher replacement rates for persons that remain active in the labour market. In view of these desirable features, the PWG recommended that Government appoints a Working Group to assess further this policy option by 2013.
- The PWG also recommended that Government considers introducing a Mandatory Second Pension directed towards persons who are aged 45 years and younger at the time when it is introduced and that decisions on the size of contributions, the sources of financing for these contributions and the phasing in of the framework be based on a national consensus in a setting that includes the participation of the Opposition and relevant representatives of both employers and employees. In addition, the Group recommended that the Second Pension should be supported by a Default Fund framework based on a lifecycle investment strategy in which people who fail or are unwilling to make an investment choice are de facto enrolled in, whilst ensuring that the most optimal administrative cost structure for the Mandatory Second Pension is introduced.

iii) Work in 2011\2012: Consultations and Consensus Building:

Following the presentation of this Strategic Review it was decided that the findings should be placed in the public domain for further discussion and consultation with the aim of reaching a consensus on the way forward. During the period of the public consultation process which took place from 15 March 2011 until 31 July 2011, the PWG met with various stakeholders and obtained their views and discussed various issues and matters with these stakeholders.



Official written feedback has been received by a number of stakeholders and the Group has held various meetings with these and other stakeholders. The extensive consultation process was followed up by further pension system modelling in late autumn in conjunction with the World Bank on considerations presented to it during the consultation process. Table 5 below provides a preliminary list of the organisations that submitted feedback during the consultation period. A Report, taking stock of the feedback in light of the recommendations, has been presented to the Minister responsible for the Department of Social Security. The Report, which is expected to be made public shortly, largely re-affirmed the recommendations of the Strategic Review. The Chairman of the Group has presented the main findings to the Cabinet of Ministers during March.

**Table 5: List of organisations that submitted feedback during the consultation period**

Alliance of Pensioners' Organisation
Alternattiva Demokratika
APAN – Assoċjazzjoni Pensjonanti u Anzjani Nazzjonalisti
Civil Society Forum
Forum of Maltese Unions
General Retailers and Traders Union
General Workers Union (Pensioners' Union)
Kunsill Nazzjonali Persuni b'Diżabilità
Malta Bankers' Association
Malta Chamber of Commerce, Enterprise and Industry
Malta Confederation of Women's Organisations
Malta Employers Association
Malta Federation of Professional Associations
Malta Institute of Management
Malta Institute of Taxation
Malta Insurance Association
Malta Union of Bank Employees
Mata Institute of Accountants
MHRA – Malta Hotels and Restaurants Association
MSV Life
National Association of Pensioners
National Commission for the Promotion of Equality
National Council for the Elderly
National Council of Women
Partit Laburista
Union Haddiema Magħqudin (Pensioners' Union)

## Active Ageing

The Second part of the Country Specific Recommendation refers to measures to enhance employment of older workers and active ageing policies and called for a 'comprehensive active ageing strategy':

- i) measures to enhance employment of older workers:



The measures undertaken in 2008 that allow persons who attain retirement age to stay in work while starting to receive a pension have started to bear fruit. In fact this is reflected in recent data published by Eurostat. Table 6 below indicates that the employment rate for persons aged 60-64 has increased from 10.8% in 2000 to 14.2% in 2010.<sup>6</sup>

**Table 6: Employment Rates by Age Groups (Source: Eurostat)**

Employment Rates by age groups (%)								
	2000				2010			
Aged	20-64	55-59	60-64	65+	20-64	55-59	60-64	65+
<b>EU27</b>	66.5	50.3	23.0	5.0	68.6	60.9	30.5	4.7
<b>Belgium</b>	66.3	37.9	12.4	1.6	67.6	53.1	20.2	2.0
<b>Bulgaria</b>	56.5	33.5	10.5	2.9	65.4	62.2	26.6	2.8
<b>Czech Republic</b>	70.9	50.2	16.9	4.1	70.4	67.1	25.2	4.7
<b>Denmark</b>	77.9	72.6	30.9	2.5	76.1	75.9	39.6	6.2
<b>Germany</b>	68.7	56.4	19.6	2.6	74.9	71.5	41.0	4.0
<b>Estonia</b>	67.4	58.6	29.9	7.5	66.7	63.1	42.8	8.3
<b>Ireland</b>	70.1	53.1	35.8	8.1	64.9	58.8	40.2	8.6
<b>Greece</b>	62.1	48.4	31.9	5.3	64.0	53.9	30.5	4.0
<b>Spain</b>	60.6	46.2	26.7	1.6	62.5	54.4	32.0	2.0
<b>France</b>	67.4	48.1	10.2	1.1	69.1	60.6	17.9	1.6
<b>Italy</b>	57.1	36.5	18.0	3.1	61.1	52.7	20.5	3.1
<b>Cyprus</b>	72.0	60.6	35.3	10.3	75.4	69.7	41.9	12.9
<b>Latvia</b>	63.4	49.3	21.8	6.6	65.0	64.3	29.4	5.6
<b>Lithuania</b>	66.1	56.2	25.8	7.8	64.4	61.1	33.8	4.5
<b>Luxembourg</b>	67.5	38.9	14.5	(1.6)	70.7	55.7	20.1	(3.4)
<b>Hungary</b>	60.9	33.7	7.6	1.7	60.4	51.7	13.0	1.9
<b>Malta</b>	57.5	45.3	(10.8)	:	60.1	49.3	14.2	(3.5)
<b>Netherlands</b>	74.2	54.1	18.5	2.6	76.8	70.1	37.3	5.9
<b>Austria</b>	70.7	42.4	12.1	2.9	74.9	61.0	22.3	5.3
<b>Poland</b>	61.1	37.7	20.9	7.6	64.6	45.8	19.1	4.7
<b>Portugal</b>	73.4	57.7	44.7	18.0	70.5	57.8	40.2	16.5
<b>Romania</b>	70.5	56.6	48.0	38.2	63.3	50.2	29.5	13.0
<b>Slovenia</b>	68.5	29.0	15.1	7.4	70.3	46.9	19.5	7.3
<b>Slovakia</b>	63.0	34.5	6.1	0.8	64.6	57.9	17.2	1.6
<b>Finland</b>	72.3	58.5	22.8	2.3	73.0	72.5	40.8	4.1
<b>Sweden</b>	76.3	78.6	46.0	4.9	78.7	80.7	61.0	6.3
<b>United Kingdom</b>	73.9	63.2	36.1	5.2	73.6	70.8	44.0	8.5

( ) Data with reduced reliability due to sample size

:

 Data not published due to small sample size

Meanwhile Table 7 below provides an overview of developments in the activity rate by age and sex for the period 2001-2010.

<sup>6</sup> The figure for 2000 represents data with reduced reliability due to sample size

**Table 7: Activity Rates in Malta by Age and Sex**

<b>Total Activity Rate (%)</b>										
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
From 15 to 19 years	48.8	40.0	42.8	34.4	32.7	27.7	30.8	30.4	27.5	26.2
From 20 to 24 years	80.6	79.8	77.4	76.9	76.9	77.8	78.0	75.7	74.4	74.7
From 25 to 29 years	78.4	80.2	78.6	80.5	81.6	84.1	83.8	84.9	83.9	84.6
From 30 to 34 years	68.8	68.6	71.2	68.7	71.0	73.8	75.9	77.6	78.8	79.5
From 35 to 39 years	63.2	64.1	67.1	63.8	66.4	67.4	70.6	69.5	71.0	74.5
From 40 to 44 years	62.4	66.0	60.9	62.8	64.0	65.0	67.6	71.1	72.4	72.3
From 45 to 49 years	59.3	61.0	61.3	59.8	59.8	59.9	62.5	62.6	64.9	65.5
From 50 to 54 years	56.3	54.9	54.4	55.3	55.7	57.2	57.9	58.9	59.8	61.7
From 55 to 59 years	41.4	45.0	43.8	43.2	44.2	44.5	45.8	47.2	48.3	51.7
From 60 to 64 years	11.7	9.8	14.1	11.2	14.6	13.9	12.5	14.1	13.7	14.7
From 65 to 74 years	:	:	:	:	:	:	:	:	4.3	5.0
<b>Male Activity Rate (%)</b>										
From 15 to 19 years	51.1	40.1	44.7	38.6	33.0	32.1	34.1	32.5	29.3	28.2
From 20 to 24 years	85.9	82.4	82.5	82.1	80.6	80.3	81.4	79.0	78.3	78.5
From 25 to 29 years	94.6	96.0	96.1	96.4	96.6	95.3	95.4	96.1	94.9	94.7
From 30 to 34 years	98.3	96.0	99.2	97.7	96.2	95.8	96.8	96.5	96.5	96.6
From 35 to 39 years	98.8	96.7	95.0	96.1	95.5	96.4	97.3	96.3	93.5	93.7
From 40 to 44 years	97.9	97.4	92.5	94.1	95.6	96.0	94.9	94.7	96.5	96.9
From 45 to 49 years	91.8	91.1	91.6	91.9	89.7	93.4	93.8	91.8	92.5	94.1
From 50 to 54 years	89.0	86.6	87.4	88.3	87.4	86.7	87.8	87.4	88.8	90.4
From 55 to 59 years	71.3	73.3	72.3	73.0	72.2	70.6	70.8	74.1	74.7	78.5
From 60 to 64 years	20.7	:	24.4	:	26.7	26.1	21.8	22.7	23.1	24.8
From 65 to 74 years	:	:	:	:	:	:	:	:	:	9.2
<b>Female Activity Rate (%)</b>										
From 15 to 19 years	46.3	40.0	40.5	30.2	32.4	23.2	27.5	28.2	25.6	24.3
From 20 to 24 years	75.2	77.0	72.4	71.4	73.0	75.1	74.2	72.1	69.9	70.3
From 25 to 29 years	61.3	63.1	59.5	61.9	64.0	71.2	71.2	72.6	72.0	72.7
From 30 to 34 years	38.4	41.1	43.1	41.5	47.4	51.8	53.9	57.7	60.0	62.5
From 35 to 39 years	25.1	35.8	36.3	33.2	34.7	36.9	44.6	43.0	48.6	54.1
From 40 to 44 years	28.6	30.8	32.3	31.1	32.5	32.5	36.4	44.6	45.8	47.6
From 45 to 49 years	29.4	30.1	29.9	26.8	31.4	26.6	31.8	34.4	38.2	36.3
From 50 to 54 years	20.6	22.9	20.6	21.2	22.8	27.2	26.3	28.5	28.5	32.4
From 55 to 59 years	13.9	18.7	18.8	16.0	18.9	18.7	20.8	21.0	20.4	23.4
From 60 to 64 years	:	:	:	:	:	:	:	:	:	:
From 65 to 74 years	:	:	:	:	:	:	:	:	:	:

Source: Eurostat

It is evident that over the past decade there was a strong improvement in the labour market performance, especially amongst females, since the activity rate was on the rise for all age

cohorts over the age of 24. It is worth highlighting that the activity rate for older workers has been on the rise, for both males and females. In particular, one also notes that in 2009, the activity rate for persons aged 65-74 was reported for the first time and stood at 5.0 per cent in 2010.

As regards the developments in the activity rate of females, one notes that while the rise in activity rates was recorded almost for all age groups, it was strongest for females under the age of 44, thus underlying the generational issues related to trends in the activity rate in Malta, in view of the evident difficulty to attract older females to the labour market, especially those with limited or no labour market experience. The latter presents an important challenge in raising the employment rates of older persons. Meanwhile, it is worth noting that the progress on measures addressing the National Target for Employment, that covers also active ageing, as well as new measures are being reported under Section 3.1.

ii) 'Comprehensive Active Ageing Strategy':

In relation to the drawing up of an Active Ageing Strategy, an ad hoc Inter-Ministerial Committee was set up under the stewardship of the Ministry of Health, the Elderly and Community Care. During its first meeting, the committee set the time frames for deliverables. In particular, during this meeting, it was agreed that Ministries/entities involved should identify the actions that are already being undertaken in this area and produce a report by the end of February. The target set was to prepare an advanced draft of this strategy by the second quarter 2012.

The strategy will be based on the principles of intergenerational solidarity, employability, volunteering and health. It will take stock of existing measures, programmes and actions in the areas of active ageing as well as propose measures, programmes and actions aimed at ensuring the sustainability of the pension system, increasing employability, increasing healthy life expectancy, ensuring active participation amongst the elderly in society as well as addressing other issues related to independent living and assisted living in the community.

**CSR 3: Focus education outcomes more on labour market needs, notably by making additional efforts to improve access to higher education and by strengthening the effectiveness of the vocational training system. Take further measures to reduce early school-leaving by identifying, analysing and measuring its causes by 2012 and by setting up a regular monitoring and reporting mechanism on the success rate of the measures.**

In May 2009, the Education, Youth and Culture Council adopted the strategic framework for European cooperation in education and training (ET 2020). This included two benchmarks (those relating to early school leaving and tertiary attainment) which later, in June 2010, were adopted by the European Council as headline targets within the EU 2020 framework.

In this regard, the national targets for Malta, in agreement with the Commission, have been set at increasing to 33% the percentage of 30-34 year olds achieving a tertiary or equivalent

level of educational attainment and at reducing the percentage of early school leavers to 29%.

It is to be noted the Malta has showed significant progress with regards to the Early School Leaving (ESL) indicator over the period 2000–2010 (the ESL rate in 2000 stood at 54.2 % as opposed to 36.9% in 2010). The Maltese government recognises the importance of tackling this issue and of reducing the level of early school leavers.

## **Main Measures to improve Access to Higher Education**

A number of measures included in the 2011 NRP addressed the issues of improving access to Higher Education (HE) and to strengthening the effectiveness of Vocational Education and Training (VET). The Education authorities have implemented several policy initiatives to further increase the number of students staying ever longer in education and thus in the process gaining higher qualifications. These policy initiatives have been directed at several different areas, including the provision of VET degree courses, the putting in place of an accreditation mechanism by which to grade existing and new courses and the issuing of various scholarship schemes for Malta to have an ever more qualified workforce.

In order to support an increase in the number of adults following post-graduate courses, thus increasing the availability and employment of high-level graduates in the priority sectors of the knowledge-based economy, a number of scholarship schemes have been introduced. These include the ESF co-financed Strategic Educational Pathway Scholarships (STEPS) (ESF 1.25), which has been extended to 2014 and which has a total allocation of € 10 million over its implementation period, and the Malta Government Scholarship Scheme (MGSS). Both schemes are geared to provide opportunities for post-graduate studies ranging from Masters (in the case of STEPS and MGSS) to doctoral degrees (MGSS only). These courses can be taken both locally and abroad on a full-time, part-time or on a distance-learning basis. There is also the Malta Arts Scholarship (MAS) scheme which offers scholarships in the creative arts to promising artists who can contribute to and support the vibrant creative industry. A new scholarships scheme, the Sport Scholarships Scheme, was launched by the Government in February 2012.

### **1) Offering more Opportunities for Participation in Vocational Education**

This initiative, made up of three different components, addresses both HE and the effectiveness of VET. The latter component is intended to extend the array of vocational subjects provided by post-secondary vocational education and training institutions. This project, co-financed through the European Social Fund (ESF 1.36), consists of two on-going initiatives: the professional development of academic and administrative staff at MCAST; and the launching of vocational degree programmes. The latter initiative is targeted at expanding VET courses up to Level 6 of the Malta Qualifications Framework (MQF). The main objective is the launching of nineteen vocational degrees between 2009 and 2013. This objective has already been fully accomplished with the last batch of eleven degrees being offered as from September 2011 while the first cohort of 63 students graduated in 2010.

As from academic year 2010/2011, local lecturers from MCAST have been delivering the eight degree programmes that were offered for the first time during the academic year 2009-2010.

In September 2011, Engineering students had the opportunity to choose between completing their vocational degree studies after their top-up year by June 2012, and be awarded a general BSc Degree or, extending their vocational degree studies by an additional year (till June 2013) and be awarded a B.Eng (Hons) Degree.

With the intent of increasing the attractiveness, and hence the uptake of vocational courses by a larger number of students, MCAST has been conducting, since Q2 2011, a review and an upgrade of its courses between Level 4 and 5. As a result, a number of existing courses will be re-designed and re-launched. Furthermore the provision of scholarships will further encourage the uptake of financial services courses.

As from Q3 2011, MCAST started reviewing the curricula of its Pathway to Independent Living and Level 1-3 programmes to facilitate the progression of vulnerable students to higher level vocational programmes.

The setting up of the Institute of Applied Science and the extension of the MCAST Main Campus – Phase A will extend the provision of all vocational courses in particular those in the science-related areas.

## **2) The Setting up of a National System for Accreditation and Licensing of Further and Higher Education Programmes and Providers and of Recognition of Non-Formal and Informal Prior Learning**

During 2011, the National Commission for Higher Education (NCHE) together with the Malta Qualifications Council (MQC) commenced work on this measure, with the drafting of two Legal Notices one titled 'Further and Higher Education (Licensing, Accreditation and Quality Assurance) Regulations, 2011', and the other 'Validation of Non-formal and Informal Learning Regulations, 2011'. By October 2011, these were finalised and passed on to Cabinet to be laid on table of the House of Parliament after the publishing of the Education Act Amendment Bill. The second reading of this Bill commenced in January 2012.

In July 2011, NCHE initiated a capacity-building exercise within the University of Malta (UOM) to address the internal quality assurance processes in this institution. A working group within the UOM is reviewing the process which will eventually lead to an external quality assurance review process. The working group plans to complete its work by the end of academic year 2011/2012.

## **3) The Introduction of New Possibilities and Modalities of Learning in Higher Education**

This initiative will provide a longer higher educational pathway than in traditional higher education, with a view to allowing learners to study during late evening hours and during periods of their life in which they find it to be most convenient and most practical. It is expected to raise the qualification level of such persons with a view to providing them with higher intellectual and analytical capabilities and offering them better job prospects. Discussions on how to achieve this started in March 2011, when the Student Affairs and Further and Higher Education Ad Hoc Working Group was set up by the NCHE/MQC. This Working Group concluded its work at the end of 2011. A report including recommendations shall be prepared and presented to the Minister of Education and stakeholders in 2012.

## **Main Measures to Tackle the Issue of Early School Leavers**

A key feature of initiatives being taken to further increase the number of students opting to continue with their education after the end of compulsory schooling is to put in place preventive measures that identify students at risk of dropping out of education and then offering them the necessary support.

### **1) Tackling Absenteeism by Strengthening Student Services**

The Education Directorates have put in place measures to prevent the incidence of early school leaving. These measures are:

- The strengthening of the Education Psycho-social student services at the grass roots level within schools.
- And the putting into place of multi-disciplinary teams which will monitor families in which there is a high tendency of children's absenteeism from schools in order to provide the support needed to socially address such problems.

Multidisciplinary teams working within the colleges were strengthened through the recruitment of various professionals being social workers, psychologists, psychotherapists, trainee counsellors, trainee career guidance advisors and family workers to offer support to students of diverse social, cultural and national backgrounds and to help prevent them from leaving school because of problems their families might be facing. Synergies are created with other agencies so that measures are also available at community level.

Most schools have been adequately equipped with counselling rooms where multidisciplinary teams can work with the students. Furthermore, various Job Exposure initiatives and Career Formation and Information Projects are in place to ensure that students have the necessary information regarding their future choices. Students in their final year of secondary education can avail themselves of a Walk-in Service offering career advice during the summer months.

Since 2010, the Ministry of Education and Employment started to organise an annual Learning Expo that provides a wealth of information to students and their parents regarding learning opportunities and future careers. Guidance counsellors are at hand to answer any queries that students might have.

Government has invested heavily in the Malta College of Arts, Science and Technology (MCAST) and the Institute of Tourism Studies (ITS). Investment has been both in the infrastructure of these educational institutions as well as in the human resources and in new courses. This investment is bearing the desired results as the number of students registering for courses and also the number of students graduating has experienced an exponential growth.

### **2) The Introduction of Vocational Subjects in Secondary Schools**

The Educational Reform currently being implemented at secondary school level envisages the introduction of pre-vocational subjects as core curriculum options during the last three years of secondary education. The objective of this reform is to provide alternative pathways



to students who may prefer taking up vocational education to academic/general education at post-secondary level.

As from September 2011, four vocational subjects (these being Engineering, Hospitality, IT Practitioner and Health and Social Care Services) are being piloted in six state Colleges and four non-state schools. By 2014, the implementation of VET is expected to be extended nationally with the long-term objective to develop a VET qualification delivery model suitable for Malta.

### **3) The Introduction of Embedded Learning for Foundation ( Level 1) Students**

This project, provided by MCAST, is aimed at giving students having only a Secondary School Certificate, the opportunity to improve their proficiency in Maltese, English and Mathematics and IT through learning their choice of vocational studies. Following the success of the Foundation Programme<sup>5</sup> at Level 2, MCAST decided to introduce a Level 1 Introductory Certificate for post-secondary students, thus seeking to support them on their way to higher level programmes. This Level 1 Introductory Certificate is based on the concept of Embedded Learning. Embedded Learning is a process where teaching and learning combines the development of literacy, language and numeracy with vocational and other skills. The skills acquired provide learners with the confidence, competence and motivation necessary for them to progress, gain qualifications and to succeed in life and at work.

In January 2012, MCAST decided to carry out an action research to analyse the needs of both Level 1 and Level 2 students. It is expected that strengths and weaknesses will be better identified to further consolidate the support structures required for this cohort of MCAST students. MCAST is also committed to review its Initial Screening Test which all new students have to take in July, prior to their vocational programme allocation.

Following the issuing by the Commission in June 2011 of the Country Specific Recommendations, a number of measures were initiated to further address the areas that were highlighted by the Commission. These included measures to address both HE and VET:

- An initiative by MCAST to increase the accessibility, flexibility and innovation to the MCAST Lifelong Learning Course Offer (ESF 2.139). The aim of this project is that of increasing the attractiveness, accessibility and flexibility of the MCAST lifelong learning offer and thus contributing to the consolidation of the workforce's skills. This project will therefore be targeting directly Measure 3.4.2.5 of the NRP 2011 (Introducing New Possibilities and Modalities of Learning in Higher Education). This project was initiated in the Fourth Quarter of 2011. The Introduction of a Blended Learning Approach will put in place procedures to assess prior learning, together with prior and current work experience. Its envisaged end date is the First Quarter of 2015. The implementation of a Tracer Study is also planned.
- A further project run by MCAST is that to make VET more relevant and attractive (ESF 1.130). The aim of this project is that of conducting a substantial upgrading exercise within the context of vocational education between Levels 4 and 6. Therefore, a number of existing courses will be re-designed and new courses will be

designed and launched. Moreover, scholarships will encourage an enhanced uptake in financial services subjects. As a result, MCAST's offerings will become more attractive to a larger cohort.

- Part of the MCAST project to extend and improve its campus includes the construction and development of an Institute of Applied Science and an Institute of Business and Commerce. This project, with a total outlay of €9,654,992, is co-financed with funds from the European Regional Development Fund (ERDF).

New measures to tackle Early School Leavers that have been proposed or that have already started being implemented include:

- A Working Group from within the Research and Development Department, MEDE, and the NCHE was set up in order to identify, analyse and measure the causes of early school leaving and to set up a regular monitoring and reporting mechanism on the success rate of the measures being implemented. This Working Group discussed modes of collecting data from all secondary schools and from post-secondary institutions and the collecting of data from the Employment and Training Corporation (ETC). Meetings have been held with the National Statistics Office (NSO) personnel and correspondence exchanged with the Office of the Information and Data Protection Commissioner to clarify a number of issues. Essentially the methodology involves the matching of two data sets. One data set contains records of students attending the final year of secondary education and the other data set consists of student records attending the first year of post-secondary institutions. In this way by exclusion the students who did not make it into post-secondary institutions are identified. These records are then cross-checked with data held by the employment and training agency to verify if these students are employed, seeking employment (registering for work) or attending training organised by the ETC. This part of the research will make use of existing mechanisms and frameworks. Furthermore, a representative sample of those students who did not continue with their post-secondary education are to be interviewed or asked to complete a questionnaire which will lead to the drawing up of a profile of early school-leavers. This will assist in the early identification of students at risk and hence intervention can be initiated. This initiative will be carried out in collaboration with the Student Services Department.
- Another MCAST project, entitled Inclusion for Employment (ESF 3.102), shall review the curricula of its Pathway to Independent Living and Levels 1 to 3 programmes to facilitate the progression of vulnerable students to higher level vocational programmes and ultimately employment. This involves the review and design of syllabi with the required support, teaching material and relevant pedagogical skills, course accreditation and staff training. Thus this project shall be targeting directly Measure 3.4.2.2 of the NRP 2011 (Offering more Opportunities for Participation in Vocational Education). The project is aiming to: carry out an audit and review of the current system in place at MCAST; design learning resources and packs; the piloting of new teaching and learning resources; the training of lecturing staff; the accreditation of the courses; and finally to disseminate the project results.

The Institute for Tourism Studies (ITS) established a Pre-employment Scheme with the objective of attracting students ending compulsory education to follow courses in the



hospitality industry. This scheme mainly focuses on increasing students' awareness of career opportunities in the hospitality sector.

A further initiative is the provision of a Foundation Certificate in Hospitality Trades Course. This course will open study opportunities in the hospitality industry for students who obtained only the Secondary School Certificate and Profile and who would otherwise not be able to join courses at the Institute of Tourism Studies.

**CSR 4: Review and take the necessary steps to reform, in consultation with social partners and in accordance with national practices, the system of wage bargaining and wage indexation to ensure that wage growth better reflects developments in labour productivity and competitiveness.**

Prior to 1990, industrial relations in Malta were characterised by a degree of instability in both public and private sectors of the economy. One main, though not sole, contributor to this climate was the practice of an annual discretionary grant of cost of living adjustments mandated by Government in the Budget Speech over and above the increases stipulated by collective agreements. In particular, a high profile dispute involving a major operator in the tourism accommodation sector led to the closing down of the activities. Such tensions led to a voluntary agreement between employer organisations, unions and Government on the cost of living adjustment (COLA), known as the National Agreement on Industrial Relations of December 1990. This agreement is reflected in the Employment and Industrial Relations Act (Cap. 452) that provides for the increases in wages declared by the Minister by notice in the Government Gazette to be of general application to all whole-time employees.

### Methodology for Computation of COLA

The methodology for the computation of COLA, as agreed in the National Agreement on Industrial Relations is as follows:

12-Month Moving Average Inflation Rate as at September \* Base Wage

where the inflation rate is measured on the basis of the Retail Price Index (RPI) while the base wage represents a wage level determined in the 1990 Agreement and that have since then been updated annually by the COLA. The resulting sum is then rounded to the nearest Lm0.25 and subsequently converted in Euro.

For example, during the Budget Speech 2012, the Minister of Finance announced that the COLA for 2012 would be equal to €4.66 per week. This is computed as follows: the 12-month RPI average for the period October 2010-September 2011 stood at 103.46, while the average for the same period 12 months earlier stood at 100.72. This gives an inflation rate of 2.72 per cent as at September 2011.

Applying this inflation rate to the base wage for 2011 (€177.61 or Lm76.25), a weekly cost-of-living compensation of Lm2.08 (€4.85) is obtained. When rounded to the nearest Lm0.25,

the final figure for the cost-of-living compensation for 2012 stands at Lm2.00 or €4.66 per week. These calculations are illustrated in Table 8 below.

**Table 8 - The Calculation of COLA in 2012**

Retail Price Index December 2009 = 100			
	2008/2009	2009/2010	2010/2011
October	100.84	100.65	102.39
November	100.52	100.26	102.70
December	100.65	100.00	103.25
January	98.39	99.49	102.20
February	99.36	99.86	102.13
March	100.13	100.43	103.13
April	100.25	101.44	103.89
May	100.25	101.61	104.78
June	99.82	101.21	104.55
July	99.45	101.07	103.94
August	99.44	100.96	104.15
September	99.89	101.65	104.45
12-month average	99.92	100.72	103.46
Increase (%)	3.46	0.80	2.72
Base Wage	73.25	75.75	76.25
<b>COLA for 2012</b>			
COLA (Lm)			2.08
Rounded COLA (Lm)			2.00
<b>COLA (Euro)</b>			<b>4.66</b>

It is to be noted that the COLA of €4.66 per week is a fixed amount granted irrespective of wage levels. To illustrate, the Cost of Living Adjustment for the CEO of a major company and a worker on the shop floor would result in the same compensation of €4.66 per week. Thus, the impact of the COLA on wage growth is inversely proportional to the level of the actual wage. In addition, it is to be noted that the base wage, the wage level upon which COLA is based, is a relatively low wage, standing at around 16% higher than the national minimum wage of €153.45 per week in 2011, but representing merely 61% of the average gross weekly salary of €289.15<sup>7</sup>.

<sup>7</sup> Labour Force Survey: Q3 2011

This shows that COLA is based on a mechanism that is distinct from wage indexation as observed in other European countries. Indeed, COLA represents an increase in wages by a flat amount, independent of the wage level, rather than an indexation of all wage levels to inflation.

### **Features of COLA and Employment Legislation in Malta**

The National Agreement on Industrial Relations provides for opt-out clauses from the granting of COLA in response to situations related to the restructuring of the economy and competitiveness challenges. An opt-out clause at macro level can be invoked by agreement among the social partners due to extraordinary circumstances such as higher inflation than trading partners, negative GDP growth and/or declines in private sector employment.

The Agreement also provides for an opt-out clause at micro level, where, subject to the consent of employees concerned or their representatives, enterprises facing financial difficulties can ask for exemptions from wage increases stipulated in collective agreements. In case no agreement is reached, an independent Financial Arbitration Tribunal can be asked to deliberate on the matter.

Furthermore, it is important to note that in addition to the opt-out clauses allowed by the Incomes Policy agreement, the Employment and Industrial Relations Act (EIRA) also allows for temporary suspension of conditions of employment to preserve employment, subject to the Director of Industrial Relations approval. Such opt-out clauses have been used in the past allowing Malta to enjoy a certain degree of wage flexibility at firm level when it is most needed.

### **Preliminary Results of the Study on the Impact of COLA on the Maltese Economy**

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. In this regard, the analysis that is underway is taking both a micro and a macro focus in order to ensure that all the underlying dynamics are studied. The analysis is also testing the hypothesis that the opt-out clauses allowed by the National Agreement on Industrial Relations and the EIRA differentiate the wage adjustment process in Malta from the presumably rigid wage adjustment process in other countries in the EU that have wage indexation mechanisms in place.

Preliminary results emanating from this study have been shared with officials from DG ECFIN in a meeting held in January 2012. The Maltese Authorities are currently taking on board the comments of the European Commission with a view to finalise the study during the first half of 2012. As agreed in the Malta Council for Economic and Social Development (MCESD) and in line with the Country Specific Recommendation, the Economic Policy Department, together with the Central Bank of Malta will present the technical analysis to MCESD. This will ensure that the social partners are consulted.

**CSR 5: Strengthen efforts to reduce Malta's dependence on imported oil, by bringing forward investments in renewable energies and making full use of available EU funds to upgrade infrastructure and promote energy efficiency.**

EU target: moving towards a 20% increase in energy efficiency.

National targets: 9% energy savings in end use by 2016 and 22% energy savings in primary energy savings by 2020.

The primary energy savings target for 2020 is based on primary energy consumption for Malta, capped for aviation in the same manner as the target for renewable sources of energy. It is based on national models of energy consumption projections, and assumes primarily that the energy end use savings envisaged in the NEEAP are achieved and that the new electricity generation plant in Delimara is commissioned as well as a new interconnector with Sicily. Provisionally.

National target 2020: 22% or 235,254toe

The basis for this target is that marine bunkering is excluded from primary energy consumption and that aviation is capped at 4.12% in line with Directive 2009/28/EC on the promotion of the use of energy from renewable sources. The business as usual scenario assumes the power station conversion efficiency of 30.31% of 2009 remaining unchanged.

## **Interconnection to the European Energy Grid**

### **Electricity Interconnector**

As planned, the project is in its detailed engineering stage prior to start of manufacture of equipment. The application process for permits in Malta and Sicily is progressing. A detailed marine survey to define the subsea cable route was completed before the end of 2011. The target is to commission the interconnector by October 2013 as per contract. The interconnector will raise the conversion efficiency to an average of 40%<sup>8</sup> at an investment of €182 million (€162 million Malta funds and €20 million EU funds under the European Energy Programme for Recovery).

### **Gas Interconnection**

In line with the conclusions of the European Council of the 4 February 2011, where the Council noted that “No EU Member State should remain isolated from the European gas and electricity networks after 2015 or see its energy security jeopardized by lack of the appropriate connections”, the Government of Malta intends to implement a connection to the trans-European Natural Gas Network to deliver Natural Gas (NG) to the Maltese final consumer for domestic, commercial and industrial purposes including its potential use for the generation of electrical power.

A comprehensive study that includes a cost-benefit analysis to determine the commercial viability of the project as well as its effect on the Maltese economy is being prepared. The study shall also look into other externalities of the project such as security of supply, competitiveness, sustainability as well as identifying the aspects that make it a potential Project of Common Interest (PCI) as defined by the guidelines for trans-European energy

<sup>8</sup> Average EU conversion efficiency as stated in Directive 2006/32/EC.

infrastructure (which repeals decision 1364/2006/EC on TEN-E). The study may be used to support an application to the European Commission for financial assistance from the 'Connecting Europe Facility' funding instrument under the Commission's energy infrastructure package.

### **Extension of the Delimara Power Station**

The Delimara Power Station extension project has entered the hot testing phase which commenced on 12 December 2011. The final stage in the implementation of this project also includes the performance and reliability testing of the plant which is expected to be completed by July 2012.

The project will deliver the expected 144MW electrical output power to be available to the Maltese electrical grid in summer 2012.

The plant will have a net capacity of 144MW and consists of eight diesel engines of 17 MW each, plus a 12MW Steam Turbine in combined cycle mode. The total efficiency is 46.8% at maximum continuous rating and CO<sub>2</sub> emissions will be less than 0.63kg/kWh. This is significantly better than the conversion efficiency of the plant it will be replacing (typically around 30%). Construction works commenced in mid-2010 and the plant, currently undergoing testing, is expected to be put into commercial operation by mid-2012.

Although the plant will be continuously operating on liquid fossil fuels as the main energy source, it can be converted to natural gas firing, to allow for fuel switching in the future should this become necessary and feasible; the use of natural gas is currently not possible due to the lack of infrastructure – that is, natural gas pipelines or storage infrastructure for LNG/CNG.

### **Energy End-Use Efficiency**

Malta submitted its second NEEAP<sup>9</sup> in line with Directive 2006/32/EC. The measures proposed in the first NEEAP were, or are in the process of being, implemented in the majority of cases. Additionally, new measures not envisaged in the first NEEAP were implemented successfully. One such case is the Compact Florescent Lamp (CFL) scheme whereby all households were given free energy saving lamps in a bid to promote energy efficient lighting. The aim was to create a culture of buying energy saving lamps since once the lamp comes to end of life the user will replace it with the same type of lamp.

The Maltese population are generally careful in resource use. This has been consistently demonstrated in Eurobarometer surveys carried out since 2004. The latest survey published in 2011 showed 75% of Maltese indicating that they are cutting down on electricity use, well above the EU average of 53%. Recent increases in electricity prices have reinforced this culture.

The main tangible efforts during the past three years have been on promoting energy efficiency in the domestic sector, tourism and industry. A number of schemes have been issued targeting these sectors and the uptake was very successful. Measures for the Public sector and Transport sector were also devised but more effort is to be made in these sectors since there is more potential to be realised in both sectors. SMEs were the least focused on and government will make an effort to identify measures even after the second NEEAP is published to promote energy efficiency measures.

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<sup>9</sup> National Energy Efficiency Action Plan

The target of 3% for 2010 has been achieved, and marginally exceeded – the target was 126GWh and the achievement was 153GWh.

The carbon footprint of all building categories still has to be established by means of expert studies and analyses of data collected from energy performance certificates and other sources. This will allow us to re-define targets more precisely to achieve real energy savings by means of the cost optimal methodology.

The strategies for achieving the national targets for zero energy buildings are twofold:

- Tighten existing minimum requirements for the Building Envelope in new buildings and buildings undergoing major renovation by 30% to 50% as from 2013. These minimum requirements will be upgraded by a further tightening of 20% to 30% as from 2017. The percentage tightening depends on the building category.
- Increase the energy harvest from renewable energy sources to decrease the use and dependency on fossil fuels by regulating the allocation of use of 50% of the roof space in new buildings for these renewable energy sources.

Both of these strategies will reduce the carbon dioxide emissions from energy use in buildings.

It is envisaged that by the end of 2018 all new buildings being constructed for the use of public authorities will qualify as nearly-zero energy buildings.

The refurbishment and transformation of existing buildings into nearly zero-energy building stock will be encouraged. The feasibility of adopting market-based instruments such as grants, tax deductions and others to achieve such objective will also be assessed. Such instruments may be applied for those owners who will enter into a commitment that clearly shows that their building will have higher energy efficiency and nearly-zero net energy use. The Energy Performance Certificate will be the main document displaying this improvement.

## Energy Efficiency in Transport

This measure mainly revolves around the Reform of the Public Transport Service. A reduction of fuel consumption in the transport sector can be achieved through an improvement in efficiency in transport in general and improvement of public transport to the point where current private vehicle users are attracted to using it instead of their private transport means. After some initial teething problems that arose when the new contractor entered service on 3 July 2011, the reform is currently on track and is being deployed as planned.

Furthermore, individuals who purchase electric vehicles receive a grant of up to €5,500 (consisting of a cash grant and another grant for the installation of PV panels in the household in question).<sup>10</sup> A network of 100 charging points will also be installed throughout Malta and Gozo in the near future. A target of 5,000 electric cars has been established for 2020. Hybrid vehicles will also be encouraged by reducing the registration tax for such vehicles.

## Implementation of the National Renewable Energy Action Plan

Malta will be achieving its 2020 renewable energy targets through a couple of identified major projects of large scale wind, and waste to energy projects. However a great share of

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<sup>10</sup> More information about this scheme administered by the Malta Resources Authority can be accessed through the following link: <http://www.mra.org.mt/Support%20Schemes%202011-EV.shtml>.



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.

It is expected that the uptake of other renewable energy technologies will take place in the form of a larger number but smaller installation capacities with priority being given to those technologies which are already widely available, mainly solar photovoltaic systems, solar water heating and micro-wind.

The Malta Environment and Planning Authority had issued a set of guidelines in 2007 on planning permitting of solar applications installed within the curtilage of a building. These guidelines have simplified the installation of such systems whereby subject to compliance with the guidelines, no planning permits will be required in most cases. Solar applications that fall outside the scope of these guidelines may require a planning permit from the local planning authority.

A set of planning permitting guidelines is also available for micro wind turbines with capacities up to 20kW.

The authorization and licensing of new generation capacity is regulated by the Electricity Market Regulations. The Electricity Market Regulations exempt generators with capacity not exceeding 16Amps per phase and producing electricity from renewable energy sources from the requirement to obtain an authorisation and a license. Instead a fast track procedure was adopted whereby these generators require only the submission of a notification to the regulator prior to construction. Once the installation is ready, an application for connection to the grid and provision of the necessary metering has to be submitted to the DSO<sup>11</sup>.

Generation capacities falling outside the scope of the notification process require one to apply for, and obtain an authorisation prior to construction of the generation capacity. The authorisation process requires that it is ascertained that the proposed installation does not impact negatively the stability of the network and also that an adequate connection to the grid is available otherwise the necessary steps have to be taken to upgrade the connection and the network where necessary. Therefore the authorization procedure involves consultation with the DSO to ensure that potential technical barriers that may exist for connection to the grid are addressed and mitigation measures taken in due time. At the authorization stage the applicant is also required to sign a Power Purchase Agreement with the DSO for the export of the electricity generated from the plant. Generation capacities that require an authorization prior to construct are also required to have a license to produce electricity for own use and/or sell to the DSO. The license is issued by the regulator once informed in writing that the installation is ready for connection to the grid and then an application can be submitted to the DSO for connection to the grid and provision of the necessary metering.

Presently, the regulator does not charge any fees for the processing of the Notifications, Authorisations and issue of licenses with respect to generators producing electricity from renewable energy sources. An administrative charge applies when the application for connecting the generator to the grid is submitted to the DSO.

Measures being taken to facilitate the uptake of renewable energy resources include financial incentives in the form of grants on the initial capital investment made available for residential and non residential sectors through grant schemes launched by Government from time to time. The aim is to make these technologies more affordable to the general public

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<sup>11</sup> Distribution System Operator

and organizations. Effort is also being made such that technologies benefiting from the grant schemes meet certain quality requirements and standards as to ensure that the installed technologies are robust and perform according to specification. Installations as solar photovoltaic systems are being certified by warranted electrical engineers and this year courses have been implemented for the certification of installers of solar applications as to ensure the proper, safest and most effective methods of such installations.

Government has incentivised the installation of Renewable Energy Sources (RES) and Energy Efficiency (EE) systems through a number of capital assistance schemes, in addition to its own direct investment where most Ministries have been fitted with PV systems. Schemes have been launched to assist domestic households using national and ERDF funds, the commercial sector using ERDF funds and local councils using national funds.

All calls have been fully subscribed.

Table 9 below shows grants paid from national and ERDF funds to date to domestic households.

**Table 9**

		2008	2009	2010	2011	2012 (Jan)	Total
PV Rebates	Count	1	140	61	1,705	160	<b>2,067</b>
Solar Water Heater Rebates	Count	1,390	2,469	1,814	1,098	48	<b>6,819</b>
Registered PV Systems (equivalent to 12,346 kWp)	Count						<b>2,439</b>

In addition, there are another 3000 PV systems for whom a grant has been allocated and which are to be installed and subsequently paid during 2012. PV and solar water heater energy generated during 2011 is shown in Table 10 below.

**Table 10**

	PV generation in 2011	SWH heat capture in 2011
Energy GWh	31.44	8.43
CO2 tonnes (0.8907 T/MWh)	28,003	7,508

In the last NREAP report, Malta reported the share of PV as 0.08% of the total electricity produced in 2010. This percentage is projected (assuming constant electricity demand) to 0.7% in 2012.

(Note: The percentages above are the PV-RES as a percentage of total electricity demand. When these are converted to the share of total energy demand, the percentages for 2010 and 2012 become 0.04% and 0.35% respectively) Note further that the average PV contribution to be reported for the next NREAP period will be calculated over two years.



Other incentives to address financial barriers include the introduction of a feed in tariff for solar photovoltaic system in September 2010 through LN422/08 (Feed-in Tariffs Regulations) such that photovoltaic installations including those benefiting from a grant could also benefit from the payment of a feed-in tariff on the electricity exported from such systems. The introduction of a feed-in tariff replaced the previous net-metering arrangement. However, owners of the photovoltaic installations could still use the system for their own use and export the surplus at the feed-in tariff. The introduction of the feed-in tariff increased the potential for exploitation of the roofs available especially for premises with no consumption and hence with no incentive for net metering.

Some other technologies though not widely spread, as low-grade-geothermal, hydrothermal and aero thermal heat pumps, solar cladding for space heating, and co-generation are already being contemplated and as the implementation of these technologies can be in the design of new buildings or in major retrofitting of existing buildings, these can be included in the planning permit application for the development.

### Contribution of NGOs

Apart from government entities, non-government organisations are also contributing towards investments in RES and EE. In fact, under the programming period 2007-2013, under Axis 4, there are a number of projects which are still in the implementation phase that are aimed towards this objective. These being:

ERDF 228 - Green Energy Schools Projects – this involves the introduction of RES in twelve church schools through the installation of Photovoltaic systems. It will also involve the installation of Intelligent Lighting systems in three schools. The objective is to reduce the schools' dependency and use of non-renewable energy sources, thus leading by example as educational institutions and catalysts of green energy measures.

ERDF 229 - San Gaetano Parish - Investing in Eco-Friendly Technology for Energy and Leading by Example - The project involves the installation of an eco-friendly photovoltaic panel system on the rooftop of San Gaetano Parish. The project intends to increase electricity generation from renewable energy sources, reduce CO2 emissions as well as reliance on imported fuels. In addition to this, the project will be promoting the use of RES and energy efficiency systems amongst the community and residents of the locality of Hamrun.

ERDF 230/ERDF 234/ ERDF 243 - B'Kara Local Council/Holy Family Home/ Saura Home - Energy Generation and Conservation Projects- These projects will utilize the best available innovative RES technology that will significantly reduce the carbon footprint of the present facilities while simultaneously leading to a considerable reduction in the current costs for energy. They will also contribute to wider national efforts to mitigate negative effects caused by climate change.

ERDF 235 - Sisters of Charity of St. Jeanne Antide- Stepping-Up Energy Saving Measures in 2 Provincial Schools - This project involves the installation of a photovoltaic system in two church schools – St. Joanne Antide Primary School in Gudja and the Immaculate Conception Girls Secondary School in Tarxien. The installation of PVs will generate enough electricity to cover the annual load demand of each of the two schools. Apart from the environmental benefits, both schools will benefit from education awareness about environmental measures to adapt to climate change, hence marketing the schools as a zero carbon footprint buildings.

ERDF 236 - Ghajnsielem Band Club - Photovoltaic Panel System at Ghajnsielem Band Club - Installation of a 30KWp Photo-Voltaic System on roof of premises. The system will be mounted directly on roof on fixed (no tracking) 30 degree frames, facing direct south.

ERDF 238 - Leone Band Club - PV system for the Leone Band Club - Leone Band Club is a non-governmental organisation promoting music and culture at National and European Level. By means of this project, the Organisation will contribute towards the Eco-Gozo objectives of a cleaner environment by means of a 46.2kWpeak Photovoltaic system on the Band Club's roof premises.

ERDF 239 - Oratory Don Bosco - Installation of Photovoltaic System on Oratory Don Bosco - Installation of a 20KWp Photo-Voltaic system on roof of premises. The system will be mounted directly on roof on fixed (no tracking) 30degree frames, facing direct South.

ERDF 241 - Inspire: Eden & Razzett Foundation - Aiming at Zero: a renewable energy strategy to minimise consumption - The provision and installation of Photovoltaic system that will drastically minimise dependence on carbon emitting energy sources, and ultimately increase investment in disability services by lowering fuel consumption.

### **Aid Schemes and Grants**

Malta Enterprise is also managing various schemes that are also aimed towards both RES and EE in the private sector. These being:

**Energy Audits** – 10 hours of free consultation is provided to an enterprise in order to carry out an energy audit. Malta Enterprise contracts an energy expert on its behalf to conduct an audit within a period of four weeks. The audit collects detailed information about the facility operations and performance together with a detailed evaluation of energy conservation measures. Utility bills are collected for a 12 to 36 month period in order to allow the auditor to evaluate the enterprise's energy/demand rate structures and energy usage profiles. Additional metering of specific energy-consuming systems is often performed to supplement utility data, while meetings with key personnel are conducted so as to provide a better understanding of major energy consuming patterns. An overall financial analysis is also provided for the energy saving measures proposed. Options for improvements are costed in order for the enterprise to weigh the cost of improvements against future energy savings and prioritise according to those that offer best value for money. Should more hours be needed for the energy audit, Malta Enterprise subsidises the extra allocated hours based on enterprise size. 25 hotels and restaurants and 37 enterprises have benefitted from this scheme since 2010 with the total value of support amounting to over €35,000.

**ERDF Energy Grant Scheme** - This scheme is an opportunity for proactive businesses that are willing to invest in solutions that will reduce their carbon footprint whilst also help reduce the impact of energy costs on their business. Enterprises may be awarded a 50% refund on their approved projects. Costs may 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. Projects submitted under this grant scheme may not exceed a total value of €200,000. More information on this scheme can be found in the Implementation Chapter.

The MicroInvest Scheme as well as the Energy Efficiency Measures for the Hospitality Sector are both schemes that will also contribute in addressing the said CSR. Details on these two schemes can be found in the Planned Measures Chapter.

## **Annex 1**

The table in Annex 1 provides a brief overview on the measures taken and planned to address the above mentioned CSRs.

## **Measures to Address Economic Imbalances and Growth Bottlenecks**

### **2.4.1 Smart Fiscal Consolidation**

The Maltese Government acknowledges the need to maintain sound and sustainable public finances and to prevent the general Government deficit from becoming excessive, as reflected in Malta's commitment to the new EU fiscal compact and the significantly stronger coordination of economic policies in areas of common interest, including the common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of an excessive deficit. Indeed, in line with the EDP recommendation, Malta took 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. Nevertheless, Government is pursuing the implementation of a number of measures announced in the 2012 Budget aimed at reducing further the fiscal deficit.

Further to the revenue-increasing measures outlined in the 2012 Budget, Government is strengthening and stepping up its efforts towards curbing fiscal and benefit abuse and to increase efficiency in revenue collection. Several initiatives are being put in place to combat tax evasion and avoidance, including Double Taxation Agreements (DTAs) and Tax Information Exchange Agreements (TIEAs) with third countries, tax audits and the inclusion of various anti-abuse measures in the Income Tax Management Act (Cap 372). Further to an internal risk control exercise, the VAT Department's risk analysis system is currently being overhauled in order to increase the effectiveness of tax audits, which are expected to become more targeted and focused. Meanwhile, the Benefit Fraud and Investigation Department continues to contribute, through its operations, to the identification of cases that are in breach of the Social Security Act (Cap 318). Over the period 2006-2011, benefit fraud investigations have resulted in savings estimated at over €21 million, of which €3.7 million in 2011.

Moreover, Government acknowledges the important role that national fiscal frameworks may play in sustaining budgetary retrenchment. In particular, initiatives to enhance the accountability and transparency of the budgetary framework are being strengthened. Government is also actively considering the implementation of systems which lead towards increased budget execution discipline. Further details of the Government's medium term fiscal consolidation strategy are included in other sections of this document as well as in the most recent update of the Stability Programme.

Over the medium term, the envisaged fiscal path further highlights Government's consolidation efforts towards the attainment of fiscal sustainability. As outlined in other sections of this document, as well as in the most recent update of the Stability Programme, demographic changes in Malta are expected to represent a significant challenge in the coming years. Government has embarked on the introduction of a comprehensive pension

reform program. The reform law adopted by the Maltese Parliament in 2006 aimed at enhancing the sustainability of the pension system whilst improving the adequacy of the pension enjoyed by retirees in the future. Pension reform remains high on the Government's agenda as outlined in the Implementation Chapter.

Meanwhile, Government will continue to engage in a series of growth-enhancing initiatives intended to strengthen Malta's international competitiveness. Over the medium term, attention is being devoted to assist in the country's effort to boost investment in education and in more environmentally-sustainable development, whilst also ensuring a better quality of life for families and the elderly.

#### **2.4.2 Pensions Reform**

As a continuation of the pension reform process initiated in 2007, in 2010, the Pensions Working Group (PWG) was tasked with the responsibility to carry out a Report "reviewing Part V of [the Social Security Act] ... with a view of achieving further adequacy, sustainability and social solidarity" as required by Article 64B of the Social Security Act. The PWG submitted its report to the House of Representatives during December 2010. A public consultation process followed during May and June 2011. More recent milestones include the presentation of the Post-Consultation Report to the Cabinet of Ministers. The Report contains a number of recommendations aimed at enhancing further the adequacy and the sustainability aspect of the pension system in Malta. These recommendations are being considered by Government. As regards the retirement age, the Maltese Parliament has already passed legislation as part of the 2007 Pension Reform that stipulated a rise in the pension age to 65 years (by 2026) in 2006. For further information please refer to CSR 2 above.

#### **2.4.3 Public Infrastructural Projects**

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.

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.

Along with infrastructure upgrades, designed to maximise both capacity and safety within the current constraints of the Mġarr harbour and Ċirkewwa terminal, this will provide a crucial maritime link between the TEN-T road networks on each island, so essential to ensure the mobility of persons and goods in a timely manner. Further links have been included in the TEN-T plan to link the capital city of Valletta, its ports and its airport as well as Malta's main TEN-T port located at Marsaxlokk so as to facilitate freight and passenger connectivity. The Ċirkewwa passenger terminal project and the breakwater upgrading works will be mainly financed from the budgeted amount of €21 million of EU Cohesion funds.

#### **2.4.4 Private Investment Incentives**

##### **Tax Credit Schemes**

The MicroINVEST scheme supports micro enterprises and self-employed that invest in their business, innovate, expand, implement compliance directives and/or develop their operations. The scheme was launched in January 2010 and following its success, it has been extended to the end of December 2012. Therefore, this scheme is included as an extended measure in this year's NRP.

CREATE aims to support creative businesses whose economic performance is directly linked to the creative talent of those involved in the business. Further support is provided to help the development of creative communities in artistic zones thus sustaining the development of the zones and interdisciplinary creative cluster developments. The scheme provides additional benefits related to creative work (Arts & Crafts; Performing Arts; Digital Media; Music; Literary Works; Design; Film & Video) undertaken in the following creative zones in Malta and Gozo:

Strait Street, Valletta  
Biċċerija Area, Valletta  
Is-Suq, Valletta  
Savina Square, Rabat, Gozo  
Arch. Saver Cassar Street, Rabat, Gozo  
Saint Mary Street, Rabat, Gozo  
The Collachio Area, Birgu

In the Budget 2012, it was announced that such scheme would be extended to the whole area of Valletta. Hence, this scheme is also included as an extended measure in this year's NRP.

##### **Industrial Parks**

With an investment of €16 million, Malta Industrial Parks (MIP) has started an extensive programme of upgrading works in a number of industrial zones.

The project entails the upgrading of the road network and general service infrastructure, establishment of community facilities including the construction of three childcare centres with administration facilities and the improvement of the estate environment through upgrading of infrastructure, increase accessibility for the physically disabled and landscaping

improvement. Such embellishment is a key requirement to industries' daily operations and aids in attracting new investors while also serving established companies in their operations.

Furthermore, the project aims to enhance Malta's competitiveness as an industrial location thus contributing to the sustaining of Malta's growing knowledge based economy and promoting and safeguarding jobs in this key strategic sector.

The areas chosen for this project are Bulebel, Hal Far, Kordin, Mosta TechnoPark and Xewkija industrial estates. The three new child care centres are being constructed at Mosta TechnoPark, Xewkija and Kordin industrial estates.

Affordable and accessible quality childcare provision is very important for working parents. As outlined in last year's NRP Government plans to increase the provision of childcare services as a means of an early start to education since childcare services may offer an important contribution to child development and socioeconomic integration. Last year's NRP noted that a further five child care centres will be established between 2011 and 2013. In this regard, four existing buildings were to be refurbished and converted into childcare centres and that a new childcare centre was to be constructed. The additional construction of the above three new childcare centres is therefore being included as an extended measure in this year's NRP.

A brief description of the works carried out per industrial estate is provided below:

**Bulebel:** The upgrading proposed is the second and final phase of the estate, with the first phase having been undertaken through the ERDF2004-2006 programme. The works include, general upgrading of the roads and service infrastructure, increased parking facilities, better rainwater collection system, street lighting and the extension of the fire hydrant system in the estate.

**Hal Far:** Completion of the first, second and New Roads phase of the upgrading of the industrial estate.

Phase 1 and 2 entails upgrading of the road and service infrastructure resulting in better traffic flow, increase parking and landscaped areas, improve street lighting, provision of new fire hydrant system and improved storm water/rainwater collection. Preservation of archaeological features present in the estate and creating of a walk through service tunnel to accommodate the grounding of overhead high tension electricity cables.

New Roads - introduction of a new road network and service infrastructure in a major underdeveloped area in the estate where plots are earmarked for further industrial expansion and new projects in the pharmaceutical sector.

**Mosta Techno Park:** Highly serviced Industrial zone and to encourage increased employment, a childcare centre facility as mentioned above will be constructed.

**Kordin:** (KBIC location) upgrading and embellishment of the main entrance and service roads on the edge and within the estate, upgrading of the service infrastructure, creation of landscape areas, street lightning, fire hydrant and rain water collection system. As mentioned above, works will also include the construction of a child care centre.



**Xewkija:** Due to the double insularity feature of Gozo, this project is the most challenging one being a location unpopular with investors to establish a business. MIP will give an identity to this estate by upgrading the road and services infrastructure, creation of additional landscaping and fire hydrant system. As already mentioned above, works will also include the construction of a child care centre.

Furthermore, €550,000 was allocated to improve industrial zones not under the Government's direct responsibility.

### **Business First**

Malta Enterprise has launched its one stop shop christened "Business First" on the 23rd January 2012. Apart from the schemes and services offered by Malta Enterprise, more than 50 services from various Government departments and entities are being provided through Business First, with the aim of facilitating the day to day operations of local enterprises while supporting their growth and successful operation. Furthermore, Business First is accepting applications of 19 different entities in Malta and Gozo. The following 9 forms are available online on [www.businessfirst.com.mt](http://www.businessfirst.com.mt): Catering Establishment Licence; Travel Operator License; Dive Centre License; Private School Licence; Accommodation Development Licence; Host Family Licence; Data Protection Notification; New Vat Number; and Vat Receipt Books.

By providing authoritative information and assistance on the services offered under one roof, the services offered by Business First are particularly useful for SMEs and even more so for start-up companies, which often have the extra burden due to their lack of familiarity with the business environment. In addition, Business First also assists its clients register these formalities and apply for the services from one centralised location.

The services are also available to existing companies, irrespective of their size or sector in which they operate. Companies will be able to obtain information and guidance as well as apply for the vast range of schemes and support provided by Malta Enterprise.

To fulfil its commitments - which amongst others include a stipulated delivery timeframe which in most cases does not exceed 10 working days - Business First has entered into a number of service agreements with various departments and entities.

Services related to employment, VAT, tax, utilities, VISA permits, licensing including several tourism-related licenses are being provided through Business First. A helpline has also been set up on telephone number 144.

Due to its initial stages, a feedback system is currently in place. Specific feedback forms are being circulated amongst the clientele in order to be able to promote continuous improvement from processes to results.

The operational costs of this service amount to circa €450,000.

### **Kordin Business Incubation Centre (KBIC)**

KBIC is currently being revamped with a view to introduce new and improved services in order to attract and facilitate the setting up of more innovative businesses

in Malta. Malta Enterprise is currently working on new policies and procedures for the operations of KBIC on 3 levels: a) the management of the facilities; b) new services offered to tenants, and; c) the relationship with other stakeholders including educational institutes. The scope is to seek to upgrade the service offering of the incubation centre which is itself part of the broader effort of Malta Enterprise directed towards start-ups in Malta.

Over 50 companies kicked off their operations from KBIC in the recent years. The start-ups eligible for assistance through KBIC include manufacturing, research and development and innovation, waste treatment and eco-Innovations, and biotechnology. The incubation period is set between a minimum of one year to a maximum of three years.

In 2012, two training sessions are envisaged for KBIC tenants and also young entrepreneurs, with the aim of supporting local entrepreneurs to be better equipped to lead their business ventures. The budget allocated to the training is €8,000.

### **ERDF funded grant schemes**

All together, a total of 431 projects have been granted funding in the first 3 calls published of the ERDF International Competiveness, Start-Up, Innovation, Environment, e-Business, and the first 2 calls of the ERDF R&D and Energy Grant Schemes. The following information is a breakdown of the amount committed and beneficiaries per ERDF scheme.

Over €7.65 million has been committed to 68 beneficiaries in the ERDF International Competiveness Grant in the first 3 published calls. A 4th Call has been issued in February 2012. 3rd April 2012 was the deadline for submissions.

The ERDF Small Start-up Grant Scheme supports the growth of new enterprises having less than 50 employees. 25 start-ups have benefited from the first 3 calls. Over €1.6 million has been committed to this scheme in the first 3 published calls. A 4th Call has been issued in February 2012. 3rd April 2012 was deadline for submissions.

The ERDF Innovation Grant Scheme assists SMEs to meet today's business challenges by stimulating the development and adoption of innovative processes, products and services. 61 enterprises have benefited from this scheme in the first 3 calls. Over €4.3 million has been allocated to this scheme in the first 3 published calls. A 4th Call has been issued in February 2012. 3rd April 2012 was the deadline for submissions.

Through the ERDF Environment Grant Scheme, 14 enterprises have benefitted from this scheme in the first 3 calls. Nearly €900,000 has been allocated to this scheme in the first 3 published calls. A 4th Call has been issued in February 2012. 3rd April 2012 was the deadline for submissions.

97 enterprises have benefitted from the ERDF e-business Grant Scheme in the first 3 calls. Over €3.6 million has been allocated to this scheme in the first 3 published calls. Currently, Malta Enterprise is not accepting applications for assistance through this scheme.

27 enterprises have benefitted from the ERDF R&D Grant Scheme in the first 2 calls. Over €4.1 million has been allocated to this scheme in the first 2 published calls. A 3rd call has been issued in February 2012. 3rd April 2012 was the deadline for submissions. Enterprises



had the facility to submit a pre-check of the application form to allow entities interested in applying for this scheme to establish whether or not their intended project conforms as a valid R&D project with the parameters set in the Incentive Guideline. The check also clarifies whether the project constitutes Industrial Research or Experimental Development. Any recommendations do not guarantee funding for the project.

139 enterprises have benefitted from the ERDF Energy Grant Scheme in the first 2 calls. A total of € 18.4 million has been allocated to this scheme in the first 2 published calls. Currently, Malta Enterprise is not accepting applications for assistance through this scheme. Table 11 below illustrates the indicators and what has been achieved till 2011 with respect to the set targets.

**Table 11**

Indicator	Target	2011 (N+2)
Annual Penetration rate of installed PVs and Micro-wind (in kwpeak/annum) or equivalent Energy Saving, generating systems in 2008)	3,300	1,385/11 kw
Total annual electricity generated from small scale PV and micro-wind installations (MWh/annum)	5,500	3,151
Total energy saving per year (MWh)	22,200	7,174
Ensuring that OP1 is a low carbon programme with the ultimate aspiration of achieving carbon neutrality (KG CO <sub>2</sub> /annum)	23,706,000	6,738,608.02

The implementation of the ERDF projects administered by Malta Enterprise is progressing and 80% of the funds have now been committed. €7 million worth of claims have been processed. Both the first two calls for applications for the International Competitiveness, Small Start Up, Innovation, Environment and e-business schemes and the first call for the R&D scheme closed with just over 240 enterprises approved. The second call for the R&D scheme and the 3rd call for the other schemes has been issued and closed on the 29th March 2010 with a total of 379 applications received. A 3rd Call for Proposals for the ERDF R&D, and a 4th Call for the ERDF International Competitiveness, Small Start-up, Environment, and Innovation have been issued in February 2012. 3rd April 2012 was the deadline for submissions.

### Online Government Services

In June 2011, the Government launched a solution for online procurement. The e-Procurement solution enables tender bids to be submitted electronically to contracting authorities within Government.

In November 2011, the next generation e-Government platform was launched. This is considered to be an evolution of the Government's electronic services with the main aim of providing a truly citizen-centric service which will fundamentally transform customer experience whilst also delivering seamless, cross border and pan-European services. It is envisaged that all Government services will be gradually published on it. Over 50 business-related services are available on this platform, which is now also catering for the electronic

procedures required by the services directive. Furthermore, forms will also be available online through the recently launched Business First website.

The Management Efficiency Unit carried out an inventory of all Government forms used by citizens and businesses and will shortly start to advise to prioritise these for development. In fact 60 services that relate to communications and transportation are planned to be published by the end of May 2012. Malta invested further on the myBills solution, which intends to provide businesses and citizens who use e-Government services with a single payment method that meets the highest industry security levels and provides a coherent payment experience across all services. Over 90% of online Government services use this common solution.

### **VAT Registration Obligations**

The VAT Department has for the past years enhanced its online services for registration, submission of returns, online payments and viewing of statement of affairs. Taxpayers also have access to information from the Department's website and may send their accounting documents online during an investigation. By accessing these services online, VAT registered persons need not visit the Department thus gaining time.

As announced by Government in its budgetary measures for 2011, L.N. 524 of 2010 was published on 17th December 2010. This legal notice exempts business operators who are not registered under article 10 of the Act and whose turnover does not exceed €7,000 from registering for VAT purposes. These small business operators are thus exempt from filing a yearly declaration to the Department as well as issuing fiscal receipts on their sale transactions. By virtue of this legal notice, business operators who were registered under article 11 prior to the coming into force of this legal notice and who were found not to have exceeded an annual turnover of €7,000 were automatically deregistered. The Department deregistered 8378 persons from Register B. The Department shall also be deregistering 1466 persons after these would have settled their accounts.

### **Culture and Creative Industries (CCIs)**

A draft version of this strategy has been completed and is currently awaiting Cabinet approval. Further details on this initiative can be found in the implementation chapter under the Euro Plus Pact section.

### **Rural Development Programme**

#### **Training, Information and Diffusion of Knowledge (Measure 111 of the Rural Development Programme)**

This measure seeks to improve the competitiveness and the sustainability of the agricultural sector by investing in human potential. The main aim is to provide the opportunity and the means for farmers and other adult persons involved in agricultural activities and those working within the agro-food industries to be trained and to improve their skills, thus meeting the challenges that result from the new standards and demands of the rural economy. Through this measure, service providers will be engaged to provide training to key potential stakeholders, mainly those operating in the agricultural sector or processing. Training is free of charge whilst the measure covers the expenses related to the service provider.

The total public expenditure for this measure amounts to €1,160,000. A tender amounting to €47,000 for the provision of training services to farmers operating in the crops sector was launched on 29th December 2009 and closed on 22nd January 2010. The only bid received for this call was however deemed unsuccessful due to its quality. A factor that contributed to the failure of the take up of the measure was the timing of the call, which occurred during the festive season, and its limited duration.

In 2010, a programme modification was carried out. This change involved an amendment in the text of the demarcation with other EU Financial Instruments and the transfer of €549,000 in public expenditure from this measure to another measure. In addition, the Managing Authority proposed an extension of eligible beneficiaries to also include legal entities involved in agricultural and food activities.

The first amendment sought to achieve better separation of training provided to beneficiaries in between this measure and the Training Aid Framework under the European Social Fund (ESF) and the National Environmental Framework, as to reduce the risks of double funding. This measure will only support training actions related to the agricultural and agro-food sectors, specifically aimed at increasing the level of preparedness of adult persons to continue to operate in the mentioned sectors. Training in the agro-food sectors will be restricted to owner-managers and will not extend to employees.

The second call was launched on the 22nd of November 2010 and closed on the 14th of January 2011. There were 4 applicants, out of which 3 were contracted. The grant amount shall depend on the number of farmers trained at a rate of €100/€90 per farmer. The higher rate is for those beneficiaries who benefit from funds of Rural Development Programme 2007-2013 and the other one for those who are not. There was no ceiling on the number of farmers that could be trained.

The second call for applications has been restructured when compared to the previous call. The second call included 6 modules, all linked to a specific sector. Each module had the potential to be assigned to one or more service providers. As at end July 2011, three out of the four eligible applications were contracted, with the training started in the third quarter of 2011.

The total Public Expenditure up to December 2011 amounted to €81,490 out of which €61,117 were of European Agricultural Fund for Rural Development (EAFRD) contribution. This entire amount was disbursed during Calendar Year 2011. Contribution rate for this measure is 75% EAFRD and 25% funded by Maltese Government.

### **Modernisation of agricultural holdings (Measure 121 of the Rural Development Programme)**

This measure seeks to support farm investment to assist agricultural holdings to improve their economic performance through better use of the production factors including the introduction of new technologies and innovation, targeting quality, organic products, including non-food sectors and energy crops as well as improving the environmental, occupational safety, hygiene, and animal welfare status of agricultural holdings. Furthermore, this measure is also intended to facilitate investments that are made in order to comply with the newly introduced Nitrate Directive that has come into force in Malta.

The first call for this measure was launched on 15th November 2008 with the closing date set for 30th January 2009. The total budget allocated for this call amounted to €13,460,000 and was increased by €5,049,000 due to shifting of funds from measures under the rural development programme (namely measures 111, 114, and 123) in favour of this measure. The Government of Malta also took another decision to allocate an additional € 1.02m of funds which were made available from the Recovery Package, to the dairy sector under this measure. After the large response for investment, the budget was increased to €19,869,000. The transfer of funds aimed at concentrating financial resources were mostly required and demanded. This measure is considered to be the key measure through which the primary sector can become more competitive. Therefore, more funds will provide a more robust foundation for the whole agricultural sector to take the required steps to modernize and become more competitive.

After the 2008 call, 344 eligible applications were received and a total of 280 applicants were contracted as at end December 2011 for a total public expenditure of €15,420,082. €12,055,660 was disbursed by 31st December 2011 out of which €9,041,745 of EAFRD contribution. During Calendar Year 2011, €4,531,508 was disbursed out of which €3,398,631 of EAFRD contribution. Contribution rate for this measure is 75% EAFRD and 25% Funded by Maltese government. Aid intensity for the first call was 50% up to a maximum of €150,000 which was changed for the second call.

The MA launched a second call for applications on 3rd October 2011 and closed on the 2nd December 2011 to utilise the remaining budget. The application period was extended until the 16th of December 2011. A total of 509 applications were received: 402 in Malta and 107 in Gozo. Applications are still under evaluation.

The scope and demarcation criteria applicable under this measure are intended to ensure consistency and coherence with first pillar payments and to avoid the possibility of double funding for the same operations. As a general rule, operations that shall benefit under the support schemes listed in Annex I of Regulation (EC) No1974/2006 shall not be eligible for support under this measure.

### **Adding value to agricultural products (Measure 123 of the Rural Development Programme)**

This measure aims at rendering agro-processing enterprises more competitive. It complements Malta's strategic direction of increasing the value added by Maltese enterprises and builds on other funds which address this same priority for the manufacturing industry. It is specifically orientated at facilitating improvements in processing and marketing of agricultural products and concerns investments aimed at improving efficiency, opening new market opportunities for agricultural products, introducing new technologies and innovation, putting emphasis on quality, and improving environmental protection, occupational safety, hygiene and animal welfare.

The first call was launched on 20th February 2009 with the call closing on 29th May 2009. 29 applications were received after the first call, with a total grant request of €2,553,599, out of which 25 were contracted for a total of €2,238,903. The chosen applications mainly focused on the purchase of equipment to enhance production techniques rather than developing new products. Funds were relatively equitably distributed between large and small operators, and

tended to target the development of niche and local products, even through the relatively large operators which would typically focus on bulk products.

The MA believes the reasons for the weak response after the 2009 call were due to several facts, namely that agro-processors involved in food production have already received financial assistance under RDP 2004-2006; there was a limited list of products eligible; the economies of scale limit the innovative aspect of introducing new processes, products or techniques and the lack of readiness within the rural community to form cooperative ventures. The MA is restructuring a call based on this analysis to have better accessibility to market players what was included in the second call launched in 2011.

A programme modification was carried out in relation to Measure 123 due to the weak response obtained following the first call for applications in February 2009. In view of this and to ensure maximisation of fund absorption, part of the budget available for Measure 123 was transferred to Measure 121. Given the importance of Measure 121 and the extensive number of applications received after the First call, the budget available under Measure 123 was reduced to €4,000,000 with the remaining €3,000,000 being transferred to Measure 121.

The second call was launched on the 24th October 2011 and closed on 16th December 2011. A total of 38 applications were received: 30 in Malta and 8 in Gozo. Applications are still under evaluation.

A total of €1,450,304 was disbursed by 31st December 2011 of which EAFRD contribution amounted to €1,108,728. During Calendar Year 2011, €642,967 was disbursed of which EAFRD contribution amounted to €482,225. Contribution rate for this measure is 75% EAFRD and 25% funded by Maltese government. Aid intensity depends on size of enterprises as follows: for small enterprises it is 50%, for medium enterprises 40% and for large enterprises 25%.

A constant liaison between the Managing Authority of the European Regional Development Fund and the Managing Authority of the European Agricultural Fund for Rural Development tackles any possible uncertainties on the nature of submitted projects to avoid double funding.

#### **2.4.5 Better Regulation**

- Identification, measurement and reduction of administrative burden in the priority areas as well as 100 simplification measures across line Ministries.

Malta is committed to reduce administrative burden on businesses by 15% by 2012 thereby releasing manpower to productive activity which will increase the gross operating surplus of the Country.

In this respect, an ESF funded project of €1.67 million was embarked upon. As part of this ESF Funded project, Malta has so far carried out all the measurement of the administrative burden costs in the chosen priority areas, resulting in a total administrative burden cost of € 116 million p.a.

A number of simplification initiatives have already been implemented to date resulting in a €7 million p.a. reduction in administrative burdens.

Additionally, a number of further simplification initiatives have been identified in these areas and based on the agreed simplifications with Departments and Entities, the overall simplification by end-2012 should amount to € 20.6 million p.a. equivalent to 18% of the baseline administrative burden. This should liberate some 716,000 hours p.a. for productive activity.

In addition to the proposals referred to above, further proposed measures aimed at reducing administrative burden on both businesses and citizens from the non-priority areas were identified. With respect to simplification measures aimed at removing unnecessary burdens on businesses, based on research, a number of areas of national competitiveness were identified from where simplifications could be implemented. Such areas are: Customs, Enterprise Support; Trade licences, Land Registration; Local Council Permits; Culture funding and Tourism Licences and Regulations. The total administrative burden from these IOs is of €8.9m and simplification proposals amounting to €6,252,261 have been identified. Such savings would represent a 70% savings on the baseline administrative burden of the IOs being considered for simplification.

With respect to simplification measures aimed at removing unnecessary burdens on citizens, based on research the following areas were identified from where simplifications could be implemented. Such areas are: Employment and Disability Register; Income and Capital Gains taxes; Statistics; Free Medicines; Public Registry-Marriage Banns; Transport Licensing and Registration; Social Security and Planning. The total administrative burden from these IOs is 612,215 citizen hours and €15.6m worth of out-of-pocket expenses. Simplification measures in relation to 27 IOs have been identified. Such proposal would yield savings of 270,644 citizen hours and €3.9m worth of out-of-pocket expenses.

Feedback is being sought from the responsible entities to draw up action plans for the implementation of agreed proposals.

- Training of more than 350 public officials in better regulation principles, tools and techniques including the Standard Cost Model.

Also, as part of an ESF funded project, to date 411 officials have received training in Better Regulation and the Standard Cost Model. These officials from within the Public Sector were trained in the proficient use and application of Better Regulation principles, procedures, tools and techniques. The aim of this training was to increase the Public Administration's ability to plan and execute Better Regulation programmes and initiatives for the benefit of businesses and citizens and to have the necessary skills to quantify the savings accruing from such initiatives.

- Developing 'best-in-class' standards for regulators to address the high degree of variation in the capacity of regulators.

Government is developing a Code of Practice for Regulatory Institutions so as to improve the regulatory framework and ensure more consistency and collaboration between different regulators.



This Code of Practice has been drafted and is now in its second consultation phase.

Consultation Document was distributed for comments to all Regulatory Authorities and Ministries. Feedback was received from about 12 entities and a feedback report was drawn up to analyse the feedback received.

It is envisaged that during the current year, the Code of Practice will be officially launched.

- The consolidation of the above three measures into Ministry Better Regulation Plans and its continuing recalibration, review and improvement through the central Better Regulation Unit.

It is anticipated that by the end of the ESF project, all Ministries will have a Ministry Better Regulation Plan which will include information about Better Regulation initiatives (those falling within priority areas and those falling within non-priority areas) falling within their Ministries portfolio and the status of implementation, as well as information regarding the Ministries Capacity Building plan to ensure future sustainability in carrying out Better Regulation activities.

Thus this plan is being built up gradually with the implementation of this ESF project and will be finalised upon completion of the project.

## **2.4.6 Strengthening Market Structures**

### **Malta Competition and Consumer Affairs Authority Act 2011**

The Malta Competition and Consumer Affairs Authority (henceforth 'the Authority') was established on the 23 May 2011 with the coming into force of the Malta Competition and Consumer Affairs Authority Act 2011, CAP 510 of the laws of Malta (henceforth the 'MCCAA Act'). The MCCAA Act provides that the Authority shall have a Board of Governors and shall encompass within it four different and functionally independent entities, i.e. the Office for Competition, the Office for Consumer Affairs, the Standards and Metrology Institute and the Technical Regulations Division. Each entity is headed by a Director General, with each entity having separate Directorates within it. The Board is primarily concerned with policy-making. On the other hand, the entities are vested with decision-making powers and with the responsibility to apply and enforce the special laws which they administer. Hence, whilst on the one hand, the Directors General must, in the exercise of the functions vested in the entities, give effect to the policies set by the Authority and for this purpose only they are subject to the overall supervision and control of the Authority, in exercising their functions, the entities must act independently and autonomously, free from the direction of any person or authority.

In terms of the MCCAA Act, the Authority shall have as its purpose the attainment and maintenance of well-functioning markets for the benefit of consumers and economic operators.

The said Act apart from providing for the establishment of the Authority:

- Provides for the establishment, jurisdiction and procedure of the Competition and Consumer Appeals Tribunal; and
- Amends other laws, notably the Competition Act.

### **Amendments to the Competition Act - Part XV of the Malta Competition and Consumer Affairs Authority Act 2011**

Amendments to the Competition Act also came into force on 23 May 2011. The amendments, made the Competition Act, a more effective tool for curtailing restrictive practices and agreements and abuse of dominance, while at the same time ensured that the rights of the undertakings concerned and of complainants are guaranteed.

The law was amended in such a way as to:

- Strengthen procedural safeguards by entitling the undertaking concerned for a statement of objections prior to the issue of a final decision, providing for the rights of complainants, providing for access to the file, providing for a full right of appeal from the decisions of the Director General of the Office for Competition to the Competition and Consumer Appeals Tribunal and a right of appeal on points of law from decisions of the Competition and Consumer Appeals Tribunal to the Court of Appeal.
- Strengthen the deterrent effect of the law by widening the decision-making powers of the Director General (Office for Competition) coupled with the power to impose administrative fines, providing for a damages action, providing specifically for inquiries into sectors of the economy and into types of agreements and providing also for the possibility for a qualified entity to make a complaint of general interest with respect to particular goods or services with the obligation on the Director General to give his position thereon within a particular time-frame.
- Accelerate the procedure before the Office by enabling the undertaking concerned to offer commitments and by providing for a settlement procedure in cartel cases where an undertaking can benefit from a reduction in the fine if it admits of its participation in the cartel.
- Enhance legal certainty by providing for guidance letters on novel questions and providing for prescription concerning the imposition of administrative fines.

#### **2.4.7 Strengthening Financial Stability**

The Budget Speech 2011 made references to the creation of a mechanism which monitors the financial sector in a wider context, and complements the rigorous monitoring which already exists. Similar mechanisms are being developed on an international level and in the European Union. Such development would increase confidence in the Maltese financial markets and contribute to the reduction of crisis risks. In view of the objectives of fostering financial stability, a consultation process with all stakeholders will be launched with the aim of reaching a consensual decision.

The mechanism would enhance macro-prudential supervision and ensure it complements micro-prudential supervision so as to improve the identification, measurement and



management of risks that could have a negative impact on the financial system and the economy of Malta. This framework could work in unison with the new supervisory architecture in the EU, which will be made up of the European Supervisory Authorities (ESAs) and the European Systemic Risk Board (ESRB), with the latter being primarily responsible for the identification, analysis and correction of systemic risks.

A forum for financial stability was launched during May 2011, with the first formal meeting of the forum that took place in July 2011. This meeting was held in extended composition with the participation of representatives of the CBM, the MFSA, the Ministry of Finance, the Economy and Investment (MFEI), the Malta Stock Exchange (MSE), the Malta Bankers Association (MBA), the Malta Insurance Association (MIA), and individual institutions within the banking and insurance sectors. The forum discussed and exchanged views on the main messages contained in the CBM Financial Stability Report for 2010, issues regarding bank credit to large construction projects in Malta and the role of the ESRB.

Furthermore, the Government is working towards the establishment of a more formal and organised structure whose objective would be the monitoring of systemic risk with a view to recommending measures that would need to be taken to reduce such risk, if required. This structure would collaborate in its work with the ESRB, as its European counterpart, as well as the European System of Financial Supervision (ESFS), which comprises the three ESAs. The Maltese macro-prudential mechanism would also be charged with improving the link between macro-prudential and micro-prudential supervision.

#### **2.4.8 Improving the Regulatory Environment for Small Businesses**

The Small Business Act (Malta) (SBA) was enacted through Parliament in June 2011 through Act XI of 2011. More details on the Enactment and Implementation of the said Act can be found in point 2.4.11.2 below.

#### **2.4.9 Eco Gozo Strategy**

##### **Transformation of the Gozo Experimental Farm into a Centre for Research Development and Innovation in Agriculture.**

The objective of this measure which is on track is the transformation of the Gozo experimental farm into a centre for research, development and innovation in agriculture, one of the initiatives envisaged in the Eco-Gozo Action Plan 2010-2013. The project is being undertaken in collaboration with the Institute of Earth Systems (IES) of the University of Malta. During 2011, a Memorandum of Understanding between the Ministry for Gozo and the University was drafted and this is expected to be formally signed in early 2012. The name of this new facility is Centre for Innovation in Rural Sciences and Environmental Management (CIRSEM). The cost of the project amounts to €572,988

During 2011, tenders were awarded for the dismantling of the existing glasshouses and for the erection of two new plastic-covered tri-span greenhouses. The work on the erection of the new greenhouses is now at an advanced stage.

Computerised fertigation and water distribution system: A tender was issued and awarded for the supply delivery and installation of a computerised fertigation and water distribution

system covering the whole of the farm area. Trenching works have begun; the installation and commissioning of the system is expected to be completed in early 2012.

This project has been selected as a Best Practice/Pilot Project for the EU Med Project AGRISLES, whose partners are Mediterranean islands (Balearics, Corsica, Sardinia, Sicily, Gozo, Thassaly, North Asegean and Cyprus). One of the components of this project is the publication of a booklet by each partner. The Gozo booklet which will be published in both Maltese and English has already been prepared and focuses on the Xewkija Farm project. The publication is expected to be issued by the second quarter 2012.

### **Hands-On Farming**

The Hands-On Farming Programme is intended to familiarise students with our local environment and with the Maltese farming industry. Students attend the Xewkija Experimental Farm for a half day visit, during which they are given information on the work carried out on the farm.

Students are welcomed and introduced to the programme by the teachers in-charge. First they follow an interactive lecture on the local environment and its protection. Subjects covered include; Soil conservation, types of soil, protection of endemic trees and plants and other horticulture subjects. After a short break, students are taken for a tour around the various sections of the farm. They are shown the various products grown in the Farm's five green houses. They visit the animal husbandry section, which includes sheep, goats, chicken, rabbits and the birds section. They also visit the fruit tree nurseries where peaches, nectarines, plums, apricots, figs, pomegranates, and citrus trees are grown. They also observe the work carried on the farm, notice the different modern irrigation systems that are used on the farm i.e. drips and sprinklers.

The climax of the visit is when students themselves do some manual work such as planting or transplanting seedlings and propagate some plants by either sowing or cuttings. Every student is also given a packet of Maltese indigenous tree seeds to sow at home.

During 2011, 42 such visits took place with a total of 859 participating students.

Other activities of the Hands-On Farming programme organised for schoolchildren include countryside walks, tree-planting events, participation in Arbor Day and Environment Day celebrations and in agricultural fairs.

### **Research on Local/Mediterranean Species**

During 2011, research on the Maltese breed of chicken known as the Maltese Black Chicken was carried out. This work focused on characterisation of the breed, breeding and selection in order to consolidate the genetic characteristics of the breed.

Research on the characterisation of local carob tree varieties was also initiated towards the end of 2011 as part of the EU-funded SIMBIOTIC project. Extensive sampling and measuring of a number of carob trees was carried out. Results will be collated and analysed and combined with DNA fingerprinting during 2012.

## **Creation of a Genetic Reserve of Fig Varieties**

During 2011, two study visits on local fig varieties were carried by an Italian expert. During these visits he was accompanied by Gozitan Public Officers. Three foreign experts, one of whom carried out the field visits in Gozo, compiled and delivered the varietal reports for the 100 fig varieties. As agreed in this project the foreign experts propagated the 100 fig varieties and 200 trees were shipped to Gozo. A stand regarding this project was set up during the Agricultural Cultural and Industrial Show held on 14th and 15th August 2011. The total budget of the project is €13,752.

## **The Cleaning and Upgrading of Water Catchment Areas for the Storage of Rainwater**

The objective of this measure is to remove silt from dams in valleys and achieve a reduction in the number of valley units that require intervention per year and to increase water capacity.

The cleaning of 2 Valleys that of Marsalforn Valley (Phase 1) and Ta' Zejta Valley were carried out in 2010. The volume of excavated material from these two valleys was approximately 18,502 cubic metres thus resulting in an increase in rainwater harvested of 18,502 cubic metres of water. The total expenditure amounted to €140,375.

In 2011, cleaning of dams in 4 Valleys were carried out: Ramla Valley, Ta' I-Ort Valley, Marsalforn Valley (Phase 2) and Tal-Grazzja Valley. The cleaning of dams in these valleys was carried out, as per approved the Malta Environment and Planning Authority (MEPA) method statement, between September and October 2011. Soil recovered from cleaning of these valleys was utilized for agricultural projects related to Eco-Gozo. Monitoring services were engaged to supervise works. As a result of this initiative, the water retention capacity increased by approximately 24,456 cubic metres.

## **The Promotion of Niche Tourism Markets**

The initiatives under this measure related to the resumption of an international marketing campaign on Gozo as a unique diving destination and included four main initiatives targeted towards the United Kingdom (UK), German and French market. Though most of these initiatives have been finalised, work is continuing on the positive outcome generated by these projects. This includes also the translation into other languages of some of the booklets and guides that have been produced.

Broadcast UK: Through this initiative Gozo was promoted as a unique diving destination with divers and non-divers alike. The advertising campaign was launched in May 2011. It included 6 different sound clips which were aired during a 4 week period. These were also launched on-line for a period of 8 weeks. The adverts on radio aimed to reach 635,000 United Kingdom adult listeners. On the other hand, the on-line campaign aimed to reach 10 million UK adult on-line users. The outlay included also campaign management, media buying, production and complete media relations.

Gozo Supplement in Unterwasser Magazine: This project included the development of a 24 page Supplement which was included in the Unterwasser magazine that was distributed in September 2011, tackling specifically the German market. An extra 15,000 copies of this supplement were also printed. These will be used by the Ministry for Gozo, the Malta

Tourism Authority, the Gozo Tourism Association and the respective dive centres in Gozo in order to strengthen literature and efforts in promoting Gozo as a distinct diving destination, and to be used also in fairs abroad. The impact of this project is considered to be substantial as the *Unterwasser* magazine is considered as one of the top diving magazines in Germany with around 30,000 subscribers.

**Dive Inside Gozo Project:** This project is being completed with Taucher.Net (<http://www.taucher.net>) and was supported also by Air Malta and the Malta Tourism Authority (MTA). Two groups of divers visited the island and their experiences have been compiled in a booklet which is presently being reviewed prior to publication. Whilst this is specifically targeted to divers, the publication will be of a general nature. This will also be translated into the English language. The outcome of this initiative should enable the penetration of both the diving and non-diving sector.

Development of a Gozo Diving Guide distributed with *Destination Plongée*; The outcome of this initiative led to the development of a booklet dedicated entirely to Gozo which was distributed as an insert in the *Destination Plongée* magazine in December 2011. This included: (a) a general description of the island and diving; (b) underwater portfolio; (c) guide of the main diving spots; (d) other touristic activities in Gozo; and (e) practical information about the island. The publication was also distributed during January 2012 Paris international dive show (*le salon de la Plongée*), and was also uploaded on the *Destination Plongée* website. Extra copies were also ordered to be distributed through the foreign MTA offices. The idea behind this project was to develop a strong marketing tool for the French market through the publication of a high quality edition brochure about the diving possibilities and opportunities in Gozo. The feedback received so far from the French market following its launch with the *Plongée* magazine and its distribution during the *Salon de La Plongée* was positive.

### **The Upgrading of Tourism Infrastructure - Implementation of the Cittadella Master Plan Recommendations**

The project whose cost amounts to €14,584,500 envisages the implementation of the key actions identified in the Cittadella Master Plan, a policy document for the protection and management of this site. The project aims to upgrade Cittadella and thus supports the upgrading of the Gozo tourism product.

The project concerns the restoration and rehabilitation of the internal structures within the Cittadella walls. This includes amongst others, the restoration of the facades, the rehabilitation of Cathedral Square, the conversion of an unused water reservoir into a Visitors' Centre, the conversion of a historic house into a period house, the rehabilitation of the ditch areas and the installation of appropriate lighting. The project is intended to give a new lease of life to the Cittadella through the conservation, enhancement, better presentation and effective utilisation of the historical buildings and open spaces within this walled city.

- In June 2010, the Cittadella Master Plan co-funded by EEA Financial Mechanisms was completed and presented to the public.

- In July 2010, the Ministry for Gozo engaged an Architectural Firm to prepare, submit and follow up applications to MEPA regarding the various interventions suggested in the Master Plan.
- In May 2011, the Ministry for Gozo submitted an application to the Planning and Priorities Coordination Department (PPCD) for the potential co-financing under ERDF for the implementation of the Cittadella Master Plan Recommendations.
- In July 2011, the Cost Benefit Analysis for this project regarding proposed 'Implementation of the Cittadella Master Plan Recommendations' was completed and submitted to the MA.
- To date, 7 applications have been submitted to MEPA and most of them were approved.
- The project was approved on 20<sup>th</sup> February 2012.

A further project focusing on the Cittadella is currently underway. Co-financed through the ERDF039, this project addresses the restoration of the entire perimeter of the external fortified walls and military structures of the Cittadella. The project is subdivided into four phases or components as follows:

**Phase 1 Documentation of the Cittadella Fortifications:** Through the use of laser scanning technology, this phase saw the detailed mapping of the state of conservation of the Cittadella fortifications at the start of the project, thus allowing an accurate analysis and quantification of the deterioration mechanisms being manifested and providing the basic information required for the subsequent stabilization of the terrain and the restoration of the ramparts. Following the issue of a public call for tenders, works were carried out between June 2009 and March 2010.

The total cost of this project component amounts to Euro 179,000.00 (excl. VAT).

**Phase 2 Appointment of Geotechnical Consultant in connection with the consolidation of the unstable terrain underlying the Cittadella fortifications:** Visual inspections clearly highlight the unstable conditions of the rock outcrops underlying the Cittadella, however, at the start of the project, not sufficient information existed to enable the design of an adequate stabilisation concept. Consequently, following the issue of a public call for tenders, a geotechnical consultant was appointed. The said consultant is responsible for the execution and interpretation of ground investigation and monitoring works, the design of consolidation concept solutions, the drawing up of design and build tender documents for ground consolidation works and the supervision of these consolidation works. The contract was signed in September 2009 and the tender works are envisaged to be completed by May 2013. At present the appointed consultant is assisting the Restoration Directorate (MRRA) in evaluating the detailed consolidation solutions being proposed by the appointed works contractor (refer to Phase 4 below).

The total envisaged cost of this project component amounts to Euro 500,000.00 (excl. VAT).

**Phase 3 Restoration of the Cittadella Land front Fortifications:** This phase sees the execution of restoration works on that stretch of the Cittadella ramparts spanning between St.Martins Cavalier to the West and St. John's Demi-Bastion/ battery to the East. Following the issue of a public call for tenders, the contract with the successful contractor was signed

in November 2010 and the on-site restoration works are currently underway. It is envisaged that works will be completed by January 2013.

The total envisaged cost of this project component amounts to Euros 1,385,051.30 (excl. VAT).

**Phase 4 Restoration of the Northern Enceinte of the Cittadella and the Consolidation of the Underlying Unstable Terrain:** This phase sees the execution of restoration works on the remaining stretch of the Cittadella fortifications corresponding to the North facing ramparts and the execution of ground consolidation works on the underlying rock outcrops. Following the issue of a public call for tenders the contract with the successful contractor was signed in October 2011 and the on-site restoration works shall shortly be taken in hand. It is envisaged that works will be completed by May 2013.

The total envisaged cost of this project component amounts to Euros 3,054,674.15 (excl. VAT).

### **The Development of a Human Resource Strategy for Gozo**

This strategy document presents an analysis of the human resource capabilities, potentials and needs which the Island Region of Gozo can – or potentially can – tap into. It also puts forward strategic recommendations to optimise the use and development of human resources within the framework of the eco-Gozo plan. The strategic recommendations are grouped according to: (a) sectoral interventions, primarily geared towards generating the demand for labour; (b) human resource interventions, primarily aimed at enhancing the quantity and quality of human capital available on the Island Region, and (c) horizontal interventions, aimed at enhancing the creation of jobs and human resource development through a better socio-economic and infrastructural support framework.

Whilst the aim of these recommendations is to provide strategic direction, the impact of this strategy would only be gauged, if all or some of the measures outlined in the strategy would be implemented. It is estimated that the implementation of these measures would require a budget of around €30 million in capital and recurrent expenditure over a six-year period of operation, divided between public and private sector expenditure, and part of which can be financed through EU sources.

If all the strategic measures are implemented, it is expected that this will result in the training of over 2,000 persons, support 425 firms and create 1,235 jobs. The jobs created would span the entire spectrum of skills, to meet the requirements for jobs of as broad a range of the Gozitan population as possible.

The study has been completed following also consultations conducted with interested stakeholders. The study has not yet been published.

### **2.4.10 Water Policy**

The Public Consultation on the Strategic Environmental Assessment (SEA) Scoping Report, which was undertaken by MRRA, ended on the 31st January 2011. The comments received



by MRRA were collated, categorised and forwarded to the SEA Consultants (Adi Associates) in the beginning of March 2011.

The consultants finalised the scoping report by taking into account the results of the public consultation process and presented the final scoping report to Malta Resources Authority (MRA) and the Ministry for Resources and Rural Affairs (MRRA) in April 2011.

The consultants also prepared the Environmental Report and submitted it to the MRA. This report was reviewed by the MRA's internal staff and a significant number of comments on the submitted text were raised. In June 2011, the report was sent back to the consultants for reviewing. The consultants submitted a second (edited) version of the report which was also reviewed by the MRA and approved with minor comments.

Discussions with the SEA Board were carried out in November 2011 in order to plan the way forward. During these meetings, it was agreed to limit the public consultation process to 8 weeks. These meetings were necessary due to the changes in the SEA Legislation which were enacted since the SEA process for the Water Policy was initiated.

The Environmental Report was subsequently finalised by the consultants in January 2012 and may now be downloaded from the MRRA website [www.mrra.gov.mt](http://www.mrra.gov.mt).

In line with the requirements of the Strategic Environmental Assessment Regulations, 2010 (LN 497 of 2010), an eight-week public consultation on the Environmental Report was launched by MRRA on 28th February 2012.

As regards to sewage treatment, the Water Services Corporation has identified the processes, plant locations and infrastructure necessary to treat waste water beyond the basic tertiary level. The plants will cater for all the wastewater treated at the North and Gozo Sewage Treatment Plants and for 12,000m<sup>3</sup>/day at the South Sewage Treatment Plant. Financing is envisaged to be through the ERDF for secondary uses.

## **EURO PLUS PACT MEASURES 2011**

### **2.4.11.1 Strengthening the Fiscal Framework**

Government acknowledges the contribution of national fiscal frameworks to the sustainability of public finances. In fact, in recent years the Maltese Government has introduced a number of measures aimed towards strengthening the institutional framework and the budgetary process in Malta. These initiatives included the launching of the Financial Data Reporting System, (FDRS) geared towards attaining real time financial data relative to Government entities. In addition, the Ministry of Finance, the Economy and Investment has launched a more structured approach to the budgetary process aimed towards increasing the effectiveness of budgetary preparation, facilitating the allocation of necessary resources across as widely supported list of national priorities and commitments as possible and allowing for a close monitoring of the execution phase of the budget cycle.

The Government of Malta has taken note and supported the recent initiatives, at a European level, to strengthen the national fiscal frameworks. These initiatives complement the policy direction of Government as outlined above. In particular we take note of the obligations under:

- The Stability and Growth Pact, including the new requirements of Council Directive 2011/85/EU on budgetary frameworks in the EU and the statement by the Euro Area Heads of State or Government on 9 December 2011.
- The Fiscal Compact signed on 2 March 2012.
- Amendments to the annual budgetary procedure to take into account the common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit, in line with the requirements of the proposed Regulation which the European Council is calling for to be adopted by June 2012.
- The provisions for the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the Euro Area, in line with the requirements of proposed Regulation which the European Council is calling for to be adopted by June 2012.
- Council Directive 2011/85/EU on budgetary frameworks.

The Government's commitment to the strengthening of fiscal frameworks is evidenced by the fact that earlier in 2012 the Prime Minister moved the first reading of a Bill to amend the Constitution in line with the Fiscal Compact. In view of the sensitivity of this development, the Prime Minister has stated this amendment shall reflect the result of talks between Government and the Opposition, with a view to ensure that the changes to Constitution are adopted.

#### **2.4.11.2 Enactment and Implementation of the Small Business Act**

Through the Small Business Act (Malta), Government is aiming at enhancing the regulatory environment for SMEs and providing for more channels of communication with Government to ensure a responsive administration.

The Small Business Act (Malta) has been enacted through Parliament in June 2011 through Act XI of 2011. On 10 November 2011, Circular MF 9/2011 was issued. This explains the coming into force of parts of the legislation through Legal Notice 410 and Legal Notice 429.

Through the Legal Notices, the following parts of the Act are now into force:

- The setting up of an Enterprise Consultative Council.
- The obligation to publish an explanation in layman terms of the provisions of laws concerning and impacting on small businesses and the making available of User Guidelines to explain the what is required to ensure compliance.
- The Small Business Act also requires public sector entities whose services are primarily intended for businesses to undertake regular independent surveys of customer satisfaction in order to constantly improve their service delivery.



- The centralising of online business information to provide a central repository of all information required by businesses on government - provided services and government imposed requirements.

The act also stipulates that all new proposed legislation has to adequately vetted to identify potential impact on enterprise and suitable measures taken to mitigate or remove any identified negative impacts especially on the smaller firms, as far as possible. The act also stipulates that businesses will be given time to comply with new legislation. This will be achieved by allowing a standstill period of eight weeks between the publication and the coming into force of such legislation. These two proposals are expected to come into force in the second quarter 2012.

The implementation of the “SME Test” requires that legislation is vetted to identify potential impact on enterprises and that suitable measures are taken to mitigate or remove any identified negative impacts especially on the smaller firms, as far as possible. The SME Test requires the carrying out of a regulatory impact assessment which will try and quantify as much as possible the economic impact of the legislation. It will also have the objective of reducing the administrative burden on the SME. The implementation of the SME Test calls for the setting up of a central entity which will have the following objectives:

- Assist a government department, government entity or government agency in the application, analysis and interpretation of the SME Test.
- Facilitate consultation by the government department, government entity or government agency with the relative SME bodies and representatives, in order to determine the effect which the said instrument might have on SMEs.
- Help identify alternative measures aimed at mitigating the negative effect on SMEs identified in the SME Test without derogating from the aims which the instrument is meant to achieve.

The recruitment process for the setting up of the central entity has been finalised. The entity will initially comprise of a Senior Manager, who will head the Unit and two other managers. It is expected that the central entity will be operational by end of May 2012. Status: On Track

#### **2.4.11.3 Administrative Burden Reduction**

Target to reduce the Administrative Burden on businesses by 15% by 2012 thereby releasing manpower to productive activity which will increase the gross operating surplus of the Country:

As part of an ESF project, in this respect, Malta has so far carried out all the measurements of the administrative burden costs in the chosen priority areas. This revealed that the current administrative cost burden in these areas is €116 million p.a.

The implementation of simplification initiatives has to date resulted in a € 7 million p.a. reduction in the administrative costs and liberating 207,000 man hours for businesses. The savings registered so far account for a 6% reduction in the administrative burden.

The salient savings were realised in:

#### Company Law

- Submission of an annual return to the Registrar in line with the 7<sup>th</sup> Schedule (through electronic filing) - €1.8m saving p.a

#### VAT

- Submission of tax return for every tax period through online system for Register A persons - €1.5m saving p.a
- Submission of periodic declarations – removal of registration/reporting for small businesses whose turnover does not exceed €7,000p.a - €0.7m saving p.a

#### Inland Revenue

- Facilitating reporting requirements through ICT, eGovernment and engagement of accountants - €1.0m saving p.a.

The Management Efficiency Unit (MEU) is now working with line Ministries, Departments and Entities so as to implement identified simplifications. Malta is confident that its net target will be achieved.

Target to train 388 public officials in the Standard Cost Model and Better Regulation processes:

To date, 411 officers within the Public Administration have been trained in the Standard Cost Model and Better Regulation processes. Status: completed

Development of standards for regulatory institutions by 2012:

Following a series of consultation meetings with stakeholders, the Code of Practice for Regulatory Institutions was drafted. It is anticipated that this code of practice will be officially launched this year. Status: On Track

#### **2.4.11.4 Start-up Finance and Micro Credit Scheme**

Malta allocated €10 million from its structural funds to create a First Loss Portfolio Guarantee instrument that caters for loans from €25,000 to €500,000, under the JEREMIE initiative. Following a Call for Expression of Interest, an agreement was signed with Bank of Valletta in April 2011 and the first transactions were signed thereafter. JEREMIE has an implementation period of up to May 2014 and if loans continue to be sanctioned at the present rate, all funds would have been allocated at least once by third quarter of 2013.

The first loans were effectively sanctioned in May 2011 and by end October 2011, 110 businesses had already benefitted from loans under JEREMIE. The total investment amounted to approximately €15 million and the loan amounts to approximately €9 million. JEREMIE was well-received by SMEs and take-up steadily increased over time. The types of sectors benefitting from JEREMIE included the Accommodation and Food Service activities, the Arts Entertainment and Recreation sector, the Information and Communication sector, Manufacturing, the Professional, Scientific and Technical sector, the Wholesale and Retail trade sector, amongst other sectors. By end of February 2012, there were 214 loans that were sanctioned with a total investment amount of €30 million and a loan amount of €19.33 million. JEREMIE is facilitating access to finance especially for start-ups and businesses that cannot provide high levels of collateral and that would have found it very difficult to attain loans from financial institutions. Status: On Track

An allocation by sector as at end February 2012 is being reproduced in Table 12 below:

**Table 12**

<b>Sector</b>	<b>No of Facilities</b>	<b>Investment Amount</b>	<b>Loan Amounts</b>
Wholesale and retail trade	54	6,482,512	4,495,424
Accommodation and food service activities	43	6,754,498	3,704,412
Manufacturing	23	4,148,963	3,191,160
Transportation and Storage	14	3,749,700	2,160,000
Human health and social work activities	11	2,565,362	1,302,365
Arts, entertainment and recreation	9	1,455,067	979,200
Professional, scientific and technical activities	15	1,056,127	780,522
Information and communication	9	918,682	715,000
Administrative and support service activities	7	967,867	702,600
Education	2	604,120	487,600
Other service activities	18	624,115	422,240
Others	9	687,427	390,200
	<b>214</b>	<b>30,014,440</b>	<b>19,330,723</b>

#### **2.4.11.5 Cultural and Creative Industries Strategy**

A draft version of this strategy has been completed and is currently awaiting Cabinet approval.

The objectives of the strategy have been identified along 4 main strategic paths:

- To strengthen and consolidate the remits of the Malta Council for Culture and the Arts, the Malta Film Commission, the Malta Crafts Council and the National Book Council by responding to the needs of the industry and capitalising on the new global developments of the creative economy.

- To consolidate the educational framework and invest in creativity-oriented educational institutions and initiatives that can provide excellence in the formative needs of educators and students who pursue training in disciplines leading to creative careers, while ensuring that a framework for professional recognition, accreditation and networking is sustained to cater for the professional development needs of the sector.
- To ensure that creative individuals and enterprises are assisted to find route to market through investment programmes, fiscal measures and minimal bureaucracy, whilst promoting a sustainable entrepreneurial culture through professionalization, inter-industry synergies and clustering.
- To position Malta as an attractive, contemporary and stimulating creative hub within the Mediterranean region, with strong emphasis on exchange and access to international markets.

Fifty-five measures have been incorporated in the strategy. Of these, nine have already been implemented and another nine are currently being finalised.

The nine measures that have been implemented are categorized under three themes as follows:

### **Education – Shaping Talent into Professions**

Investments:

- Kreattiv – promote creative partnerships between schools and creative practitioners to address lacunae in cultural and creative participation and collaboration between creative professionals and young people.
- Premju tal-President għall-Kreattività – investments in young talent, young people and communities.
- Culture Card – provide secondary school students of Forms 1, 2 and 3 with €15 credit for artistic and cultural events to address matters of poor cultural participation and incentivising demand in terms of audience development.

### **Route to Market – Routing Creative Ideas to Market**

The cultural and creative ecosystem can grow significantly as integral components of a thriving creative ecology

Investments:

- INVEX: Providing funding over a three-year period for cultural organisations seeking to enhance their professional capacities and portfolio by way of organisational growth, research, business and audience development, technological investment and international partnerships.
- Establish a Creativity Trust to consolidate contributions by the public and private sector, to step up investment in existing schemes, and other initiatives such as venture capital.
- Support training programmes in films, cultural management and leadership.

Administrative:

- Develop a 4 year plan for the collation of cultural statistics.

### **Internationalisation – Malta: A Hub for Creative Exchange**

The implementation of the proposed governance structure and its internationally aligned vision will enable Malta to address the international objectives identified in Malta's cultural policy and strategically build towards Valletta's role as European Capital of Culture in 2018.

Fiscal:

- Extend the current 'Create' tax-incentive to include all of Valletta. (Announced in Budget 2012).

Project:

- Create a cultural diplomacy fund to support, motivate and empower Diplomatic Missions to capitalise on the outcome of the above mentioned initiatives. (Announced in Budget 2012).

The following nine measures are near completion:

- Develop a College of Arts for the provision of professional vocational training. (Announced in Budget 2011).
- Provide Tax exemption on income from royalties. (Announced in Budget 2012).
- Establish the Malta Game Fund to incentivise the development of a new industry. (Announced in Budget 2012).
- Introduce Public Lending Rights. (Announced in Budget 2012).
- Design tax incentives for creative practitioners to live and work in Valletta. (Announced in Budget 2012).
- Offer a flat income tax rate for game industry specialists. (Announced in Budget 2012).
- Introduce tax incentives for re-domiciling of Intellectual Property. (Announced in Budget 2012).
- Pilot the concept of creative studios in Valletta through a guardianship deed between the Lands Department and the relevant Ministries. (Announced in Budget 2012).
- Develop programmes and initiatives that export Malta's creative professionals and works through international expos, fairs, festivals, pitching, etc. (Announced in Budget 2011).

The true impact of these measures will only materialize once the full strategy is in place and the bigger picture is looked at cohesively. Status: On Track

#### **2.4.11.6 Full liberalisation of the postal sector**

Measures are being put in place to lay the groundwork for the full liberalization, in 2013, of the postal sector. The full liberalization of this sector will enable competitors to enter into any segment of this market. This is expected to put downward pressure on prices while driving improvements in quality of service and in the efficiency of the sector. These developments are important, given that the postal market has continued to retain a significant position in the overall national competitiveness particularly by virtue of its key role in supporting e-Commerce activities which Government, also in line with EU policy, has long been actively promoting.

The Malta Communications Authority (MCA) is presently carrying out a review of its current regulatory framework in order to ensure the smooth functioning of the postal service market in a fully-liberalised and multi-operator environment. Such a framework is intended to promote and preserve fair competition whilst safeguarding the provision of the universal postal service in Malta. The full liberalization of this sector will enable new market players to enter into any segment of the postal market. Such competition is expected to exert pressure to lower prices while driving improvements in quality of service.

The MCA is also proposing to implement framework for the regulation of competition which will apply to all postal operators providing services within the scope of the universal postal service. This would include the placing of specific regulatory obligations on those postal operators not yet subject to market forces. MCA therefore intends to put in place a regulatory framework modelled on the concept of significant market power in the electronic communications sector, but modified to reflect the market environment and operational conditions unique to the postal sector in Malta.

Prior to implementing such a framework, the MCA will publish a consultation document on the revised regulatory framework to seek the views of all relevant stakeholders, by end second quarter 2012. The authority will also be proposing new regulations to the Minister in order to effect the changes to the regulatory framework. Status: On Track

#### **2.4.11.7 Telecommunications Market**

Amendments to the Electronic Communications (Regulation) Act have been introduced aiming to further drive the competitiveness of the telecommunications market and strengthen the underlying infrastructure. The amendments to the Act were adopted in July 2011 and transpose the amendments to the Directives comprising the European regulatory framework for Electronic Communications which entered into force in December 2010, while including some additional provisions primarily aimed at improved consumer protection in the industry, such as provisions ensuring e-mail mobility.

Under these new rules, consumers will be better informed about the services they subscribe to and about limitations imposed by service providers on the use of such communications services. Service providers will also have to inform subscribers on the quality of the services provided and related compensation and refund arrangements, amongst others. Switching service providers has also been facilitated. Very importantly, the new rules significantly improve the rights of disabled persons.

In addition to the revised consumer related provisions, new investment-oriented provisions place greater emphasis on the efficient use of radio spectrum with the introduction of principles such as service and technology neutrality, as well as spectrum trading. Moreover, efficient investment in next generation networks is promoted and stricter rules related to the security and integrity of networks have been introduced.

For this purpose, during 2011 the following legislation was adopted:

- Act IX of 2011 amending various Acts, including the Electronic Communications (Regulations) Act, Cap. 399 and Malta Communications Act; LN 274 of 2011.
- Single European Emergency Call Service (112 number) and the European Harmonised Services of Social Value (116 Numbering Range) Regulation, 2011.
- LN 273 of 2011 - Electronic Communications Networks and Services (General) Regulations, 2011.
- LN 239 of 2011 - Processing of Personal Data (Electronic Communications Sector)(Amendment) Regulations, 2011.

It is expected that these changes will allow for a more competitive market, will further open up the use of radio spectrum in an effective and efficient manner, while ensuring better consumer protection. Status: completed

#### **2.4.11.8 Next Generation Networks**

Steps are being taken to facilitate the roll-out of next generation networks. In February 2012, the Ministry for Infrastructure, Transport and Communications launched a call for expressions of interest for the roll-out of a next generation broadband infrastructure that allows for ultra fast broadband services across Malta and Gozo.

Following the publication of the Green Paper on Next Generation Access Infrastructure, Government has carried out a series of consultations with stakeholders and commissioned a feasibility study to determine the cost of a fibre to the home network in Malta; the most suitable technologies to deploy; and the best investment model to implement. This has entailed the analysis and costing of various passive and active options. These studies highlight the significant investment challenges associated with the roll-out of ultra-fast broadband networks, and Government is prepared to share some of the risks and incentivise investment through direct intervention. Intervention by the Government will aim to ensure that wholesale access is available on the market in order to foster healthy retail competition. An appropriate range of wholesale products will therefore be required to enable service providers to differentiate from each other. Government will consider suitable investment and operational models, such as:

- A private design, build and operate model, with state funds or assets being made available to the private investor to assist in the deployment of the new network; within this model the Government of Malta would have no role in the ownership or running of the network but may impose obligations in return for the funding;



- A joint venture model where the ownership of the network would be split between Government and the private sector, with the construction and operational functions undertaken by the private sector.

A call for expressions of interest for building a fibre to the home network in Malta has been published. The bidder with the lowest amount of aid required will be the winner, subject to certain criteria being met. Status: On Track

#### **2.4.11.9 Telecommunications Regulatory Measures**

A number of regulatory measures are being introduced aiming to increase the competitiveness of the telecommunications sector which is fundamental for national competitiveness. These include:

- a)** A lowering of inter-operator termination rates - thereby fostering a decrease in telephony charges; in this regard, with effect from 1 September 2011, the Malta Communications Authority, mandated that all operators having been designated with SMP in the provision of the mobile termination services market reduce their mobile termination rate from € 0.0617 to €0.0418 per minute.
- b)** Efforts to introduce further regulation and strengthen existing regulation in the wholesale markets critical to the entry of new players in the broadband market - in this regard, further to a public tender, the MCA has commissioned a consultancy firm to assist it with the economic analysis of these markets with a view to establishing options for regulation, taking account of the constraints posed by EU law.
- c)** The introduction of secondary spectrum trading mechanisms is a principle agreed to in the revision to the EU framework for Electronic Communications. The introduction of spectrum trading must be accompanied by measures to prevent spectrum hoarding. The MCA consulted on proposed rules on the subject in 2010.
- d)** On 13 December 2011, the Council agreed a common position on a Decision establishing the first multi-annual Radio Spectrum Policy Programme (RSPP). At its Plenary meeting in February, 2012, the European Parliament approved the draft Decision on the RSPP for final adoption. The Decision on RSPP will create a comprehensive EU Radio Spectrum Policy Programme which includes provisions identifying the spectrum bands which will be subject to trading across the EU. The final decision on spectrum trading will therefore be published once the Radio Spectrum Policy Plan is formally adopted.
- e)** The following regulatory measures have already taken place:
  - The reassignment of rights of use of spectrum in the GSM bands -the existing rights of use of spectrum in the 900 MHz and the 1800 MHz band expired in 2011. The spectrum was reassigned to Melita, Go and Vodafone after an assignment process that involved a pre-qualification stage and a number of brokered meetings.

Measures to ensure that all citizens have a right to a telecommunications connection capable of delivering broadband at a speed of 4 Mbps – this measure was brought into force



when the MCA re-aligned the definition of functional Internet access to include broadband Internet access at 4 Mbps. This is a first step towards the ubiquitous provision of broadband of an appreciable level of speed, quality and availability in all areas, especially those that may not be currently well served. This decision places Malta at the vanguard of those countries which are ensuring universal access to broadband connections of speeds comparable with those enjoyed by the majority of subscribers in the jurisdiction. Status: On Track

## National Targets

Malta's first NRP under the new strategy contained twenty-seven different measures aimed at ensuring that Malta reaches its Europe 2020 targets in education, employment, social inclusion and poverty reduction, research and development together with energy. These targets were set taking into consideration Malta's starting position and national specificities with a view to promote growth and jobs. Malta's national targets are ambitious yet realistic, consistent and compatible with sustainable growth and sound public finances.

These targets are outlined below:

- Employment: Malta has set its employment rate target at 62.9% by 2020.
- R&D: Malta has set its national R&D target at 0.67% of GDP by 2020.
- Energy: Malta has set the following ambitious targets for energy efficiency, renewable energy and greenhouse gas emission reduction:

A maximum increase of greenhouse gas emissions not falling within the scope of the EU Emissions Trading Scheme of 5% by 2020 (compared to 2005 levels particularly emissions from transport, mainly road transport, waste, agriculture and fuel combustion in industry and commercial and residential buildings);

A commitment to achieve by 2020 a share of energy from renewable sources in gross final energy consumption of 10%;

A commitment to achieve by 2020 a target of 10% of energy consumed in all forms of transport from renewable sources;

A commitment to achieve a 22% energy or 235,254toe savings target by 2020 with an intermediate target for 2014 of 15% or 144,876toe.

- Education: Malta has set the following targets:  
Aiming to reduce early school leaver rates to 29% by 2020.  
Increasing the share of 30-34 years old having completed tertiary or equivalent education to 33% by 2020.
- Poverty Reduction and Social Inclusion: Malta's target is to lift around 6,560 people out of risk of poverty and exclusion by 2020.

The subsequent section presents in detail the progress registered in implementing the various measures which will ensure that Malta meets its national targets within the established timeframe.

## **EMPLOYMENT**

### **3.1.2.1: Community Work Scheme**

The Community Work Scheme (CWS) aims at providing the long-term unemployed the opportunity to undertake community work under the direction of Local Councils and NGOs' with a view of enabling them to obtain further skills, improve their employability and their prospects of finding employment on completion of such an experience through improving their work ethic. Participants will have their income increased up to 75% of the minimum wage and will be required to carry out 30 hours community work a week. The duration of one term is 6 months. Participation is mandatory and those who refuse work without a valid reason are removed from the unemployment register and lose their entitlement to the unemployment benefit. Thus, such a scheme will contribute towards tackling the problem of undeclared work since persons who refuse to participate in the scheme may be engaged in undeclared work while also receiving unemployment benefit. In this way, the scheme serves a dual purpose.

The scheme was introduced in 2009 and in 2010 it was extended to include also the short term unemployed which will be introduced gradually along the coming years. Currently, the eligible Maltese participants are jobseekers who have been registering for work for more than 4 years. As from 2012, unemployed persons registering for more than 3 years will also be eligible to participate in the scheme. In Gozo, jobseekers who have been registering for more than 3 years have already been made eligible to participate in the scheme and the unemployment period will continue to be reduced. As at end of December 2011, a total of 225 persons were actively participating in the scheme, 163 in Malta and 62 in Gozo. A number of entities participated in this scheme including 35 Local Councils in Malta (118 participants), 12 Local Councils in Gozo (43 participants), 19 NGOs in Malta (45 participants) and 9 NGOs in Gozo (19 participants).

The scheme's target is to have 250 participants per year. As at end December 2011, a total of 225 persons were actively participating in the scheme, 163 in Malta and 62 in Gozo. This represents a total of 441 CWS placements throughout 2011 representing both new and renewed clients enrolled onto the scheme. Status: On Track

### **3.1.2.2: Revision of Means Testing for Social Assistance**

As from January 2011, part of the income from work of people who are receiving social assistance is no longer being considered in the financial means test for the family to qualify for social assistance. The amount of wages which is being exempted from the means test is equal to the difference between the national minimum wage and the full social assistance rate applicable for two people.

This measure was implemented by means of a legal amendment introduced by Act IV of 2011. Internal processes have been adjusted and up to end of July 2011, over 68 women whose husband was in receipt of social assistance have benefited from this measure.

This measure is intended to encourage people living in families in receipt of social assistance to work while also enabling the other members of the family to continue receiving social assistance. Status: completed

### **3.1.2.3: Pro-Rata NI Contribution for Part-Time Self-Employed Women**

Self employed women working on a part time basis, as in the case of employed persons, are now being given the opportunity to choose to pay a 15% pro rata contribution on their income instead of the minimum currently stipulated by law. This pro rata contribution also grants pro rata rights for some social benefits being retirement, survivors, invalidity pensions and unemployment, special unemployment, sickness and injury benefits. Status: completed

### **3.1.2.4: Childcare Centres**

Childcare services are offered to children aged between three months and three years. A personalised service of quality care for all children is offered. The children attending these centres are chosen according to a priority list which includes children who are at risk of social exclusion, children whose parents are in the labour market or actively seeking to enter the labour market, and children who have difficulties in their development. The childcare centre coordinators work closely with other professionals and with the families to help ameliorate the families' situation. Regular information sessions/workshops are organised for the service users and the general public.

The childcare centres follow the National Standards for Child Day Care Facilities (2006). The service is not offered on a first come first served basis, but is offered to the families who need it the most. Therefore, all applications are assessed and prioritized accordingly. Family contribution for the service is means tested.

The National Childcare Unit was created in March 2010 within the Foundation for Educational Services (FES) which falls under the remit of the Ministry of Education and Employment. This Unit currently coordinates the management of the operations of Smartkids Child Care Centres and also co-manages the centres in which government has a public private partnership agreement.

During 2011, the Ministry of Education was committed to open two new childcare centres at Sta Venera and Floriana. 'Il-Bebbuxu' at Sta Venera became operational in May 2011, and till the end of December 2011, 79 children had benefited from its service. Refurbishment works at 'it-Tghanniq' in Floriana commenced in June 2011 and this centre became operational in the first week of December 2011. Twenty-five children are currently using its service.

During 2011, Government Childcare Centres extended their operational hours until 1600hrs so as to be more accessible for working parents.

The second childcare centre, 'Il-Pespus', will be opened in Marsa as part of the existing Primary School. Refurbishment works on this centre have commenced in January 2012 and are in the finalisation stage. The centre will become operational in May 2012.

Currently various locations are being considered for the third childcare centre planned for 2012. At the same time another two locations were identified as potential childcare centres, in the San Gwann and Zurrieq Primary Schools. The Foundation for Tomorrow's Schools (FTS) has submitted the necessary documentation to MEPA so that the necessary permits will be issued for the eventual construction of these childcare centres. Another childcare centre proposed by the University of Malta is that which will be situated in the Junior Lyceum Grounds in Msida. Currently, the University of Malta is awaiting the necessary permits so as to commence the necessary construction and embellishment works. Status: On Track

### **3.1.2.5: Afternoon School Programmes in the Community**

FES has been providing an after-school care service – Klabb 3-16 – since October 2009. The service aims to provide an after-school care service within school structures; to bridge the gap between day school and regular working hours of parents in employment; and to utilise schools after regular school hours. It is a service for school-age children (3 to 16 years old) which runs throughout the year.

By end February 2012, FES was offering the service from within 6 schools (B'Kara, Fgura, Mosta, Żurrieq St. Paul's Bay, and M'Scala). Work on the new San Gwann centre is at an advanced stage. The number of children who benefited from the after-school service since October 2009 is 2,157.

New localities are being identified for new Centres to be opened between 2012 and 2015. In fact by October 2011, the Foundation had already established a roadmap for the new Klabb 3-16 centres to be opened in 2012 in the following locations: Qormi, Rabat (Gozo), Pembroke, Siġġiewi, Paola and Żabbar. For 2013, Birżebbuġa, Santa Venera, Nadur (Gozo) and Mellieħa were identified as locations where new centres will be opened.

In the mean time, various meetings were held with college principals, school administrators and even parents in order to promote this service to the community and therefore increase the participation in the service. Various information was disseminated via printed leaflets and also through audio visual media. In October 2011, a tender for the "Design and Maintenance of a website for the Foundation for Educational Services" was awarded, and by December 2011 the initial work on the design commenced. This website will further promote this after school service since information will be more easily accessible. Status: On Track

### **3.1.3: Other Ongoing Measures**

#### **3.1.3.1: Incentives to Attract More Inactive Women to the Labour Force**

a) The introduction of incentives aimed to attract inactive women to enter the labour market are proving to be successful, as a result of which over 8,600 women returned to the labour

market while saving around 10 million Euros in income tax payments. Female participation during the last ten years has increased from 32.2% to 40.5%. Further new and extended measures were announced in the budget 2012 which are being included in this year's NRP. Status: On Track

b) This measure is being partly undertaken by ETC through the INT scheme (Ibda Negojzu Tieghek) which is aimed to assist individuals interested in starting their own business. This initiative includes guidance, training in businesses related issues and mentoring. Participants who have completed the training programme and presented a viable business plan are awarded an enterprise grant of €2330. The scheme is offered both to male and female clients. During 2011, three calls were launched for the INT Scheme (in January, June and October). By the end of October 2011, the number of participants who applied and started the training was 19, 22, and 15 respectively. 14 out of the 41 participants (24 males and 17 females) who applied for the first two calls have completed the training. In order to encourage further uptake of this scheme, as from the next call issued in February 2012, the financial grant will be increased from €2,330 to €5000.

Moreover, the Corporation also organises training programmes aimed to assist individuals who have a small business or are interested in enhancing their business management skills. During 2011, ETC organised 16 courses in the following areas: Managing Change; Managing Market; Business Planning; Managing Time; Managing Operation; Managing People; Managing Finance; Negotiating Skills; Legal Aspects; What is Business. The total number of participants till end of December 2011 was of 201, of which 108 were males and 93 were females. In January 2012, a Business Planning training course started with a total of 22 participants (11 males and 11 females). Status: On Track

### **3.1.3.2: Publicity campaign to attract more women to the labour market**

The project is a social marketing campaign 'NISTA - The Benefits of Sharing Life's Responsibilities Campaign'. It is an EU co-funded project spanning over two years and is to be concluded by 2012. It includes a 13 week TV series that promotes financial independence for women and greater involvement of men in the sharing of non-remunerated family work. It also targets employers by highlighting the benefits that increased work-life reconciliation measures at work can have, for both employers and their employees.

The campaign aims to increase the female employment rate by promoting: the benefits of financial independence for women through formal employment and self-employment; sharing of non-remunerated work at home; and a second income for the family, to achieve a better standard of living. It also promotes the decrease in the feminisation of poverty through dependence on the State and/or their spouse/partner where financial matters are concerned, and a change in the workplace mentality by targeting employers on the benefits and win-win solutions that can be achieved through the introduction of various work-life reconciliation measures in their organisations. When comparing the female employment rates in the first quarter of the year for 2009, 2010, and 2011, one can note an increase of 3.6% in the female employment rate according to the Labour Force Surveys of these respective years as issued by the National Statistics Office. Besides the Nista' campaign, there are a number of other external factors including tax incentives that are also contributing to this increase.

Phase 1 of the campaign was targeted towards the Society in General. During this phase, the existing stereotypes about women's and men's roles in the family and at work were challenged. The idea that 'through proper work-life reconciliation, a family can achieve a better balance' was promoted. Such promotion was made through TV and radio Spots and billboards. Phase 1 was completed in September 2011.

The project is currently in phase 2 which is targeted towards women. During this phase, women are being encouraged to consider their re-entry into the labour market. The advantages of becoming more financially independent are being highlighted. Phase 2 will also address the consequences of dependency on state benefits for the whole society. TV and Radio spots in connection with Phase 2 started to be aired during the end of 2011 and have been completed in March 2012. During January 2012, billboards were designed and placed at chosen sites. TV and Radio testimonials were approved by the Corporation and the contractor started working on the production of these testimonials which were aired during February 2012. Discussions on the format of the 13 week TV program also initiated, and the contractor is to submit a report with all the ideas for the TV program.

Phase 3 of the campaign will focus on Promoting Men in the Family sphere. This part of the campaign will focus on challenging traditional gender roles and more specifically men's roles within the family which are often limited to their bread-winning role with limited sharing of non - remunerated tasks. Therefore, this part of the campaign will target men through a number of television adverts and testimonials, radio adverts and billboards which will promote the benefits of their greater involvement in the family. Phase 3 started during April 2012 and is planned to be completed in June 2012.

Phase 4 will focus on Employers for work-life balance. Employers will be targeted through television spots and articles in specific magazines targeted to employers. This campaign will aim to highlight best practice employers who have implemented measures favouring better work-life reconciliation for their employees, and demonstrate the benefits that work-life reconciliation measures have for businesses, thus creating a win-win solution for all involved. Phase 4 is planned to commence in June/July 2012 and is planned to be completed in September 2012. Status: On Track

### **3.1.3.3: Encouraging Older Workers to Continue Working**

a) In order to encourage older workers to continue working, legislation was introduced in 2008 through which persons of pensionable age under the age of 65 are now able to work without losing their pension entitlements, irrespective of the amount of earnings and irrespective of their age. The new legislation requires that such persons contribute by means of a social security contribution from their employment. Therefore, there is now no longer a limit on the amount of earnings from gainful activity (i.e. a capping of earnings) in order to qualify for a Retirement Pension prior to age 65. Prior to this legislative measure, persons under 65 years of age had to forfeit their pension if gainfully occupied and earning more than the Maltese National Minimum wage. In 2011, out of a total of 43,084 males and 15,533 females who were receiving a retirement pension, 8,649 (20.0%) and 2,116 (13.6%) remained in employment for, the whole or part of, the year respectively. When comparing 2011 data with 2010, there is a net increase of 718 male (+9%) and 159 female (+8.1%)



pensioners who for some time or another remained in employment while in receipt of their pension. Status: Completed

b) Government has introduced a new medical assessment as part of the criteria for qualification to the invalidity pension to ensure that the system will not lead to early exit from the labour market. Malta is currently looking at how this process can be improved in other areas where benefit entitlement is linked to unemployment through work incapacity. Statistical data shows that since the introduction of the invalidity reform proposals in 2007 a significant amount of savings has been made on pension expenditure and also the pension population has been substantially reduced thereby acting as an effective deterrent to labour market exit. In the years 2008-2011, the number of beneficiaries was reduced by 3,161 persons and thus making them available for gainful employment. This resulted in an annual recurrent saving to Government of approximately € 10,330,961. Status: On Track

c) The reform of the pension system will also contribute to encourage older people to remain active and contribute towards the country's economic and social development. Currently, the official retirement age is 61 years. In 2014, the official retirement age will be 62 years (cohort 1) and in 2019, it will be 63 years (cohort 2). This means that within the Europe 2020 strategy period, Malta will be experiencing an increase in the number of persons older than 55 years remaining in employment. The effective retirement age of cohort 1 is expected to increase to a range between 59.2 and 60.3 years, depending on the year of birth (1952-1955) whilst the effective retirement age of cohort 2 is expected to increase to a range between 61.4 and 62.35 years, depending also on the year of birth (1956-1958). It is pertinent to point out that the quoted expected outcome is provisional and based on the male population. The effective retirement age in 2008 stood at 57.5 years. Status: On Track

### **3.1.3.4: Strengthening Employability Prospects**

#### **a) Employment Aid Programme**

The aim of the Employment Aid Programme is to contribute towards the integration of disadvantaged persons and persons with disabilities in the labour market. It aims to facilitate access into employment through financial assistance and upgrade the skills of those furthest away from the labour market through work experience. Employers receive a grant equivalent to 50% of the wage costs in case of disadvantaged persons for a period of 52 weeks (subsidy for applications received before 1st January 2011 was for a minimum of 26 weeks to a maximum of 39 weeks depending on the target group). Assistance in respect of registered disabled persons is for 75% for the first and 60% for the subsequent second and third year (excluding NI), for a three year period or until September 2013 whichever comes first. The Programme which is co-financed by the ESF, falls under Priority Axis 3 – Promoting an equal and inclusive labour market and has a total budget of €8.2 million. This amount does not include additional management costs that are being incurred by ETC and which are not covered by the ESF.

The total number of applications received until end of January 2012 was 4,305. Out of these, 657 (15%) applications were received from Gozo i.e. employers based in Gozo who want to employ a person living and working in Gozo, whilst 3,648 (85%) applications were received from Maltese employers engaging persons living and working in Malta.

The project target was to support a total of 1,530 persons through this project. This target has been surpassed since a total of 2,337 of these applications were successful and were placed on the scheme. 515 of which were placed in Gozo, whilst the rest (1,822) were placed in Malta. Out of these successful posts, 1,039 were females, whilst the number of males amounted to 1,298 (56%). Although it is still early to gauge effectiveness, so far, the deliverable/outcome of placing 10% from the total number of placements to Gozitans living in Gozo seems to have been reached. In fact, by January 2012, 22% of the placements were from Gozo, but this would still need to be measured during the project lifetime that will terminate by the end of 2013. Status: On Track

## **b) Youth Employment Programme**

The aim of the Youth Employment Programme is to increase the employability and labour market integration of young people, particularly disadvantaged young jobseekers and also of those in precarious work who would benefit from further training and from greater knowledge of their rights and responsibilities at work. The programme involves various aspects, including guidance, training, knowledge of relevant labour and social security legislation. The programme involves active outreach to identify and assist young people who may not be aware of ETC's services. Various relevant media are being used, and a website dedicated for young people has been developed, which will enable labour market integration of youths and inform them of the range of ways in which they may strengthen their employability. The Programme is funded under the ESF and falls under Priority Axis 3 – Promoting an equal and inclusive labour market. The funds assigned to this initiative total €822,422.

During 2010, the YEP Website was launched, and a team of a psychologist, career guidance practitioner, occupational therapist and youth workers is providing its services. By December 2011, outreach with 5,348 youths had taken place, exceeding the NRP target of 4,860 youths. These were reached through various activities and information sessions. Activities included the youth days with the first set being held in October 2010 and the second set held in October and November 2011 as well as the broadcasting of YEP TV programmes with the first series being aired on 07th January 2011 and the second series broadcasted on 15th October 2011 up till mid January 2012. Other activities included: TV and Radio interviews, printing and dissemination of posters, flyers and brochures, information talks to NGOs, the promotion of YEP in various localities throughout national and cultural activities, participation in Cohesion Policy 2007-13 Annual Event, various information talks to PSD and guidance teachers, school social workers and students, outreach with new ETC registrants and various job start workshops with a number of colleges, youth groups and with immigrants. Status: On Track

## **c) Apprenticeships**

As part of its ongoing measures, the ETC manages two apprenticeship schemes namely the Extended Skills Training Scheme (ESTS) and the Technician Apprenticeship scheme (TAS). One of the aims of these schemes is to support youngsters so that they receive adequate training prior to entering the labour market. The Apprenticeship format is a combination of on-the-job and off-the-job training. This is undoubtedly beneficial for apprentices and even for the employers. Most of the employers engage apprentices with the intention of employing them as full time employees subsequent to their apprenticeship. The employers are generally keen on the principle of training a youth through a two or three year apprenticeship and 'mould' the apprentice according to their needs, cultures, standards and systems. Some



employers engage apprentices as a proactive approach to create replacements for future retirements or if they will foresee that additional workforce would be required in the near future. The benefit for apprentices from such a system is that they will have the opportunity to consolidate what they are taught at the Vocational Education and Training (VET) Institute as they can get the feel of both worlds. Apprenticeship also allows them to earn a small remuneration from their employer and facilitates their transition from school to work. Statistics have proved that such a system also enhances the employability of the participants. Apprentices who prove to be loyal, motivated and willing to learn will have their employment secured subsequent to their apprenticeship. Most of the candidates are retained by their employer and those who leave do so either out of their free will to opt for better opportunities or to pursue with further training. From those candidates who did not pursue further studies after completing their apprenticeship on 30 September 2011, 68% were found to be in full-time employment and 21% in part time employment.

In order to identify ways to improve the current system, discussions are held regularly with various stake holders. The schemes were promoted via meetings with students at the VET Institutes and one to one meetings with employers. Up till the end of January 2012, 659 candidates were registered with ETC as active apprentices under both schemes.

A call for plastic injection process technician's apprenticeship scheme was planned to be introduced during scholastic year 2011/2012. Unfortunately, it did not materialise as the number of applicants was too small. Discussions are under way on a new calling in Gardening /landscaping.

During the month of January 2012, internal discussions started in relation to the drafting of a new Apprenticeship Legal Notice. The new legal notice shall be giving ETC, the legal authority and flexibility to introduce new apprenticeship callings with any approved training institution. The Legal Notice shall be updating existing clauses and including others that regulate the apprenticeship scheme.

Furthermore, during January 2012, ETC and MCAST agreed that Trade Testing Boards shall meet formally with the respective MCAST Directors of different Institutes to discuss any shortcomings identified following a trade testing process. Status: On Track

#### **d) Employability Programme**

The overall objective of the programme is the reintegration of job seekers and the inactive into the labour market and the provision of assistance to those in employment to secure and advance their position within the labour market. The Employability Programme which is co-funded by the ESF for a total budget of €5.2 million incorporates a number of initiatives that are being administered by ETC to satisfy the needs of different client groups to further develop their skills and competencies tied to employability. The initiatives being offered through this programme on which progress is being reported below are the following:

- Job Search Assistance.
- Training in basic skills and literacy.
- Work orientation training initiatives and packages and re-training programmes.
- Traineeships schemes.

- Training Subsidy Scheme.
- Skills assessment system.

This programme was launched in May 2009, and it is planned to be concluded by December 2012. Till the end of 2011, eight lots of tenders for training service providers were issued, and circa 2,915 courses started. 33,000 participants, out of whom 33% were females attended for such courses. Out of these 33,000, more than 29,000 (88%) completed their programme. During January 2012, 1,376 persons started a training course under this programme.

The target was to support a total of 32,000 persons through this project. Considering that the project is to be concluded by the end of 2012 and till the end of 2011 more than 29,000 persons have already benefitted from it, it is clear that the project is on the right track to reach its target.

### **Job Search Assistance (JSA)**

The initiatives under JSA include (a) **Job Search Seminar**- This is a one day seminar to provide first time clients with basic skills and information related to job searching, labour market trends and employment regulations at an early stage in order to help them become better equipped to look for work and facilitate their movement into the labour market as quickly as possible. A total of 2454 persons attended this course in 2011. (b) **Job Skills Programme** - This is a course in Life Skills and Job-Seeking Skills, primarily aimed at registrants, in order to assist them in their search for employment by providing the basic skills required. A total of 1142 persons attended this course in 2011 (c) **Job Clubs**- This programme is to help participants who have been registering for a number of months to become equipped with certain soft skills and job searching skills that will enable them to become more employable. A total of 396 persons attended this course in 2011. Status: On Track

### **Training in Basic Skills**

Training in basic skills includes the following courses: Basic English (Level 1 to 6), Basic Maltese (Level 1 to 6), English for Foreigners, Maltese for Foreigners, Microsoft Digital Literacy, Women for Employment, Numeracy Skills (Level 1 to 6). In all, a total of 1202 persons attended for these courses in 2011. Status: On Track

### **Work Orientation Training Initiatives and Packages and re-training Programmes**

Through such programmes, participants are provided with knowledge and skills required for particular occupations. All programmes lead to a certificate issued by the Corporation or by recognised institutions with which the ETC has an agreement. It is estimated that over 60% of participants successfully complete the programme and get certified. Some of these find employment and or improve their skills through further training. It is estimated that by the end of the project, circa 17,000 individuals would have participated in the Work Orientation and re-training programmes. Status: On Track

### **Training Subsidy Scheme**

For the Training Subsidy Scheme (TSS), 464 applications were received till end 2011. Out of these 464 applications, 297 applicants have completed the programme till end of December 2011 and are now submitting the required documentation, so that the grant payment will be processed. As anticipated, the take up for this incentive has increased and this was as a result of the intense marketing campaign carried out and the changes made to the eligibility criteria aimed to allow employees working with Micro Enterprises (10 employees or less), Local Councils and NGOs, and the unemployed to participate in and benefit from this scheme. Status: On Track

### **Traineeships Schemes**

Traineeships were organised for prospective Casino Dealers, Call Centre Agents (2 groups), Freight & Shipping Clerks and Salespersons, Care workers (2 groups), Electronics Assembly Operators, Industrial & Manufacturing Operators, and Veterinary Nursing Assistants. Other traineeship schemes were organised in Office Procedures and Skills (5 groups), Refrigeration & Air Conditioning, Industrial Machine Setters skills, Food and Beverage Servicing (2 groups) and Woodwork. The total number of participants in these traineeships amounted to 241 whilst the number of employers providing training placements was 76. Some of these employers participated in more than one of the above mentioned callings. Both the Traineeships Schemes and the Training Subsidy Scheme, being integral components of the ESF co-funded Employability Programme, were financed out of the same funds. Status: On Track

### **Skills Assessment System**

During 2011, Skills Assessment (also referred to as trade testing) for 339 apprentices, 97 trainees and 72 individuals (non-apprentices) who applied with the Corporation to be trade tested was carried out.

As part of this programme, the ETC entered into an agreement with a service provider including an expert in the field of trade testing to analyse the current Trade testing system, draw up a new framework, develop standard material and design and deliver a training programme for current and prospective assessors. The first group of assessors will start the training programme in January 2012. Status: On Track

### **e) Training Aid Framework**

The Training Aid Framework supports undertakings to provide training to their workforce by offering the opportunity of part-refund of training costs. The aid intensity depends on the size of the undertaking and the type of training provided. Such training can be either general or specific to the undertaking. Assistance is in the form of a training grant that will be reimbursed to the undertaking on successful completion of the training. This aid will be made available to all non-public entities with the exception of those operating in the agricultural and fisheries sector. The Programme, with a total budget of €8.8 million, is co-funded from the ESF.

The TAF was launched in February 2009 and till end of January 2012, the TAF unit within ETC has received and accepted for processing 3,398 applications out of which 2,578 grant agreements were signed. The value of committed grants amounted to €7 million. Out of these 2,578, 788 grants were processed and 544 have received payment. Originally, it was

envisaged that by the end of 2013, a total of 475 enterprises and around 3,500 trainees will be supported. These planned targets have already been exceeded by far. Indeed, by the end of December 2011, the number of supported trainees amounted to more than 13,500.

The Corporation will shortly be launching a system whereby applicants can submit TAF applications online. While the TAF Unit has completed the testing of this phase, discussions are under way on the second phase of this system which will include the submission of claims for reimbursement online. Status: On Track

### **3.1.3.5: Measures to Contain Abuse of the Unemployment Register and Informal Work**

Various initiatives are contributing to curb undeclared work and encourage more people to enter the formal economy.

One of these initiatives is to increase the penalty period for persons who fail to participate in an activation measure, without just cause for three or more times. A Legal Notice has been drawn up and is currently awaiting publication, to extend the penalty period from six months (on Part 2 of the Unemployment Register) to twelve months (on part 2 of the Register).

Another initiative is the development of a proposal to increase the frequency of registration as a jobseeker's duration of unemployment increases. The new system will enable more frequent registration by jobseekers and this will serve as a deterrent to those who may be abusing the system. It also provides added services to jobseekers as the latter can communicate directly with their employment adviser. A new process has been started to purchase a fingerprint based registration system through a call for tenders. By December 2011, the tender document was finalised and sent to the Department of Contracts for vetting. Discussions were held during August and September 2011 with the Department of Contracts and also the Department for Social Security regarding the implementation of the new system within area offices.

The design and launch of an inter-departmental campaign on the benefits of declared work is another initiative contributing to curtail abuse of the unemployment register and informal work. The overall objective of this campaign is to address undeclared work in Malta and Gozo. The campaign will portray the negative side of being in undeclared work and the positive aspects of being in declared work. Another objective of this campaign is to increase awareness amongst employers and employees, including self-employed persons.

The campaign will also entice citizens to report any undeclared work. This will be achieved through a 3 month campaign targeted at different groups of persons and using different media, in order to reach the desired target groups. By October 2011, work was underway on the production of TV spots, Magazine Advertorials, and Newspaper adverts for 2012. In December 2011, story boards and ideas were also discussed and approved with the selected contractor and TV spots are currently being produced. The campaign is envisaged to be aired in the coming months. Magazine advertorials and newspaper adverts have also been drafted and will be published when the TV campaign is launched.

Moreover, during the Budget Speech for 2012, the Government announced the launch of a consultation process with social partners on the Active Labour Market Policy for the

preparation of a long-term policy concerning the labour market. The principal aim is to incentivise more people, primarily women, to enter the labour market.

The Maltese Public Employment Service intensified its efforts to ensure that persons registering for primary employment and employers engaging local and foreign employees abide to their respective legal obligations. In order to further enhance the effectiveness of the law compliance system at ETC, new working methods were introduced within the respective section and desk investigations were initiated. Inspections carried out at places of work are generally conducted following internal investigations and reports from other government entities and the general public. Most of the on-site surprise inspections carried out are targeted inspections i.e. the location of the abuse is known.

Between January and December 2011, a total of 3,827 inspections were carried out during which 2,349 law infringements were identified, and therefore a success rate of 61.4%.. Most of the cases of law infringement related to Maltese workers found working at establishments without ETC having been notified by their employer of their employment and hence they were deemed as illegal employees. Since most of the inspections are targeted inspections, the success rate is high. This should not however be interpreted to mean that undeclared work or abuse is substantial. On the contrary, this should be viewed as an efficient and effective use of the limited resources available within the inspectorate arm of the ETC in curbing abuse or undeclared work. Status: On Track

In addition to the work carried out by ETC, the Benefit Fraud and Investigations Department (BFID) within the Ministry for Justice, Dialogue and the Family (MJDF), also investigates when social security benefit fraud is suspected or reported. In 2011, BFID continued to focus its resources on investigating all reports of alleged abuse in Social Security benefits and on identifying new trends in social benefit abuse. Reports on alleged social benefit fraud are received from two main sources; the general public and the Department of Social Security. BFID also takes the initiative to investigate groups of beneficiaries where benefit fraud is suspected.

During 2011, BFID conducted through its Inspectorate, 2,126 on-site inspections. The operations of BFID during 2011 included four specific investigative exercises on social security beneficiaries. These exercises targeted “Unknown Fathers”, Unemployment Assistance beneficiaries, Hawkers, and Social Assistance beneficiaries.

From the on-site inspections and from all other investigations conducted by the Department, 1,331 cases were concluded during the year which resulted in the suspension of a total of 1,025 social benefits. The estimated annual savings for 2011 totalled €3,661,150.

It is estimated that during the period 2006 – 2011, BFID contributed through its operations, to savings amounting to €21,647,647. This was achieved with a Cost/ Savings ratio of €7.14: €100. Status: On Track

Legislation in Malta also obliges registered jobseekers to accept employment or training opportunities offered to them or are otherwise removed from the employment register. During 2011, 1,486 registered unemployed persons were struck off the unemployment register for such reasons.

The Community Work Scheme (CWS) mentioned in point 3.1.2.1 above is also contributing towards tackling the problem of undeclared work since persons who refuse to participate in such scheme may be engaged in undeclared work while also receiving unemployment benefit. In this way, the scheme serves a dual purpose.

## **RESEARCH and DEVELOPMENT**

### **3.2.2.1: The New National Research and Innovation Strategy 2011-2020**

A draft plan, built on six pillars (policy design to action, human resources, funding, innovation, research infrastructures and international cooperation) was issued for public consultation in early December 2011. This consultation closed at the end of January 2012. The feedback received is currently being reviewed in order to update and finalise the strategic plan. In addition, a new chapter on digital growth is being included. The original finalization date had been set for the fourth quarter 2011, however it is envisaged that the document will be finalised between Q2 and Q3 2012. Status: Delayed

### **3.2.2.2: An Ecosystem Approach to R&I Funding**

#### **a) National R&I Programme Implementation and Extension towards Commercialization**

The R&I Programme 2011 was launched on 26th November 2010 with a budget of €1.1 million. The submission and evaluation was split into two stages. The first stage requested interested parties to submit a preliminary proposal. Following evaluation, these proposals were short listed to a final evaluation stage requiring proposers to submit a detailed proposal. A total of 40 proposals were submitted, ranging across all scientific fields requesting a total of €5.8 million, out of which 26 projects were shortlisted. A total of 8 projects were eventually selected for funding. Status: On Track

As regards the extension towards commercialisation, a new commercialisation programme was set up with the aim to support technology owners to study the feasibility of taking the technology to market addressing all the requirements particularly to attract capital investment. The Commercialisation Programme is particularly intended for the successful recipients of funds under the R&I Programme to help them move their technology closer to market. Preparatory work for the programme was undertaken in 2011, and it is expected to be launched during the first months of 2012. The intended amounts per project would be €25,000 to €50,000. Status: On Track

#### **b) Incentives for R&D in Industry**

Malta Enterprise administers nine R&D incentives that support enterprises in projects related to Industrial Research and Experimental Development. These incentives provide support in the form of cash grants or fiscal benefits. Fiscal benefits can be provided to all R&D projects, while cash grants are awarded to specific initiatives (such as collaborative R&D projects) or through competitive calls. Apart from two initiatives which are specifically intended for SMEs, R&D incentives are available to all enterprises. SMEs are granted higher aid



intensities and may receive specific support when contracting temporarily personal from large enterprises or research institutes. The schemes are the following:

**Loan of Highly Qualified Personnel:** SMEs can benefit from the temporarily engagement of a highly qualified expert to work on R&D&I projects. In this way SMEs can access new knowledge and increased innovation capabilities. The expert will help the SMEs to carry out an Industrial Research and Experimental Development projects. Malta Enterprise may provide part financing of the costs directly related to the secondment of highly qualified personnel, seconded from a research organisation or large enterprise. These costs may consist of wages paid by the SME to seconded personnel or fees charged by the research institute or large undertaking for such secondment.

**Preparatory Technical Feasibility Studies Scheme:** The objective of this incentive is to support enterprises intending to undertake Industrial Research and Experimental Development projects in carrying out Technical Feasibility Studies in preparation for these projects.

This Scheme will part-finance eligible costs related to:

- Wages of researchers and technicians, to the extent and for the duration that they are directly engaged in the preparation of the technical feasibility study.
- The acquisition of services required for the preparation of the technical feasibility study.
- The acquisition of knowledge, including technical consultancies and reports required for the preparation of the technical feasibility study.

**Grants for Cross-border Collaborative R&D:** This incentive supports Maltese enterprises that carry out an industrial research or experimental development project in collaboration with other enterprises. The project should lead to the development of innovative products, processes and services based on advanced technologies. Projects may only be funded if they are endorsed by the EUREKA network or approved through the Eurostars Joint Programme.

Support is provided through refunds that part-finance pre-approved costs. Such costs may include:

- Personal costs (wages) of researchers and technicians.
- Depreciation costs of new instruments and equipment.
- The costs of material, supplies and similar products, bought specifically for the research project.
- Cost incurred for the procurement of technical knowledge and acquisition of patented knowledge and technology.

EUREKA is an intergovernmental network launched in 1985, to support market-oriented R&D and innovation projects across all technological sectors.

The Eurostars Joint Programme is a European innovation programme managed by EUREKA. Its purpose is to provide funding for market-oriented research and development with the active participation of 'Research and Development performing Small and Medium-sized Enterprises' (R&D-performing SMEs). Eurostars is a joint initiative between EUREKA

and the EU Seventh Framework Programme for Research and Technological Development (FP7).

Funding is not guaranteed but depends on an evaluation of the project's potential and the expected economic return.

**Industrial Research and Experimental Development:** The following costs are considered as eligible as long as they are incurred in relation to an approved Industrial Research or Experimental Development project.

- Personnel cost.
- Instrument and equipment.
- Costs for building.
- Material, supplies and similar products.
- Contractual research, technical knowledge and patents.
- Additional overheads.

The tax credit percentage is related to the size of the enterprise. Additionally bonuses are provided to enterprise participating in collaborative projects with other industry partners or research organisations. The maximum level of assistance that may be provided under this incentive are found in Table 13 below.

**Table 13**

				Enterprise Size	
Research and Development	Small	Medium	Large	Medium	Large
Industrial Research Projects	70%	60%	50%	60%	50%
Experimental Development Projects	45%	35%	25%	35%	25%
Collaborative Industrial Research Projects (as per section 3.3 of the Incentive Guidelines)	80%	75%	65%	75%	65%
Collaborative Experimental Development Projects (as per section 3.3 of the Incentive Guidelines)	60%	50%	40%	50%	40%
Additional Incentives for SMEs					
Industrial property costs related to Industrial Research projects	70%	60%	n/a	60%	n/a
Industrial property costs related to Experimental Development projects	45%	35%	n/a	35%	n/a



**Registration for Intellectual Property Tax Credits for SMEs:** This incentive is aimed specifically to SMEs that after conducting an approved Industrial Research or Experimental Development project would like to seek, obtain and validate patents and other intellectual property rights.

The tax credit may cover costs incurred in the 24 months after the R&D project was completed. The value of the tax credits will be based on:

- Costs preceding the grant of the right incurred for the preparation, filing and prosecution of the application of the right in the first legal jurisdiction.
- Translation costs incurred in order to obtain or validate the IP right in other legal jurisdictions.
- Costs incurred in defending the validity of the right during the official prosecution of the application and possible opposition proceedings.

**Royalty Income from Patents:** The objective of this initiative is to encourage researchers to exploit intellectual property through the licensing of patented knowledge. The scheme should also encourage investment in research and knowledge creation and exploitation of intellectual property. The incentive gives fiscal benefits to persons (individuals and enterprises) that own the rights to patented intellectual property and are receiving income in the form of royalties.

**R&D Clusters:** The objective of this scheme is to support formal collaboration between enterprises by assisting in the setting-up, expansion and animation of innovation clusters. The aid will be provided exclusively to the enterprises operating the cluster which must have the sole purpose of promoting Industrial Research and Experimental Development.

Any Undertakings setting-up or operating an innovation cluster made up of a mixture of SMEs and large undertakings, with the aim of carrying out or promoting Industrial Research and Experimental Development activities may be supported under this incentive.

Malta Enterprise may support the cluster by part-financing investment costs related to land, buildings, machinery and equipment and operating costs such as personnel and administrative costs for the management of the cluster's facilities and activities to enhance the networking between the members of the cluster.

The ERDF Research & Development Grant Scheme is designed to help enterprises meet today's business challenges by supporting them to carry out Research and Experimental Development activities leading to the development of new or significantly improved products, processes and services. The scheme will co-finance the costs of wages, equipment, materials and contractual research specifically incurred as part of the research project. The 3rd ERDF R&D Grant Scheme Call has been issued. Deadline for submissions was 3rd April 2012. 23 enterprises have benefited from the first two open calls for proposals issued and the amount committed to the beneficiaries is circa € 3.5 million. Status: On Track

**Cooperation for development of new products, processes and technologies in the agriculture and food sectors (Measure 124) :** The aim of this measure is to increase the competitiveness of the farming sector and of the agro-food processing industry through the development of new products (goods and services), processes and technologies. This Measure serves to instil a better working relationship between producers and processors, to raise the level of innovation in the agricultural and food sectors, to increase the marketability of agricultural products and to broaden their consumer base, and to improve consumers' perception of high quality local food products. The budget allocation for this measure was set at € 1,000,000.

The sectors covered by this measure include enterprises from various agriculture sections, the processing industry, and third parties such as organisations that specialise in trade and/or marketing of agricultural related products, and the industry supplying the agricultural sector. The main actors supported under this measure include either individual entrepreneurs or a partnership of entrepreneurs from a number of sectors which are primary producers (farmers, farmers' associations and cooperatives, producer groups and organisations); agro-food processors; other manufacturing industries involved in the agricultural sector; and establishments involved in food preparation.

The first call was launched on 26th September 2009, closing on 18th December 2009. Three applications were received with a total request for only €437,645.95. This amount was considered fairly low and was attributed to the insufficient culture towards research and development in Malta, the insufficient culture towards the undertaking of collaborative projects, the extent of co-financing (60% of the total eligible costs of the investment for co-operation) and the relatively short experience of institutions as well as of the rural community was also a factor in the lack of success of this Measure.

In September 2010 all three applicants were contracted, for a total Public Expenditure of €255,317.44 and no payment claims were submitted during Calendar year 2010. Following the first call, a total of €21,168.00 was disbursed during Calendar year 2011, with an EAFRD contribution of €15,876.00.

A second call was launched on 24th October 2011, closing on 16th December 2011. Five applications were received, three in Malta and two in Gozo, with a total request for €257,135.16. Applications are still under evaluation stage. Status: On Track

### **3.2.2.3: Doctoral and Post-Doctoral Scheme**

Malta is witnessing a significant overall expansion in the higher education sector. In a knowledge-based economy, it is imperative to have a strong base of Masters and Doctorate programmes researching innovative and creative hypothesis that ultimately bring intellectual and economic growth to society. High quality postgraduate education is of central importance to a number of objectives among others: the increase of research and development activity in Malta; the development of new academics and fields of study and research; an ever more highly skilled workforce; the precious impact and social benefit of groundbreaking discoveries.

The Malta Government Scholarship Scheme (MGSS) was launched in 2006, and by October 2011, 117 scholarships leading to Doctoral degrees were awarded as follows: 27 - Capacity

Building in the Education Sector; 32 - Addressing Skills Mismatch and 58 - ICT, Science & Technology The Directorate for Lifelong Learning and the Malta Council for Science and Technology collaborate so that more students take up opportunities in Research and Innovation. In fact, the MGSS scheme supports students who opt to conduct part of their assignments in world renowned Research Institutes.

In 2009, the Strategic Educational Pathways Scholarships (STEPS) was launched. This is an ESF co-financed project which has been extended to 2014. Till the end of October 2011, 87 scholarships leading to Doctoral degrees have been awarded under this scheme as follows: 13 - Capacity Building in the Education Sector; 45 - Addressing Skills Mismatch and 29 – ICT, Science & Technology. Status: On Track

#### **3.2.2.4: The Setting Up of a Life Sciences Centre**

The Setting Up of a Life Sciences Centre is an investment of €38 million, co-financed between the Government of Malta, Malta Enterprise and the European Regional Development Fund (ERDF) the development of a Life Science Centre represents a giant step towards developing Malta into a truly regional centre of excellence in Life Sciences and the bio-medical industry.

The Life Sciences Centre shall be named as the BioMalta Campus and will seek to attract foreign direct investment into research, technological development and innovation in the bio-technology and life sciences sectors as well as support the development of the local industrial community helping them to grow and internationalise.

The Campus is intended to create a knowledge cluster between the University of Malta, Mater Dei Hospital, and the Life Sciences Industry. It will initially consist of four key buildings which will provide 10,000 square meters of space and 3,500 square meters of incubation facilities. The Campus is expected to build upon Malta's long-standing tradition in the pharmaceutical industry in Malta which has grown to employ over 1000 workers and producing over € 208 million worth of exports in 2010. This has significantly gone up by € 152 million since 2005. Malta's next step is to transform these achievements in attracting pharmaceutical manufacturing into securing investment by innovation-led, R&D organisations and enterprises in the healthcare and bio-technology value chain.

The BioMalta Foundation will be responsible to establish and manage the blueprint for the Life Sciences Industry in Malta, as well as oversee the successful development of the BioMalta Campus, as well as establish an Angel Investor Network to secure private funding for local companies who currently are or will be carrying out R&D in life sciences and biotechnology in Malta.

The Foundation shall also address the potential foreign direct investment niches that Malta can attract and support, skills and resources gaps, inward investment programmes, as well as regulatory and ethical framework reviews. The business incubation facility within the Campus shall also be managed by the foundation.

Apart from having the infrastructure and the strategy, funding is crucial. The Foundation has been tasked with setting up the BioMalta Angel Investment Forum, which will work closely

with the University of Malta and with Malta Enterprise to attract local entrepreneurs and scientists. The Forum shall support, invest in and build specialist Malta-based companies delivering competitive technology solutions capable of rapid commercialisation in the medicine market.

A Malta-based Private Investment Fund of approximately € 200 million will invest in mid-late stage companies that have a strong pipeline of technologies and products which have been developed by management teams with both scientific and commercial credibility. This Fund shall be known as the Global Medi-Science Fund and shall be aimed at attracting foreign investors in Malta.

The Milestone Plan is reproduced in Table 14 below.

**Table 14**

<b>Design and Project Management</b>	
Start- Date:	Mar-10
End-date:	3 <sup>rd</sup> Quarter 2015
<b>Enabling Works</b>	
Start- Date:	Sep-11
End-date:	2 <sup>nd</sup> Quarter 2012
<b>Build and Finish</b>	
Start- Date:	Jun-12
End-date:	Feb-14
<b>Project promotion and publicity</b>	
Start- Date:	4 <sup>th</sup> Quarter 2013
End-date:	2 <sup>nd</sup> Quarter 2015

The permits for enabling works have been issued by MEPA. The FDA for enabling works has been issued. As per third quarter 2011, €522,504 has been paid regarding Project Design and Management. Status: On Track

## ENERGY

### 3.3.2.1: Interconnection to the European Energy Grid

As per the submitted European Energy Programme for Recovery (EEPR) application, the laying of the submarine cable was originally expected to be completed by August 2012. Based on the responses received for the expression of interest, the completion time was specified as 24-30 months. The invitation to tender was issued in March 2010 and the only bid received specified a completion time of 32 months thus being non-compliant. After

discussion with the shortlisted candidates (in view of their concerns-essentially manufacturing slots for the cable), Enemalta reviewed its requirements and a second invitation to tender was issued allowing a longer completion time. The award of contract was in December 2010, i.e. 3 months later than planned. Hence the completion of the Action was delayed by this and extension in the completion time.

The project is currently on schedule and the target is to commission the interconnector by October 2013 as per contract. This is also in line with what is specified in the Commission staff working document “Member States Competitiveness performance and policies 2011”. The project is in its detailed engineering stage prior to start of manufacture of equipment. The application process for permits in Malta and Sicily is progressing. A detailed marine survey to define the subsea cable route was completed before the end of 2011. The total investment of this project amounts to €182 million (€162 million Malta Funds and €20 million EU Funds under the EEPR). Status: On Track

### **3.3.2.2: Extension of the Delimara Power Station**

The completion of the Delimara Power Station extension project by May 2012 was delayed essentially due to delays in granting of the Integrated Pollution Prevention and Control (IPPC) permit. Nonetheless following the issue of the IPPC permit in December 2011, the project is currently on track to deliver the expected 144MW electrical output power to be available to the Maltese electrical grid in summer 2012.

The project has entered the hot testing phase which commenced on 12th December 2011. The final stage in the implementation of this project also includes the performance and reliability testing of the plant which is expected to be completed by July 2012.

The new generating plant is modular and has 46% conversion efficiency, making it the most efficient and flexible generating plant in Malta. It will moreover replace part of the aging Marsa power station which is equipped with generating plant with an average of 26% conversion efficiency. The increase in conversion efficiency will imply lower costs of electricity generation, lower emissions and will contribute to increasing Malta's primary energy use efficiency. The new generating plant is also equipped with the necessary abatement equipment in order to ensure that emissions limit values would be in line with permit conditions set on the basis of best available techniques (BAT).

Due to its flexibility, this plant will also support the intermittency of any other large-scale Renewable Efficiency Sources (RES) that will be available in the future. The investment in this project amounts to €165 million. Status: delayed

### **3.3.2.3: Energy End-Use Efficiency**

Malta submitted its second (National Energy Efficiency Action Plan) NEEAP in line with Directive 2006/32/EC. The measures proposed in the first NEEAP were, or are in the process of being, implemented in the majority of cases. Additionally, new measures not envisaged in the first NEEAP were implemented successfully. One such case is the Compact Florescent Lamp (CFL) scheme whereby all households were given free energy

saving lamps in a bid to promote energy efficient lighting. The aim was to create a culture of buying energy saving lamps since once the lamp comes to end of life the user will replace it with the same type of lamp. Refer to CSR 5 above for further detailed information on energy end-use efficiency. Status: On Track

#### **3.3.2.4: Energy Efficiency in Transport**

Malta secured a Public Service Contract with Arriva Malta Ltd for the provision of a public transport system that started in July 2011.

The number of buses that was used pre July 2011 was 586, with between 300 and 330 in circulation on any given day. Today the service operates around 285 (currently in a stabilization phase as some routes are still being tweaked), with approximately 260 on the road. While physical number of buses has fallen, the increased vehicle capacity (current average 70; pre-2011: average 50) results in around 7-10% more capacity than pre July 2011. This equated to a 14.1% increase in passenger numbers carried in Malta and Gozo with a year-on-year an increase from 15.8m to 18.0m for the period August 2011 - January 2012.

Apart from the new fleet including 10 hybrid diesel-electric buses, all others must be EURO V by July 2012. This compares with the previous fleet where only 131 were EURO III and all other more polluting. The older engines (fleet average age pre 2011 was 35; current average age 1 year) were obviously less efficient, however as accurate statistics for the previous service in terms of passenger/km or fuel use are not available, it is not possible to compare with the improvements to-date. Status: On Track

#### **3.3.2.5: Implementation of Malta's National Strategy for Policy and Abatement Measures relating to the Reduction of Greenhouse Gas Emissions**

Since the launch of the Strategy by Government in 2009, progress has been made on a number of fronts with regards to its implementation. The organisational framework set out in the Strategy has been established with the Climate Change and Policy Unit (CCPU) of the Malta Resources Authority under the Ministry of Resources and Rural Affairs.

In order to secure strategic co-ordination to implement climate action an Inter-Ministerial Committee was set up in 2011 which is led by the Prime Minister. This Committee is supported by a Climate Change Consultative Council which brings together different levels of stakeholders from administrative entities and Civil Society. This organisational set-up is expected to facilitate implementation through active stakeholder participation.

Progress on the abatement measures themselves has also been made. With the extension of the Delimara Power Station as planned, the local electricity production is moving towards a lower emissions/kWh produced. The installation of new efficient generation capacity and interconnection with the European grid will ensure an increasingly efficient supply in terms of emissions.

The efficiency of Reverse Osmosis plants is essential to achieve high quality water with a low emission footprint. The continuous review of technology and reduction in losses by the



Water Services Corporation has decreased the carbon footprint of each m3 of water delivered. Other measures that target end use efficiency are also being implemented through the 2nd NEEAP.

Projects related to Waste and Agriculture (capping and extraction of gases from Maghtab and other landfills, Sant'Antrin Waste Treatment plant and the implementation of the Nitrates Action Plan) will contribute further to a reduction of emissions from this sector. The implementation of energy recovery from these projects will help to reduce emissions, whilst also contribute to the RES contribution.

The Strategy also earmarked the public transport reform as a key contributor to reduce emissions. This process led to an overhaul in the bus fleet which has increased vehicle efficiency. Action is now focused to instil an effective modal shift which should bring about a perceptible contribution to the reduction of GHG from passenger transport.

Government action to increase the uptake of renewable energy infrastructure in Government buildings coupled with incentives to finance installation of renewable energy infrastructure within the domestic sphere over the past year is considered to have led to a significant contribution towards a shift in increasing awareness on RES and the need for mitigation action. Additional impetus was given through the implementation of advantageous feed in tariff schemes.

Bio-fuels have been used locally for a number of years, though recently a boost has been given to the use of bio-fuels through substitution obligation thus fulfilling the requirements of the Strategy. The review of the strategy has commenced and the preparation of the 2011 National Greenhouse Gas Inventory and Policies and Measures Report is seen as a key monitoring tool to guide further mitigation action.

With the findings of the 2011 report coupled with the GHG Inventory Report, the Climate Change and Policy Unit within MRA will be in a position to monitor progress and identify where further action is needed. With the Inter-Ministerial Committee and Consultative Committee in place, proposals for action can be developed with different stakeholders and effective action for implementation adequately identified and undertaken. Status: On Track

Table 15 below provides a list of the measures being implemented with their resultant emission savings projected for 2020.

**Table 15**

Measure	Saving (in Gg CO <sub>2</sub> - eq) estimate for 2020
Installation of new and efficient generating capacity (144MW at Delimara Power Station) + Submarine electrical interconnection to European network (200 MW)	1288.18
Promotion of the use of Biodiesel	23.57
Transport Reform	5.83
Modernisation of agriculture holdings + Nitrates Action Programme	20.80
Gas Management at Non-hazardous Landfills	66.10

### 3.3.2.6: Implementation of the National Renewable Energy Action Plan

Malta will be achieving its 2020 renewable energy targets through a number of identified major projects of large scale wind, and waste to energy projects. However 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. For further detailed information on the implementation of the National Renewable Energy Action Plan refer to CSR 5 above. Status: On Track

## EDUCATION

### 3.4.2.1: Tackling Absenteeism by Strengthening Student Services

This measure is being tackled in two parts;

- a) by strengthening the Education Psycho-Social student Services at the grass-roots level within schools

Since the commencement of this initiative, various tasks were undertaken to address this issue; these being; the recruitment in colleges of various professionals such as the counsellors, trainee counsellors, guidance teachers the trainee educational psychologists, psychologists & psychotherapist. Their presence helped to increase the early detection of social, emotional and behavioural problems leading to absenteeism.

As from scholastic year 2011/2012, all guidance teachers started giving their services to both primary and secondary level in all colleges. In order to reduce the rate of absenteeism in compulsory education, during 2010, a team of social workers consisting of 15 social workers, 4 social support workers, and 1 principal social worker was also recruited.

During summer 2010, the social workers conducted school and home visits to parents of primary school children who were absent from school for more than 40 unauthorised days during scholastic year 2009 – 2010. After reviewing all students' attendance through the SIS, the Service Manager together with the Principal Social Worker identified this realistic cut off in view of the Director General's directive to reduce long term absenteeism in schools. It was also agreed that in 5 colleges, the social workers will follow cases of students in Form 1 who were absent from school for the same number of days. The social workers continued to follow the cases during scholastic year 2010 – 2011.

During summer 2011, the social workers conducted office visits with parents of primary school children who were absent from school for more than 30 unauthorised days during scholastic year 2010 – 2011. It was also agreed that the social workers will follow cases of secondary students who were absent from school for the same number of days giving priority to students in Form 1 and Form 2. The social workers and social support workers are monitoring those students who went back to school and those who are still not attending due to various situations/reasons.



As from July 2011, 5 social support workers started co-working with social workers from 5 different Colleges. The aim is to complement social work intervention with families of habitually absent students. The role of the social support worker is mainly to conduct home and other visits to communicate with target families identified by the college social worker so as to prevent, minimize or eliminate absenteeism from school. The social support worker will also support families by helping them in practical ways including teaching, home management, parenting and interpersonal skills. The role of the Social Support Worker is to focus on offering practical assistance to families of habitually absent students followed by the College Social Workers.

All personnel are working on a 40 hour week basis all year round. Hence, for the first time, there is a continuation of services in schools even during the summer holidays, school holidays and even after school hours. Status: On Track

Other initiatives which were carried out during 2011 included:

### **Local Tribunal System**

The social workers have been attending tribunal sittings since the onset of the service. The Social Worker attends and assists the Commissioner of Justice in reaching decisions regarding school absenteeism cases arraigned in Local Tribunals. Their role is of providing information to the Commissioner according to the information obtained by the Heads of Schools regarding school attendance. The Social Workers also point out cases, where, despite, social work intervention, parents/guardians/designated persons have remained uncooperative.

Due to the large amount of cases referred, the social worker's role is mainly administrative, however, with the move towards a college based service, the social worker is eventually getting to know the students referred and is in a better position to assist the family concerned. It is also the case that some parents are actually attending tribunal sittings hence it is an opportunity for the social worker to engage with the family with the aim of assisting them so that the student returns to school.

On the 1st November 2011, a new Commissioner of Justice was appointed to preside on all educational sittings. Consequently, a meeting was held to discuss the way forward.

### **School Exemptions and Related Issues**

During the past scholastic year, meetings were held with representatives from the Employment and Training Corporation (ETC), Department for Social Services (DSS) and Department for Employment and Industrial Relations (DIER) to discuss the application for school exemptions. The application form was reviewed and finalized and as from October 2011, the same form started to be used by both the Education Social Work Service and DIER to simplify the process and improve efficiency.

Parents of students who are 15 years and who wish to undergo a work experience (work experience refers to summer work or in situations where students have completed compulsory schooling but have not yet reached the age of 16. useful for their personal development) have to fill in an application form issued conjunctively by DES and DIER. The same application is filled in by the potential employer who is promising an employment for

the minor concerned. The employer needs also to supply a risk assessment. This application form is to be endorsed by the Head of School and submitted to the school secretariat together with a copy of the parents ID cards and the school leaving certificate, where applicable. To facilitate the process, the application will be processed internally by the two entities mentioned above, that is, DES and DIER, to ensure that the legal obligations with regards to the employment of minors are fulfilled before the exemption is issued. This process will consolidate the aim of the law governing the employment of minors as it ensures that employers guarantee that young people have working conditions which suit their age and are protected against economic exploitation and against any work likely to harm their safety, health or physical, mental, moral or social development or to jeopardise their education.

An agreement was also reached between DES and ETC stating that students who have completed compulsory education are allowed to register for work with ETC from their 16th birthday onwards and on presentation of the school leaving certificate. It was also agreed that 16 year old youths who have not completed compulsory schooling would still need to apply for a school exemption issued by DES to be allowed to register for work. These applications will be assessed by the Social Work Service within DES and approved by the Service Manager of the Education Psycho-Social Services who will in turn inform ETC regarding the decision taken as to whether the youth in question is allowed to register for work even though s/he has not completed compulsory schooling.

This agreement will also hold for the Department of Social Services (DSS) in that the DSS will issue the NI number for 16 year old youth on presentation of the school leaving certificate. When the latter is not available the youth needs to present a school exemption issued by DES.

### **Development and delivery of a programme of career lessons for all state school form four students**

This programme consisted of a set of lessons which were based on discussions, power point presentations, role-play and exercises (group and individual) carried out on a workbook that is distributed to each student. The themes focus on self-awareness (particularly awareness of external influences upon personal choices, as well as awareness of personal values, interests and skills), job-market awareness (local and global, as well as skills associated with employability), life-long and life-wide learning, post-secondary education pathways, and practical issues such as sitting for an interview and compiling a CV.

The students receiving the lessons are encouraged to discuss any personal issues/queries with the particular teacher from CG service by asking for an appointment on a one-to-one basis. Besides carrying out this service in-between the delivery of lessons on the same day, there are also instances where CG teachers visit the schools specifically to carry out career guidance duties.

### **Learning Expo**

The Education Psycho-Social Services in conjunction with the Ministry of Education and Employment organises the Learning Expo, so as to promote Lifelong Learning and Further Education through the participation of Vocational and Post Secondary Schools/Institutions and Training Institutions. It enables all those who wish to pursue further their studies, from

5th form students to graduates, and adults considering a return to studying, to acquaint themselves with the wealth of learning opportunities available. The Learning Expo includes interactive stands featuring audiovisual material and professional career guidance. Professionals participating in the Expo are always prepared to answer questions and offer guidance to those seeking advice on available career options. Furthermore, educational organisations present a variety of real life career options for students to choose from, whether in terms of a profession, a skill or a craft.

### **Job Exposure Initiatives for 4th Formers - National and College Level**

These Expos are often aimed at motivating students to study. Students often do so on becoming aware of subject/educational relevance. Research suggests that early school leavers often cite lack of work and life relevance of their schooling as a factor for dropping out. Dropping out of school has serious and lifelong consequences for young people. One of the strategies for retaining young people in the school system is through job exposure experiences which provide students with an opportunity to understand this link between what they are learning in school and work opportunities beyond schooling. These students are more likely to attend to their class work and build a positive mental image of their future.

Job Expos provide students the opportunity to think concretely about their career path. Research suggests that students who have a career plan are more likely to remain in the school system. Providing this experience to Form 4 students may thus be the last opportunity to retain students in the educational system.

### **Form 4 Students**

The social workers together with the career advisors are working on a project targeting 4th formers who are habitual absentees. The aim is to initiate contact with the students and assist them in developing a tailor made programme in relation to their career and future employment.

- b) by Multi-disciplinary teams who are monitoring families where there is a high tendency of children absenteeism from school in order to provide them with the support needed to socially address such problems.

Work is underway to establish a National Referral System, which will enhance the referral process and enable the multi-disciplinary teams to work together on a case when required. Coordination and collaboration between professionals is ensured through regular meetings. These meetings were also held during the summer 2011 period in order to review the services that were being offered to the students and parents in Colleges, during the past scholastic year. The multi-disciplinary teams working within the colleges were strengthened through the recruitment of various professionals. All personnel are working on a 40 hour weekly basis all year round. Since this service is focusing on students who are habitual absentees, social support workers were recruited to complement the interventions of social workers with the families of these students.

Most schools have adequately equipped counselling rooms, in fact, during the last scholastic year (2010-2011) such rooms were the major tool that helped in providing the right environment for the affected children during individual or group sessions. Effort is being made to maintain links with other agencies including NGOs and services within the

communities. The inclusion of Youth Workers in the colleges has brought about the start of a variety of programmes within the colleges. Working within multi-disciplinary teams, the Youth Workers organise after school-community based programmes for learners. These programmes aim to offer support, skill acquisition and formation to youths thus preventing future absenteeism. Status: On Track

### **3.4.2.2: Offering more Opportunities for Participation in Vocational Education**

**1. Introduction of vocational subjects in secondary schools** - During 2010, The Ministry of Education and Employment, the then Ministry of Education, Culture, Youth and Sport signed a Memorandum of Understanding with Pearson Education Ltd. expressing the intention to collaborate on the provision of BTEC (Business and Technician Education Council) qualifications for the schools sector in Malta. The collaboration agreement covered the supply of qualifications and associated teaching and learning resources, training of staff as appropriate to enable the delivery of the qualifications in Malta, training in quality assurance methodology and practice to ensure high quality standards in the delivery of all programmes, support for the promotion and marketing to parents and learners, and advice and guidance to support the establishment and implementation of the vocational and core programmes. Four vocational subject areas (Engineering, Health and Social Care, Hospitality, and Information Technology) were identified and scheduled to be piloted in six state colleges and 4 non-state schools from September 2011. By 2014 the implementation of VET is expected to be extended nationally. The long term objective is to develop a VET qualification delivery model suitable for Malta. The first Quality Review visit by Edexcel quality assurance officials is scheduled to take place in the last week in April 2012. Two Standards Verification visits by BTEC Trainers are scheduled to take place during Q2 and Q3 in 2012. The Options' Exercise for Form 2 students is underway and will be completed by the end of April 2012. In Q3 the vocational teachers will undergo another INSET with BTEC Trainers to revise the first year of the vocational pilot and prepare the scheme of work for 2012-2013. Status: On Track

### **2. Extension of vocational subjects at post-secondary level of education in institutions which are dedicated to vocational education and training**

**MCAST** - The EU co-financed Project ESF1.36, which has two initiatives; the professional development of academic and administrative staff at MCAST; and the launching of vocational degree programmes for students in possession of a level 5 VET qualification or equivalent academic qualification, is partly addressing MCAST's need to extend VET programmes to Level 6. One of the two main pillars of this project is the launching of nineteen vocational degrees between 2009 and 2013. The first seven degree programmes were launched in 2009-2010 in four Institutes: Business & Commerce, Art and Design, ICT and Electrical & Electronics Engineering. Another degree (BA Hons in Fine Arts) was launched in September 2010 at the Institute of Art & Design, while the last batch of eleven degrees was launched in September 2011 in the Institutes of Agribusiness, Art & Design, Building & Construction Engineering, Community Services, Electrical & Electronics Engineering, and Mechanical Engineering.

During scholastic year 2009-2010, vocational degree programmes were delivered in: the Institute of Art & Design - BA Hons in 3D Design & Interiors and BA Hons in Graphic Design & Interactive Media, Institute of Business & Commerce - BA Hons in Business Enterprise,

Institute of Electrical & Electronics Engineering - BSc Hons in Electronics & Control Engineering and BSc Hons in Electronics Engineering, Institute of Information and Communication Technology- BSc Hons in Software Development and BSc Hons in Computer Networks. This resulted in 63 graduates in 2010.

The second delivery for scholastic year 2010-2011 included all programmes delivered during 2009-2010 and the Institute of Art & Design – B.A. Hons in Fine Arts. Moreover 11 new vocational degrees started to be offered during school year 2011-2012. These are delivered by the: Institute of Agribusiness – B.Sc. (Hons) in Animal Management, Institute of Art & Design – B.A. (Hons) in Media (Moving Image), Institute of Building & Construction Engineering – B.Sc. (Hons) in Construction Engineering, Institute of Community Services – B.A. (Hons) in Health and Social care (Management) and B.Sc. (Hons) in Health and Social Care (Practice), Institute of Electrical and Electronics Engineering – B.Sc. (Hons) in Electronic Communications, B.Sc. (Hons) in Power Generation and Renewables and B.Sc. (Hons) in Biomedical Engineering, and the Institute of Mechanical Engineering – B.Sc. (Hons) in Mechanical Engineering (Plant), B.Sc. (Hons) in Mechanical Engineering (Manufacturing), and B.Sc. (Hons) in Marine Engineering. Ten graduates completed their vocational degree programme in 2010-2011 (B.A. (Hons) in Fine Art).

In September 2011, Engineering students from the Institutes of Electrical and Electronics Engineering, and from Mechanical Engineering, were offered the opportunity to decide on whether they wanted to terminate their undergraduate studies after three years (two-year Higher National Diploma and the Top-Up Year), thus making them eligible for the award of a B.Sc. Hons degree, or after four years (two-year Higher National Diploma and two further years to complete their studies over a four year period, instead of three), thus making them eligible for the award of a B.Eng. Hons Degree. Status: On Track

**ITS** - The Institute of Tourism Studies was set up in 1987 with the aim to provide higher educational studies and programmes in the areas of Tourism and Hospitality to aspiring students. ITS is to prepare students for a smooth transition in the world of work thus narrowing the gap between studies and the work place by providing practical work exposure both on campus and on work placements (both national and international) during the study programme period.

The Institutes' core task is to provide the nation with an appropriate & professional workforce in the Tourism and hospitality sector, one that guarantees excellent standards of products and services, thus it needs to recognize, observe and respond to Tourism and hospitality trends, customer needs and satisfaction.

In 2007, the Pre-Employment Scheme was introduced and in October 2011 the Foundation Certificate Hospitality Trades Course was launched. Both initiatives were introduced to further provide quality learning that leads to excellence in the tourism industry, with a view to enable more individuals to participate in tourism studies, including the low-skilled and unskilled. Both initiatives are being implemented from national funds.

The Pre-Employment Scheme was introduced in order to entice school leavers and at the same time to help the hospitality industry to develop a skilful work force. This scheme is an ongoing scheme, in fact this is the third year that ITS is running this scheme with the aim to increase either the number of students joining ITS or the number of employees in the food

service and/or housekeeping operations sections. One of the positive aspects of this scheme is that it involves practical classes, an element which is welcomed by students, particularly those who are not academically inclined and prefer a more hands on approach towards learning.

To further promote such scheme, ITS conducts various awareness talks re vocational education and career opportunities in the tourism and the hospitality sector. These talks are held in colleges and target fourth former students. Information sessions are also held with parents.

So far, the general outcome for such a scheme was rather positive. In instances, students opt not to continue with their studies at ITS, but decide to find employment within the industry to gain experience. No tracer study has been carried out so far.

Details on the Foundation Certificate Hospitality Trades Course can be found in the Planned Measures Chapter since this was included as a new measure in this year's NRP. Status: On Track

**3. Introduction of embedded learning for Foundation (first level) students** - provided these students with the opportunity to learn the key subjects of Maltese, English and Mathematics through the students' own preferred area of vocational studies. A considerable number of students who join MCAST do so after having only attained the School Leaving Certificate. Moreover, a percentage of these students lack the satisfactory mastery of Key Skills in Maltese, English, Maths and IT. In view of this scenario MCAST decided to introduce a Level 1 Introductory Certificate for Secondary school-leavers, thus supporting them on their way to higher level programmes, from Level 2 onwards. In seeking to enhance the successful outcome of this Level 1 Certificate, and with the aim of improving the retention rate of post-secondary school students in the VET sector, MCAST introduced the Embedded Learning system for Level 1 students. Embedded Learning is a process where teaching and learning combines the development of literacy, language and numeracy with vocational and other skills. The skills acquired provide learners with the confidence, competence and motivation necessary for them to progress, gain qualifications and to succeed in life and at work. Simply put, the emphasis is on teaching key skills through the vocational subject of the student's own choice, thus making such learning more attractive for the learner.

The overall results obtained by Level 1 students during the scholastic year 2010-2011 indicate a very good retention rate of 70%, as well as excellent results in the Key Skills area (Maths, English, Maltese, IT and Personal Development). In fact in September 2011, the entire 70% Level 1 student cohort decided to continue with their Level 2 Foundation Programme.

In January 2012, it was decided to carry out action research with a view to further analyse the needs of both Level 1 and Level 2 students. It is expected that strengths and needs will be identified to further consolidate the support structures required for this cohort of MCAST students. MCAST is also committed to review its Initial Screening Test which all new students have to take in July, prior to their vocational programme allocation. Status: On Track



### **3.4.2.3: Introducing Life-Long Learning into the Community through a Pilot Out-Reach Programme**

The aim of such measure is to provide:

- A different experience to previous learning paths, since these paths might have failed in the education of particular learners.
- The adequate level and type of learning (whether general or vocational).
- The appropriate style of learning (tailor-made to the needs and strengths of individual learners).
- The most feasible time for learning (e.g. during school hours for mothers).
- The most convenient place for learning, close to one's place of residence.
- A welcome environment for learning, with other learners from one's own community.

Although this pilot project was envisaged to start in 2013, implementation has actually commenced in October 2010. In January 2010, the Directorate for Life Long Learning (DLLL) established a formal collaboration with the Department for Local Government, focusing in particular on the standards and quality of these courses. In preparation for this project, an assessment of the qualified adult educators was carried out and on-going professional support for adult educators offering services at local councils is also being undertaken by DLLL personnel. This 18-hour of training includes on-site monitoring and mentoring of adult educators rendering such service at any particular locality. Training also includes the working procedures as well as the continuous assessment of adult learners and the final assessment. Participants in these courses will achieve a General Education Award. The Malta Qualifications Council deems this General Education Award (15 credits) to be at level 1 of the Malta Qualifications Framework and of the European Qualifications Framework for Lifelong Learning.

In 2011-12, 42 Local Councils participated in this scheme, and delivered classes in Spanish, German, French, Maltese & English literacy, Italian, Numeracy Classes, Maltese as a Foreign Language, and Health, Wellbeing & Successful Ageing. 1,063 adult learners registered for lifelong learning courses showing a four times increase over 2008. All these courses lead to a MQF Level 1 qualification, and during 2010-2011, 356 adult learners achieved a school leaving certificate level qualification or MQF Level 1. Status: On Track

### **3.4.2.4: Setting up of a National System for Accreditation and Licensing of Further and Higher Education Programmes and Providers and of Recognition of Non-Formal and Informal Prior Learning**

During 2011, the National Commission for Higher Education (NCHE) together with the Malta Qualifications Council (MQC) commenced work on this measure, with the drafting of two Legal Notices one titled 'Further and Higher Education (Licensing, Accreditation and Quality Assurance) Regulations, 2011', and the other 'Validation of Non-formal and Informal Learning Regulations, 2011'. By October 2011, these were finalised and passed on to Cabinet to be laid on table of the House of Parliament after the publishing of the Education Act Amendment Bill. The second reading of this Bill commenced in January 2012.



During two meetings held in July 2011 and September 2011 between the University of Malta and the NCHE, an agreement was reached to undertake a review of the internal quality assurance processes in the University of Malta in close collaboration with the NCHE/MQC. The designated working group within the University of Malta has commenced its work at the beginning of the academic year 2011/2012 and plans to complete its work by the end of academic year 2011/2012. Status: On Track

#### **3.4.2.5: Introducing New Possibilities and Modalities of Learning in Higher Education**

The measure reviews existing measures and provides recommendations for measures allowing learners to study in a more flexible manner and in this way increase participation in higher education. It is expected to raise the qualification level of such persons with a view to providing them with higher intellectual and analytical capabilities and offering them better job prospects. For this purpose, in March 2011, a Student Affairs and Further and Higher Education Ad Hoc Working Group was set up, which met on 22 March 2011 and 17 May 2011 respectively. A report including recommendations shall be prepared and presented to the Minister and stakeholders in 2012. Status: On Track

#### **3.4.2.6: Extension of the Malta Government Scholarship Scheme (MGSS)**

Since MGSS was launched in 2006, till October 2011, 252 scholarships have been awarded (of which 117 scholarships lead to Doctoral degrees). The key objectives of the MGSS-PG scheme are to: assist exceptional applicants to pursue further levels of academic research; encourage and promote more participation at a postgraduate level of academic research both locally and internationally, contribute towards research in identified areas of national priority, increase research activity at the University of Malta, and increase the capacity and level of research, innovation and development activity in Malta. As from 2012, Government has increased the local funds by 92% (from €466,000 to €891,000).

Currently, the Government is offering other Scholarship Opportunities. STEPS is an ESF co-funded project, which has been extended to 2014. (Please refer to Measure 3.2.2.3). In 2010, the Malta Arts Scholarships scheme was introduced to support the vibrant creative industry in Malta, and a total of 24 scholarships have been awarded in the past two years. In 2012, the fund for the Malta Arts Scholarships scheme increased by 25% (from €200,000 to €250,000). In February 2012, the Government also introduced the Sport Scholarships scheme. Status: On Track

### **PROMOTING SOCIAL INCLUSION in particular through the REDUCTION of POVERTY**

Malta's national target is to lift around 6,560 people out of risk of poverty and social exclusion by 2020.

While the Maltese Government mainstreams well-being of all persons in policies and actions, it is committed to continue giving particular attention to those groups in our society who are considered to be more vulnerable and thus at greater risk of poverty and social exclusion. In fact, children, elderly people and persons living in households with low work intensity, constitute the country's main target groups and the focus of Government's action.

As a result, measures have been included in Malta's National Reform Programmes for 2011 and 2012 that specifically aim to address the difficulties which these target groups are experiencing.

Government is sensitive to the various realities that exist in Maltese society and will ascertain that adequate and sustainable social security schemes are provided to persons who for some reasons or other are at the risk of poverty or social exclusion.

Act 1 of 2012 which came into force on 27 March 2012 has amended different dispositions under the Social Security Act (Cap 318) with a view to strengthening the social security framework in the country and guarantee aid to those who really need it.

In view of such changes in legislation, the medical conditions which make patients eligible has as from the said date almost doubled. In effect, the conditions eligible for free medicines under Schedule V of the Act will increase from 38 to 79. Therefore, the list now includes more than 41 new conditions.

Furthermore, Malta is currently developing a tracking device which is mainly employment-related, in order to be in a position to monitor performance in achieving the national target in the coming years. In effect, this also reflects the policy being followed by the Maltese Government to encourage and assist people in need, to move away from a culture of dependence to one of contribution.

#### **3.5.2.1: Combating Child Poverty**

This measure consists of two initiatives. The first part which relates to the provision of training to lone parents together with a change in the provision of benefits, is to be implemented by the Employment and Training Corporation (ETC) in conjunction with the input of the Department of Social Security (DSS). Work on this measure is underway and both DSS and ETC are already taking an active part; the latter in providing training opportunities through various projects namely the Employability Programme (refer to measure 3.1.3.4 d) and the former in continuously reviewing social security entitlements.

The second part of this measure is linked with the first initiative, but is much wider in scope, since it does not focus solely on the relation between poverty and lone-parenthood, but on child poverty in its wider term. This initiative which includes research is expected to be finalised by March 2014 and aims to decipher the profile of those lone-parent households who are at-risk-of-poverty and to have a clearer understanding of why these households were not lifted out of poverty. As a result, it will be possible to have a clearer understanding of the challenges faced by these households in order to have policy measures which address directly the obstacles faced. Therefore, the study will be looking at the percentage of lone-parent households who are at risk-of-poverty which currently stands at 56% (NSO News Release: Statistics on Income and Living Conditions 2010: Salient Indicators).

In this regard, a research proposal is being drafted by the Centre for Family Studies at the University of Malta and is envisaged to be submitted in the second quarter 2012. The methodology is still to be decided upon although the likelihood is that this will also comprise interviews and therefore the qualitative aspect will be addressed as well. Status: On Track

### 3.5.2.2: Pensions Reform

The Pension Reform Process which was finalised in 2006 and came into effective in January 2007, with the objective of securing the adequacy and sustainability of pensions of future generations. The commencement of incremental measures in pensions reform were initiated through “The Social Security (Amendment) (No. 2) Act, 2006(Act XIX of 2006)” which was adopted on 7 December 2006. Various amendments were included, among which were the following: raising of the pension age depending on the year of birth with the pension age increasing gradually to 65, people reaching the age of 65 will still benefit from a pension if they remain in employment, a reworking of the rates of the maximum pensionable income, a guaranteed national minimum pension of 60% of the National Median Income as opposed to the current regime of four fifths of Minimum wage for a married couple and two thirds for any other person.

The parametric changes to the First Pension introduced in 2007 are deemed to have fulfilled their role as they braked what was an accelerated degeneration of the average pension replacement rate and thus stemmed the pension system from collapse.

The Post-Consultation Report was presented to the Cabinet of Ministers in March 2012 and consequently Government is currently considering further steps in the pension reform process. Status: On Track

### 3.5.2.3: Supplementary Allowance

Work on the revision of the Supplementary Allowance system began in January 2011. Proposals to improve the system in order to assist pensioners aged over 65 years, and who are at risk of poverty, were drawn up in October 2011 and are now awaiting approval.

The Supplementary Allowance in the Maltese social security system is designed to offer financial assistance to married couples or single persons where the household income falls below a certain threshold.

Given that 22% of the 65+ cohort of the population are considered at risk of poverty it is being proposed that the Supplementary Allowance mechanism be revised for such pensioners where the household income falls below the National Median equivalised income levels thereby ensuring a higher rate of Supplementary Allowance for this category of the population.

This would essentially mean that the current income thresholds for this Allowance be increased in the case of persons 65+ to provide for additional financial assistance. Status: On Track

### **3.5.2.4: Disability - Incentives and Support to Persons with a Disability to Actively Participate in the Labour Market**

#### **a) To analyse, revise and propose the necessary parametric or fundamental changes required with respect to the benefits enjoyed by disabled persons**

The measure concerns the review of the Disability Pension system payable under the social Security Act. An Inter Ministerial Working Group was set up, and during 2011, a set of proposals for reform were drafted and presented to the then Minister of Education, Employment and the Family. These proposals for reform in the disability benefit field are principally that:

- The focus of policy should not be on granting entitlement to income-replacing benefits but on providing individually-tailored assistance aiming at integration and/or reintegration into the labour market where possible.
- Income support should be provided to the extent necessary while these efforts are underway, unless integration measures are inappropriate due to the severity of the disability.
- The disabled persons should contribute and cooperate in all efforts of reintegration as much as their functional capability permits.

Two measures in this field were announced in the Budget for 2012 and have come into effect as from January 2012. These being that:

- Severely disabled persons who get married will not forfeit their pension, regardless of the spouse's income.
- Severely disabled persons who are entitled to a severe-disability pension will be able to work for a salary up to the national minimum wage and still receive their full pension. In the circumstance that the salary exceed the national minimum wage, the difference between the salary and the national minimum wage be deducted from the rate of pension of the individual.

At the end of 2011, there were 2510 persons receiving the Disability Pension. All these can potentially benefit from these measures; however, the actual impact can only be measured at the end of 2012. Status: On Track

#### **b) Bridging the Gap Scheme for Persons with a Disability**

The Bridging the Gap Scheme is an ongoing work exposure scheme designed specifically for disadvantaged groups clients of whom are the Registered Disabled Persons (RDPs) who are registering as unemployed with ETC.

This scheme gives the opportunity for RDP Clients to have real 'on the job' experience. During this period, which is normally of 12 weeks, the client receives from ETC an allowance equivalent to 80% of the minimum wage for a 40 hour week experience. In cases where clients work less hours, the allowance granted is issued on a pro-rata basis. This scheme also serves to minimise certain 'dubious' perceptions that many employers have when they come to engage RDPs as their employees. The target for 2011 was to place 32 RDPs under

this scheme. By the end of 2011, 37 RDPs benefitted from it. During January 2012, another 9 RDPs (7 Males and 2 Females) participated in such a scheme. Status: On Track

#### **3.5.2.5: Strengthening Support Services to Jobless Households (Low work intensity of households)**

APPOGG is the national child and family welfare agency, offering social welfare services to individuals, adults and children and families living in vulnerable situations, and those at risk of poverty and social exclusion. Through its specialised and generic services, the agency aims at supporting these persons in achieving a better quality of life and to increase their life opportunities.

The demand for APPOGG Services is high and most of its services are faced with a waiting list, albeit high caseloads. In the light of this, an increase in human resources is crucial in addressing waiting lists and offer timely intervention. In view of this, the Agency is regularly reviewing its operating procedures to ensure maximum use and to introduce new measures that may be assessed as essential to improve its efficiency. In fact by October 2011, a proposal for re-structuring was submitted and approved by Management and implemented by December 2011. Initial response service has been amalgamated with the Generic Service and a new roster to cover adequately the afternoons both in Summer and Winter with the setup.

A six month pilot project is currently underway to review caseloads within the Child Protection. A transition is also underway on the amalgamation of APPOGG and Sedqa psychological services and on the management structure setup. A review of the procedures manual and the intake Systems of the Agency is also taking place to streamline practices wherever possible. In addition, a number of projects are currently being explored, in particular relating to, young people. The projects being considered are: STREAM; EC Fundamental Rights Project in Family Justice and PBA: Better Co-operation Better Europe.

Through this ongoing measure, the APPOGG Agency plans to take comprehensive action to safeguard children and families by providing protection to children who are going through, or are at risk of going through, any form of child abuse and/or neglect within a procedural framework. The agency will continue looking at ways on how to enhance communication between various stakeholders involved in the protection of minors, such as education personnel, police and medical staff in order to make the minors' experiences with such services a beneficial one. During 2011, APPOGG continued to expand fostering services. In fact, on 26th October 2011, the Out of Home Care Programme was launched with the aim of identifying placements for children and young persons whose needs are not currently catered for through the current service provision. The first training programmes for specialised home care providers initiated in February 2012.

APPOGG also supports parents to raise their young children within their own homes so as to prevent as much as possible the need to remove children from their homes (target children aged 0-5). This support was given through Homestart South. Discussions are under way to expand to Gozo and North. APPOGG is supporting the Ministry for Gozo and Dar Guzeppa Debono in the setting up of HomeStart Gozo. Recruitment of Homestart Organiser is underway.

Through Commonwealth funding, three training programmes related to Child Protection and Children and the Courts were delivered to various front line workers and managers within and outside the agency. Following this training, a report by a British expert was drawn up. This report will assist in the setting up of a National Child Protection Policy. This policy will:

- Set out clearly the responsibility of all professionals in the protection of children.
- Delineate the roles of all those involved in the Child Protection System.
- Provide various specific training to professionals in this area of work.
- Promote further Positive Parenting in collaboration with Sedqa to deliver parenting skills courses addressing the needs of those living in poverty and social exclusion.

In January 2012, the Agency also submitted an application for participation in a Grundtvig in-service Training Project – One Family Training for Practitioners in Family Communications, with the aim of enhancing the skills of its front line workers in working with and communicating with families. The application is still under evaluation. Furthermore, Leonardo da Vinci Mobility projects were approved for funding at the end of 2011, and through these, six (6) workers will be attending job-shadowing placements in an Irish agency providing community work and community social work services.

Another objective is to provide more accessible and holistic services to persons living at risk of poverty or in poverty and those who are facing social exclusion. Through this measure, support will be given to families and other persons in the community identified as requiring assistance so as to enhance their possibility of social integration. This will not only provide a more accessible service, but one which is more holistic and which focuses on the most vulnerable in a particular community. During 2011, various tasks were carried out, including:

- The identifying of the needs pertaining to specific communities.
- The delivery of skills training programmes to enhance the skills of persons being encountered within the communities including women and young persons.
- The holding of regular meetings between stakeholders and the Ministry on matters related to the Access Centres, and on the establishment of new community centres.

Projects such as 'Klabb Sajf', 'Tlett kwarti Spazju Ghalik', Pre-adolescent programmes, Parental skills training and women at work were carried out, all aimed at addressing the various identified needs pertaining to specific communities. Status: On Track

### **3.5.2.6: Training Programme for Employees Earning the Minimum Wage**

This measure incentivises employees earning the minimum wage who participate in ETC-run training programmes. In fact, through this scheme, employees are given a weekly allowance of €25. Its aim is to increase the number of minimum wage earners who apply and participate in training programmes and thereby increasing their possibilities of earning better wages. All those earning €160 per week or less are eligible to apply and benefit from this scheme.

This scheme was launched in June 2011, and was promoted through local media notably through a press conference and its subsequent exposure through the local news media, TV

and radio adverts and newspaper adverts. Mail shots were also sent to prospective applicants. Another media campaign is being prepared for 2012.

Interested persons are being put on a waiting list for the respective course and are being given priority over other applicants for same course. Until December 2011, a total of 20 applications were processed amounting to €1,800. Status: On Track

## **Annex 2**

The table in Annex 2 provides a summary of the state of play as well as the estimated impact (qualitative and/or quantitative) of all the measures that were implemented in response to the national commitments made outside the CSRs i.e. on the national 2020 targets, Euro Plus Pact commitments and other key bottlenecks identified in the NRP. Furthermore, it also gives a list of the new and / or updated commitments in relation to the 2020 targets, Euro Plus Pact and key bottlenecks and their estimated impact.



## **CHAPTER 3 – PLANNED MEASURES**

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## PLANNED MEASURES

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In its first NRP under the Europe 2020 Strategy, Malta presented its strategy to strengthen the economy in a smart and sustainable way, taking into account the fiscal consolidation strategy laid out in the Stability Programme. The NRP featured a wide-range of measures aimed at reaching the set national Europe 2020 targets in the areas of employment, R&D, energy, education and poverty reduction.

While there is no doubt that these initial measures covered a broad policy spectrum and encompassed the main policy initiatives undertaken by Government in these five areas, nevertheless new measures are being brought forward in this chapter in order to comprehensively address the latest country specific recommendations and the five priorities set by the Commission for this year's Annual Growth Survey.

These new measures reflect Government's strategy, put forward in the Budget for 2012 to safeguard employment, to incentivise investment, to develop the economy, to invest strongly in education, to reduce bureaucracy, whilst also strengthening pensions and social benefits.

A good number of the following measures build upon those already featured in last year's NRP, thereby reinforcing Government's determination to foster competitiveness and job creation. The new measures are expected to contribute towards furthering the integration, retention and progression of disadvantaged persons in the labour market, offer more opportunities for participation in vocational education by increasing accessibility to MCAST Lifelong Learning programmes and introduce new courses in key economic areas whilst also continuing the MCAST campus extension project.

As in previous years, Government is launching fresh incentives to attract more inactive women to the labour force. These include an important reform of the income tax system in order to make the labour market more attractive to women. Thus, besides the single and joint computations, Malta has introduced a new category called the "Parent Computation". Equally important as from 1 January 2012, maternity leave has been increased from 14 to 16 weeks and it will be further increased by two weeks in 2013.

Other measures focus on energy and innovation. These include energy efficiency measures for the hospitality sector, reformed car registration tax, a measure to promote the uptake of solar water heaters and roof insulation, the preparation of a Health Research and Innovation Strategy, a National R&I Fund, a new R&I programme for 2012 and the setting-up and development of the National Interactive Science Centre.

The key measures under the poverty reduction target include the €300 Grant per annum to pensioners over 80 who live independently in their own home and the Private Property Rental Scheme (Skema Kiri), whereby owners of vacant property can rent their properties to the authority to be in turn sublet at subsidised rates to vulnerable individuals or families.

## EMPLOYMENT

### 3.1.3.6 : Employment in the Social Economy Project

The Employment in the Social Economy Project will contribute towards the integration, retention and progression of disadvantaged persons in the labour market. First-time jobseekers, inactive women, workers losing their job, and persons with disability experience particular difficulty in finding work because employers consider them to be less work experienced and productive. Employment assistance aims to encourage employers to recruit individuals who, due to preconceived ideas, are likely to be excluded from the labour market, unless incentives are offered in relation to their employment. Thus this project will:

- Enhance the employability and productivity of vulnerable groups with low employment rates.
- Facilitate access to employment and upgrade the skills of those furthest away from the labour market through employment assistance.
- Contribute to increase the country's labour supply and achieve greater social cohesion.

The project also intends to promote an inclusive society whilst also increasing the female participation in the labour market. It also aims to contribute towards creating job opportunities in Gozo – in fact it is estimated that a total of 20 persons will be placed on the Employment in Social Economy Programme in Gozo.

About 200 jobseekers are expected to be employed through the assistance provided from this Project. The ETC will aim to achieve a total of 25% of the persons placed on this scheme retaining employment (50 persons in the same organization after the project or transferring to employment with another employer) one year from the termination of placement. A tracer study will be carried out 12 months after the programme completion in order to ascertain who remained in employment.

Through this project, it is envisaged that a total of 140 persons will be reintegrated into the labour market thus contributing towards the attainment of the National Employment Rate Target under the EU 2020 strategy of 62.9%. This implies an increase of 0.08% in the employment rate, based on the LFS Q2/2011 data.

The measure will be increasing the number of disadvantaged and disabled persons in employment; while 10% of the 200 jobseekers that are planned to be placed in employment under this programme are expected to be employed in Gozo.

The Project, which is co-financed by the ESF, falls under Priority Axis 3 – Promoting an equal and inclusive labour market and has a total budget of € 1,095,172. It will run from the third quarter of 2011 up to the first quarter of 2014.

### **3.1.3.7 : Employment Support for Persons with Disabilities (ESPD)**

The main objective of this measure is to increase the participation rate of persons with disabilities in the labour market and provide opportunities to further their skills and enhance their employability in order to adapt to market changes and requirements, thus enhancing their social inclusion. Within this context, the ESPD project is being undertaken to improve the employability of disabled persons and to improve their chances of finding employment. This will be achieved through assessments and support services that include Learning Support Assistance during training, Job Coaching and Personal Assistance allowance to employers during work exposure and/or employment.

Support services and schemes facilitate the integration of this client group in the labour market, especially when one considers results obtained through past and current schemes implemented by the ETC such as ESF 19 – Supported Employment Scheme for persons with disability, the Bridging the Gap scheme and the Employment Aid Programme.

These schemes create an environment which raises awareness and standards amongst employers in their practices and policies on disability, whilst developing clear 'pathways into employment' for disabled persons based on cooperation and support from employers and work colleagues.

It is also important to note that the support services that will be provided through this project will be complementary to other ETC training, work exposure and employment programmes such as the Employability Programme (No. 2.4), the Employment Aid Programme, the Bridging the Gap and Work Trial scheme.

The Project is also co-financed by the ESF and falls under Priority Axis 3 – Promoting an equal and inclusive labour market. This measure will run from September, 2011 up to February, 2014 with a budget of €661,816.

It is expected that this measure will:

- Increase training opportunities amongst disabled persons – 34%
- Increase the number of disabled persons in employment – 5%
- Increase job retention amongst persons with disabilities – 2%

The total number of persons with disabilities to be supported is 300 in Malta and 40 in Gozo.

### **3.1.3.8 : Pensioners working part-time for the government will pay 15% income tax**

It is projected that the working age population will age significantly, with the share of 55-64 years old people rising from 18% in 2010 to 21% in 2020 and 22% by 2050<sup>12</sup>. In view of these projections, the labour markets have to meet the challenge of the ageing work force and increasing old-age dependency ratio by increasing the employment of older workers and delaying their exit from the labour market.

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<sup>12</sup> Employment & Social Developments in Europe 2011 report

The aim of this measure is to promote Active Ageing i.e. to encourage older people to remain active by working longer and retiring later. In this regard, amendments will be introduced in the part – time tax rules so that pensioners working part-time with the Government will also become entitled to the 15% income tax rate which is already available to those working part – time in the private sector. By the introduction of this measure, this distinction will come to an end, and all pensioners will be able to benefit from the favourable rate of 15% on part-time work.

### 3.1.3.9 : Incentives to Attract More Inactive Women to the Labour Force

#### New Income Tax Computation

In its budget for 2012, Government carried out an important reform of the income tax system in order to make the labour market more attractive to women. Hence, besides the single and joint computations, Malta has introduced a new category called the “Parent Computation”. This will be eligible for parents supporting children who are not gainfully employed up to 18 years of age and extended to 21 years of age if the children are still in tertiary education.

The new income tax computation (in €) is being listed in Table 16 below.

**Table 16**

	<b>Single Computation</b>	<b>Joint Computation</b>	<b>Parent Computation</b>
<b>0%</b>	0 - 8,500	0 - 11,900	0 - 9,300
<b>15%</b>	8,501 - 14,500	11,901 - 21,200	9,301 - 15,800
<b>25%</b>	14,501 - 19,500	21,201 - 28,700	15,801 - 21,200
<b>35%</b>	19,501 +	28,701 +	21,201 +

This means that married couples with children will save between €150 and €840 in income tax yearly payments. More than 55,000 families will benefit through this measure which will result in a decrease of €10 million in government tax revenue.

In order to qualify for this new parent computation, a parent must satisfy these conditions:

- Maintained under his/her custody a child or paid maintenance (established or authorised by courts) in respect of his or her child.
- Such child was not over 18 years of age, or not over 21 years if receiving full-time instruction at a tertiary education establishment.
- Such child did not earn income in excess of €2,400 from gainful occupation.

If an individual satisfies all these conditions and is currently being taxed under the ‘single’ tax rates, he/she can switch to the parent tax rates.

## **Increase in the Maternity Leave**

As from 1 January 2012, maternity leave has been increased from 14 to 16 weeks and it will be further increased by two weeks in 2013. The extra weeks will be payable from public finances with a fixed weekly rate of €160. In addition, employees who were on maternity leave on 1 January 2012 but have commenced the maternity leave before the said date will also automatically be entitled to this incentive. This provision will likewise apply in 2013 when the 18 week statutory entitlement comes into effect.

In addition, as from the same date adoption leave was also increased from 5 to 16 weeks. This entitlement will be extended to 18 weeks as from 1 January 2013. As with maternity leave, employees will be entitled to their full salary for the first 14 weeks adoption leave. If the employee chooses to avail oneself of leave beyond the paid 14 weeks, the additional 2 weeks as from 1 January 2012 and 4 weeks as from 1 January 2013 will be considered as special unpaid leave and payable at a fixed weekly rate equivalent to the Maternity Leave allowance. Adoption leave may be availed of by the mother or the father or shared between them. Adoptive parents may also utilise 1 year unpaid parental leave for each adopted child and a once only career break of 5 years unpaid leave for the same purpose.

### **3.1.3.10 Child Care Centres**

As part of the upgrading and embellishment of industrial estates, three child care centres are going to be build, one in Xewkija, another in Kordin and the third one in Mosta.

The development of these three child care centres apart from continue contributing to the improvement of the working conditions of working parents, they will also provide further opportunities for children to develop social, emotional and learning skills.

These child care centres being part of an extensive programme of upgrading works in industrial zones are going to be co-financed by ERDF Funds.

The Xewkija Childcare Facility has a budget value of €625,000. In April 2011, a MEPA permit was issued and the construction tender is currently under evaluation. Works on site are anticipated to start in June 2012 and to be completed by September 2013.

The MEPA permit for the Kordin Childcare Facility was issued in October 2011 and the construction tender was published in February 2012. The tender is currently under evaluation. This centre has a budget value of €625,000. Similar to the Xewkija Childcare Facility, works are planned to start in June 2012 and to be completed by September 2013.

The Mosta child care centre whose budget value is of € 402,000. is anticipated to have a completion date of August 2013. The MEPA permit was issued in August 2010 and the construction tender was awarded in December 2011. Works on this centre are planned to start in May 2012.

These child care centres will have a capacity of approximately 60 children each.

## RESEARCH and DEVELOPMENT

### 3.2.2.5: Preparation of a Health Research and Innovation Strategy

'Health' together with biotechnology, value-added manufacturing, environment & energy resources and ICT was identified 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 R&I strategic plan 2011-2020 which was launched for public consultation on 5th December 2011. In fact, this measure aims to follow up on that recommendation.

The health research and innovation strategy aims to provide strategic direction and guidance for more efficient and effective use of financial and human resources to spur increased levels of collaborative R&D undertaken in the health sector and support to innovation. This strategy will include the identification priority areas actions in health research and the identification of specific actions to be implemented in the short, medium and longer term.

Work in relation to this measure started in July 2010 with the preparation of the first draft completed in January 2012. The strategy is planned to be finalised in Q4 2012. It has an allocated budget of €10,000.

### 3.2.2.6: Malta's National R&I Fund 2012

This measure is a continuation of the one that already featured in the NRP for 2011. But it has been found necessary to include it as a new measure since more details on the commercialisation programme can now be given and a new R&I programme for 2012 was launched.

In fact, the objective of this measure is to continue with the implementation of the National R&I Programme as well as to initialise the Commercialisation programme. Both programmes have a specific focus on the four priority sectors identified in the National R&I Strategy namely: Environment and Energy Resources; ICT; Value Added Manufacturing and Health and Biotechnology.

Thus, this measure is split into two:

- (i) National R&I Programme:

This programme which is a yearly programme funds research projects of between €50,000 and €200,000 concentrating on technology transfer between academia and industry. Projects funded under this programme have a maximum duration of three years. The main expected outcomes of the programme are:

- Increased capacity for R&D in Malta.
- Increased industry-academia collaboration.



The National R&I Programme has been ongoing since 2004. The R&I Programme for 2012 was launched in December 2011 and it funds projects starting on 1st October 2012.

(ii) Commercialisation Programme

The aim of this programme is for technology owners to study the feasibility of taking the technology to market addressing all the requirements particularly to attract capital investment. It is particularly intended for the successful recipients of funds under the R&I Programme to help them move their technology closer to market. The intended amounts per project would be €25,000 to €50,000. Projects funded under this programme have a maximum duration of 6 to 12 months.

It is expected that the following outcomes will be achieved:

- A positive impact on the registration of patents.
- Increase in the number of new locally developed products and services on the market.
- Increased employment.
- Increased exports of locally developed products and services.
- Increased non-R&D innovation.
- Further development of cross-sectoral synergies.

The Commercialisation Programme was launched in March 2012. The plan of this programme is to be a yearly programme as it compliments the National R&I Programme mentioned above.

The National R&I Fund used to fund the above mentioned two programmes is fully dependant on Government Funding. The approved budget for the year 2012 is of €1.6M with an approximate of €200,000 being earmarked for the Commercialisation Programme.

### **3.2.2.7: Setting-up and development of the National Interactive Science Centre**

In order to sustain a knowledge-based economy and increase a country's economic competitiveness, it is essential to create a specialised, scientific workforce and strive towards achieving top research and innovation talent. Other important key drivers include strengthening scientific knowledge, increasing the take-up of science-related careers and spurring the entrepreneurial spirit of youths.

In order to enhance science-related education and training which are crucial to increasing Malta's competitiveness, the Government is investing in the construction of a new National Interactive Science Centre.

This National Interactive Science Centre will encompass more than 3,500 square metres of indoor and outdoor exhibition space as well as areas dedicated to science shows, workshops, debates and discussions. It will act as a medium to instil an active interest in science, research and innovation in youth and encourage them to pursue a career in science and technology. In addition, it will give an alternative pathway to learning through interactivity

whereby students will interact with material covered through the various science-related curricula in a novel way while expanding learning opportunities to compliment formal learning. This Centre will also offer its visitors an exciting, highly interactive and educational experience as all exhibits will be state of the art and hands-on to spur curiosity and innovative thought. It will also serve as an entertainment and education platform (known as edutainment), to bring together student, parents, and professionals to expand the science, engineering and technology human capital base.

Work on this project started in Q3 2010 and its opening is planned to take place in Q4 2014.

The project's total budget value is estimated at €22m and to date, the Government of Malta has already allocated to this project: €1.5million in 2011 and € 1.275 million in 2012. It is envisaged that submissions of proposals for funding under ERDF will be made in the future.

### **3.2.2.8: Awareness Campaign on Innovation**

The prevailing economic realities in our continent and around the world are a call to action for governments as the threats posed by the financial system to business and the economy is dire. While Malta has and is performing relatively well, the key challenge over the coming years is the need to innovate and change. Innovation is key to competitiveness and Government strongly believes that the country's competitiveness is intricately linked to the innovative capacity of business and enterprise.

As already stated in the Implementation Chapter, Malta Enterprise already offers specific incentive measures which are intended to support companies in their efforts to innovate and carry out research and development (R&D). Such measures include business advisory in Research, Development and Innovation (R&D&I), tax incentives when performing an R&D activity, tax incentives related to Intellectual Property (IP), cash incentives for Technical Feasibility Studies, together with cash incentives for collaborative R&D through the European wide network of EUREKA and EUROSTARS. Additionally Malta Enterprise also manages ERDF funds specifically for Innovation Actions and R&D

During 2012, Government is to task Malta Enterprise to embark on a nation-wide Innovation and Growth Drive through an extensive campaign to raise awareness amongst industry and enterprise for the need to innovate and grow. This would complement ME's innovation, relationship management and business advisory services and would hence provide an integrated approach to Innovation management. The Innovation and Growth Drive would need to be also a Government wide-spread initiative and be a horizontal theme across Government for 2012.

## ENERGY

### 3.3.2.7: Motor Vehicles Registration Tax

The aim of the reformed tax is to further incentivise a younger, smaller and less polluting fleet of vehicles in the Maltese Islands, without causing unnecessary distortions in the market. It is also a main source of revenue for the Government of Malta. The introduction of the Euro Standard emphasises Government's intentions on encouraging the use of less polluting vehicles. Such Standards are a measure of vehicle efficiency, carbon emissions and safety. Therefore, by increasing the tax rates on Euro 3 and older vehicles (these being the more polluting) the Government is discouraging the importation of such vehicles and as a result making newer and cleaner cars more attractive.

This measure was launched on 1st January 2012, building on the first reform of 2009

Government envisages that as a result of this measure the registration of vehicles pre-Euro 4 would decrease drastically or even cease completely. It is also expected that the average age of vehicles in Malta to be reduced and the volume of carbon dioxide emitted will decline. Government predicts that there will also be a shift from the purchase of used vehicles to that of new cars.

### 3.3.2.8: Scrappage Scheme

The concept of a scrappage scheme was introduced in 2011, with the aim of encouraging first time buyers of vehicles or owners of aged cars to shift to new vehicles that meet preset criteria with regards to environmental considerations. The aim is to make newer, compact and less polluting vehicles more attractive, while also incentivising the removal of aged and polluting vehicles from the Maltese roads. For a person to be eligible for such a scheme, he must be either a first time vehicle buyer or an owner of a vehicle which is 10 years or older. For a new car to be eligible, it must be Euro 5 with CO<sub>2</sub> emissions of 150g/km or less and its length must not exceed 4460mm. The amount of the grant will be equal to 15.25% of the new vehicle's CIF value up to a maximum of €2,000, if the buyer disposes of his old vehicle. If no vehicle is scrapped, then the buyer is entitled to 50% of the grant. This means that eligible persons will benefit from a reduction in the price of new vehicles.

The aim of the scheme is to incentivise prospective car buyers to opt for new, compact and clean vehicles, both if they are first time buyers or if they already own a vehicle that is over ten years old..

The main factor customers consider when purchasing a vehicle is the price. The introduction of the scrappage scheme made new vehicles, up to certain emission levels and size, financially more competitive. The rationale behind this is to make less polluting vehicles more attractive and provide an incentive to the owners of aged polluting vehicles to dispose of them.

This measure was first launched in 2011 and will run this year until 3,000 persons have benefited from the scheme. The budget for this measure is €6,000,000 – Malta funds.

### 3.3.2.9: Energy Efficiency Measures for the Hospitality Sector

This scheme which is in the form of a soft loan, supports hotels, guesthouses, hostels, farmhouses, snack bars, and restaurants to implement energy saving solutions and to invest in solutions for the generation of energy from renewable non-fossil energy sources. Such investments should increase energy efficiency and reduce the enterprise's carbon footprint. A loan approved under this scheme can reach a maximum of €400,000 covering up to 80% of the total eligible project costs. The loan period shall be limited to five years and the applicable interest rate will be 1.5% over the discount rate charged by local commercial banks. Approved projects may also be granted a moratorium covering the initial 12 months from the first withdrawal. The aid intensity is calculated as 13% of the soft loan amount.

This initiative was launched on 5th May 2011 and its planned end date is 31st December 2013. It is 100% Malta funded with an amount of € 1,145,176 budgeted over a period of 5 years.

### 3.3.2.10: Promotion of uptake of RES and building envelope insulation

This measure aims to promote the uptake of solar water heaters and roof insulation and double glazing by issuing financial grants to households to encourage the purchase of new solar water heaters (maximum €400 per system installed) and the purchase of roof insulation and double glazing (maximum €1000 per dwelling).

The objectives of this measure are therefore to:

- Assist families so that they may invest and meet challenges they are facing due to high energy costs.
- Reduce Malta's dependency on fossil fuel oil.
- Reduce CO2 emissions and hence help meet Malta's climate change targets.
- Improve Malta's security of supply due to lower dependency on foreign energy imports.
- Improve stability in energy demand by reducing peak energy requirements.
- Help create a culture whereby Maltese households feel they are participating in the environmental challenges that are facing us.

This measure was launched in the Budget for 2012 and runs for a year. As a result of this measure, it is expected that 325MWh will be saved per year, assuming 1000kWh savings per solar water heater at €400 grant per system installed. The allocated budget is €130,000.

## EDUCATION

### 3.4.2.7 : Increasing Accessibility, Flexibility and Innovation to MCAST Lifelong Learning Course Offer

Since its inception in 2001, MCAST has grown into ten different Institutes which offer vocational education and training in various areas, such as business and commerce, community services, ICT, mechanical engineering, electronics and electrical engineering, maritime studies, applied science, agriculture, art and design, and building and construction.

MCAST has always developed its courses in response to the needs of local industry and consequently it provided our country with a more knowledgeable and skilful workforce. Among other positive effects, MCAST helped to reduce the dropout rate of sixteen-plus students by offering them a second chance of re-joining the vocational-educational route, while offering new openings in the same sector which weren't available in previous years. The College evening courses have also attracted a considerable number of adults, which enhanced the goals and objectives of life-long learning.

The aim of this project is that of increasing the attractiveness, accessibility and flexibility of the MCAST lifelong learning offer and thus contributing to the consolidation of the workforce's skill. Therefore, this project will build upon Measure 3.4.2.5 of the NRP 2011 (Introducing New Possibilities and Modalities of Learning in Higher Education).

The concept of lifelong learning is intrinsically linked to the enhancement of a skilled workforce. Indeed, MCAST plays a pivotal role in the consolidation of the current and future workforce and through this measure it shall be enhancing further its lifelong learning dimension. It is essential to create a highly skilled workforce that is not only capable of operating in key economic sectors but is also able to adapt to changing labour market needs. It is within this context that this project shall strive to create a more flexible and accessible learning environment for adults who need to balance continuous educational endeavours and familial and/or professional commitments. Through the provision of blended learning (a combination of in-person and distance learning activities), MCAST shall be effectively ensuring that its courses are available to a broader audience.

This measure is co-financed through the ESF and has a total budget of €7,240,667. It runs from the fourth quarter of 2011 up to the first quarter of 2015.

The principal project milestones are:

- The introduction of the Blended Learning Approach.
- The introduction of two different procedures to assess learners' prior learning, prior and current work experience.
- The implementation of a Tracer Study.

It is expected that a total of 365 new students shall benefit from the project with 80% of these participants obtaining certification.

### **3.4.2.8: Making VET Education More Relevant and Attractive**

The aim of this project is that of conducting a substantial upgrading exercise within the context of vocational education between Levels 4 and 6. Therefore, a number of existing courses will be re-designed and new courses will be designed and launched. Moreover, scholarships will encourage an enhanced uptake in financial services subjects. As a result, MCAST's offerings will become more attractive to a larger cohort.

Thus, this project shall build upon Measure 3.4.2.2 of the NRP 2011 (Offering more Opportunities for Participation in Vocational Education).

Over the years, MCAST has developed a substantial number of home-grown courses to meet the demand for skills by industry. While these courses have fulfilled an important role, they are no longer sufficient to meet the increased need for learning – outcomes based courses that are comparable with their European and international equivalents. Through this project, MCAST's home-grown courses shall undergo a thorough review so that the courses provided not only supply industry with the required skills but also consolidate Malta's mark on the map of educational excellence.

Moreover, through this project MCAST shall be offering a number of new courses in key economic areas with the aim of expanding further its course offering.

This measure is co-financed through the ESF and has a total budget of €5,547,130. It runs from the second quarter of 2011 up to the third quarter of 2014.

The principal project milestones are:

- The launching and management of the Training Subsidy Scheme MCAST (TSSM).
- The re-design and re-formulation for accreditation purposes of existing courses.
- The design of new courses and accreditation of the same.
- The implementation of training.
- The implementation of a tracer study.

It is envisaged that a total of 465 new students shall benefit from this project with 75% of these participants obtaining certification.

### **3.4.2.9: Inclusion for Employment**

MCAST shall review the curricula of its Pathway to Independent Living and Level 1-3 programmes to facilitate the progression of vulnerable students to higher level vocational programmes and ultimately employment. This involves the review and design of syllabi with the required support, teaching material with relevant pedagogical skills, course accreditation and staff training.

Thus, this project shall also build upon Measure 3.4.2.2 of the NRP 2011 (Offering more Opportunities for Participation in Vocational Education).

It is significant to note that students who join Level 1 and Level 2 Programmes will have completed compulsory education without having obtained a Secondary Education Certificate or possibly obtained a pass in one to two subjects. For such learners, MCAST provides a variety of vocational programmes which, apart from being hands-on, permits them to obtain key literacy skills that are necessary for further progression in education and ultimately employment. Level 3 students also need the same amount of focused support, especially since their majority progress to this level from the Foundation Levels 1 and 2. This demand is mainly due to the fact that MCAST must assist them in recovering the lost ground of their five years of secondary education within a short period of one or two College years. It is evident that the learning difficulties faced by these students place them in a disadvantaged situation when compared to the rest of the student population and if they do not receive additional support are at a high risk of leaving the educational system.

Apart from student cohorts at Level 1, 2 and 3, MCAST also offers the Pathway to Independent Living Programme for students with mild to moderate intellectual impairment. Through this programme, students are trained in individual and social skills, apart from the core subjects of Maths, English, Maltese and Information Technology. They also have the opportunity to experience 'vocational tasters', that is, participation in various vocational areas to help them in their search for a suitable employment.

Hence, the aim of this project is to conduct a review of the Pathway to Independent Living Programme and courses between Levels 1-3 through the Embedded Learning methodology and the Universal Design for Learning approach. As a result, MCAST shall be able to offer more attractive training programmes and therefore supporting a larger number of students from this cohort to remain in education.

This measure is co-financed through the ESF and has a total budget of €7,176,147. It runs from the third quarter of 2011 up to the third quarter of 2014.

The principal project milestones are:

- The auditing/reviewing of the current system.
- The design of learning resources and packs.
- The piloting of the teaching and learning resources.
- The training of lecturing staff.
- The accreditation of the courses.
- The dissemination of project results.

It is envisaged that a large majority of the students will gain certification and potentially progress further in their studies. It is also projected that 300 MCAST Academic Staff Members shall benefit from capacity building courses with 90% of these staff members obtaining certification.



### **3.4.2.10: The introduction of new courses and the building of the new campus of the Malta College of Arts, Science and Technology**

This measure sees the introduction of new courses and the building of the new campus of the Malta College of Arts, Science and Technology (MCAST).

This measure will include:

- The setting up of the Institute of Applied Science.
- The extension of the MCAST Main Campus at Corradino – Phase A which includes the Flexi-Teaching Building and ERDF Project 164 – Master Plan: Development of Applied Science and Business and Commerce Institutes.

The overall objective of this measure is that of extending the provision of vocational subjects particularly science related courses offered by the newly established Institute of Applied Science and improving the educational infrastructure of MCAST through the construction of premises to house the Institute of Applied Science and the Institute of Business and Commerce and equipping the same with modern teaching resources.

This investment in state-of-the-art infrastructure shall provide access to high quality education, a broader spectrum of courses and more relevant skills. Therefore, this project shall also build upon measure 3.4.2.2 of the NRP 2011 (Offering more opportunities for participation in vocational education).

MCAST is currently implementing an ERDF Project for the extension of its Campus after which MCAST will be able to increase its student intake, as well as provide a better learning environment for its current students.

It is within the context of this measure that MCAST shall be tackling a number of national challenges and shall address a number of priorities. Specifically, this project aims to increase the number of 16+ attending post-secondary training, the number of students taking up science subjects, the provision of vocational subjects, and the supply of skilled workers in the health, social care, environmental, engineering sciences, pharmaceuticals, science, financial services and the Back-office processing outsourcing (BPOI) sectors whilst improving its educational infrastructure.

The first phase of this project started in Q2 2010 and it is expected that the EU funded phase shall be completed during Q4 2013. The budget to date is:

- €11,178,062 related to the Flexi-Teaching Building sanctioned to Foundation for Tomorrow's Schools (FTS) by HSBC plc Malta as guaranteed by the Government of Malta.
- €9,654,992 granted to the College through ERDF 164 made up as follows: 85% EU Funds, 15% local funds.

The principal project milestones are:

- The setting up of the Institute of Applied Science.
- The completion of the Institute of Applied Science and the Institute of Business and Commerce.
- The completion of Flexi-Teaching building.

Through this physical investment and the setting up of the new Institute of Applied Science, the College shall be in a position to provide access to high quality education, increase the number of courses offered and increase the number of students in future intakes. It is envisaged that more students will gain relevant qualifications and skills. Thus, this will enhance their ability to potentially find employment within but not limited to the financial, health, social care, environmental, engineering, sciences or pharmaceuticals sectors. It is expected that a total of 1,256 students shall benefit from the new facilities.

#### **3.4.2.11: Foundation Certificate Hospitality Trades Course**

The objective of this Institute of Tourism Course (ITS) course is to attract & encourage students who only gained a school leaving certificate to pursue a career in the hospitality industry.

This course is mainly intended to consolidate Secondary school education whilst acquiring basic operational skills in three main areas namely; food service, food preparation and production, and housekeeping operations.

At the end of the course, the student will be able to:

- Follow instructions and complete a range of basic tasks in food and beverage service, food preparation, and housekeeping operations in a safe and hygienic manner.
- Apply key competencies within an educational and work environment.
- Communicate with customers in a calm and proficient manner.
- Represent the establishment in a professional manner.
- Collaborate with superiors and colleagues within an organization section or department.

This ongoing measure with a budget of €80,000 also aims at increasing the progression figures at Certificate Level. The course was launched in October 2011.

#### **3.4.2.12 Get Qualified**

Get Qualified is an initiative provided by Malta Enterprise to support the personal development of individuals for the achievement of qualifications and certifications required by industry and at the same time contributing to increasing the amount of post-secondary graduates.

This incentive is applicable to individuals following a course of studies leading to a certification, diploma, degree or post-graduate degree courses. The qualification or certification must be directly relevant to careers in one of the following industries:

- Aviation Industry.
- Chemical and Pharmaceutical Industries.
- Economics and Statistics.
- Financial Services (including banking and accountancy).
- Crafts and Creative Industries (such as the Film production and direction; Industrial and spatial Design; Media and Communications).
- Information and Communication Technologies.
- Business Process Outsourcing, Call Centres and Shared Services (Only qualifications providing successful students with fluency in a foreign language other than English and which is required by enterprises providing these services shall be considered).
- Industrial Electromechanical Engineering.

Upon successful completion, the student will benefit from a tax credit thus recovering part of the costs incurred.

Students following courses approved by Malta Enterprise are granted tax credits of up to 80% on the following costs:

- Fees paid by the individual to the university, institution or other entity recognized by Malta Enterprise for the training and educational services leading to the approved qualification.
- Fees for sitting for examinations required to achieve the approved qualification.

This initiative started on 1st January 2009 and is planned to end on 31st December 2013. Since its inception, 1,554 individuals have benefitted from this tax incentive; 637 in 2009, 607 in 2010 and 310 in 2011 with the value of tax credits amounting to €5,711,503.

## **PROMOTING SOCIAL INCLUSION in particular through the REDUCTION of POVERTY**

### **3.5.2.7: Providing an Independent Living Service to Persons with Disability at the Sonia Tanti Independent Living Centre at Hal Far**

The National Commission Persons with Disability (KNPD) has officially inaugurated the Sonia Tanti Independent Living Centre at Hal Far on the 15th June 2011. This project has been co financed by the European Union (ERDF – 072 Project). The total value of this Project was €1,506,620.36.

The aim of this first Independent Living Centre (ILC) in Malta is to provide persons with disability and their families with advice, information and training in aspects of independent living such as mobility and assistive technology. The ILC will include a Wheelchair and Seating Unit, an Adaptive Driving Assessment and Training Unit and an Equipment Demonstration Unit. It will also have an advisory service, a Helpline which will guide disabled persons who phone or email the ILC regarding equipment and services that are best suited for their needs. The ILC will also offer an Outreach Service to disabled persons and their families in Gozo. Following their training at the ILC, disabled persons may be referred to employment and training opportunities that may be suitable for them. These services would empower persons with disability to be well prepared for the world of work and to be fully integrated in society.

The Independent Living Centre will assist and advise persons with disability to help regain independence or remain as drivers, passengers and wheelchair users. Disabled persons who have mobility problems in Malta are particularly affected by the problem of transportation since public transport is not always an available option and private adapted transport services are expensive. Because of these difficulties, many disabled people remain excluded from employment opportunities, to access education, and social life. The same applies for access to assistive technology and equipment such as wheelchairs, seating solutions and aids for daily living that would help disabled persons lead a more independent and more productive life. Therefore the Independent Living Centre would be a primary instrument to equip disabled persons in Malta with the necessary tools to integrate themselves better in employment, education and social life.

Therefore, this project will be helping persons with disability to enhance their independent living skills and hence empower them towards employment by focusing on a specific aspect of independent living that is, increasing the independence of disabled people and their ability to engage in activities of daily living and in employment and education opportunities. It is expected that in 2012, the Centre will be fully operational and hence more clients will be assisted in the Centre by trained therapists.

A log of the number of people who had a further assessment at the Sonia Tanti Independent Living Centre is being kept. A target of 440 persons per year has been set as part of the ERDF 072 Project Grant Agreement. The actual number of people who visit and are assessed at the Centre will be compared with the target which was originally set out in the ERDF 072 Grant agreement.

### **3.5.2.8: €300 Grant per annum to pensioners over 80 who live independently in their own home**

Over the years, older people built the quality of life which we enjoy today and society has the duty to ensure, in very possible way, that the elderly remain at the core of Maltese society. The Government has adopted a policy to incentivise active participation in all sectors of society. Hundreds of elderly people contribute in no small measure to parishes, Local Councils, voluntary organisations and public boards.

Complementing the analysis of monetary poverty with other dimensions is crucial in helping governments to fine-tune their actions and to develop effective strategies to improve their redistributive policies and promote active inclusion. Certain older people living on a pension can be risking poverty as age presents them with difficult challenges. By means of a €300 grant per annum, this measure therefore aims to help pensioners over 80 years of age to live independent lives in their own homes.

Nearly 12,000 elderly persons will benefit from this measure in 2012. The earmarked budget for this measure is €3.5 million per annum – Malta funds.

### **3.5.2.9: Private Property Rental Scheme (Skema Kiri)**

The Housing Authority (HA) has launched a scheme whereby owners of vacant property can rent their properties to the authority to be in turn sublet at subsidised rates to vulnerable individuals or families.

The main objective of the scheme is that of addressing the priority waiting list of 535 applicants. By partnering with the private sector, the HA will be able to meet the needs of its most vulnerable applicants in the short-term by exploiting the sizeable vacant private property stock.

There are many aspects of this scheme that make it truly sustainable. The HA will rely far less on the construction of new residential units on undeveloped land and will thus minimise environmental problems associated with urban sprawl. Moreover, Skema Kiri is an opportunity for the property industry to generate some income which can be reinvested in new employment opportunities or the safeguarding of jobs.

The estimated annual budget value of this scheme is €1, 000, 000.

## **3.6 Financing the NRP**

A more detailed overview of the net cumulative fiscal impact of the proposed measures is presented in Table 17. The table also shows how much of the planned expenditure relates to EU funds as well as total yearly expenditure on new measures as a per cent of GDP. Furthermore, the table presents a breakdown of expenditure by thematic measure.

The total net cumulative fiscal impact of the new measures over the period ranging from 2012 to 2016 amounts to around €168 million. Of these, around €40 million relate to EU funds such that the net impact on the Maltese Government's budget balance throughout this

period amounts to €128 million. The allocated expenditure varies over the years, amounting to 0.7 per cent of GDP in 2012 and 2013, declining to 0.5 per cent and 0.3 per cent of GDP in 2014 and 2015 respectively.

The largest share of this expenditure relates to new employment measures (at around 37 per cent) with a relatively small contribution from EU funds. The share of expenditure on employment is also significant (at around 24%), followed closely by expenditure on research and development (20 per cent). EU funds account for significant amounts of expenditure on measures classified under these two themes. The expenditure shares of new measures on poverty and energy are relatively smaller, with no contribution of EU funds.

<b>Table 17</b>								
			<b>Net Cumulative Fiscal Impact (Eur million)</b>					
								<b>Of which</b>
	<b>Measure</b>	<b>Timeline</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>EU Funds</b>
<b>Employment</b>								
1	Employment in the Social Economy Project	2011/2014	0.541	0.541	0.013			0.931
2	Employment Support for persons with disabilities	2011/2014	0.214	0.303	0.145			0.563
3	Pensioners working part-time for the government will pay 15% income tax	2012	0.592	0.592	0.592	0.592	0.592	
4	New Income tax computation	2012	10.000	10.000	10.000	10.000	10.000	
5	Increase in the maternity leave	2012	0.500	1.000	1.000	1.000	1.000	
	Upgrading and embellishment of Industrial Estates Building of childcare facilities in Xewkija, Kordin and Mosta	2010/2013	0.875	0.875				1.488
	Get Qualified	2009/2013	1.300	1.300				
<b>Education</b>								
4	Increasing Accessibility, Flexibility and innovation to MCAST lifelong learning course offer	2011/2015	2.906	2.868	1.362	0.105		6.155
5	Making VET education more relevant and attractive	2011/2014	2.347	2.401	0.709	0.090		4.715
6	Inclusion for employment	2011/2014	2.242	2.680	2.270			6.100
7	Extension of the Malta College of Arts, Science and technology	2010/2014	9.196	9.995	0.988			8.207
8	Foundation certificate hospitality trades course	2011	0.080	0.080	0.080	0.080	0.080	
<b>Energy</b>								
9	Motor Vehicles Registration Tax	2012	0.125					
10	Scrappage scheme	2012	6.000					
11	Energy efficiency measures for the hospitality sector (energy target)	2011/2013	1.145					
12	Promotion of uptake of RES and building envelope insulation	2012	0.130					

Research and Development								
13	Preparation of a Health Research and Innovation Strategy	2010/2012	0.010					
14	National R&I Fund 2012	2004/2012	1.600	3.800	3.900	4.000		
15	Setting-up and development of the National Interactive Science Centre	2010/2014	1.275	10.200	9.000			12.000
16	Awareness Campaign on Innovation	2012						
Poverty Reduction and Social Inclusion								
17	Providing an Independent Living Service to Persons with Disability at the Sonia Tanti Independent Living Centre, Hal Far	2011/2012	0.06	0.06	0.06	0.06	0.06	
18	€300 Grant per annum to pensioners over 80 who live independently in their own home	2012	3.500	3.500	3.500	3.500	3.500	
19	Private Property Rental Scheme	2012/2020	1.000	1.000	1.000	1.000	1.000	
	<b>TOTAL</b>		<b>45.638</b>	<b>51.195</b>	<b>34.619</b>	<b>20.427</b>	<b>16.232</b>	<b>40.159</b>
	% of GDP		0.7	0.7	0.5	0.3		
	Distribution of funds by thematic area							
	Employment		14.0	14.6	11.8	11.6	11.6	3.0
	Education		16.8	18.0	5.4	0.3	0.1	25.2
	Energy		7.4					
	Research and Development		2.9	14.0	12.9	4.0		12.0
	Poverty Reduction and Social Inclusion		4.6	4.6	4.6	4.6	4.6	
	<b>Total</b>		<b>45.6</b>	<b>51.2</b>	<b>34.6</b>	<b>20.4</b>	<b>16.2</b>	<b>40.2</b>



**Table 18: Ministry responsible for new and extended measures under each target**

Measure No.	Measure Title	Lead Ministry
<b>Target 1 - Employment</b>		
3.1.3.6	Employment in the Social Economy Project	MEDE
3.1.3.7	Employment Support for Persons with Disabilities (ESPD)	MEDE
3.1.3.8	Pensioners working part-time for the government will pay 15% income tax	MFEI
3.1.3.9	Incentives to Attract More Inactive Women to the Labour Force	MFEI
3.1.3.10	Childcare Centres	MFEI
<b>Target 2 – Research &amp; Development</b>		
3.2.2.5	Preparation of a Health Research and Innovation Strategy	OPM
3.2.2.6	Malta's National R&I Fund 2012	OPM
3.2.2.7	Setting-up and development of the National Interactive Science Centre	OPM
3.2.2.8	Awareness Campaign on Innovation	MFEI
<b>Target 3 – Energy</b>		
3.3.2.7	Motor Vehicles Registration Tax	MFEI
3.3.2.8	Scrappage Scheme	MFEI
3.3.2.9	Energy Efficiency Measures for the Hospitality Sector	MFEI
3.3.2.10	Promotion of uptake of RES and building envelope insulation	MRRA
<b>Target 4- Education</b>		
3.4.2.7	Increasing Accessibility, Flexibility and Innovation to MCAST Lifelong Learning Course Offer	MEDE
3.4.2.8	Making VET Education More Relevant and Attractive	MEDE
3.4.2.9	Inclusion for Employment	MEDE
3.4.2.10	The introduction of new courses and the building of the new campus of the Malta College of Arts, Science and Technology	MEDE
3.4.2.11	Foundation Certificate Hospitality Trades Course	MEDE
3.4.2.12	Get Qualified	MFEI
<b>Target 5 – Poverty Reduction and Social Inclusion</b>		
3.5.2.7	Providing an Independent Living Service to Persons with Disability at the Sonia Tanti Independent Living Centre at Ħal Far	MJDF
3.5.2.8	€300 Grant per annum to pensioners over 80 who live independently in their own home	MJDF
3.5.2.9	Private Property Rental Scheme (Skema Kiri)	MJDF

## Euro Plus Pact Measures

In March 2011, Malta joined the other member countries of the Euro area and six non-Euro area Member States by agreeing to sign the Euro Plus Pact which calls for additional commitments in the areas of competitiveness, employment, sustainable public finances and financial stability, going beyond what has been agreed at EU level. Malta's new Euro Plus Pact commitments for 2012 are presented below.

### 3.6.1: Strengthening the Fiscal Framework

The Government of Malta has taken note and supported the recent initiatives, at a European level, to strengthen the national fiscal frameworks. These initiatives complement the policy direction of Government as outlined above. In particular we take note of the obligations under:

- The Stability and Growth Pact, including the new requirements of Council Directive 2011/85/EU on budgetary frameworks in the EU and the statement by the Euro Area Heads of State or Government on 9 December 2011.
- The Fiscal Compact signed on 2 March 2012.
- Amendments to the annual budgetary procedure to take into account the common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit, in line with the requirements of the proposed Regulation which the European Council is calling for to be adopted by June 2012.
- The provisions for the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the Euro Area, in line with the requirements of proposed Regulation which the European Council is calling for to be adopted by June 2012.
- Council Directive 2011/85/EU on budgetary frameworks.

The Government's commitment to the strengthening of fiscal frameworks is evidenced by the fact that earlier in 2012 the Prime Minister moved the first reading of a Bill to amend the Constitution in line with the Fiscal Compact. In view of the sensitivity of this development, the Prime Minister has stated this amendment shall reflect the result of talks between Government and the Opposition, with a view to ensure that the changes to Constitution are adopted.

### 3.6.2: Introduction of Electronic Procurement Procedures and Simplification of Public Procurement

The Better Regulation project currently underway which is aimed at simplifying current regulations includes Public Procurement as a priority area, and therefore the Department of Contracts is actively involved in determining what simplification measures can be adopted in this area.

This review of procedures in order to simplify them shall be carried out and integrated with the parallel effort that is being undertaken to transit public tendering from conventional to electronic procurement (e-procurement).

E-procurement refers to the use of electronic communications and transactions processing by government institutions and other public sector organisations when buying supplies and services or tendering public works. However, there is much more at stake than the mere changeover from paper based systems to ones using electronic communications for public procurement procedures. E-Procurement has the potential to yield important improvements in the efficiency of individual purchases, the overall administration of public procurement and the functioning of the markets for government contracts. The phasing-in of e-procurement forms part of the ambitious e-government agenda which can fundamentally transform the delivery and performance of public administration.

This measure aims to:

- Increase accessibility and transparency.
- Bring about benefits for individual tender procedures.
- Allow for a more efficient procurement administration.
- Enhance a greater integration with EU procurement markets.
- Streamline and simplify the tendering procedure from the Economic Operators' point of view.
- Mitigate the risks of tenders being discarded on administrative grounds, and limit the possibility of offers that are technically not compliant from being submitted.

A Standard Cost Modelling exercise carried out by MEU commenced in 2011 while a new e-procurement website was launched in June 2011. The Department of Contracts as well as a number of other Contracting Authorities have already started issuing e-tenders.

It is expected that as a result of this measure, calls for tenders will entail simplified and streamlined requirements that facilitate compilation and submission on the part of economic operators, and evaluation and adjudication on the part of public procurers. The perceived impact of this measure will be the opening up of public procurement to a greater number of economic operators, which will also benefit from the simplification of procedure and data integrity checks. This way, Government should start receiving a greater number of offers that do not fail the administrative and technical requirements of the call for tenders, and thus obtain more competitive prices and value for money.

### **3.6.3: Setting up a Sector Skills Committee**

Government will be setting up a Sector Skills Committee, comprising representatives of industry, education and training, employers and employees, whose function it will be to:

- Formulate policies and procedures to govern the Sector Skills Units.
- Develop criteria and standards for the validation of informal and non-formal learning.

- Provide guidelines for the assessment of skills and competences for the purpose of the granting of awards by Sector Skills Units.
- Provide guidelines for quality assurance in non-formal learning.
- Develop occupational standards relevant to each economic sector.
- Formulate sectoral qualifications frameworks referenced to the Malta Qualifications Framework, on a proposal of the Sector Skills Units.

The Sector Skills Committee will also be responsible for advising the MQC/National Commission for Higher Education (NCHE) on matters relating to the validation of informal and non-formal learning, for promoting the benefits of validation of such learning in Malta and for setting up a register of persons awarded full or partial awards classified within the Malta Qualifications Framework.

Sector Skills Units will also be established and will be composed of:

- A Chairperson, two members representing the respective economic sector, two members representing education and training, one member representing a government authority or Board associated with the sector, one member appointed by workers' representatives within the sector.

The objectives of each Sector Skills Unit will be:

- To ensure the consistency and relevance of the occupational standards within the sector.
- To reduce skills gaps and skills shortage and to improve the skills and productivity of the sector's workforce.
- To improve learning supply and to ensure the recognition and certification of skills and competences within the sector.

Each Sector Skills Unit will have the following responsibilities:

- To propose occupational standards relevant to the sector to the Sector Skills Committee.
- To propose regulations and mechanisms for the validation of non-formal and in-formal learning for all skills within the sector to the Sector Skills Committee.
- To develop and maintain a sectoral qualifications framework referenced to the Malta Qualifications Framework.
- To provide guidance and counselling services to persons submitting their documented experiences for validation.
- To undertake assessments and tests for validating non-formal and in-formal learning.
- From time to time to audit all assessment processes and results achieved thereby.
- To propose marks of distinction and of quality assurance in the provision of non-formal learning in the sector to the Sector Skills Committee and to oversee the use and implementation of such marks in accordance with their regulation by MQC/NCHE.
- To advise on and promote the benefits of validation of non-formal and in-formal learning in the sector.

- To advise the Sector Skills Committee on the state, operation, needs and prospects of the sector from an education and training perspective.

### **3.6.4: Culture and Creative Industries**

#### **3.6.4.1: Promoting the Film Industry**

In 2012 Malta will be hosting the European Film Academy Awards and Government is committed to keep improving the skills in the Maltese film industry through industry-led international courses. Additionally, funds will be used for further development of the Maltese film industry, to which Government is allocating €250,000.

#### **3.6.4.2: Promoting Intellectual Property**

Budget 2012 launched new incentives to increase Malta's competitiveness in the cultural and creative sectors, both on a national as well as on an international level, will increase through benefits related to copyright.

In the 2010 budget, Government had announced an initiative related to royalties linked to patents. In this budget, the Government of Malta is extending this initiative to cover works protected by copyright, including books, film scripts, music and art. This benefit will consist of a tax exemption on income from copyright. This scheme should contribute towards attracting international artists to Malta, to make Malta more attractive to the film industry and to create broader economic benefits in various sectors.

€ 40,000 has been allocated for a Public Lending Rights for authors and translators of books in Maltese to receive appropriate remuneration when their publications are borrowed from public libraries.

#### **3.6.4.3: Fiscal Incentives for the culture and creativity sector**

The Government believes that culture and creativity too can contribute towards the creation of more jobs. Having increased the allocation to the cultural and creative sectors by 13 percent in the previous budget, the sector is now seeing positive results in direct investments. Funding programmes provided direct assistance to 80 creative businesses through the INVEX programme, the Malta Film Fund, and the audiovisual sector training programme. Investments were also made in over 100 arts projects through the Malta Arts Fund and the President's Award for Creativity, while 18 projects were developed by schools and professionals through the Kreattiv programme.

In order to provide this sector with an incentive to better organise itself, there will be an exemption from the payment of registration fees for new companies in this sector as well as on their annual payments to the MFSA for three years with the aim of further helping this sector obtain a professional status and regular activities.

#### 3.6.4.4: Promoting the development of Digital Games

After investing in research and strategy for the development of digital games, Government announced three new measures.

- The establishment of the Malta Games Fund with an investment of €150,000 so that, as we have already done with other fund programmes, we can invest in the development of the local industry through projects related to digital games;
- A tax credit scheme to Maltese companies wishing to commission educational or promotional digital games which credit will be granted on the expenditure incurred on the development of the game or on a maximum expenditure of €15,000; and
- To attract more experts in these specialised sectors to Malta, Government is extending the flat 15 percent income tax scheme for international professionals such as game directors and game designers. This scheme has also been extended to academics and researchers in the research and development sectors.

#### 3.6.5: Next Generation e-Government framework

This measure aims to broaden the range of e-Government services offered:

- To revolutionise the way information is transferred between the general public and government departments.
- To allow government services to be accessed by citizens across other EU Member States.
- To reduce inconvenience by accessing all government services from a single place.

The Government entities will be encouraged to change their administrative processes to be able to gain from internal efficiency and effectiveness in their workflows. The services will be deployed on a common technology that has been set-up during 2011 and which will facilitate the roll-out of services.

The measure is planned to start in Q1 2012 and be completed by Q4 2013, with an approximate budget of €1.8 million including VAT.

As a result, during the coming year Malta would have deployed 280 new e-Government services. A number of these services will implement the proposals put forward in reports produced during 2011 to reduce the administrative burdens on businesses.

#### 3.6.6: CREATE Scheme

The scope of this incentive is to support creative businesses whose economic performance is directly linked to the creative talent of those involved in the business. Further support is provided to help the development of creative communities in artistic zones thus sustaining the development of these zones and interdisciplinary creative cluster developments. Undertakings including self-employed involved in the creative industry may benefit through this incentive which will be in the form of a tax credit. The aid will be calculated as a

percentage of the eligible costs incurred by these undertakings in the development of their creative endeavours.

Malta Enterprise may approve a tax credit equivalent to 60% of the eligible expenditure up to a maximum of €25,000. Costs incurred in relation to the development of creative zones and for the development and publications of creative work are eligible for aid under this incentive.

For the purpose of this fiscal incentive, a creative industry is considered to consist of any one of these activities: Arts & Crafts; Performing Arts; Digital Media; Music; Literary Works; Design; Film & Video

The incentive provides additional benefits related to creative work undertaken in the following creative zones in Malta and Gozo:

- Strait Street, Valletta;
- Biċċerija Area, Valletta;
- Is-Suq, Valletta;
- Savina Square, Rabat, Gozo;
- Arch. Saver Cassar Street, Rabat, Gozo;
- Saint Mary Street, Rabat, Gozo; and
- The Collachio Area, Birgu.

This scheme started on 1st January 2010. In the budget for 2012, it was announced that such scheme will be extended to the whole area of Valletta to encourage more creativity activity in the capital city having a planned end date of 31st December 2012.

### **3.6.7: MicroInvest**

The scope of this fiscal incentive is to encourage micro enterprises and the self-employed to invest in their business, to innovate, to expand, to implement compliance directives and/or develop their operations. Micro enterprises and self-employed will be supported through a tax credit representing a percentage of the eligible expenditure and wages of newly recruited employees and/or apprentices.

This scheme covers investments undertaken between 1st January 2010 and 31st December 2011 and those carried out between 1st January 2012 and 31st December 2012. For investments incurred in 2010 and 2011, applications are accepted till March 2012 while for those carried out in 2012, applications will be accepted till March 2013.

The following are eligible expenses for this incentive:

- Furbishing and upgrading of business premises for improved operations.
- Machinery or technologies to improve operations.
- Machinery or technologies which save or generate energy.



- Investments which enable compliance with regulations, including Health & Safety, Environment Directives and Physical Access.
- Cost of one commercial vehicle as long as such vehicle is involved in the transport of goods as specified in the guidelines.
- Wage Costs for new jobs created and/or apprenticeships taken.

MicroInvest provides a tax credit equivalent to 40% of eligible expenditure. An additional bonus of 20% (total 60% tax credit) applies to Gozo based micro enterprises. The scheme started in January 2010 and until December 2011, 722 applicants have benefited from the scheme, with a total of over €5.8 million of tax credits to be issued and with 226 jobs created. These figures show that Maltese businessmen are willing to invest, and hence the scheme was extended for another year.

### **3.6.8: Setting up of an Expert Group to draw up a report and recommend measures to reduce sick leave in the public sector**

It is a known fact that workplace absence or sick leave in the public sector costs Government millions of Euros each year. Furthermore, absenteeism lowers productivity, adversely affects service delivery and damages employee morale.

According to data issued by the Department of Social Security in 2009, the average days lost per employee per year in the private sector was 3.32 when compared to 8.34 in the public sector. Although the private sector figure may be under estimated as the first three days of sick leave are not always recorded Government is still committed to narrow the gap between the private and public sector. In order to address this situation Government will be setting up an expert group with a view to propose measures that will contribute to a significant reduction in sick leave in the public sector.

The expert Group will be set up by the end of the second quarter 2012.

### **3.6.9: Launching of the 'Greening our National Economy' document**

In the Pre-Budget Document of 2011, the Green Economy was identified as a major contributor towards achieving the Vision 2015 targets. In view of this, a Green Economy Working Group (GEWG) mainly composed of individuals from the private sector was set up on the initiative of MFEI. Based on the work of this working group, a document titled 'Greening Our National Economy' is going to be published.

The government's commitment to launch this document is an initial step for 'green' measures to be taken on board. In fact, this document provides practical policy recommendations and implementing measures as ways and means to green Malta's Economy.

This document is expected to be launched in the second quarter 2012. It will also form the basis of the Green Economy Action Plan identified in the National Environment Policy (NEP). The process for the development of such action plan is planned to start once the 'Greening

our National Economy' document is published. The Green Economy Action Plan is expected to be launched for public consultation by end of 2012.

## **CHAPTER 4 – EUROPE 2020 FLAGSHIP INITIATIVES**

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# Europe 2020 FLAGSHIP INITIATIVES

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## Resource Efficiency Initiative

Malta recognises the work and efforts that need to be undertaken on strategies to facilitate the transformation of the EU into a resource-efficient Europe. Due to its cross-cutting nature there needs to be increased policy coordination and mainstreaming of resource efficiency in key economic, environmental and social policies in different sectors. Resource efficiency is an essential means towards driving the achievement of the Europe 2020 Strategy goals for this flagship initiative at both national and European level.

Malta understands that resource-efficiency is also a matter of core lifestyle choices and thus improved public awareness, social acceptance of these choices and environmental education are vital elements for a more sustainable future existence. The shift towards resource efficiency cannot be realised without a change in consumption and production patterns. As a country we are very much aware of the need to be more efficient in the use of resources, particularly when it comes to natural resources, such as fresh water, limestone, soil and land. One resource which is in relatively large supply is the sea. In terms of marine resources, therefore, the question is how to manage as efficiently as possible, the different uses, including tourism and recreation, water and food provision, transport, energy and trade.

To address, among others, these challenges, Malta has recently prepared its National Environment Policy setting out a policy framework that responds to the challenges of sustaining a quality environment while still pursuing its economic goals. The National Environment Policy addresses resource efficiency primarily through its policy's objective of 'using resources efficiently and sustainably'. This objective aligns Malta's environmental policy with the Flagship initiative 'A resource-efficient Europe' under the Europe 2020 strategy aiming to deliver smart, sustainable and inclusive growth. The vision of the National Environment Policy has been developed in line with the vision of the 'Roadmap to a Resource Efficient Europe':

*'...by 2020, the Maltese environment will be providing an improved quality of life, which will result in improved well-being, increased appreciation of Malta's natural and cultural environment, and a strong sense of pride in Malta's environment. Malta will have effectively addressed its main environmental problems, implementing its national, EU and international environmental responsibilities and achieving economic prosperity and well-being for its people in a sustainable and environmentally-responsible manner. Malta will be well on its way to implementing its long-term vision of transforming itself into a low-carbon, zero-waste society by 2050.'*

The National Environment Policy also provides the framework based on national consensus required to support the integration of the Roadmap in Malta's overall policy framework. In addition, the National Environment Policy has a broader scope to that of the Roadmap as it comprehensively takes into account all aspects of the Maltese environment that are of concern.

This chapter highlights the way Malta is addressing the objectives of the Roadmap through the relevant National Environment Policy measures. The structure of this chapter in fact reflects that of the Roadmap to enable ease of reference, also for monitoring purposes. This chapter is organised around the following four themes:

1. Transforming the economy
2. Natural Capital and Ecosystems Services
3. Resource efficiency roadmap key sectors
4. Monitoring

## **Transforming the Economy**

The challenge to transform the economy to a more resource efficient one lies in the sustainable management and use of resources throughout their lifecycle and producing more value with less material with a view to decouple economic growth from environment degradation. The key to achieving this transformation lies in creating enabling conditions for the integration of environmental, especially resource efficiency, considerations in economic development planning and market operations, whilst promoting through various means the uptake of eco-innovation initiatives. The National Environment Policy aims to achieve the above through its chapter entitled 'Greening the Economy', where the initial and lead measure is to:

Measure 2.1.1 : Prepare a Green Economy Action Plan by 2013 and ensure its timely delivery

### **Market Based Instruments, Environmental Taxation and Environmentally Harmful Subsidies**

One of the first challenges to transform the economy into a resource-efficient one is the need to ensure that market prices, which guide consumer decisions, reflect the true costs of resources for the transition to take place. Malta will be putting in place the necessary enabling conditions for this transition; however, the latter has to be managed and adequately financed, in order to succeed. To support more sustainable consumption and production patterns Malta will be supporting and rewarding sustainable economic activity and confronting those operations whose business practices pose a serious threat to a sustainable future to promote solution-oriented eco-efficient and resource-efficient enterprises. One of the actions envisaged to facilitate, encourage and incentivise decision and behaviour towards greater resource efficiency, is to integrate externalities into economic decisions taken by market operators. Malta recognises that environmentally- and socially-harmful subsidies are a deterrent to the facilitation of this transition and therefore their gradual and progressive removal is essential. Malta also recognises that a stepped approach towards environmental taxation provides a suitable and meaningful mechanism that promotes a resource efficient economy only if it is revenue-neutral and does not penalise vulnerable groups. These fiscal reforms will require substantial level of finance to be achieved. In this respect, the use of good public policy and innovative financing mechanisms is expected to mobilise the required financial resources. In addition, Malta will organise support information campaigns designed to educate and disseminate information among all stakeholders on initiatives undertaken to achieve the transition. The following are the relevant measures in the National Environment Policy:

- Measure 2.1.8 : Formulate Action Plan for the development of market-based instruments in the environmental field by 2013.
- Measure 2.1.9 : Carry out communication campaign to accompany implementation of economic instruments strategy by 2014.
- Measure 2.1.10 : Continue to take a stepped approach towards environmental taxation.
- Measure 2.1.28 : Evaluate current subsidies and taxation policies and their impact on the environment and propose any necessary revisions by 2015.

## **Sustainable consumption and production**

A second prerequisite for transforming the economy into a resource-efficient one relates to achieving more sustainable patterns of consumption and production. In addition to the above mentioned measures, the Maltese Government, through its procurement activity will also promote good purchasing practices, reduce its environmental footprint, and maximise on economic opportunities for environmental goods and services. Malta will also be promoting the creation of jobs in the environment sector, building on existing green jobs and developing new areas, while also assessing the training requirements for employees to be able to work in these sectors. The following are the relevant measures that have been identified and included in the National Environment Policy:

- Measure 2.1.15 : Prepare a Green Jobs Strategy by 2013
- Measure 2.1.16 : Formulate a Green Jobs Training Strategy by 2014
- Measure 2.1.24 : Implement and monitor the National Action Plan for Green Public Procurement
- Measure 3.7.4 : Raise awareness about environmental labels, to encourage their use
- Measure 3.7.5 : Promote sustainable consumption, possibly in partnership with leading supermarkets.

## **Turning waste into a resource**

A third key element concerns turning waste into a resource. The EU's strategic policy objective with respect to waste is to move towards a recycling society which seeks to avoid the creation of waste, and to use waste as a resource. Malta shares this objective and as stated in its Environment Policy's shall endeavour to move towards managing waste in an environmentally-sustainable manner, to be achieved through the following lead measure:

- Measure 2.3.37 : Implement current waste policy, update Waste Management Plan by 2014, and prepare any necessary subsidiary waste plans as per EU schedule.

## **Supporting Research and Innovation**

The fourth prerequisite to transform the economy is the promotion of environmentally-friendly innovation initiatives. Increased eco-innovation promotes economic growth, while limiting the burden on the economy, and is thus an essential pillar of the resource-efficient economy.

Malta is committed towards actively supporting the promotion of eco-innovation as evidenced in the following relevant measures:

- Measure 2.1.11 : Ensure that the environment is retained as a thematic and horizontal priority in the National R&I Strategy up to 2020
- Measure 2.1.12 : Ensure that the GPP Action Plan delivers innovative and creative procurement, letting the bidder be innovative and creative with respect to how results can be achieved
- Measure 2.1.14 : Promotion of environmental technology courses at University.

## **Natural Capital and Ecosystem Services**

The diverse living organisms do not just represent a value in their own right, but also have direct use value to human society. They provide life-support systems, provide a source of income to fisheries and agriculture, and contribute immeasurably to the setting of recreational, cultural, artistic and tourism-related activities. These assets all form part of our natural capital which contributes to the economic prosperity and wellbeing of a society. It is the objective of the European Union as a whole to ensure the long-term supply of ecosystem goods and services by halting their degradation by restoring the biodiversity on which they are based. To achieve this, Malta is committed to assess the economic value of biodiversity and its ecosystems with a view to integrate these values into accounting and reporting systems based on the ecosystem approach. The National Environment Policy addresses this challenge through the measures under the chapter Long-term sustainability. The lead measure under this section is to:

- Measure 2.6.13 : Finalise National Biodiversity Strategy and Action Plan by 2012.

## **Biodiversity and Ecosystems**

Malta fully supports conserving biodiversity and ecosystems, with a view to halting the loss of biodiversity by 2020. To achieve this, Malta is building its efforts on three pillars: providing a comprehensive policy framework for protecting biodiversity; improving the status of biodiversity by safeguarding ecosystems, species and genetic diversity; and reducing direct pressures on biodiversity and promoting sustainable use. In relation to the first pillar Malta is committed towards finalising the National Biodiversity Strategy and Action Plan to provide an overall policy framework for protecting biodiversity and ecosystems. In terms of the second pillar, in order to improve the status of biodiversity by safeguarding ecosystems, species and genetic diversity, Malta will ensure that adequate regulation and enforcement together provide effective safeguards and deterrents for habitats and species protection. In relation to the third pillar, Malta is committed to take action to reduce the direct pressures on biodiversity and promote sustainable use. The following are the key measures in the National Environment Policy:

- Measure 2.6.14 : Ensure an adequate knowledge-base, including baseline information about national biodiversity and ecosystems by 2015
- Measure 2.6.16 : Reflect environmental change related to biodiversity in national accounts within umbrella of green accounting in line with EU timeframes



- Measure 2.6.18 : Boost efforts to safeguard species and habitats in the context of the Natura 2000 network to ensure improved sufficiency of coverage by 2017
- Measure 2.6.19 : Continue and strengthen the management of protected areas
- Measure 2.6.23 : Prepare policy framework for the agriculture sector to integrate biodiversity considerations into future directions for the sector by 2014
- Measure 2.6.24 : Prepare policy frameworks for the fisheries sector to integrate biodiversity considerations into future directions for the sector by 2014.

## Coastal and Marine Waters

Malta's coastal and marine environment is of importance not only due to its rich biodiversity, but also because of the ecosystem services it provides to support various coastal activities. The Maritime Spatial Plan is expected to provide a framework for economic growth for maritime activities, whilst also supporting the achievement of good environmental status of marine waters in line with the Marine Strategy Framework Directive. This plan shall integrate recreational, tourism, shipping and fisheries activities in the coastal and marine environment. The following are the relevant measures in the National Environment Policy:

- Measure 2.3.14 : Prepare a maritime spatial plan in line with IMP by 2012.
- Measure 2.3.13 : Implement Malta's Water Catchment Management Plan in line with its timeframes
- Measure 2.3.15 : Ensure that positive record with respect to bathing water quality is maintained.
- Measure 2.6.26 : Regulate exploitation of species in line with national and international obligations.

## Minerals

The local building stone, limestone, is an important mineral natural resource. It is central to Malta's built environment, contributing to its urban character and thereby national identity. Malta's strategy for achieving the efficient use of limestone rests on the following six actions. First, information about minerals extraction will be improved. Second, an assessment on the best method for internalising environmental costs into the price of the resource will be carried out. Third, research into cost-effective methods for reconstituting stone blocks from smaller material will be undertaken. Fourth, regulation of minerals extraction operations and other related operations will be carried out through environmental permitting, as well as enforcement and remedial action. Fifth, quarry operations will be required to excavate and restore parts of their quarries in phases, and to reuse or recycle overspill material prior to further excavation. Sixth, a policy framework for the minerals extraction sector will be developed. The following are the relevant measures in the National Environment Policy:

- Measure 2.3.1: Ensure adequate statistics on minerals extraction and stocks by 2014.
- Measure 2.3.2: Carry out an assessment on the best method for internalising environmental costs into the price of stone by 2015.
- Measure 2.3.3: Carry out research into reconstituted stone by 2014.

- Measure 2.3.4: Ensure that quarry operators are required to excavate and restore parts of their quarries in phases by 2012.
- Measure 2.3.5: Formulate a policy framework for the minerals extraction sector by 2014.
- Measure 3.5.2: Step up the process of environmental permitting to ensure that all operations requiring permits are permitted by 2016.
- Pilot project 3: Undertake a demonstration project on an energy and water self-sufficient home making efficient use of resources in the construction sector.

## Fresh Water

Fresh water in Malta is a limited and scarce natural resource. This is due to the high population density and sub-humid climate of the Islands. The two principal pressures with respect to Malta's fresh water resources are abstraction from the aquifers and indirect contamination of water bodies. These concerns, coupled with the ever-increasing demand for fresh water and the predicted impacts of climate change in the Southern European region, make it imperative to ensure sustainable water management practices in the Islands. In order to manage ground water resources in an environmentally-sustainable manner, Malta's objective is to ensure that extraction of fresh water resources is kept within the sustainable yield of the aquifer, and that the qualitative status of waters meets EU standards. These goals will be achieved through conservation measures, water-pricing policies that provide adequate incentives for users to use water resources efficiently in accordance with the Water Framework Directive, the use of alternative supplies to groundwater and enforcement. The following are the relevant measures in the National Environment Policy:

- Measure 2.3.6 : Finalise and implement Malta's Water Policy
- Measure 2.3.7 : Implement Malta's Water Catchment Management Plan.

## Air Quality

Clean air is also a precious resource. Monitoring results show that Malta's national air quality in general meets EU standards. However, in common with most EU countries, Malta's most significant air pollutants are particulates and nitrogen oxides in urban areas, mainly due to heavy traffic flows in such areas. Ozone is also of concern in rural areas. Hence in order to improve and maintain the air quality within EU thresholds, Malta shall primarily endeavour to achieve these standards through the Air Quality Plan which includes, among other measures, a series of transport related measures. The following are the relevant measures identified as a priority in the National Environment Policy:

- Measure 2.2.5 : Implement the Air Quality Plan.
- Measure 2.2.7 : Continue to reform the public transport system.
- Measure 2.2.8 : Prepare a proposal to improve the design of financial instruments to encourage more environmentally-friendly modes of transport to private cars, by 2015.
- Measure 2.2.11 : Identify by 2012 and implement a set of controlled emission zones to address urban air pollution hotspots, by 2014.

- Measure 2.2.12 : Improve the environmental performance of commercial vehicles and heavy diesel-driven private vehicles through regulation, education, incentives and enforcement by 2014.
- Measure 2.2.21 : Promote the protection, upgrading and creation of additional public open space, through spatial and transport planning, and ensure its delivery through the work of central government and Local Councils.

## Land use

Due to Malta's relatively small size and high population density, land is a most valuable resource. Land provides the physical context for the natural and human systems that support human and other life forms. Despite the Islands' high proportion of urban land, which is partly attributable to the high population density, Census statistics show (NSO, 2005) that 22 percent of all residential properties were permanently vacant. In addition, five percent of all properties were second or holiday homes. The principal cause of this high provision is the use of land and property for investment purposes, and the strong influence of the construction sector in the wider economy. These considerations highlight the need for measures to improve the efficiency of land use in Malta. Malta is thus committed to ensure that, where appropriate, existing buildings will be restored and re-used rather than redeveloped. In addition, schemes, developments and uses that improve environmental quality will be encouraged. The following is the lead measure in the National Environment Policy on land use:

- Measure 2.3.32 : Ensure that the spatial planning system makes efficient use of land, without the need of extending the development boundaries.

## Soil Conservation

Soil is one of Malta's most important natural resources, with socio-economic and ecological significance. Malta's soil resources are imperative for the maintenance of ecosystems health, agriculture and water management, as well as supporting tourism and recreation-related activities in the countryside. However soils are continuously being threatened by the loss of organic matter and related biodiversity impacts, as well as contamination, soil sealing and erosion. National legislation for the prevention of loss of soil and obligatory maintenance of soil-retaining structures already provides a framework under which further soil protection measures may be put in place. The National Environment Policy has sought to strengthen and complement the current legal framework through the following soil-related measures:

- Measure 2.3.26 : Undertake a legislative review to address lacunae related to threats to soil quality such as erosion and contamination by 2014
- Measure 2.3.27 : Continue to promote soil conservation measures through future agricultural programmes by 2013
- Measure 2.3.28 : Put in place a soil quality monitoring system by 2014
- Measure 2.3.31 : Investigate the sources of significant risk factors in terms of soil contamination, leading to the identification of potential contaminated sites, and formulate action plan to address them by 2014.

## Resource Efficiency Roadmap Key Sectors

Malta recognises the importance of the key sectors identified within the Roadmap, namely food, buildings and mobility and Malta agrees that these sectors are priority areas. These sectors are critical for Malta from a resource efficiency perspective, mainly due to their considerable input requirements in the form of water, chemicals and energy. This creates the potential for considerable resource efficiency gains with a view to strengthen and exploit the synergies of these sectors to move towards a resource efficient, low carbon future. Furthermore, the pathways adopted to move towards more sustainable forms of resource use for each of these sectors needs to be addressed separately due to the different characteristics of these sectors.

### Food

The production of food is an important element which tends to have a considerable impact on the surrounding natural environment. With respect to consumption the public has to be informed of the health risk associated with chemicals in food products, whilst educational campaigns on waste reduction need to be given due importance the theme of food. The following are the relevant measures in the National Environment Policy:

- Measure 2.2.28 : Prepare a national action plan for the sustainable use of plant protection products, by 2012.
- Measure 2.2.30 : In cooperation with other partners, carry out an environmental education campaign on the health impacts of chemicals used in the home, including in food.
- Measure 2.3.39 : Use waste data to design targeted educational campaigns on waste reduction.
- Measure 2.4.28 : Continue to enhance the role of agriculture as a steward of the environment through agricultural programmes by 2013.
- Measure 2.6.24 : Prepare policy frameworks for the fisheries sector to integrate biodiversity considerations into future directions for the sector by 2014.
- Pilot project 4: Awareness raising campaign in the area of waste reduction with households in Gozo.

### Buildings

Looking at resource efficiency in the building sector requires that improvements in resource and energy use during the whole life-cycle of a building are considered. The resource efficiency dimension of stone used in construction has been already discussed above. With respect to energy use there are important synergies that can be exploited between climate change, the energy sectors and the built environment. The following are the relevant measures in the National Environment Policy:

- Measure 2.3.35 : Ensure that social housing prioritises rental subsidies, or the purchase of, existing buildings, rather than building on previously unbuilt land.
- Measure 2.6.10 : Ensure that the energy performance of new buildings meet national standards in line with the EU Directive on energy efficiency in buildings by 2012.

- Measure 2.6.11 : Review current spatial planning guidance and regulations with a view to further promoting climate change-related improvements by 2014.
- Measure 2.6.12 : Assess possible modifications of the transaction tax related to sale of buildings to reflect energy performance of the building by 2015.
- Pilot project 7: Turn the cultural building of St. James' Cavalier to become showcase of environmental technologies, by hosting numerous cultural events for demonstrating environmental technologies.

## Mobility

An improved resource efficient transport sector in Malta aims primarily to reduce dependence on private personal mobility and reduce air emissions arising from this sector. With a view to promoting clean and effective modes of transport, in addition to the extensive transport related measures under air quality, the National Environment Policy sets out the following measures:

- Measure 2.2.15 : Promote the use of electric cars through the Electric Transport Strategy, by 2012.
- Measure 2.2.17 : Prepare a strategy to encourage additional transport efficiency through the development of a market in freight distribution, by 2016.
- Measure 2.2.18 : Implement the Green Travel Plan for Government, by 2013.

## Monitoring

The management of the environment and its resources requires monitoring and self-assessments which provides a solid basis for decision-making at all levels and which contribute to a self-regulating integrated system.

The indicators developed under the Flagship initiative 'A resource-efficient Europe' will need to follow a integrated approach due to the horizontal and cross-cutting nature of the matter and to reduce duplication of resources these indicator's will need to be integrated in the already currently established national monitoring procedures.

Government will calculate on an annual basis the Domestic Material Consumption indicator, which has been identified as the provisional lead indicator for 'resource productivity'. Additionally, indicators on key natural resources such as water, land, materials and carbon are integrated into the annual reporting on the state of the environment as well as other reporting obligations related to international obligations. The monitoring of the National Environment Policy may complement these indicators as they provide information on progress with respect to key initiatives described in this chapter.

## Youth Opportunities Initiative

Malta recognizes that its human capital is its most valuable resource and consequently strives to continually develop and maximise this resource. As such the Government acknowledges that education, vocational training and lifelong learning play pivotal social and economic roles. This is evident in the importance that education and training are given when prioritising the country's budgetary expenditure, as evidenced in the Budgetary Estimates for 2012 when it was asserted that:

"The Maltese Government commits itself to creating the best environment for:

- Better use of human resources, with greater participation in the labour market, and investment in the educational system"<sup>13</sup>

This commitment to education and training in 2012 resulted in an increase of €23 million over the 2011 expenditure on education for a total of €359 million, in spite of efforts to reduce the national deficit<sup>14</sup>. These funds are being invested in both the human and the infrastructural capital with specialist professional posts being created at school and College level, an increase in the number of courses offered at both the academic and vocational tracks while at the same time new schools are being built at the rate of one per year and the campus of the Malta College of Arts, Science and Technology (MCAST) is being expanded to house its ever increasing student population. At the same time Malta recognizes that particular issues, while showing marked progress, still need to be fully resolved. Thus Malta acknowledges the challenges posed by early school leaving and youth unemployment, which challenges it has been successfully addressing for a number of years through various initiatives.

## Identification of most Urgent Needs

While the percentage of 15 to 24 year olds living in Malta who are neither in education, employment or training (NEETs) rose only marginally between 2008 and 2010<sup>15</sup>, this does not mean that the Government is resting on its laurels. The challenge of equipping youths with the necessary skills for employment together with that of lowering youth unemployment levels are being tackled on two fronts in Malta: firstly by putting in place measures that benefit youths while still at school and secondly by setting up initiatives meant to train or aid those who have left education and training.

## Actions to Improve the Labour Market Situation of Youth who are not in Employment, Education or Training

Within the current economic scenario, it is indeed also essential and pertinent to focus on active and inclusive labour market measures which promote the re-/integration of those persons furthest from the labour market, including youths, and equip the labour force with the skills required for long-term sustainable economic growth. The Employment and Training

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<sup>13</sup> 2012 Budget Speech, p. 9.

<sup>14</sup> 2012 Budget Speech, p. 58

<sup>15</sup> Source: Eurostat, EU Labour Force Survey



Corporation (ETC) thus offers a wide range of services that are beneficial to young people in all walks of life. Special attention is given to those who may for various reasons require additional assistance, including the under-employed and discouraged young people who lose hope in their ability to find a job. ETC seeks to achieve these aims through the various active labour market policies it currently offers such as the ESF employability programme, ESF Youth Employment Programme, the Employment Aid Programme (EAP) and the Training Aid Framework (TAF). Furthermore the Corporation is always exploring the possibility of utilizing ESF funding to develop new programmes.

ETC is committed to utilising ESF Funds towards the implementation of measures aimed specifically at tackling youth unemployment. Schemes / initiatives offered by ETC to assist youths in finding employment include the Youth Employment Programme (YEP). This ESF co-financed programme is intended to provide career guidance and counselling services to young jobseekers in an effort to explore and develop their educational, training and employment pathways. Outreach services will be strengthened (including through services offered by youth workers) in order to reach young people, particularly those who usually do not make use of public employment services, and those youths who are inactive in the labour market. This programme aims to use 'youth appealing' activities such as the YEP website (<http://www.youth.org.mt/>), Facebook and Twitter pages, youth days and TV programmes. The expected outcome from this project was to reach a total of 4,860 disadvantaged youth in Malta and Gozo. From January to December 2011 YEP assisted over 3,000 youths. In view of its success, the Project was further extended and will end in December 2012.

Other ETC programmes, such as the ESF co-financed Employability Programme, have the aim of providing skills-enhancement initiatives. Since its launch in 2009 this programme has been providing training opportunities for young people. More than 120 different training programmes, ranging from basic skills to job skills courses, IT, hospitality and trade training programmes and advanced training programmes have been offered.

In 2011 ETC launched the Training Subsidy Scheme (Academic) through its flagship Employability Programme. This scheme is intended to provide financial assistance in the form of a training grant, payable to individuals who are either job seekers or employed and are interested in obtaining a Higher Education qualification at EQF/MQF Level 5 and Level 6 in an area related to Digital Media or Financial Services.

Complementary to skills enhancement initiatives, the ETC also implements a wage subsidy scheme known as the Employment Aid Programme. This programme is aimed at integrating disadvantaged groups, including youths, into the labour market through work experience thereby improving the employability and productivity of vulnerable groups with low employment rates while at the same time upgrading the skills of those furthest away from the labour market. This action is also part-financed by ESF Cohesion Policy 2007-13.

As from 2009, with the aim of simplifying the application process and minimizing bureaucracy, the mainstream schemes offered by ETC were merged into a single scheme called the Work Trial Scheme. This scheme includes two target groups specifically identifying young jobseekers aged 16 to 24. These target groups are (a) youths with no previous work experience; and (b) youths with previous work experience not in line with their respective job preferences. Through the Work Trial Scheme ETC grants participants 50% of



the national minimum wage per week. Work placements can be for a maximum of 12 consecutive weeks. The work experience will be based on a 20 hour week (4 hours per day). The ETC also firmly believes in the potential of apprenticeships and traineeships to ensure the development of skills that are appropriate, timely and relevant to particular industries. Apprenticeships may facilitate the labour market integration of school leavers and equip young people with valuable occupational and social skills required to pursue their employment pathways in booming sectors including ICT, health care and green jobs. By the end of December 2011 the Corporation managed to place 85% of applicants that applied to join the apprenticeship scheme in the 2011 Intake. The Corporation will continue doing its utmost in finding a training placement for all the other unplaced candidates. Circa 330 employers are participating in the apprenticeship schemes through the provision of on-the-job training for apprentices, 93% hailing from the private sector. To ensure quality training at the employers' establishment and at the VET Institutes, ETC officials have carried out a total of 670 monitoring visits, 557 visits at employers' establishments and 113 visits at either MCAST or ITS.

ETC also operates an Entrepreneurship Scheme (INT) through which jobseekers are offered the possibility of starting one's own business by providing a package of Counselling, Entrepreneurship Training, Mentoring and Financial Assistance. INT (Ibda Negozju Tiegħek) is a one-stop entrepreneurship programme aimed at promoting an enterprise culture among those people who are interested in taking up self-employment by launching their own small business. Registering unemployed mentees, whose Business Plans are approved and who have all official documents/permits in order, are awarded € 5,000 as an enterprise grant.

The hard work being put into the implementation of such a wide range of initiatives is already bearing the desired results. During 2010, the employment rate of Maltese youths aged 15 to 24 years was 44.8%, which compares well with the average EU27 of 34% (a difference of 10.8%). Looking at youth employment rates between 2006 and 2010 one may note that the EU27 average decreased by 2.5% whereas the Maltese average rather than decreasing in fact increased by 0.6%. Reviewing the youth unemployment rate, one may note that in January 2012 the EU27 rate stood at 22.4% whilst the local percentage rate of unemployed youth was 13.8%<sup>16</sup>. When further examining the unemployment rate of persons younger than 25 years of age one can observe that while the EU27 average jobless increased by 3.6% between 2006 and 2010 the Maltese average decreased by 2.9%. During this time span there was a significant decrease in the Maltese youth unemployment rate for males of 3.5%. However in 2010 the female youth unemployment rate stood at 12.2% whereas that of males was higher, 13.7%.<sup>17</sup>

Another initiative currently being implemented is Youth.Inc, a joint initiative of the Ministry for Education and Employment, the Malta Qualifications Council (MQC) and ETC. This initiative is being coordinated by the Foundation for Educational Services (FES).

This project aims to work with young school leavers between the ages of 16 and 21 who have not progressed to further education or training. The programme offers a flexible pathway to further education by putting together a programme of study and vocational training over a period of two to three years leading to the attainment of a recognised qualification at Level 2 of Malta's NQF. In 2011, 69 youths participated in this programme.

<sup>16</sup> Source: Eurostat.

<sup>17</sup> Source: Eurostat. Annualized Eurostat figures for 2011 have not been published yet).

Youth workers are also involved in this programme where they act as mentors and ensure that the participants are actively engaged in the learning process. The youth workers are also responsible for the supervision and validation of non-formal learning experiences undertaken by the students whether through vocational placements, voluntary work or employment.

Participants can avail themselves of the services of career guidance specialists who can assist them in selecting the study programme that will best meet their aptitudes, skills and aspirations. Youths following this programme on a full-time basis will also be entitled to a stipend.

### **Key action to adapt the education and training systems to reflect labour market conditions**

The measures that have been implemented or that are being put in place in the education sector include initiatives of a preventative nature, together with a process of intervention at school and student level which are then complemented by compensatory measures to reach those youths who still opt out of the education system.

- Preventive strategies, meant to tackle these problems even before any symptoms have appeared, are being implemented from the pre-school level. Despite Malta having one of the highest enrolment rates of children in pre-school education in the EU<sup>18</sup> this sector has undergone a qualitative leap forward when all Kindergarten Assistants underwent an up-skilling course and entrance to this post was limited to persons holding a qualification at least at National Diploma Level (equivalent to Level 4 on Malta's NQF). As a further measure, as from school year 2015/2016 only persons holding a B.Ed. (Hons.) degree in Early Childhood Education and Care will be eligible to apply for teaching posts in the early years' sector.

Of fundamental importance as a preventive strategy is the reform currently underway in Malta's education system regulating the transition from Primary to the Secondary sectors and leading to more equitable schools. Whereas up to September 2010 students used to proceed to different types of school according to academic ability, as from September 2011 students are now continuing their education in non-selective Secondary Schools, thus breaking the self-perpetuating cycle of low expectations in low-achieving schools. This policy towards a desegregation of schools by ability is set to achieve its full effect when all Secondary School years will have been phased in.

Concurrently with this reform a review of the National Minimum Curriculum has been underway since 2008 and is now nearing conclusion. A draft National Curriculum Framework (NCF) has gone through a wide-ranging consultative phase with innovative proposals being put up for debate. It has to be noted that the effects resulting from these two reforms will take a number of years to become evident and measureable, that is when the first cohort of students would have reached the end of compulsory education and sit for national examinations.

- Intervention measures currently being implemented in Maltese schools seek to both provide targeted support to students at risk as well as reaching out to all the students in general. In fact much importance is being given to the strengthening of the provision of student services with the aim of reducing absenteeism and identifying students at risk of absenteeism. This is being achieved by employing social workers, child

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<sup>18</sup> Progress towards the common European objectives in education and training: Indicators and benchmarks – 2010/2011, p 18

psychologists and counsellors at College level. On the other hand trainee career advisors are now present in all state Colleges to address the needs of all students.

Other projects are also targeting pupils who, from a young age, may be experiencing difficulties in acquiring reading and numeracy skills. Literacy Support Teachers and Numeracy Support Teachers have been appointed to assist primary class teachers in identifying and supporting these children.

On the other hand, as from September 2011, a schools-wide intervention strategy is being piloted in six state secondary schools and four non-state schools. This initiative aims at providing students the option of studying one vocational area as part of the study options they undertake from the third year onwards. If this pilot project proves to be successful there is the intention of providing it nationwide as from September 2014. This initiative is aimed at providing an alternative track to the purely academic one that was present in Maltese secondary schools.

- During the past decade much investment has been directed towards strengthening the vocational sector at the post-compulsory education level. The largest such institution, the Malta College of Arts, Science and Technology (MCAST), has seen an expansion of both its campus (to cater for an ever increasing student population) and in the number and level of courses on offer. For the first time in Malta a local educational institution is now awarding VET courses up to degree level. Of primary importance in this strategy has been the setting up of compensatory pathways to students who would have been at risk of leaving education on reaching sixteen years of age which marks the end of compulsory schooling in Malta. MCAST has set up courses to offer low-achieving students the possibility of gaining literacy and numeracy skills while following vocational courses. If these students prove to be successful in their studies they are then encouraged to complete courses at least up to Level 3 of Malta's NQF.

At the same time MCAST has introduced procedures to assess prior learning with the aim of encouraging employed persons to gain certification for skills they already have and for prior work experience. MCAST is also carrying out a review of its courses so that it will be in a better position to meet the needs of industry and diversify the range of courses on offer.

Similar initiatives are also being implemented at the Institute of Tourism Studies (ITS), another vocational education institution, whereby the range of courses on offer is being widened and increased to cater for low-achieving students and equip them with employability skills.

While the above strategies target those students who wish to follow a vocational pathway other initiatives are aimed for students who wish to continue their studies for a general education qualification. Youths who, at the end of secondary school, fail to gain the necessary qualifications to study subjects at Advanced Level can enrol in one of two institutions offering students the chance to gain the necessary qualifications and to begin to study subjects at Advanced Level if they so wish.

All youths following courses at post-secondary level are given a yearly study grant as well as a stipend to encourage them to continue with their studies.

Other compensatory strategies have also been put in place for youths who still decide to leave school. These strategies, provided by the Employment and Training Corporation (ETC) and by the Foundation for Educational Services (FES), are aimed at giving youths the skills to be able to enter the labour market, assist them in finding their first job and prevent them from disengaging from society.

Currently ETC is carrying out a restructuring exercise in order to direct the required management attention to enhance its effectiveness in light of current labour market needs. A complete realignment of ETC's management structure has been carried out

through this restructuring exercise. As a result of the restructuring exercise the Employability division was created. This division includes two sections which act as pillars towards the employment re/integration of our clients – the employers’ service (the demand side of the employment spectrum) and the jobseekers services (the supply side in the employment spectrum).

The Corporation will be stepping up its efforts to address the needs of the employers and will keep their needs at the heart of its strategies, activities and initiatives. The employers’ profiling services will be enhanced in order to be able to respond rapidly to their demands. Human resources will also be invested and organised around the industries so as the Corporation will build more knowledge and expertise into the various sectors of the economy.

ETC employs a client profiling assessment tool in the employment advisory service. Through such an assessment the employment advisor gauges the client’s abilities and skills and together they determine what career prospects the client has. The Corporation will strive to improve its clients’ classification and determine one’s proximity to the labour market. This in turn will categorise the clients into different groupings. Consequently the Personal Action Plan will be linked to the clients’ categorisation and classification. The PAP will continue to guide the clients and direct them to appropriate training programmes, employment schemes and other related services thus preventing long term unemployment.

The Corporation has submitted an application for an ESF project titled Employment in the Social Economy. This project will contribute towards the integration of disadvantaged persons and disabled persons in the labour market. It facilitates access to employment through financial assistance to organisations operating in the social economy and upgrades the skills of those furthest away from the labour market through work experience. Two target groups of this project are registered unemployed young persons aged 16-24 who have never been in employment (that is new labour market entrants with no job experience in their field of job preference.) and registered unemployed young persons aged 16-24 with previous work experience but which was not in line with their respective job preference. The Employment in the Social Economy project aims at providing a grant to organizations that employ persons from disadvantaged categories, including, but not limited to, persons with a disability. The Corporation is currently awaiting feedback from the Managing Authority for EU structural funds.

A Youth Employment Strategy is currently being drafted and is expected to be launched in 2012. This strategy will identify and develop a number of further initiatives designed to help address and resolve the challenges being faced by young people.

All these initiatives enjoy the backing of Malta’s National Youth Policy (NYP) (2010-2013) which recognizes, amongst other things, education as the best avenue through which young people develop personally, socially, politically and economically, recognizes the role of youth workers as non formal educators and that lifelong learning is a necessity to meet the challenges of a knowledge economy. As such the National Youth Policy supports the strategies listed above which are being implemented in the educational sector.

The NYP also recognizes that employment, besides being an economic activity, also plays a crucial role in the formation of young people’s identity and their development. It therefore supports measures that are meant to give young people access to work.

## National Roma Integration Strategy

Malta reiterates its commitment to EU initiatives that are developed in support of disadvantaged or vulnerable groups, including the Roma people. It should be noted that the Council Conclusions on an EU Framework for National Roma Integration Strategies up to 2020 emphasizes that measures taken by Member States should be commensurate with the “specific circumstances and needs on the ground” and “in accordance with the size and social and economic situation of the Roma population living in their territories and taking into account the different national circumstances”.

Malta’s case is particular since both official and unofficial data sources on foreign nationals residing in Malta show that there is no Roma population resident in Malta nor have any foreign nationals living in Malta declared themselves to be of the Roma ethnicity. Therefore, it would be disproportionate in Malta’s case to adopt a National Roma Integration Strategy.

It should be noted that Malta has implemented a variety of policies and measures in order to ensure the inclusion of marginalised and disadvantaged groups. Malta has a well established social welfare system and an integrated set of social policies in place, which respond through the provision of benefits and services, to the needs of all those who are more vulnerable in society and require financial support and assistance. These systems and policies are also available and can be used to good effect to address the needs of Roma people should the case arise and should their status be such as to render them eligible for such services.

Nevertheless, should data on Roma reveal a change in situation, Malta may consider the introduction of new measures, or the adoption of a national strategy, in order to further the integration and inclusion of Roma population in Malta.



## **CHAPTER 5 – HORIZONTAL AND METHODOLOGICAL ISSUES**

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# HORIZONTAL AND METHODOLOGICAL ISSUES

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## Successful Preparation, Implementation and Monitoring of the NRP

### Political Involvement

The political responsibility for the monitoring and implementation of the NRP is vested in the Minister of Finance, the Economy and Investment. The Policy Development Directorate (PDD) within the same Ministry is responsible for its co-ordination. Each line Ministry and key public sector entity has a designated contact person who reports on the progress of every measure falling under their respective responsibility.

To increase the involvement of local authorities, the Ministries and entities responsible for the implementation of the measures contained in the NRP are to consult and liaise, where applicable, with the respective Local Councils and with the Local Councils' Association.

### Social Partners and other Stakeholder Involvement

In its intention to continue to seek the involvement of all stakeholders in the drafting, monitoring and implementation of the NRP, Government actively involves the Malta-EU Steering Action Committee (MEUSAC) and the Malta Council for Economic and Social Development (MCESD), two forums which bring together many of the social partners in the Maltese islands.

### Communication Strategy

In view of the need to explain to citizens and social partners how economic reform leads to a higher standard of living, the Minister of Finance, the Economy and Investment, as well as the technocrats, will participate in seminars and discussions on issues concerning Europe 2020 whilst providing updates on the progress achieved in the NRP.

### Monitoring

Malta carries out a mid-year and end-of-year assessment of the implementation of the NRP. The basis of information gathering is a status report on each individual measure in the NRP. Updates received on a quarterly basis from line Ministries and entities will be reviewed and evaluated. The Policy Development Directorate will subsequently consolidate the input received and prepare other input related to bottlenecks, country-specific recommendations and other required information.

### Use of EU Funds

A number of measures featured in the NRP will be co-funded using the Structural Funds (ERDF and ESF), the Cohesion fund, the European Agricultural Fund for Rural Development and the European Fisheries Fund.

## Governance

The governance model, based on the active participation of all relevant Ministries and an extensive consultation with stakeholders which has been used for the reporting of the previous NRP will be retained, as it has proved to be successful not only in terms of policy integration but also in increasing the line Ministries' ownership of the NRP and associated measures.