

OPERATIONAL PROGRAMME II

**Empowering People for more jobs and a better
quality of life**

May 2007

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List of Acronyms

AA	Audit Authority
DIER	Department of Industrial and Employment Relations
DFSAE	Department for Further Studies and Adult Education
CA	Certifying Authority
CSG	Community Strategic Guidelines
EAFRD	European Agricultural Fund for Rural Development
ECDL	European Computer Driving License
EES	European Employment Strategy
EFF	European Fisheries Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
ETC	Employment and Training Corporation
EU	European Union
FCCD	Fisheries Conservation and Control Division
FDI	Foreign Direct Investment
FES	Foundation for Educational Services
GDP	Gross Domestic Product
IAID	Internal Audit and Investigations Directorate
ICT	Information and Communication Technology
ILO	International Labour Organisation
IP	Intellectual Property
ITS	Institute of Tourism Studies
JER	Joint Employment Report
MA	Managing Authority
MC	Monitoring Committee
MCAST	Malta College for Arts, Science and Technology
MCESD	Malta Council for Economic and Social Development
MEYE	Ministry for Education, Youth and Employment
MFSS	Ministry for the Family and Social Solidarity
MQC	Malta Qualifications Council
NAP	National Action Plan for Employment
NAP Inc.	National Action Plan for Inclusion
NCHE	National Commission for Higher Education
NCPE	National Commission for the Promotion of Equality
NCSD	National Commission for Sustainable Development
NRP	National Reform Programme
NSO	National Statistics Office
NSRF	National Strategic Reference Framework
NSSD	National Strategy for Sustainable Development
OHSA	Occupational Health and Safety Authority
OHS	Occupational Health and Safety
OP	Operational Programme
OPM	Office of the Prime Minister
PPCD	Planning and Priorities Co-ordination Division
PPS	Purchasing Power Standard
RTDi	Research, Technological Development and Innovation
R&D	Research and Development
SD	Sustainable Development
SDO	Staff Development Organisation
SEA	Strategic Environment Assessment
SMEs	Small and Medium Sized Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
UNHCR	United Nations High Commission(er) for Refugees
VET	Vocational Education and Training
THP	Temporary Humanitarian Protection

Introduction

Operational Programme II, entitled **Empowering People for More Jobs and a Better Quality of Life**, is one of three programming documents setting out priorities for the implementation of Cohesion Policy in Malta for the period 2007-2013. This Operational Programme focuses primarily on employment, education, training and social inclusion in support of the third Strategic Objective of the National Strategic Reference Framework (NSRF), *investing in human capital*, and is co-funded by the European Social Fund (ESF).

The NSRF is the strategic document that sets out Malta's priorities for the Cohesion Policy 2007-2013. Malta's priorities are based on four Strategic Objectives. The first Strategic Objective, *sustaining a growing, knowledge-based, competitive economy*, focuses on investment in enterprise, developing research, technological development and innovation (RTDi) and supporting sustainable tourism. The second Strategic Objective, *improving Malta's attractiveness and the quality of life*, proposes measures to improve transport infrastructure, environment, energy and risk prevention, e-society, urban regeneration, and health; while the NSRF third Strategic Objective, *investing in human capital*, deals with education, employment, social inclusion and institution building. NSRF Strategic Objective four, *addressing Gozo's regional distinctiveness* will direct action, within the context of the former three Strategic Objectives, which will contribute specifically towards Gozo's socio-economic development, particularly enterprise promotion, accessibility and inter-island transport, and the development of human capital and skills. In this regard Government has committed itself to spend a minimum of 10 per cent of the Funds on measures contributing to Gozo's development. The priority areas identified within each Strategic Objective aim to support Malta's vision to promote competitiveness, a high value adding economy in order to achieve sustainable socio-economic development and a better quality of life for its citizens.

The NSRF is complemented by two Operational Programmes, Operational Programme I, *Investing in Competitiveness for a Better Quality of Life*¹ and Operational Programme II, *Empowering People for More Jobs and a Better Quality of Life*. The Strategic Objectives and priority areas of the NSRF provide the basis for the policy mix that Malta has identified as the main focus areas for Cohesion Policy support during the period 2007-2013². This policy mix is reflected in a number of Priority Axes in both Operational Programmes. The Operational Programmes and their components also take account of the needs and priorities emanating from the Pre-Budget and National Reform Programme (NRP) exercises; the strong link between Cohesion Policy and the achievement of the Lisbon objectives; as well as the regulatory restrictions of the Funds. The proposed Priority Axes together constitute a plan of action for the period 2007-2013, whereby investment in the various sectors is not seen as an end in itself but as a means of contributing to the realisation of the vision and the attainment of the underlying Strategic Objectives. The two Operational Programmes do not include other measures that are best funded through national funds and/or other Community/International financial instruments, including the programmes under the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF) and the European Territorial Co-Operation objective in which Malta will participate.

This Operational Programme is intended to primarily address the development of human resources and the employment needs of the country. It is based on two specific objectives aiming towards the investment in human capital and the strengthening of labour market structures which are to be supported by four Priority Axes. The Priority Axes aim to tackle the main challenges relating to labour market and education/training issues in Malta and are earmarked to contribute towards the strengthening of economic and social cohesion. These Priority Axes will address improvements in education and skills; investment in employability and adaptability of the workforce; support towards an equal and inclusive labour market; and strengthening of institutional and administrative capacity. Adding to these, a Technical Assistance Priority Axis will facilitate and underpin the implementation of the Operational Programme. This Operational Programme will support both public and public equivalent investment and aid schemes targeting the private sector.

¹ Operational Programme I is co-financed by the European Regional development Fund and the Cohesion Fund and foresees primarily investment in infrastructure and support to businesses.

² The two Operational Programmes fall under the Convergence Objective.

Chapter 1 - Situation Analysis

1.1 Introduction

In March 2000, the European Council launched the Lisbon Agenda with the aim for Europe to become by 2010 “the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment”. With the re-launch of the Lisbon Strategy in March 2005 and the adoption of the integrated guidelines for growth and jobs, Malta has committed itself to contribute to the Lisbon priorities. This commitment is reflected in the National Action Plan for Employment, which outlines Malta’s principal employment strategy for the years 2005 and 2010, and subsequently in the National Reform Programme (NRP) and the Pre-Budget Documents³. The NRP outlines how the guidelines are being integrated into the national strategy and the expected outcome, while the Pre-Budget Documents being consultation documents in preparation to the 2006 and 2007 budgets, highlight Government’s priorities over a five-year (2006-2010) span and the annual budgetary measures and action plan respectively .

Government believes that investment in human capital is one of the main drivers towards the attainment of the objectives of higher economic growth and more and better jobs. Government holds that, while investment in infrastructure foreseen under Operational Programme I will provides the much needed enabling environment, investment in human capital and improvements in the labour market, through the provision of quality education and training for all citizens, is crucial for the country’s long-term socio-economic development and Malta’s competitiveness.

As highlighted in the National Strategic Reference Framework (NSRF), in terms of GDP at market prices in Purchasing Power Standards (PPS), the Maltese economy showed a decrease for most of the years from 2000 onwards compared to the EU average. In fact, on a per capita basis, Malta’s GDP per head in PPS declined from 77.8 per cent of the EU25 average in 2000 to 69.5 per cent in 2005. In addition, employment rates are still below the EU average with evident disparities between the male and female employment rates.

1.2 Labour Market Analysis

The Maltese economy has been undergoing a restructuring process brought by the integration of world markets through globalisation. These restructuring efforts left their mark on the labour market where job losses were registered in certain manufacturing industries whilst new job opportunities were created in other sectors, especially in the services sectors, as well as in specific growth manufacturing industries. On a general level, the labour market has experienced positive results. In particular, a marginal increase was experienced in the employed population while rising unemployment rates appear to have been halted. Female employment and part-time employment levels have also increased. The restructuring of the economy has led to an expansion in private sector employment and to a contraction in Public Sector employment, implying an increased reliance on the private sector, especially private market services, as the main source of job creation in Malta.

1.2.1 Overview of the labour market

During 2005, the total population of Malta stood at 402,727 (Table 1.1), with a labour force of 160,836 (Table 1.2). Table 1.2 shows that the labour force increased by 0.4 per cent between 2004 and 2005 and by 2.6 per cent between 2000 and 2005. A decrease of 0.4 per cent was, however, registered between 2003 and 2004, which mainly reflects the implementation of voluntary retirement schemes in public enterprises. During 2005 the employed population (amounting to 92.7 per cent of the labour force) increased slightly when compared to the previous year. The unemployment rate

³ Pre-Budget Document 2006-2010, *A Better Quality of Life*, and Pre-Budget Document 2007, *Securing Our Future*, were issued in July 2005 and August 2006 respectively. They are intended to steer and stimulate the pre-budget consultation process.

increased marginally between 2004 and 2005, from 7.2 per cent to 7.3 per cent, which nonetheless is lower than the highest rate of 7.5 per cent (2003) registered in the 2000-2005 period.

Table 1.1

Labour Status	Labour status for the whole population for 2005					
	Gender				Total	
	Males		Females		No.	%
	No.	%	No.	%	No.	%
Employed	103,234	51.7	45,857	22.6	149,091	37.0
Unemployed	7,279	3.6	4,466	2.2	11,745	2.9
Inactive	48,528	24.3	114,476	56.4	163,004	40.5
Children less than 14years	40,722	20.4	38,165	18.8	78,887	19.6
Total Population	199,763	100	202,964	100	402,727	100

Source: National Statistics Office, Annual Labour Force Survey data sets

Table 1.2

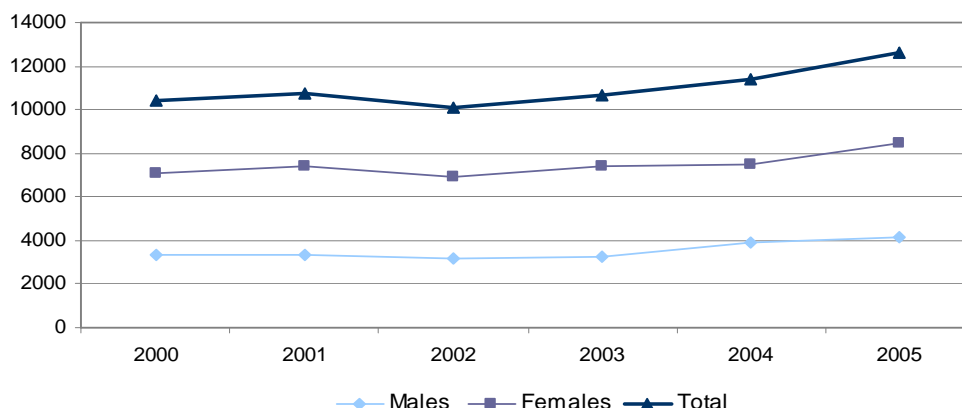
Labour Force	The labour market - overall situation					
	2000	2001	2002	2003	2004	2005
	No.	No.	No.	No.	No.	No.
Employed	146,246	146,017	148,452	148,764	148,618	149,091
Unemployed*	10,498	10,064	11,018	12,093	11,518	11,745
Total	156,744	156,081	159,470	160,857	160,136	160,836
Unemployment Rate (%)*	6.7	6.4	6.9	7.5	7.2	7.3

Source: National Statistics Office, Annual Labour Force Survey data sets

* The unemployment figures and rates are based on the Labour Force Survey (annual data sets). The Labour Force Survey is a household survey carried out by the NSO in accordance with methodologies of the European Union's statistical agency, Eurostat, and the International Labour Organisation. It is important to note that the actual figures and rates of unemployment based on registered persons with ETC are represented in Table 1.8.

In 2005, 12,608 persons of the total employed population held a part-time job as their main occupation. As indicated in Figure 1.1, this resulted in an expansion of part-time employment between 2000 and 2005. Between 2004 and 2005, an increase of 10.9 per cent was registered, while an increase of 21.5 per cent was registered since 2000. Disaggregating this information by gender, the increase was of 26.5 per cent and 19.1 per cent for males and females respectively. Although the growth rate has been higher for males, females who have a part-time job as their main occupation outnumber their male counterparts. In 2005, this amounted to 4,170 and 8,438 for males and females respectively. Over recent years increasing importance is being given by both economic operators and employees to part-time work. This indicates changing working patterns and a relative degree of flexibility in the labour market.

Figure 1.1: Total number of part-time employed (main occupation) by gender



Source: National Statistics Office, Annual Labour Force Survey data sets

Overall, the employment rate in 2005 stood at 54.3 per cent. Although the percentage falls below with the EU25 rate of 63.8 per cent, it is worth noting that whilst the female employment rate is lagging behind the EU average, the male employment rate surpasses this average by 3.1 percentage points (vide Table 1.9). Over a six year period (2000-2006), the employment rate remained around the 54 per cent, while the EU25 employment rate increased marginally by 1.4 percentage points⁴. In Malta, stable employment rates are the result of the economic restructuring process which led to collective redundancies in the traditional manufacturing activities and were compensated, to a great extent, by the new knowledge-based industry and the services sector. Furthermore, an increasing number of young people furthering their studies beyond secondary school level has also contributed to employment rate stability in the short term.

An analysis of employment rates by age group illustrates that the highest rate for males is found in the 25 to 54 age bracket (89.2 per cent) whereas the female employment rate tends to be higher in the 15 to 24 age bracket (43.9 per cent). In the case of males, the situation is close to the EU25 rate (85.5 per cent), however, in the case of females, the highest employment rate for EU25 is found in the 25-54 age bracket (68.9 per cent). Over a six year period, the employment rate for the lower age group (15-24), was on a decreasing trend (after increasing substantially by 4.9 percentage points in 2001), while for the EU25, the employment rate for the same age group remained around 37 per cent. For the two other age groups (25-54 and 55-64) although the employment rate was on the increase for both age groups (vide Table 1.3), the employment rate of the elder age group adopted a decreasing trend after 2003.

Table 1.3

Age Group	Employment rates					
	2000 %	2001 %	2002 %	2003 %	2004 %	2005 %
15-24	47.5	52.4	50.5	47.1	46.2	45.3
25-54	60.6	61.1	61.7	62.2	62.0	62.6
55-64 ⁵	27.9	29.3	29.8	32.3	31.7	30.8

Source: National Statistics Office, Annual Labour Force Survey data sets

As regards unemployment, in 2005 the unemployment rate stood at 7.3 per cent which represents an increase of 0.1 percentage point over that for 2004 (vide Table 1.2). Between 2001 and 2004, the

⁴ Source for EU Data: Eurostat, 7 August 2006, extracted on 10 October 2006.

⁵ It is important to note that the retirement age is 61 for males and 60 for females, with the females having the option to retire at the age of 61.

unemployment rate in Malta has been constantly lower than the EU average, the latter standing at 8.4 per cent in 2001, increasing to above 9 per cent by 2004 and decreasing again to 8.8 in 2005.

Analysing the unemployment rate by gender shows that in 2005, 62 per cent of the unemployed were males while the rest (38 per cent) were females. It is worth noting though that whilst the unemployment rate for men is declining, the rate for females has increased. In fact, between 2000 and 2005 the unemployment rate for men decreased by 2.9 per cent while the female rate increased by 48.6 (from 3005 to 4466) over the same period. On the other hand, as regards the EU25, the unemployment rate for males increased from 7.4 per cent to 7.9 per cent, while that of females decreased by 0.3 percentage points to reach the rate of 9.9 per cent during the same time period⁶.

Table 1.4

Total Unemployed by age group						
Age Group	2000	2001	2002	2003	2004	2005
	No.	No.	No.	No.	No.	No.
15 – 24	2,204	5,058	5,028	5,655	5,598	5,597
25 – 34	3,122	1,551	2,037	2,524	1,821	2,133
35 – 44	1,942	1,720	1,930	1,933	2,092	1,408
45 – 54	2,835	1,467	1,746	1,642	1,677	2,164
55 - 64 ^{*7}	395	268	277	339	330	443
Total Unemployment**	10,498	10,064	11,018	12,093	11,518	11,745

National Statistics Office, Malta: Annual Labour Force Survey Statistics data sets

*This data indicates that the sample size is small and caution should be made in interpreting the results of those lines in terms of their statistical relevance.

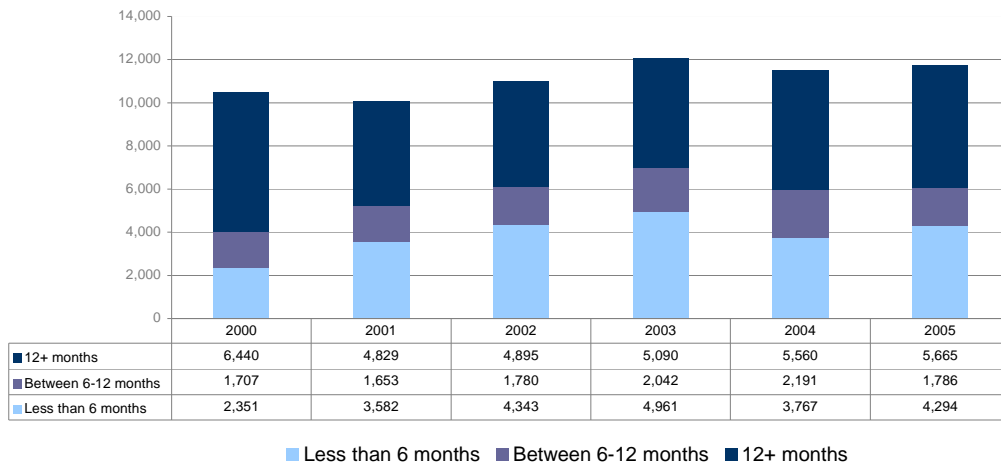
** These unemployment figures are based on the Labour Force Survey (annual data sets). The Labour Force Survey is a household survey carried out by the NSO in accordance with methodologies of the European Union's statistical agency, Eurostat, and the International Labour Organisation. It is important to note that the actual figures of unemployment based on registered persons with ETC are represented in Table 1.8.

A breakdown of unemployment by age shows the concentration at the lower-end of the age brackets (Table 1.4). Approximately 47.7 per cent of the unemployed in 2005 were in the 15-24 category. The figures may be explained in terms of industrial change, in that the traditional absorbers of young school leavers without post-secondary education (e.g. factories and clerical jobs) are creating fewer jobs today. Moreover, certain job opportunities, e.g. those in the construction industry, are less attractive to the younger generation. Overall, both the level of and distribution in unemployment in 2005 mirror the situation of 2004. However, it is important to note that apart from the age brackets of 15-24 and 35-45, all other age brackets experienced an increase over the previous year.

As illustrated in Figure 1.2, during 2005, unemployment of a duration of 6 to 12 months improved over the previous year, while an increase of unemployment was registered on short-term unemployment (less than six months) and long term unemployed (12 months and over). Over a six-year period, one notes an increase for the short-term unemployed and unemployment of a duration of 6 to 12 months, while a decrease was registered for unemployment of a duration of 12 months and over. As regards unemployment of 12 months and over, which in 2005 accounted for 48.2 per cent of the unemployed, one notes that 35 per cent were in the 15-24 age-bracket, signifying a potential problem of youth long-term unemployment. Segregating the rate by gender, 70.8 per cent of the long-term unemployed are males while 29.2 per cent are females.

⁶ Source for EU Data: Eurostat, 3 October 2006, extracted on 10 October 2006.

⁷ Vide footnote 6

Figure 1.2: Unemployed by duration of unemployment

Source: National Statistics Office, Annual Labour Force Survey data sets

Persons registering for employment

An overview of those registering for employment with the Employment Training Corporation (ETC) shows that in 2005 there were a total of 7,379 persons registering for employment, amounting to an unemployment rate of 5.1 per cent⁸.

Table 1.5

Unemployment by occupation sought

Occupation Sought by persons registering under Part 1	2000 No.	2001 No.	2002 No.	2003 No.	2004 No.	2005 No.
Legislators, senior officials, and managers (& supervisors)	93	97	82	93	92	193
Professionals	34	40	41	82	81	294
Technicians and associate professionals	188	201	229	270	301	547
Clerks	596	702	679	791	705	1,031
Service workers and shop and market sales workers	632	755	758	809	858	1,194
Skilled agricultural and fishery workers	101	89	95	108	79	191
Craft and related trade workers	811	763	795	975	947	1,224
Plant and machine operators and assemblers	1,185	1,191	1,214	1,302	1,198	956
Elementary occupations	2,943	2,915	2,881	3,064	3,129	1,066
Total	6,583	6,753	6,774	7,494	7,390	6,696
Unemployment rate (%) ⁹	5.0	5.1	5.2	5.7	5.6	5.1

Source: National Statistics Office - as per ETC administrative records - December

⁸ The rate of unemployment of registered persons with ETC and that of the LFS survey differ since the former is based on the actual number of persons registering for work with ETC. Such information is maintained on the ETC administrative records. As regards the LFS, as explained under Table 1.4 the rate is based on a household survey carried out by the NSO in accordance with methodologies of the European Union's statistical agency, Eurostat, and the International Labour Organisation.

⁹ Unemployment rate considering both those registering under Part I and II.

Of those registering for work, 6,696¹⁰ registered for employment under Part I and 683 registered under Part II¹¹. This represents a decrease of 8.9 per cent over the previous year. Between 2000 and 2004, the majority of the unemployed under Part I were those looking for elementary and low-skilled occupations. In 2005 a reclassification exercise was carried out by ETC which resulted in a revision of the registration options in line with labour market demands. The outcome was a decrease of elementary and low-skilled occupations registered over the previous year.

1.2.2 Labour cost and productivity

Unit labour cost growth compares remuneration (compensation per employee) and productivity (Gross Domestic Product per employment) and serves to show how the remuneration of employees is related to the productivity of their labour¹². Real unit labour costs increased substantially in 2001 and 2003 in the wake of higher growth in compensation per employee and contraction in productivity. During 2002, an easing in wage pressures together with an improvement in productivity contributed to a relative deceleration in unit labour costs. Subsequently, increases were registered in unit labour costs in 2004 reflecting lower productivity levels. Unit labour cost growth in 2005 shows that Malta registered a unit labour cost growth of a negative 2.2 per cent - hence the growth in remuneration of employees was less than productivity thereby increasing Malta's competitiveness.

Apart from price competitiveness, Malta's national competitiveness is dependent on labour productivity. Labour productivity as measured by GDP in PPS per person employed relative to EU25 (EU25=100) fell by 1.3 percentage points in 2005 when compared to the comparable period in the previous year. This follows the recent trend recorded in the data for 2003 and 2004 when labour productivity declined by 2.5 percentage points and 2.7 percentage points respectively. The labour productivity index (relative index of GDP per person employed) represents the relativity of national measures of labour productivity to the European Union (EU25) average. Over the period 2000 to 2005, Malta's labour productivity has declined by 9.8 percentage points, highlighting an important area of concern for Malta in its endowment to improve on its international competitiveness.

1.2.3 Employment by economic sector

a) Private Sector

The private economic sector in Malta is predominantly made up of small and medium sized enterprises (SMEs). In fact, in 2003, 99.9 per cent out of 33,501 enterprises were SMEs (including micro enterprises). Over 90 per cent of the SMEs are micro-enterprises, employing less than ten persons.

Table 1.6

Total employed by economic sector						
	2000	2001	2002	2003	2004	2005
Labour Force	No.	No.	No.	No.	No.	No.
Private Sector	95,665	97,419	97,564	99,022	99,360	101,029
Public Sector	50,581	48,598	50,888	49,742	49,258	48,062
Total employment	146,246	146,017	148,452	148,764	148,618	149,091

Source: National Statistics Office, Annual Labour Force Survey data sets

¹⁰ This figure is based on the administrative records of ETC which classifies the gainfully occupied population according to the standard NACE classification of the economic activities. This classification was introduced during 2005 and was applied to employment statistics as from 1992 onwards. As a result, this figure is not directly comparable with the other data included under this section.

¹¹ Registered unemployed with ETC is composed of both Part I and Part II of the Register. Part I of the Register includes those who are eligible for work and registering with ETC as unemployed, while Part II incorporates other categories of persons searching for work but are not eligible to register under Part I.

¹² A negative growth rate of the unit labour cost index indicates that the output value created is higher than the cost of labour.

Over the past six years private sector employment has registered an overall increase. As shown in Table 1.6, in 2005, private sector employment stood at 101,029, reflecting an increase of 1,669 (1.7 per cent) over the previous year and an increase of 5,364 jobs (5.6 per cent) when compared to 2000¹³. The share of total private sector employment over total employment stood at 67.8 per cent in 2005, an increase of 0.9 percentage points over the previous year and an increase of 2.4 percentage points since 2000.

Table 1.7

Private Sector by economic activity						
Economic Activity	2000 No.	2001 No.	2002 No.	2003 No.	2004 No.	2005 No.
Direct production						
Agriculture, hunting and forestry	1,428	1,708	1,550	1,763	1,703	1,374
Fishing*	435	574	471	499	547	479
Mining and Quarrying	715	771	637	951	678	787
Manufacturing	29,487	28,102	26,460	25,770	26,614	26,018
Electricity, Gas and Water Supply*	161	153	54	18	47	0
Construction	6,952	7,336	7,990	7,882	7,821	9,279
Sub total	39,178	38,644	37,162	36,883	37,410	37,937
Market services						
Wholesale and retail trade	20,522	20,797	20,670	21,404	21,933	21,049
Hotels and restaurants	10,403	12,499	13,150	12,272	11,995	11,994
Transport, storage and communications	4,810	5,404	5,206	6,011	5,894	5,986
Financial Intermediation	5,191	5,187	4,624	5,373	4,204	5,733
Real Estate, renting and business activities	5,364	5,481	6,359	7,043	7,034	7,381
Public admin. and defence; compulsory social security*	449	0	125	85	51	86
Education	3,066	2,888	3,397	3,430	3,481	2,912
Health and Social Work	1,980	2,123	2,542	1,748	2,713	2,410
Other community, social and personal service activities	4,268	4,004	3,908	4,289	4,197	5,184
Private households with employed persons*	303	224	137	348	130	94
Extra-territorial organisations and bodies*	131	168	284	136	318	263
Sub total	56,487	58,775	60,402	62,139	61,950	63,092
Total Private Sector	95,665	97,419	97,564	99,022	99,360	101,029

Source: National Statistics Office, Annual Labour Force Survey data sets

*This data indicates that the sample size is small and caution should be made in interpreting the results of those lines in terms of their statistical relevance.

Over the six years under review, the increase in employment in the private sector reflects an expansion in private market services. At a disaggregated level, the shift in private sector employment from manufacturing activities towards service-oriented sectors is evident in Table 1.7. In particular, the private sector complement in employment in direct production registered an overall decrease of 3.2 per cent between 2000 and 2005. This is mainly the result of a considerable decrease of jobs in the manufacturing sector (11.8 per cent between 2000 and 2005). These developments principally reflect the restructuring efforts being made in the manufacturing industry. It also reflects the open nature of this sector which during the years under consideration had to cope with an unfavourable international economic scenario, as well as trade liberalisation and increasing international competitive pressures. Conversely, total employment in the main private market services increased

¹³ This is due in part to major privatisation measures that occurred throughout these years.

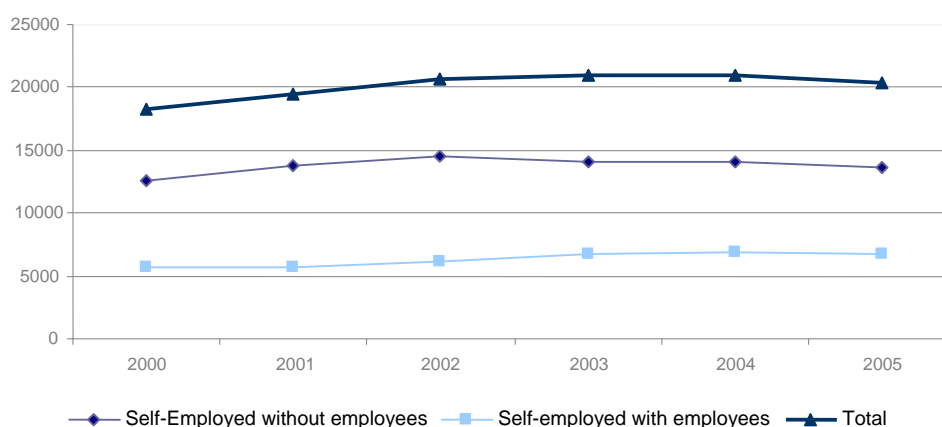
by 6,605 over the same period. This increase is attributed to an expansion in employment in real estate, renting and business activities; transport, storage and communications; and in health and social work¹⁴.

The share of private market services of the total private sector employment stood at 62.4 per cent in 2005, which is 0.1 percentage points more than the previous year and 3.4 percentage points over a period of six years. These developments indicate long term trends towards greater reliance on market services as the main source of employment creation in the private sector. The private direct production category registered declines owing to re-orientation of manufacturing towards less labour intensive and higher value-added activities as well as increased competitive pressures faced by certain sectors. The increase in private sector employment between 2000 and 2005 was mainly attributed to an increase in male employment (+8.9 per cent), whereas female employment marked a decrease of 1.1 per cent during the same time period.

In 2005, the share of female employment in the private sector was of 30.6 per cent. Following the same scenario since 2000, women have been mainly represented in the manufacturing sector (22.8 per cent), followed by wholesale and retail trade (21.0 per cent), and hotels and restaurants (13.8 per cent). Despite these being the sectors where females are mostly represented, over the six years female participation has decreased in both the manufacturing (-27.2 per cent) and in wholesale and retail trade (-7.8 per cent) sectors, but increased in hotels and restaurants (+18.2 per cent). Between 2000 and 2005, the sharpest increase in female employment was registered in other community, social and personal services activities (+71.6 per cent) followed by transport, storage and communication (+65.3 per cent). In 2005, women's representation exceeded that of men in five economic activities, namely financial intermediation; education; health and social work; other community, social and personal service activities; and private households with employees. On the other hand, women are mainly under represented in fishing, mining and quarrying, and construction and not represented in electricity, gas and water supply.

In 2005, a total of 20,380 persons were self-employed (with or without employees) representing 13.7 per cent of the employed population, of which 86.5 per cent were males. An increase in self-employment of 11.2 per cent was registered between 2000 and 2005, with an increase of 10.8 per cent for males and 5.2 per cent females. The main expansion between 2000 and 2005 was registered for self-employed with employees (+19.0 per cent). An increase, though less significant, was also registered for self-employed without employees (+7.7 per cent), with the peak being reached in 2002 followed by a subsequent decreasing trend.

Figure 1.3: Total number of self-employed (main occupation)



Source: National Statistics Office, Annual Labour Force Survey data sets

¹⁴ Between 2000 and 2005

b) Public Sector

The wider Public Sector in Malta can be classified into four distinct groups: ministries and government departments; statutory corporations and authorities¹⁵; government-owned limited liability companies and foundations; and Local Councils. The Public Service, which is part of the wider Public Sector, consists of staff in ministries and departments recruited under the authority of the Public Service Commission. The Public Service in Malta, however, has a broader scope than that of many larger countries. Given Malta's small size, most public functions fall under the responsibility of the central Government. For example, the relevant ministries manage public schools and hospitals including health clinics, and their employees are considered part of the Public Service. This explains the relatively high rate of 21.0 per cent rate (in 2005) of employment in the Public Service over the total employed population.

Public Sector employment in general has decreased by 5.0 per cent between 2000 and 2005. This decrease was a direct result of the restructuring of public enterprises, privatisation initiatives and Government's drive to reduce manpower in non-essential categories in Government Departments¹⁶. Disaggregating this information by gender, the decrease was only recorded in the case of men (-11.8 per cent), while women registered an increase of 14.5 per cent. At the end of 2005, total employment in the Public Sector stood at 48,062 persons (32 per cent of the labour force), representing a cumulative decrease of 2,519 persons since 2000. Additionally, a decrease of nearly 9 per cent between 2000-2005 was registered for Government Departments. Around a quarter of the decline was concentrated in the direct production category. The share of Government Departments in Public Sector employment in 2005 increased by 0.9 percentage points over the previous year, while it decreased by 2.9 percentage points between 2000 and 2005. Employment in independent statutory bodies increased by approximately 33.6 per cent over the same period, which is mainly the result of job creation within the market services category.

Table 1.8**Employment by economic Public Sector**

Public sector - labour status	2000	2001	2002	2003	2004	2005
	No.	No.	No.	No.	No.	No.
Public Majority	7,895	7,636	8,514	7,271	5,828	5,676
Men	7,131	6,560	7,081	5,873	4,554	4,525
Women	764	1,076	1,433	1,398	1,274	1,151
Independent Statutory Bodies	8,298	9,541	10,461	10,422	11,785	11,087
Men	7,314	8,072	8,528	8,343	9,731	9,115
Women	984	1,469	1,933	2,079	2,054	1,972
Government Depts & Ministries	34,388	31,421	31,913	32,049	31,645	31,299
Men	23,088	21,885	20,830	20,878	19,975	19,481
Women	11,300	9,536	11,083	11,171	11,670	11,818
Total	50,581	48,598	50,888	49,742	49,258	48,062
Men	37,533	36,517	36,439	35,094	34,260	33,121
Women	13,048	12,081	14,449	14,648	14,998	14,941

Source: National Statistics Office, Annual Labour Force Survey data sets

Despite the decreasing trend in employment within the Public Sector, Government recognises that the Public Sector continues to be overmanned in certain areas (mainly the unskilled/semi-skilled) which may be leading to an under-performing economy. In this context, improvements and efficiencies in public administration shall continue, mainly through redeployment policies and further training.

¹⁵ including autonomous regulatory bodies.

¹⁶ By improving employee utilisation and redeploying surplus staff, coupled with the offer of early retirement schemes in various public entities.

1.2.4 Gender equality and women in the labour market

Government has embarked on various measures towards an integrated approach to promote gender equality and to increase the female participation rate, the latter currently comparing unfavourably with the EU25 as identified in Table 1.9. In this respect, in 2004 Government established the National Commission for the Promotion of Equality (NCPE) whose terms of reference include the identification and monitoring of national policies addressing discrimination and the promotion of gender equality. Gender equality has been given a firm legislative basis by means of the Equality for Men and Women Act of 2003 (CAP 456) which strengthened the national machinery for gender equality. Through the Income Tax Act (CAP 123) Government introduced new fiscal incentives to encourage more women to return to the labour market¹⁷.

In addition, as part of the new Collective Agreement for Employees in the Public Service which came into effect in January 2005, further flexible family-friendly measures are envisaged which will enable employees to combine their work and family responsibilities through extended and more flexible parameters in their utilisation of unpaid parental leave and reduced hours. NGOs working in this sector have, over the last four/five years, actively contributed to policy formulation and implementation in the field of gender equality. A number of projects co-funded under the 2004-2006 Structural Funds Programme and also under the Community Initiative *Equal* aim at promoting equal opportunities and facilitating access to the labour market by women. The main actions focused on media campaigns on a number of issues related to equality, pilot projects, promotion of family friendly measures in the Public Sector, research into the introduction of family friendly measures and gender issues at the workplace.

The level of female participation in the labour market has increased by 3.4 per cent. Despite this, further efforts are still required. In 2005, the total overall employment rate stood at 54.3 per cent. Disaggregating this information by gender one notes that whilst the rate for males stood at 74.4 per cent (EU25: 71.3 per cent), the rate for females was of 33.9 per cent (EU25: 26.3 per cent). The same trend followed for the activity rate, where the rate for males stood at 79.3 per cent as opposed to 36.9 per cent for females. Females also experienced a higher unemployment rate of 8.9 per cent when compared to 6.6 per cent for males.

Table 1.9

Labour market information by gender for 2005

	Males %		Females %		Total %	
	MT	EU25	Malta	EU25	Malta	EU25
Activity Rates	79.3	77.8	36.9	62.5	58.3	70.2
Employment Rate	74.4	71.3	33.9	56.3	54.3	63.8
Unemployment Rate	6.6	7.9	8.9	9.8	7.3	8.7

*Source: National Statistics Office, Annual Labour Force Survey data sets
EU figures are extracted from the Eurostat Database*

Low female participation rate is often attributed to cultural issues, where much value has traditionally been placed upon the full-time availability of a mother to her children and therefore married women with young children tend to re-enter the labour market later on in life, if at all. Moreover, work may not be perceived to pay for women who are not in employment particularly in the light of a 'double shift' and the possible expense of childcare. A consideration should also be made between the potential link between the low female participation rate in the labour market and the availability of affordable childcare facilities. Child day-care centres are a relatively recent phenomenon in the Maltese society, with the earlier ones being set up in 1996/1997. Childcare services for children under three are currently being provided through a number of private commercial initiatives, while baby sitting services are usually offered from the carer's home. There are approximately 50 childcare

¹⁷ One of these provisions gives women who have been absent for more than five years from work, will be exempt from tax for the first year during which they return to work, while an other measure relates to part-time job as a secondary source of income for a married couple which gives them the possibility to qualify for a 15 per cent flat rate tax on the part time job of the other spouse who holds a part-time job as a primary source of income.

facilities¹⁸, catering for approximately 1,000 children under 3 years of age. Pre-school (kindergarten) provision is widely available by the State, but also through church and private institutions. Out-of-school service (covering out of school hours and holidays) is the least structured and available of all day care services. Government provision is limited and is mainly related to providing childcare services at the workplace¹⁹.

To facilitate the integration of women in the labour market, Government has published standards for childcare facilities and launched an administrative scheme which will provide improvement grants to existing facilities, the aim being that of regulation and facilitation of the provision of childcare facilities. Under the 2004-2006 Structural Funds programme, Government is also supporting childcare through the training of child carers, the provision of a package of incentives for companies to set up and run childcare services for their employees and a national campaign on the benefits of quality childcare.

1.2.5 Undeclared Work

It is generally acknowledged that a degree of undeclared employment exists in the local labour market. However, by its very nature, undeclared work is impossible to quantify precisely. It is widely believed that such work occurs in sectors such as construction-related trades and in domestic and personal services. ETC is preparing a campaign to raise awareness of the benefits of working within the formal economy, as well as, penalties for those operating outside it. ETC operates a Law Compliance Unit, and this Unit follows up on hotline and other reports of such irregular employment. The payment of fines or the provision of opportunity for regularisation is also, at times, opted for as a corrective action. Between October 2004 and September 2005, 3850 on-site inspections were conducted with more than 2000 infringements found.

The challenge is to help transform such work into declared employment through making-work-pay measures. Significant measures in this regard have been taken in the last two budgets which, for instance, allow preferential tax rates for secondary earning spouses earning below the minimum wage, and a pro-rating of the national insurance contribution. Although it will probably always pay certain tradespersons more to operate as self-employed rather than employees, there is still scope to encourage such persons to operate as self-employed in the formal economy.

Migration

Part of the undeclared work component consists of foreign labour. Employers often complain that they do not find local labour readily available in a number of areas, particularly in the construction industry. In order to meet the requirements of the labour market, ETC is also conducting extra training in those areas where employers are claiming not to find local labour. Moreover, since accession, the process of regularising foreign workers has been simplified. Permits for EU nationals and recognised refugees, persons with temporary humanitarian protection (THP), and asylum seekers, are issued automatically. Permits for third country nationals are issued on a case-by-case basis. The latter is in line with labour market shortages and depends upon the employers' submission of full job descriptions and CVs, and of their efforts to locate suitable Maltese workers. At end-September 2006, there were 6093 active work permits, of whom (a) 853 were recognised refugees, THPs or asylum seekers; (b) 2223 EU nationals; and (c) 3017 third country nationals.

1.2.6 Employment services and governance

Malta's employment policy is based on the premise of providing an equitable access to employment. In this regard, Government provides employment services to a number of target groups in order to address employment concerns. Besides providing this support, Government is committed to ensure a productive working relationship with all the Social Partners and interested groups in order to secure social and economic development.

Employment services and governance responsibilities are shared between the Employment and Training Corporation, the Department of Industrial and Employment Relations and the Occupational

¹⁸ Including centres, home-based facilities and private kindergartens.

¹⁹ Examples include: St. Luke's Hospital, the University of Malta and APPOGG through its ACCESS Community Resource Centre.

Health and Safety Authority. Each entity is established by national law, these being the Employment and Training Services Act (CAP 343), the Employment and Industrial Relations Act (CAP 452) and the Occupational Health and Safety Act (CAP 424).

The introduction of these acts has brought about new concepts and outlooks in the field of Maltese employment relations. In terms of the Employment and Training Services Act, concepts such as job-brokerage service, work-permit system, law compliance and training provision were given a boost. In terms of the Employment and Industrial Relations Act (CAP 452), together with the subsidiary legislation, has presented new challenges since it not only focused on enforcement but also on impartial advisory services on issues related to employment rights to both employers and interested parties. The Occupational Health and Safety Act has regulated the occupational health and safety protection levels.

a) Employment and Training Corporation

In 1990, Government established the ETC, Malta's public employment service agency, with the aim to provide and maintain an employment service, to assist the registered unemployed in finding employment and employers in finding suitable employees, to provide training service to clients seeking new jobs and to clients already on the job but wanting to improve their knowledge and skills²⁰. In addition, ETC controls abuse in employment benefits resulting from registering jobseekers having illegal employment or by employers employing persons illegally. From August 2005, ETC has also assumed responsibility for the consideration and issue of employment licences to non-Maltese nationals.

Between October 2004 and September 2005, the Corporation's drive to attract more vacancies from employers (to which it may then refer job seekers) resulted in an increase of 11 per cent of job vacancies registered, an increase of 37 per cent in the number of placements and a decrease of 13 per cent in the unemployment register of ETC. Over the same period, the training programme has been characterised by the introduction of the new apprenticeship framework, an increase in the number of participants in mainstream courses, and the introduction of a number of new programmes and initiatives targeting specific client groups. Moreover, the number of persons trained by the Corporation increased by 9 per cent of all registered jobseekers²¹.

b) Department for Industrial and Employment Relations

The Department of Industrial and Employment Relations (DIER) within MEYE is responsible for ensuring that the conditions of employment emanating from the Employment and Industrial Relations Act, 2002 (CAP 452), and subsidiary legislation are observed through appropriate monitoring and enforcement. The Department provides mediation and conciliation through early intervention in industrial disputes with a view to reconciling the parties thereby promoting social dialogue at enterprise level and industrial peace. Between 2000 and 2005, industrial relations experienced a considerable decline in the number of stoppages from work, which have nearly been halved, leading to a decrease of 71.9 per cent in number in man-days lost²². DIER also acts as the national focal point with regard to matters relating to the International Labour Organisation (ILO) and ensures that EU labour legislation is implemented in Malta through the promulgation of legal instruments establishing standard conditions of employment.

In consultation with the Social Partners, DIER provides the necessary framework for the registration and cancellation of trade unions and employers' associations and for receiving annual returns as prescribed by law. The Department also provides support services to the Industrial Tribunal²³,

²⁰ ETC also has a job centre in Gozo.

²¹ The 2004-2006 ESF projects contributed to results mentioned.

²² The number of man-days lost on the number of strikes per year, on the number of workers involved and the duration of the industrial action.

²³ The Industrial Tribunal is a juridical Tribunal established by the Employment and Industrial Relations Act 2002(Cap 452). It has exclusive jurisdiction to consider and decide all cases of alleged unfair dismissals and all cases falling within its jurisdiction by virtue of Title I of CAP 452 (Employment Relations) or any Regulations issued thereunder.

National Employment Authority²⁴, Guarantee Fund Administration Board²⁵, and Employment Relations Board²⁶. The Department carried out over 2,700 workplace inspections in 2005 and processed more than 16,000 queries on conditions of employment from the public. It intervened in 59 industrial disputes with agreement being reached in over 80 per cent of cases.

c) Occupational Health and Safety Authority

Government established the Occupational Health and Safety Authority (OHSa) in 2000. The Authority promotes occupational health and safety (OHS) at all workplaces, provides training related to OHS (both of a general nature and also tailor made), carries out OHS inspections, and disseminates and provides information to ensure compliance with the OHSa Act (CAP 424). The OHSa has the responsibility to ensure that the physical, psychological and social wellbeing of all workers in all workplaces is safeguarded as well as ensure compliance with national legislation and the EU *acquis* in the area of occupational health and safety.

In the last three to four years the OHSa participated in a number of EU initiatives including a Twinning project with its UK counterpart and a Twinning Light with Austria in order to strengthen its administrative capacity²⁷. The OHSa is promoting the concept of employability, adaptability and healthy lifestyles through education, training and investment in OHS. A tripartite OHSa Board ensures the full involvement and participation of Social Partners on matters related to occupational health and safety.

The OHSa faces continuous challenges relating to the need for a change in mentality at different levels of both the labour force as well as the general public. In recent years campaigns were carried out in Malta, largely focusing on particular sectors where awareness about the importance of OHS and the benefits yielded in investing in this area were deemed fundamental. From a financial aspect alone, the ILO has estimated that occupational accidents cost countries an annual average of 4% of their GDP. In Malta's case, this would amount to an annual public expense of Lm 76 million.

In Malta, between 2000-2004, the number of accidents at work declined at an increasing rate, whereas in 2005 it kept decreasing at a slower pace. Despite the general decline in accidents at work, marked increases were reported by professionals, service workers and shop and market sales workers, and plant / machine operators and assemblers. In general, women were less likely to be the victims of accidents across all types of occupations during the same period. For all the years between 2000 and 2005 and for both genders, elementary occupations presented the highest number of accidents at work, amounting to over half of the occupational injuries. Skilled agricultural and fisheries workers remained the least likely to have accidents across both sexes. In 2005, the most common type of injuries were wounds and superficial injuries (42.9%), dislocations, sprains and strains (30%), bone fractures (9.8%) and burns, scalds and frostbites (3.9%).

²⁴ The National Employment Authority's function is to adjudicate appeals submitted by unemployed persons. registering under Part II at the Employment & Training Corporation and declared not eligible to register under Part I.

²⁵ The Guarantee Fund Administration Board is the body established by Legal Notice 432 of 2002 responsible for the administration of the guarantee fund set up by Article 21 of the Employment and Industrial Relations Acts. The Fund is utilized to guarantee payment of valid claims for employees' outstanding wages and for contributions to be paid by the employer in respect of occupational pension schemes resulting from contracts of service, when the Board is satisfied that the employer concerned has become insolvent.

²⁶ The Employment Relations Board is the body established by Article 3 of the Employment and Industrial Relations Act which makes recommendations to the Minister responsible of industrial and employment relations as to any national minimum standard conditions of employment and sectoral conditions of employment. Moreover, it advises the same Minister on any matter relating to conditions of employment.

²⁷ Through Pre-Accession and Transition Facility Funds, the OHSa benefited from an allocation of €1.6 million (including Malta funds) to support the effective implementation of Occupational Health and Safety Law in a Pre-Accession context, institutional building of the OHSa; and the strengthening of administrative capacity of the National Labour Inspectorate (OHSa component).

1.3 Education and Training

1.3.1 Education Policy

Human resources are Malta's main natural resource and Government's priority remains that to encourage and support people to realise their full potential in order to contribute to the country's socio-economic development. The development of human capital is crucial since skills, creativity and competence growth are most likely to result in a strong sense of individual fulfilment and cohesion to society's values. Furthermore, a citizen who is better equipped, flexible and confident will also be more productive, creative and innovative, thereby enhancing the society of which one forms part.

Malta has an extensive and inclusive education system. At 4.8 per cent, public expenditure on education as a percentage of GDP compares favourable with the EU25 average (4.8 per cent compared to 5.2 per cent in 2003). The country has a number of incentives for students to remain in education especially in the vocational and tertiary levels. On the other hand, in 2005 Malta had an early school leaver rate 38.9 per cent, compared to 15.2 per cent in the EU25. The participation rate of 20-24 year olds achieving upper secondary education level or more was 53.7 per cent in 2005 when compared to 76.9 per cent in the EU25²⁸. The lifelong learning ratio, measured by the percentage of population aged 25 to 64 participating in education, training or courses, is only around half that recorded in the EU25²⁹.

Participation rates in further levels or in a different mix of subjects depend on a number of factors within the system that are not as straightforward as the issue of increasing capacity. In this regard, Government introduced an educational reform intended to improve quality education for all. The major reform plan for compulsory education were launched in June 2005, with a document entitled *For All Children To Succeed*. Government is spearheading an intensive and creative reform to upgrade all educational services with the ambitious aim of providing quality education for all. An array of critical analyses on issues such as governance, autonomy, decentralization, absenteeism, inclusive and special education, assessment, career guidance and adult basic skills were carried out. Experience and analysis have clearly indicated that the basis for all policy direction and strategy should be early intervention and a strong base of trained professionals to deliver the array of services within the education sector. The earlier difficulties are identified and addressed by professional experts, the more effective the result will be. In the long term this will lessen worrying situations such as children lagging behind, illiteracy, absenteeism, early school leaving and unemployment.

During the past decade emphasis has been placed on issues such as the national curriculum, school development plans, inclusion, literacy programmes, family literacy programmes, parent participation in education, schools as hubs of community learning, ICT in schools, standards and quality, level descriptors, and teachers and school accountability as drivers for school improvement. The different initiatives embarked upon in the recent past brought about important developments in all areas and levels of the educational services in Malta and Gozo. However, the education system needs continuous renewal in order to remain relevant to current economic developments. This calls for a new phase of reform which entails the strengthening of the educational system by transforming it into a new framework that will make it respond in a more relevant, effective and timely manner to meet the needs of the students and the country.

In this context, Government established a number of structures, including the Malta Qualifications Council (MQC) for the development of the National Qualifications Framework, the National Commission for Higher Education (NCHE) as an advisory commission for the development and transformation of the post-secondary and tertiary sectors, and a working group that is currently working on identifying the needs for the adult education and training sector. Moreover, Government embarked on a comprehensive process of educational review which covers early childhood education provision; inclusive education policies, structures and services; school attendance and absenteeism; state primary and secondary schools; education division restructuring; Matriculation and Secondary Education Certificate; adult basic skills; career guidance; higher and tertiary levels of education; and lifelong learning.

²⁸ Source for EU Data: Eurostat, 5 October 2006, extracted on 10 October 2006.

²⁹ Source of EU Data: Eurostat 9 November 2005, extracted 10 October 2006

1.3.2 Education Structure

Over the past fifty years the Maltese Government has been delivering free education for all at primary and secondary levels, while at tertiary level, education became free in 1970. Education is provided for free in all State and church schools and is compulsory up to the age of 16. Additionally, most post-secondary institutions are free of charge and those students following full-time post-secondary courses receive a basic student maintenance grant to encourage participation in further and higher levels of education. At the tertiary level, students attending their first full-time degree course at the University are eligible for a student maintenance grant subject to satisfying eligibility criteria. Since the introduction of the students' maintenance grants in 1988, reforms have been made to this system to make it more effective.

In total, there are 166 schools in Malta and Gozo providing for compulsory education, of which 109 (67.9 per cent) are state schools³⁰. State schools (74 primary and 35 secondary), Church (34) and Independent (20) schools provide education starting from pre-primary to post-secondary levels. All State schools and a number of non-state schools provide kindergarten services, which are attended by around 93 per cent of the age cohort (3-4 years). At the post-secondary level, eight colleges provide general education of which three are state run, two are church schools and three are private schools. In addition, the Malta College of Arts, Science and Technology (MCAST), and the Institute for Tourism Studies (ITS)³¹ are two public colleges providing post-secondary vocational education. Tertiary level education is provided predominantly by the University.

1.3.3 Pupil/student population

Between 2000 and 2004, the overall pupil population at primary level decreased from 34,261 to 31,064 (-9.3 per cent). At the secondary level³² student population has increased from 27,254 to 29,540 (+8.4 per cent). The most substantial changes have occurred in the post-secondary sector (including vocational education) where the opening of MCAST has seen the student population at post-secondary and vocational level increase from 9,453 in 2000 to 12,520 in 2004 (+32.4 per cent). In 2004, the student population at ITS stood at 544 students, with an additional 163 students studying part-time. As highlighted in Table 1.10, the University student population increased from 5,362 in 2000 to 7,955 in 2004 (+48.4 per cent). A sharp increase was registered between 2002 and 2003 (+22.8 per cent), while a decrease of 11.7 per cent was registered between 2003 and 2004. This is likely the result of a sharp increase at the vocational level (51.9 per cent) over the same period.

The increase of students both at the University and MCAST led to a corresponding increase in resources, student maintenance grants and the need for additional physical space. Trends are indicating that early, primary and secondary levels will experience a general decline in pupil/student population in the future as a result of a declining birth rate. However, the post-secondary and tertiary sectors should experience an increase in the underlying population of target age cohorts leading to the need for structural transformations in terms of expansions and development. Malta aims to address the issue of education and training infrastructure through Operational Programme I (ERDF).

Despite these achievements in the participation levels of post-secondary education and beyond, Malta has a high rate of early school leavers³³ of 38.9 per cent (2005) when compared to the EU25 average, which is around 15 per cent (2005)³⁴. Around 97 per cent of early school leavers in 2005 have completed secondary level of education, implying that they have completed kindergarten and all levels of compulsory education (i.e. six years of primary schooling and five years of secondary schooling, but do not continue to further or higher education). Around 2 per cent completed only primary school. The rest have participated in special school for students with disabilities.

³⁰ During the scholastic year 2003-2004 (Source: Education Division)

³¹ Under Malta's Structural Funds Programme 2004-2006, a new and modern facility is being built in Gozo which will enable the institute to deliver more tourism related courses in Gozo.

³² Up to the age of 16.

³³ Definition of early school leavers – persons aged between 18 to 24, having at most secondary education and are not in formal education or attending any type of courses, seminars or conferences.

³⁴ Source of EU data: Eurostat, 27 June 2006, extracted on 10 October 2006.

Table 1.10

Enrolment at different levels of education					
Level	Primary	Secondary	Post-secondary	Tertiary	Vocational³⁵
2000 Total	34,261	27,254	5,191	5,362	4,262
Males	17,605	13,543	2,278	1,961	3,255
Females	16,656	13,711	2,913	3,401	1,007
2001 Total	33,530	27,647	5,122	7,493	4,134
Males	17,315	13,814	2,516	3,392	3,131
Females	16,215	13,833	2,606	4,101	1,003
2002 Total	32,717	28,126	4,973	7,332	4,087
Males	16,946	14,302	2,705	3,159	2,868
Females	15,771	13,824	2,268	4,173	1,219
2003 Total	31,708	28,560	5,169	9,006	4,635
Males	16,454	14,443	2,298	3,888	3,168
Females	15,254	14,117	2,871	5,118	1,467
2004 Total	31,064	29,540	5,479	7,955	7,041
Males	16,084	14,988	2,318	3,515	5,063
Females	14,980	14,552	3,161	4,440	1,978

Source: National Statistics Office, Malta in Figures 2004: Education and Culture

School absenteeism within the educational system is a phenomenon worth analysing since it has far reaching consequences impacting on a variety of social actors. Data shows that absenteeism in state primary schools, which stood at average of 11 days per pupil in 2003/2004 scholastic year, is not spread evenly across locations. With an average of 26.8 days per pupil, in 2003/2004, Bormla had the highest school absences in Malta, followed by Valletta and Hamrun with an average of 23.7 and 20.8 respectively. On the other hand, the lowest average was found in Mellieha and Marsaxlokk, both having an average of 6.4 days in school absences. In Gozo, the average number of absent days stood at 5.8 which is less than the average for Malta. As regards private primary schools (Church and Independent Schools) the average absent days is 10, which is marginally less when compared to the state primary school absenteeism levels. At the secondary level, the situation mirrors absenteeism at the primary level, where private schools register a lower rate of absenteeism. A very high level of absenteeism, however, is registered for 'Boys/Girls secondary schools' (formerly known as opportunity centres³⁶) which had an average absenteeism level of 40.3 days.

From a research carried out in 2005³⁷, the most common causes of absenteeism³⁸ and truancy³⁹ were family related problems and lack of motivation. Although school factors were mentioned, they were significantly fewer than responses focusing on the child and his/her family context. A draft national school attendance policy has been formulated to ensure first and foremost that school attendance is given a high priority. The policy also outlines the services which need to be developed and/or consolidated to improve school attendance and provides guidance for schools in ensuring best practice.

³⁵ Including post-secondary vocational courses.

³⁶ Opportunity centres are intended to step up assistance to students who are not achieving expected learning targets in the class. These centres are in the process of being phased out and are being replaced by new learning zones set up within the mainstream secondary school as well as short and long term educational programmes offered by an out of school learning centre.

³⁷ Clark Marilyn et al, (2005) *School Attendance Improvement, October, MEYE*

³⁸ Can be authorised or unauthorised. The latter occurs in situations in which a parent or carer condones their child's late arrival or non-attendance at school. Alternatively, although parents may not condone such absence, they may fail or be unable to enforce attendance. As regards authorised, it occurs when a child may be permitted to stay away from school for a variety of reasons, including sickness, bereavement, domestic circumstances, etc.

³⁹ When a student is voluntarily absent or not attending school without their parents' permission and often, awareness.

1.3.4 Participation rates

The performance of a country aiming to become a knowledge-based economy can be measured in terms of the number of young people aged between 20 and 24 years achieving upper-secondary education levels or more. As shown in Table 1.11, Malta's source for this indicator increased from 40.7 per cent in 2000 to 53.7 per cent in 2005 (EU25: 76.9 per cent). It is interesting to note that whereas in 2000, 41.4 per cent of males and 39.8 per cent of females achieved this level of education, in 2005 female participants stood at 57.1 per cent (EU25 : 79.5 per cent) when compared with 50.5 per cent for males (EU25: 74.4 per cent)⁴⁰.

Table 1.11

Percentage of 20-24 year old achieving upper secondary education level or more

Gender	2000	2001	2002	2003	2004	2005
	%	%	%	%	%	%
Males	41.4	37.7	38.7	41.6	49.8	50.5
Females	39.8	40.4	47.2	49.0	52.5	57.1
Total	40.7	39.0	42.9	45.3	51.1	53.7

Source: National Statistics Office, Annual Labour Force Survey data sets

In post secondary education, the participation rate for the 17 year olds⁴¹ in 2004 stood at approximately 64 per cent⁴². In the NRP, Malta has committed itself to achieve the target of 65 per cent of people aged 22 years old completing upper secondary education by 2010⁴³.

Despite the progress made in the participation levels, the educational attainment in Malta is still low. A snapshot of the level of education of the labour force indicates that in 2005 nearly half of the labour force had a secondary level of education and 21.0 per cent had a post secondary level of education, with just over 10 per cent having a first degree. In this context it is worth noting that in general the Maltese population is bi-lingual. Together with Maltese, Malta has English as its official language, the latter taught at school since the very early stages. Generally, Maltese is the spoken language while English is the business language. This gives Malta an added edge, as English is both the business language and ICT language on an international level. In addition a good part of the Maltese population speaks a third language, generally Italian.

1.3.5 Vocational Education and Training (VET)

Over recent years, Government has invested heavily in the development of vocational education. The objective is to offer young people a parity of esteem alternative route to the University at the higher education level. It aims to cater for the potential and aspirations of students who could benefit more from vocational education and training with an accent on the implementation of theory through practice and the acquisition of knowledge, competence and flexible skills that are directly relevant to the existing and emerging industry requirements.

In 2001, Government established the Malta College for Arts Science and Technology (MCAST) which serves as an umbrella for technical and vocational education and training in Malta. Since its establishment MCAST has contributed towards an increasing trend in the participation rate in the vocational level of education. In fact, as highlighted under section 1.3.3 of this document and illustrated in Figure 1.4, the participation rate at vocational level of education increased by 65 per cent between 2000 and 2004. Between 2000 and 2005 public investment in the institute increased from Lm579,856⁴⁴ to Lm4.9 million.

⁴⁰ Source for EU Data: Eurostat, 5 October 2006, extracted on 10 October 2006.

⁴¹ One of the accepted measures of post-secondary participation rates is the participation rate of the population aged 17. This is regarded as the "ideal technical age" cohort to use since most of the students would have completed the secondary level, and would not have yet started attending University. (State Higher Education Funding, Nov, 2004)

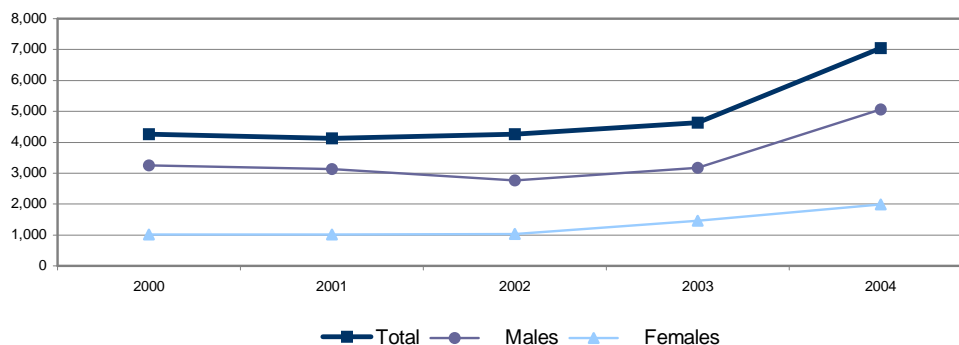
⁴² This participation rate is worked out as a percentage of the total 17 year old population mid year demographic review for 2004.

⁴³ In 2003, the rate stood at 47.5 per cent (National Action Plan for Employment, 2004)

⁴⁴ A number of vocational education and training institutions which existed in 2000 and were eventually incorporated in MCAST are not covered by the year 2000 expenditure. In fact, during 2000, an additional Lm562,415 and Lm502,808 were invested in the Trade School and Technical Institutes respectively, which institutes were later taken over by MCAST.

MCAST provides qualifications at various levels within the Maltese National Qualifications Framework (MNQF). It offers technical and vocational education and training in fields such as building and construction, electronics, electrical and mechanical engineering, business and commerce, art and design, ICT, maritime studies, agribusiness, and community services. The most popular institute was that for Business and Commerce, where in the 2003/2004 scholastic year, it catered for 25.4 per cent of MCAST students. For the males, the most popular courses related to electronics (23.2 per cent), followed by ICT (19.3 per cent) and building and construction (18 per cent). In the case of females, the most popular courses related to business and commerce (49.1 per cent), followed by community services (27.6 per cent).

Figure 1.4: Enrolment at vocational level of education



Source: National Statistics office, Malta in Figures 2004: Education and Culture

Students are able to enter MCAST at various levels, depending on their academic achievements, and progress through the various levels. In general, students start participating in vocational courses only after they have completed the compulsory schooling up to secondary level, i.e. at the age of 16. Progression between MCAST Institutes and the University and other institutions is very limited. Some students have been successful in progressing to colleges and Universities within the European Union. However, applications are usually on an individual basis and using equivalence, accreditation prior to learning and maturity clause or a combination of these processes. The absence of a clear and formalised framework that promotes and encourages flexible pathways within and between institutions is seriously disadvantaging students and is further propagating the perceived vocational academic divide.

Table 1.12

Number of full-time Students by MCAST Institutes for 2003/2004

	Males		Females		Total	
	No.	%	No.	%	No.	%
Art & Design	98	3.9	95	7.5	193	5.1
Building & Construction	450	18.0	31	2.4	481	12.8
Business & Commerce	333	13.3	624	49.1	957	25.4
Electronics	581	23.2	12	0.9	593	15.7
ICT	482	19.3	88	6.9	570	15.1
Maritime	30	1.2	1	0.1	31	0.8
Community Services	51	2.0	351	27.6	402	10.7
Agribusiness	31	1.2	3	0.2	34	0.9
Mechanical Engineering	338	13.5	4	0.3	342	9.1
Gozo	107	4.3	61	4.8	168	4.5
	2501	100.0	1270	100.0	3771	100.0

The establishment of the Institute for Tourism Studies (ITS) in 1988 supports the professional standards of human resources for the tourism industry through the provision of adequate training (with a high degree of practical experiences both in Malta and abroad) to the prospective workforce. ITS offers courses which range from general courses in hotel operations, accommodation operations, food preparation; diploma courses in food and beverage service and food preparation; and a higher diploma in hospitality management, and hotel operations. Progression from ITS to University is possible after completion of the four-year (Hospitality & Tourism Management Higher Diploma) course at which point students may become eligible for admission to the third-year of the Bachelor of Arts Honours Degree in Tourism at the University. Participation in these institutes is expected to continue increasing. Malta is currently undergoing a process of reform in VET through the design of new curricula at different levels and in various areas. The VET sector also needs to expand further in new areas to cater for skills in the emerging and growth sectors of the economy.

Government established the Malta Qualifications Council (MQC) by an amendment to Legal Notice 215 of 2000⁴⁵. This Council is vested with the authority to endorse professional and vocational standards of competence and to review these standards in order to ensure mobility, transparency and relevance to the labour market internally and at European level. In this regard, the main challenges for MQC are to ensure that formal, informal and non-formal qualifications are accredited and certified, that vocational education and training qualifications reflect relevance to the economy, to steer the development of the National Development Framework and to oversee the training and certification leading to qualifications in VET. Both the VET reform and the establishment of the MQC are a means of improving the match between the demand and supply of the labour market.

1.3.6 Tertiary education

At tertiary level the participation rate of 19 year olds stood at nearly 23 per cent in 2005⁴⁶. Participation in tertiary level education still needs to be further enhanced and increased in comparison to European levels⁴⁷. The forecast, as established in the Pre-Budget Document 2006-2010, is to reach 30.0 per cent participation rates at the tertiary level by 2010, implying that the general post-secondary capacity must expand in parallel and that a broader range of courses including bridging courses must be in place to facilitate the pathways into the tertiary level including those following vocational streams who intend furthering/extending their studies at University.

The participation in post-graduate programs including those at a Masters or Doctoral level is low. In this regard, further financial investment for research and basic research facilities at the University needs to be supported to increase the participation rates and Malta's R&D base. Incentives are being designed to boost the number of doctoral research in Malta, to provide an increasing pipeline of basic and applied research projects⁴⁸.

The rate of graduates in engineering and sciences⁴⁹ related courses at the tertiary level in the scholastic year 2003-2004 stood at 9.9 per cent (Table 1.13), a figure which needs to be increased to compare the EU25 average of 23.6 per cent in 2004⁵⁰. However, as illustrated in Figure 1.5 an increase of 31.7 per cent was registered in graduates following engineering and science related courses between the 1999-2000 and 2003-2004 scholastic years. Within the sciences field of study, the number of university graduates in ICT had an average of 36 graduates per year over five scholastic years (1999-2004). As regards health and welfare, the rate of graduates in Malta stood at 11.9 per cent in the 2003-2004 scholastic year (Table 1.13), which is close to the EU25 average of 13.6 per cent in 2004⁵¹. In this field of study, there was an increase of approximately 12.4 per cent since 1999-2000 and 2003-2004 scholastic years.

⁴⁵ The MQC is the successor of The Malta Professional and Vocational Qualifications Award Council (MPVQAC).

⁴⁶ 2005 Provisional Data

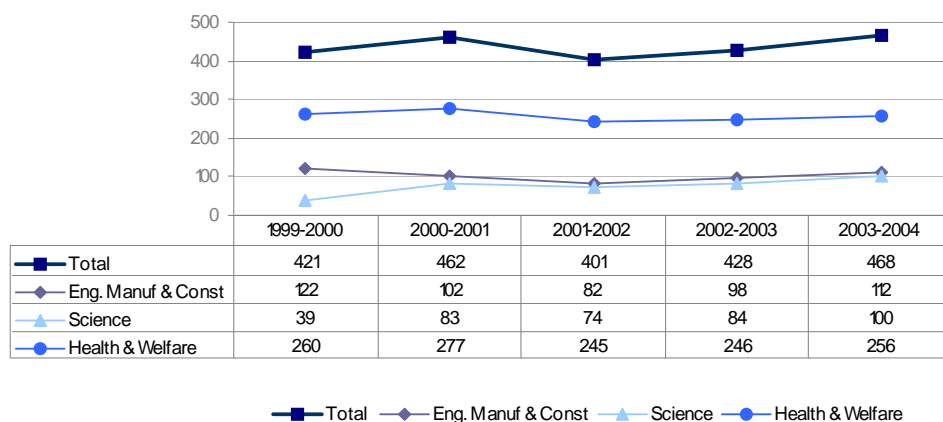
⁴⁷ Chalmers Report, (2004) State Higher Education Funding

⁴⁸ Government's commitment of Lm200,000 in this year's budget towards scholarships at Masters and Doctorate degree level is a step in the right direction.

⁴⁹ Science related subjects include the physical sciences, mathematics, statistics and computing.

⁵⁰ Source of EU Data: Eurostat 30 June 06, extracted 12 October 2006

⁵¹ Source of EU Data: Eurostat 30 June 06, extracted 12 October 2006

Figure 1.5: Tertiary education graduates in engineering, manufacturing, construction, sciences and health and welfare

Source: National Statistics office, Education Statistics

Overall, as shown in Table 1.13, at tertiary level, women are still predominantly present in teaching (73.7 per cent) and health and welfare courses (63.7 per cent) and are significantly under-represented in engineering (27.7 per cent) and the sciences (30.0 per cent), thus restricting their potential participation in economic activity in these latter areas later on in life.

Comparison between the number of graduates and their labour status shows that in 2005, 2.3 per cent of graduates were unemployed while another 21.6 per cent were inactive. Most of the graduates find employment in the education sector (31.3 per cent), followed by health and social work (13.6 per cent). In 2005, the least popular economic activities among graduates were mining and quarrying (0.2 per cent), extra-territorial organisations and bodies (0.3 per cent) and agriculture, hunting and forestry (0.4 per cent).

Table 1.13**Graduates by field of study and gender**

Field of Study	2003/2004 (ISC. 5a/5b/6)					
	Males		Females		Total	
	No.	%	No.	%	No.	%
Engineering, manufacturing & construction	81	8.8	31	2.5	112	5.2
Health and Welfare	93	10.1	163	13.3	256	11.9
Social Sciences, Business & law	446	48.5	521	42.5	967	45.1
Education	108	11.7	304	24.8	412	19.2
Humanities & Arts	96	10.4	165	13.5	261	12.2
Science	70	7.6	30	2.4	100	4.7
Agriculture	21	2.3	7	0.6	28	1.3
Services	5	0.5	4	0.3	9	0.4
TOTAL STUDENTS	920	100	1225	100	2,145	100

Source: National Statistics Office, Education Statistics

The University of Malta is the main provider of tertiary level education in Malta. With its roots going back to 1952, the University has seen its greatest growth in the last fifteen years. This high degree of success has placed considerable strain on the University's capacity to maintain its leadership in providing high quality education and a focus for multi-disciplinary research. In the next seven years or so, the competitive challenges faced by the University shall be significant considering the ever-

increasing student numbers and an increase in R & D investment. In this context, the University is in dire need to modernise and re-engineer its administrative structures in order to the effect long term strategic planning and short term business plans and to support its teaching, research and services portfolio. Lack of modernisation, re-engineering and adequately trained and experienced personnel is hampering the University to extend its teaching and research portfolio, and to participate more broadly and deeply in international collaboration / joint ventures with industry and civil society.

1.3.7 Continuous and workplace training and education in the context of a Lifelong Learning strategy

Government is investing highly in adult basic and further education and training through a number of entities. These include the Employment and Training Corporation (ETC), which in this context focuses on providing training courses for basic skills; the Department for Further Studies and Adult Education (DFSAE) within the Education Division which focuses on offering numerous subsidised courses and running the National Life Long Learning Centre for adult learners; MCAST and the University which offer numerous evening courses in a variety of areas and at different levels while having full-time courses open also to adult learners; and the Foundation for Educational Services that offers a range of specialised courses for teachers as well as non-formal courses for parents at community level, to mention but a few examples. Apart from the public organisations, there are a number of private service providers which deliver courses at all levels in a number of areas from basic training to first degree and masters levels.

It is important to note that although over the years there was an upward trend in continuous education and training participation rates, in 2005 only 5.4 per cent of adults aged 25 to 64 participated in education, training or courses when compared to the EU25 rate of 11.0 per cent⁵². This may be because more emphasis has been placed on formal learning opportunities, leading to limited structured non-formal opportunities. It is worth noting that the highest participation rates were registered for those aged 25 to 34 (8.0 per cent), and for those having tertiary level of education (17.2 per cent). Low participation rates of 3.9 per cent and 2.6 per cent were registered for persons aged between 45-54 and 55-64 respectively, implying that further efforts are required towards lifelong learning and active ageing. In this context, a working group has been specifically set up within the MEYE to address the issue of adult basic development and propose a national strategy to improve educational service provision in the area.

Government has embarked on its own initiative in investing in the skills of its employees through the establishment of the Staff Development Organisation (SDO). In 1990 – this central agency responsible for training and human resource development policy in the Public Service was set up. SDO delivers programmes which vary from year to year and continuously tries to meet the increasing challenges and demands faced by the Public Service. Courses range from short courses in languages, management, information and technology, and EU-related, subjects to the provision of sponsorships for Diplomas and Masters Degrees in specific areas. Ad hoc training programmes are also designed for the specific needs of the ministries and departments.

There is limited data available on the extent of training activities carried out in the private sector, however, from a study carried out by Malta Enterprise on a sample of 100 enterprises one notes that enterprises have undertaken numerous training activities covering a number of fields with the most popular area relating to elementary activities, followed by crafts and related trade, and management. In terms of training in the field of research and development no training activities were registered.

1.3.8 Research, Technological Development and Innovation (RTDi)

RTDi is a critical driver for the success of a competitive knowledge-based economy. Government is committed to incrementally step up the country's investment in RTDi to reach the target of 0.75 per cent R&D expenditure in relation to GDP by 2010⁵³. Overall, Malta needs to strengthen its science

⁵² Source of EU Data: Eurostat 9 November 2005, extracted 10 October 2006

⁵³ Current status is estimated at 0.3 per cent. It is also important to highlight that the low rate of R&D investment in 2004 may also be attributed to the existing methodology framework for the generation of statistics which does not have a consistent yardstick for the definition of 'research', 'technological development' and 'innovation'. This is having consequences on RTDi statistics since it is generating a negative understanding of the level of RTDi in Malta.

and technology culture by investing more in capacity building measures relating to human resources and RTDi at both the education and enterprise level.

The University of Malta plays a pivotal role in driving local research and innovation activity, based on a long history of refining key competencies and skills, and producing high quality resources. The University has established some fourteen Institutes which combine research and teaching in varying degrees. These include the Centre for Communication Technology, Centre for Environmental Education and Research, Institute for Energy Technology and the Institute of Health Care.

On a general level, as illustrated in Table 1.10, even though the number of people enrolling at tertiary and vocational levels has increased significantly over the past 5 years (including in the science field – vide Figure 1.5), in the two scholastic years falling between 2002-2004 there has been little change in the number of students reading science and engineering courses. Government has tilted maintenance grants towards science and technology subjects to try to achieve a higher take-up in these subjects. The participation in research and post-graduate programmes at Doctoral level (PhD) at the University is also relatively low especially in the field of science and technology⁵⁴ thus impinging negatively on the institution's capacity in assisting the local industry.

The low level of participation in science and engineering careers⁵⁵ may be attributed to the fact that students are encouraged to choose areas other than science and technology or to choices of subjects made very early on in the educational lifetime of the student which then have an impact on the potential fields of studies that can be undertaken at the tertiary level. In Malta, pupils at the age of 13 make choices with respect to accelerated subjects and experience major difficulties in changing to new subjects/areas of studies later on life. Given that decisions made at such an early age are generally biased by peer and parent pressures, it is important that investments with respect to the popularisation of science and science related subjects coupled with effective guidance and counselling (both with pupils and also with parents and educators) take place at a very early age.

Increasing participation rates in the areas of science and technology needs to be supported by the creation of employment opportunities arising in the R&D industry in Malta. The absence of an Intellectual Property (IP) framework is not conducive to collaboration between business and University. The University has a strong science basis and has the potential to transfer this knowledge to business in the form of Intellectual Property, however the lack of the necessary legal framework is resulting in barriers to the commercialising of the University's IP.

1.3.9 ICT and e-learning

Government acknowledges the potential of ICT to increase Malta's economic development and competitiveness. In this regard, Malta has made huge strides to bring about an inclusive information society. Between 1994-2004, in order to promote e-accessibility, Government launched a large number of electronic services and invested substantially in ICT in public schools, which has allowed the Maltese education sector to be ranked as one of the most technologically-connected in the world. At present, the ratio of students per PC is 7:1 in state primary schools whilst in state secondary schools the ratio is 14:1. All state schools are connected to the internet. ICT in education is frequently used not merely for the teaching of its use for its own sake but also as a pedagogical tool. At secondary level, ICT is treated as a subject and is geared towards a skills-based exam leading to the acquisition of the European Computer Driving License (ECDL). It is also used as a teaching tool during mathematics lessons. Additionally an initiative has been launched to use ICT across the curriculum.

At post-secondary and tertiary levels, ICT education is developed with a number of recognised educational institutions, state and private owned, which offer diverse opportunities to pursue a career path in ICT. The two state institutions which offer ICT courses at this level are the University and MCAST. University courses range from certificate/diploma courses to Ph.D level while MCAST offers courses which range from foundation certificates to higher national diplomas. The number of University graduates in ICT has registered a decrease of 38 per cent between the 1999-2000 and the 2000-2001 scholastic years. However, an increasing trend was registered thereafter to reach the

⁵⁴ Presently, the Faculty of Engineering has six students registered for PhD

⁵⁵ Excluding health and welfare

levels achieved in 1999-2000. In the case of MCAST, the number of full-time students participating in ICT related courses nearly trebled between 2001 and 2004⁵⁶. The number of ICT graduates in these two institutes is, however, increasing at a slower pace than required, particularly in view of the needs of the industry. Employment opportunities in the ICT sector has increased the demand of ICT graduates and is necessitating the up-skilling of the workforce, particularly those employed in the manufacturing industry.

Furthermore, for those who fail through the formal educational system in terms of ICT, Government is providing the opportunity to all public secondary school leavers to undergo training in basic ICT skills leading to an internationally recognised certification and is providing a number of computer labs within public secondary schools for use after school hours. This is further complemented by the efforts of the Employment and Training Corporation and MCAST which provide IT courses at different levels ranging from short basic courses to advanced ECDL and programming courses, including up to the level of HND (higher national diplomas). IT academies have also been set-up in Malta which provide opportunities to students to attain an international industry certification. To widen the potential range of ICT specialisations and support to individuals in pursuing the acquisition of ICT skills, Government established tax credits for ICT training to increase the accessibility and affordability of gaining the ICT knowledge required by the industry.

In line with Government's efforts to take the maximum leverage from technology, the introduction of e-learning both in the formal education sector and for the public at large is the next step for Government to promote further ICT education. Through investment in e-learning Government would also be supporting the social inclusion of those who have difficulties in physically attending training courses and therefore would be mitigating against insularity and double insularity problems which Malta and Gozo continuously face. The implementation of e-learning in general is, however, facing a number of challenges. Low awareness of the potential of e-learning poses the risk of resistance to e-learning in schools. Regular teacher training being organised by the Education Division⁵⁷ is having the desired effect on increasing teachers' ICT confidence. This training has been gradually moving away from ICT basics to the pedagogical use of ICT. Peripatetic teachers are contributing to the diffusion of ICT as a teaching and learning vehicle, and teacher training at the University includes an increased ICT element.

1.4 Main economic sectors- Labour market requirements⁵⁸

Structural reform in education and training requires a responsive process to anticipated changes in the labour market, and foresight to anticipate changes in the labour market over the next decade. As explained under section 1.1.3, over the period 2000-2005, the market experienced a shift from Public Sector employment to private sector employment. Within the private sector employment category, a shift was also experienced from direct production to market services. This phenomenon is having a direct impact on the skills and competences requirements of the country, often leading to skills and knowledge mismatches. The restructuring of the economy and the increase in FDI have resulted in a shift from the need of repetitive low skill operatives to the requirements of a more flexible, high value added, skilled and knowledge-based workforce to drive technology based companies within the manufacturing and services sectors.

The expansion and development of the internal market is also demanding a more knowledgeable, flexible and highly trained workforce. Companies and businesses are experiencing more and more the need to become "learning organisations" with the capacity to innovate and survive in a highly competitive market environment. On a general level, there is also the need to continually promote an entrepreneurial culture within the business community and among those who are still in education.

⁵⁶ In 2004, the number of students in ICT related courses amounted to 620.

⁵⁷ Also supported by the ESF under the Structural Funds Programme for Malta 2004-2006.

⁵⁸ The list included under this section has been classified in line with the NACE criteria, which represents the EU classification of economic activities. The list is not exclusive and in no way excluded other sectors which may increase in importance over the years or new emerging industries.

1.4.1 Agriculture and fisheries

In 2005, the agriculture⁵⁹ and fisheries sectors employed some 3,000 persons in Malta and Gozo. Both sectors experienced a decline in the number of persons employed between 2000 and 2005. These sectors' contribution to the GDP in 2005 amounted to 2.3 per cent and 0.2 per cent for the agriculture and fisheries sectors respectively. Despite the marginal contribution to the economy, both sectors have a high level of social, economic, cultural and environmental importance. Moreover, besides providing for the livelihood of farmers and fishermen, they also contribute to the tourism sector. The variety and quality of the fish species and local crops (including wine) found in local restaurants along with the colourful traditional fishing vessels and land parcels are an attraction to the tourists visiting Malta. Moreover, agriculture is important to retaining rural areas – both for economic and leisure aspects.

The sectors are, however, facing challenges in terms of availability of personnel that can be recruited by the industry and by the administration. Whilst training in the agricultural sector is largely institutionalised, this is not the case in the fisheries sector. At present some training is provided by the central administration, mainly through the Fisheries Conservation and Control Division (FCCD), which provides ad hoc courses to the diverse operators. However, in the greater part know-how is passed on from one generation to another and the operational knowledge of the operators engaged in fish farming and tuna penning has been obtained through years of research and practice.

Despite the institutionalised educational structure for the agricultural sector, training needs to be further strengthened to broaden the skills' base of the agricultural workforce to enable it to meet the challenges of the re-orientation of agriculture, in line with the new demands of the rural economy. Agribusiness entities have been under the pressure of a wide range of forces that have brought about the need for change, including changing technology, rapid product obsolescence, knowledge explosion, changing nature of the workforce and quality of working life. Furthermore, to mitigate against the decline in these sectors consideration should be made to encourage diversification of activity so that workers in these sectors are trained to have part-time jobs in other sectors such as tourism.

1.4.2 Construction

The construction industry is a growing industry with a contribution to the GDP amounting to 4.9 per cent in 2005. During the same year, the industry employed almost 12,250 persons, marking an increase of 17.0 per cent since 2000. The industry consists of some 3,700 employers, the majority of which are micro-enterprises. This sector can be split into two – the production side (which incorporates building and quarrying) and market services (which consists of real-estate and property market including housing both private and public). The growth in this sector has mainly been the result of improved building machine technology, and large-scale projects commissioned by both public and private entities. National infrastructure programmes such as the new hospital project as well as a number of infrastructural projects financed by the Fifth Italian Financial Protocol and the EU Cohesion Policy, have provided a considerable impetus to the sector.

The construction industry is perceived by many to have a significant impact on the environment and is also a cause of concern due to other nuisances, such as emissions of dust and noise. Training and support to enterprises in this sector is essential especially to encourage and promote self-regulation and to continue to lessen the impact to a minimum also through the design and development of more energy efficient buildings. Training in road construction and maintenance, upgrading of knowledge of conventional trades (e.g. mason plasterers), scaffolding erection and primary maintenance equipment, fabrications and structure welders for hybrid buildings, and in finishings is also required. MCAST has been making a contribution to the training of personnel in various building and construction related trades, including through the ESF 2004-2006 projects.

⁵⁹ Including hunting and forestry

1.4.3 Manufacturing

In 2005, the manufacturing sector contributed 17.2 per cent to the GDP (at basic prices), which represents a decrease of 0.6 percentage points from the previous year. During the same year the industry employed 28,736 persons in both the public and private sectors. Manufacturing in Malta has been changing with emphasis on the traditional low cost base having largely been abandoned in favour of higher value added activities. The contribution of the textile sub-sector, for example, has been eroded and has caused a major proportion of job losses. Other sub-sectors have become more attractive, such as activities in the pharmaceutical sub-sector, where the operators' competitive advantage lies in value added. Moreover, Malta's industrial shift towards new knowledge-intensive or research oriented activity and away from labour intensive production means that Government needs to intensify the symmetry between industrial policy and employment and education policies.

This shift has led to different skills' requirements of the work force engaged in the manufacturing industry. Given Malta's small size, any reduction in activity in a specific sector or even the demise of one large firm can have serious repercussions unless the Maltese workforce is continually trained, retrained and re-skilled to meet changing realities. Unlike larger economies, Malta cannot adapt quickly to mismatches in labour supply and demand through inter-regional worker mobility. Although ongoing employee training is provided by the support services (including organisations such as ETC, MCAST and Malta Enterprise), Malta's small size dictates that policies must be adopted to enable people to develop their skills' levels, thereby attaining the necessary flexibility to meet the requirements of an ever changing market place and to support further industrial specialisation. This is essential to support Government's efforts to attract investment of higher value activities primarily on the basis of skills and an environment that spurs fast growth, innovation and knowledge transfer. This can impact on reversing the downward trend in most manufacturing sectors or restructure in a way that attracts more and faster growing sectors.

1.4.4 Tourism

Tourism in Malta contributes to 24.3 per cent of GDP⁶⁰ and to 29 per cent of full time employment, amounting to a total of 40,050 direct, indirect and induced full-time and part-time jobs⁶¹. Given the high level of competition faced by Malta, the development of a well-trained workforce⁶², capable of sustaining high levels of service is critical to the tourism industry in order to sustain existing jobs and create new job opportunities in this sector.

Since its establishment in 1988, the Institute of Tourism Studies (ITS) is providing the tourism sector with personnel trained to international standards, with on the job training both in Malta and abroad. Government, through the ERDF 2004-2006, has recently invested in a new tourism studies centre in Gozo to extend and expand ITS services in Gozo. The University also offers courses leading to a degree in tourism studies. The Malta Tourism Authority organises on a regular basis short, ad hoc training courses for personnel already working directly in the sector and also in areas that could impact on tourism, using also the ESF.

Recent research shows that knowledge, skills and ability requirements for human resources in the tourism industry have grown for all occupations, while changes in demand are causing a shift in supply towards higher quality service at all levels and lower costs⁶³. This also includes language skills, where the same research identified that 70.8 per cent of respondents highlighted the need for further training in language skills since, at times, employees find difficulties in communicating well with clients. Efforts must also be directed to tackle skill levels, employees' attitudes and entrepreneurial issues which directly effect operators' competitiveness. Mentoring programmes focusing on ICT, innovation, people management, would also enhance the industry's competitiveness. The increased pressure on the local labour market for highly qualified technical, supervisory and management personnel as well as hospitable people in elementary occupations point to the need for more and continuous education and training in the sector at all levels.

⁶⁰ Hotels and restaurants alone amounted to 5.9 per cent of GDP in 2005.

⁶¹ The Economic Impact of Tourism in Malta, Malta Tourism Authority, University of Nottingham report, 2003

⁶² The tourism workforce is varied. It comprises people taking up elementary occupations, craft workers, skilled workers and professionals.

⁶³ 'An Employment and Training Service of the Tourism Industry in Malta', Malta Tourism Authority 2001; 'Skills Analysis and Employment Forecasts for the Tourism Industry in Malta 2004-2008', Malta Tourism Authority 2004

1.4.5 Other activities

Information and Communication Technology (ICT) is creating new markets and revolutionising existing ones. Government's commitment towards the improvement of Malta's competitiveness through ICT, has led to the introduction of telecommunications and IT infrastructures that have positioned Malta at the forefront of the knowledge society. This development has been crucial to the emergence of the knowledge-worker sector, a sector that has the potential to provide services of quality. Within the context of internationalising the Maltese ICT industry, in February 2006, Government announced the framework discussions with Tecom Investments of Dubai on the setting up of a new 'SmartCity@Malta'. Upgrading of skills to match the growth rate of this sector is important to ensure that the expansion in this sector is not hindered by shortages of suitable personnel.

In the case of small firms, the take-up of ICT has been vibrant in firms employing more than ten. However, it remains depressed in micro-enterprises. 93 per cent of SME and large firms use computers, while 89 per cent use the Internet. When including micro enterprises in the equation results show a decrease to 60 per cent of all enterprises using computers and 52 per cent using the Internet. The percentage of enterprises having an online presence amounts to only 22 per cent of all enterprises. Government has offered a number of programmes to increase technology take-up at the micro level. However, the local business community still has limited appreciation of how technology can improve efficiency, cut costs, reach out to overseas markets and sharpen competitiveness.

The financial services sector is also a success story of the Maltese economy and has now become a significant contributor to Malta's economic output. This was mainly the result of legislation and regulation development between 1994 and 2006 period, leading to an increase in FDI in specific niche areas and domestic efforts by SMEs in the sector through diversification and internationalisation. In 2005, the share of the private financial intermediation sector in total employment in the private sector stood at 5.0 per cent.

Within the services sector, aviation maintenance has also been growing and has good possibility of further expansion which could be translated into potential increase in employment in this sector. As a location, Malta has already proved that it has the necessary advantages to attract and expand a small but significant aviation maintenance sector. The labour supply requested in this industry is of qualified and skilled technicians and engineers. Output of students from University or MCAST that could feed into this growing industry is relatively low and therefore the positioning of Malta as a hub for aviation maintenance in this sector necessitates further investment in education and training in this sector.

Health care and creative industries' activities are also exhibiting growth and both are envisaged to continue growing. Facilitating further growth through the availability of compatible skills is a priority. On the other hand, the crafts sector is facing challenges in terms of lost craftsmen mainly due to retirement, death, closing down and shifting to other employment, etc. Furthermore, the sector is not managing to attract youngsters to take up the arts or skills of their parents or senior members of their family.

1.5 Social Inclusion

Socio-economic developments are taking place within the context of changing family structures, aging population, improved living conditions, more tolerance for diversity, the promotion of gender equality, and a diversifying employment sector. As a result of these changes new demands are placed on the social welfare system which result in the need to devise social inclusion policies. The process for social inclusion incorporates a different range of beneficiaries facing difficulties in entering the labour market either because they lack the necessary education and skills demanded by the jobs on offer or due to the lack of sufficient formal and informal support services.

With an illiteracy rate estimated to be around 11.2 per cent⁶⁴ and a rate of early school leavers of 38.9 per cent⁶⁵ (2005)⁶⁶, which is relatively high when compared to the EU25 rate of 15.2 per cent⁶⁷, illiterates and early school leavers are a matter of concern. This is especially the case since 20 per cent of young people registering for employment did not complete secondary education, illustrating the disproportionate risk that this category faces with respect to unemployment.

Persons with disability require specific social policy intervention in terms of employment inclusion especially when one considers that in 2003 out of the 2,500 individuals of working age registered with the National Commission for Persons with Disability⁶⁸ only 28.1 per cent were in employment. The education and training system is responding to the needs of "at-risk groups" through a series of new initiatives aimed at integrating these persons into the mainstream education system as well as developing targeted facilities for a diverse range of persons with a disability. The aim is to support the 2.57 per cent of the school population students requiring special education programmes (with the majority being in state schools) and to increase the participation levels of persons with disability in higher education, especially in the light that in 2005 this only amounted to three students⁶⁹.

Persons with mental health difficulties are also a matter of concern since the consequences of mental health for individuals and society are significant on different levels, namely the human element, the health services dimension, the employment and the social inclusion aspect. Social exclusion, stigmatisation and discrimination of persons suffering from mental illness are still a reality in the labour market.

Research has shown a positive association between substance misuse, unemployment and poverty. In 2003, the profiles of drug abusers indicate that 47.4 per cent of heroin users, 20 per cent of cannabis users, and 15 per cent of cocaine users were unemployed. Substance misuse, especially chronic use, reduces physical and cognitive abilities and, thus, may have a negative impact on educational achievement and productivity at the workplace. It is also a well-known fact that the lifestyle adopted by persons with addictive behaviours, especially those with substance-related problems, is not conducive towards employment.

Victims of domestic violence, particularly women with children, also find it more difficult to access the labour market due to the traumatic experience of abuse and the responsibility of their children. Improving the employability of victims of domestic violence remains an important policy objective for Government. Another salient issue with regards to the family is that of lone parents. This family type runs the highest risk of poverty as lone parents face particular challenges to take up work. In many cases, this is compounded by the fact that lone parents may have terminated their education prematurely.

Refugees and migrants are part of the local social fabric since in the past few years, Malta has experienced a sustained influx of asylum seekers and irregular immigrants. A statistical snapshot shows that between 2002 and 2005, there were almost 6,000 asylum seekers and irregular immigrants. Unlike other industrialised countries, where the number of asylum seekers has fallen by half, Malta faced a gradual increase in asylum applications, where in 2005, it increased by 17 per cent over the previous year. On average, the ten new Member States registered a reduction of 35 per cent in the number of asylum applications between 2004 and 2005. In 2004, the UNHCR report ranked Malta in the second place for the number of refugees per capita. This influx is causing significant logistical problems and a strain on resources, especially when one considers that one arrival in Malta is *per capita* equivalent to 140 arrivals in Italy and 150 arrivals in the United Kingdom or France. Recognised refugees and persons with temporary humanitarian protection (THP) are given the right to work (although a work permit is still required) whilst asylum seekers whose application has not been determined by the competent authority after 12 months are given access to the labour market.

⁶⁴ National Action Plan against Poverty and Social Exclusion 2004-2006, Light Update Report 2005, pp. 7. This is based on the whole population including the older age groups who were not provided with compulsory education when they were young.

⁶⁵ This marks an improvement of 3.7 percentage points over the previous year.

⁶⁶ According to Eurostat methods of measurement. Method of measurement for Malta and Eurostat is different since Malta school leaving age is 16, whilst Eurostat is 18 years.

⁶⁷ Source for EU data: Eurostat, 27 June 2006, extracted on 10 October 2006.

⁶⁸ National Commission Persons with Disability, *National Disability Survey 2003*, <http://www.knpd.org/>

⁶⁹ Spiteri, L., Borg, G., Callus, A.M., Cauchi, J., and Sciberras, M., (2005) Inclusive and special education review.

Social policy interventions also deal with impacts associated with a rising ageing population trend. The working age population accounted for approximately 64 per cent of the total population in 2002, with people aged 1-15 years accounting for around 20 per cent of the total population. During the same year, the elderly population (aged over 61 years) constituted some 16 per cent of the population. As indicated in Table 1.14, during the period 2002 to 2005 the percentage of young people has gradually declined, highlighting the shift to an ageing population. This trend is expected to continue, with the percentage of people aged over 61 expected to reach 33.8 per cent by 2050.

Table 1.14

Population Trends						
	2002	2005	2010	2020	2030	2050
Age	%	%	%	%	%	%
1-15	20.1	18.5	16.2	14.7	14.9	15.1
16-61	63.9	65.0	63.8	60.3	57.1	51.1
61+	15.9	16.4	20.0	25.0	28.0	33.8

Source: Pensions Reform Working Group

In this scenario, Malta will have to provide an appropriate framework for people living longer while ensuring social and economic sustainability in an ageing world. In this context, Government is at present embarking on a pensions reform. The ageing population brought an increase in the number of pension beneficiaries so that between 2000 and 2004 retirement pensions increased by 17.1 per cent, mainly attributed to an increase in the two-thirds pension system. In this regard, Government is investing in health promotion and disease prevention to help maintain active participation in society for as many workers as possible in order to maintain their economic contribution and to reduce dependency levels. The trend is also leading to an increase in the labour demand for workers in this area. Besides nurses and paramedics, this sector is providing for job opportunities for care-workers and carers. A number of organisations, including MCAST and ETC, are contributing to the training needs in this sector.

The demographic trends are having negative impacts on social security benefits (including retirement pensions). When compared to 2004, social security benefits increased by 6.4 per cent and by 25.6 per cent when compared to 2000, with the main increases (+32.1 per cent) registering for the contributory benefits⁷⁰. Annual data on total expenditure on social security benefits shows that in 2000 the share between contributory and non-contributory benefits was of 70 per cent and 30 per cent respectively with 2005 marking a further increase in the share of contributory benefits (73.75 per cent). This is having consequences on the welfare gap⁷¹ which increased by 34.8 per cent between 2000 and 2005⁷².

To mitigate against the problems identified in the social inclusion sphere, the Government embarked on a number of initiatives, including educational reform with a social inclusion perspective as a whole, specific programmes aiming to support the inclusion of these persons in the labour market, provision of care services for the elderly and increasing capacity in the provision of homes and day centres for the elderly. Government Agencies, including ETC and the Foundation for Social Welfare Services⁷³, and NGOs, provide a range of social welfare services to support disadvantaged groups to integrate in their communities and find employment. ESF funding 2004-2006 has contributed to the integration of vulnerable groups into the labour market.

⁷⁰ Contributory benefits include; retirement pensions, invalidity pensions, widowhood pensions, benefits in respect of industrial injuries, unemployment benefits, special unemployment benefits, maternity benefits, sickness benefits, orphans allowance, marriage grant, re-marriage gratuity and bonuses.

⁷¹ The welfare gap is the difference between revenue from social security contributions and expenditure on social benefits including welfare.

⁷² Source: Financial Estimates

⁷³ The Foundation for Social Welfare Services (FSWS) incorporates the three main agencies within the Ministry for the Family and Social Solidarity that offer comprehensive programmes of prevention, support and treatment services, both on community and residential settings within the fields of substance abuse, domestic violence and disability.

1.6 Institutional Capacity Building

Since 1990, substantial investment has been channelled into the public administration in order to render the service more productive and cost-effective. The reform process began in 1988 when Government appointed a Public Service Reform Commission "to examine the Public Service and to recommend means by which the Service can efficiently respond to the changing needs for effective government". As a complementary exercise Government also commissioned an Operations Review which looked at the adequacy of the structures and the administrative facilities of Government.

These initiatives highlighted a need for restructuring and modernisation in several areas and produced a wide-ranging agenda of change which has been implemented starting from 1990. Key changes have included the reorganisation of the entire classification structure of the Public Service; the delegation of management powers to line ministries; improvements in financial management; the strengthening of the ethical framework of public administration through the publication of a code of ethics backed up by the establishment or strengthening of institutions such as the Ombudsman, the Public Accounts Committee of Parliament and the National Audit Office; the establishment of a massive programme of investment in information technology; and the expansion of in-service training activities and life-long learning opportunities for public officers.

These changes have served as the foundation for the launch of a new phase of reform aimed at delivering visible results to the public. This phase of reform consists primarily of the Quality Service Charter initiative and the electronic government programme. In October 2003, the Government launched a White Paper on a Public Service Act to improve the efficiency in Government operations through more flexible, results oriented management. A major sectoral reform has also been initiated in education, whilst pensions reform is underway and health reform is being planned and discussed.

In 2005, within the context of sustaining public finances, Government introduced measures to strengthen financial discipline in state institutions. Efforts are being made to limit staff recruitment and to rationalise the use of human resources across the Public Sector through retraining and redeployment across organisational boundaries. Opportunities for organisational rationalisation are being sought in order to reap economies of scale.

With regard to ICT and e-Government, Government launched a large number of electronic services and invested substantially in public schools. Considerable investment was also made across the public service, including the electronic government programme making possible the delivery of public services via the Internet as well as other mechanisms such as local council offices, call centres and mobile phone messaging. In terms of e-Government programme Malta ranks amongst the top EU countries. Malta also ranked second in terms of online sophistication and third in terms of availability of electronic public services⁷⁴. In 2004, Government launched a National Strategy and Action Plan on ICT and is also revolutionising the way it interacts with the business sector. Government aims to continue with the steady programme of investing in appropriate technologies and promulgating e-Government to bring Government services to the premises of businesses and citizens.

Over the period 1999-2005, the Maltese authorities have invested in institutional building activities through National Funds⁷⁵, EU Pre-Accession⁷⁶ and Transition Facility⁷⁷ assistance. This investment has supported Malta in its efforts to strengthen its administrative capacity to transpose and implement European Union legislation and to foster the exchange of best practice. Although most areas of the administration have been targeted; agriculture, environment, transport, internal market, justice and home affairs and taxation are the key sectors where much of this assistance was concentrated.

⁷⁴ Measurement on electronic public services issued by Capgemini as part of the i2010 benchmarking,

⁷⁵ National Programme for the Adoption of the Acquis.

⁷⁶ The Pre-Accession fund is a European Union financial instrument which provides financial assistance to candidate countries in preparing for their tasks in adopting the *acquis communautaire* i.e. the institution building process. These include the establishment of a modern, efficient administration and institutions that are capable of applying the *acquis* to the same standards as the current member states.

⁷⁷ Transition Facility provides assistance to the new member states in areas where their administrative and institutional capacity still shows some weaknesses in comparison with the 'old' member states in the field of *acquis* transposition.

In 1993 Government introduced the concept of local government, a measure undertaken to respond to local needs and permit the devolution of decision-making and service delivery to the localities where people live. In all there are 54 Local Councils in Malta and 14 in Gozo, with around 440 elected members. In the day-to-day administration of local government, local councillors are facing numerous challenges arising from voluminous legislation regulating the functions and operations of local government as well as the ever-increasing developed responsibilities to Local Councils, including the provision of training within the community.

This notwithstanding, continuing efforts are necessary to meet ongoing and new challenges of governance. Current needs for change in the field of Public Sector and administrative capacity evolve around a number of issues. One of the key issues is the need for continued improvements in flexibility and efficiency relating to the internal procedures and safeguards which characterise the core Public Service. These should permit the flexibility necessary to enable the service to function efficiently and to adapt itself to changing administrative requirements. Coupled to this, there is the need to ensure organisational and management rationalisation in order to ensure that resources are used as productively as possible within the Public Sector. Other issues of concern relate to compliance costs and service quality improvement. As regards the former, for Malta to improve its competitiveness, reduction of costs to existing businesses to comply with Government procedures and regulatory requirements should be considered in order to enable them to compete more effectively in local and overseas markets. In the context of service quality improvement, efforts are needed to modernise service delivery mechanisms and improve quality standards in order to address public complaints and to continue to bring service delivery into line with the needs and expectations of an increasingly IT-dependent society and economy.

1.6.1 Supporting partnerships and pacts

Social and civil dialogue in Malta is mainly embodied within the Malta Council for Economic and Social Development (MCESD). The MCESD serves as a consultative and advisory body to Government on matters of economic and social policy. It is a tri-partite body which represents interests from Government, Unions and Employers. The Council also houses a committee representing Civil Society interests.

In general, the Council serves Social Partners to obtain a better understanding of each other's situations and concerns, thereby contributing to industrial peace. The Council also operated relatively successfully in drafting documents by working groups composed of members within the Council in preparation for the discussion for the social pact, which subsequently resulted in failed negotiations. In other instances, the Council was successful in contributing to the drawing-up of important frameworks, such as in the case of the Employment and Industrial Relations Act (1999). However, it is also argued that the capacity and ability of Social Partners and their motivation to partner more actively within the employment policy making process should be further developed.

Civil society in general has a long and valued tradition in Malta. It provides independent views on politics, culture, use of leisure time, social and environmental issues and other important life aspects and activities. On a macro level, Civil Society plays an active role in political reform, educational, environmental, cultural and social development. The participation of Social Partners and Civil Society, should however be further developed beyond the representative councils, where one-to-one consultations between Government, Social Partners and Civil Society should be enhanced thus widening the social and civil dialogue.

1.7 Territorial Cohesion - The Island Region of Gozo

The islands of Gozo and Comino are separated from Malta by about 4km of sea. The present link to Malta and the world is primarily by ferry. The issue of double insularity impacts negatively on all sectors of the economy particularly in the areas of movement of persons, goods and services. This is undermining the quality of life on the island particularly in the areas of provision of education and training, specialised health care and employment opportunities.

Statistics show that Gozo's GDP per capita has declined from 73.2 per cent of that of Malta in 1999 to 69.3 per cent in 2003. The difference between the GDP for Malta and Gozo is largely due to a low labour market activity in Gozo⁷⁸, employment in lower-value added activities⁷⁹, large Public Sector activity and large number of Gozitans working in Malta due to insufficient employment opportunities in Gozo.

1.7.1 The labour market

Gozo's labour market is characterised by a low labour market activity rate and extensive employment in lower-value-added activities. When compared to Malta, the employment rate in Gozo is lower, standing at 49.6 per cent in 2005 (Malta: 54.3 per cent) with 69.6 per cent being males (Malta: 74.4 per cent) and 29.6 per cent females (Malta: 33.9 per cent).

Table 1.15

Total number of employed (main occupation) in Gozo by type of employment						
	2000	2001	2002	2003	2004	2005
Full time job	9,149	9,004	9,063	9,147	9,210	8,938
Full time with reduced hours job*	124	205	35	81
Part-time	946	1008	910	1,028	564	991
Total	10,095	10,012	10,097	10,380	9,809	10,010

Source: National Statistics Office, Annual Labour Force Survey data sets

... indicates that data is not available

* The data is under represented due to small sample size

Lower participation rates largely reflect the unavailability of full time productive jobs in Gozo, leading to seasonal, part-time and irregular employment. Part-time employment as a primary occupation increased by 4.8 per cent between 2000 and 2005. The increase in part-time employment in Gozo reflects employment trends on a national level. While this trend is an indicator of certain positive elements in the labour market which hold advantages for employee as well as employer, the possibility that, in the case of Gozo especially, part-time employment is a second-best alternative to a lack of full-time jobs available cannot be excluded. The seasonal nature of tourism reinforces the trend in part-time employment as a primary occupation and lends itself to a higher rate of unemployment in the winter and shoulder months. Furthermore, the Gozitan labour market is characterised by considerable levels of underemployment. The unavailability of jobs in Gozo does not always impel Gozitans to move or commute to Malta, especially due to the hardships (social, financial and others) that are associated with working in Malta. The Gozitan labour market is also characterised by a lack of appropriate skills, including skill mismatches.

⁷⁸ The labour market activity rate in 2003 stood at 27.3 per cent of the entire Gozitan population when compared to Malta's 34.8 per cent.

⁷⁹ The Labour Force Survey shows that the average wage in Gozo is around 12 per cent lower than the national average. This largely reflects the competitive disadvantaged of Gozo, where jobs available are of a relatively low skilled nature and higher market access costs which are reflected in lower wages.

The Gozitan economy also depends, even to larger extent than that of Malta, on the Public Sector. As highlighted in the Table 1.16, in 2005, employment in this sector in Gozo accounted for 48.2 per cent of total employment on the island when compared to 32.2 per cent in Malta.

Table 1.16**Total number of employed (main occupation) in Gozo by economic sector for 2005**

Professional status	Total	
	No.	%
Private Sector	5,188	52
Public Sector	4,822	48
<i>Public Majority</i>	403	4
<i>Independent Statutory Bodies</i>	516	5
<i>Government Departments</i>	3,903	39
Total	10,010	100

Source: National Statistics Office, Annual Labour Force Survey data sets

1.7.2 The economic structure

The main economic sectors in Gozo are agriculture, fisheries, manufacturing (including crafts), tourism and other services. The manufacturing sector, presently in decline, employed 611 workers in 2005, which represents 6.1 per cent of persons employed in Gozo. This economic activity is mainly dominated by a few SMEs and a number of micro enterprises which are predominantly either low-technology firms, or operators in the agro-food industry.

In 2005 the tourism industry in Gozo employed about 935 workers in hotels and restaurants. From a supply-side point of view, tourism activity (particularly domestic tourism) is relatively more important (for employment) in Gozo than in Malta. In Gozo, the sector, however, faces more acute seasonal problems than Malta. Statistics show that in Gozo the tourism-related employment rate stood at 9.3 per cent compared to 8.3 per cent in Malta. Accommodation facilities, which abound for all types of tourist markets, have occupancy levels of only 33 per cent. Gozo has distinct advantages for tourism, including the overall ambiance of the island, natural landscapes and assets people's way of living, as well as cultural and heritage attractions that provide potential for further growth. The services sector in general (including ICT) needs to be exploited since such activities can contribute to high-value-added activity if not excessively disadvantaged by the inevitable inter-island transport cost.

1.8 SWOT Analysis

Five national SWOT meetings were held on 26, 27 and 28 September 2005, for which the relevant public agencies, NGOs, Social Partners and relevant stakeholders were invited to participate. Furthermore, an email address was created to receive input on SWOT separate from the meetings. The SWOT meetings were organised along the following thematic areas of accessibility, economic development and competitiveness, employment, education and social inclusion, the environment and Gozo. Moreover, a number of public dialogues were held (in various localities in Malta and Gozo) addressing the same sectors in the first quarter of 2006 in order to consolidate and build upon the first SWOT exercise carried out in September 2005. SWOT factors pertaining to the Priority Axes of Operational Programme II, are set out in the following table:

Table 1.17 – SWOT Analysis

Strengths

- Expansion in part-time employment;
- Expanding private sector employment;
- Decreasing Public Sector employment;
- Established public employment services;
- Good industrial relations climate;
- Free education for all;
- Diversified and accessible educational system;
- Increasing participation in tertiary and vocational education;
- Well established vocational training;
- Established and reputable university;
- Wide spread use of ICT;
- Diversification in the main economic sectors;
- Flexible, reliable, and adaptable workforce;
- Multilingual population;
- Higher value added economic activity;
- Established industrial base with a good reputation of retaining FDI;
- Well established market services economic structure;
- Established tourist destination;
- Well-established social welfare system;
- Strong institutional structure;
- Established Social Partners/Civil Society framework.

Weaknesses

- Low labour market participation rates, particularly female participation;
- Declining labour productivity;
- High dependence on Public Sector employment;
- Limited affordable childcare facilities and after school care services;
- Limited use of flexible forms of work organisation;
- Relatively high levels of early school leavers;
- Relatively high rates of absenteeism in certain localities;
- Low participation in upper secondary education and beyond;
- Relatively high level of unskilled labour;
- Lack of flexible pathways between vocational and educational systems;
- Low participation in science and engineering fields at tertiary level;
- Low participation in continuous training and education;
- Labour market mismatches leading to skill shortages in certain key sectors;
- Difficulties in sustaining existing jobs in tourism due to seasonality;
- Relatively high levels of illiteracy;
- Limited active participation of social partner and Civil Society.

Opportunities

- Increased female participation rates;
- Diversification of educational and training provision;
- Improved and more focused vocational training;
- Strengthening of educational institutions (particularly further or higher);
- Wider recognition of qualifications and mobility;
- Active ageing and life-long learning;
- Potential increase in RTDi activities;
- Supporting enterprise for increased employment opportunities;
- Development of emerging and growth potential services sectors (including ICT) ;
- More e-Government services;
- Strengthened capacity of socio-economic partners and NGOs.

Threats

- Difficult to anticipate labour market demands;
- Increasing competition in key sectors;
- Falling demand for labour in traditional sectors.
- Ageing population;
- Widening welfare gap;
- High level of illegal immigration and asylum seekers.

1.9 Lessons learnt - 2004-2006 programming period

The implementation of the ESF 2004-2006 Programme in Malta has been marked with a number of successes. At the end of 2006 there were 38 projects under implementation. Malta's SPD 2004-2006 had five ESF measures, three under the ESF Priority Axis, Developing People, one measure specifically targeting employment and training issues in Gozo under Priority Axis 4 and the technical assistance measure. The main beneficiary of the Funds was the Public Sector, with the Ministry for Education, Youth and Employment, particularly MCAST, ETC and the Education Division, being the primary promoters. The Civil Society sector has also participated in ESF 2004-2006, albeit in a limited manner, due to capacity issues, both financial and administrative.

The main focus of Malta's ESF priorities were employability and adaptability, equal opportunities, social inclusion, life-long learning, and human resource development in Gozo. The main interventions included the expansion of existing and the introduction of new vocational courses within MCAST; employability measures for the unemployed (including long-term unemployed and the over 40s); research and media campaigns on gender issues; measures to support the increase in female participation in training and employment; courses in ICT; employment and training measures for disadvantaged groups including persons with disability; train the trainers in ICT, inclusion and adult learning; literacy programmes; community learning; support to enterprises in the field of human resources development; and specialisation courses in the health sector. Most of the target indicators are expected to be reached with ESF now forming an integral part of Malta's education and employment policies.

In terms of implementation, the ESF in Malta was subject to the same implementation system as all the other Structural Funds. An Intermediate Body for the ESF was set up within the Ministry for Family and Social Solidarity which at the time of planning the 2004-2006 Programme, also had employment policy within its portfolio. Two calls for project applications were issued, one in February 2004 and in January 2006. Malta reached its N+2 targets for the ESF more than a year ahead of schedule and a number of audits were carried out by both EC and national audit institutions.

The delivery of EU Funds in Malta has involved a steep learning curve and has contributed towards increased capacity across all stakeholders. The adoption of EU Regulation, for instance, has helped to develop best practice in project financial management and discipline, control procedures, project planning, contract management and evaluation. The best practice is now also being transferred across elements of the Public Sector not involved in administering EU Funds. In addition, the establishment of performance indicators, monitoring processes and commissioning of evaluations is helping to build a culture of evaluation.

A Mid-Term Update on the efficiency of the SPD commissioned by Government in 2005 was intended to provide a review of the implementation structures and to make recommendations for improving the Programme's execution. Given that in 2005 Malta had to start the programming process of the ESF 2007-2013 Programme without the benefit of real experience, the Mid-Term Update has been instrumental in providing recommendations for the implementation of the 2007-2013 Programmes.

In terms of implementation, Malta will retain the centralised approach it adopted under the 2004-2006 Programme. This approach has worked well for Malta. In the case of the ESF, an Intermediate Body⁸⁰ was appointed to give additional visibility to the ESF and to carry out a number of functions on behalf of the Managing Authority. The role of the Intermediate Body was essentially to provide a focal point for ESF projects by monitoring projects on a day-to-day basis and also carrying out the Article 4 checks on behalf of the Managing Authority. The Intermediate Body function has not proved to be effective since the IB has largely adopted a reactive role and has been referring most issues to the Managing Authority. This has often resulted in an additional layer of bureaucracy without the value-added of efficiency, although it has contributed to having knowledge on Structural Funds issues at decentralised level, and hence to the overall administrative capacity of the country with respect to Structural Funds management. The Mid-Term Update has recommended that the future role and possible need of the IB should be reviewed and that the IB should be retained in so far as it

⁸⁰ The Ministry for Family and Social Solidarity acted as the ESF Intermediate Body for the 2004-2006 Programme.

can provide additional capacity and add value to the implementation process. In view of this recommendation and also the new provisions of EC Regulation 1083/2006, Malta has decided to retain the function of the IB only in the case of aids schemes.

The Mid-Term Update made other recommendations with respect to the efficiency of the Programme which Malta has already taken on board. These include the enhancement of the Structural Fund Database; the setting up of a structured training programme for stakeholders⁸¹; the strengthening of administrative capacity in a number of organisations including the Managing Authority, the Paying Authority⁸²; the Department of Contracts; and Treasury; and the elimination of a territorial Priority Axis without compromising the objective of Gozo special needs. Moreover, the Government has also taken action to ensure a pipeline of available human resources to fill in vacancies in the main organisations through the publication of service wide calls for EU Fund Managers which can be placed anywhere in the horizontal implementation system. The internal horizontal structures have also been reviewed and a decision has been taken to appoint the Directorates responsible in each Ministry for Programme Implementation as the co-ordinating cells within Line Ministries given that the Directorates EU Affairs are loaded more and more with the co-ordination of Malta positions on EU Acquis.

At the micro level, the experience of the 2004-2006 Programme has highlighted the need for good project management and the Managing Authority will ensure that sufficient resources to manage projects are available within the project budget. Moreover, the Managing Authority will seek to discourage fragmentation of projects, particularly within the larger stakeholders of the Programme such as the Ministry for Education, Youth and Employment, including MCAST and also the Employment Services.

The 2004-2006 Programme also featured, to a limited extent, the participation of NGOs. Malta has recognised that the participation of socio-economic partners and NGOs in the Programme should be further facilitated. In this regard a number of meetings and seminars have been instrumental in understanding the problems of the NGOs, which are primarily capacity issues, both in terms of human resources and financial. The Government has already undertaken steps to facilitate the participation of NGOs in EU Programmes in general through the proposed Voluntary Organisations' legislation. With respect to this Operational Programme, Government is committed to the implementation of a number of measures which aim to increase the participation of NGOs in the Programme, including the availability of pre-financing from the national budget, the setting up of a dedicated unit within Central Government to liaise directly with NGOs, and capacity building within the NGOs.

Together with the implementation of the ESF 2004-2006 Programme, lessons have also been learnt through the Community Initiative Programme EQUAL 2004-2006. By the end of 2006 there were 5 EQUAL projects under implementation. The main beneficiaries of the EQUAL Programme included both the Public Sector and the Civil Society that worked together through partnership agreements in order to implement EQUAL projects. The projects under EQUAL supported youth in institutional care, homeless, ex-offenders, asylum seekers women and the unemployed in their integration process into the labour.

The EQUAL implementation system was the same as that of the Structural Funds. A National Support Structure for the Community Initiative EQUAL was set up within the Ministry for the Family and Social Solidarity. The call for applications was launched in October 2004 and the projects were selected by December of the same year. Malta reached its first N+2 target in October 2006.

By the end of 2006, two Interim Evaluation Reports were issued. The First Interim Report described the evaluation of the setting up of EQUAL in Malta and focuses on programme implementation; selection procedure and its results; the setting up of monitoring and evaluation; and the labour market situation. The Second Interim Evaluation Report focuses on the setting up of the EQUAL projects in Malta; the start up of activities; the EQUAL principles; and the contribution of the MA and the NSS.

⁸¹ A comprehensive five year training strategy with annual action plans for all stakeholders involved in the implementation of Structural Funds has been commissioned and the first draft should be available by end 2006 with the first training sessions to be financed by ESF 2004-2006.

⁸² Certifying Authority for the 2007-2013 Programmes.

Some of the recommendations that have emerged from the Interim Evaluation Reports include the importance of connecting the lessons learnt from EQUAL to the development of the ESF programme of 2007-2013. In this regard, due to the positive experiences resulting from the inherent EQUAL principles of transnationality and innovation, Malta has integrated these principles into the ESF Programme. These principles have brought to light the potential of using new approaches in dealing with existing problems and have facilitated the exchange of experiences of persons from different cultures and backgrounds leading towards complementarity, collective commitment and flexible sharing of responsibilities. Other recommendations dealt with gender issues and on the importance of gender mainstreaming.

1.10 Partnership Process

The start of the partnership process of this Operational Programme has to be seen in the overall context of the consultation process of the NSRF process. The National Strategic Reference Framework has gone through different layers of involvement of the Partners spanning almost a whole year starting in the third quarter of 2005 to the second quarter of 2006⁸³. Four Working Groups were set up in the third quarter of 2005 focusing on a number of priority areas, namely: Economic development and Competitiveness; Accessibility; Environment; and Employment and Social inclusion, the latter being of particular importance for this Operation Programme.

The Working Groups were chaired by experts in the field and brought together Line Ministries, Public Sector organisations and relevant partners (NGOs and socio-economic partners) for discussions on the strategic framework pertaining to each priority areas. Questionnaires were distributed to the main public stakeholders and bilateral meetings were organised, under the auspices of the Chair of the Working Group, between specific stakeholders and the NSRF drafting team.

A national SWOT workshop spanning five half-day sessions was organised in September 2005. Four sessions dealing with the same thematic areas as the Working Groups were held in Malta and a fifth session was held in Gozo dealing with Gozo special needs. Over 80 organisations – public organisations, socio-economic partners, NGOs and other representatives of the private sector were invited to the workshops. As part of the national SWOT workshop, an e-mail address was set up: nsrf@gov.mt. A number of public dialogues were held in the first quarter of 2006 where stakeholders and general public were invited.

Following an internal inter-governmental consultation, the first draft of the Operational Programme was published⁸⁴ for public consultation on 13 July 2006 through a press conference. The draft Operational Programme was made available in hard copy version from the Office of the Prime Minister and also the Ministry of Finance and in soft copy version on several Government websites including that of the Department of Information.

The document was formally presented to the extended Malta Council for Social and Economic Development (MCESD) on 17 July 2006. At the end of the session the Chair MCESD was invited to send the Council's comments to the drafting team by 15 August 2006. During the same meeting the issue concerning the input to the strategy on strengthening the administrative capacity of the socio-economic partners was also discussed. A request in writing to this effect had been made to the Chair MCESD some weeks before the meeting.

The drafters of the Programme also participated in two seminars with NGOs⁸⁵ where the difficulties and problems faced by NGOs in accessing the Structural Funds were discussed. The Government recognises the value added that NGOs can give to the implementation of the Programme, particularly the ESF where NGOs will have grass root knowledge and access to certain groups which is not always readily available in the formal institutions. These meetings have led to a number of commitments by Government to facilitate the participation of NGOs in Structural Fund Programmes, particularly the ESF Operational Programme. Some of these measures are described under section 1.9.

⁸³ If one takes into account the partnership process for the Pre-Budget Document and also the National Reform Programme this period would extend to over 18 months.

⁸⁴ The draft Operational Programme was published in book format and was available electronically on a number of government websites.

⁸⁵ These seminars were organised by the Malta Resource Centre in conjunction with EAPN Europe in August and November 2006.

Chapter 2 – Evaluation of the Strategy

2.1 Ex-ante evaluation summary

The regulatory framework for the Structural Funds Programme for the period 2007-2013 provides for an ex-ante evaluation to assess the consistency of the strategy and priorities chosen with the Community Strategic Guidelines and the National Reform Programme. The ex-ante evaluation for this Operational Programme was carried by independent experts⁸⁶ in line with the requirement of the regulation.

The ex-ante evaluation provided the national authorities with a prior judgement on whether development issues have been correctly diagnosed, whether the strategy and objectives proposed are relevant, whether there is coherence with Community policies and guidelines and whether the expected impacts are realistic.

The main components that were evaluated were:

- Appraisal of the socio-economic analysis and the appropriateness of the ranking of the main disparities identified;
- Evaluation of the economic rationale of the strategy and its consistency;
- Appraisal of the coherence of the strategy with NRP, pre-budget document⁸⁷ and relevant sectoral policies;
- Evaluation of the expected results and impacts; and
- Appraisal of the proposed implementation systems.

2.1.1 Main Evaluation Questions

- Does the programme represent an appropriate strategy to meet Malta's challenges for the future?
- Is the strategy well defined with clear objectives and priorities and can those objectives be realistically achieved with the financial resources allocated to the different priorities?
- Is the strategy coherent with national and Community policies?
- Are appropriate indicators identified for the objectives and can these indicators and their targets form the basis for future monitoring and evaluation of performance?
- What will be the impact of the strategy in quantified terms?
- Are implementation systems appropriate to deliver the objectives of the programme?

2.1.2 Evaluation Process

This ex-ante evaluation has been undertaken in parallel with the completion of the Operational Programme. This report, therefore, is based primarily on an assessment of the draft OP dated 14 June 2006 which was provided to the evaluators by the Planning and Priorities Coordination Division (PPCD). Given the extensive consultation that had taken place, also within the context of partnership (as described under section 1.10) and the NRP exercise, and given the overall very positive assessment in terms of the evaluation criteria and questions, the evaluators limited their discussion primarily to the drafters of the OP.

2.1.3 Main Findings

The ex-ante evaluators highlighted a number of findings relating to the main components that were to be evaluated in line with main evaluation questions listed under section 2.1. The main findings are:

- Operational Programme II represents a very appropriate strategy to meet the very significant challenges that the Maltese economy faces over the next six years. These challenges are well documented and clearly elaborated in the socio-economic analysis and are reflected in the

⁸⁶ *PriceWaterhouseCoopers* were selected following a call for tender.

⁸⁷ At the time of evaluation only Pre-Budget 2006 was available.

overall objective of increasing the employment rate from 54.3% at present to a rate closer to the EU average of 63.8% by 2013;

- Overall, the rationale for intervention in Operational Programme II is generally robust. This is based on the broad understanding that a key factor that can drive economic success is the accumulation of human capital through investment in education and training;
- The objectives are also clear. However the evaluators commented that they would benefit from some quantification as part of the development of indicators. Recommendations were also made by the evaluators in this regard;
- In assessing the strategy against Malta's NSRF, the National Reform Programme and the Community Strategic Guidelines, the evaluators found it to be closely aligned with all of these policies and strategies;
- In the absence of detailed indicators in the draft that was evaluated, the evaluators suggested that given that the overall impact of the strategy is to raise the employment rate it would be helpful if a target is set for this indicator;
- In terms of implementation, the evaluators recognised that progress has been made in relation to the recommendations made in the Mid-Term Update of the SPD Programme for 2004-2006 in relation to implementation systems. Most of the recommendations made in the Mid-Term Update were taken on board for the implementation of the 2007-2013 Programme.

2.1.4 Recommendations

a. Appraisal of socio-economic analysis and relevance of the strategy

Overall, the evaluators highlighted that the socio-economic analysis is comprehensive and internally consistent. They added that the strategy of the OP is very relevant to the needs identified in the analysis. The most important needs and the underlying trends are clearly identified, as are the causes of disparities. There is a good SWOT analysis which could be more closely linked to the socio-economic analysis that precedes it. In this regard, the evaluators recommended that:

- Few areas within the labour market analysis could be strengthened where some additional quantification of evidence and additional clarification of needs in certain areas could enhance the document.
- The SWOT analysis should be better integrated with the socio-economic analysis, so that it reflects all the factors identified and does not include any factors which are not identified in the socio-economic analysis.

b. Evaluation of the rationale of the strategy and its consistency

Under this section the evaluators assessed the programme rationale, programme objectives and programme consistency: Programme rationale to examine the basis of market failure for programme intervention; Programme objectives to examine the objectives to determine whether they are specific, well defined and measurable; and Programme consistency to examine the degree of complementarity between the different priorities and assess the extent to which the priorities will contribute towards programme objectives.

Recommendations under this section evolved around the return of education and training; cross-cutting priorities; and target groups. The evaluators highlighted that the return from education and training beyond a certain level is largely a private return either to individuals or private companies. Support of this kind can lead to high levels of deadweight, particularly for training schemes in certain sectors of the economy. This makes it important to ensure that supported initiatives are specifically targeted. While the Programme provides a rationale for investment in tourism and manufacturing in terms of skill shortages in the economy, little detail is outlined for support in other services and production services. In this regard it was recommended that:

- Consideration should be given to ensuring that training and education provision is specifically targeted on certain sectors, and that a clear rationale is provided that shows a strong link between the labour market initiatives and opportunities and skills shortages in the labour market itself.

The Programme has cross-cutting or horizontal priorities that include innovation and transnationality. Although an indication of the types of innovative activities envisaged under the Programme is

provided under each of the Priority Axes, it is not clear whether innovation is to be used as a standard criteria or whether there is to be specific focus on certain areas. Similarly, little or no detail is provided on how the second cross-cutting priority, transnationality, is to be addressed. In this regard, it was recommended that:

- Consideration should be given to outlining, more specifically, how the two cross-cutting or horizontal priorities within the Programme are to be addressed. In particular, more detail is to be provided on how transnationality is to be developed, what implementation mechanisms are to be introduced and what types of areas / actions will be supported in each of the Priority Axes;
- With a view to incorporate transnationality, a number of options were also provided.

The Programme has a specific focus on a range of different target groups. Indeed, much detail is included on what types of areas / actions will be supported for a range of target groups within each of the Priority Axes. Given the importance already placed on targeting different social groups across each of the Priority Axes, this clearly sets out equality as a strategic priority within the Programme. It was therefore recommended that:

- Equality should be set as a cross-cutting or horizontal priority given the difference in participation rates between males and females in the labour market.

The evaluators highlighted that Operational Programme II has outlined a range of target groups but the way in which these groups are addressed varies across the document. In some instances, the Programme specifically outlines the groups that will be targeted under each of the activities. In other cases, a general list of target groups is outlined at the beginning of the Priority Axis but many of the activities do not include an effort to focus on a specific group. In this regard:

- Given the need to minimise deadweight by specifically targeting interventions, it is recommended that consideration should be given to outlining, in a consistent and clear way, which groups will be targeted under each of the main types of activities that will be supported.

The evaluators highlighted that the impact indicators are well defined, measurable and relevant to the objectives of Operational Programme II. However, given that no baseline or targets were provided for the impact indicators and no output or result indicators were provided.

- The evaluators highlighted that the indicators should be further developed.

Finally, the evaluators made a number of suggestions in relation to mitigating actions that should be taken to address some of the risks associated with the implementation of the Programme.

2.1.5 Recommendations taken on board

In general, the recommendations put forward by the ex-ante evaluators were considered as constructive and they provided valuable advice on how the document could be strengthened and improved. In fact, on a general level, the recommendations were taken on board as indicated in the following sections.

a. Appraisal of socio-economic analysis

The recommendations put forward under the socio-economic analysis were taken on board. In fact further information was included under the respective section to clarify certain issues and strengthen the analysis. Further information was added under the sections dealing with the labour market, education and training, labour market requirements, institutional capacity building and territorial cohesion.

b. SWOT Analysis

The recommendation to integrate better the situation analysis with the SWOT analysis was taken on board. However, as regards the opportunity relating to 'Smart City', it was agreed that rather than mentioning this concept specifically the term ICT sector was added to the opportunity dealing with 'emerging and growth potential services sectors'. This was done mainly since at the time of writing not all information was available therefore it was agreed that it would not be prudent to qualify 'SmartCity' as an opportunity now.

c. Evaluation of the rationale of the strategy and its consistency

Efforts were made to ensure that training and education provision is specifically targeted to certain sectors, and that a clear rationale is provided that shows a strong link between the labour market initiatives and opportunities and skills shortages in the labour market itself. In line with the evaluators' recommendation to minimise deadweight, target groups under each of the main types of activities to be supported, where possible, were identified in a consistent and clear way.

Additional information was added on the two ESF principles (innovation and transnationality) to explain how they shall be addressed within the Programme. The evaluators' recommendation to award projects additional points in the selection process if they include transnationality was adopted to a certain extent, and was also extended to the innovation principle. Equality has been included as a horizontal priority together with sustainable development.

d. Appraisal of the coherence of the strategy with regional and national policies and the community strategic guidelines.

No recommendations were made in relation to this section of the Operational Programme.

e. Evaluation of the expected results and impacts

The recommendation to further develop the indicators in terms of outputs and results and in terms of baseline and targets for the impact indicators was taken on board.

f. Appraisal of the proposed implementation systems

In addressing the implementation procedures for the programme, the evaluators made reference to the mid-term evaluation report of the SPD programme for 2004-2006 that was presented to the Managing Authority and the EU Commission in February 2006. The evaluators noted that most of the recommendations put forward at the time mainly relating to capacity building and bottlenecks were taken into account so as to improve the efficiency of the implementation of this Operational Programme.

2.2 Strategic Environmental Assessment

The Strategic Environmental Assessment (SEA) Regulation⁸⁸, which implements European Directive 2001/42/EC on the assessment of the effects of certain plans/programmes on the environment, requires that a SEA of a wide range of plans/programmes is carried out prior to their implementation. The objective is that of providing a high level of protection of the environment, including health, and to contribute to the integration of environmental and health considerations into the preparation and adoption of plans and programmes with a view to promoting sustainable development.

Given the nature of the ESF, focusing on immaterial operations related to Human Resources Development, this OP does not set the framework for operations likely to have significant effect, such as infrastructure projects, especially the one listed in Annexes I and II to Directive 85/337/EEC as amended. The SEA Audit Team was also consulted to determine whether Operational Programme II was to undergo a SEA and on the basis of the SEA Screening Proforma (Annex I), the SEA Audit Team concluded that Operational Programme II does not require a SEA.

Should infrastructure projects be envisaged subsequently, particularly using the flexibility clause of Article 34.2 of Regulation (EC) No. 1083/2006, the need for a Strategic Environmental Assessment would be revisited.

This is without prejudice to any screening determinations that are deemed necessary according to national laws or other measures to implement the Directive 2001/42/EC.

⁸⁸ Legal Notice 418 of 2005.

Chapter 3 – Strategic Direction

3.1 Lisbon Strategy

3.1.1 The European Employment Guidelines

The Guidelines for the employment policies of the Member States⁸⁹ provide an updated package of employment guidelines (2005-2008) based on a refocused Lisbon Strategy on growth and employment, as agreed upon in the Spring European Council 2005. They are built on the Communication from the President of the Commission of the European Communities⁹⁰ on the Integrated Guidelines for Growth and Jobs (2005-2008) and on the draft Communication from the Commission on Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013. The employment guidelines require Member States to conduct policies which aim towards full employment, improving quality and productivity at work and strengthening social and territorial cohesion. The priorities in addressing these objectives focus on:

- Attracting and retaining more people in employment, increasing labour supply and modernising social protection systems;
- Improving adaptability of workers and enterprises; and
- Increasing investment in human capital through better education and skills.

Malta's response to these guidelines has been formulated in the National Reform Programme 2005-2008 (NRP) which supports the objectives of the National Action Plan for Employment (NAP). The NAP was the first plan outlining Malta's principal employment strategy for the years 2005-2010. It was submitted as a key instrument of the European Employment Strategy⁹¹ (EES) and sets out Government's policy priorities and measures for employment and the labour market, intended to effectively support Malta in reaching the Lisbon objectives. The priorities of the NAP are closely interlinked to the priorities of the European Employment Guidelines. These are:

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

The NRP outlines how the guidelines are being integrated into the national strategy and their outcome. It has a governance structure based on a three-year cycle commencing in 2005, and will be renewed in 2008. The NRP is divided into five Strategic Themes⁹². For each Strategic Theme, the NRP briefly outlines the current situation, the key issues and challenges, the policy response and measures proposed in order to address Malta's priorities. Two particular Strategic Themes, namely Employment and Education and Training, are of particular relevance to this Operational Programme.

Within the Employment Strategic Theme, the NRP reiterates Government's intention to raise the overall employment rate, where particular emphasis is placed on female and older workers. The aim is to achieve this through personalised employment pathways, the provision of training, a review of tax and pension systems and the provision of a series of family-friendly measures. The NRP also reiterates Government's commitment to provide employees with the necessary support for transition in occupational status between training, self-employment and business creation, whilst aiming to improve the capacity to anticipate, trigger and absorb economic and social change.

Under the education and training Strategic Theme, the NRP emphasises Government's intention to sustain the pace of reform in education so as to further increase existing participation rates in further and higher education in an inclusive manner in line with the nation's socio-economic development needs. In particular, Government aims to implement inclusive education and training policies aimed

⁸⁹ Council Decision of 12 July 2005 on Guidelines for the employment policies of the Member States (2005/600/EC).

⁹⁰ In agreement with vice-President Verheugen and Commissioners Almunia and Spidla.

⁹¹ The European Employment Strategy is an instrument based on the open method of co-ordination, wherein the efforts and outcomes of member states' labour market policies are made visible through an annual cycle of planning, implementation and reporting.

⁹² Sustainability of Public Finances, Competitiveness, Employment, Education and Training, and Environment

at adult learners and at reducing the number of early school leavers. Government is also committed towards making education and training pathways attractive, accessible and flexible to provide maximum possible fulfilment of the potential of all persons throughout their working lives. Furthermore, the aim is to respond to new occupational needs, key competences and future skills requirements. The National Strategic Reference Framework (NSRF) 2006, which is the strategic document that sets out Malta's Strategic Objectives for the EU's Cohesion Policy 2007-2013, reflects and builds on the key priorities identified within the NRP.

3.2 NSRF Strategic Objectives

The NSRF identifies four Strategic Objectives for Malta's socio-economic development (vide Figure 3.1), namely sustaining a growing and knowledge-based, competitive economy; improving Malta's attractiveness and the quality of life; investing in human capital; and addressing Gozo's regional distinctiveness. These objectives support Malta's vision to promote competitiveness, a high-value-adding economy and to achieve sustainable socio-economic development and a better quality of life for citizens.

The NSRF Strategic Objective of most relevance to this Operational Programme is *Investing in human capital*, which focuses on education and employment. This NSRF Strategic Objective supports the provision of quality life-long education for all, leading towards the maximum possible fulfilment of the potential of every person. It sets the vision for fostering a knowledge-based culture to improve the country's competitive edge, in line with the nation's needs with regard to sustainable growth and development. The NSRF focuses on the need to support an increased supply of knowledge workers, improving the adaptability of the workforce through implementing a life-long learning perspective, increasing employment rates in disadvantaged segments of the population, and administrative capacity building.

Another NSRF Strategic Objective of direct relevance to this Operational Programme is *Addressing Gozo's regional distinctiveness*. This Strategic Objective focuses to support Gozo's economic activity and growth, which is currently underpinned by a low labour market activity rate with extensive employment in lower-value added activities, considerable rates of 'underemployment' and high levels of economic seasonality. In this regard, this Operational Programme will contribute towards achieving a better skilled Gozitan labour force and creating job opportunities in Gozo in order to raise the overall employment rate.

This Operational Programme will also support Strategic Objective 1 of the NSRF *Sustaining a growing and knowledge-based, competitive economy* in that it will provide the human resource component necessary to support the transition to and strengthening of a competitive, knowledge-based economy, particularly by providing the human resource dimension of enterprise development and restructuring and the expansion of RTDi. NSRF Strategic Objective 2 *Improving Malta's attractiveness and the quality of life* will also be indirectly supported through the ESF Operational Programme in that it will support training and human resource development in key sectors identified as priorities under this Strategic Objective.

3.3 Objectives of the Operational Programme

3.3.1 Overall Objective of the Operational Programme

The overall objective of this Operational Programme is to invest in human capital in order to raise the overall employment rate. Malta's current employment rate stands at 54.3 per cent which is on the low side compared with the EU25 rate of 63.8 per cent⁹³. The overall objective of this OP is to increase Malta's employment rate to 57 per cent by 2013. This Operational Programme provides the opportunity for Malta to invest in its human capital, not merely through improving the skills level of the current and future workforce but also through the strengthening of labour market structures.

⁹³ Both figures for 2005.

Investment in human capital is earmarked to secure economic growth, meet the challenges of globalisation and also improve the quality of life of the citizens. The strengthening of labour market structures is aimed at facilitating labour market integration.

3.3.2 Specific Objectives

The overall objective of the ESF Operational Programme will be achieved through the attainment of two specific objectives as illustrated in Figures 3.1 and Figure 3.2.

1. Investing in human capital;
2. Strengthening labour market structures.

Investment in human capital aims to improve the quality of education and skills level of the current and future labour force to achieve the necessary flexibility in the labour market for it to be in a better position to respond to the needs of Malta's economic growth and development, whilst supporting disadvantaged segments of the population. This objective includes support to enterprises to help them face the ever changing challenges of the market and sustaining a growing competitive economy.

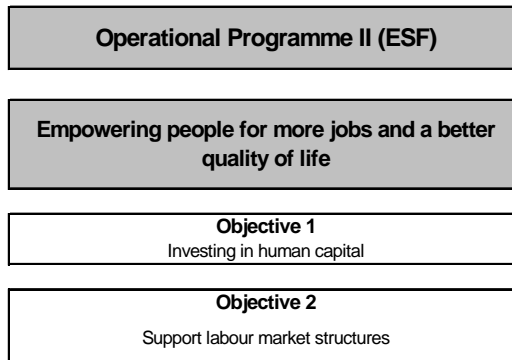
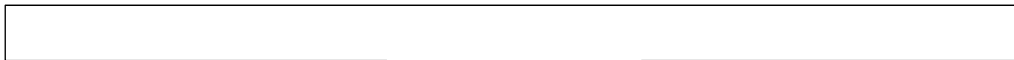
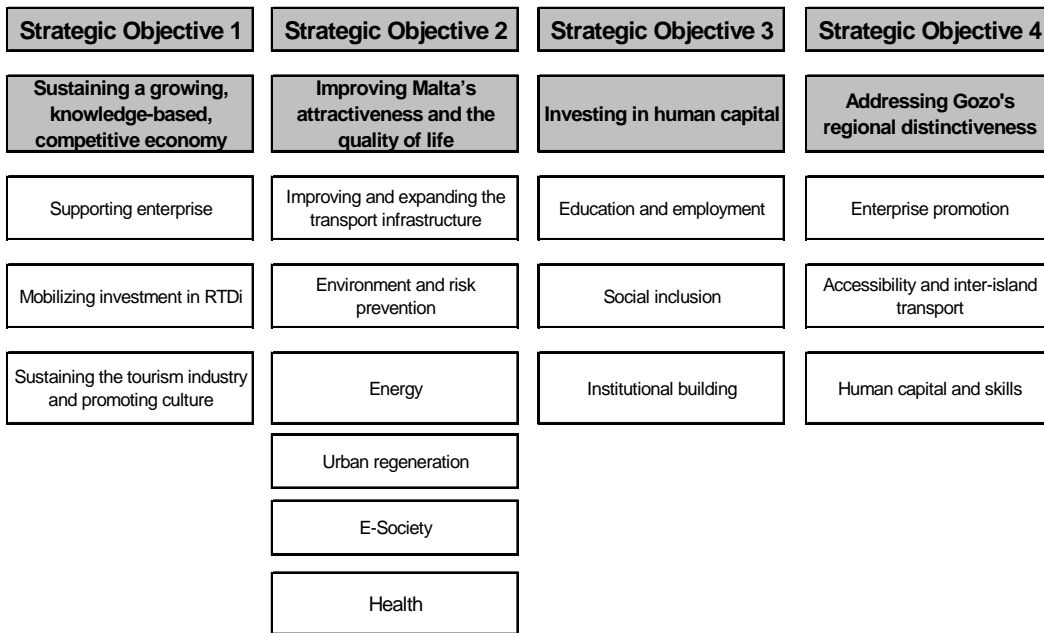
The specific objective of strengthening labour market structures aims to increase the employment rate by ensuring that those facing difficulties or barriers to enter work or to retain employment are supported. With a very low female participation rate in the labour market when compared to EU averages, a strengthened Maltese labour market structure would facilitate the integration of women and other disadvantaged groups into the productive economy. In order to meet this objective, a number of measures must be undertaken, including the need to promote flexible forms of work organisation which allow for an acceptable balance of work and personal life complemented by a reform of the tax benefit system to make work pay, particularly for the unemployed and inactive, and the promotion of health and safety at work. Strengthened labour market structures also address the need to further improve Malta's ability to forecast and respond to labour and skills shortages and to ensure the best possible matching of unemployment to vacancies. This objective includes also the commitment to achieve effective and efficient public administration and effective social dialogue which supports socio-economic development, growth and employment.

The objectives of this Operational Programme have been developed taking into account a number of crucial realities that affect Malta's socio-economic development for the planning period 2007-2013. These realities emanate from the analysis of the socio-economic situation and the SWOT analysis described in Chapter I and II of this document respectively, and include:

- Low employment participation rate, especially for women;
- Insufficient affordable childcare services;
- Labour shortages in key areas, particularly low skilled;
- High rate of early school leavers⁹⁴;
- Low participation rates in upper secondary education and tertiary education;
- Low rates of graduates in engineering and sciences, especially for women;
- Low participation in continuous education and training;
- An ageing population.

⁹⁴ According to Eurostat methods of measurement. Method of measurement for Malta and Eurostat is different since Malta school leaving age is 16, whilst Eurostat is 18 years

Figure 3.1
NSRF – STRATEGIC OBJECTIVES 2007-2013



3.4 Priority Axes

These challenges which are based on the realities outlined under Chapter I and II represent the framework of Malta's specific needs that must be addressed by this Operational Programme during the 2007-2013 period. This analysis together with the feedback arising from meetings with stakeholders and from public consultation meetings⁹⁵; the strengths, weaknesses, opportunities and threats of the current socio-economic situation in Malta; priorities emanating from national strategies⁹⁶ and also the experiences gained in implementing EU funded programmes and projects during the period 2004 – 2006 have led to the identification of the following Priority Axes to be addressed under this Operational Programme:

- **Priority Axis 1 – Improving education and skills;**
- **Priority Axis 2 – Investing in employability and adaptability of the work force;**
- **Priority Axis 3 – Promoting an equal and inclusive labour market;**
- **Priority Axis 4 – Strengthening of institutional and administrative capacity;**
- **Priority Axis 5 – Technical Assistance.**

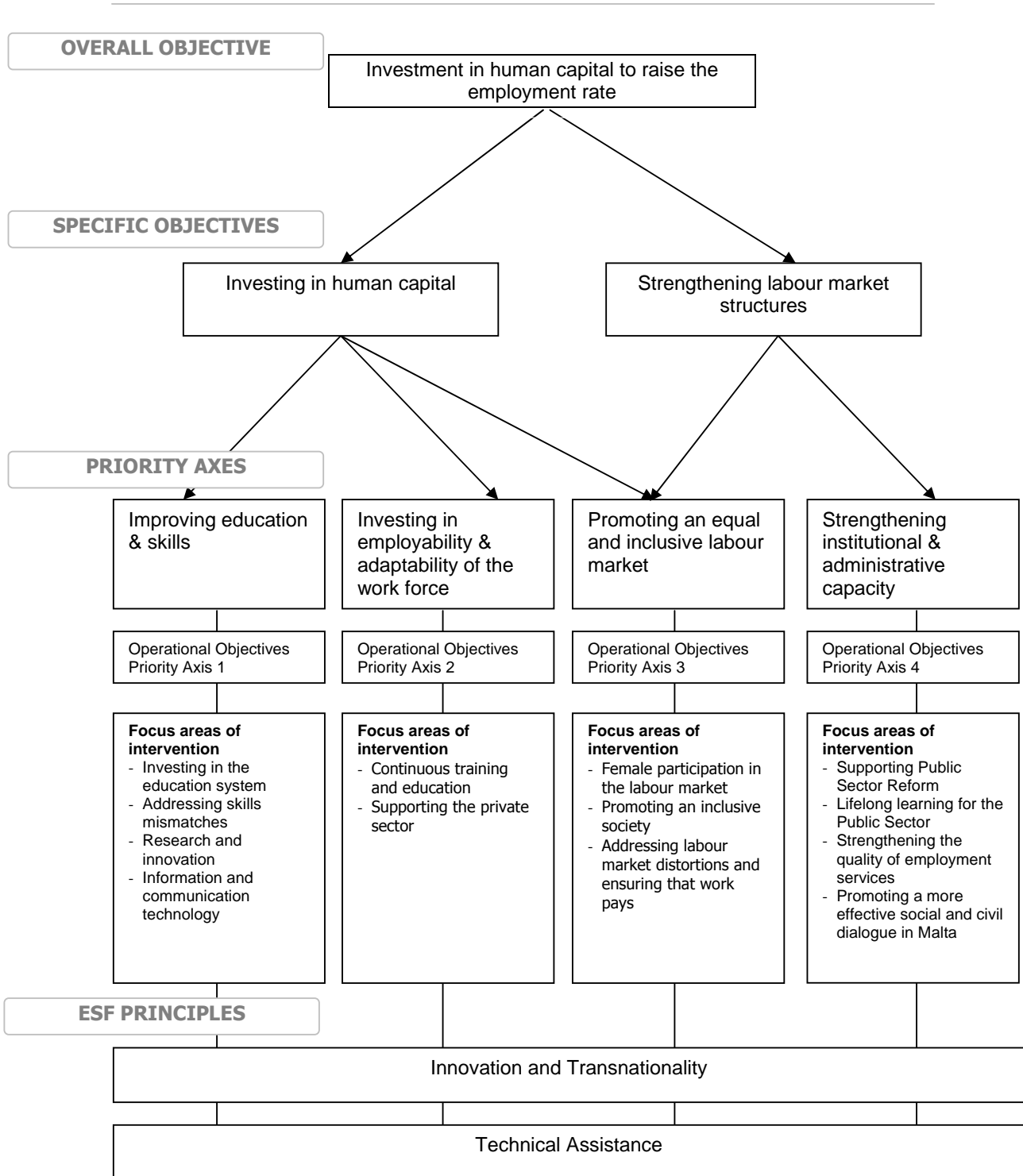
Each Priority Axis has a general objective and a number of operational objectives and is underpinned by a number of focus areas of intervention.

⁹⁵ Organised in September 2005 and the first quarter of 2006

⁹⁶ Including the Pre-Budget Document "A Better Quality of Life" 2006-2010

Figure 3.2

**OPERATIONAL PROGRAMME
OBJECTIVES AND PRIORITY AXES**



3.4.1 Linking the Priority Axes to the Community Strategic Guidelines

The European Commission has prepared a (draft) communication on *Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013*. The Communication provides guidance for Europe to renew the basis of its competitiveness, increase its growth potential and its productivity and strengthen social cohesion, placing the main emphasis on knowledge, innovation and the optimisation of human capital. It urges Member States to concentrate the limited resources available to Cohesion Policy on promoting sustainable growth, competitiveness and employment as set out in the renewed Lisbon Agenda.

The Community Strategic Guidelines (CSGs) focus Cohesion Policy priorities into three:

1. Making Europe and its regions more attractive places to invest and work;
2. Improving knowledge and innovation for growth;
3. More and better jobs.

In 2005, the European Council adopted new guidelines for the employment policies of the Member States which are based on the conclusions of the Spring European Council of 22 and 23 March 2005, reflecting the third guideline 'more and better jobs' of the CSGs. In line with these 2005 Spring Conclusions, the Union committed itself to mobilise all appropriate national and Community resources – including Cohesion Policy – in the Lisbon Strategy's three dimensions (economic, social and environmental) so as to better tap into their synergies in a general context of sustainable development. As highlighted under section 3.1 of this Operational Programme, the objectives of full employment, job quality, labour productivity and social cohesion must be reflected in three clear priorities: to attract and retain more people in employment, increase labour supply and social protection systems; to improve the adaptability of workers and enterprises; and to increase investment in human capital through better education and skills.

As illustrated in Table 3.1, the Priority Axes for Malta to support growth and jobs within the ESF Operational Programme are built on the third pillar of the CSGs and the new guidelines for employment policies. In terms of human resources development, the two documents focus on three priorities for action for Member States' policies:

1. Attract and retain more people in employment and modernise social protection systems;
2. Improve adaptability of workers and enterprises and the flexibility of the labour market;
3. Increase investment in human capital through better education and skills.

In addition, the CSGs ask Member States to direct particular attention to investments to improve efficiency in public administration.

All Priority Axes of this Operational Programme feed into the first guideline *Attracting and retaining more people in employment, increase the labour supply and modernise social protection systems*. The Priority Axes contribute towards the raising of the employment rate in an inclusive manner. They provide special attention to the provision of career guidance to ease the transition from education to work, promote a lifecycle approach to work, support the inclusion of those facing difficulties in entering the labour market, and strengthen labour market institutions.

Priority Axes 2 and 3 also contribute directly towards the second employment guideline *Improve adaptability of workers and enterprises and the flexibility of the labour market*. Priority Axis 2 focuses on the flexibility of the workforce and enterprises to respond to sudden changes in demand for their goods and services, adapt to new technologies and are in a position to innovate constantly in order to remain competitive, primarily continuous education and training. Priority Axis 3 aims to support workers in their lifecycle approach to work, including the promotion and dissemination of innovative and adaptable forms of work organisation with a view to improving quality and productivity at work, including health and safety. This Axis also supports the inclusion of disadvantaged groups into the labour market.

All Priority Axes contribute to the third employment guideline *Increase investment in human capital through better education and skills*. The Priority Axes seek to provide the basis for interventions that will improve the education attainment levels of the population and equip the Maltese labour force

with the necessary key competences required by the labour market. Furthermore, the Axes will contribute towards more inclusive education and labour market actions and the retention of people (adults and students) in education (also through strengthening lifelong learning systems). Priority Axis 4 in particular will contribute towards the efficiency of public administration through actions targeting institutional and administrative capacity, including that of the Social Partners and Civil Society.

Table 3.1

Cross-referencing of OPII - Priority Axes and CSGs				
Community Strategic Guidelines	OPII – Priority Axes			
More and Better Jobs	Improving education & skills level	Investing in employability & adaptability of the work force	Supporting an equal and inclusive labour markets	Strengthening institutional & administrative capacity
CSG 3	P.A. 1	P.A. 2	P.A. 3	P.A. 4
Attract and retain more people in employment, increase labour supply and modernise social protection systems	✓	✓	✓	✓
Improve adaptability of workers and enterprises		✓	✓	
Increase investment in human capital through better education and skills	✓	✓	✓	✓
Administrative capacity				✓

As highlighted above, the planned interventions under this Operational Programme primarily contribute towards the third guideline of the CSGs, *More and Better Jobs*. However, the focus areas of this Operational Programme are aimed to contribute indirectly to the second CSG guideline, *Improving Knowledge and Innovation for Growth*, through the investment in the expansion of RTDi, promotion of innovation and entrepreneurship and the strengthening of the information society.

3.4.2 Linking the Priority Axes to the NRP

The National Reform Programme (2005) for Malta was developed in response to the re-launch of the Lisbon Strategy which was adopted in March of the same year by the European Council. The NRP represents a comprehensive three-year strategy to implement the integrated guidelines for growth and jobs. These integrated guidelines are a direct reflection of priorities at the European level which aim to boost the Union's growth potential in order to achieve the overarching objective of sustainable development.

Table 3.2 gives a snapshot of the links that exist between the NRP and the Priority Axes and objectives of this Operational Programme. All Priority Axes of this Operational Programme are earmarked to address the policy responses of the Employment and Education and Training NRP Strategic Themes. As highlighted under section 3.3.1, the overall objective of this Operational Programme is to invest in human capital to raise the employment rate. This fits perfectly with the policy responses identified in the NRP under the Employment Strategic Theme. The link is further strengthened since the NRP places particular emphasis on the female employment rate. Besides being a horizontal objective across all Priority Axes of the Operational Programme, female employment rate is specifically dealt with under Priority Axis 3, which aims to address the issue of female participation in the labour market through the promotion of a lifecycle approach to work. In line with the NRP's particular focus on older workers, the ESF Operational Programme aims to support active ageing across most Priority Axes through lifelong learning actions, employment schemes and the promotion of inclusive labour markets.

Under the employment Strategic Theme, the NRP focuses on the provision of the necessary support for transition in occupational statuses between training, self-employment and business creation. In

this context, the Operational Programme aims to contribute towards the strengthening of guidance and counselling services, to support self-employment (entrepreneurship) and business creation, and to improve the quality of employment services through Priority Axes 1, 2 and 4 respectively.

The specific objective of this Operational Programme *Investing in human capital* contributes directly to the Education and Training Strategic Theme of the NRP. This specific objective shall be supported through all Priority Axes. As highlighted under section 3.1, the NRP places particular emphasis on the implementation of inclusive education and training policies aimed at adult learners and reducing the number of early school leavers. It highlights Government's commitment to ensure that education and training pathways are attractive, accessible and flexible to provide maximum possible fulfilment of the potential of all persons throughout their working lives. Furthermore, the NRP highlights the need to respond to new occupational needs, key competences and future skills requirements. In this context, the Priority Axes are envisaged to support the education system, continuous training and education, the skills level of the workers to respond to the enterprises' efforts to expand, re-structure and adapt, and to achieve inclusive labour markets. Finally, Priority Axis 4 foresees investment in the capacity of the institutional and administrative set-up in order to ensure that the support services provided by Government are conducive to economic growth and socio-economic development. This Axis also will also support capacity building measures of the socio-economic partners and NGOs for a more participatory society.

This Operational Programme shall also complement Government's policy responses under the Sustainability of Public Finances Strategic Theme of the NRP. In this context, Priority Axes 2, 3 and 4 of the Operational Programme by promoting resource allocation towards growth enhancing sectors, directing investment towards inclusive labour markets which ultimately contribute to the sustaining of public finances (transforming undeclared work into regular employment and therefore also less people on social benefits) and retraining and redeployment of human resources in the Public Sector and restructuring of Public Sector entities leading to increased efficiency and reduced Public Sector expenditure.

Table 3.2

Cross-referencing of OPII - Priority Axes/Objectives and NRP								
OPII - Objectives		NRP Strategic Themes						
Priority Axis	Objectives	Investing in human capital	Strengthening labour market structures	Sustainability of public finances	Competitiveness	Employment	Education and training	Environment
1	Improving education & skills	✓				✓	✓	
2	Investing in employability & adaptability of the work force	✓		✓	✓	✓	✓	✓
3	Promoting an equal and inclusive labour market	✓	✓	✓		✓	✓	
4	Strengthening of institutional and administrative capacity	✓	✓	✓	✓	✓	✓	

Under the Competitiveness Strategic Theme of the NRP, the Government committed itself to provide incentives and support to enterprises to meet the current and future needs of the country. The ESF Operational Programme shall address this policy response through Priority Axes 2 and 4 by providing assistance to enterprises in terms of training to help them adapt to the needs of the economy and by supporting regulatory reform to improve Malta's competitiveness and reduce regulatory burden on enterprises.

Finally, in response to the Environment NRP Strategic Theme, the ESF operational programme shall support environmental training in order to support the upgrading of the nation's environment to ensure an improved quality of life through sustainable development.

3.4.3 Breakdown by categories of intervention

Table 3.3

Categories of Intervention		
Code	Category	%
Increasing the adaptability of workers and firms, enterprises and entrepreneurs	62 Development of lifelong learning systems and strategies in firms; training and services for employees to step up their adaptability to change; promoting entrepreneurship and innovation	12.50
	63 Design and dissemination of innovative and more productive ways of organising work	1.25
	64 Development of specific services for employment, training and support in connection with restructuring of sectors and firms, and development of systems for anticipating economic changes and future requirements in terms of jobs and skills	3.21
Improving access to employment and sustainability	65 Modernisation and strengthening labour market institutions	2.68
	66 Implementing active and preventive measures on the labour market	0.89
	67 Measures encouraging active ageing and prolonging working lives	1.34
	68 Support for self-employment and business start-up	1.79
	69 Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation in the labour market, and to reconcile work and private life, such as facilitating access to childcare and care for dependent persons	7.14
70 Specific action to increase migrants' participation in employment and thereby strengthen their social integration	0.45	
Improving the social inclusion of less favoured persons	71 Pathways to integration and re-entry into employment for disadvantaged people: combating discrimination in accessing and progressing for the labour market and promoting acceptance of diversity at the workplace	16.96
Improving human capital	72 Design, introduction and implementation of reforms in education and training systems in order to develop employability, improving the labour market relevance of initial and vocational education and training, updating skills of training personnel with a view to innovation and a knowledge based economy	16.52
	73 Measures to increase participation in education and training throughout the life cycle, including through action to achieve a reduction in early school leaving, gender-based segregation of subjects and increased access to and quality of initial vocational and tertiary education and training	11.61
	74 Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses	6.25
Mobilisation for reforms in the fields of employment and inclusion	80 Promoting partnerships, pacts and initiatives through the networking of relevant stakeholders	2.00
Strengthening institutional capacity	81 Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes	11.57
Technical Assistance	85 Preparation, implementation, monitoring and inspection (TA)	1.84
	86 Evaluation and studies, information and communication (TA)	2.00
TOTAL		100.00

3.5 Specific Conditions

3.5.1 Recommendations by the EU

The Council Recommendation of 14 October 2004 on the implementation of Member States' employment policies makes proposals to Member States on the actions that should be taken with respect to their specific needs. Through this Council Recommendation Member States are urged to give attention to four particular challenges:

- a. Adaptability;
- b. Attracting more people into the labour market;
- c. Improving the quality of employment;
- d. Investing in human capital.

In the case of Malta, the Council Recommendation highlights the low employment rate in Malta when compared to the EU15 average. The same issue was reiterated in the following Joint Employment Reports (JER) 2004/2005 and 2005/2006. This issue is also analysed in Chapter 1 of this Operational Programme and as a result of this analysis Malta identified *investing in human capital to raise of the overall employment rate* as the overall objective of this Operational Programme. In this context, all actions carried out under this Operational Programme should have a positive impact (direct or indirect) on the employment rate in order to secure economic growth, meet the challenges of globalisation and improve the quality of life of citizens.

The Council Recommendation also refers to the low employment rate of women which is mentioned again in the 2004/2005 JER. The latter document highlights that life balance approaches at work as being limited and identifies the need to invest in support towards female participation in the labour market. In this regard and within the framework of the analysis carried out in Chapter 1 of this document, Priority Axis 3 has identified the need to promote a life cycle approach to work within the focus areas of the Axis. Priority Axis 3 aims at addressing the participation rate in the labour market of disadvantaged groups, including older workers.

Table 3.4

EU Recommendations		Cross-referencing of OPII – EU Recommendations			
		Improving education & skills level P.A. 1	Investing in employability & adaptability of the work force P.A. 2	Supporting an equal and inclusive labour markets P.A. 3	Strengthening institutional & administrative capacity P.A. 4
Increasing the adaptability of workers and enterprises	Job creation & entrepreneurship/business-friendly environment	✓	✓		✓
	Labour costs/reducing non-wage labour costs			✓	
Attracting more people into the labour market	Making work pay			✓	
	Female Participation			✓	
Investing in human capital	Developing lifelong learning		✓		✓
	Implementing high quality education and training	✓	✓	✓	✓
	Tackling early school leaving	✓		✓	
	Addressing the low skilled	✓	✓	✓	✓

In line with the Annex 2 of the JER 2004/2005 dated 9 March 2005, Table 3.4 gives a snapshot of how Malta's specific EU Recommendations are being taken on board. The EU recommendation focusing on increasing adaptability of workers and enterprises is being tackled through Priority Axes 1,2 and 4. More specifically, this Operational Programme will support job creation and entrepreneurship through Priority Axis 2. Entrepreneurship is also being catered for through education to reinforce an entrepreneurial culture. Business friendly environment is being supported through further investment in the regulatory reform to foster and encourage entrepreneurship and reduce the regulatory burden on businesses. Issues relating to labour costs/reducing non—wage labour costs are indirectly reflected under Priority Axis 3 within the context of making work pay.

In line with the JER and the EU recommendation for Malta to direct investment towards attracting more people into the labour market, this Operational Programme is supporting the design and introduction of a number of reforms to ensure that the tax and benefit interaction have a favourable impact on those furthest away from the labour market. Focus is also being directed towards support to increase the female participation in the labour market as described earlier on.

In accordance with the EU recommendation, Malta considers investment in human capital as essential and has agreed to set this concept as one of the two specific objectives of this Operation Programme. Investment in human capital is seen in all the Priority Axes and covers lifelong learning in general, lifelong learning within the Public Sector, training schemes for the private sector, mitigation against early school leaving and illiteracy and strengthening of the education system.

3.5.2 Social Partners

The Social Partners and Civil Society in general are currently participating in the ESF 2004-2006 Programme at different levels. This is primarily being done at Monitoring Committee level but also, to a limited extent, at project level in that a number of projects proposed by Partners are being funded through the ESF. This experience has given the Partners a practical approach to the management of Structural Funds, albeit limited in nature. The Partners often experience administrative and financial constraints which do not facilitate the full participation in the process.

Government has recognised these constraints and has started delivering a series of presentations to the MCESD on issues related to Structural Funds. Moreover, Monitoring Committee meetings do have a pedagogical dimension in order to allow for the steep learning curve and the Partners have also been included as target beneficiaries of the comprehensive training strategy currently being drafted. ESF 2004-2006 technical assistance is also available to the Partners to allow for capacity building initiatives in the area of Structural Fund management.

In order to facilitate the participation of the Partners in this Programme, Government has committed itself to a number of initiatives which should address, in part, both the financial and administrative limitations experienced under the 2004-2006 Programme. These include the commitment to pre-finance the EU co-financing from the national budget and to set up a unit within central government to liaise with and give direct support to NGOs during the implementation process. The Government will also encourage Partners to come together and establish an administrative support set-up at the end of the Beneficiaries.

3.5.3 Innovative Actions; transnational and interregional co-operation

Article 3(5) of the Regulation of the European Parliament and of the Council on the European Social Fund (1081/2006) establishes that *in implementing the objectives and priorities ..., the ESF shall support the promotion and mainstreaming of innovative activities*. In line with Article 7 of the same regulation, the Managing Authority is required to choose the themes for the funding of innovation in the context of partnership and to define the appropriate modalities of implementation.

Article 3(6) of the same regulation also establishes that the ESF shall support transnational and interregional actions in particular through sharing of information, experiences, results and good practices, and through developing complementary approaches and co-ordinated or joint action.

In line with these Articles, the Maltese Authorities propose to include innovation as a cross cutting priority across Priority Axes. In the context of partnership, specific actions aiming at the promotion

and mainstreaming of innovative actions shall be supported in line with the themes included under the Priority Axes. Innovation, which can be process-, goal-, and context-oriented, focuses on testing new materials, methods and approaches to develop new ways of tackling labour market discrimination and inequality. Mainstreaming is the process which enables activities to impact on policy and practice. The purpose of innovation and mainstreaming activities is to underpin reforms in relevant policy areas and delivery by providing evidence, experience and guidance on effective alternatives or improvements of current practice. In order to promote the principle of innovation, innovation shall be included as one of the selection criteria for projects to be funded under this Operational Programme. In this regard, any projects that meet the principle of innovation (which is explained above) and fit within the defined Innovative Activities listed under the Priority Axes will gain additional points resulting from this selection criterion.

The Programme will also support innovative activities delivered through transnational and interregional co-operation which will explore the application to the local situation of solutions (or modifications thereof) that other Member States are using to tackle specific problems in the relevant policy areas. The aim is to identify best practices and methods which could either be locally implemented or adapted to local situations to address issues specified in the focus areas under each Priority Axis. The Maltese Authorities are confident that activities of such nature will add value to the qualitative implementation of the Programme as well as contribute to supporting the modernisation of the economy and instigating and implementing reform of relevant policies and actions.

In this regard, whilst recognising the importance of the transnational and interregional dimension overall, the Authorities feel that the transnational and interregional dimension which should be supported through additional points in the project selection process is the one that adds value to the principle of innovation. This implies that additional points in the project selection process will be provided for transnational and interregional co-operation which will be implemented as a supporting action to projects which are innovative in nature. In this regard, project promoters of innovative actions would be benefiting from the opportunity to have transnational/interregional partners in their projects. In particular, as established under Article 3(6) of Regulation 1081/06, transnational / interregional actions can be implemented through sharing of information, experiences, results and good practices, and through developing complementary approaches and co-ordinated or joint action. The objective of transnational/interregional co-operation is to contribute to economic and social cohesion by improving strategy and delivery of employment, education and vocational training, social inclusion, equality, and capacity building policies through collaboration across national borders. Such co-operation will allow for sharing of experience and expertise between a broad range of actors including public authorities, Social Partners, and organisations from the Civil Society.

The forms of collaboration that shall be supported are:

- A cost-effective procedure for jointly developing, testing, applying and disseminating good practice;
- An opportunity to build networks and partnerships of practical co-operation, exchange of experience, results, knowledge and know-how, and mutual support between Member States at all levels.

In general, transnational /interregional co-operation can be supported within the context of a project through different levels of collaboration. These include co-operation between a local project promoter and another partner in a different Member State. Transnational / interregional co-operation will be implemented under all the Priority Axes of the Operational Programme within the context of innovation and proposed actions must be in line with the Focus Areas included under the relevant Priority Axes. Transnational / interregional actions cover the following:

- Collaboration on a number of issues of mutual interest to enhance the activities and performance of project promoters, and perhaps produce common results;
- Establishing and/or enhancing networks with a common affiliation such as Social Partners to collaborate on matters ranging from information exchange to common activities, products or policies;
- Twinning arrangements between institutions which facilitate the provision of support between each other in addressing common issues;

- Partnerships between national organisations such as the Managing Authorities on issues relating to sharing of experiences on ESF work and lessons learnt⁹⁷.

Transnational / interregional co-operation will be included in the selection criteria for projects to be funded under this Operational Programme. In this context, projects including transnational / interregional actions within the above framework will be awarded additional points in the project selection process. Transnational / interregional activities which are not linked to actions that are innovative in nature will also be supported, however no additional points will be provided for such activities. The relevance of these proposed transnational / interregional activities will be assessed within the context of the whole project.

3.6 Integration of horizontal priorities

3.6.1 Sustainable development

The EU Sustainable Development Strategy 2001⁹⁸ (the Gothenburg Agenda) provided a “third dimension” to the Lisbon Strategy, recognizing that economic, social and environmental renewal go hand in hand. On a national level, the Maltese Government has drawn up a Draft Sustainable Development Strategy for the Maltese Islands, at the heart of which is the simple idea of enabling the Maltese people to enjoy a better quality of life, without compromising the quality of life of future generations. The strategy contains an integrated vision or purpose, three vertical themes and a new set of targets for implementing and ensuring sustainability. The three central aims of the strategy are:

- Effective protection of the environment and prudent use of natural resources;
- Promoting sustainable economic development;
- Fostering sustainable communities.

The Maltese Government is aware that OP II needs to reflect the National Sustainable Development Strategy to ensure mainstreaming of Sustainable Development (SD) throughout. Thus, OP II treats SD as a cross-cutting theme and will be contributing to this goal in an integrated way through the dual objectives of investing in human capital and strengthening labour market structures. This will achieve the overall target of raising the employment rate, which will, in turn, secure economic growth and improve the quality of life of the Maltese population.

From the **environmental perspective**, OP II can help achieve environmental protection and enhancement through the delivery of projects. The impact can be direct, through the provision of training offered in environmental fields, such as environmental and waste management. Indeed, the environmental sector is creating a wide variety of job opportunities. There can also be indirect impacts. An example of the latter could be awareness-raising within training programmes or using the environment as a way of engaging with hard to reach individuals.

In terms of **social renewal**, education is crucial for SD to actually happen. SD requires new ways of thinking, working and behaving. OP II envisages investment in education and training which will create the incentive required to provide people with the necessary skills, values and knowledge to enable more sustainable activity to occur. The latter will contribute to the SD objective of continuing to adopt measures to decrease the early school-leavers rate. Students benefiting from courses offered, will eventually provide the skills that businesses require, now and in the future. This involves ensuring that labour supply meets demand by addressing the generic and specific skill shortages that exist in the Maltese labour market, and ensuring an adaptable and flexible labour market. Moreover, all interventions envisaged by OP II must demonstrate commitment to respect the principles of non-discrimination and equal opportunities. This effectively demonstrates that OP II is responsive to labour force participation of women, which is presented as a challenge in the national SD strategy. Indeed, the strategy envisages that female employment rate should be increased.

From the **economic perspective**, OP II reflects the SD challenges contained in the strategy through initiatives aimed at creating employment opportunities to improve the quality of life of the Maltese

⁹⁷ This form of co-operation can only be supported through the Technical Assistance

⁹⁸ This strategy was renewed and approved by Council in June 2006.

population, taking into consideration environmental and social impacts. Through support being offered to the competitive enterprise, OP II will also be contributing to the enhancement of innovative capacities of enterprises and spearheading collaboration between enterprises to support the creation of a knowledge-based economy and potentially also cleaner technologies and production processes.

SD targets are clearly in tune with the objectives of OP II and the successful implementation of this programme will ascertain that some of the objectives contemplated in the SD strategy will be adequately addressed and achieved. In developing OP II, the objective is that of building on best practice from the current programme, reflecting the opportunities available through the integration of the horizontal themes and the benefits that this can bring to programme delivery. In addition, at project level, synergy between economy, society and environment will be achieved through the use of guidance, appraisal and monitoring procedures.

3.6.2 Equal opportunities

Government is committed to increase the female employment rate and increase the labour supply from groups with low employment rates⁹⁹. This commitment will be implemented through a number of actions which prevent and address discrimination; provide incentives for groups with a low employment rate to take-up work; and a series of measures which enable a better balance between work and family life. To ensure that the European Social Fund Operational Programme supports Government's commitment in terms of equal opportunities, the document was prepared in conjunction with persons who have good knowledge of gender issues and equal opportunities in Malta. Advice was continuously sought from the Ministry for the Family and Social Solidarity (MFSS), as the drivers of equal opportunities in Malta. The National Commission for the Promotion of Equality in Malta, within MFSS, which is the body responsible to monitor the implementation of Equality for Men and Women Act (CAP 456) and to promote equality in spheres where it may be lacking, was also directly consulted to ensure that gender issues, as well as all other forms of discrimination emanating out of Article 13 of the EC Treaty, are taken into account as appropriate. This continuous consultation aided in the proper 'visioning' of the drafting of the Operational Programme in terms of equality of opportunities as an underlying horizontal theme across the programme.

Equal opportunities will also be integrated at the individual project level. To this end, project promoters will be requested to indicate clearly in the proposals how they intend to contribute to the horizontal priority of equal opportunities. This will be given due consideration in the project selection process. In this regard, equality requirements will be given due consideration in reports monitoring progress on implementation of the Programme. When carrying out general publicity of the programme or publicity in pursuance to project funded by the ESF, due account will be taken to ensure gender balance.

Given the importance of equal opportunities, specific activities in relation to equal opportunities have also been integrated into the strategy of this document through the inclusion of a specific priority aiming to promote equal and inclusive labour markets. These include the promotion of a lifecycle approach to work, actions which support the reduction of the gender gap and combat occupational segregation and the promotion of social inclusion in general.

3.7 Financial Concentration

This Operational Programme covers the whole territory. All Priority Axes listed above shall cover the challenges that are being faced by Malta and Gozo. Government is committed to spend a minimum of ten per cent of the Funds under this Operational Programme in Gozo on measures contributing to Gozo's socio-economic development. The implementation of this commitment is described under Chapter 5: *Implementing Provisions*.

⁹⁹ Including early school leavers, the low-skilled and persons with disability.

Chapter 4 - Priority Axes

The underlying direction provided by the Community Strategic Guidelines is to concentrate the limited resources available to Cohesion Policy on those areas where EU Structural Funds can contribute most to the overall development objective of the country.

The four Priority Axes selected are earmarked to contribute to strengthening economic and social cohesion by improving employment and job opportunities, encouraging a high level of employment and generating more and better jobs in line with the main tasks of the European Social Fund and the objectives identified for this Operational Programme. The Technical Assistance Priority Axis aims at facilitating the implementation of this Operational Programme and strengthening the country's capacity to implement Structural Funds.

Each Priority Axis consists of a background overview, the overall and specific objectives pertaining to the Axis, the broad target groups and a number of focus areas of intervention. Focus areas are being seen as the main potential areas of intervention of the Priority Axis and not comprehensive of the Priority Axis or excluding other areas of intervention which could contribute to the attainment of the objectives of the Priority Axis.

4.1 Priority Axis 1 – Improving education and skills

Background

Given that human resources are Malta's premier resource, knowledge and higher educational attainment levels are critical contributors to Malta's economic growth and the improvement of the standard of living of its citizens. A highly-skilled workforce is the product of lifelong education, starting from very early childhood, through effective primary and secondary schooling, moving onto vocational or tertiary education, and continuing subsequently with postgraduate education and beyond. Despite the huge strides made in the past years in the provision of quality education and training, statistics indicate that, when compared to European averages, Malta has to make further efforts to reach certain targets such as that of higher education¹⁰⁰ and early school leaving¹⁰¹.

Malta's economic growth and development demand quality education for all. Apart from the objective of reaching the quantitative targets, education reform currently under implementation foresees measures which will not only attract more pupils and students to participate in further education but will also result in enhancing the quality of the "education experience". The education experience is enhanced not merely through improved and more services, but also through the valuation of qualifications and the creation of pathways which allow for mobility within and between educational institutions.

The country's ability to compete in the high-value-added, knowledge-intensive markets requires a highly skilled and adaptable workforce. Education reform needs to develop good foresight mechanisms in order to be able to ensure that the education system is catering for the skills requirements of the labour market in the future. The education system needs to develop the means to predict labour market requirements in line with the economic development trends of the country in order to ensure a readily available pool of skilled resources at the right time. Once the needs of the labour market are identified, the education system needs to build up its own capacity to be able to cater for new courses and subjects and also needs to communicate this information to pupils, students and parents to ensure sufficient take-up of the most relevant skills and knowledge. Given the shift within the economy from low tech, repetitive and low skilled operatives to high value added, more knowledge-based sectors, areas such as R&D and information society are considered critical for the future demands of the labour market.

¹⁰⁰ The target is to increase the participation rates in upper secondary education level or more of 22 year olds to 65 per cent by 2010, (NRP, p. 16)

¹⁰¹ The aim is to decrease the early school leaver rate to 35 per cent (NRP, p. 16)

Objectives

This Priority Axis will invest in human capital in order to increase the overall participation rates in education at all levels, thereby increasing and upgrading the knowledge and skills levels of the labour force.

The operational objectives of this Priority Axis:

- A. To increase student participation in general fields of study (non S&T or ICT) at a further or higher levels of education;
- B. To increase student participation rates in science, technology and ICT education at a further or higher level of education;
- C. To improve the quality or relevance of educational experience.

Broad target groups

Table 4.1

Priority Axis 1 - Broad target groups	
Operational Objectives	Broad target groups
A	students; young people and adults outside the formal education system; educators; professionals; administrators
B	pupils; students; young people and adults outside the formal education system; educators; professionals; administrators; parents; researchers; government agencies, industry; general public
C	pupils; students; young people and adults outside the formal education system; educators; professionals; administrators; parents

Focus areas of intervention

→ Investing in the education system

Measures introduced by Government in the field of education over the past decade have been far-reaching. During the last eight years, Government has embarked on a critical analysis of the whole education system with the aim to review policy and implement reform. Education reform requires investment in human resources (including educators and administrators) and in research activities to support the design and implementation of reform. Adequately trained and experienced personnel to strengthen and modernise administrative structures of educational institutions are also essential for sound educational systems, particularly in the case of Malta where there is only one main University and one vocational training institution.

Malta aims to increase the participation rate in post-secondary education and beyond, thereby calling for expansion of the available capacity. Malta aims to increase capacity both through the establishment of more courses on offer at local institutions and also through the availability of scholarships. The realization of the targets also depends on the education system becoming more attractive and more relevant to the needs of the individual and also to the needs of the labour market. The training of *education staff* in current and new areas of the educational system is critical to supporting reform in compulsory and higher education, the building of expertise for the improvement and development of curricula and, to ensure that the education system (especially at post-secondary level and beyond) is responsive to the changing needs of industry. Entrepreneurial skills and creativity through education to reinforce an entrepreneurial culture and creativity from an early stage are also important in order to increase the pool of people who have the career orientation, motivation, opportunity and ability to start their own businesses.

Within the overall objective of increasing the participation rate in higher and further levels of education within a wide range of fields, Government believes that quality education for all at all levels (including compulsory education) should be given prime importance. Quality education for all will contribute towards the fulfillment of human and societal potential, the advancement of knowledge, social cohesion and economic progress. In this regard capacity building of the educators, professionals and administrators is critical for a better quality service. Enhancing the quality of the education experience also means that qualifications acquired through the system should be valued. In this regard investment in a national qualifications framework to set standards, develop accreditation processes and services for the valuation of qualifications is important with regard to making the education experience more relevant and enhancing the level of quality assurance at all levels. Moreover, the education experience should not be limited to decisions taken at one point in an individual's life¹⁰². In this regard this OP will support the promotion and establishment of a clear and formalised framework which encourages flexible pathways within and between institutions (mainly vocational/academic pathways) so that students can realise their full potential. This is also important to support the business community who often requires students with the knowledge, skills and understanding that are likely to emerge from a blended learning experience.

→ Addressing skills mismatches

Labour supply and demand mismatches may hinder the development and growth of specific segments of economic activity, or induce a time lag until new economic opportunities can be actively targeted. In this regard an effective institutional rapport between education and industry is important in order to ensure that investments in education yield positive results in terms of economic growth. In this regard consideration should be given to the analysis of educational gaps, provision and development of higher education¹⁰³ courses to address Malta's strategic shift from the traditional manufacturing sectors to higher value-added and expanding economic sectors (such as pharmaceuticals, aviation maintenance, financial services, ICT, health care and creative industries)¹⁰⁴. This OP will also support measures mitigating against skills mismatches in the tourism sector given the objective of sustaining existing jobs and creating new job opportunities in this sector. Moreover, the agricultural and fisheries sectors will also be supported given Government's objective to support these sectors generally and also given their contribution to the tourism sector. The environmental sector, it being a budding industry resulting from new environmental regulations and infrastructure, has developed into a new niche market which requires particular attention to support the industry requirements which cannot simply be met by short courses but may require further or higher education programmes. Where possible, courses could be accompanied by the provision of internships and field training. The opportunities for students to pursue such courses will be widened through research grants and scholarships both locally and abroad, as well as the adoption and implementation of "extended policies" such as open, distance and e-learning. In this regard the investment in network arrangements with other universities or institutions abroad will facilitate access to learning opportunities.

The adaptation and capacity building of education systems is necessary to improve their labour market relevance. Educational institutions need to acquire expertise for predictive capacity building, management, administration and leadership and develop a statistical and diagnostic framework for advanced analysis, planning, development and implementation. The objective is not merely to increase numbers but to increase numbers in areas critical to the current and future needs of the labour market. Complementary to the development of foresight capacity of the education system is the strengthening of the guidance and counseling services to encourage and motivate students to move along the educational ladder and in the areas most relevant to the labour market. Investment should include research, foresight, promotion and information dissemination mechanisms to enable those involved in guidance and counseling to encourage and facilitate access to learning opportunities and create a learning culture that ensures that everyone can easily access good quality information and advice on learning opportunities and future job prospects (particularly in the less popular areas such as science and engineering). The latter is crucial especially in education systems

¹⁰² In State Secondary Schools, pupils start making career choices when they are in Form 3, i.e. when they are 13 years of age.

¹⁰³ Higher education refers to higher secondary and tertiary level education of a general or vocational type (MEYE, 2005, National Commission for Higher Education).

¹⁰⁴ as outlined in the Industrial Strategy for Malta

that offer a wide range of choices and courses which make it difficult for people (particularly young people) to find their way among all possible options. Furthermore, the support of an effective communication strategy to inform, motivate and assist students (and parents) in the knowledge of the choices available and the possibilities that exist in terms of career options and pathways is important.

→ Research and Innovation

Malta considers research and innovation in science and technology as a vital component towards strengthening competitiveness. In this regard, it is important that a culture for RTDi is rooted from the primary years of education and strengthened at a time when students start making 'career' choices in compulsory education¹⁰⁵. Such action would support the increase in the potential participation rates in science and technology education at a later stage and eventual specialization in these areas. This can be supported through specific science and technology actions, national campaigns and competitions, and studies/benchmarking exercises to assess how science and technology disciplines are taught from initial to secondary education. Substantial investment is also needed to popularise science subjects in society at large and to bring information on the increasing opportunities in the field of science and technology not only to children but also to teachers and parents, given the latter's influence on the educational and career choices made by children. In this context it is essential to strengthen the research capacity of relevant institutions (including the University) to attract students not only to undertake first degrees in these areas but also to continue research beyond this point. In this regard, this Operational Programme will also support the provision of research grants including at postgraduate and postdoctoral levels. Given the relatively low rates of females in science related education, this priority will seek to attract more female students to areas such as architecture, engineering, information technology, and other science related studies. Although science based subjects are the primary targets under this focus area, research in the humanities and the social sciences is not excluded, particularly in areas involving innovation.

The University plays a pivotal role in driving local R&I activity, based on a long history of refining key competences and skills, and producing high quality resources. Perceptions on the degree of synergy between business and academia are varied. Business to academia linkages can never flourish since one fundamental foundation block, namely an intellectual property framework for publicly funded research, is not in place. Addressing this issue holistically (including training support in technology transfer and innovation management for university staff and junior researchers together with the relevant Government agencies and industry representative bodies) will eventually translate into a better collaboration between businesses and the University.

→ Information and Communication Technology

In line with Government's strategy to establish Malta as a center for excellence in ICT¹⁰⁶, Government intends to accelerate the pace in this area to ensure that the specialized human resources are available in line with the needs of the industry. Specifically, Government aims to invest further in ICT courses (educational and vocational) to increase the supply of ICT students. More education and training in ICT will serve to feed in and provide the required human resource capability required by the emerging ICT industry in Malta. In the education sector, Government also aims to shift from the provision of the technology itself to the integration of ICT within the pedagogical content and to provide digitized library services to students, researchers, teachers and lecturers by facilitating and widening access to online books/journals, information systems and data repositories. Such facilities will increase the *knowledge opportunities* of Maltese students who are faced with insular limitations. In this regard, ICT training for academic staff and administrators is important to support the Government's priority in the field of ICT. In this regard, studies/research activities will be carried out, while the relevant training will also be taken to deploy a national e-learning platform.

ICT is not only critical to Malta's competitiveness but has a central role to play in the quest to improve the quality of life of the population, particularly in overcoming insularity problems. The quality of life stands to benefit from a more widespread and efficient utilisation of ICT in the various

¹⁰⁵ In State Secondary Schools, pupils start making career choices when they are in Form 3, i.e. when they are 13 years of age.

¹⁰⁶ In the light of setting up of 'SmartCity@Malta'.

spheres of the socio-economy. ICT also serves to overcome the insularity problem faced by Malta in terms of application of new technologies irrespective of territorial boundaries, limitations and economies of scale. Undoubtedly, more investment in education and training in the area of ICT will go a long way towards diffusing the application of new technologies from an early age as a result of intervention in the different levels of the schooling system.

→ Innovative activities

Innovative actions which support the implementation of educational reform especially to reduce skills mismatches will be supported. Focus will also be directed towards activities that investigate the rationale behind the low participation rate in science related subjects; which stimulate participation in science and technology related education; and, which encourage a culture of entrepreneurship and creativity through education.

→ Financial Allocation

The total funding for this Priority Axis amounts to 37,400,000 of which 31,790,000 are Community Funding.

→ Output and result indicators

Table 4.2

Priority Axis 1 - Output and Result Indicators		
Operational Objective	Output Indicators	Target
A	Number of persons participating in further or higher education & training programmes	2,000
B	Number of persons participating in S&T or ICT in further or higher education & training programmes	600
	Number of persons participating in S& T or ICT capacity building education & training	250
	Number of S&T or ICT actions/studies/ campaigns/research activities carried out	10
C	Number of persons trained through capacity building courses	750
	Number of persons trained through supplementary courses, modules or credits for better skills matches	3,000
	Number of actions supporting educational quality, relevance, structures, systems, campaigns and research	20
Result Indicators		
A	% of participants gaining a further or higher education & training qualification	75%
B	% of participants gaining a further or higher education & training qualification in S&T or ICT	75%
	% of participants gaining a qualification/certification in capacity building education/training	80%
C	% of participants gaining a qualification/certification ¹⁰⁷	80%

¹⁰⁷ Including certificate of attendance

4.2 Priority Axis 2 – Investing in employability and adaptability of the workforce

Background

The changes that are brought about by developments in the economy and also the challenges of globalisation warrant foresight and rapid reaction on the part of the workforce to adapt their skills in order to remain employable and/or to be in a position to enter into employment. The re-structuring of the Maltese economy has highlighted the need for the labour force to acquire new skills and for companies to invest in their employees. In 2005 only 5.4 per cent of adults aged 25-64 participated in education, training or courses. This is low when compared to the EU25 rate of 11.0 per cent. This clearly calls for further investment in life-long learning initiatives.

This OP will provide additional opportunities to individuals to further their skills and education levels in order to adapt to market changes and requirements. It will also support enterprises in responding to the continuous challenges of market openings and the ongoing introduction of new technologies. The measures will enable human resources to shift from declining to new and expanding sectors and support enterprises' in their efforts to expand, re-structure, re-train, re-skill and adapt their workforce to remain competitive in the global economy.

Objectives

This Priority Axis will invest in human capital to ensure that working age population and enterprises become flexible to respond to the needs of the economy, whilst reducing unemployment levels.

The operational objectives of this Priority Axis:

- A. To increase the participation rate in lifelong learning;
- B. To support the adaptability of undertakings¹⁰⁸ through skills improvements and upgrading of workers

Broad target groups

Table 4.3

Priority Axis 2 - Broad target groups

Operational Objectives	Broad target groups
A	Actively employed (including older workers); unemployed; inactive
B	Undertakings ¹⁰⁹

¹⁰⁸ Continuous training of public administration and Civil Society will be implemented under Priority Axis IV

¹⁰⁹ An entity which is engaged in an economic activity, irrespective of its legal form.

Focus areas of intervention

→ Continuous training and education

A skilled workforce is not only developed through the formal sphere of education but also through a whole process of lifelong learning going beyond the formal education sector. Government's policy is to promote lifelong learning both in Malta and Gozo. In this context, it is considered essential to have the required institutions providing programmes which offer the widest possible range of opportunities to satisfy the needs of individuals and the economy in terms of levels of knowledge, competence and skills. This is essential in the light of Government's aim to address skill mismatches resulting from restructuring of the Maltese economy. Such action will support the workers' adaptability and the employability of the unemployed within the context of a continuously changing labour market. In addition, the OP will support the development of conversion courses to provide flexibility and upgrading of the labour force, particularly in value-added economic sectors such as ICT.

Flexible labour markets endow an economy with the capacity to adapt more to emerging trends and developments and enable human resources to shift from declining to expanding sectors with minimal disruptions to employment. This may include learning new skills, multi-tasking, or job mobility. In this regard, older workers will need to be given specific attention in that these may find it more difficult to adapt to change. Government policy aims at targeting investment in improving the adaptability potentials to ensure employability of the workforce rather than using the traditional policy of protecting jobs. Life-long learning is a critical element for the implementation of this policy.

Measures to ensure an adequate supply of appropriate and flexible skills to enable sustainable development calls for lifelong learning interventions aiming to increase employability, using traditional and non-traditional means. Within the context of the unemployed, assessment and trade testing can be considered essential in order to further upgrade skills in line with aptitudes, whilst also contributing towards the reduction of skill mismatches in the labour market. In this regard due consideration will also be given to those having seasonal work in sectors such as tourism. Furthermore, the conducting of research activities that can contribute to the understanding of labour market employment demands of different sectors in order to steer training to enhance employability within these sectors is also important.

→ Supporting the private sector

Competitiveness is based on the continuous renewal of advantages and knowledge. Undertakings (including self employed, professional bodies, etc) and their employees must be prepared at all times to meet the challenges of globalization and change by continuously adapting skills and knowledge so as to improve the anticipation and positive management of economic change and to seize the new opportunities arising in the economy at any given time. This continuous renewal requires investment in the companies' human resources. This OP will support investment in the training and re-skilling of employees in the private sector operating in various areas of the economy ranging from direct production to market services, primarily through training schemes, both general and specific including areas such as RTDi, ICT, OHS and environment.

In the case of direct production, the focus is on the manufacturing sector. The main focus of the training needs of manufacturing enterprises evolves around the upgrading of skills brought about by innovation and shifts in the manufacturing sector from the traditional low cost base to knowledge intensive or research oriented activity. Under the 2004-2006 Structural Funds Programme, a training needs analysis of the sector is being undertaken with the aim to identify the training needs of the sector. The objective is to improve the chances of employees to remain in employment and the chances of undertakings not only to remain in business, but also expand and grow. In this regard, economic activities experiencing growth will be supported especially in the light of a shortfall faced in the supply of specialised workers which may hinder further growth. Other direct production sectors which are experiencing a general decline¹¹⁰ are also to be supported through training activities since this is essential to mitigate against further decline and to nurture possibilities of potential growth.

During the period 2000-2005, the market services sector experienced significant expansion with the sector becoming the main source of employment creation in the private sector. This is, in part, due to the success of particular sectors such as financial services and ICT. The relative success of the

¹¹⁰ Including agriculture and fisheries.

sectors has resulted in skills shortages which are inhibiting the sectors from growing further or at the desired rate. This OP will support training focusing on areas where skills shortages have been identified, both in current and future skill requirements in support of further growth of the services sector in general, particularly those with growth potential.

Within the market services sector, tourism (including culture) is a key sector especially when one considers that the tourism industry is facing numerous challenges due to the shift in supply towards higher quality service and lower costs. In this regard, the employability and entrepreneurial issues which directly affect operators' competitiveness will be addressed. It is essential that the training needs of tourism enterprises and the provision of training and retraining courses focusing on staff personality, attitudes and soft skills are addressed to enhance the quality of service provided. Focus will be placed on investment in human capital through the promotion of continuous professional development within the tourism and culture fields as part of the effort of improving the quality of the tourism product and therefore also strengthen the sectors' overall competitiveness. In this regard synergies will also be sought with direct production sectors such as crafts.

Given the importance given by Government to entrepreneurship, this OP will support activities that encourage start-ups in order to stimulate local job creation. In this context, activities encouraging entrepreneurship in different sectors, mainly through mentoring and training services, will be supported.

→ Innovative activities

Innovative activities which promote lifelong learning practices supporting the adaptability of firms and employees will be supported. Focus will also be directed towards innovative actions that facilitate the participation of adults in continuous education and training; and actions which mitigate against barriers to self employment.

Actions that are jointly undertaken by Social Partners in particular in the activities related to the adaptability of workers and enterprises (especially in the provision of training and lifelong learning) and to tackle restructuring consequences will be focused upon too.

→ Financial Allocation

The total funding for this Priority Axis amounts to 30,995,000 of which 26,345,750 are Community Funding.

→ Output and result indicators

Table 4.4

Priority Axis 2 - Output and Result Indicators

Operational Objective	Output Indicators	Target
A	Number of persons trained/supported	45,000 ¹¹¹
	Number of actions supporting educational structures, systems, campaigns and research	5
B	Number of undertakings supported	700
Result Indicators		
A	% of participants in employment or further study 6 months after receiving assistance	20%
	% of participants gaining a qualification/certification	60%
B	% of participants gaining a qualification/certification	60%

¹¹¹ Including repeat participants

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

Background

The Maltese labour market is characterised by a low female participation rate. The female employment rate stood at 33.9 per cent in 2005 which is low compared to the 56.3 per cent of the EU25 rate for the same year. Home-making, backed up by traditional cultural norms, is still considered as a socially acceptable and fulfilling role for women. However, for those who wish to work, their involvement in paid employment is constrained by a number of factors, including the lack of affordable and regulated childcare for children up to the age of 3¹¹², absence of flexible work organisation, unequal sharing of domestic responsibilities, low or irrelevant skills upon their return, and insufficient information about existing work opportunities and tax and benefit systems, to mention some of the main factors. Government has already introduced a number of incentives, particularly in the taxation and social security contributions to encourage more women to participate in the labour market, including family businesses.

Low employment rates are also evident among disadvantaged groups (including youth, single parents, victims of domestic violence and substance use, persons with disabilities, persons with mental health difficulties, and refugees). Access to the labour market by the long-term unemployed is also difficult. When analysing the profile of some of the disadvantaged groups, vulnerabilities arising from personal circumstances are often coupled with a low level of education and further compounded by issues such as mobility problems, the absence of facilitating aids, as well as discrimination adding yet more hindrances with respect to access to the labour-market and training services. Government also recognises the importance that NGOs can play particularly in the area of social inclusion.

In this context, a number of strategic thrusts to facilitate inclusion are essential. Welfare benefits are designed to assist beneficiaries through vulnerable situations or difficult periods in their life-time. Social benefits must respond to changing social and economic realities and must facilitate the entry of beneficiaries into the labour market through a number of measures facilitating access to employment and upgrading of skills. The challenge is to develop and deliver co-ordinated policies which encourage the uptake of employment by such groups, including persons engaged in the informal economy.

The measures foreseen under this Axis will be implemented through a number of actions including employment aid.

Objectives

This overall objective is to promote the uptake of stable and quality employment by persons who find difficulties in participating in the labour market.

The operational objectives of this Priority Axis are:

- A. To increase the female participation rate;
- B. To contribute towards the integration, retention and progression of disadvantaged groups in the labour market, whilst addressing labour market distortions

¹¹² There is a universal provision of kindergarten services from the age of 3 to compulsory school age (namely 6 years); however this is available only on schooldays and during school hours.

Broad target groups

Table 4.5

Priority Axis 3 - Broad target groups	
Operational Objectives	Broad target groups
A	Women; parents; general public
B	Inactive; disadvantaged groups; persons with disabilities; persons with mental health difficulties; migrants and asylum seekers; parents; educators; social workers; persons receiving benefits; labour force

Focus areas of intervention

→ Female participation in the labour market

One of the greatest challenges for the Maltese economy is that of reconciling the need for increased female participation in the labour market with women's role in family formation. A lifecycle approach to work aims to address and achieve an acceptable balance between work and personal life, taking into consideration the different challenges of people along the different stages of life and gender differences. One of the Government's primary objectives for this Operational Programme is to increase the female participation rate in the labour market. With more women than men graduating from University, the loss of such an important resource to an economy which is heavily dependent on its human resource base has to be addressed. Some of the difficulties faced by women in re-entering the labour market once they have children are listed above. This Operational Programme will support a number of measures which will seek to intervene in all these areas.

Within the context of promoting a life-cycle approach to work, the provision of flexible and innovative working arrangements is considered to be a key factor, particularly for persons with young children and / or other dependents that need care. Actions which promote flexible forms of work such as flexi-time, job sharing and tele-working will be supported, together with measures contributing to the promotion of part-time work possibilities in all work categories, including skilled work, and the further evolution of temporary employment. Such interventions will contribute to increasing the possibilities of job penetration, retention and mobility for certain categories of employees, in particular for women with young children and persons with dependents, but also other groups within the workforce such as the elderly. The caring role, still attributed predominantly to women, remains a central issue, hence also the importance of the encouragement of better distribution of roles to family development and its caring role.

A critical issue to the objective of increasing the female participation rate in the labour market is the availability of good quality and affordable childcare, including "after-school" child-minding services. Government is working to ensure that the child day care facilities provide good quality services through the enactment of new regulations to ensure quality standards for the facilities. A number of campaigns have also been initiated to help in overcoming psychological barriers that may still exist within society with respect to using childcare and to encourage families to consider external childcare as a feasible option. The Government is currently considering how best to assist parents meet the costs of good quality childcare. In this regard the introduction of care subsidy schemes for those who wish to participate in the labour market are one of the options being considered. Childcare interventions under this OP will be complemented by interventions under OP I through ERDF type of interventions involving the setting up / upgrading of childcare day centres and the provision of support to enterprises to introduce or upgrade childcare facilities at the workplace.

In order to facilitate the integration of women into the labour market information on job opportunities and also the relevant training in order to make these opportunities a reality is critical. Women returnees, depending on the period of time they have spent inactive, often do not possess the right

qualifications and skills for the jobs in demand at the time of re-entry. In this regard training opportunities in the areas that are in demand by the labour market with the relevant supporting measures (such as childcare) is important in order to make employment a real option for many women. In this regard, the development of special programmes, campaigns and studies/research to support women in re-entering the labour market and improving their career prospects and actions that reduce the gender gap and combat occupational segregation, form an integral part of the strategy of this Operational Programme.

→ Promoting an inclusive society

Enhancing the employability and productivity of vulnerable groups with low employment rates will contribute to increasing the overall labour supply within the economy and greater social cohesion within the country. Social cohesion implies empowerment, enabling people towards effective participation, inclusion and well-being. Inclusion into the labour market will ensure that such persons contribute to the general wealth of society while enhancing their dignity and financial independence.

Meeting the challenges of social inclusion by addressing educational and labour market weaknesses of disadvantaged groups will result in a reduction of vulnerability and risks of poverty for these groups. Very often, social excluded persons find themselves in a vulnerable trap that becomes a vicious cycle which is difficult to break. In this regard inclusive labour markets require pro-active measures aimed at both improvements in terms of access to employment and also facilitation in accessing education, lifelong learning and support which would eventually feed into improved prospects of finding employment. In this regard, specific actions will support the integration in education and employment of vulnerable groups in the Maltese society. Furthermore, focus will be directed towards the acceptance of diversity in the workplace and the combating of discrimination in accessing and progressing in the labour market.

Government believes that it has a social responsibility to help all citizens to seize educational opportunities that will guarantee a better quality of life. In line with the principles of aligning the labour market and education strategic visions, emphasis will be placed on the elimination of any existing barriers to education by socially excluded persons and vulnerable groups. Focus will be placed on the provision of specific assistance to those facing particular constraints and the development of teaching tools, personalised action plans, and tailor-made programmes specifically designed to facilitate access of vulnerable groups (including those who did not succeed through the formal education system) to education and training. In this regard, it is important to stimulate the readiness to access education and training, especially in particular cases such as the long-term unemployed. In this regard specific attention is to be given to youths¹¹³ given that disadvantages, such as long-term unemployment, at the start of a potential career is likely to have long-term consequences for the person's development and social welfare.

Measures will target socially excluded persons and those at risk of social exclusion. In this regard, Government recognises the importance of early screening and identification. Moreover, in order to fulfil and sustain a policy of real and progressive inclusion in education, it is essential that both learning support in mainstream schools and adult training is provided by adequately trained personnel, both within the education and training institutions and also the relevant social services. In this regard, supporting the capacity building of educators, trainers and personnel working with vulnerable groups (including educational psychologists, counsellors, social workers and youth workers) and parents for the creation of inclusive and innovative educational approaches to working with specific groups (including children facing difficulties and their families) is a priority. Capacity building measures¹¹⁴ for early screening of children facing educational difficulties (in order to identify problems early) is also crucial, particularly if the risk of future dependency on the State (by the children that will grow into adults) is to be reduced. Another key element is the undertaking of studies to evaluate systems' failures or under-performance and the proposal of mitigating measures/reform and the identification of best practices and methodologies for wider dissemination.

¹¹³ Considering that the concentration of unemployment in Malta is at the lower end of the age bracket (15-24).

¹¹⁴ For educators, facilitators and parents.

Access to training and employment for refugees and asylum seekers is a key component of their integration process¹¹⁵. Training and employment are important to help these persons realise their potential and lead an independent life, thus contributing towards the economy and reducing their dependency on the welfare system of the host country. Employment of refugees and asylum seekers is considered even more important for particular sectors of the economy where there is limited supply of employees. The provision of opportunities to assist refugees and asylum seekers in their integration process through employability skills (including language skills) and basic skills (such as cultural orientation) will be supported. Train the trainers actions, networking, exchange of information and best practices will also be focused upon.

A significant impact on the inactive and vulnerable groups could be achieved through the concept of schools as “community learning centres”. This concept can provide new chances for less mobile groups of society such as parents with tenuous links to the educational system, parents with young children who have never considered accessing non-formal learning opportunities and who may consider training leading to flexible occasional work. Community learning is also seen to contribute to active ageing. In this context, partnerships between schools, community based organizations, NGOs, Local Councils and national education and other relevant authorities are crucial and should be further developed.

Non Governmental Organisations (NGOs), including culture NGOs, are very active in the area of social exclusion. Their role, often led and supported by volunteers, is considered to be very important within the economy as a whole. NGOs work at grass root level and can act as the catalysts for socially excluded persons to enter the labour market. For this reason, this Operational Programme will support the involvement and capacity building of NGOs whose aim is to increase the participation of disadvantaged groups in the labour market and overall job creation. Possibly networks could be created among these NGOs to share best practices and experiences.

→ Addressing labour market distortions and ensuring that work pays

It is Government Policy to make work as attractive as possible for men and women, and in particular for vulnerable groups, while ensuring a minimum income for those unable to work. In this regard, Government wants to ensure that each social benefit facilitates the inclusion of all beneficiaries in society with the ultimate aim of ensuring that society becomes healthier with each and every individual realising his/her potential. In essence, social benefits should become tailored to facilitate further the entry of beneficiaries into the labour market. A strategic approach to this issue is to design and introduce a number of reforms to ensure that the tax and benefit interaction have a favourable impact on those furthest away from the labour market¹¹⁶. In this regard, Government aims to support the integration into the labour market of people living on social security by giving opportunities (e.g. training, work assignments and co-operatives)¹¹⁷ to those receiving unemployment and other social benefits to remain close to the labour market, in order to increase their employability prospects and also provide a framework for the regularisation of undeclared work.

The issue of maintaining a healthy labour force also has implications for reducing the dependency of people on social security. Substantial number of working days are lost each year due to employees reporting sick. While it is unrealistic to aim to reduce such numbers beyond a certain level, part of promoting a lifecycle approach to work also requires the implementation of measures which improve health and safety at the workplace. Moreover, measures (such as awareness campaigns and research activities) on improving healthy lifestyles can also contribute to reducing the number of sick leave taken by employees.

→ Innovative Activities

- Flexible forms of work organization - Government believes that the private sector may also benefit from innovative actions that improve adaptability through the design of innovative and more productive forms of work organization within the context of a lifecycle approach to work, including health and safety. In this regard, the role of Social Partners is important.

¹¹⁵ Irregular immigrants, refugees and integration – Policy Document (February 2005), Part II, no. 18(a and d)

¹¹⁶ National Action Plan for Employment, p. 51

¹¹⁷ Pre-budget Document 2006-2010, p. 60

- Social inclusion support - Access to education and employment should be available for all. Making use of the potential of each individual is essential for the country's responsiveness. Knowledge activation and learning stimulation require investment in new policy approaches. In this regard, Government believes that the ESF should also invest in innovative ways of investing in human capital to ensure that groups facing difficulties in accessing the labour market can fully participate in education, training and employment. These cover the development of new methods, tools and approaches to the integration of excluded people in education, training and employment; the addressing of improvements to existing methods of human capital investment; and the promotion and implementation of the concept of active ageing with the aim to prolong working lives.

→ Financial Allocation

The total funding for this Priority Axis amounts to 36,900,000 of which 31,365,000 are Community Funding.

→ Output and result indicators

Table 4.6

Priority Axis 3 - Output and Result Indicators		
Operational Objective	Output Indicators	Target
A	Number of actions supporting a lifecycle approach to work	10
	Number of women trained/supported	2,000¹¹⁸
	Number of families benefiting from childcare	1,600
B	Number of vulnerable persons trained/supported	6,500
	Number of persons trained capacity building courses	600
	Number of studies, actions, campaigns, research activities carried out	10
	Number of civil society projects	50
Result Indicators		
A	% of participants in employment or further study 6 months after receiving assistance	20%
	% of participants gaining a qualification/certification	50%
B	% of vulnerable persons in employment or further study 6 months after receiving assistance	20%
	% of participants in capacity building gaining a qualification/certification	80%

¹¹⁸ This target only covers actions specifically addressing women. Other targets included in this Priority Axis and other Priority Axis also include female participants.

4.4 Priority Axis 4 – Strengthening of institutional and administrative capacity

Background

Effective administrative capacity of public administrations and public services is a fundamental requirement for economic growth and jobs. Government firmly believes that its role in the economy should be as a regulator and facilitator for growth generated by the private sector, rather than that of an active economic operator. This is in line with the revised Lisbon Strategy which calls for better regulation, policy design and delivery to create the conditions for economic growth and job creation. Furthermore, increasing productivity and quality at work in the Public Sector is essential to pursue and accelerate reform, raise productivity and growth in the wider economy, and to promote social and territorial cohesion and sustainable development. For the Government to provide an efficient and effective service which sustains economic growth and socio-economic development it must continuously invest in its institutional and administrative capacity across a number of areas.

The Government also recognises the importance of the contribution made by Social Partners and Civil Society in the successful design and implementation of policies promoting the country's socio-economic development. Government aims to continue to support the voluntary sector through various measures including the implementation of a legal framework¹¹⁹ and the setting up of the relevant structures emanating from the legislation in order to further extend support to partners and Civil Society at large. In this regard, specific attention will be given to Social Partners and Civil Society in relation to capacity building activities in order to strengthen the effectiveness of social and civil dialogue in Malta, thereby supporting also good governance.

The interventions envisaged under this Priority Axis will be complemented with interventions under Priority Axis 7 of Operational Programme I. OP I will supplement this Axis with any necessary investment-type of interventions, particularly those relating to investment in tools, systems (mainly ICT related) and relevant infrastructure, thus helping the public administration become more modern and efficient in its operations and more effective in terms of outputs.

Objectives

This Priority Axis will invest in human resources development and mechanisms in order to strengthen institutional capacity and efficiency of public administrations, local government, Social Partners and Civil Society.

The operational objectives of this Priority Axis are:

- A. To strengthen the efficiency and effectiveness of the public sector;
- B. To contribute towards the development of effective partnerships in a wide range of policy areas.

Broad target groups

Table 4.7

Priority Axis 2 - Broad target groups	
Operational Objectives	Broad target groups
A	Public administration (organisations and employees);
B	Socio-economic partners and Civil Society in general

¹¹⁹ Legislation currently being discussed in Parliament.

Focus areas of intervention

→ Supporting Public Sector Reform

Government aims to support further reforms in a number of sectors, such as public service, pensions, health and Government's financial management and control system. In this regard, the upgrading of Government employees' skills and the carrying out of studies/research to support the implementation of these reforms is essential. Furthermore, improvements and efficiencies in public administration through service quality improvements and further consolidation of entities which at present is happening across various entities is important to ensure less fragmentation and duplication. For example, there will be efforts to centralise some of Government's back office operations to take advantages of the opportunities offered by information technology. Investment in human resources to support the adaptability of the workforce is essential to ensure that reforms are implemented efficiently and effectively. In this regard Government recognises that, despite successful measures already undertaken, the Public Sector continues to be over-manned in certain areas (mainly the unskilled/semi-skilled) and has introduced re-deployment policies. Furthermore, increasing the productivity of the public service workforce (including actions to support the re-integration into productive labour of officers on long term sick-leave (due to health – including mental health problems) and the strengthening of the human resources function of the Public Sector are also vital. This Axis will support further efforts that are required for the successful implementation of such policies.

Additional efforts will take place to streamline management processes within the Public Service with a view to facilitating more rapid decision-making and implementation and more accountability of results. These efforts will take place within the context of the passage of a new law to regulate Public Sector management. The draft Public Service Act, which was published as a white paper in 2003, is currently being revised in line with current needs and circumstances. The new law is a major element in the Government's plans for Public Sector modernisation and it is proposed that the Act (which may also be re-titled) will cater for:

- more flexibility in staffing, which is a key element of the Public Service's ability to respond to changing future requirements;
- greater accountability and more emphasis on performance management;
- the introduction of agencies, a new organisational form combining operational flexibility with strong ethical safeguards;
- better coordination between departments and other government entities within a strengthened framework of direction and oversight at ministry and central Government level.

Government's priority to foster and encourage entrepreneurship will be reflected in measures supporting regulatory reform in order to reduce the regulatory burdens on businesses. In this context, Government has set up a Better Regulation Unit and with the assistance and support of line ministries it is engaged in the scrutiny of existing regulatory procedures with a view to identifying areas where improvements can be made in the short term through the simplification or amalgamation of procedures or changes to regulations. Support through training and studies will be targeted towards this Unit in order to be able to regularly monitor bureaucratic procedures, particularly those related to enterprise, and submit reports on how they can be simplified; request regulatory authorities to submit recommendations for the simplification or removal of regulations in their respective fields; and re-engineer Government work practices and processes so as to make them more streamlined and better attuned to the needs of enterprise. In this context, revisions of the employment legislation to bring it in line with a 'better regulation' environment and with modern needs of the industry are also required.

The reform of the health sector is also a priority for Government. Government aims to strengthen the regulatory role and service provision of the health sector; support research and capacity building in the development of community health services, new services (such as in the area of rehabilitation), and public health capacity (such as health impact assessment). In addition, the health reform will also look into sustainability issues from the human resources aspect.

For reforms to be effective they need to be understood and accepted. Moreover, if the primary objective of reform is efficiency and support to competitiveness it is important that the general public and the business community are aware and also understand the objective of reform and the changes brought about by reform. In this regard this Axis will also support communication activities related to the preparation, consultation and implementation of reforms.

→ Lifelong learning for the Public Sector

Within the overall context of continuous education and training, Government aims to enhance and expand its training and re-training programmes for its employees in line with its own lifelong learning objective. Investing in human capital is essential to support Government's strategy to adopt an efficient and effective Public Sector, thus increasing its productivity and service quality. This is particularly essential in the light of the new challenges of the administration brought about by EU membership and e-Government. Moreover, in its effort to become more efficient and more accountable training related to strengthening techniques and skills related to better management and administration will be supported. Main areas include financial regulations and basic skills related to financial management, public procurement, project management and relevant skills, national environmental and planning legislation, and Community policies such as competition policy. In this regard the Government also intends to develop further the competencies and remit of the Public Service's main training agency, namely the Staff Development Organisation.

Government also aims to strengthen the effectiveness of its development programmes and heighten the awareness of their importance for staff development. The introduction of stronger linkages between training and career development, particularly at the boundary between middle and senior management levels, in the Public Service is also considered important. A training needs analysis for the Public Sector as a whole with a view to prioritizing among many competing needs on a sound basis is essential to address those areas which are most in need of capacity building. Horizontal (general) and sectoral training together with the upgrading of training material shall be supported, including in the field of research and innovation policy design, technology management. Furthermore, specific training needs directing government policies and emanating from the various transposed directives (including equality and environment) will be identified and addressed accordingly. The provision of scholarships and internships (local and abroad) are also envisaged to strengthen and increase the skills level of Public Sector employees. Such internships and exchange schemes are not only deemed to be more efficient than more traditional training methods, but also tie in with the principle of mobility and transnational experiences. Emphasis on accreditation of trainers and academic development of the trainers themselves is also a priority.

Local government will also be strengthened through the provision of training to local councillors and staff especially in the light of the voluminous legislation regulating the functions and operations of local government, as well as the ever-increasing devolved responsibilities. It is intended to provide a continuous development programme to all Local Council Executive Secretaries with a view to strengthen their competencies and to render the position on a professional level. Other training will also be provided to Local Council staff on specific matters directly related to their field of work. A series of information seminars is also planned for newly elected Local Councillors.

→ Strengthening the quality of employment services

The strengthening and modernisation of employment services is vital to enhance access to employment of job seekers and inactive people. In addressing labour market distortions Government aims to strengthen the technical and administrative capacity of the employment services to continuously evaluate labour market programmes.

In addition, Government aims to invest in the skills level of the staff at the national employment agency to enhance the level of service which is provided to the unemployed and other "clients", especially with respect to the public employment service's brokerage role in capturing vacancies and better matching of job seekers to available vacancies. Since Malta's accession to the EU, the employment services have undertaken the function of employment licence policy and procedures. Training in refining such policies and procedures and to ensure that relevant skills transfer do occur is also important. Furthermore, efforts shall also be directed towards strengthening of competences in marketing, communications and internal audit.

→ Promoting a more effective social and civil dialogue in Malta

Whilst Government is determined to ensure that all Maltese people will have access to the life opportunities that will enable them to fulfil their potential, it is what Maltese society does together that will secure a future of opportunity for one and all. In this regard, social and civil dialogue plays an important role in a democratic system as they can be used to devise policies with sufficient

endorsement for its credibility by stakeholders. An important consideration relating to the effectiveness of social and civil dialogue in Malta is the perception of insufficient representation of wide interests on the MCESD both with respect to Constituted Bodies and Civil Society. The extension of consultation within or outside MCESD should be enhanced in order to ensure the participation of the relevant actors in the formulation of reforms or the introduction of policy, especially in the areas of employment and social inclusion. Social and civil dialogue could be improved through better organisation of sectoral interests in the country, which at present are somewhat fragmented. This should lead to better focus and more clarity of debate on important economic and social issues.

Information is crucial for an effective process of social and civil dialogue within a democratic system. Considering that most Partners operate with stretched resources, social and civil dialogue in Malta can be improved through the availability of better information and analysis to the social and civil partners, also in the form of relevant research output regarding EU-wide developments as well as local issues. Insufficient information (due to limited capacities) often reflects inadequacies in the technical backup to the discussions being undertaken. This mirrors a lacuna in human resources availability towards sustaining the process of social and civil dialogue in Malta. In this regard the Programme will support capacity building activities¹²⁰ addressing the needs of Social Partners and Civil Society with the aim of contributing to successful design and implementation of policies and legislation and the achievement of the ESF objectives. Furthermore, the enhancement of capacity to ensure sustainability within the EU framework will be supported

→ Innovative Activities

Innovative approaches contributing to the implementation of any of the focus areas will be supported. These include innovative tools for the capacity building measures of the Public Sector and also the Partners.

Moreover, capacity building and activities undertaken jointly by Social Partners and /or by the Partners and Government with the objective of improving social dialogue will be supported. Moreover, this Axis will also encourage innovative ways of building capacity of the Partners and NGOs for a more participatory society.

→ Financial Allocation

The total funding for this Priority Axis amounts to 21,405,000 of which 18,194,250 are Community Funding.

→ Output and result indicators

Table 4.8

Priority Axis 4 - Output and Result Indicators		
Operational Objective	Output Indicators	Target
A	Number of persons participating in training in a year	4,000¹²¹
	Number of studies/ actions/campaigns/ research activities carried out	30
B	Number of projects supporting partnership	7
Result Indicators		
A	% of participants gaining a qualification/certification	80%
B	% increase in the technical capacity (secretariat) at MCESD to support Council (and sub-committees) in reaching informed opinions in policy issues ¹²²	50%

¹²⁰ Including training and support for networking

¹²¹ Including repeat participants

¹²² Baseline as at 2006 is 3 full time and 1 part-time.

4.5 Priority Axis 5 – Technical assistance

Background

Technical assistance is critical to the efficient implementation of the Operational Programme. The actions under this Priority Axis will support and accompany the programme implementation, in accordance with Article 46 of the Council Regulation 1083/2006 laying down the general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, and will fund preparatory, management, monitoring, evaluation, publicity and information, and control activities. The Axis will support the main horizontal stakeholders of Malta's implementation system, including the Managing Authority, the Certifying Authority, the Audit Authority, the Intermediate Bodies, and other Bodies relevant to Malta's implementation system, including those related to the goal of enhanced participation by socio-economic partners and NGOs.

Malta has drafted a training strategy for stakeholders involved in the management and implementation of the Structural Funds in Malta. The strategy has annual action plans which identify the main actions for capacity building and training of the different stakeholders, including that of Partners and Civil Society. Capacity building actions, including training, networking (with other Member States' authorities), exchange of experience and dissemination of results and best practices will be co-financed under this Axis.

Article 69 of Council Regulation 1083/2006 sets an obligation on the Member State to provide information on and publicise operations co-financed by the Programme. Further rules on publicity and information are laid down in the Commission implementing regulation. The Managing Authority is currently drafting a communication plan for the OP and its implementation will be co-funded under this Axis.

Article 3 (6) of the ESF Council Regulation (1081/2006) establishes that the ESF shall support transnational and interregional actions in particular through the sharing of information, experiences, results and good practices, and through developing complementary approaches and co-ordinated or joint actions. In this regard, transnational / interregional actions will be supported in order to gain from the value added and advantages of co-operation and exchange of experiences with national level institutions dealing with Structural Funds

Article 3(5) of the ESF Council Regulation (1081/2006) establishes that the ESF shall support the promotion and mainstreaming of innovative activities. In this regard, innovation will be supported through Technical Assistance in order to aid in the promotion of the concept of innovation in the Programme.

Objectives

The overall development objective of Priority Axis 5 is to facilitate the overall implementation of the Programme in order to optimise the programme's quality and efficiency, whilst ensuring effective application of regulations and procedures.

Table 4.9

Priority Axis 5 - Broad target groups

Broad target groups

Stakeholders involved in the implementation of Structural Funds; Partners and NGOs; Potential project promoters; General public.
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Focus areas of intervention

→ Implementation of the Programme and Capacity Building

The Mid-Term Update has highlighted the need to employ further technical assistance funds to facilitate the management of the Programme. The Mid-Term Update (on the efficiency of the 2004-2006 SPD) also proposed to use technical assistance to increase the pool of resources working on the management of the Programme in order to avoid bottlenecks and delays in the implementation. The implementation of the Programme needs support, both in terms of human resources in house and also external expertise in order to carry out the functions and fulfil its obligations in line with the Regulatory Package and its own procedures and rules. The technical assistance will be used for the preparatory, management, monitoring, evaluation, information and control activities, including the computerised management system.

Malta has a relatively centralised system of implementation with one Managing Authority, one Certifying Authority and one Audit Authority for the whole territory. Payments to contractors are centralised via the Treasury and most contracts (all those exceeding LM 20,000) are processed via a central contracting authority. Moreover, given that most projects are implemented by the Public Sector, the Maltese implementation system foresees co-ordination cells within Line Ministries to facilitate the liaison between the Management structures and the Beneficiaries. A number of Intermediate Bodies will be created to cater for aid schemes. All these structures need to build capacity – both in numbers and also in terms of skills and knowledge on Structural Fund implementation. In this regard this Axis will co-finance both remuneration of persons working on the management of the Programme as well as external expert assistance and also training.

Moreover, Government intends to set up specific units to support and facilitate the participation of Partners and Civil Society in the Programme. In this regard Government realises that the Civil Society in Malta is very fragmented and depends largely on volunteers so it is necessary to build capacity – both in terms of numbers and also training - if the objective of increasing Partners' participation in the Programme is to be a realistic target.

The Mid-Term Update also highlighted the need for *trained resources* and proposed the establishment of a comprehensive skills development programme for all stakeholders including project managers. This shall be implemented primarily through a training strategy for stakeholders involved in the management and implementation of the Structural Funds in Malta. The evaluators deemed the combination of these actions as essential to manage and monitor programme components and projects more effectively.

→ Information and Publicity

The objectives of the information and publicity activities is to promote public awareness of the Programme to both potential beneficiaries and also the general public and to provide transparent information to potential Beneficiaries. Such awareness not only improves the transparency of the use of the Funds but also supports absorption. In this regard and in line with the obligations of the implementing Commission Regulation (1828/2006) the Managing Authority is preparing a Communication Plan which will be submitted to the Commission within four months of the date of adoption of the last of the two operational programmes for Malta. . The Plan will take into account both information and promotional measures using a number of information and communication products which will be financed under the Programme.

→ Transnational / Interregional Activities

Under the EQUAL programmes across the European Union, transnational co-operation activities have provided valuable support and practices. It has served as an effective opportunity to discuss various matters and transfer best practices on issues dealing with the implementation of the programmes. In order to build on the positive experiences gained from the EQUAL programme, this Operational Programme will direct Technical Assistance towards actions which support transnational / interregional activities. In this regard, Structural Funds stakeholders will be supported to share the benefits of knowledge, good practices, experiences and lessons learnt during implementation. The aim is to share information, learn from one another and improve co-ordination between Member States with regard to Structural Funds implementation issues.

→ Innovative Activities

This Axis will support the funding of expertise to aid in the promotion of the concept of innovation in the Programme. The expertise will give advice as to how best to encourage and promote the innovative actions proposed and perhaps propose others in line with the implementation of the Programme. Evaluations co-funded under this Axis will also address the dimension of innovation.

→ Common activities between OP I and OP II

Actions common to both Operational Programmes, i.e. having a component contributing to both Programmes e.g. the electronic monitoring system and common publicity actions, shall be allocated among the two OPs on the basis of the financial volume and nature of the projects of each Operational Programme. In this regard, a ratio of 70:30 (OPI : OPII) shall be adopted. Taking the financial volume alone would have unbalanced costs substantially towards OPI since the financial allocation of OPI is 6.5 times as much as OPII. In this regard, the fragmentation of the ESF projects and the laborious control mechanisms required for ESF kind of interventions has been also taken into account and has led to an increased ratio for OPII.

→ Financial Allocation

The total funding for this Priority Axis amounts to 5,604,705 of which 759,705 are Community Funding.

→ Output and result indicators

Table 4.10

Priority Axis 5 - Output and Result Indicators	
Output Indicators	Target
Number of persons trained	350 ¹²³
Number of evaluations carried out	4
Number of publicity measures undertaken	15
Number of studies/research activities carried out	5
Result Indicators	
Reaching N+3/N+2 targets	80%

¹²³ Does not include repeat trainees

4.6 Indicators

4.6.1 Impact Indicators

The overall objective of this OP *Investing in Human Capital in order to increase the employment rate* and the specific objectives of *Investing in human capital* and *Strengthening labour market structures* will be measured and assessed through an overall impact indicator of increasing the employment rate. This is based on the NSRF Strategic Objective of *Investing in Human Capital* and the NSRF core target and impact indicator: *increasing the employment rate from 54.3 per cent in 2005 to 57.0 per cent in 2013*.

The specific objectives of this OP will also be measured through four specific impact indicators and the overall impact indicator. The selection of the impact indicators is driven by the objective to come closer to the performance of the EU25 on issues related to employment, education, training and inclusion and the objective to contribute towards the goals of the Lisbon Strategy.

One of the key impact indicators is to increase the participation rates of the 20 to 24 year olds in upper secondary education level or more¹²⁴. Improving this target will support Malta's move towards a competitive and knowledge-based economy. In this respect, Malta is committed to raise this rate from 53.7 per cent to 70.0 per cent. In this context, decreasing early school leaving is also a Government priority and to this end Malta aims to decrease the early school leaving rate from 38.9 per cent to 22.0 per cent.

To improve Malta's competitiveness an increase must also be registered in the number of adults participating in lifelong learning since continuous training and development endow the workforce with skills that meet changing labour market requirements. To this end, Malta is committed to increase the participation rate of adults in lifelong learning from 5.4 per cent in 2005 to 8.0 per cent in 2013.

At the heart of Malta's employment policy one finds the issue of female labour market participation. Female participation in the labour market is critical for economic growth and in this regard the aim is to increase the female employment rate from 33.9 per cent in 2005 to 41.0 per cent in 2013.

These specific impact indicators are expected to contribute towards the attainment of the overall target of the OP. People furthering their studies increase their employment chances while people engaging in continuous education and training increase their adaptability in line with the challenges brought about by globalisation, thereby securing employment. Increasing the female employment rate is a direct contributor of an increased employment rate especially when one considers that the male employment rate in Malta is above the EU average. In this regard, actions that secure female employment, besides contributing towards the specific objective of increasing female employment will directly contribute towards the overall objective of the OP and NSRF.

4.6.2 Result and Output Indicators

The result and output indicators are described and quantified at Priority Axis level. They are based on the main focus areas of each of the Axes and under which most of the interventions of each Axis are likely to occur or can be grouped. These are expected to contribute towards the impact indicators (specific and/or overall) of the OP. The number of output and result indicators has been kept to a minimum to take account of the proportionality principle and in order to enable effective monitoring of the targets. This is in line with Article 37(c) of Council Regulation 1083/2006 and also the recommendations of the Mid-Term Update of the 2004-2006 Structural Fund Programme. The output and result indicators are being re-produced hereunder for ease of reference. Targets established for the result and output indicators are planned to be achieved by the end of the programme (2015). Progress will be largely monitored through the Structural Funds Database (SFD). However, in the case of certain result indicators which may not be monitored through the SFD additional surveys and/or research activities will be conducted.

¹²⁴ In certain instances the participation rate is measured by calculating the percentage of 22 year olds having achieved at least upper secondary education. In these circumstances the age-group 20-24 is used as a proxy.

Figure 4.1 – Impact, Result and Output Indicators

OPII - OVERALL IMPACT INDICATOR			
Increasing the Employment Rate			
<i>From 54.3% (2005) to 57.0% (2013)</i>			
OP II - Specific Impact Indicators			
% Increase in participation rates in upper secondary education level or more, of 20-24 years old	% Decrease of early school leaving rate	% Increase in the number of adults (25-64 years) participation in lifelong learning	% Increase in female employment
<i>from 53.7 per cent (2005) to 70.0 per cent (2013)</i>	<i>from 38.9 per cent (2005) to 22.0 per cent (2013)</i>	<i>from 5.4 per cent in 2005 to 8.0 per cent in 2013</i>	<i>from 33.9 per cent (2005) to 41.0 per cent (2013)</i>

Result Indicators				
Priority Axis 1 <i>Improving Education & Skills</i>	Priority Axis 2 <i>Investing in the employability & adaptability of the workforce</i>	Priority Axis 3 <i>Promoting an equal & inclusive labour market</i>	Priority Axis 4 <i>Strengthening of institutional & administrative capacity</i>	Priority Axis 5 <i>Technical Assistance</i>
Operational Objective A To increase student participation rates in general fields of study (non S&T or ICT) at a further or higher level of education	Operational Objective A To increase the participation rate in lifelong learning	Operational Objective A To increase female participation rate	Operational Objective A To strengthen the efficiency and effectiveness of the public sector	Overall Objective to facilitate the overall implementation of the Programme in order to optimise the programme's quality and efficiency, whilst ensuring effective application of regulations and procedures.
<i>% of participants gaining a further or higher education & training qualification (75%)</i>	<i>% of participants in employment or further study 6 months after receiving assistance (20%)</i> <i>% of participants gaining a qualification/certification (60%)</i>	<i>% of participants in employment or further study 6 months after receiving assistance (20%)</i> <i>% of participants gaining a qualification/certification (50%)</i>	<i>% of participants receiving a qualification/certification (80%)</i>	<i>Reaching N+3 / N+2 targets (80%)</i>
Operational Objective B To increase student participation rates in science, technology and ICT at a further or higher level of education	Operational Objective B To support the adaptability of undertakings through skills improvements and upgrading of workers	Operational Objective B To contribute towards the integration, retention and progression of disadvantaged groups in the labour market, whilst addressing labour market distortions	Operational Objective B To contribute towards the development of effective partnerships in a wide range of policy areas	
<i>% of participants gaining a further or higher education & training qualification in S&T or ICT (75%)</i> <i>% of participants gaining a qualification/certification in capacity building education/training (80%)</i>	<i>% of participants gaining a qualification/certification (60%)</i>	<i>% of vulnerable persons in employment or further study 6 months after receiving assistance (20%)</i> <i>% of participants in capacity building gaining a qualification/certification (80%)</i>	<i>% increase in the technical capacity (secretariat) at MCESD to support Council (and sub-committees) in reaching informed opinions in policy issues ¹²⁵ (50%)</i>	
Operational Objective C To improve the quality or relevance of education provision				
<i>% of participants gaining a qualification/certification¹²⁶</i>				

¹²⁵ Baseline as at 2006 is 3 full time and 1 part-time.

¹²⁶ Including certificate of attendance

Output Indicators				
Priority Axis 1 <i>Improving Education & Skills</i>	Priority Axis 2 <i>Investing in the employability & adaptability of the workforce</i>	Priority Axis 3 <i>Promoting an equal & inclusive labour market</i>	Priority Axis 4 <i>Strengthening of institutional & administrative capacity</i>	Priority Axis 5 <i>Technical Assistance</i>
Operational Objective A To increase student participation rates in general fields of study (non S&T or ICT) at a further or higher level of education	Operational Objective A To increase participation rate in lifelong learning	Operational Objective A To increase female participation rate	Operational Objective A To strengthen the efficiency and effectiveness of the public sector	Overall Objective to facilitate the overall implementation of the Programme.
<i>Number of persons participating in further or higher education & training programmes (2,000)</i>	<i>Number of persons trained/supported (45,000)¹²⁷</i> <i>Number of actions supporting educational structures, systems, campaigns & research (5)</i>	<i>Number of actions supporting a lifecycle approach to work (10)</i> <i>Number of women trained/supported (2,000)</i> <i>Number of families benefiting from childcare (1,600)</i>	<i>Number of persons participating in training in a year (4,000)¹²⁸</i> <i>Number of studies/ actions/ campaigns/ research activities carried out (30)</i>	<i>Number of persons trained (350)¹²⁹</i> <i>Number of evaluations carried out (4)</i> <i>Number of publicity measures undertaken (15)</i> <i>Number of studies/research activities carried out (5)</i>
Operational Objective B To increase student participation rates in science, technology and ICT at a further or higher level of education	Operational Objective B To support the adaptability of undertakings through skills improvements and upgrading of workers	Operational Objective B To contribute towards the integration, retention and progression of disadvantaged groups in the labour market, whilst addressing labour market distortions	Operational Objective B To contribute towards the development of effective partnerships in a wide range of policy areas	
<i>Number of persons participating in S&T or ICT in further or higher education & training programmes (600)</i> <i>Number of persons participating in S&T or ICT capacity building education & training (250)</i> <i>Number of S&T or ICT actions/studies/campaigns/research activities carried out (10)</i>	<i>Number of undertakings supported (700)</i>	<i>Number of vulnerable persons trained/supported (6,500)</i> <i>Number of persons trained through capacity building courses (600)</i> <i>Number of actions/studies/campaigns/research activities carried out (10)</i> <i>Number of civil society projects (50)</i>	<i>Number of projects supporting partnership (7)</i>	
Operational Objective C To improve the quality or relevance of education provision				
<i>Number of persons trained through capacity building courses (750)</i> <i>Number of persons trained through supplementary courses, modules or credits for better skills matched (3,000)</i> <i>Number of actions supporting educational quality, relevance, structures, systems, campaigns and research (20)</i>				

¹²⁷ Including repeat participants¹²⁸ Including repeat participants¹²⁹ Does not include repeat trainees

4.7 Flexibility Facility

In line with Article 34 (2) of the Council Regulation (EC) No. 1083/2006, Government has decided to avail of the possibility to finance in a complementary manner and subject to a limit of 10 per cent of Community funding for each Priority Axis actions falling within the scope of assistance from the ERDF, provided that they are necessary for the satisfactory implementation of the operation and are directly linked to it. The flexibility facility will be monitored through the SFD. In the case of measures falling within the scope of Article 3 paragraph 1 (c)(i) of the ESF Regulation 1081/2006, the 10 per cent limit may be raised to 15 per cent of the Priority Axis concerned.

Chapter 5 – Implementing Provisions

5.1 Main Implementing Bodies

The provisions for the implementation of this Operational Programme will be in line with Article 58 of Regulation EC/1083/2006 establishing general principles of the management and control systems. In this regard a Managing Authority to manage this OP, a Certifying Authority to certify statements of expenditure and applications for payment before they are sent to the European Commission, and an Audit Authority responsible for verifying the effective functioning of the management and control system are being set up in accordance with Article 59 of Regulation EC/1083/2006. A number of other Bodies which the Maltese Authorities have designated as part of their implementation system will also be described in this Chapter.

5.1.1 The Managing Authority

The Planning and Priorities Co-ordination Division (PPCD) within the Office of the Prime Minister (OPM) is entrusted with the management and overall coordination of this Operational Programme. The PPCD is set up in line with the established national procedures of the Government of Malta. The PPCD will carry out the tasks and functions of a Managing Authority as described hereunder in full accordance with the institutional, legal and financial systems of Malta.

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a. Tasks and Functions of the Managing Authority¹³⁰

The Managing Authority shall be responsible for managing and implementing the OP in accordance with the principle of sound financial management. In particular the Managing Authority will:

(a) ensure that operations are selected for funding in accordance with the criteria applicable to the Operational Programme and that they comply, for their whole implementation period, with applicable Community and national rules;

(b) verify¹³¹ the delivery of the co-financed products and services and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules;

(c) ensure that there is a system for recording and storing in computerised form accounting records for each operation under the Operational Programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;

¹³⁰ Article 60 of Regulation EC/1083/2006

¹³¹ Verifications on-the-spot of individual operations may be carried out on a sample basis in accordance with the Commission Regulation (1828/2006) setting out detailed rules for the implementation of Regulation (EC) 1083/2006.

(d) ensure that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;

(e) ensure that the evaluations of Operational Programmes referred to in Article 48(3) of Regulation (EC) 1083/2006 are carried out in accordance with Article 47 of Regulation EC/1083/2006;

(f) set up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit are held in accordance with the requirements of Article 90 of Regulation (EC) 1083/2006;

(g) ensure that the Certifying Authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;

(h) guide the work of the Monitoring Committee and provide it with the documents required to permit the quality of the implementation of the Operational Programme to be monitored in the light of its specific goals;

(i) draw up and, after approval by the Monitoring Committee, submit to the European Commission the annual and final reports on implementation;

(j) ensure compliance with the information and publicity requirements laid down in Article 69 of Regulation EC/1083/2006;

(k) provide the European Commission with information to allow it to appraise major projects in line with Articles 40 and 41 of Regulation EC/1083/2006.

b. Additional Responsibilities

In addition to the above, the Managing Authority will be tasked with the following functions (to be carried out in coordination with the European Commission and other competent authorities):

(a) ensure that assistance from the Funds is consistent with the activities, policies and priorities of the Community, and complementary to other financial instruments of the Community, in particular with the Community Strategic Guidelines on cohesion and the National Strategic Reference Framework;¹³²

(b) co-ordinate assistance from this Operational Programme with assistance from the Operational Programme co-financed by the ERDF, the programmes financed by the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF), the interventions of the EIB, where applicable, and of other existing financial instruments;¹³³

(c) co-ordinate with the competent public authorities and other stakeholders to ensure the promotion of the equality between men and women and the integration of the gender perspective during the various stages of the OP implementation.¹³⁴

(d) take appropriate steps to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during the various stages of implementation of the Funds and, in particular, in the access to them. In particular, accessibility for disabled persons shall be one of the criteria to be observed in defining co-financed operations and to be taken into account during the various stages of implementation;¹³⁵

¹³² Article 9(2) of Regulation (EC) 1083/2006

¹³³ Article 9(4)

¹³⁴ Article 16

¹³⁵ Article 16

(e) ensure that the OP is implemented in the pursuit of the framework of sustainable development and the Community promotion of the goal of protecting and improving the environment as set out in Article 6 of the Treaty;¹³⁶

(f) co-ordinate Malta's feedback on the Community Strategic Guidelines on cohesion in case a mid-term review of the Guidelines is required to take account of any major changes in the priorities of the Community;¹³⁷

(g) co-ordinate the revision of the OP in agreement with the European Commission, in case of significant socio-economic changes, or in order to take greater or different account of major changes in Community, national or regional priorities, or in the light of evaluation referred to in Article 48(3) of Regulation EC/1083/2006 or following implementation difficulties;¹³⁸

(h) manage the technical assistance and administrative capacity building Axis of the Operational Programme to finance the preparatory, management, monitoring, evaluation, information and control activities of the OP, together with activities to reinforce the administrative capacity of the Stakeholders managing and implementing the Funds.¹³⁹

(i) lay down rules at national level on the eligibility of expenditure taking into account exceptions provided in the specific Regulations for each Fund, to revenue-generating estimates as set out in Article 55 of Regulation EC/1083/2006 and ceilings on state aid;¹⁴⁰

(j) ensure that an operation retains the contribution from the Funds. In case of modifications, the Managing Authority is to inform the European Commission in the annual implementation report required under Article 67 of Regulation EC/1083/2006;¹⁴¹

(k) co-ordinate the carrying out of evaluations, organise the production and gathering of the necessary data and use the various types of information provided by the monitoring system¹⁴²

(l) draw up, an evaluation plan presenting the indicative evaluation activities which are intended to be carried out in the different phases of the implementation;¹⁴³

(13) co-ordinate the carrying out of evaluations carried out in view of changes from set targets or revision of operational programmes.¹⁴⁴

(m) provide the competent authority responsible for the drawing up of the annual implementation report on the National Reform Programme with information on the contribution of the Funds;¹⁴⁵

(n) send to the European Commission for the first time in 2008 and by 30 June each year, an annual implementation report and by 31 March 2017 a final implementation report containing the information laid out in Article 67 of Regulation EC/1083/2006;¹⁴⁶

(o) examine with the European Commission every year, following the submission of the annual report on implementation, the progress made in implementing the Operational Programme, the principal results achieved over the previous year, the financial implementation and other factors with a view to improving implementation;¹⁴⁷

¹³⁶ Article 17

¹³⁷ Article 26

¹³⁸ Article 33

¹³⁹ Article 46

¹⁴⁰ Article 56

¹⁴¹ Article 57

¹⁴² Article 48

¹⁴³ Article 48

¹⁴⁴ Article 48

¹⁴⁵ Article 29

¹⁴⁶ Article 67

¹⁴⁷ Article 68

(p) co-ordinate the setting up of a Monitoring Committee for the OP within three (3) months starting from the date of the notification of the decision approving the Operational Programme;¹⁴⁸

(q) provide the secretariat to the Monitoring Committee;¹⁴⁹

(r) carry out in conjunction with the Monitoring Committee, monitoring through reference to financial indicators and the indicators referred to in Article 37(1)(c) of Regulation EC/ 1083/2006 and specified in the OP;¹⁵⁰

(s) inform the Monitoring Committee of comments made by European Commission on reports concerning the OP, in particular the annual implementation report;¹⁵¹

(t) co-ordinate with the competent public authority the management and control systems for the OP in accordance with Articles 58 to 62 of Regulation EC/1083/2006 and ensure that they function effectively;¹⁵²

(u) submit to the European Commission, before the first interim payment or, at the latest, within twelve months from approval of the OP, a description of systems containing details laid down in Article 71 of Regulation EC/1083/2006;¹⁵³

(v) ensure that all supporting documents regarding expenditure and audits on the OP are kept available for the European Commission and the Court of Auditors as specified in Article 90 of Regulation EC/1083/2006.

(w) carry out any other role identified as being the task of the Managing Authority by the Commission Implementing Regulation.

5.1.2 The Certifying Authority

The European Union (Paying Authority) Directorate within the Ministry of Finance (MFIN) is entrusted with the certification of the declarations of expenditure and applications for payment in relation to the priorities of this OP before they are sent to the European Commission. The Directorate is set up in line with the established national procedures of the Government of Malta and will carry out the tasks and functions of a Certifying Authority as described hereunder in full accordance with the institutional, legal and financial systems of Malta.

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¹⁴⁸ Article 63

¹⁴⁹ Article 64

¹⁵⁰ Article 66

¹⁵¹ Article 68

¹⁵² Article 70

¹⁵³ Note: The description of the systems will be accompanied by a report setting out the results of the assessment of the setting up of the systems and giving an opinion on their compliance with Articles 58 to 62 of Regulation (EC) 1083/2006. The Audit Authority of this Operational Programme will be overall responsible for the establishment of this report.

a. Tasks and Functions of the Certifying Authority¹⁵⁴

The Certifying Authority shall be responsible for certifying declarations of expenditure and applications for payment before they are sent to the European Commission. In particular the Certifying Authority will:

- (a) draw up and submit to the European Commission certified statements of expenditure and applications for payment in line with the provisions laid down in Council Regulation EC/1083/2006;
- (b) certify that the statement of expenditure is accurate, results from reliable accounting systems, is based on verifiable supporting documents and that the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the Programme and complying with Community and national rules;
- (c) ensure for the purposes of certification that it has received adequate information from the Managing Authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;
- (d) take account for certification purposes of the results of all audits carried out by or under the responsibility of the Audit Authority;
- (e) maintain accounting records in computerised form of expenditure declared to the European Commission;
- (f) keep an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union, prior to the closure of the OP by deducting them from the next statements of expenditure in line with the provisions laid down in Council Regulation EC/1083/2006;

b. Additional Responsibilities

In addition to the above, the Certifying Authority will be tasked with the following functions (to be carried out in coordination with the European Commission and other competent authorities):

- (a) send at the latest by the end of April of each year to the European Commission a provisional forecast of the likely payment applications for the current financial year and the subsequent financial year;¹⁵⁵
- (b) ensure that the beneficiaries receive the total amount of the public contribution as quickly as possible and in full from the body responsible for making payments;¹⁵⁶
- (c) declare to the European Commission any interest generated by the pre-financing at the time of the final closure of the Operational Programme;¹⁵⁷
- (d) carry out any other role identified as being the task of the Certifying Authority by the Commission Implementing Regulation.

5.1.3 The Audit Authority

The Internal Audit and Investigations Directorate (IAID) within the Ministry of Finance under the supervision of the Internal and Audit Investigations Board (IAIB) within the Cabinet Office is entrusted with verifying the effective functioning of the management and control system of the Operational

¹⁵⁴ Article 61 of EC Regulation 1083/06

¹⁵⁵ Article 76

¹⁵⁶ Article 80

¹⁵⁷ Article 83

Programme. The IAID is set up in line with the established national procedures of the Government of Malta and is functionally independent of the Managing Authority and the Certifying Authority of the Operational Programme. The IAID will carry out the tasks and functions of an Audit Authority as described hereunder in full accordance with the institutional, legal and financial systems of Malta.

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a. Tasks and Functions of the Audit Authority¹⁵⁸

The Audit Authority shall be responsible for verifying the effective functioning of the management and control system of the OP through the carrying out of audits. In particular the Audit Authority will:

(a) ensure that audits are carried out to verify the effective functioning of the management and control systems of the OP;¹⁵⁹

(b) ensure that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;¹⁶⁰

(c) present to the European Commission within nine months of the approval of the OP an audit strategy covering the bodies which will perform the audits referred to in (a) and (b) above, the method to be used, the sampling method for audits on operations and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period;

(d) submit to the European Commission by 31 December of each year from 2008 to 2015, an annual control report setting out the findings of the audits carried out during the previous 12 month-period ending on 30 June of the year concerned¹⁶¹ in accordance with the audit strategy of the Operational Programme and report any shortcomings found in the systems for the management and control of the Programme. The information concerning the audits carried out after 1 July 2015 will be included in the final control report supporting the closure declaration described in (g) hereunder.

(e) issue an opinion by 31 December of each year from 2008 to 2015, on the basis of the controls and audits that have been carried under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the European Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular;

(f) where applicable, submit by 31 December of a given year, a declaration for partial closure assessing the legality and regularity of the expenditure concerned;

(g) submit to the European Commission at the latest by 31 December 2017, a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of

¹⁵⁸ Article 62

¹⁵⁹ Where the audits are carried out by a body other than the Audit Authority, the Audit Authority shall ensure that such bodies have the necessary functional independence. (Article 62(3))

¹⁶⁰ Where the audits are carried out by a body other than the Audit Authority, the Audit Authority shall ensure that such bodies have the necessary functional independence. (Article 62(3))

¹⁶¹ The first report to be submitted by 31 December 2008 shall cover the period from 1 January 2007 to 30 June 2008.

the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report.

(h) ensure that the audit work including that carried out by contracted bodies take account of internationally accepted audit standards.

b. Additional Responsibilities

In addition to the above, the Audit Authority will be tasked with the following functions (to be carried out in coordination with the European Commission and other competent authorities):

(a) establish a report setting out the results of an assessment of the setting up of systems and giving an opinion on their compliance with Articles 58 to 62 of Regulation EC/1083/2006. The report will accompany the description of the systems, covering in particular the organisation and procedures of the Managing Authority, the Certifying Authority, the Audit Authority, other bodies carrying out audits under the responsibility of the Audit Authority and Intermediate Bodies, where applicable.¹⁶²

(b) meet with the European Commission on a regular basis, at least once a year, to examine together the annual control report and opinion described in (d) and (e) above, and to exchange views on other issues relating to the improvement of the management and control of the Operational Programme;¹⁶³

(c) co-ordinate with the competent public authority/ies the prevention, detection and correction of irregularities and the recovery of amounts unduly paid together with interest on late payments and the related notification and progress of proceedings to the European Commission.¹⁶⁴

(d) carry out any other role identified as being the task of the Audit Authority by the Commission Implementing Regulation.

5.2 Other Bodies

In addition to the main implementing bodies described under Section 5.1, the Member State shall set up a Monitoring Committee and designate bodies responsible for receiving payments from the Commission and for making payments to the beneficiaries in line with Regulation EC/1083/2006. The Member State may designate one or more Intermediate Bodies to carry out some or all of the tasks of the Managing or Certifying Authority under the responsibility of that authority.

5.2.1 Monitoring Committee

A Monitoring Committee for this Operational Programme will be set up, in agreement with the Managing Authority, within three months from the date of notification to Malta of the Commission decision approving the Operational Programme. The Monitoring Committee shall draw up its rules of procedures within the institutional, legal and financial framework of Malta and adopt them in agreement with the Managing Authority in order to exercise its missions in accordance with Regulation EC/1083/2006. The Monitoring Committee will be chaired by a representative of the Maltese Government and its composition will be decided by Malta in agreement with the Managing Authority. The Managing Authority will carry out the role of secretariat to the Monitoring Committee. The tasks and functions of a Monitoring Committee as described hereunder will be carried out in full accordance with the institutional, legal and financial systems of Malta.

¹⁶² Article 71. The report and opinion can be carried out by a public or private body, other than the Audit Authority, which is functionally independent of the Managing Authority and the Certifying Authority, and shall carry out its work taking account of internationally accepted audit standards. Where the Audit Authority is not carrying out the report itself, it shall be responsible for the contracting of the task.

¹⁶³ Article 73

¹⁶⁴ Article 70

a. Tasks and Functions of the Monitoring Committee¹⁶⁵

The Monitoring Committee shall satisfy itself as to the effectiveness and quality of the implementation of the OP. In particular the Monitoring Committee will:

- (a) consider and approve the criteria for selecting the operations financed within six months of the approval of the OP and approve any revision of those criteria in accordance with programming needs;
- (b) periodically review progress made towards achieving the specific targets of the OP on the basis of the documents submitted by the Managing Authority;
- (c) examine the results of implementation, particularly the achievement of the targets set for each Priority Axis and the evaluations referred to in Article 48(3) of Regulation EC/ 1083/2006;
- (d) consider and approve the annual and final reports on implementation referred to in Article 67 of the Regulation EC/1083/2006;
- (e) be informed of the annual control report, or of the part of the report referring to the OP concerned, and of any relevant comments the Commission may make after examining that report or relating to that part of the report;
- (f) propose, when necessary, to the Managing Authority any revision or examination of the OP likely to make possible the attainment of the Funds' objectives referred to in Article 3 of the Regulation EC/1083/2006 or to improve its management, including its financial management;
- (g) consider and approve any proposal to amend the content of the Commission decision on the contribution from the Funds.

5.2.2 **Body responsible for receiving payments from the Commission**

The European Union (Paying Authority) Directorate¹⁶⁶ within the Ministry of Finance (MFIN) is entrusted with receiving payments made by the European Commission in relation to the priorities of this Operational Programme. The same Body is also the Certifying Authority as described under section 5.1 above.

a. Tasks and Functions of the body responsible for receiving payments from the Commission

Without prejudice to the tasks to be carried out by the Certifying Authority¹⁶⁷, the European Union (Paying Authority) Directorate shall be responsible for receiving the pre-financing, interim payments and payments of the final balance from the European Commission in line with Regulation EC/1083/2006.

In particular the European Union Paying Authority Directorate will:

- (a) open and manage a bank account at the Central Bank of Malta for the posting of payments by the European Commission in relation to the OP¹⁶⁸;
- (b) transmit an original copy of the Financial Identification Form of the bank account to the European Commission;

¹⁶⁵ Article 65

¹⁶⁶ The European Union Paying Authority Directorate is also the designated Certifying Authority for the Structural Funds and the Cohesion Fund 2007-2013.

¹⁶⁷ In Malta the tasks of the Certifying Authority and that of the competent body receiving payments from the European Commission will be carried out by the same organisation, namely the EU Paying Authority Directorate within the Ministry of Finance.

¹⁶⁸ The bank account holder will be the Director European Union Paying Authority Directorate (contact details outlined above).

(c) receive from the European Commission in line with Article 82 of Regulation EC/1083/2006 a single pre-financing amount which shall be paid in different instalments, as follows:¹⁶⁹

- from the contribution of the European Regional Development Fund to the operational programme 2% in 2007, 3% in 2008 and 2% in 2009;
- from the contribution of the Cohesion Fund to the operational programme 2.5% in 2007, 4% in 2008 and 4% in 2009.

(d) liaise with the Managing Authority and the competent authority on financial estimates as regards the distribution and use of the pre-financing amount;

(e) receive interim payments from the European Commission on the basis of payment applications and statements of expenditure submitted by the Certifying Authority in line with Article 85 of Regulation EC/1083/2006;

(f) receive payment of the final balance from the European Commission in line with Article 89 of Regulation EC/1083/2006.

5.2.3 Body responsible for making payments to the beneficiaries

The Treasury within the Ministry of Finance is the Body making payments. The Treasury is set up in line with the established national procedures of the Government of Malta.

Malta will pre-finance from the national budget the EU share of operations being implemented by beneficiaries that are either part of central government (government departments, public authorities and public corporations and companies), local government (Local Councils) and non-governmental organisations. In all these cases the Treasury will pay the contractors directly on behalf of the Beneficiaries. In this case of private enterprises that are carrying out individual projects and receiving public aid in the context of aid schemes under Article 87 of the Treaty¹⁷⁰, the Beneficiary will be reimbursed the public component of the cost upon presentation of the relevant receipts and supporting documentation to the Intermediate Body¹⁷¹ which the latter will certify to Treasury. The Treasury will ensure that the beneficiaries receive the total amount of the public contribution as quickly as possible and in full in line with Article 80 of Regulation EC/1083/2006;

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¹⁶⁹ If no payment application under the operational programme is sent within 24 months of the date on which the European Commission pays the first instalment of the pre-financing amount, the European Union Paying Authority Directorate will reimburse the total amount paid as pre-financing to the European Commission.

¹⁷⁰ Article 2(4) of Regulation (EC) 1083/2006 establishes that in the context of aid schemes under Article 87 of the Treaty, beneficiaries are public or private firms carrying out an individual project and receiving public aid.

¹⁷¹ See section 5.2.4

5.2.4 Intermediate Bodies

The Member State may designate one or more Intermediate Bodies to carry out some or all of the tasks of the Managing or Certifying Authority under the responsibility of that Authority.¹⁷²

In view that Article 2(6) of the Regulation EC/1083/2006 provides that in the context of aid schemes under Article 87 of the Treaty, beneficiaries are the public or private firms carrying out an individual project and receiving public aid, there is a need to establish Intermediate Bodies to manage the aid schemes.

In this regard the management and implementation of aid schemes selected under this Operational Programme will be entrusted to a number of Intermediate Bodies that will act on behalf of the Managing Authority and carry out duties on its behalf vis-à-vis beneficiaries implementing operations in the context of aid schemes.

a. Tasks and Functions of Intermediate Bodies

The relationship between the Managing Authority and each identified Intermediate Body will be defined in an agreement that will include the following information:

(a) details on the Intermediate Body managing the implementation of the aid scheme, with specific information on the institutional capacity for the administrative and financial management of the aid scheme;

(b) the types of operations to be covered by the proposed aid scheme with quantified indicators and benchmarks;

(c) the eligibility and selection criteria for selecting operations which will be submitted for the approval of the Monitoring Committee;

(d) the rate of assistance from the Funds and the rules governing that assistance;

(e) the arrangements for monitoring, evaluating and ensuring the financial control of the aid schemes vis-à-vis the Managing Authority, including the modalities for recovering amounts unduly paid and the presentation of accounts.

In addition the agreement will contain a detailed list of the functions that will be delegated to the Intermediate Bodies including:

(a) preparing and launching calls for individual projects under the aid scheme (including application forms and guidance notes);

(b) ensuring that the individual operations selected under the aid scheme for funding are in line with the proposed criteria and that they comply, for the whole implementation period, with applicable Community and national rules;

(c) verifying the delivery of the co-financed products and services and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules;

¹⁷² Article 59 of the Council Regulation EC/1083/2006.

(d) ensuring that there is a system for recording and storing in computerised form accounting records of each operation under the aid scheme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation is collected;

(e) ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;

(f) setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit are held in accordance with the requirements of Article 90 of Council Regulation EC/1083/2006;

(g) ensuring compliance by the Beneficiaries with the information and publicity requirements laid down in Article 69 of the Council Regulation EC/1083/2006;

(h) laying down rules on the eligibility of expenditure taking into account exceptions provided in the specific Regulations for each Fund, and ceilings on state aid;

(i) ensuring that an operation retains the contribution from the Funds as set out in Article 57 of the Council Regulation EC/1083/2006.

The modalities for the carrying out of the above tasks will be laid down in the agreement with the Managing Authority. This delegation shall be without prejudice to the financial responsibility of the Managing Authority and of the Government of Malta.

5.3 Implementation modalities

The procedures and arrangements for monitoring, evaluation, the computerised exchange of data, reporting systems, the financial circuit and the information and publicity of the operational programme are described hereunder.

5.3.1 Monitoring Procedures

Monitoring procedures will be established to ensure the quality of the implementation of the Operational Programme. Monitoring will be carried out with reference to financial indicators and the indicators referred to in Article 37(1)(c) of Regulation EC/1083/2006. Where the nature of the assistance permits, statistics shall be broken down by sex and other categories in line with the obligations of the Commission Implementing Regulation and the relevant annex/es.

The monitoring of the financial indicators and the indicators referred to in Article 37(1)(c) of the Regulation EC/1083/2006 will be computerised. In this regard a computerised data management system, currently in use for the 2004-2006 Structural Funds, will be enhanced to ensure the electronic transfer of financial and other data of the projects selected in the framework of this Operational Programme into a central database. This database will be managed by the Managing Authority and will contribute to the electronic data exchange with the Commission, in accordance with the Commission Regulation (1828/2006) setting out detailed rules for the implementation of Regulation EC/1083/2006 and provide the following information to be used for the compiling of the annual reports and final report on implementation:

(a) the progress made in implementing the OP and priorities in relation to the specific, verifiable targets, with a quantification, wherever and whenever possible, using a limited number of indicators for output and results;

(b) the financial implementation of the OP, detailing for each Priority Axis the expenditure paid out by the beneficiaries included in payment claims sent to the Managing Authority and the corresponding public contribution, the total payments received from the Commission and quantification of the financial indicators referred to in Article 66(2) of Regulation EC/1083/2006 and the expenditure paid out by the body responsible for making payments to the beneficiaries;

(c) the indicative breakdown of the allocation of Funds by categories, in accordance with the Commission Regulation (1828/2006) setting out detailed rules for the implementation of Regulation EC/1083/2006.

5.3.2 Evaluation

Article 47 (1) of Council Regulation (EC) No 1083/2006 defines the overall purpose of evaluating Cohesion Policy to improve the quality, effectiveness and consistency of the assistance from the Funds and the strategy and implementation of Operational Programmes with respect to the specific structural problems affecting the Member States. Under Article 48 of the same Council Regulation Member States are obliged to carry out an ex-ante evaluation. The ex-ante evaluation should aim to optimize the allocation of budgetary resources and improve the quality of the programming document. The ex-ante evaluation carried out on this Operational Programme is discussed under Chapter 2.

The Council Regulation provides for a shift from a concept of mid-term evaluation driven by regulatory imperatives towards a more flexible, demand-driven approach to evaluation during the programming period ('on-going evaluation'). The Commission's Working Paper 5 'Indicative Guidelines on Evaluation Methods: Evaluation during the Programming Period' (October 2006) describes in more detail what approach should be adopted with regard to on-going evaluation activities in the 2007-13 period. There are a number of key points:

- Firstly, there are two specific situations in which Member States should carry out an evaluation – 'where the monitoring systems reveal a significant departure from the goals initially set' and, secondly, if and when 'Operational Programme revisions are proposed'. These changes could arise from financial considerations (e.g. if financial absorption lags behind targets), or be content-related or linked to an OP's implementation;
- Secondly, a distinction is made between evaluations of a strategic nature ('in order to examine the evolution of a Programme or group of Programmes in relation to Community and national priorities') and evaluations of an operational nature ('in order to support the monitoring of an Operational Programme');
- Thirdly, as laid down in the Regulation, there are four main principles that govern on-going evaluation: *proportionality* (evaluation activities should be 'in proportion to the scale and resources of an Operational Programme or 'potential risk areas' associated with its implementation; *Independence* ('evaluations shall be carried out by experts or bodies - internal or external - that are functionally independent of the certifying and audit authorities'; *Partnership* ('essential for planning, designing and carrying out evaluation. It relies on consultation and participation of stakeholders and provides a basis for learning, openness, and transparency during the whole process'); and *Transparency* ('it is good practice to publish evaluation reports in the interests of transparency, and in order to stimulate public debate on evaluation findings').

In line with the same Article 48, Malta is currently preparing an evaluation plan which will give an indication of the evaluation activities foreseen under the Programme. The Plan will seek to build upon the experience which Malta has with evaluation so far and the evaluation plan for the programming period 2004-2006. .

Although not obligatory, Malta envisages to carry out a mid term evaluation in 2009. This will be parallel to a mid-term evaluation to be carried out for Malta's Operational Programme I. The mid term evaluation will essentially involve a synthesis of the work carried out in the ongoing evaluations. However, in addition to this, the mid term evaluation will review monitoring data and performance indicators across the breadth of the two Operational Programmes. The purpose of the mid term evaluation will be to

assess progress towards key OP objectives and towards the overall NSRF goals, and to recommend corrective actions if there is under-performance. It will also be used to support any proposed changes in the objectives of the Operational Programmes or reallocation of financial resources.

Besides the mid-term evaluation, the Managing Authority envisages to carry out additional evaluation exercises within the following guiding principles:

- A combination of top-down and bottom up evaluation methods;
- Additional evaluation activities at both OP strategic and specific objectives levels;
- Incorporation of key evaluation issues and horizontal themes into the proposed research activities;
- If appropriate, ad hoc evaluations triggered by under-performance against OP targets, or significant change.

Ex-post evaluation is the responsibility of the Commission (Article 49 of EC Regulation 1083/2006). The Managing Authority will support the Commission in this task.

5.3.3 Computerised exchange of data

The Planning and Priorities Coordination Division (PPCD) within the Office of the Prime Minister is responsible for the set-up, management and administration of the Structural Funds Database (SFD07), the Information Management and Monitoring System for Structural Funds. The SFD07 will be web-based, operating on the secure framework of the Government of Malta.

The local system (SFD07) to be implemented for the programming period 2007-2013 will interface with the Structural Funds Common Database 2007 (SFC07) through Web-Services. Hence, data will automatically be transferred directly from the SFD07 to the SFC2007. For each programme, a valid CCI code will be requested and assigned by the SFC2007, as opposed to the current situation whereby the CCI code has to be explicitly obtained from the Commission by means of a manual workflow. The CCI code will serve as a single point of reference in the SFD07, providing the Commission with a single dossier, thus facilitating searching, reporting and auditing.

Section 5.3.1 above explains some of the functions, particularly monitoring, that will be carried out via the electronic system.

5.3.4 Accounting, monitoring and financial reporting systems

Information on procedures implemented to assure the reliability of the systems in place including security of the electronic exchange of data.

The scope of the SFD07 is twofold, that of managing Programmes and projects, as well as a financial control mechanism to enable the smooth processing of payments. The system, by design, caters for the management of the framework, cascading down to the various Programmes, Priority Axes and respective projects. The new system is built around five main processes which include:

- OP Management;
- Project Management;
- Contract Management;
- Payment Management;
- Certification.

The system allows for a multi-user group environment with distinct roles and operations. Within this context the information gathered is evaluated at various stages. The Managing Authority (PPCD) regularly reviews the information that is captured by the system both for internal administration as well as, in order to provide information to the Monitoring Committee. The system issues a number of standard and customised reports to meet the needs of the various data groups.

The SFD07 has an inbuilt system for monitoring financial and physical indicators. At regular intervals, the Managing Authority may request each project leader to provide a qualitative summary update of the progress made by their respective projects. This information is central in compiling a number of progress reports both on an ad hoc and/or annual/biannual/quarterly basis, as requested by the competent authority and the Commission.

5.3.5 Financial circuit

Reference to the financial circuit is also being presented under section 5.2.3. Distinct financial procedures have been established according to specific categories of beneficiaries as follows:

a) Public sector beneficiaries

These include Line Ministries, government departments, public authorities and public corporations that are responsible for initiating and implementing operations selected under one of the Priority Axes of this OP (vide Figure 5.1). The Malta Government annual financial estimates will provide for the pre-financing of the Community co-financing share of the forecast annual eligible expenditure of all the selected projects under the responsibility of Public Sector beneficiaries. The Malta Government annual financial estimates will also provide for the Maltese co-financing share of the forecast annual eligible expenditure as well as an allocation for other expenditure not eligible for Community co-financing. The Treasury will pay **on behalf** of the beneficiary the service/supplies/works provider the Community co-financing share and the Malta co-financing share of the invoice from the relevant expenditure items as explained also under section 5.2.3 above.

b) Other public or public equivalent beneficiaries

These include Local Councils, Socio-economic Partners, Constituted Bodies and NGOs that are responsible for initiating and implementing operations selected under one of the Priority Axes of this OP (vide Figure 5.2). The Malta Government annual financial estimates will provide for the pre-financing of the Community co-financing share of the forecast annual eligible expenditure of all the projects under the responsibility of such beneficiaries (such as Local Councils, socio-economic partners, and NGOs). The national public co-financing share of the projects will be provided for from the funds of the beneficiaries defined as Socio-economic Partners, Constituted Bodies, NGOs and Local Councils. In this regard no provision will be made for national co-financing funds in the national budget. On receipt of invoice/s, the beneficiary will transfer an amount from own funds equivalent to the established national co-financing rate of the project to an expenditure item of the national budget. The Treasury will pay the full amount of the invoice to the service/supplies/works provider on behalf of the beneficiary¹⁷³.

c) Private sector beneficiaries

These are defined as private enterprises carrying out an individual project and receiving public aid within the context of aid schemes under Article 87 of the Treaty (vide Figure 5.3). The Malta Government annual financial estimates will provide for the pre-financing of the Community co-financing share of the forecast annual eligible expenditure of all the aid schemes under the responsibility of the selected Intermediate Bodies. The Community and national (public) co-financing will be paid to the Beneficiary upon receipt of relevant documentation proving payment (by the Beneficiary) of the total amount (EU, national public and national private) of the expenditure invoiced. Treasury will reimburse beneficiary the full public component. The Treasury will carry out the functions of the body responsible for making payments to the final beneficiaries by reimbursing the public share of the eligible cost of the receipt.

¹⁷³ In exceptional circumstances, for example in the case of salaries, in order to ensure that payments are effected in stipulated time periods the beneficiary may effect the necessary payments and the Treasury will reimburse the beneficiary the full public share of the eligible costs upon receipt of the relevant documentation. This may also apply in case of public sector beneficiaries.

The Certifying Authority will carry out the functions of the competent body receiving the payments made by the Commission for all three distinct financial circuits. An account will be opened with the Central Bank and will be the responsibility of the Certifying Authority. The European Commission will transmit the advance, interim and final payments of the Funds in the bank account.

On receipt by the Certifying Authority of an ad hoc report sent by the Treasury listing the invoices paid and the corresponding EU co-financing share, the Certifying Authority will transfer an equivalent amount from the Central Bank Account of the respective Fund to the Consolidated Account of the Malta Government as reimbursement of the pre-financing of the Community co-financing. The Certifying Authority will then proceed with sending a payment request to the European Commission on the basis of the verification generated. In case where the European Commission reimburses a lesser amount than that requested by the Certifying Authority in the application for interim payment, an adjustment will be made in the following reimbursements to Government.

Figure 5.1: Financial Flow Chart – Public Sector Beneficiaries

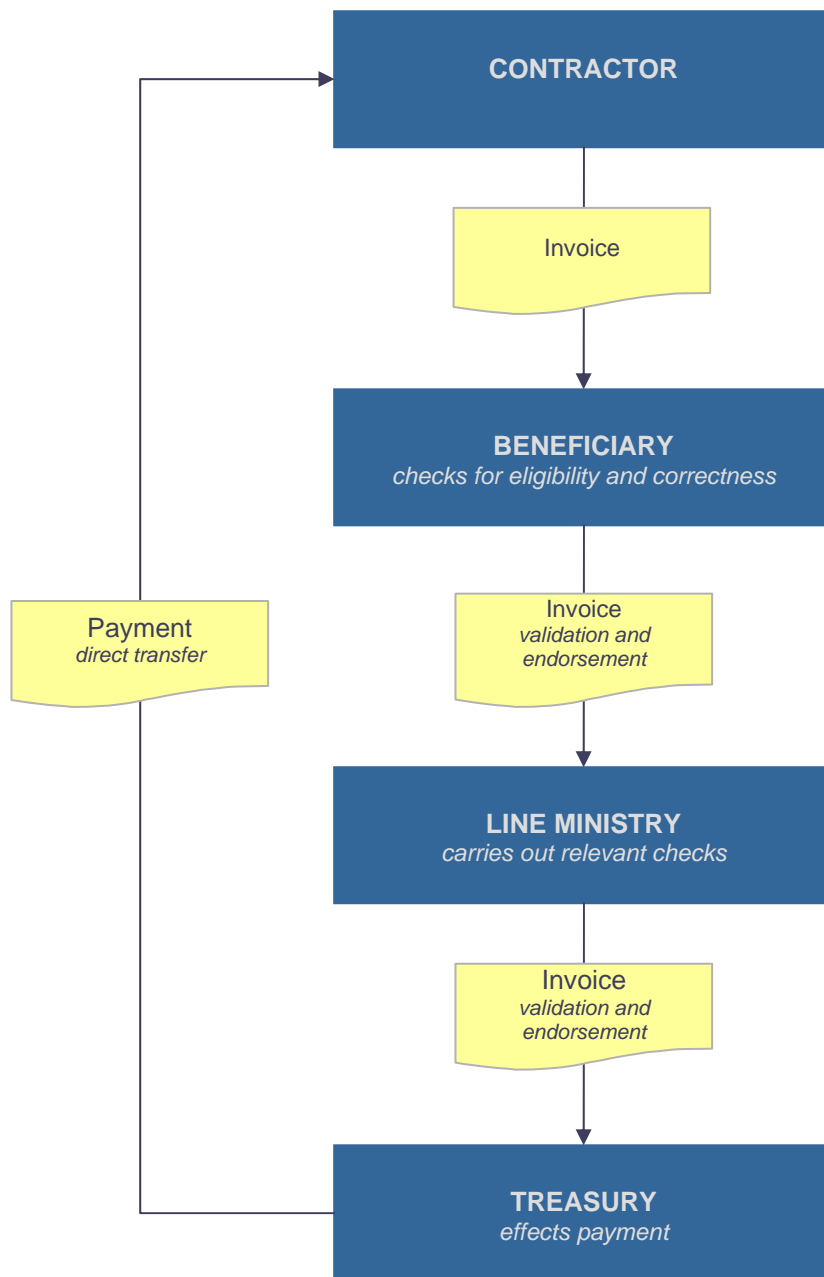


Figure 5.2: Financial Flow Chart – Other Public and Public Equivalent Beneficiaries

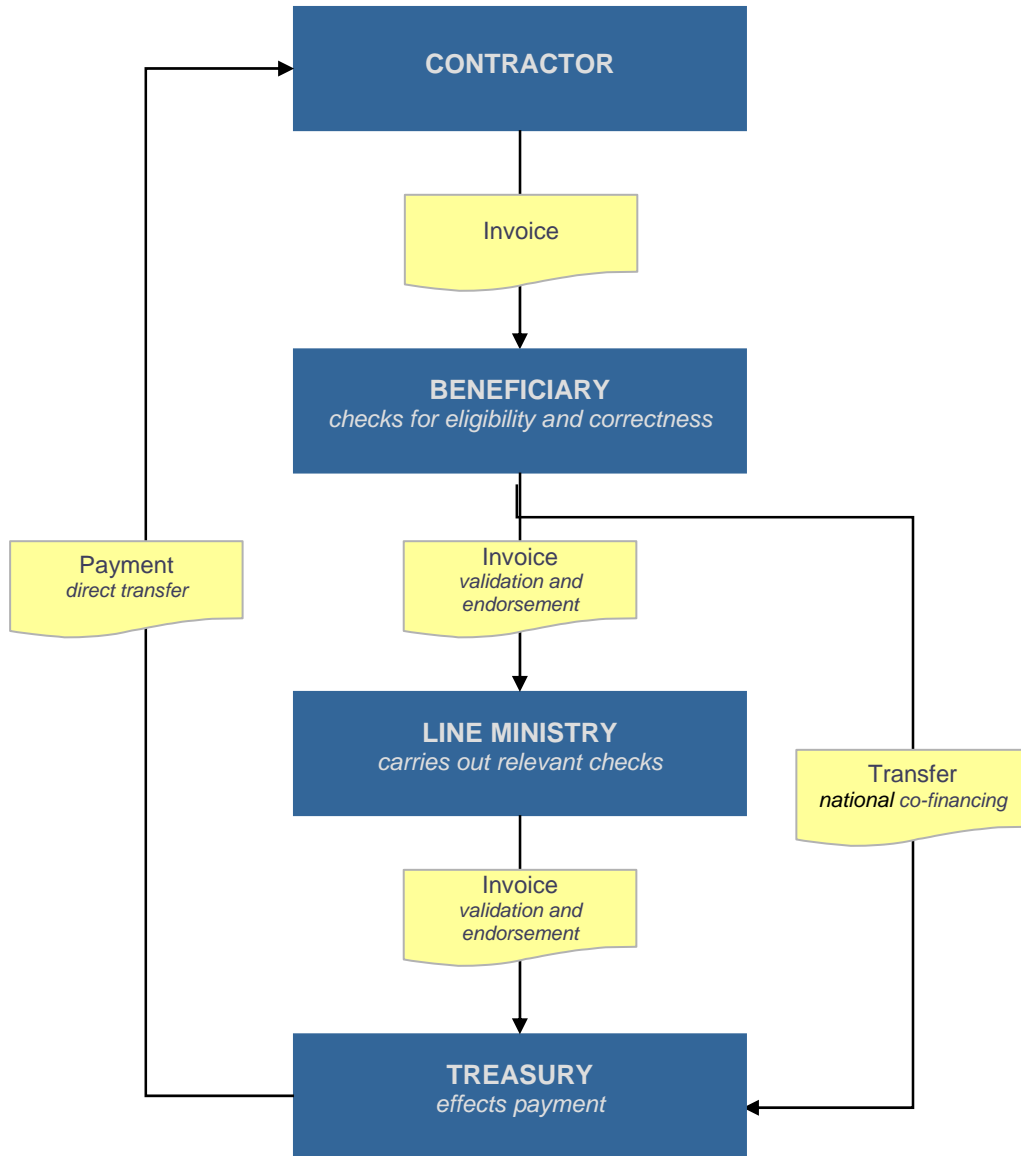
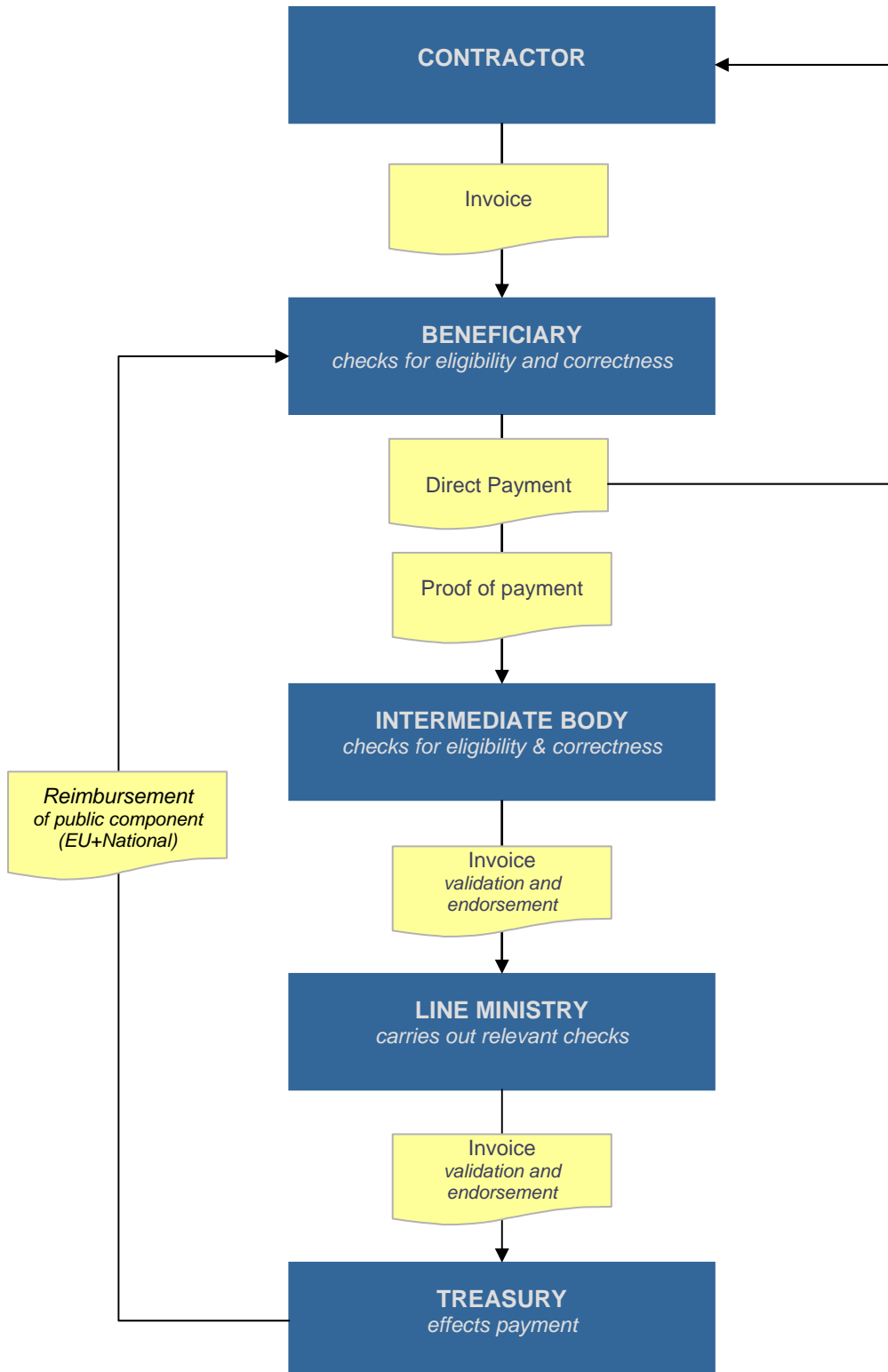


Figure 5.3: Financial Flow Chart – Private Sector Beneficiaries



5.3.6 Information and publicity

Article 69 of Council Regulation (EC) No 1083/2006 highlights the obligations of the Member State and the Managing Authority for providing information on and publicizing operations financed under the Operational Programmes. The aim being that of highlighting the role of the Community and ensuring that assistance from the Funds is made visible.

In line with the Commission Regulation (1828/2006), Malta is currently preparing a communications plan which shall cover the two Operational Programmes (ERDF and ESF) with activities that are relevant for both OPs and specific components for each OP, given the different nature of the operations financed under the two OPs. Malta believes that there is a need to support as many synergies between both OPs and to give a coherent approach to the publicity actions, hence the general component relevant to both OPs. On the other hand given the specific objectives of each OP and also the different target groups and stakeholders, the Maltese authorities believe that the plan should give space to distinct components that are more appropriate for one or the other OP.

The objectives of the communications plan are to:

- Provide transparent information on the opportunities provided the ESF assistance to potential project proponents;
- Result in a system that provides information about the ESF;
- Inform the media, the general public and interested stakeholders about the role played by the EU in implementing the assistance;
- Make visible results achieved through the assistance given by the ESF;
- Promote an understanding and appreciation of the role of the ESF and the EU's contribution to the overall socio-economic development of Malta and Gozo.

In a nutshell, the communications plan aims to carry out promotional, informational and support measures throughout the programming period, with activities covering the general framework and scope of the ESF at a programme level and provide guidance for information and publicity initiatives at project level so that programme actions and project initiatives will be coherent (less confusing to the public) and avoid duplication of resources. In this regard, co-ordination and communication between the communications co-ordinator at the Managing Authority and the Project Leaders is essential to avoid, where possible, the concentration and duplication of information and communications activities. In this regard, the Managing Authority will beef up its capacity through the setting up of a communications co-ordination unit which will be co-funded through the technical assistance of the Operational Programmes.

5.3.7 Project Selection

The Project Selection process will take place primarily through the following procedures:

a. Open Call for applications.

In this case a call will be issued highlighting which Priority Axis is open and who are the eligible applicants. Such a call will be published in the media and also on the website of the Managing Authority and other Government websites. The call will be accompanied by guidance notes on the application form and also by information sessions to provide information on the project application and selection process. The criteria for selection of the operations will be proposed by the Member State and approved by the Monitoring Committee. Separate calls will be issued for the participation of Partners and NGOs in order to ensure a more level playing field in the selection process. The bulk of the Funds under this Operational Programme will be allocated to operations selected through an open call procedure.

b. Aid Schemes

No public call will be issued for the management of aid schemes under Article 87 of the Treaty. A number of Intermediate Bodies are foreseen and the Managing Authority will allocate a sum of money to these public bodies managing the schemes on behalf of the Managing Authority. The Intermediate Bodies will be designated by the Managing Authority and the relationship between the

Managing Authority and its Intermediate Bodies will be regulated in an agreement. The Intermediate Bodies will launch a call for project proposals to the Beneficiaries (private sector) so that there is competition between potential Beneficiaries and also amongst the operations selected. The selection criteria will be drawn up by the Member State and approved by the Monitoring Committee.

c. Small projects and projects of particular national interest

The Managing Authority may decide to allocate funds to small projects or projects that contribute to the achievement of the objectives of the Programme and which arise during the implementation period outside the period of an open call. Moreover, the 2004-2006 experience has taught that there are generally savings which arise from the original approved operations. In this case, the resultant savings often do not warrant an open call for applications (with all the administrative burdens) because of the relatively small amount available. The size of each individual operation that can be selected under this procedure will not exceed Euro 100,000 in total public eligible cost.

d. Technical Assistance

Technical assistance will be demand driven and requests can be submitted throughout the life-time of the Programme. The Managing Authority will set up procedures for any of the eligible stakeholders wanting to make use of the technical assistance. These procedures will be explained to the Monitoring Committee and will also be made public to stakeholders in the manual of procedures of the Funds which will also be published on the relevant websites.

5.3.8 Implementation of the 10 per cent commitment for Gozo

Government is committed to spending a minimum of 10 per cent of the Funds on projects related to the socio-economic development of Gozo. In the analysis of the NSRF, the specific situation and needs of Gozo have resulted in a Strategic Objective aimed at addressing Gozo's regional distinctiveness. Gozo's regional distinctiveness arises from a variety of factors including the Island's double insularity as a small Island on the periphery of another Island, its distinctive socio-economic development, and its fragile natural environment. The need to address Gozo's regional distinctiveness are specifically linked to mitigating the double insularity issues – primarily easing accessibility pressures – and efforts to promote economic activity and increase employment. In this regard Government realises that there is a need for a specific holistic approach to boost the Island's economic growth. Government's objective to address Gozo's regional distinctiveness is translated by a commitment to spend a minimum of 10 per cent of Cohesion Policy resources on measures contributing to Gozo's socio economic development.

Under the 2004-2006 Cohesion Policy Programme a similar commitment was implemented via a specific territorial Priority Axis in the Programme. The Mid-Term Update carried out on the efficiency of the 2004-2006 Programme did not deem such an approach as very efficient due to the resultant insufficient flexibility arising during implementation. Given the success of Gozo projects under the 2004-2006 Programme and also in view of the number of sectoral national strategies that need to be implemented under the 2007-2013 Programmes, the Government is confident that there is no need, at this stage, to introduce special measures to implement the Government's commitment. In this regard, the authorities are proposing to allow the project selection process take its normal course with the selection of the best projects and to monitor the Gozo projects as well as the relevant components under the implementation of national sectoral strategies in order to ensure that the Government's commitment is translated into operations on the ground in Gozo. The Government will monitor the situation through the SFD and assess the situation through the evaluation process and will propose rectifying measures if the need arises.

5.4 Horizontal Issues

The implementation of the operational programme will comply with Community policies on sustainable development and equal opportunities. Co-ordination and consistency with the European Regional Development Fund¹⁷⁴, the European Agricultural Fund for Rural Development and the European Fisheries Fund and with other Community Programmes and Initiatives such as the 7th

¹⁷⁴ Both mainstream and territorial co-operation programmes.

Framework Programme, and the education and training programmes and the initiatives related to issues on refugees and illegal immigration.

5.4.1 Sustainable development

The EU Sustainable Development Strategy 2001 (the Gothenburg Agenda) provided a “third dimension” to the Lisbon Strategy, recognizing that economic, social and environmental renewal go hand in hand. On a national level, the Maltese Government has drawn up a Draft Sustainable Development (SD) Strategy for the Maltese Islands, at the heart of which is the simple idea of enabling the Maltese people to satisfy their basic needs and enjoy a better quality of life, without compromising the quality of life of future generations.

SD has an environmental perspective, an economic perspective and also a social dimension. The social dimension of SD is the most relevant for this Operational Programme, although the implementation of this OP clearly has impact on the economic perspective of development. In terms of **social renewal**, education is crucial for SD to actually happen. SD requires new ways of thinking, working and behaving. OP II envisages investment in education, training, social inclusion and administrative capacity. This investment will create the incentive required to provide people with the necessary skills, values and knowledge to enable more sustainable activity to occur. This will, in turn, contribute to the SD objective of continuing to adopt measures to decrease the early school-leavers rate. Students benefiting from courses offered, will eventually provide the skills that businesses and the economy in general require, now and in the future. This involves ensuring that labour supply meets demand by addressing the generic and specific skill shortages that exist in the Maltese labour market, and ensuring an adaptable and flexible labour market. Moreover, OP II also foresees a specific Priority Axis on inclusive labour markets and equality under which the issue of female participation rate in the labour market is addressed. This effectively demonstrates that OP II is responsive to labour force participation of women, which is presented as a challenge in the national SD strategy.

The Maltese Government is aware that OP II needs to reflect the National Sustainable Development Strategy to ensure mainstreaming of SD. OP II will treat SD as a cross-cutting theme and SD will form part of the selection criteria for operations. In this regard, the integration of SD will be given extra marks in the project selection process. Environment NGO sector will also be represented on the Monitoring Committee.

5.4.2 Equal Opportunities

Article 16 of Regulation (EC) 1083/2006 establishes that the Member State and the Commission shall ensure that equality between men and women and the integration of the gender perspective is promoted during the various stages of implementation of the Funds.

The Government of Malta recognises that access to equal opportunities is a fundamental requirement for the economic regeneration and competitiveness of the region. The issue of equal opportunities is discussed at length within the various sections of this Operational Programme, both in the analysis of the socio-economic situation, in the strategy and also in the identification of the Priority Axes. In fact this Operational Programme has a Priority Axis which is specifically dedicated to issues related to equality and the strengthening of equal opportunities with respect to access to education and training and also employment.

Moreover, the Government is committed to ensure that all interventions financed under this Operational Programme demonstrate commitment to respect the principles of non-discrimination and equal opportunities. In line with the above-mentioned objectives, efforts will be made to address gender balance in all decision-making and implementation processes, to further ensure that the gender dimension is given due regard insofar as this is feasible and practicable. Where structural barriers for gender balance exist, effort will be made to work towards elimination.

In the 2004-2006 Programming Period the Managing Authority has built a good working relationship with the National Commission for the Promotion of Equality between Men and Women. A help desk was set-up by the Commission to assist project promoters in their effort to integrate the equal opportunities dimension in their project ideas and training was also provided by the Commission (in collaboration with the Managing Authority) in this regard. The Managing Authority and other

horizontal stakeholders such as the Department of Contracts will continue to build upon the existing working relationship in order to consolidate what has been achieved. In this regard the Commission will also require support in terms of capacity building. Capacity building within the public administration on issues related to equal opportunities is also one of the areas that will receive support under Priority Axis 4.

The principle of equal opportunities will also be included in the selection criteria of the interventions under this Operational Programme with specific marks allocated for the integration of the principle into the project proposals. Representatives from the equal opportunities NGO sector will also be invited to participate in the Monitoring Committee of the Programme.

5.4.3 Territorial Co-operation Programmes 2007-2013

Closer cooperation across EU regions can contribute to the speeding up of economic development and the achievement of higher growth. Given Malta's insularity the development of partnerships beyond national borders is considered to be positive. During the 2004-2006 period Malta has participated in four territorial co-operation programmes under the Interreg Community Initiative. The experience is still relatively at its initial stages (two years) given that in Malta territorial co-operation programmes came on board after accession to the European Union.¹⁷⁵

Malta's Strategic Objective for the period 2007-2013 is to continue to build on the 2004-2006 experience, whilst introducing more the territorial cohesion dimension to the programmes, particularly the issue of Islands. Malta's priority areas for the territorial co-operation programmes include sustainable tourism, environment protection, RTDi, accessibility and the development of human resources. These areas will be presented by Malta for most programmes. Over and above these three sectors, Malta will propose a number of other areas – as relevant to the respective programmes – which are also seen to be complementing and strengthening what is being proposed under the national programmes.¹⁷⁶ Moreover, some of the projects implemented under the territorial co-operation programmes can act as a stimulus / incubator for ideas in certain areas which may lead to the generation of projects under the mainstream programmes.

Links with other relevant programmes

In addition Malta will be participating in the Mediterranean sea-basin programme under the European Neighbourhood and Partnership Instrument (ENPI). The indicative priorities for Malta under this Programme include economic and social development focusing on research and technology, SMEs, business development and tourism, trade and investment promotion, addressing common issues such as illegal migration, ensuring efficient and secure borders by improving procedures and infrastructure at border control and the protection of environmental, and natural and cultural resources. Malta also aims to promote the social and cultural integration of border areas with specific focus on gender equality, education and cultural networking, and social sector cooperation.

5.4.4 Co-ordination with other Funds and Programmes

Operational Programme II has an overarching objective of investing in human capital in order to increase the employment rate and is supported with two underlying specific objectives: Investing in human capital and strengthening labour market structures. As highlighted in the ex-ante evaluation, the programme promotes both economic and social goals since it aims at improving education and skills and supporting those facing difficulties in entering the labour market. A number of Programmes and other Community Initiatives addressing similar or complementary actions will be implemented during the same period. This section seeks to outline the complementarity and synergies as well as demarcation lines (if and when applicable) to ensure that Malta maximises on the available resources and there is no duplication of effort and resources.

¹⁷⁵ Malta was not eligible to the Phare 1BC Programme

¹⁷⁶ Reference is made in the NSRF to territorial co-operation priorities, however these are indicative and subject to the discussions with other Member States during the programming phase of the relevant programmes.

a. ESF and ERDF

Human resources investments supported by this Operational Programme are complemented by investments under Operational Programme I (ERDF), particularly those areas addressing education and training infrastructure, social infrastructure, RTDi interventions and investment in firms. Ultimately both Operational Programmes operating together will not only result in achievements in the human resource related areas but also contribute to the attainment of the targets set by Malta in the National Strategic Reference Framework.

Malta's competitiveness necessitates a supply of knowledge workers. Moreover, given that human resources are Malta's only resource, there is strong justification to ensure that none of the elements of this precious resource are lost or left unutilised. The objective of OP I of increasing the relative share of high value added activity in economic output will require the necessary human resources in order to make this happen. For some of the objectives under OP II to be realised there needs to be a number of *smart investments* in terms of physical capacity in the education, training and R&D infrastructure.

Moreover, the ERDF and Cohesion Fund investments will be creating infrastructure and generating investments in new technologies and systems, potentially new industries, that will require reform and specialised skills. These are expected to be generated through OP II interventions. ERDF type of investments in enterprises will also require complementary investment in the private sector with respect to the human resources. Furthermore, in order to contribute towards workforce participation, employment and occupational health, social infrastructure (such as childcare centres and hospitals) are also important.

b. ESF and EAFRD / EFF

Under the 2007-2013 Programmes, the agriculture and fisheries sectors have been separated from mainstream Cohesion Policy. The sectors will be supported by the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF) respectively. In this regard separate strategies and Programmes are being prepared. The National Strategic Reference Framework highlights the consistency and complementarity between the Structural Funds and the EAFRD and the EFF. This section gives a synopsis of relevant sections of the EAFRD and EFF strategies in order to demonstrate consistency between Cohesion Policy and other related Community Policies, namely rural development and fisheries and that the different instruments will be working together to achieve the national objectives of development. Another section on co-ordination mechanisms seeks to demonstrate that there will be effective co-ordination on the ground to ensure that all priorities are addressed with minimal risks with regard to overlaps and duplication of effort and resources.

The objectives (of the National Rural Development Strategy) of improving the quality of life in rural areas and building local capacity for improving governance and mobilising the endogenous development potential of rural areas foresee measures such as skills acquisition; building capacity for local partnership; promoting cooperation and innovation; and improving local governance. This is consistent with the objectives and focus areas of this Operational Programme. The development of human resources under this Operational Programme aims to help sustain the long-term future of declining industries such as the fishing and agricultural sectors. In this regard the ESF will finance vocational training in agriculture and food matters with a clear link to the labour market (safeguarding and /or creating new employment in the agricultural sector). Moreover, the training schemes for the private sector envisaged under the ESF Operational Programme, will also cover enterprises in the agricultural sector but will exclude farmers and co-operatives. The EAFRD will carry out the training in terms of adaptability for farmers and co-operatives. Moreover, the EAFRD will also carry out information and animation activities for the agricultural sector.

In the case of the fisheries sector, the ESF aims to intervene in support of vocational courses and other training in the sector such as short and lifelong learning courses that lead to the adaptability and upgrading of the skills of workers in the fisheries sector (excluding fishermen and co-operatives). Moreover, the training schemes for enterprises under the ESF will also cover fisheries enterprises but will exclude fishermen and co-operatives. The ESF activities will complement actions undertaken under the European Fisheries Fund (EFF), the latter supporting human resources

development through the establishment of Producers Organisations in order to help fishers cope better with market demands; undertake training with respect to the adaptability of fishermen and co-operatives and carry out information and animation activities for the fisheries sector.

c. ESF and other Education, Training and R&D Programmes

The 2007-2013 Cohesion Policy programmes will coincide with the implementation of initiatives under a number of other Financial Instruments from which Malta is benefiting as a result of its accession to the European Union.¹⁷⁷ These include the Community Programmes, such as those related to R&D, competitiveness and innovation, education, training, youth, justice and home affairs¹⁷⁸.

Since the pre-accession period, Malta has been a very active participant in a number of Community Programmes, primarily the research programmes and the education and training programmes. Organisations such as the University of Malta, MCAST, the Education Division and the Malta Council for Science and Technology have been leaders in these programmes. However, most of the projects so far have been initiatives aimed at strengthening the institutional capacity of the country, particularly in the area of science and research and mobility actions with regard to the education, training and youth programmes. These Programmes are now well established amongst Maltese society and have contributed substantially to bringing Europe close to the Maltese citizen and have also strengthened the country's overall capacity to deal with EU Funds. Moreover, they have delivered tangible results and a wealth of experience to hundreds of citizens. It is foreseen that the actions undertaken under these Community Programmes will be more fragmented and much smaller in nature than those funded under Cohesion Policy but will nevertheless complement the interventions under the OP at a micro level, particularly at the level of schools, partner organisations and Civil Society.

In the case of the R&D Programme, the interventions foreseen under the ESF will focus on the development of expertise in research and innovation policy design as well as management in the Public Sector. Such an initiative is needed since such expertise in the Public Sector is almost nonexistent and proper direction and management skills are necessary to ensure optimal utilisation of funds earmarked for Public Sector research. Moreover, the fellowships programme foreseen under the ESF aims at assisting graduates to further their studies by engaging in research activities, both at University and in collaboration with industry. This is imperative for the development of human resource capacity in scientific research, which is currently in very short supply and hampers the development of local research and innovation activity. The focus of this programme is different from the FP7 mobility and Marie Curie programmes since the ESF programme will be more focused on funding of Maltese nationals conducting research in Malta. The science popularisation measures will address the severe shortage of individuals taking science and technology as a career. Apart from promotional activities, it is intended to include a review of the teaching of science subjects in education, covering the way science is taught as well as the curriculum itself. It will seek to identify both gaps as well as examples of good practice in the current scenario, and will include the development of an action plan with the objective of achieving a more effective school science programme.

d. ESF and ERF, ARGO, and the External Borders Fund¹⁷⁹

One of Government's priority areas with respect to the participation in Community Programmes is the problem of irregular immigration and refugees. Malta is now actively participating in these Initiatives and in this regard efforts undertaken through these instruments will complement the efforts in this area that will be made by Cohesion Policy, particularly under Operational Programme II.

ESF interventions targeting refugees and asylum seekers are complemented by other funds, namely; the European Refugee Fund, ARGO and the External Borders Fund. ERF supports Member States action in reception measures, integration and voluntary return measures. The risk of overlaps exists

¹⁷⁷ The consistency between Cohesion Policy Programmes themselves (convergence and territorial) is being described under a different section of this document.

¹⁷⁸ These are the areas considered most relevant to this OP.

¹⁷⁹ These will be incorporated into the *Solidarity and Management of Migration Flows* Initiative during the course of 2007 and 2008.

mainly in the integration measures. However, in Malta, the Integration component within the ERF will be used for capital investment initiatives, while the ESF will focus on train the trainers actions, training related to employability of refugees and asylum seekers (including language training), other integration related training, such as basic skills (cultural orientation and others) networking, exchange of information and best practice.

There are less risks of overlaps between the ARGO Programme and the External Borders Fund. In the case of both Programmes, training in border control and protection will be provided by the ESF as will be the case with capacity building measures for relevant entities and NGOs.

e. Structures

The NSRF foresees the establishment of a number of co-ordination structures to ensure complementarity and no overlaps or duplication between the different Funds and Programmes/Initiatives. The terms of reference of these Committees will be drawn up by the Managing Authority in conjunction with the management structures of the other Programmes. Moreover, the Planning and Priorities Co-ordination Division often provides support and assistance to some of the co-ordinators of the other Community Programmes, given its expertise in terms of EU Funding procedures and implementation.

5.5 Respect of Community Norms

5.5.1 Competition

The State Aid Monitoring Board was set up in June 2000 as an autonomous and independent authority within Government. It was first established administratively and later that year its existence was legally reinforced by Articles 57 and 58 of the Business Promotion Act (Cap 325).

With regards to the administrative set-up, the national authorities have always ensured that the Board is established within a central Government Ministry, as this would entrench State aid matters at the core of Government policy making. The State Aid Monitoring Board is supported by a core team of legal and economics professionals, who have gained specialised knowledge in this field. The day-to-day activities involve interaction with policy makers in determining Government's position on State aid and is also the interlocutor with the EU Commission on State aid matters. Moreover, State aid grantors and various beneficiaries seek the Board's advice and guidance with regards to both existing and proposed State aid measures.

The Board therefore plays a critical role in the co-ordination of national initiatives as well as the dissemination of information in this field. In this way, both providers of State aid and beneficiaries would benefit from the specialized support of the Board with regards to new State aid proposals, the appropriate procedure to be followed with the notifications and pertinent reporting obligations.

The State Aid Monitoring Regulations (LN 210 of 2004) enshrine the principles of Article 87 of the EC Treaty. The Regulations clearly outline the conditions under which State aid may be granted and lays down the procedure to be followed in line with the modalities established in the EC Council Regulation¹⁸⁰. The 2004 Regulations bind any provider of aid¹⁸¹ to notify in the first instance the State Aid Monitoring Board with all proposals of any new aid. In this way, complete and appropriate notifications are submitted to the Commission thus ensuring that the assessment procedure is not prolonged unnecessarily. Moreover, this approach also reduces the possibility of granting incompatible State aid, which would eventually have to be recovered with interest on arrears.

The notification of a proposed new aid must contain all the necessary information in order to enable the Board to issue an opinion. Following an examination and assessment of the submitted information, the Board issues a preliminary opinion regarding the notified aid, allowing the provider of

¹⁸⁰ Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty.

¹⁸¹ Provider of aid includes the Government, its Ministries and departments, entities falling under such Ministries and departments, Local Councils that, directly or indirectly, grant or plan to grant aid, as well as any other bodies authorized by the State to grant aid.

aid or any other pertinent party to make further submissions if considered necessary. On the basis of any additional information, the Board will issue a final opinion, which will be communicated to the State aid provider. If the Board deems that the proposed aid may be granted, it shall also notify the EC Commission of the proposed aid and provide the necessary information in order to enable the Commission to give its decision. In cases where the Board deems that the proposed aid is not compatible with the EC principles, it shall inform the provider of the proposed aid about this position and will refrain from processing the case further unless expressly so requested by the State aid provider.

The Regulations also establish an appropriate reporting system whereby the providers of State aid are bound to provide on a prescribed form details of any State aid granted during the immediately preceding year. This requirement enables the Board to meet its reporting obligations.

The same notification and examination procedure is also followed by the State Aid Monitoring Board in the case of aid schemes that are specifically regulated by EC block exemptions. If following its assessment the Board deems that the proposed aid is compatible with the applicable EC block exemption regulation, it would notify the Commission about the respective aid.

In order to facilitate the effective implementation of EC Commission Regulation 69/2001 concerning *de minimis* aid¹⁸², the State Aid Monitoring Board is keeping a database of all such aid. Apart from vigilance by State aid grantors in fulfilling the *de minimis* thresholds, State aid beneficiaries are required to provide details of all such aid received within the previous three years when applying for *de minimis* aid.

All projects and schemes earmarked for funding from the EU will also have to be notified to the State Aid Monitoring Board in order to determine compatibility with the State aid *acquis*.

5.5.2 Public Procurement

Public Procurement in Malta is regulated by a number of Legal Notices under the Financial Audit and Administration Act, LN177 & LN178/2005. These regulations, which came into force on the 3rd June 2005 were recently amended to bring the regulatory framework governing Public Sector procurement in Malta fully into line with the relevant EU Directives. The procurement procedures laid down in these regulations are generally administered by the Department of Contracts. In brief, the following rules apply:

- Public contracts with an estimated value not exceeding Lm20,000 (approx 46,000 Euros) are issued by the Government department/entity concerned. A complete list of these departments/entities is published under Schedule 1 of the Regulations (LN177/2005).
- Public contracts with an estimated value exceeding Lm20,000 but not exceeding the thresholds are issued by the Department of Contracts as the Central Contracting Authority, for the Government Departments/Entities listed under Schedule 2 of the Regulations.
- Public contracts with an estimated value equal to or exceeding the thresholds are issued by the Department of Contracts and are advertised in the Official Journal of the European Communities in addition to publication in the Government Gazette.
- Contracts with an estimated value of over Lm250,000 (approx 575,000 Euros), or, at the discretion of the Director Contracts, any other lower value or if by negotiated procedure or competitive dialogue procedures, are submitted in three separate packages with package 1 containing the Bid Bond, package 2 the technical specifications, supportive documents and samples, and package 3 the price schedules, payment terms and other commercial details. The packages are opened in public in the above sequence, provided that if at any stage the tenderer fails to comply with the procedural requirements or with the technical specifications, the remaining packages in his tender are discarded unopened. At each stage of the process

¹⁸² Commission Regulation (EC) No 69/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to *de minimis* aid.

the Public Contracts Regulations provide for a right of redress, with temporary suspension of the tendering process.

- Certain Contracting Authorities, listed in Schedule 3 of the Public Contracts Regulations, 2005 such as the Local Councils, Maltapost p.l.c. etc. administer their own public procurement whatever the value, but, however, in accordance with the provisions of the Regulations.
- The Department of Contracts issues calls for tenders to award period contracts for the provision of equipment, stores, works or services that are by nature, of a common use and Government Departments/entities, except for those entities listed in Schedule 3 of the Regulations, are obliged to effect such procurement through these period contracts.
- The Department of Contracts, as provided for under the new Regulations, will be introducing new concepts in public procurement in the form of Dynamic Purchasing, Electronic Auctions, Competitive Dialogue and Framework Agreements.
- Moreover, revised thresholds for public supply and service contracts, net of VAT, as provided for under the Regulations, are now Lm58,700 for contracting authorities under Schedule 4 and Lm90,400 for others not listed under this Schedule. The threshold for public works contracts is now Lm2,262,800.
- Public contracts issued by the Department of Contracts are awarded upon the recommendation of the General Contracts Committee.

a. Appeals

In public contracts between Lm5,000 and Lm20,000, issued by departments/entities listed in Schedule 2, any interested undertaking aggrieved by a proposed award has a right to make a complaint to the General Contracts Committee. The General Contracts Committee's decision is final and binding upon all parties without further right of recourse.

As provided for by the Public Contracts Regulations, 2005 the Department of Contracts in the pre-contract stage can similarly address complaints, with decisions duly published in the Government Gazette. Any decision by the Department of Contracts can be further challenged in the Civil Courts. Furthermore the Regulations provide for the establishment of a Public Contracts Appeals Board composed of a Chairman and two members appointed by the Prime Minister. In public contracts over Lm20,000, issued by the Department of Contracts on behalf of the entities listed in Schedule 2, or by the entities listed in Schedule 3, any person/body who feels aggrieved by a proposed award of contract can file a complaint that is forwarded by the Director of Contracts, together with all documentation pertaining to the tender, to the Appeals Board. When an appeal is filed the tendering process is completely suspended.

The decisions of the Appeals Board are final and binding on all parties but any complainant who is not satisfied with the decision may take his/her case to the Civil Court, though this shall not delay the Director of Contracts or the Head of the Contracting Authority from implementing the Appeals Board's final decision

b. Body normally responsible for tendering and contracting

The Department of Contracts is generally responsible for public tendering and contracting in Malta.

Chapter 6 – Financial Provisions

6.1 Annual Commitments

Financing plan of the Operational Programme giving the annual commitment of each Fund in the Operational Programme.

Commitments shall be made on an annual basis according to the following plan:

Operational programme reference (*CCI number*): 2007MT051PO001

Table 6.1

OP II Annual Commitments	
Regions without transitional support	Structural Funds – ESF (€)
2007	9,000,000
2008	9,000,000
2009	12,000,000
2010	16,000,000
2011	18,000,000
2012	22,000,000
2013	26,000,000
Grand Total 2007-2013	112,000,000

6.2 Allocation for each Priority Axis

Financial plan of the operational programme giving, for the whole programming period, the amount of the total financial allocation of each Fund in the Operational Programme, the national counterpart and the rate of reimbursement by Priority Axis.

Payments are made as reimbursements of expenditure actually paid out according to the following plan.

Financial plan concerning operational programmes expressed in total expenditure

Operational programme reference (CCI number): 2007MT051PO001

Priority Axes by source of funding (in €):

Table 6.2

	OPII – Allocation by Priority Axis						For information EIB Other contri- funding butions	
	Community Funding (a)	National counterpart (b) = (c)+(d)	Indicative breakdown of the national counterpart National Public funding National private funding		Total funding (e) = (a)+(b)	Co- financi ng rate (f) = (a)/(e)		
Priority Axis 1 – Improving education and skills	31,790,000	5,610,000	5,610,000	0	37,400,000	85%		
Priority Axis 2 – Investing in the employability and adaptability of the workforce	26,345,750	4,649,250	4,649,250	0	30,995,000	85%		
Priority Axis 3 – Promoting an equal and inclusive labour market	31,365,000	5,535,000	5,535,000	0	36,900,000	85%		
Priority Axis 4 – Strengthening of institutional & administrative capacity	18,194,250	3,210,750	3,210,750	0	21,405,000	85%		
Priority Axis 5 – Technical Assistance	4,305,000	759,705	759,705	0	5,064,705	85%		
Total ESF	112,000,000	19,764,705	19,764,705	0	131,764,705	85%		

Annex I – SEA Screening Proforma

Plan or Programme (PP): *Operational Programme 2 (OPII)*

Background and purpose		Contents and scope	
Operational Programmes 2007-2013 set out the framework for spending funds under the Cohesion policy for the next seven years. The Operational Programmes derive their focus from the needs and priorities of the National Strategic Reference Framework (NSRF).		Operational programme II will be co-financed by the European Social Fund (ESF). OPII aims to address development of human resources and employment.	
Geographical Scale	Proponent	Parent Ministry	
National	PPCD	Office of the Prime Minister	
Criteria for determining applicability of the SEA Directive as transposed by Legal Notice 418 of 2005			
1. Is the PP prepared and/or adopted by an authority at national, regional or local level or prepared by an authority for adoption?		Yes	
<i>and</i>			
2. Is the PP required by legislative, regulatory or administrative provisions?		Yes, preparation of the programme is a requirement in order to secure EU funds in accordance with EU Regional Policy.	
<i>and</i>			
3. Is the PP likely to have significant environmental effects as determined by using the criteria set out in Schedule 4 of the SEA Legal Notice?		No	
<i>and</i>			
4. Is the PP prepared for one or more of the sectors listed in Schedule 1(f) of the SEA Regulations, 2005 and (Article 3(2) of the Directive), namely agriculture, forestry, fisheries, energy, industry, transport, waste management, water management, telecommunications, tourism, town and country planning or land use?		No	
<i>and</i>			
5. Does the PP set the framework for future development consents of project listed in the EIA Directive as transposed by Legal Notice 204 of 2001?		Unlikely	
<i>or</i>			
6. Does the PP require an appropriate assessment under the Habitats Directive as transposed by Legal Notice 257 of 2003?		No	
<i>or</i>			
7. Does the PP, other than those areas indicated in 4 above, referred in Schedule 1 (f) of the SEA Legal Notice (Article 3 (2) of the Directive), set the framework for future development consent of projects and are likely to have significant environmental effects?		Unlikely	
<i>and</i>			
8. Has the PP started after 21 July 2004 or will be adopted after 21 July 2006?		OP II commenced after 21st July 2004	

Applicability of the SEA Directive		
A definite candidate	Maybe a candidate	Not required
		OP II does not require SEA

Conclusion: SEA of OP II is not required.