Draft Operational Programme I

Fostering a competitive and sustainable economy to meet our challenges

Financed through the European Regional Development Fund and the Cohesion Fund

DOCUMENT FOR PUBLIC CONSULTATION

Malta
May 2014
Foreword by Deputy Prime Minister

Stimulating growth and investment to raise economic performance, whilst also contributing to the well-being of society

Malta’s ability to compete in the globalised world and deliver improvements in living standards to its people depends on the extent to which economic growth can be stimulated. Over the years Malta has undertaken important investments with the assistance of EU Funds that have yielded significant results in such key areas as enhancing competitiveness, the sustainability of the environment, and the development of human resources.

The Government’s vision for the next few years is to make our country a centre of excellence and a better place to live in, but not just for us but also for future generations. Again, the EU funds at our disposal will make a crucial contribution to the achievement of this vision. The programming of EU Funds for 2014-2020 is now reaching its final phases and the aim is to continue to build on what has been achieved so far in order to raise economic performance, whilst also contributing to the well-being of society.

Without growth there can be no real long term development, nor can we attain our social objectives for a better quality of life and an inclusive and caring society. I am convinced that apart from investing in the infrastructure, a strong focus should be put on the SMEs that are the backbone of the economy. We also need to concentrate on new engines of growth that will generate jobs for a better skilled and more qualified workforce.

The Government has identified the target areas for investment which are likely to have the most impact and which will improve the standard of living and quality of life of all citizens, including through the provision of a social safety net. For this purpose, EU Funds will be directed towards key objectives such as the competitiveness of SMEs, research and innovation, increased use of renewable energy, better waste and water management, urban sustainability, community-based services, social inclusion, health and education, lifelong learning as well as improving employability.

This document is intended to set out the Government’s plan for the utilisation of EU Funds over the next seven years. The Government believes, however, that its plan should have the support of both citizens in general and the Social Partners in particular. For this purpose, we are engaging in a public consultation process that will be open for the coming weeks, and we look forward to receiving comments and feedback, so that the best use possible is made of these funds for the country’s benefit.

Mr. Louis Grech
Deputy Prime Minister
Foreword by the Parliamentary Secretary

Setting the implementation process in motion

For the programming of the 2014-2020 EU Structural and Cohesion Funds, Malta is required to prepare three documents for submission to the European Commission: the Partnership Agreement of Malta and two Operational Programmes; one for the European Regional Development Fund / Cohesion Fund and one for the European Social Fund. The Partnership Agreement was formally submitted to the European Commission on 1 April 2014 and within this framework the two Operational Programmes that are being presented for public consultation have been drafted.

The Operational Programmes set out the investment plan that Government will undertake in the next programming period and are integrated within Government’s overall strategy. Investments will be directed towards a number of key areas in line with Malta’s priorities, the Europe 2020 targets as well as the Fund specific missions. Interventions are aimed to enhance environmental sustainability, social well-being and a healthy society, whilst fostering competitiveness through economic development and job creation. The investments under each of the Operational Programmes will also complement each other in order to maximise the potential benefits of the Funds and the impact that they will have on the territory in terms of infrastructural investments as well as the standard of living and quality of life of all citizens.

Infrastructural investment will be implemented through Operational Programme I: Fostering a competitive and sustainable economy to meet our challenges, which will be financed through the European Regional Development Fund (ERDF) and the Cohesion Fund (CF). The Programme will provide for investment in infrastructure targeted at generating economic growth through the creation of more and better jobs, whilst sustaining an environmentally friendly and resource efficient economy. In this regard, there will be a focus on the diversification of the economy with a view to creating new employment opportunities, also contributing to the well-being of society.

In addition to this, investment in infrastructure will be complemented by Operational Programme II: Investing in human capital to create more opportunities and promote the well-being of society, which will be financed through the European Social Fund (ESF). Operational Programme II will contribute towards the development of human capital. In particular, investment will focus on the creation of a more socially inclusive society which has the necessary skills to actively contribute within the labour market. In this regard, investments will aim to ameliorate the lives of citizens through measures that will address the challenges in the areas of employment, education, social inclusion and health.

As part of the public consultation process, I encourage interested stakeholders to come forward with their views, suggestions and comments in reaction to these documents. Our aim is to finalise the programming of the 2014-2020 EU Structural and Cohesion Funds by the summer in order that the first calls for projects may be ready for launching soon afterwards. It is now time to set the ball rolling and for the implementation process to start.

Dr. Ian Borg
Parliamentary Secretary for the EU Presidency 2017 and EU Funds
## Glossary

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<td>AAGR</td>
<td>Average Annual Growth Rate</td>
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<td>B2B</td>
<td>Business to Business</td>
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<td>B2C</td>
<td>Business to Consumer</td>
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<td>B2G</td>
<td>Business to Government</td>
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<td>CF</td>
<td>Cohesion Fund</td>
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<td>CO₂</td>
<td>Carbon Dioxide</td>
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<td>CSF</td>
<td>Common Strategic Framework</td>
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<td>CSR</td>
<td>Country Specific Recommendations</td>
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<td>EAFRD</td>
<td>European Agricultural Fund for Rural Development</td>
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<td>EC</td>
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<td>ESL</td>
<td>Early School Leaving</td>
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<td>ETC</td>
<td>European Territorial Cooperation Fund</td>
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<td>ETS</td>
<td>Emissions Trading Scheme</td>
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<td>ERDF</td>
<td>European Regional Development Fund</td>
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<td>EU</td>
<td>European Union</td>
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<td>FTE</td>
<td>Full Time Equivalent</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GHG</td>
<td>Greenhouse Gas</td>
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<td>G2B</td>
<td>Government to Business</td>
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<td>G2C</td>
<td>Government to Consumer</td>
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<td>GVA</td>
<td>Gross Value Added</td>
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<td>ICT</td>
<td>Information and Communications Technology</td>
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<td>JEREMIE</td>
<td>Joint European Resources for Micro to medium Enterprises</td>
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<td>LPG</td>
<td>Liquefied petroleum gas</td>
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<td>MASP</td>
<td>Multi-Annual Strategic Plan</td>
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<td>MBT</td>
<td>Mechanical Biological Treatment</td>
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<td>MCAST</td>
<td>Malta College for Arts, Science and Technology</td>
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<td>MW</td>
<td>Mega Watts</td>
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<td>NCFHE</td>
<td>National Commission for Further and Higher Education</td>
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<td>NEEAP</td>
<td>National Energy Efficiency Action Plan</td>
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<td>NREAP</td>
<td>National Renewable Energy Action Plan</td>
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<td>NGO</td>
<td>Non-profit Government Organisation</td>
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<td>NRP</td>
<td>National Reform Programme</td>
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<td>Acronym</td>
<td>Description</td>
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<td>OP</td>
<td>Operational Programme</td>
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<td>PV</td>
<td>Photovoltaic</td>
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<td>RES</td>
<td>Renewable Energy Sources</td>
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<td>R&amp;D</td>
<td>Research and Development</td>
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<td>R&amp;I</td>
<td>Research and Innovation</td>
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<td>RTDI</td>
<td>Research, Technology Development and Innovation</td>
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<td>SMEs</td>
<td>Small and Medium Sized Enterprises</td>
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<td>SWOT</td>
<td>Strengths, Weaknesses, Threats and Opportunities</td>
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<td>TEN-T</td>
<td>Trans-European Transport Network</td>
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<td>VET</td>
<td>Vocational Education Training</td>
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Introduction

Within a European context the notion of economic growth, environmental sustainability and the need for more and better jobs are placed at the core of Cohesion Policy. In this regard, fostering the right environment for economic and sustainable development, new and improved employment possibilities and community based services for an inclusive society will remain key development objectives for the 2014-2020 programming period.

Within this context, Operational Programme I (OP I) titled *Fostering a competitive and sustainable economy to meet our challenges*, financed through the European Regional Development Fund (ERDF) and Cohesion Fund (CF), has been developed taking into account the priorities and objectives emanating from the Partnership Agreement of Malta in line with the Europe 2020 Strategy for smart, sustainable and inclusive growth.

This OP is one of Malta's four strategic documents supporting the Partnership Agreement of Malta 2014-2020 which provides the general strategic thrust for Malta’s development through interventions under the European Structural and Investment Funds (ESIF) 2014-2020. Thus, whilst the Partnership Agreement outlines the main national development needs and identifies the main areas of intervention, the separate Operational Programmes focus on the different sectors where the relevant funds will be utilised. Within this context, and based on the guiding principles of the Common Strategic Framework (CSF)\(^1\), this Operational Programme (OP) complements measures under other Operational Programmes financed through the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD), the European Maritime Fisheries Fund (EMFF) as well as measures under the European Territorial Cooperation Fund (ETC). Investments complementing other Union Programmes and Initiatives such as the Fund for European Aid to the Most Deprived, the SME Initiative and the Connecting Europe Facility will also be supported.

In line with the thrust of the Multi-Annual Financial Framework 2014-2020, this Operational Programme will focus on employment and economic growth by supporting the infrastructural investments necessary to put Malta at par with leading European countries in terms of competitiveness, environmental sustainability and social inclusion. Through ERDF/CF investments under this OP, Malta will also be contributing actively towards the targets and flagship initiatives as set out in the EU 2020 Strategy. In this respect, through ERDF/CF financing, this OP is designed to contribute towards the relevant EU targets, namely:

- 3% of the EU’s GDP to be invested in Research and Development;
- 20% greenhouse gas (GHG) emissions reduction compared to 1990 levels;
- 20% of energy from renewables;
- 20% increase in energy efficiency;
- 75% of the population aged 20-64 should be employed;
- Reducing early school leaving to less than 10%;
- At least 40% of 30-34 year olds completing tertiary or equivalent education; and
- Reducing the number of people at risk of poverty or exclusion by at least 20 million in the EU (compared with 2008 levels).

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\(^1\) The Common Strategic Framework is a comprehensive investment strategy which is set up to ensure that the five European structural and investment funds (ERDF, CF, ESF, EAFRD and EMFF) contribute to reach the Europe 2020 strategy objectives. Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Territorial Cooperation Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006, Annex I.
In this regard, OP I is also designed to address the needs, imbalances and bottlenecks which have been identified in the relevant Country Specific Recommendations (CSRs), Malta’s National Reform Programme (NRP), the SWOT analysis portrayed in the Partnership Agreement, as well as other pertinent national strategies. Through this comprehensive approach Malta will maximise the utilisation of ERDF and CF funds in a strategic and results-oriented manner to achieve the necessary growth and development.
Chapter 1: Malta’s Development Needs and Challenges

1.1 Economic Context and Territorial Challenges

Malta, as a small Island Member State in the Mediterranean, is faced with inherent specific disadvantages when compared to other Member States within the Union. These disadvantages vary from the lack of accessibility and isolation from mainland European infrastructure to the lack of natural resources and high population density, amongst others. In this regard, these factors continue to impinge on the socio economic growth of the Maltese Islands.

Notwithstanding, in recent years the Maltese economy has been relatively resilient to the global economic crisis and the sovereign debt crisis in the euro area. Between 2009 and 2012, Malta’s real Gross Domestic Product (GDP) grew by an annual average of 0.9%. With the exception of 2009, Malta’s deficit in the current account has been declining and eventually turned positive in 2012. The improved competitive performance of the Maltese economy is also reflected by gains in the export market share in services. On the other hand, Malta’s export market share in goods was on the decline, particularly in machinery and electrical equipment as well as textiles.

According to Eurostat figures, between 2008 and 2009, the annual unemployment rate for Malta was on the rise reaching 6.9% in 2009 and remaining unchanged in 2010. However, during the economic recovery that has been sustained since 2010, the unemployment rate decreased reaching 6.5% in 2011 and 6.4% in 2012. The unemployment rate remained relatively stable during the first eight months of 2013, reaching 6.4% in August 2013.

The concept of insularity, territorial imbalances and regional differentiation is even more accentuated in Gozo. Being an island of just 67 km² and having a population of approximately 31,000, Gozo is heavily dependent on the sea transport link with Malta. During the years, Gozo has developed various territorial imbalances vis-à-vis mainland Malta. Most prominent are the elder population residing in Gozo, the higher proportion of self-employment in comparison to Malta and the high proportion of public sector employment which stood at 38.3% in 2010 when compared to the 27.1% in Malta for that same year.

Gozo’s share of Gross Value Added dropped gradually from 5.96% in 2000 to 5.54% in 2010, implying that mainland Malta developed more rapidly than Gozo. Due to the limited infrastructure which is necessary to support specific fast-growing and high value added services, Gozo focuses its marketing strategy by promoting itself as an eco-island thus depending more on tourism, agriculture and fishing sectors when compared to Malta. In fact, Gozo accounts for 23% of the total organic land in the Maltese Islands.

As in Malta, tourism is an important source of employment and income for Gozo but perhaps even more so since, as described above, Gozo’s economy in other sectors has grown at a slower pace than in Malta. As a consequence, over the past decade there have been several depletions in the manufacturing sector in Gozo and related employment has fallen. Moreover, the ratio of inactive persons to the population aged 15 and over is higher in Gozo than the one characterising Malta.

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2 Eurostat Data: Labour Market, annual average unemployment rates (Not seasonally adjusted data), Accessed on 16 April 2014.
3 Eurostat news release 140/2013, 1 October 2013 (Seasonally adjusted data).
1.2 Economic, Environmental and Social Development Needs

In line with the overall purpose of Cohesion Policy to reduce disparities between the levels of development of the EU’s various regions by promoting economic growth, job creation and competitiveness, this Operational Programme will contribute towards the achievement of these European goals and will play an essential part in addressing Malta’s challenges at national level.

In an era of an international economic recovery, under this OP, Malta has taken stock of its needs and challenges and has identified actions which will contribute to the EU’s mission of securing economic stability and sustainable development. The main thrust of this Operational Programme rests on Government’s mission to move towards a knowledge-based and innovative economy, a greener and more resource efficient environment as well as an inclusive society which is more services oriented. In this respect, ERDF and CF will address these areas which have also been identified as pivotal areas of intervention under the SWOT analysis outlined in the Partnership Agreement. Through investments in these overarching sectors, Government will aim to address Malta’s current development needs and will thus pave the way for economic prosperity, environmental sustainability and social development which will enable Malta to address future challenges.

1.2.1 Competitiveness, Innovation and Digital technologies

Improving Malta’s competitiveness and fostering economic growth depends on Malta’s ability to maintain a stable macroeconomic environment. Within this context, the further development of research and development, innovation, digital technologies and other relevant skills in the sector is necessary to ensure that Malta moves towards a knowledge based society where Maltese enterprises can thrive within the local and international markets in the years to come.

RTDI

Since the launch of the first national R&I strategy, in 2007, Malta achieved significant progress with R&D as a percentage of GDP increasing from 0.53% of GDP in 2009 to 0.72% of GDP by 2011. The total expenditure reached in 2011 also represented an increase over 2009 and 2010 figures with the Business Enterprise sector remaining the main contributor to R&D expenditure (66.4% of total R&D expenditure). This was followed by the Higher Education sector with 30% of R&D expenditure and Government sector which contributed 3.6% to R&D expenditure. Nonetheless, with an Average Annual Growth Rate (AAGR) of 3.3% in innovation performance between 2008 and 2012, Malta remains a Member State with moderate innovation performance.

Although employment rates within the R&I sector continued to increase over recent years, provisional Eurostat figures for 2012 covering R&D personnel indicate that the Full Time Equivalent (FTE) as a percentage of total employment stood at 0.86 FTE which is lower than the EU-27 average of 1.22 FTE. This scenario is also characterised by the limited enterprise-academia links which have yet to flourish. Developments in this sector are envisaged to come into force once projects which have been undertaken during the 2007-2013 period, such as the Life Sciences Park, start operating. In addition, with only 36% of the enterprises taking on innovation activity between 2008 and 2010, Malta’s innovation performance remains below the EU-27 average.

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7 Innovation Union Scoreboard 2013 – Enterprise and Industry, European Commission, 2013
8 Eurostat data on R&D personnel, accessed on 5 March 2014.
9 Enterprises employing 10 or more persons.
Within this context, whilst investment undertaken in recent years, particularly through EU funds, is a step in the right direction, Malta’s R&I system remains in its early development stage thus requiring investment both in the private and public sector. In addition, efforts aimed at increasing human resource capacity in R&D need to be stepped up to attract researchers. In this regard, Malta needs to build the necessary capacity both in terms of infrastructure as well as human capital with a view to be in a position to continue growing and developing within this sector. Thus, taking stock of the current state of play with respect to R&D and innovation activity, the need to invest in RTDI remains a priority for the 2014-2020 period both at a European and national level.

ICT

Given Malta’s particular geographical characteristics, the country’s socio-economic growth remains significantly reliant on ICT development which has been identified as an enabler for R&I development. In 2012, standard fixed broadband covered more than 99.95% of homes in Malta (95.5% in the EU). At the same time, Next Generation Access capable of providing at least 30 Mbps download was available to 99.9% of homes, as opposed to 53.8% at an EU level.

Notwithstanding the recent developments within the ICT sector, improving ICT access remains a challenge. Statistics show that further investment is required in various areas within the ICT sector including in the number of persons using the internet, uploading self-created content, using internet banking, taking online courses, buying online and looking for a job online. SMEs and start-up companies also require further expertise and knowledge to use ICT as a tool contributing towards cost reduction, innovation and improved accessibility to foreign markets. The need to remain abreast of developments and investing in adequate teaching methods in this area including e-skills is also required in order to maximise the benefits of ICT.

As indicated in the 2013 Digital Agenda scoreboard, the electronic interaction by citizens with public authorities and the level of computer skills in Malta remain below the EU-27 average. In this respect, with regard to the usage of electronic systems, only 59.2% of internet users made use of e-Government services (G2C) according to 2012 figures. However, although most enterprises are IT-enabled, the use of electronic systems and e-commerce remains relatively low. In 2012 in fact, only 18.7% of enterprises using internet carried out sales through e-commerce whilst purchases through e-commerce were carried out by 24.6% of enterprises using internet, representing a decrease of 2.4% over 2011 figures. In this respect, the shift towards a digital economy remains vital with a view to ensuring the sustainability of local SMEs.

The Public Administration has also played a key role in the development of the ICT sector. Significant investment was undertaken with a view to develop a robust and resilient ICT infrastructure which forms the backbone of an interconnected Government. This has led to positive results in delivering services through e-Government. Nonetheless, whilst these improvements are commendable, more efforts to sustain and improve the provision of e-Government services are required.

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10 National Statistics Office News Release 216/2012. Figures covering the 2010-2012 period are not available as at October 2013.
12 Digital Agenda Scoreboard, Malta, 2013.
15 Government will seek to maximise investment in the ICT sector through various funding initiatives, including the Connecting Europe Facility.
Despite the global economic turmoil, the total number of registered business units in the Maltese islands increased gradually between 2008 and 2012. With the business sector being dominated by SMEs (constituting 99.9% of registered enterprises)\(^\text{16}\) the share of employment attributable to SMEs in Malta (76.3%) is higher than the 67.4% at EU-27 level.\(^\text{17}\) Moreover, the differences in employment share between Malta and the EU-27 are particularly pronounced within the micro category, where the share of micro enterprises in total employment in Malta is 4.8 percentage points higher than that recorded at EU-27 level.\(^\text{18}\)

Over the past decade the contribution of SMEs to national exports has been on the increase. In fact in 2011, SMEs were accountable for 52.3% of exports generated by the Maltese economy. This is a considerable increase over 2009 figures where SMEs generated 32.6% of exports. Moreover, out of the 52.3% of exports generated by SMEs, 45.2% were generated by micro and small enterprises\(^\text{19}\). In 2012, Maltese SMEs contributed towards 64.5% of the total GVA generated in Malta compared to 58.1% at EU-27 level, thus clearly indicating the crucial role that SMEs have in Malta towards the generation of GVA and thus economic development.\(^\text{20}\) In 2011, Malta invested €10 million from the ERDF to create a First Loss Portfolio Guarantee instrument under the JEREMIE initiative. Until June 2013, 511 SMEs have benefitted with the amount committed totaling almost €49 million. Due to the success of this initiative and the substantial leverage effect on the Maltese economy, in 2013 Government allocated an additional €2 million to this instrument which is expected to translate into a further €11.36 million worth of loans and an additional 140 SMEs to benefit from such an instrument.

However, notwithstanding these developments, the inability to raise enough capital to support business ventures remains one of the main challenges faced by SMEs in Malta. This coupled with the lack of economies of scale, the difficulty to break into international markets and to move towards innovative industries remain challenges which need to be addressed in the 2014-2020 period in order to secure the long term competitiveness of local enterprises.\(^\text{21}\)

1.2.2 Natural, Cultural and Environmental Sustainability

Being an Island Member State with particular geographical features, limited natural resources and a small economy, Malta’s economic growth and development depends on its ability to turn its natural, demographic and geographical weaknesses into strengths. This process is however dependent on Malta’s strategic approach towards addressing its main challenges with regard to energy generation and consumption, transport sustainability, and the challenges within the water and waste sectors whilst ensuring environmental preservation and sustainable development.

\(^\text{16}\) European Commission, Enterprise and Industry, Small Business Act (SBA) Fact Sheet 2012, Malta
\(^\text{17}\) Ibid.
\(^\text{18}\) European Commission, SBA Fact Sheet 2012, Malta.
\(^\text{19}\) Data published by Eurostat, 2011, with respect to the exports generated by the Maltese economy, segregated by company size (micro, small, medium and large) for the period 2009 and 2011 (http://epp.eurostat.ec.europa.eu/newxweb/mainxnet.do).
\(^\text{20}\) European Commission, Enterprise & Industry, SBA Factsheet 2012, Malta.
\(^\text{21}\) Government will seek to maximise investment in SMEs through various funding initiatives, including the SME Initiative.
- **Energy**

Malta's dependency on imported fossil fuel oil for most of its energy needs poses challenges in achieving security of supply while making it susceptible to the volatility of oil prices which pose an additional challenge to the Islands’ competitiveness.

A number of supply side infrastructural investments were undertaken to diversify the energy mix and shift towards clean energy such as the building of a new 144MW generating plant and a 200MW submarine electricity interconnector. The installation of photovoltaic and energy efficient systems for domestic households, industry and commercial enterprises as well as the public sector were also promoted which contributed towards more sustainable practices. Nevertheless, further efforts are required to increase the share of renewable energy sources and enhance energy efficiency in line with Country Specific Recommendation 4. By 2012 the percentage of energy generated through RES was 2.7%, in line with the targets set in Malta’s NREAP as well as with the CSR’s mission to increase the take up of renewable energy. With regard to energy end use, Malta reached its interim national target of 3% for 2010 however further efforts are required to reach the target of 22% savings in primary energy consumption by 2020, thus necessitating the promotion of energy efficiency systems and buildings.

- **Transport**

Malta's specific territorial characteristics including its small size, relatively high urban density and lack of economies of scale pose significant challenges to the national transport system. Domestic transport is predominantly served by road providing accessibility to all industrial, commercial and tourist centres. Malta has one of the highest per capita car ownership levels, with the number of households possessing 3 or more cars currently standing at 19.4%. The high reliance on private vehicles coupled with a high population density lead to bottlenecks in the national transport system which limits mobility, efficiency and connectivity.

Malta’s continued rise in vehicle number and private car usage is also a matter of environmental concern. Transport represents the second highest source of CO₂ emissions after electricity generation thus impacting significantly the air quality and remains a threat to clean air, particularly in urban areas, as highlighted under CSR 4. Therefore, the decarbonisation of transport is a priority for the Maltese economy. The objective is to shift towards more environmental friendly transport systems and to address health and environmental issues stemming from air quality.

Over the past years, Government embarked on a series of investments to alleviate traffic congestion through the upgrading of existing road network as well as the introduction of new road infrastructure. Government also invested in measures to reduce greenhouse gas emissions from the transport sector through the implementation of the ongoing reform in public transport and the introduction of alternative modes of transport. Notwithstanding, further investment is necessary to effectively sustain modal shift and promote the use of collective public transport and environmental friendly transportation modes whilst enhancing transport safety and efficiency across the Islands.

- **Waste**

The sustainability of the waste sector brings with it various challenges to the Maltese economy. Sustainable waste management in line with the waste hierarchy is necessary to address the

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environmental impact of waste management practices. In recent years, significant investment within the waste sector was undertaken, particularly through European funds. Notwithstanding, the treatment of waste in Malta remains mainly dependent on land filling. In 2011, the total amount of waste generated and land filled amounted to 56% whereas 21% was recycled.\textsuperscript{24} This high dependence on land filling poses a significant challenge particularly due to the lack of physical space available. The remaining waste generated is recycled, recovered, dumped at sea, incinerated (without energy recovery), stored or exported. During 2011, the amount of waste exported was 96,432 tonnes. Within this context, it is clear that there is a real need to invest in more sustainable practices within this sector.

- Water

Security of the water supply is a persistent challenge for Malta’s development and plays a key role in addressing climate change. The sustainability of water management is vital for the Islands’ prosperity and it is essential for human consumption and for the development of various sectors within the economy. The vulnerability of the Maltese Islands to water scarcity is demonstrated by the fact that the Water Exploitation Index is in an upward trend which indicates that Malta is a stressed to a severely stressed country in terms of water resources.\textsuperscript{25} The lack of water resources stems from a number of factors including the fact that Malta is poorly endowed with freshwater resources and has a high population density combined with a high influx of tourists. In addition, over recent years, Malta has been experiencing intense rainfall within very short periods of time which is exerting increased pressure on infrastructure.

Malta’s water supply relies primarily on the production of desalinated water. The desalination process however has a substantial carbon footprint thus carries both environment and economic consequences at national level (in terms of energy costs to power Reverse Osmosis Plants). The production of groundwater decreased in 2012 when compared to the level of production in 2007. This is contrasted by the increase of 3.7% in the production of desalinated water during the same period.\textsuperscript{26} Apart from water scarcity, Malta is also facing challenges in relation to water quality. Thus, the lack of fresh water resources and the reliance on desalinated water production, as well as water quality, are three main challenges which Malta needs to address.

- Biodiversity

The Maltese Islands are relatively rich in biodiversity which maintains the functioning of a healthy natural environment and is a contributor towards ensuring sustainable development. The environment is characterised by different types of habitats such as coastal, sand dunes, forest, and rocky habitats amongst others. Biodiversity loss and conservation of species are a challenge for the Maltese Islands considering that 36% of the species and 29% of habitats listed in the Habitats Directive are still unknown while 44% of the species and 64% of habitats do not have a favourable conservation status.\textsuperscript{27} In addition, the protection of biodiversity and ecosystems is also challenged by the demands of a growing population and a growing economy. In this regard, investment targeting the protection and conservation of natural heritage is required.

\textsuperscript{24} Data provided by Ministry for Sustainable Development, the Environment and Climate Change, October 2013
\textsuperscript{26} Water Services Corporation
\textsuperscript{27} Malta’s National Biodiversity Strategy and Action Plan 2012-2020
Culture

Besides the conservation and protection of the natural environment, the conservation of Malta’s cultural assets is also necessary to ensure the sustainability of the Islands’ economy. Apart from their geographical location and the favourable weather conditions, the Maltese Islands possess a unique landscape with a rich cultural heritage. Cultural heritage is undoubtedly a key asset for the Maltese Islands due to its direct contribution towards the tourism sector. During 2012, 42% of all the tourists that responded to the ‘Market Profile’ Survey by the Malta Tourism Authority chose history / culture as a main motivator to visit Malta, with the number of tourists visiting Malta due to its cultural heritage increasing from 486,653 in 2008 to 603,581 in 2012\textsuperscript{28}. Even though particular cultural sites such as St John Co-Cathedral still manage to attract large visitor numbers, the potential of other heritage sites across the Islands remain untapped either because they are not accessible or else are in a state of dilapidation.\textsuperscript{29} Thus, preserving and promoting Malta’s cultural heritage with a view to contribute towards Malta’s tourism products remains a priority.

1.2.3 Social, health and educational developments

Addressing the myriad of challenges within the social, health and educational sectors requires a multifaceted approach. These challenges include social and health inequalities; poverty; low educational attainment; improving the sustainability of the health system and developing education and social infrastructure and services, amongst others. Within this context, Operational Programme I will invest in these key areas with a view to improve the well-being of society.

- Health

With an increasingly ageing population, the provision of adequate primary health care and the shift towards active and healthy ageing are necessary to ensure the minimum levels of health inequalities and to promote the long term participation of citizens in the labour market. This need has also been identified under CSR 2 whereby the importance of pursuing healthcare reforms, in particular by strengthening public primary care provision is being highlighted.

Whilst the standardised mortality rates for circulatory diseases have decreased from 426 per 100,000 in 1990 to 189 per 100,000 in 2010, the rate experienced in Malta remains higher than the average EU-15\textsuperscript{30}. According to a study on Health Behaviour in school children by the World Health Organisation, Malta has the second highest proportion of obese or overweight children amongst 11 and 13 year olds and the overall highest proportion of obese and overweight 15 year olds when compared to the other 41 countries participating in the study\textsuperscript{31}. Within this context, there is a need to instil a culture shift towards an active and healthy lifestyle from a young age with a view to prevent health problems during adulthood.\textsuperscript{32}

- Social inclusion

Apart from health provision and promotion, addressing social exclusion and poverty remain high on Malta’s agenda. According to Eurostat figures, the number of persons at risk of poverty or social exclusion in Malta has increased at a faster rate than that registered at EU level reaching 23.1% of

\textsuperscript{28} Market Profile Survey by the Malta Tourism Authority, 2013
\textsuperscript{29} Malta Tourism Policy 2012-2016
\textsuperscript{32} Ibid.
the total population in 2012.\textsuperscript{33} The highest incidence of persons at risk of poverty are primarily found in the Southern Harbour Area with Valletta registering the highest incidence of persons at risk of poverty (18.7\%) followed by Floriana at 16.1\%.\textsuperscript{34} Moreover, according to the Statistics on Income and Living Conditions Survey issued by NSO, in 2012, the material deprivation rate amongst households stood at 19.8\%\textsuperscript{35} while the severe material deprivation rate stood at 9.2\%.\textsuperscript{36}

Statistics also show that the lower the educational attainment of youths and adults, the higher the likelihood of falling into poverty, social exclusion or unemployment.\textsuperscript{37} Studies reveal that the main target groups which raise particular concerns when it comes to poverty and social exclusion related matters include children, youths, the elderly, women, persons with disability, the working poor and the unemployed amongst others. In 2012, employment rates ranged from 47.9\% for individuals with less than upper secondary and post-secondary education to 86.7\% for those who had achieved tertiary education qualifications.\textsuperscript{38} The unemployment rate amongst persons of less than 25 years of age was 14.2\%. Although this rate is lower than the EU average rate for 2012 which was 22.8\%,\textsuperscript{39} the high rate of unemployed youths remains a challenge which necessitates concrete action in order to ensure that we move towards an inclusive society where every citizen is being given the opportunity to strive for prosperity.

- Education

With the vulnerability of falling into poverty being intrinsically linked to education attainment, the further development of the education sector is necessary to ensure that more students pursue further and higher education. Since 2007, Malta has registered a significant decrease in its early school leaving (ESL) rate. Nonetheless, in 2012 the rate of ESLs stood at 22.6\%, which was high when compared to the EU-27 average rate of 12.8\% for the same year.\textsuperscript{40} The need to address ESL is also highlighted in Malta’s NRP and in CSR 3, which highlight the importance of pursuing policy efforts to reduce early school leaving.

Moreover, whilst the overall tertiary education attainment (15-64 year olds) has been on the increase between 2008 and 2012, the participation rate in tertiary education or equivalent of 30-34 year olds remained relatively constant during the same period reaching 22.4\% in 2012. This rate remains lower than the EU-27 average of 35.8\% that was reached in 2012.\textsuperscript{53} Within this context improving the range and standard of courses available, narrowing the skills gaps, and improving access to lifelong learning are necessary to address the low tertiary education attainment and to increase labour market participation, as indicated in the relevant CSR.

\textsuperscript{33} National Statistics Office based on aggregate data from the Census of Population and Housing (2011),.
\textsuperscript{34} Source: SABS (Sistema għall-Amministrazzjoni tal-Benefiċċji Soċjali) Database 2011.
\textsuperscript{36} National Statistics Office: SILC 2007 - 2012; Eurostat website
\textsuperscript{37} http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/People_at_risk_of_poverty_or_social_exclusion
\textsuperscript{38} National Statistics Office, Labour Force Survey.
\textsuperscript{39} Eurostat: Annual average unemployment rate by sex, and age groups, accessed on 16 April 2014.
\textsuperscript{40} EUROSTAT: Early School Leavers from Education and Training, Accessed on 13 January 2014.
\textsuperscript{41} EUROSTAT: Tertiary Education Attainment, accessed on 13 January 2014.
Chapter 2: Malta’s contribution to the Union Strategy for Smart, Sustainable and Inclusive Growth and to economic social and territorial cohesion

The Partnership Agreement of Malta is the overarching strategy which will contribute towards the EU2020 strategy through ESI Funds. Within the Partnership Agreement, Malta has identified three Funding Priorities as the main overarching objectives for the 2014-2020 programming period, namely:

- **Funding Priority 1**: Fostering Competitiveness through innovation and the creation of a business-friendly environment;
- **Funding Priority 2**: Sustaining an environmentally-friendly and resource-efficient economy; and
- **Funding Priority 3**: Creating Opportunities through investment in human capital and improving health and well-being.

Within this context, this Operational Programme (OP I) will contribute towards the achievement of all three funding priorities that have been identified in the Partnership Agreement, through interventions financed under the ERDF and CF. Thus, this OP outlines Government’s strategy for the implementation of measures which will enable Malta to move closer towards Europe’s ambition to shift towards smart, sustainable and inclusive growth.

In line with the guiding principles of the Common Strategic Framework, measures supported under this Programme will complement measures under other ESI funds as well as other relevant Union programmes and initiatives. This OP takes into account the key territorial challenges and Malta’s specific national, regional and local contexts. The application of the integrated approach to territorial development will continue to be necessary through a tailor made approach that is specific to the circumstances of Malta and reflects its territorial profile.

The Programme establishes eleven thematic Priority Axes which are directed to address Malta’s challenges, including those identified in the relevant Country Specific Recommendations and to meet the Europe 2020 priorities in line with the respective flagship initiatives. The Priority Axes have been based on the scope of support as outlined in the ERDF\(^\text{42}\) and CF\(^\text{43}\) regulations in line with the overarching principles of the Common Provisions Regulation\(^\text{44}\). Each Priority Axis under both ERDF and CF funds is directly linked to a Thematic Objective as outlined in Article 9 of the Common Provisions Regulation (Regulation 1303/2013). In this regard each Thematic Objective is supported by a selected number of investment priorities which will help Malta to channel its ERDF/CF resources in investment areas which are expected to render the desired outputs, impacts and results.

The Priority Axes have been divided in line with the interventions and are based on the scope of the ERDF\(^\text{45}\) and CF\(^\text{46}\) regulations. The Priority Axes within this Programme are:


Priority Axis 1: Investing in research, technological development and innovation;
Priority Axis 2: Consolidating investment within the ICT sector;
Priority Axis 3: Enhancing Malta’s competitiveness through investment in SMEs;
Priority Axis 4: Shifting towards a low-carbon economy;
Priority Axis 5: Protecting our environment - investing in natural and cultural assets;
Priority Axis 6: Sustainable Urban Development;
Priority Axis 7: Shifting towards a more low-carbon transport sector;
Priority Axis 8: Investing towards a more socially-inclusive society;
Priority Axis 9: Developing our future through education, training and lifelong learning;
Priority Axis 10: Investing in a more environmentally-friendly society;
Priority Axis 11: Investing in TEN-T Infrastructure; and
Priority Axis 12: Technical Assistance47.

Under each Priority Axis and subsequent investment priorities, potential actions have been identified as a result of a comprehensive analysis carried out on the territorial disparities, development needs and growth potentials. This approach was necessary to direct investments towards policy sectors and specific objectives that will enable Malta to meet the Europe 2020 and national targets.

The Priority Axes together with the supporting investment priorities are explained in detail under Chapters 3 of this Operational Programme, however a snapshot on how each Priority Axis will meet Malta’s needs and challenges and how it will contribute towards the EU 2020 priorities and targets is provided henceforth.

47 This Priority Axis will finance the management and control of the Programme and hence it has not been included within this consultation document.
### Table 01: EU 2020 Priorities and Headline Targets

<table>
<thead>
<tr>
<th>EU 2020 Priorities</th>
<th>ERDF</th>
<th>CF</th>
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<tbody>
<tr>
<td></td>
<td>Funding Priority 1</td>
<td>Funding Priority 2</td>
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<tr>
<td></td>
<td>PA 1</td>
<td>PA 2</td>
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<tr>
<td><strong>Smart Growth</strong></td>
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<td>✓</td>
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<tr>
<td><strong>Sustainable Growth</strong></td>
<td>✓</td>
<td>✓</td>
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<tr>
<td><strong>Inclusive Growth</strong></td>
<td>✓</td>
<td>✓</td>
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<tr>
<th>EU 2020 Headline Targets</th>
<th>National 2020 Targets</th>
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<tbody>
<tr>
<td>3% of the EU’s GDP should be invested in R&amp;I</td>
<td>2% of the EU’s GDP should be invested in R&amp;I</td>
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<tr>
<td>20% reduction in GHG emissions compared to 1990</td>
<td>+5% for non-ETS sectors compared to 2005</td>
</tr>
<tr>
<td>20% energy generation from renewables</td>
<td>10% energy generation from renewables 49</td>
</tr>
<tr>
<td>20% increase in energy efficiency</td>
<td>22% (-235 ktoe of primary energy savings) = 835 ktoe in 2020 50</td>
</tr>
<tr>
<td>75% of the population should be employed.</td>
<td>70% of the population should be employed.</td>
</tr>
<tr>
<td>Reducing early school leaving to less than 10%.</td>
<td>Reducing early school leaving to 10% by 2020.</td>
</tr>
</tbody>
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48 For the purpose of this table, the acronym PA refers to Priority Axis.
49 All infrastructural projects will seek to maximize the generation of energy through renewable sources and energy efficiency.
50 Ibid.
### EU 2020 Priorities

<table>
<thead>
<tr>
<th>Priority</th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>At least 40% of the 30-34 year olds completing tertiary education or equivalent.</td>
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<tr>
<td>2</td>
<td>At least 33% of the 30-34 year olds completing tertiary education or equivalent.</td>
</tr>
<tr>
<td>3</td>
<td>At least 20 million fewer people in or at risk of poverty.</td>
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<tr>
<td>4</td>
<td>Lifting around 6,560 people from the risk of poverty.</td>
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### Funding priorities

<table>
<thead>
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<th>ERDF</th>
<th>CF</th>
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<td><strong>Funding Priority 1</strong></td>
<td></td>
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<tr>
<td>PA 1</td>
<td>PA 2</td>
</tr>
<tr>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td><strong>Funding Priority 2</strong></td>
<td></td>
</tr>
<tr>
<td>PA 10</td>
<td>PA 11</td>
</tr>
<tr>
<td>✔️</td>
<td>✔️</td>
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</tbody>
</table>
2.1 Priority Axis 1: Investing in research, technological development and innovation

The Europe 2020 strategy places R&I at the forefront of Europe’s efforts to become a smart, sustainable and inclusive economy which delivers high levels of employment, productivity and social cohesion. Europe’s competitiveness, capacity to create new jobs depends on its ability to translate innovation into new or renewed products, services and businesses.

In 2014 Government launched the National R&I Strategy 2020 which sets the strategic framework for interventions within this sector which takes into account the current state of play of Malta’s developments and needs within the RTDI sector as well as the Europe 2020 targets. Under this priority axis and in line with the National R&I Strategy 2020, Malta will seek R&I specialisation in the following areas: tourism product development, maritime services, aviation and aerospace, health with a focus on healthy living, active ageing and e-health, resource-efficient buildings, high value-added manufacturing with a focus on processes and design and aquaculture, whilst retaining the flexibility to respond to the dynamic economic and social landscape. The Strategy also outlines the importance for investment in research infrastructure, rural development, capacity building in climate change adaptation and investment in human capital. Furthermore, the Strategy identifies ICT as an enabler for development.

Within this context, this OP aims to address the needs and challenges currently faced by Malta within this sector which will be achieved through a series of actions including R&I facilities, access to finance for enterprises as well as through the development of human capital which will be complemented by measures under the European Social Fund. Such measures will contribute towards the achievement of the Innovation Union Flagship initiative under Smart Growth and will serve as one of the means through which Malta will reach its new National 2020 target of investing 2% of GDP in R&D. Such measures will also be contributing towards the Resource Efficient Europe initiative, and towards Malta’s national targets under Sustainable Growth, through the promotion of technologies that favour the shift to low-carbon and facilities-supporting research related to resource-efficiency and climate change.

2.2 Priority Axis 2: Consolidating investment within the ICT sector

The Digital Agenda for Europe aims to use ICT development as a means to revive European economies and enable citizens and businesses alike to make the most of digital technologies. Within this context, under Malta’s R&I strategy, ICT has been identified as an enabling technology for all economic sectors for the development of new goods, processes and services to modernise the economy and transform it into a knowledge-based one. This approach is also highlighted in Malta’s National ICT Strategy titled ‘Digital Malta 2014-2020’. The strategy provides the necessary integrated approach for Malta to move towards a digitally enabled society and focuses on specific themes covering the shift towards digital literacy, access and equality, stimulating entrepreneurship, sustaining R&I and globalising e-commerce, as well as moving towards an open and efficient government which is citizen and business centric.

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54 Digital Malta 2014-2020 focuses on ICT policy development for citizens and civil society (enhancing digital literacy, open access, social innovation and inclusion, building capacity and developing e-skills through education and training), the business community (stimulating entrepreneurship, e-Commerce, sustaining R&I, supporting internationalisation and attracting new businesses), and Government (moving towards a customer-centric, efficient and open Government services including the further development of e-learning and e-health services), amongst others.
Within this context, under this Priority Axis, investments such as targeted ICT infrastructures and IT networks will be supported. Measures to increase the use of e-services such as e-commerce and to further develop e-government provision, in line with the aims of the Digital Agenda, will also be promoted together with measures to increase digital literacy and enhance the demand for ICT amongst citizens. Through the planned actions under this Axis, this OP will ensure that ICT investments contribute towards all three Flagship Initiatives under the Europe 2020 strategy for smart, sustainable and inclusive growth and the relevant national 2020 targets.

2.3 Priority Axis 3: Enhancing Malta’s competitiveness through investment in SMEs

Promoting a robust, diversified and competitive industrial base whilst moving towards a low-carbon economy, is critical to sustain the long term competitiveness of Malta’s economy.55 The key role of SMEs within a European framework has been acknowledged with the Small Business Act for Europe which recognises the central role of SMEs in the EU’s economy56.

The importance of sustaining SMEs is further framed within the Europe 2020 strategy including through the flagship initiative ‘An integrated industrial policy for the globalisation era’. Within this framework and taking stock of the current development needs within the sector, Government will provide renewed impetus towards the provision of financial incentives in support of SMEs as well as the development of facilities for SME growth. Given the size and contribution of the SME and micro-enterprise sectors to the economy, these developments are of particular strategic importance to Malta and will enable SMEs to raise enough capital to support business ventures57.

Moreover, in order to increase opportunities for the workforce and thus interventions under this priority axis will also contribute towards Inclusive Growth through the creation of new and better jobs. Infrastructural investments and financial support under this OP will also be complemented by measures fostering entrepreneurship at a societal and educational level through ESF interventions under OP II.

2.4 Priority Axis 4: Shifting towards a low-carbon economy

Moving towards resource-efficiency, low-carbon economy and sustainable growth is one of the central objectives of the Europe 2020 Strategy and remains one of Malta’s top priorities for the 2014-2020 period. With the main targets under Europe’s sustainable growth strategy covering renewable energy, energy efficiency and green house gas emissions, the need to invest in more environmentally-friendly measures, exploit natural resources in a sustainable manner whilst improving productivity and boosting competitiveness has never been so important. Within this context, Malta’s will contribute towards these targets through measures which are in line with the national strategies such as the National Renewable Energy Action Plan and the National Energy Efficiency Action Plan and which aim to address the priorities of the Flagship Initiatives: ‘A resource-efficient Europe’ and ‘An integrated industrial policy for the globalisation era’ will be supported.

For Government to address environmental challenges such as the high reliance on imported fossil fuel oil for energy generation, the carbon emissions footprint of industry and enterprises and low energy performance in buildings, this OP enables the provision of measures to implement a more


57 Interventions under this Priority Axis will be complemented by the SME initiative (European Council Conclusions, October 2013) for which Government has pledged EUR15 million from its ERDF resources. Such measures will be supported under another Operational Programme titled ‘Stimulate private sector investment for economic growth’.
sustainable energy mix and shift towards cleaner energy. Measures under this priority axis will aim to increase the share of renewable energy sources through interventions and initiatives for households, enterprises and the public sector. Measures to enhance energy savings and promote energy efficiency systems and buildings will also be pursued to contribute towards EU 2020 and national targets. Infrastructural investment undertaken through this Programme will seek to maximise the use of renewable energy and energy efficiency in all interventions co-financed.

2.5 Priority Axis 5: Protecting our environment - investing in natural and cultural assets

The preservation of Malta’s natural and cultural assets is one of the objectives contributing towards the amelioration of the Maltese environment which also contributes towards the Europe 2020 Strategy for sustainable growth. Interventions aiming to address the national challenges of biodiversity loss and conservation of species in natural sites including the conservation of Natura 2000 sites as well as actions in line with Malta's National Biodiversity Strategy and Action Plan 2012-2020 will be supported. Moreover, in an effort to conserve, protect and further develop Malta's national assets, Government will also support investments in cultural heritage in with a view to sustain business development and solidify Malta’s tourism industry which is one of the main pillars of the Maltese economy. Within this context, the preservation of cultural assets and the creation of cultural hubs will enable the further development of Malta’s niche cultural tourism sector which in return will leverage an injection of investments from the private sector in the Maltese economy. Investments under this priority axis will be complemented with capacity building interventions financed through the ESF Operational Programme with a view to strengthen the knowledge and skills within this sector and to foster the creation of green jobs.

2.6 Priority Axis 6: Sustainable Urban Development

Through this Axis, the Operational Programme will adopt an integrated approach to address economic, environmental, climate, demographic and social challenges affecting targeted urban areas. Malta’s size presents challenges that are unique due to its population density and sprawling urbanisation. This together with economic development places considerable pressure on securing a balanced sustainable urban development. The Harbour area is the most densely populated area with the highest rate of persons at risk of poverty, high unemployment rates, particularly among youths, and high rates of truancy, crime and vandalism. Therefore this area has been identified as the urban area where integrated actions for sustainable urban development are most needed. Through an integrated approach, actions will be implemented to bring about the required social, cultural, environmental and educational change in this area.

2.7 Priority Axis 7: Shifting towards a more low-carbon transport sector

The high dependence on fossil fuels in Malta is also visible within the transport sector resulting in transport being the second highest source of GHG emissions. Therefore, in line with the EU2020 priority for Sustainable Growth, this priority axis will support actions to shift towards a more sustainable low-carbon transport sector. Actions are aimed to promote modal shift and to support the provision of collective and green transport complemented with comprehensive campaigns aimed at changing public perception towards the use of public and collective transport against the use of private vehicles. Modal shift from land to sea aimed at reducing traffic congestion whilst reducing CO₂ emissions will also be promoted. This Axis will also support the development of the necessary enabling infrastructure and equipment (including network infrastructure) to promote the use of sustainable low-carbon transport methods. Actions will take into consideration the priorities identified in Malta’s NRP as well as those which will be identified within the National Transport Strategy and Plan which is currently being prepared. Furthermore, actions will be in line with the TEN-T priorities
for Malta which places great emphasis on sustainable mobility through modal shift and further promotion of the use of green travel.

### 2.8 Priority Axis 8: Investing towards a more socially-inclusive society

Under the Europe 2020 Strategy the need to increase employment, address skills mismatches, reduce ESL, increase tertiary education attainment and decrease the number of persons at risk of poverty are given prominence particularly under the flagship initiatives ‘European platform against poverty and social exclusion’ and an ‘Agenda for new skills and jobs’. Within this context, in order to contribute towards the achievement of the national 2020 target of lifting 6,560 from the risk of poverty and social inclusion as set in Malta’s NRP, this priority axis will support measures which provide open access to all and combat inequalities. Such measures include the provision of community based services, social and health facilities as well as facilities for persons with disabilities and children. In line with the ambitions of the European agenda for *Inclusive Growth*, interventions will seek to integrate vulnerable groups into society and will give the rightful dignity to vulnerable and disadvantaged groups whilst equipping persons with the necessary skills and competences from a young age.

Health also plays a key role in ensuring a more socially inclusive society. In this regard, the Axis will contribute towards Government’s active ageing strategy which aims to promote active and healthy ageing in an effort to increase the employment rate of older workers and contribute towards the sustainability of the healthcare system. Furthermore, the draft National Health Strategy has identified the security of the health system for future generations as the main focus for the next years. Within this context, the health policy will respond to the increasing demands and challenges posed by demographic changes and epidemiological trends in both Malta and Gozo.

Measures under this Axis will be complemented by the ESF Operational Programme and through interventions under the Operational Programme covering the Fund for European Aid to the Most Deprived (FEAD).

### 2.9 Priority Axis 9: Developing our future through education, training and lifelong learning

In line with the EU 2020 priority for *Inclusive Growth*, this Priority Axis will focus on interventions in the education sector to reach Malta’s national targets of reducing early school leaving to 10% and increasing the number of 30-34 year olds having completed tertiary education or equivalent to 33% by 2020. Within this context, the provision of education, research and training facilities for academic and vocational education and training (VET) institutions plays a key role in achieving Malta’s targets and improving the human capacity of the Maltese population, which remains Malta’s only natural resource.

In light of these needs and having surpassed the National 2020 headline target of reducing early school leavers (ESL) to 29% in 2009, Malta has embarked on reforms to reduce ESL which include the drafting of an Early School Leaving Strategy.

Thus, under this priority axis interventions will aim to attract more students to further and higher education by providing high quality facilities as well as new services and education opportunities. Such measures will consequently encourage more student mobility which will increase Malta’s contribution to the achievement of the Youth on the Move initiative. Moreover, investments under this priority axis will be complemented by investments under the ESF Operational Programme.

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2.10 **Priority Axis 10: Investing in a more environmentally-friendly society**

To sustain an environmental friendly society, this Priority Axis puts particular emphasis on the need to address significant national challenges such as waste minimisation and disposal, water scarcity and the shift towards a more resource efficient economy. This Axis takes into consideration the need to uptake measures for climate change adaptation and mitigation, in line with the priorities outlined in National Strategy for Policy and Abatement measures\(^\text{59}\) and Malta’s National Climate Change Adaptation Strategy\(^\text{60}\).

In order to address the challenges posed by the waste sector, this priority axis will pursue interventions aimed to reduce the amount of waste and divert remaining residues for recycling and recovery of resources through appropriate measures for waste to energy options. Efforts will be targeted to minimise waste going to landfills and move waste up the waste hierarchy in line with the Waste Management Plan\(^\text{61}\) to be able to reach ambitious national targets in the sector. Besides the sustainability of the waste sector, efforts will also be targeted towards enhancing the sustainability of water management on the Maltese Islands. In this regard, this OP will provide the basis for interventions which are in line with the Water Catchment Management Plan\(^\text{62}\). In an effort to address the severe pressures on water resources and to enhance water quality whilst adapting to climate change, interventions will seek to enhance awareness on water conservation and efficiency, optimise the use and quality of ground water as well as increasing the use of alternative sources of water supply. Furthermore, Government will also pursue efforts to facilitate the greening of industrial spaces thus moving towards sustainable practices within the industry and sustaining the shift towards a resource efficient economy.

2.11 **Priority Axis 11: Investing in TEN-T infrastructure**

The Europe 2020 strategy identifies transportation as strategic to the Union’s sustainable growth. Within the national context, investments in transport remain necessary for Malta’s economic well-being, particularly due to Malta’s insularity and limited modes of accessibility which continue to constrain sustainable growth. Within this context, in an effort to address bottlenecks, which limit mobility and efficiency, this priority axis will support investments in the TEN-T network in line with the TEN-T guidelines, the priorities identified in Malta’s NRP as well as those which will be identified within the integrated National Transport Strategy and Plan that are being prepared.

Traffic bottlenecks on the road network across Malta and Gozo will be targeted to reduce journey time and improve safety and efficiency. Interventions under this Axis will be complemented with investments financed through the Connecting Europe Facility. The upgrading and development of existing maritime infrastructure will also be targeted supporting the potential for Motorways of the Sea and to enhance efficiency and capacity of existing port infrastructures. Moreover, in an effort to address Gozo’s double insularity and in line with Europe’s aim to reduce disparities between regions as highlighted in the Treaty of Lisbon, this Priority Axis will also support projects to improve Gozo’s accessibility and connectivity. This OP will also support projects which aim to facilitate cross-border trade through the reduction in administrative burden.

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\(^{60}\) National Climate Change Adaptation Strategy, Ministry for Resources and Rural Affairs, May 2012.
Chapter 3: Description of the Priority Axes

This Chapter provides an in depth description of the priority axes which will be supported by the European Regional and Development Fund and the Cohesion Fund. The Priority Axes under this Programme will focus on the development of the following sectors, namely: RTDI, ICT, Competitiveness, Low Carbon, Environment, Urban Development, Transport, Social inclusion and Education.

The Axes financed through this Programme, will be complemented by interventions supported by the European Social Fund. Furthermore, this Programme will also be complemented by measures and initiatives supported through various funding instruments including the European Agricultural Fund for Rural Development, the European Maritime and Fisheries Fund, the Connecting Europe Facility, the SME Initiative and the Fund for European Aid to the Most Deprived, amongst others.

3.1 Priority Axis 1: Investing in research, technological development and innovation

3.1.1 Investment Priority 1: Enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest

Specific Objective

Establishing high quality research and innovation facilities in order to stimulate research in strategic areas and enable innovative methods to foster Research and Development within public institutions.

Development Needs

In 2011, total R&D expenditure as a percentage of GDP stood at 0.72%, thus exceeding Malta’s EU 2020 target of 0.67%.63 The total expenditure reached in 2011 also represented an increase over 2009 and 2010 figures with the Business Enterprise sector remaining the main contributor to R&D expenditure (66.4% of total R&D expenditure). This was followed by the Higher Education sector with 30% of R&D expenditure and Government sector which contributed 3.6% to R&D expenditure64.

Notwithstanding, the significant progress registered within the sector over the past years, Malta is still developing its national system of innovation65 and limited R&D spending, together with low innovation activity, patent registrations, doctoral graduates, and employment opportunities in the RTDI sector remain some of Malta’s main weaknesses. Within this context, ERDF interventions under this investment priority will contribute towards the implementation of the strategic plan outlined in Malta’s R&I Strategy 2020. Investment through this priority will contribute towards the achievement of Malta’s revised R&D target with a view of bringing Malta closer to the EU R&D target as set within the Europe 2020 Strategy.

Expected Results

- Increase in R&D expenditure and innovation activity (including dissemination) within the Public and Private sector; and
- Increase in RTDI facilities for enterprises and research institutions.

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The achievement of these results will contribute towards reaching Government’s National 2020 target of 2% Gross R&D expenditure as a percentage of GDP by 2020.

**Actions to be supported under this investment priority**

Government aims to support infrastructural investments under this Investment Priority which are in line with the areas identified under Malta’s National R&I Strategy 2020\(^6\). In this respect, interventions will be directed towards the development of the necessary infrastructure which will contribute towards the provision of high quality and attractive research facilities thus enabling students and researchers to acquire the skills and competences necessary to address the demands of the industry. Such R&D resources will also be used to address common EU challenges in an effective and results oriented manner.

Investment within the research, development and innovation sector under this investment priority will be complemented with adequate investment in human capital. The need for investment within this area is also indicated in the Innovation Union 2013 Scoreboard whereby the Scoreboard identifies investment in human capacity as Malta’s weakest area in innovation performance. In this regard, Government intends to maximise ESI Funds, by complementing interventions under this investment priority with actions financed through the European Social Fund (under Operational Programme II) for the development of human capital, such as scholarships, fellowships and training programmes.

**Broad target groups, beneficiaries and territories targeted**

Government has identified investments in RTDI as a means for growth in various sectors of the economy such as competitiveness, business and technological development, energy efficiency and environment, amongst others, rather than as an end result in itself. Within this context, the proliferation of R&D expenditure through the provision of adequate infrastructure will be beneficial across the Maltese territory.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Students, Educators, Researchers, Enterprises and Scientists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
</tr>
</tbody>
</table>

**Types of interventions**

In the 2014-2020 period, Government aims to ensure that public sector investment in R&I will add value to the economy and society in terms of research, innovative products, processes and services. In this respect, efforts will be directed towards establishing an enabling framework that will allow value-added R&I to flourish. Within this context, Government will support investments in RTDI facilities for research institutions with the aim of developing R&I excellence and promoting centres of competence.

**List of potential interventions**

- **R&I competence facilities**

Government will support measures to strengthen the industry-academia link through measures such as the setting up of a research incubator. These investments will bring together entrepreneurs, SMEs,

\(^6\) The areas of intervention under the National R&I Strategy 2020 are outlined in Chapter 2 of this document.
researchers and students, amongst others, in order to enable the development of new technologies, products and services, by providing the necessary space, facilities and expertise to develop their research and business ideas. The initiatives foreseen will include an R&I research centre which will host innovative research and training primarily for post-docs, PhD and MSc students to develop new technologies and products for which there is a demand in the local industry and which could serve as the basis for potential industrial spin-outs.

Such actions will also increase Malta’s research capacity (by hosting researchers and PhD students, amongst others) and provide the possibility for collaborations with international high-level research institutes. In this respect, Government will seek to maximise the potential for commercialisation and technology transfer with a view to exploiting potential economic impacts. Moreover, these initiatives would serve as a one stop shop where academia and enterprise can work together to address market needs when it comes to new ideas and products. These investments will also enable students and researchers to acquire the skills and competences which are necessary to address current and future demands of the industry.

- **Centres of excellence in R&I**

With a limited amount of research facilities within the R&I sector, Government is committed to support infrastructural R&I projects which are not only important for Malta’s development within the sector but which may also be of European interest. Government understands the value of a strong R&I platform as a means to support local industry and attract further investment in specialised areas. In this respect, Government will support investments in areas of key strategic importance for Malta’s development within the R&I sector, such as health, aviation and aerospace, amongst others, which have been identified through smart specialisation in Malta’s National R&I Strategy 2020.

In this respect, Government will support the development of centres of excellence to promote indigenous research in the health sector such as cell/tissue harvesting and manipulation, bio-banking as well as research in the aviation/aerospace sectors including new technologies for commercial aviation, and innovative air traffic management and operational aviation safety. These projects will address Malta’s need to provide high quality research facilities which will pave the way for private-public ventures with the aim of attracting high tech industries to Malta.

- **Innovative and environmentally-friendly Research infrastructure**

In line with the R&I Strategy, Government will support investments in the building environment sector, including environmentally-friendly showcase infrastructure, which will act as a live laboratory for climate change related research and indigenous research in the building environment industry. The R&I Strategy also identifies capacity building in climate change adaptation as an area that needs to be addressed. In this respect, Government aims to create a trans-disciplinary setting where environmental sustainability and R&I activity will enable the study of sustainable space management, such as maximising spaces below and above ground whilst enabling the monitoring of energy efficiency and the use of natural lighting. These innovative infrastructures will provide insight on the sustainability of a functionally effective built environment which can adapt to and mitigate the current and future impacts of climate change on the building industry.

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67 Health with a focus on healthy living, active ageing and e-health has been identified as an area of smart and flexible specialisation within the National R&I Strategy 2020.

68 National R&I Strategy 2020, February 2014. Although Malta will seek specialisation, in line with the approach adopted for smart, flexible specialisation under Malta’s National Research and Innovation Strategy 2020, Government shall also retain flexibility to respond to the dynamic economic and social landscape particularly given the size and specific characteristics of the territory.
Thus, Government will support climate change simulation models with a view to identifying the risks emanating from climate change and assisting in the creation of adequate monitoring mechanisms. These monitoring mechanisms will assist in the formulation of management plans and decision making in the strategic planning of various areas including that of coastal areas and the maritime sphere. Given the long term impact of climate change, Government intends to embark on a climate change campaign directed towards changing the behaviour of people and creating the necessary awareness on climate change mitigation, adaptation and environmental matters.

3.1.2 Investment Priority 2: Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies.

Specific Objective

Fostering business research and innovation (R&I), particularly by facilitating access to finance for enterprises.

Development Needs

The generation of economic activity in Malta is primarily characterised by enterprises in particular SMEs and micro enterprises. In this scenario, enterprises often find difficulty to raise enough capital to invest in R&I since various financial ventures are not economically viable particularly for small enterprises.

Despite the progress made in the sector during recent years, Malta has been identified as a moderate innovator with an Average Annual Growth Rate of 3.3% for the 2008-2012 period. With only 36% of the enterprises employing 10 or more persons taking on innovation activity (product, process, ongoing or abandoned, organisational and marketing innovation) between 2008 and 2010, Malta’s performance remains below the EU-27 average. In this regard, the 2013 Innovation Scoreboard highlights that Malta’s major gaps lie in the provision of financial support and entrepreneurship possibilities, amongst others.

Within this context, Government understands that the provision of financial support to businesses and entrepreneurial possibilities is critical in the development of a knowledge-based society. In this respect, in an effort to incentivise enterprises to continue investing in measures related to entrepreneurship and start ups, innovation, research, internationalisation and product and technology development, Government will provide relevant financial instruments covering various sectors of the Maltese economic landscape, including the tourism sector.

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70 National Statistics Office News Release 216/2012
Expected Results

- Increase in R&D expenditure and innovation activity (including dissemination) within the Public and Private sector; and
- Increase in RTDI facilities for enterprises and research institutions.

The provision of such financial incentives for enterprises and the achievement of the expected results will contribute towards increasing business R&I in Malta thus enabling Malta to move closer towards becoming an innovation driven society in line with the targets set in the National R&I Strategy 2020.

Actions to be supported under the investment priority

Whilst in recent years there have been promising developments in business innovation activity due to various R&D incentives including support from European funds, the currently low level of innovation activity calls for more targeted R&I incentives for enterprises. During the 2014-2020 period, in an effort to increase innovation and research related investment in business, Government will aim to incentivise the private industry to take advantage of growth potentials, in line with the smart and flexible specialisation principles that have been identified in Malta's National R&I Strategy.

Moreover, in order to maximise the impact of ESI funds, investments under this investment priority may be complemented with measures supporting investment in human capital such as scholarships, fellowships and training programmes under the ESF Operational Programme.

Broad target groups, beneficiaries and territories targeted

Government will facilitate access to finance for enterprises, where entrepreneurs, researchers and the business community will be the primary target groups.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Entrepreneurs, Researchers and the Business Community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Large Enterprises and SMEs</td>
</tr>
<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
</tr>
</tbody>
</table>

Types of interventions

Government aims to stimulate private sector investment through financial incentives, leading towards more innovation activity amongst enterprises.

List of potential interventions

- Financial incentives for Business R&I

Over the 2014-2020 period, in an effort to create a culture where entrepreneurship meets innovation and to promote investment by the private sector in innovation and research, Government aims to provide adequate access to finance and support for enterprises, thus expanding the R&I sector which is still in its early stages of development. Such investments will stem from the identification of niche areas which will leverage investment in existing and potential entrepreneurial activities within the Maltese economy.

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Through the provision of targeted R&I financial incentives, Government will support enterprises in their endeavours to move towards a more innovative and R&D oriented labour market. In this respect, Government will provide financial incentives to foster R&D and innovation. Such incentives will foster the development of products and technologies, the promotion of social and eco-innovation, the creation of technology transfer possibilities and will promote networking and collaboration with research institutes, amongst others. In this regard, Government will also support measures which aim to create synergies between the research and development facilities and enterprises as well as measures aimed at investing in human capital (under Operational Programme II) which will also contribute towards reducing Malta’s reliance on R&I imports.

3.1.3 Indicative Financial Allocation

The indicative total funding for this Priority Axis amounts to €72 million.
3.2 Priority Axis 2: Consolidating investment within the ICT sector

3.2.1 Investment Priority 1: Developing ICT products and services, e-commerce, and enhancing demand for ICT.

Specific Objective

Strengthen the Digital Economy by increasing the use of e-commerce and e-services.

Development Needs

In recent years the proliferation and use of ICT have led to a well-established information society and an adequate spread of ICT amongst enterprises where, in 2012, 76.4% of all enterprises recorded that they had a website or home page. Out of these enterprises, large companies recorded the highest percentage of enterprises with a website (86%) whilst enterprises within the 10-49 size class recorded the lowest percentage (73.9%).

Although the use of internet by enterprises has been on the increase and most enterprises are IT enabled, this is mostly limited to a digital marketing presence and back office applications whilst the use of electronic systems and the number of sales and purchases carried out via e-commerce remains relatively low. In 2012, only 18.7% of enterprises using internet carried out sales through e-commerce whilst purchases through e-commerce were carried out by 24.6% of enterprises using internet, representing a decrease of 2.4% over 2011 figures. Moreover, whilst local firms introduced Business to Consumer (B2C) services for the local market activity, the exploitation of internet to sell goods on an international market is still low. Given this scenario, measures to provide enterprises with the necessary skills and infrastructure to interact online on Business to Business (B2B) or on B2C services have been identified as necessary to ensure the competitiveness of enterprises and to move towards a digital economy during the 2014-2020 period.

By facilitating investments in ICT for the private sector, Government will not only serve as a main contributor towards achieving the targets of the digital agenda, but will also ensure the long term sustainability of SMEs, particularly in those sectors where internet is the primary service of choice such as the tourism sector.

Expected Result

- Increase in the use of ICT and e-based solutions by the private sector in order to enhance competitiveness.

Actions to be supported under the investment priority

In recent years, investments in ICT served as one of the main pillars for Malta’s economic and social development. The impacts of this transformation have not been limited to the creation of new economic sectors but have also been directed towards the design and development of the information technology (IT) sector. The combination of these measures lead to the development of human capital with a view to attract international IT firms to set up shop in Malta.

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Whilst several improvements were registered in recent years in terms of internet use and penetration rate of fixed broadband lines, in the 2014-2020 period Government will build on the frameworks that have been developed so far, such as the e-Procurement system, in order to further increase the take up of e-services by enterprises. In this respect, Government will facilitate actions which will enable the private sector (particularly SMEs and Micro-Enterprises) to exploit digital technologies with a view to increase their competitiveness through online trading, adopt new technological measures and increase revenues in domestic and international markets.

**Broad target groups, beneficiaries and territories targeted**

The increase in e-commerce and e-services, through the provision of financial incentives for enterprises, will be beneficial across the Maltese territory. The target groups for such investments will primarily be consumers and businesses (particularly in the tourism sector), whilst enterprises, including large, small and medium and micro-enterprises, will be the main beneficiaries of such investments.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Consumers and Businesses</th>
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<tbody>
<tr>
<td>Beneficiaries</td>
<td>Private sector including Large, Small, Medium and Micro Enterprises.</td>
</tr>
<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
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</tbody>
</table>

**Type of interventions**

Under this investment priority, Government will provide financial incentives for enterprises to invest in this sector, with a view to move towards B2B and B2C transactions and increase digital literacy in line with the aims of the digital agenda. In this regard, Government will also facilitate the development of ICT products and services to increase the use of e-commerce and e-tourism services. Such measures will aim to equip businesses with the necessary tools to trade online and expand their business operation. The advancement in e-services will also contribute towards enticing business to set up shop in Malta.

**List of potential interventions**

- **Incentives for the use of ICT products, services and e-commerce**

Through the provision of financial incentives, Government will support enterprises in their endeavours to move towards electronic systems that allow users to transmit information electronically. Such measures include infrastructural investments supporting cloud computing mechanisms that will reduce administrative burden and enable them to exploit ICT. In this respect, efforts directed to assist enterprises, particularly micro-enterprises, to raise productivity and efficiency through the use of ICT and e-based solutions will be sustained.

The need to support the shift towards digital literacy and use is further emphasised in the tourism sector, where the tourism value chain is becoming ever more dependent on mobile computing literate tourists. In this respect, the need to ensure that enterprises in the tourism sector have the necessary skills and infrastructure to interact electronically both on B2B level, in order to improve their supply chains, as well as on B2C services, by exploiting the local and international online market, is evermore increasing. Within this context, Government will also support measures for the further development of e-commerce and e-tourism services which are pivotal for Government's mission to move towards a digital economy that is consumer and service oriented.

Specific Objective

Consolidating and further developing the provision of e-government services.

Development Needs

In 2012 the use of e-Government services by enterprises having internet access remained relatively high at 93.3%, showing that most enterprises are utilising e-Government services to interact with Government. On the other hand, although the percentage of internet users who made use of e-Government services (G2C) increased by 9.5% during 2012 over the previous year, it remains relatively low at 59.2%.

Within this context, under this investment priority it is Government’s intention to improve the link between Government, the business community and citizens including Business-to-Government (B2G) and Government-to-Business (G2B) services whilst further promoting and developing Government-to-Consumer (G2C) e-services in order to ensure maximum service delivery and efficiency.

During the 2014-2020 period, in line with the aims of the new National ICT strategy, Government will build a competitive digitally enabled economy which will foster an entrepreneurial spirit, promote investment in technologies and leverage value added economic opportunities. Within this context, Government will support measures such as the setting-up of adequate ICT infrastructure, data management and open data systems, cloud computing and network development in line with the areas that have been identified in the strategy.

Expected Result

- Increase in e-Government services through ICT infrastructure in e-administration, e-health and e-environment including data gathering and management information systems.

Through the achievement of the result under this investment priority, Government aims to facilitate the communication between Government, business and consumers, reduce costs and administrative burden, as well as develop high technology means to attain the milestones of the National ICT Strategy which has been aligned to the targets of the Digital Agenda for Europe.

Actions to be supported under the investment priority

Government will aim to improve the infrastructure related to the provision of e-government services (such as e-administration, e-health and e-customs) as an integral part of Government’s efforts to reduce communication barriers and promote the application of G2B and G2C e-services. This approach will contribute towards strengthening ICT applications, develop new IT platforms and enhance ICT accessibility. Investment within this investment priority will also contribute towards the reduction of administrative burden both for enterprises and the general public, whilst improving

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75 Digital Malta 2014-2020 focuses on ICT policy development for citizens and civil society, the business community, and Government, amongst others. The Strategy provides the necessary integrated approach for Malta to move towards a digitally enabled society.
Government’s modus operandi, thus bringing Malta closer to the objectives of the Digital Agenda for Europe.

**Broad target groups, beneficiaries and territories targeted**

With a high penetration rate of standard fixed broadband lines (covering more than 99.95% of homes in 2012) as well as a Next Generation Access capable of providing at least 30Mbps download (available to 99.9% of homes in 2012), Government aims to maximise the benefits of the ICT sector to create a globally competitive ‘digital economy’ covering the entire Maltese territory. In this respect, Government will support ICT infrastructural investments (including new or modernised structures) aimed at strengthening the ICT sector with a view to facilitate the interaction between Government, businesses, citizens as well as tourists.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Public Administration, Private Sector including Large, SMEs and Micro Enterprises General public, Tourists.</th>
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</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
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</tbody>
</table>

**Type of interventions**

Under this investment priority, Government will support interventions to further develop public ICT applications, increase the number of Government services available online and improve service delivery in a number of areas such as health, geospatial and customs, in an effort to further increase e-accessibility and e-inclusion, through the use of e-Government services.

**List of potential interventions**

- **E-administration and data management systems**

ICT will remain a significant contributor towards Government’s commitment to reduce administrative burden and improve service delivery. Investments in adequate administration services and database management systems will bring government services closer to the demands of the industry and those of the general public. Furthermore, Government will seek to invest in adequate data management systems which will allow for increased efficiency and effectiveness across the administration.

- **Investment in IT platforms in key sectors for efficient service delivery**

Government will invest in the further development of e-Government services through IT platforms aimed at improving the service delivery including within the health and geospatial sectors amongst others.

In particular, under this investment priority, Government will support interventions in e-health. The provision of e-Health services is expected to facilitate the accessibility of health and clinical data through electronic means, thus enabling more efficiency, flexibility, transparency and accessibility in the delivery of healthcare practices for citizens leading to cost effectiveness within the sector. Furthermore, Government will also support the development of innovative land, marine and maritime data sets and maps, amongst others. Such IT platforms would improve data quality and bring

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76 Malta Information Technology Agency, Communications Committee, March 2014.
together the expertise of relevant stakeholders with up to date findings in an effort to assist policy
makers and researchers within the sector in a timely manner.

- **IT facilities for e-customs**

In line with the strategic thrust of the e-customs Multi-Annual Strategic Plan (MASP), Government will
support measures such as the provision of a ‘single window’ system in order to simplify information
flows between trade and Government in cross-border interventions. Such measures will serve as a
single entry point for relevant import and export related regulatory requirements, thus reducing red
tape and leading to faster and more secure EU external trade.

- **Innovative IT services for enterprises**

In an effort to reduce administrative burden in the interface between Government services and
enterprises, under this investment priority Government will also support measures such as the
development of innovative public clouds through the provision of online Government certified ICT
services. The need to look at new enabling technologies in the realm of ICT cannot be avoided and
actions will seek to leverage new technology with a view to improve the efficiency and effectiveness of
the service. Within this context, investment in cloud computing will be explored in order to ascertain
the benefits these can bring to a number of e-services. Examples of such measures include the
development of ad hoc software to facilitate online tax-related services with a view to reducing
administrative burden, amongst others. The focus of these measures is aimed to facilitate the
business interface with Government services.

### 3.2.3 Indicative Financial Allocation

The indicative total funding for this Priority Axis amounts to € 38 million.
3.3 Priority Axis 3: Enhancing Malta’s competitiveness through investment in SMEs

3.3.1 Investment Priority 1: Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.

Specific Objective

Fostering an entrepreneurial environment conducive to new ideas and enhancing the creation and development of enterprises including, small and medium sized enterprises (SMEs) and small self employed.

Development Needs

Micro and small and medium sized enterprises SMEs constitute the backbone of the Maltese economy. In 2012, SMEs comprised 99.9% of the registered enterprises with 95.1% of these SMEs consisting of micro-enterprises. Micro and SME sector is even more pronounced in Gozo where there are only a handful of medium sized enterprises. In this regard, within the Maltese context, SMEs not only play a crucial role in terms of the economic development of the country but also significantly affect employment development in Malta. 2012 figures indicate that the share of employment attributable to SMEs in Malta amounted to 76.3%, which is considerably higher than the 67.4% prevailing at EU-27 level.

In recent years, significant investment in enterprises has been made such as the setting up of the Business First Unit in 2012 and the launch of the SBA implementation unit which aims to reduce administrative burden for enterprises. Government channelled substantial capital, including European funding, to improve industrial parks and other infrastructural projects. Moreover, enterprises were also assisted through financial instruments, particularly the JEREMIE instrument which proved to be successful. Nonetheless, given the limited economies of scale and the inability of SMEs to raise enough capital to support business ventures, through investments under this priority Government will aim to create an environment which is conducive to private sector investment, attracts new industries, promotes and supports start-ups and enables SMEs to develop and grow. In this respect, Government will aim to increase the number of enterprises and support entrepreneurship ventures by providing the necessary infrastructural and financial support.

Expected Results

- Increase in entrepreneurship;
- Increase/improve business infrastructure for SMEs; and
- Increase in the number of SMEs, Small self employed and cooperatives benefitting from public support including financial incentives.

The achievement of results under this investment priority will lead to the development of enabling business infrastructures, an increase in registered enterprises and employment levels as well as an increase in entrepreneurship, thus strengthening Malta’s financial and employment environment.

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77 European Commission, Enterprise and Industry, Small Business Act (SBA) Fact Sheet 2012, Malta
**Actions to be supported under the investment priority**

During the 2014-2020 funding period, Government will encourage the creation and development of new firms by increasing access to finance for entrepreneurs, small self-employed and firms, supporting the development of infrastructure aimed at attracting and setting up new businesses, as well as creating the necessary infrastructure for business expansion. Moreover, measures aimed at the creation of business incubation will also be supported and will be complemented with adequate investment in human capital. In this regard, Government intends to maximise ESI Funds, by complementing interventions under this investment priority with actions financed through the European Social Fund Operational Programme.

**Target groups, beneficiaries and territories targeted**

SMEs are the main pillar for economic development in Malta. Whilst understanding the importance of further cultivating and developing competitiveness within the SME sector, Government aims to target entrepreneurs and self employed in its mission to attract businesses and to foster the creation of new firms and employment throughout the Maltese islands. In this respect, Government will support targeted infrastructural investments for the development of enterprises both in Malta and in Gozo.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Entrepreneurs, Small Self-employed, Micro, Small and Medium sized Enterprises including those operating in the tourism sector, manufacturing sector etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration and Private Sector</td>
</tr>
<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
</tr>
</tbody>
</table>

**Type of interventions**

The interventions that Government will support under this investment priority which include, infrastructural projects such as business incubators, creative clusters and SME hubs, that are aimed at creating the necessary environment whereby entrepreneurs and small self employed can operate. These interventions are expected to incentivise start-ups and entrepreneurship as well as provide an opportunity for entrepreneurs and self employed to further invest in setting up a new business and/or expand their businesses. In addition, Government will complement infrastructural interventions through financial incentives aimed at enabling enterprises to set up business, invest in new ideas, improve efficiency and expand their operations. This comprehensive approach will contribute towards creating an environment which is conducive to business development and economic growth.

**List of potential interventions**

- *The creation of creative clusters and Business Parks*

Government acknowledges that a key factor in encouraging start-ups and attracting private investment is the availability of physical enterprise infrastructure. In this respect, Government will support measures aimed to set up creative clusters and incubation spaces which will provide the necessary space for new SMEs to set up shop and develop. Interventions foreseen will contribute towards the development of various sectors including the tourism industry, particularly through the creation of creative clusters. The aim is to enhance the tourism product mix that Malta has to offer and support the incubation and expansion of enterprises within this sector[^78].

Under this investment priority Government will also support the development of industrial areas with the scope of attracting private investment. Measures under this priority will include the provision of facilities for enterprises to set up shop and develop such as the development of a Business Park.

- Financial incentives to foster Entrepreneurship and Start-Ups

The provision of financial aid for entrepreneurs and businesses is not only necessary to ensure that businesses invest in their enterprises but it also contributes towards creating a spillover effect within the economy. In this regard, Government will continue to leverage private sector investment through aid schemes and financial instruments for SMEs, such as the JEREMIE type in an effort to increase the number of enterprises whilst contributing towards economic growth and job creation.79

3.3.2 Investment Priority 2: Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes

Specific Objective

Nurture the growth potential of SMEs at regional, national and international level.

Development Needs

The development of SMEs goes hand in hand with the development and growth of the Maltese economy. Between 2008 and 2012 the total number of registered business units in the Maltese islands increased from 61,467 to 70,782 respectively. Although these figures are encouraging, further investment is required to enable Maltese enterprises to grow and expand which in turn will contribute towards securing Malta’s continued competitive thrust80. Within this context, and taking into account the impact that SMEs have on employment levels in Malta, measures aimed at encouraging the development, growth and diversification of SMEs, including through financial incentives, remains socio-economically important and hence has been identified as a primary area for investment under this priority.

Over the past decade, the Maltese economy has witnessed a considerable shift in the contribution of SMEs in relation to the overall national exports. In fact, in 2011, SMEs were accountable for 52.3% of exports generated by the Maltese economy which reflects a considerable increase over 2009 figures where SMEs generated 32.6% of exports81. Moreover, the contribution of Maltese SMEs towards the generation of gross value added (GVA) at 64.5% in 2012 is more significant than the average recorded in the EU-27 which stood at 58.1% for the same year82. This clearly portrays the significant impact that micro and small enterprises have on the local economic scenario and thus spur the need for further investment in this sector.

79 These schemes will be complemented by interventions under the SME initiative (European Council Conclusions, October 2013) for which Government has pledged EUR15 million (EU share) from its ERDF resources in the form of uncapped guarantees. Such measures will be supported under another Operational Programme titled ‘Stimulate private sector investment for economic growth’.  
81 Data published by Eurostat, 2011, with respect to the exports generated by the Maltese economy, segregated by company size (micro, small, medium and large) for the period 2009 and 2011 (http://epp.eurostat.ec.europa.eu/newxhtml/mainxthtml).  
82 European Commission, Enterprise & Industry, SBA Factsheet 2012, Malta.
Expected Results

- Increase in entrepreneurship;
- Increase/improve business infrastructure for SMEs; and
- Increase in the number of SMEs, Small self-employed and cooperatives benefitting from public support including financial incentives.

The achievement of results under this investment priority will lead to the development of new innovative technologies, enabling business infrastructures, the enhancement of product quality and the delivery of better services. These measures will in turn pave the way for an increase in registered enterprises and employment levels, thus ensuring that Malta remains economically sustainable and competitive.

Actions to be supported under the investment priority

Under this investment priority, Government will invest in the development of infrastructure aimed at encouraging firms to expand their product and service delivery. Government will continue to nurture the growth potential of SMEs by promoting internationalisation, innovation and competitiveness by providing apposite business space which accommodates the expansion of SMEs, whilst also leveraging private sector investment for the further development of services and technologies.

In an effort to ensure that investments are closely linked to an increase in employment, measures enabling the growth of SMEs under this investment priority will also be complemented with adequate investment in human capital under the European Social Fund. Such measures will aim to raise interest among SMEs to develop their enterprise further, amongst others.

Target groups, beneficiaries and territories targeted

In line with Government’s objective to support self-employed, micro as well as SMEs Government will act as an enabler for enterprises to thrive within regional, national and international markets. In particular, Government will seek to enable the development of targeted infrastructural investments with the aim of further increasing the SME base whilst providing the opportunity for the expansion of SMEs within the Islands.

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<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public and Private sector including small self-employed, micro and SMEs</td>
</tr>
<tr>
<td>Territories</td>
<td>Malta and Gozo.</td>
</tr>
</tbody>
</table>

Type of interventions

Under this investment priority, Government will support the development of new and/or modernised infrastructures and provide relevant financial incentives to support the capacity of SMEs to grow and engage in innovation processes as well as product and service development. Government will also support measures to identify new business models for SMEs and encourage them to collaborate more closely with large companies.
List of potential interventions

- **Investing in enterprise infrastructure**

In a scenario where the economic segment is dominated by the presence of small and micro sized enterprises, Government aims to ensure that such enterprises are not only retained but also encouraged to reach new milestones. Within this context, Government will support the modernisation and further development of business facilities throughout Malta and Gozo, where the necessary space for the expansion SMEs will be provided.

Moreover, whilst Government seeks to encourage entrepreneurship towards new emerging industries, the manufacturing of traditional crafts is a niche area which needs to be further developed. This segment needs apposite infrastructural provisions in order to further attract and retain the competitiveness of the sector. In this regard, Government will support measures such as the development of units which enable the growth of the traditional crafts and artisan sectors. This investment would encourage crafts operators to invest in their own enterprise with the ultimate scope of increasing the competitiveness of the sector and creating a new route to competitiveness for the Maltese tourism product.

- **Financial incentives for SME development**

During the 2014-2020 period, Government not only aims to enable the further development of SMEs by providing the necessary hosting infrastructure and facilities but will also offer the necessary financial incentives to support SMEs’ shift towards innovation processes, the emancipation necessary to delve into regional, national and international markets, and the necessary equipment to develop new products, technologies and services in an attempt to retain and further increase the competitiveness of SMEs. Moreover, such incentives will also encourage SMEs to venture into new markets and to delve in collaborations with other enterprises and large companies both on a national and international level.

Thus, in an effort to enhance entrepreneurship and foster the creation and development of SMEs, Government will provide assistance in the form of financial incentives with the scope of enhancing the operations of SMEs and enable SMEs to invest in areas such as: research and development; environment, quality certification, resource efficiency and tourism (including niche tourism), amongst others.

Through such measures, SMEs will be encouraged to provide higher standards in their operations, foster entrepreneurship as well as enhance employment opportunities within the labour market. Moreover, through these initiatives, Government also aims to further expand the Maltese tourism product mix in line with the national tourism policy. The aim of such measures will be innovation and entrepreneurship driven and will include the development of cultural attractions, tourism related establishments, products, and social tourism, amongst others, thus retaining competitiveness, and focus on the diverse socio-cultural as well as physical assets which Malta and Gozo have to offer.

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83 These initiatives will be complemented by interventions under the SME initiative (European Council Conclusions, October 2013) for which Government has pledged EUR15 million (EU share) from its ERDF resources in the form of uncapped guarantees providing capital relief. Such measures will be supported under another Operational Programme titled ‘Stimulate private sector investment for economic growth’.
3.3.3 Indicative Financial Allocation

The indicative total funding for this Priority Axis amounts to € 53 million.\textsuperscript{84}

\textsuperscript{84} This amount excludes interventions under the ‘new’ SME initiative (European Council Conclusions, October 2013) for which Government has pledged EUR15 million (EU share) from its ERDF resources in the form of uncapped guarantees providing capital relief.
3.4 Priority Axis 4: Shifting towards a low-carbon economy

3.4.1 Investment Priority 1: Promoting the production and distribution of energy derived from renewable sources.

Specific Objective

Promoting the use of RES within the domestic sector for a wide generation of renewable energy.

Development Needs

The shift towards a low-carbon economy, the increase in the use of renewable energy sources, the modernisation of the transport sector and the promotion of energy efficiency will not only give Europe a competitive advantage but will also reduce its dependency of foreign sources for raw materials and commodities. Malta is committed towards contributing towards the generation of energy through renewable sources and thus will invest towards the achievement of this objective.

The energy sector has a direct impact on the competitiveness and economic development. Within this context, Malta over recent years invested significantly within the energy sector and has registered an overall increase in its energy demand reaching 2,268,627 MegaWatt hours in 2012. This increase in energy generation has a negative impact on the environment particularly due to emissions emanating from this activity. In this regard, during the 2007-2013 period Government, through national and European funds, has invested in the generation of energy through renewable sources. This investment has led to a total renewable energy gross consumption shares in 2012 amounted to 2.7% which resulted in an average RES gross consumption for 2011 and 2012 of 2.01%.

Within this scenario, although the use of renewable energy sources in Malta has increased in recent years, despite Malta’s deep coastal waters and limited land coverage, more needs to be done to address the rise in energy demand and mitigate its impact on the environment through the increased use renewable energy sources.

Expected Results

- Increase the number of households investing in RES measures.

Whilst building upon the efforts undertaken during the 2007-2013 programming period to increase the amount of energy generated through RES, under this investment priority Government will continue supporting investments in renewable energy generation within households. Government will seek to maximise investment in renewable energy generation as long as the investment is feasible whilst taking into account the specific characteristics of Malta. Measures within this priority, coupled with measures within this priority axis will bring Malta closer to its national targets within the sector.

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85 Available online: [http://ec.europa.eu/energy/index_en.htm](http://ec.europa.eu/energy/index_en.htm)
88 The increase in the number of households investing with the EE will be captured under Investment Priority 3 of this Axis.
**Actions to be supported under the investment priority**

In an effort to maximise land usage as well as contribute towards cleaner sources of energy generation, Malta has managed to register a significant share of energy generated through renewable sources from a relatively high number of small installation capacities within the domestic sector, amongst others, with priority being given to those technologies which are already widely available, mainly solar photovoltaic (PV) systems, solar water heating and micro-wind. Between 2009 and 2012, the renewable energy from PVs generated by households has increased by over 25 times in terms of megawatt hours, whilst the number of households generating renewable energy has also increased from 140 in 2009 to 4,861 in 2012\(^89\).

In line with Malta’s National Renewable Energy Action Plan (NREAP), Malta plans to contribute towards the 2020 RES targets through the uptake of a higher number of renewable energy sources which have smaller capacities, with priority being given to those technologies which are already widely available, mainly solar photovoltaic (PV) systems, solar water heating and micro wind. As indicated in Malta’s NRP, such measures will be distributed across the Maltese islands and integrated in existing building infrastructures. This approach continues to build on the strategy that was adopted during the 2007-2013 programming period whereby it was deemed necessary due to Malta’s geophysical characteristics which include: limited land space, the conflicting use of land for other activities as well as the difficulty in the implementation of onshore wind farms.

Within this context, during the 2014-2020, Government will continue to invest in network projects aimed at increasing the amount of energy generated through renewable sources. In this regard, EU funds will be leveraged through financial incentives targeting the domestic sector.

**Broad target groups, beneficiaries and territories targeted**

In an effort to promote the production of energy derived from renewable energy sources, under this Investment Priority Government will support financial incentives directed towards households around Malta and Gozo.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration; Households</td>
</tr>
<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
</tr>
</tbody>
</table>

**Type of interventions**

Cognisant of the success achieved during the 2007-2013 programming period in relation to the installation of renewables in households, Government will seek to further consolidate this investment. In this regard, Government will support interventions such as financial incentives which will stimulate and enable domestic households to invest in renewable energy technology.

**List of potential interventions**

- Financial incentives for Renewable Energy Systems in Households

Government will target private households with a view to contribute towards the EU2020 target on generation from renewable sources. This approach is expected to contribute towards instilling a

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culture to safeguard the environment. Investments will consist of measures such as the installation of photovoltaic panels on existing households, amongst others.

Such measures will also be complemented by similar investments targeting enterprises and public infrastructure within this priority axis. These investments will provide the basis for a significant increase in RES generation which will be complemented by other large scale projects that Government has embarked on, as indicated in Malta’s NRP, such as the electricity interconnector and natural gas projects which in turn are envisaged to reduce CO₂ emissions by over 300Gg per annum\textsuperscript{90}.

3.4.2 Investment Priority 2: Promoting energy efficiency and renewable energy use in enterprises.

Specific Objective

Supporting the shift towards a low-carbon economy by promoting energy efficiency and renewable energy sources within the industrial and commercial sectors.

Development Needs

According to figures provided by Enemalta Corporation (2010), the commercial and industrial sectors account for over 50% of the energy consumed locally. Malta’s heavy dependence on imported fossil fuel oil as its primary energy resource results in security of supply concerns, vulnerability to high international market prices, a high carbon footprint and has a negative impact on the environment whilst bearing in mind that it is a non-renewable resource. In turn, electricity pricing has an impact on the competitiveness of the country which is significantly sensitive to high energy costs. In this respect, Malta notes the importance of addressing the energy sector both in terms of energy generation and energy efficiency in a holistic manner given the financial and environmental costs associated with it.

In 2012, the renewable energy from PVs generated by non-residential units\textsuperscript{91} that benefitted from aid schemes supported by ERDF had the potential to generate 2,849 MWhrs\textsuperscript{92}. This investment, supported through ERDF funds has leveraged over €3.5 million private investment. Nonetheless, the energy generation from renewable energy sources within enterprises remains low showing that more investment is necessary in forthcoming years to contribute towards low carbon.

Expected Results

- Increase in RES and Energy Efficiency in the public and private sector\textsuperscript{93}

In an effort to increase the take up of renewable energy, promoting energy efficiency and diversifying the energy mix as indicted in the relevant country specific recommendation, the achievement of results under this investment priority will contribute towards achieving Malta’s national 2020 target of producing 10% of Energy from renewable energy sources. Results will also enable Malta to contribute

\textsuperscript{90} Malta’s National Reform Programme under the EU2020 Strategy, April 2013, pg. 88.
\textsuperscript{91} Non-residential units cover commercial and industrial units whilst they exclude public and domestic buildings.
\textsuperscript{92} National Statistics Office. This amount is provisional and is based on the installation of PV panels by enterprises that benefitted from Calls 1 and 2 of the Energy Grant Scheme issued by Malta Enterprise. This calculation does not cover data pertaining to Call 3 of this scheme.
\textsuperscript{93} Investment in public infrastructure will be undertaken under Investment Priority 3 of this Axis.
towards the 22% savings in primary energy consumption by 2020 as indicated in Malta’s revised NEEAP (National Energy Efficiency Action Plan).

**Actions to be supported under the investment priority**

During the 2007-2013 programming period, schemes supported by the European Regional Development Fund (ERDF) and national funds were primarily directed to enable enterprises to identify energy efficiency technologies, including those related to more energy efficient machinery and equipment and to retro-fit industrial and commercial buildings.

Moreover, such measures also provided the necessary incentive for enterprises to explore the suitability of the different types of renewable sources technologies such as solar, wind, thermal etc. These initiatives have resulted in an increase in the use of renewable energy sources and energy efficiency technologies by enterprises operating in different economic sectors and had a positive impact on other strategic goals such as the reduction of dependency on primary energy sources.

In 2012, 0.72% of electricity generation in Malta was derived from photovoltaic cells installed by residential and non-residential units. Thus, with a high demand for energy use, high energy prices and with a currently limited energy generation from renewable energy sources, the promulgation of energy efficiency and renewable energy technologies by enterprises in the coming years is imperative as it will contribute towards the greening of enterprises whilst containing energy costs. This approach will contribute towards Malta’s EU2020 targets in the energy sector.

Within this context, Government will seek to promote private investment in this area with a view to implement cost-effective energy efficiency and renewable technology measures. These measures will have a pervasive impact on the reduction of emissions of CO₂ and other greenhouse gases.

**Broad target groups, beneficiaries and territories targeted**

Actions under this investment priority will be directed towards industry, SMEs and large enterprises, commercial sectors. Measures under this investment priority will cover the entire Maltese territory.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Private Sector including Large enterprises, SMEs, Industrial and commercial sector.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Private Sector</td>
</tr>
<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
</tr>
</tbody>
</table>

**Type of interventions**

Reducing the dependence on imported oil and promoting the rational management of resources is one of the most important environmental and economic challenges for the energy sector. Under this investment priority, Government will provide financial incentives for enterprises to move towards energy efficient installations and produce energy from renewable sources in line with Government’s thrust to shift towards a low-carbon economy. Such measures will instil a culture for environment preservation amongst the industrial and commercial sectors and it will equip businesses with long term benefits.

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94 Provisional statistics by the National Statistics Office. This data does not include data from Call 3 of the Energy Grant Scheme issued by Malta Enterprise.
List of potential interventions

- Financial incentives to increase the use of renewable energy systems and energy efficiency within enterprises

During the 2014-2020 programming period, Government will support a range of financial incentives including financial engineering instruments and grants. Such measures will be tailored to address the different energy efficiency (including equipment / plant) and energy generation through renewable technologies directed to address the needs of distinct economic sectors.

Government will also support the retrofitting of industrial and commercial buildings with energy efficient interventions such as solar water heaters, double glazing, insulation replacements etc. In order to adopt a holistic approach, Government will seek to facilitate energy efficiency audits in industrial and commercial buildings in order to assess data on energy consumption and identify significant opportunities for improvement and on potential savings in terms of energy use and costs.

Interventions under this investment priority will complement interventions under Investment Priorities 1 and 3 of this priority axis as well as interventions to reduce GHG emissions from the transport sector under Priority Axis 7.

3.4.3 Investment Priority 3: Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector.

Specific Objective

Minimise energy use within public infrastructures and in the housing sector as a strategic instrument to decarbonise the economy and secure sustainable energy.

Development Needs

Over recent years, Government has promoted the installation of RES and energy efficiency systems through a number of schemes supported by national and ERDF. A number of Ministries in fact have been fitted with PV systems whilst local councils were also encouraged to invest in the sector through national funds. Whilst the total installed PV capacity up to December 2012 was 18MWs, as indicated in Malta’s NRP, an additional amount of approximately 4.0MWs are in the process of being installed through PV systems on Government buildings.

Government aims to adopt a holistic approach which integrates energy efficiency and renewable technologies in buildings as a strategic instrument to decarbonise Malta’s economy and secure sustainable energy. Within this context, with a total useful rooftop area from Government buildings of approximately 67,000m², Government intends to equip such rooftops with photovoltaic systems as one of the measures to increase renewable energy generation. In order to enhance energy savings, Government will also invest in energy efficiency in buildings (including housing) resulting in the construction of new building zero net energy buildings in line with NRP target that by 2018 all new buildings to be used by public authorities qualify as nearly-zero energy buildings. In this regard, the upgrading and conversion of already existing buildings (including housing and historical buildings) will also be encouraged. Such initiatives result in an increased use of renewable energy sources and energy efficiency technologies in public infrastructures and in the housing sector.

95 Malta’s National Reform Programme under the EU2020 Strategy, April 2013, pg. 84.
Expected Results

- Increase in Renewable Energy sources and Energy Efficiency in the public and private sector; and
- Increase the number of households investing in energy efficiency measures.

The achievement of results under this investment priority will contribute towards Malta’s national 2020 targets of producing 10% of energy from renewable energy sources and reaching a 22% increase in energy efficiency as indicated in Malta’s NRP and in line with the relevant Country Specific Recommendation.

Actions to be supported under the investment priority

Government aims to maximise the utilisation of public buildings both for the purpose of energy generation as well as energy efficiency. Within this context, during the 2014-2020 programming period, Government aims to invest in public buildings to enable a widespread generation of energy from renewable sources. This intervention will be complimented with the retro-fitting of existing public buildings. Furthermore, measures aimed at improving energy efficiency in the housing sector will also be supported.

Broad target groups, beneficiaries and territories targeted

Under this Investment Priority, Government will support measures directed towards the installation of renewable energy and energy efficient systems in public buildings. Furthermore this priority will support the installation of energy-efficient measures within the housing sector. The beneficiaries will primarily be the Public Administration and the Housing sector within the Maltese territory.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Public Administration and Housing Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration and General Public</td>
</tr>
<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
</tr>
</tbody>
</table>

Type of interventions

During the 2014-2020 programming period Government will support measures leading to an increased use of renewable energy sources and an increase in energy efficiency through actions such as the installation of photovoltaic panels, solar water heaters and other measures which will enable the transformation and retro-fitting of existing public buildings. Government will adopt a holistic approach to integrate energy efficiency and renewable technologies with a view to contribute towards the reduction of greenhouse gas emissions. In addition, Government will seek to promote energy efficiency in housing including the retro fitting of private buildings. This intervention will also be extended to social housing.

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*Investment in public infrastructure will be undertaken under Investment Priority 3 of this Axis.*
List of interventions

- Incentives for the installation of Energy-Efficient systems in public buildings and in housing

Government recognises that additional investment in energy efficiency and/or integrated retro-fitting of buildings through energy efficiency and renewable technology measures, will result in significant reductions in carbon emissions arising from the energy demand of buildings. Within this context, actions will be stepped up to ensure that the current and new building stock will minimise carbon footprint. This will be achieved through the implementation of policy measures that are directed towards the design of buildings that are intrinsically energy and carbon efficient as a result of the materials and technologies used in the construction of the building and which would allow for passive and active concepts that will minimise energy demand, and hence carbon emissions emitted. Thus, under this investment priority Government will also support the shift towards more energy efficiency within public buildings. This will be complemented with through measures targeting the housing sector.

- Incentives for the installation of renewably energy systems in public buildings

During the 2014-2020 programming period, Government will support measures for renewable energy use in public infrastructures which are in line with the strategic thrust set in Malta’s NREAP. In this respect and in line with other measures for renewable energy use in households and in the industrial and commercial sectors, Government will support the installation of energy generation through renewable systems in public infrastructure.

Interventions under this investment priority will complement measures under Investment Priorities 1 and 2 of this priority axis as well as interventions to reduce GHG emissions from the transport sector under Priority Axis 7. The combination of such measures will ensure effectiveness and will enable Malta to reduce carbon emissions and air pollutants, ensure environmental sustainability through clean energy use, enable economic and social development by reducing energy use, eliminate waste and unnecessary costs in energy production and consumption and improve security of supply through the reduction of primary energy. Such measures will also diversify the country’s energy mix thus minimising the risks brought by the reliance on one particular source or type of energy and technology.

3.4.4 Indicative Financial Allocation

The indicative total funding for this Priority Axis amounts to €57 million.
3.5 Priority Axis 5: Protecting our environment - investing in natural and cultural assets

3.5.1 Investment Priority 1: Conserving, protecting, promoting and developing natural and cultural heritage.

Specific Objective

Maximise the economic contribution, particularly within the tourism sector, through the preservation, development and promotion of cultural heritage.

Development Needs

Considering the size of the Islands, Malta is adorned with a considerable amount of cultural infrastructure including three World heritage sites, fortifications, archaeological sites and other historical buildings. The rich cultural heritage which endows the Maltese Islands is a key asset which directly contributes towards the Maltese economy particularly the tourism sector. In fact, cultural heritage is considered as an important niche market showcasing the Maltese Islands as an all-year-round destination.

Tourism market surveys carried out in 2012 show that 42% of tourists’ respondents chose history and culture as the main motivator to visit Malta. Thus, there is a need to continue investing within this area with a view to protect and preserve these assets. In this regard, Government has embarked onto a number of initiatives aimed to further develop Malta’s tourism product as well as contributing towards the amelioration of the cultural heritage experience. Government has invested heavily in Malta’s cultural fabric both through EU and national funds. Notwithstanding the significant investment carried out to date within this sector, more investment is still required to address the needs of the various heritage sites. These sites can be preserved and developed with a view to improve the Maltese tourism product.

Government will seek to invest in cultural heritage with the aim to preserve, conserve, protect and develop cultural heritage. Investment in cultural heritage is expected to have a direct effect on the improvement of the tourism product and on the strengthening of the tourism and cultural sector whilst ensuring a more sustainable built environment which has a strong impact on the quality of life of citizens.

Expected Result

- Increase in the number of conserved, protected, promoted, and developed cultural assets.

Actions to be supported under the investment priority

The Maltese Islands possess a unique cultural landscape with a rich cultural heritage varying from museums, fortifications, baroque architecture and various archaeological sites. Cultural heritage is an important niche market that contributes towards all year round tourism on the Islands. It is within this context, that Valletta has been awarded the European Capital of Culture for 2018 whereby Malta will have the opportunity to showcase its unique cultural heritage.

97 ‘Market profile Survey’ by the Malta Tourism Authority, 2013
Cultural heritage is one of the major attractions of the Maltese Islands with 77.6% of tourists visiting Malta tend to prefer sightseeing whereas 50% of tourists also make it a point to visit historical sites and museums. Given the growth potential of the cultural tourism sector, Government recognises the need to ensure ongoing investment towards the improvement of the tourism product through the preservation and promotion of cultural and historical sites.

During 2014-2020 programming period, Government intends to continue investing in this sector with a view to exploit the potential of the country’s cultural heritage whilst undertaking the necessary interventions to create a new tourism experience. This will be complemented with interventions aiming to develop and establish cultural hubs which aim to host, promote and preserve historical treasures whilst strengthening the potential of local creative communities.

**Target groups, beneficiaries and territories targeted**

Interventions envisaged under this investment priority are targeted mainly towards the conservation, protection, promotion and development of cultural heritage. The main beneficiary under this objective is the Public Administration, including local councils. Moreover, Government will seek to promote investment by private enterprise and relevant non-governmental organisations through this investment priority.

Investments to be undertaken will cover the whole territory of Malta and Gozo with a view to boost the potential of cultural heritage in different towns and cities. Particular sites such as the capital city of Valletta will be given due attention due to its concentration of cultural sites. Furthermore, the specific cultural sites within the sister island of Gozo will also be given particular attention.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Tourism and Cultural Industry, Tourists, Artists, the General Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration (including local councils), Enterprises and relevant NGOs</td>
</tr>
<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
</tr>
</tbody>
</table>

**Types of Interventions**

Cultural heritage is an integral part of the Maltese tourism fabric and has the potential to grow and to further contribute towards the economic development of the Islands. Within this context, during 2014-2020 programming period, Government will support the protection, conservation and development of cultural sites which will contribute towards boosting Malta’s economic competitiveness, the preservation of the built historical environment and enhance the quality of life of citizens.

**List of Potential Interventions**

- *Investing in the cultural fabric of the Islands*

The investment undertaken in recent years to upgrade the historical fabric of the Maltese Islands has yielded positive results both in terms of restoring dilapidated sites as well as developing a better tourism experience which is unique to Malta. Notwithstanding the significant investment carried out to date, further investment is necessary to provide access to additional sites which are currently not available to the public and to invest in sites which are in a dilapidated state and hence maximise the potential of these sites.

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98 Market Profile Survey by the Malta Tourism Authority, 2013
In this regard, it is the intention of Government to invest in the restoration, conservation and promotion of cultural assets (including infrastructure and ancillary facilities as well as the digitisation of visual records) with a view to ensuring that these assets are preserved and protected. The objective of these interventions is to improve the accessibility of these assets whilst also ensuring their sustainability. Examples of possible interventions include the preservation and valorisation of museums, the Notarial Archives and public buildings in Valletta amongst others.

Furthermore, Government will seek to foster a strategic relationship between the cultural industry and technological innovation in the green economy through interventions in the designing and retrofitting of cultural buildings to ensure energy efficiency and zero emissions. Greener preventive conservation will in fact aim to capitalise on the present features of the historic structures and complement them with modern technologies. Cultural heritage will therefore act as a catalyst for innovation through achieving state of the art innovative green buildings. Investment directed to ensure that cultural spaces and venues can benefit from smarter, greener and cleaner energy solutions is a way how Government can develop the creative economy by linking it with the green economy and create the necessary synergy towards redirecting creative content with more sustainable practices. In addition, through this investment priority, Government intends to stimulate private sector investment in order to preserve and protect the cultural fabric within the Islands with a view to stimulate economic activity in the sector whilst also creating an innovative cultural experience.

Through the envisaged interventions under this investment priority, Government aims to exploit the potential of existing cultural buildings and ensure that such sites become more sustainable whilst enhancing the economic, social and urban potential of these public assets.

- **Creation of cultural hubs**

Culture is too often linked with the past whereas there is untapped potential to create an environment for new culture and creativity. To exploit this untapped potential, initiatives have to be implemented to promote culture in its diverse forms. Within this context, Government is committed to foster the creation of cultural and art hubs equipped with the necessary ancillary facilities in an effort to promote and develop various forms of culture within the community.

Cultural and Art hubs are a platform that can house different types of arts and cultural heritage that can attract citizens and visitors to appreciate different forms of culture. These hubs will not only attract local talent but also provide opportunities to allow the local community to experience the diversity of artistic expression. These hubs are a model of creativity, generating value in terms of ideas, talent attraction, inspiring creativity and experimentation. Within this context, Government envisages to target EU funds to broaden the scope of cultural heritage while preserving and promoting traditional characteristics and values. Cultural hubs are the engine for the development of Malta’s cultural sector which accentuates the value of the tourism product while transforming the cultural experience for all. These hubs can in fact develop new attractions thus evolving the tourist experience across the Islands and also spearhead innovative educational and social programmes that promote local cultural identity.

### 3.5.2 Investment Priority 2: Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure.

**Specific Objective**

Improve the status of biodiversity conservation as well as the conservation status of protected areas.
Development Needs

Malta’s National Biodiversity Strategy and Action Plan 2012-2020 provides a comprehensive policy framework for protecting and improving biodiversity in the Maltese Islands. Despite the fact Malta and Gozo consist of a relatively small land area, the Maltese archipelago is relatively rich in biodiversity which constitute Malta’s natural capital. Such diversity is important as it maintains the functioning of a healthy natural environment and is a contributor towards ensuring sustainable development.

Protecting Malta’s biodiversity presents a significant challenge particularly since Malta has a very small land mass coupled with a high population density. As a small island state, Malta faces the challenge of meeting the future demands emanating from of a growing population such as land, water, food and energy, while at the same time halting the loss of biodiversity and the degradation of ecosystems. This challenge is exacerbated by other environmental concerns, which are inherent to isolated and insular ecosystems. Within this context, Malta needs to strengthen its capacity to effectively conserve native species as well as prevent and control the introduction of invasive alien species which contribute to biodiversity and habitat loss. In addition, Government needs to ensure that the status of species and habitats in protected areas and particularly in the terrestrial Natura 2000 sites are effectively and efficiently managed to ensure their conservation and protection.

Halting biodiversity loss in the Maltese Islands is a priority for Government and hence efforts to invest in biodiversity particularly through the implementation of the National Biodiversity Strategy and Action Plan as well as Natura 2000 management sites amongst other will be supported.

Expected Result

- Increase in the number of conserved, protected, promoted and developed cultural and natural assets

Actions to be supported under the investment priority

Malta’s comprehensive strategic framework to protect biodiversity was launched with the aim to improve the status of its biodiversity and associated ecosystem services. Striking a balance between economic development and environmental needs in a sustainable manner is a constant challenge in all modern countries. This is even more so in Malta with inherent limited geographical characteristics.

To this effect, during 2014-2020 Government intends to continue supporting interventions aimed at improving the status of biodiversity conservation by safeguarding ecosystems, species and genetic diversity as well as by reducing pressures on biodiversity and promoting sustainable use.

Target groups, beneficiaries and territories targeted

Interventions to halt biodiversity loss and ensure the necessary protections and conservation are envisaged to be implemented across Malta and Gozo including within Natura 2000 sites. These interventions will essentially be implemented through Government entities responsible to manage and conserve these sites. These interventions are targeted for the general public and tourists as well as for educational, research and environmental groups.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>General Public; Tourists; educational, research and environmental groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
</tr>
</tbody>
</table>
Types of Interventions

The Maltese Islands support a wealth of native animals and plants and diverse habitats which form part of our natural heritage. Various sectors are ultimately dependent on biodiversity for their sustained productivity. The Maltese countryside is also important for outdoor recreation, cultural activities, tourism and overall human well-being. Unfortunately, biodiversity can be threatened by man-made pressures such as pollution, land development and over-exploitation as well as consumer choices.

Within this context, Government is envisaging to invest in sites within the Maltese territory including Natura 2000 sites. This will be complemented with capacity building interventions financed through ESF Operational Programme under Priority Axis 3 with a view to strengthen the knowledge within this sector and the creation of green jobs.

List of Potential Interventions

- **Conserving natural sites including Natura 2000 sites**

Malta has various natural sites including around 27 terrestrial Natura 2000 sites which are designated as protected areas. The management of these sites is essential to ensure that vulnerable ecosystems and threatened habitats and species are adequately protected. In order to attain a better conservation status of species and habitats in these protected areas, Government envisages investing in management measures to effectively and efficiently conserve these areas. Interventions envisaged through the ERDF will compliment measures and interventions supported through EAFRD within these sites as may be appropriate.

Possible actions under this investment priority are envisaged to include amongst others: interventions of a structural nature, appropriate interpretation facilities, other relevant ancillary facilities and the purchase of equipment for site management and enforcement. Government aims to compliment these interventions with the necessary awareness raising and educational campaigns to enhance the need to improve and sustain biodiversity and protected areas.

- **Species Conservation**

In line with the National Biodiversity Strategy and Action plan, during 2014-2020, Government plans to undertake interventions aimed at conserving native species of EU and national importance. To this effect, Government aims to set up the necessary infrastructure and facilities required to increase the capacity to conserve species and habitats targeting to set up fully functioning plants and rehabilitation/rescue centres as well as the introduction of database for native and endemic species. These interventions will be complemented with the necessary training under the ESF Operational Programme with a view to strengthen the knowledge and skills within this sector and the creation of green jobs. These actions may also be complemented through the EAFRD.

3.5.3 **Indicative Financial Allocation**

The indicative total funding for this Priority Axis amounts to € 72 million.
3.6 Priority Axis 6: Sustainable Urban Development

The development of the urban fabric in Malta is meant to provide a safe living environment supported by the provision of adequate social and community facilities complimented with a thriving business community. The liveability and sustainability of urban areas is dependent on how these factors are comprehensively organised and managed. Within this context and in line with the guiding principle of the Strategic Plan for Environment and Development\(^\text{99}\), Government is committed to developing an integrated approach towards the continuing enhancement of urban areas with a view to improving the quality of life and sustainable living standards of identified low socio-economic deprived communities. Government recognises that a multi-faceted approach is necessary in order to holistically address the needs of urban communities. In this regard and in line Article 7 of Regulation 1303/2013, different thematic objectives have been identified under this Axis with a view to ensure that the specific challenges and needs of these communities are addressed. The revitalisation of cities and the regeneration of communities are not solely limited to upgrade the urban environment but need to be complemented with interventions aimed at boosting economic activity. Cities are not solely made of the infrastructure within the area but also from the persons who work and reside within the area. Within this context, there is also a real need to invest in the social aspect of the community by addressing the social and educational needs.

Statistics show that a strong North-South divide is evident in Malta with the Northern part experiencing less inequalities and better conditions than Southern localities\(^\text{100}\). Within this context, Government has identified the Harbour area\(^\text{101}\) as a priority in terms of sustainable urban development for the 2014-2020 programming period to address the specific challenges and needs of the communities living in this area.

The Harbour area is the most densely populated with the highest rate of persons at risk of poverty amounting to 17.8% (Southern Harbour) and 15.3% (Northern Harbour) region respectively.\(^\text{102}\) This area is characterised by high unemployment with 10.4% and 7%\(^\text{103}\) for Northern and Southern Harbour region respectively. The rate of youth unemployment is also high amounting to 28% for the Southern and 16% for the Northern Harbour area\(^\text{104}\). The challenges faced by youth in this region are also reflected in the high rate of authorised absences from school\(^\text{105}\). This situation is contributing to a high crime and vandalism rate in the area considering that this is one of the main problems of households living in the area\(^\text{106}\).

Another characteristic of the Harbour area is the high number of old properties. 2% of occupied dwellings in both northern and southern harbour regions are in a state of dilapidation or need serious repairs while 5% of the occupied dwellings need moderate repairs\(^\text{107}\). Accessibility and the lack of basic facilities particularly in housing blocks is also a pressing challenge. This necessitates targeted action towards ameliorating the urban environment and the quality of life of people living in the area.

\(^\text{99}\) http://www.mepa.org.mt/sped
\(^\text{100}\) Survey on Income and Living Conditions (SILC) 2012, National Statistics Office, 2014
\(^\text{101}\) Southern Harbour: Cospicua, Figura, Floriana, Ħal Luqa, Ħaż-Zabbar, Kalkara, Marsa, Paola, Santa Luċija, Senglea, Tarxien, Valletta, Vittoriosa, Xghajra. Northern Harbour: Birkirkara, Ġżira, Ħal Qormi, Ħamrun, Msida, Pembroke, San Gwann, Santa Venera, St Julians, Sliema, Ta’ Xbiex, Tal-Pieta, Tas-Sliema
\(^\text{103}\) Labour Force Survey Q3 2013, National Statistics Office 2013
\(^\text{105}\) An Early School Leaving Strategy for Malta, Ministry for Education and Employment, 2012
On the other hand, the Harbour area is adorned with a high concentration of historical and cultural buildings which can have a direct effect on the economic and tourism activity in the area. Notwithstanding the investment carried out, a number of cultural and historical sites remain in a state of decay and inaccessible thus their potential remains untapped.

To address these inequalities and socio economic challenges, through this Priority Axis Government will adopt an integrated approach towards sustainable urban development with a view to spur economic activity in the area and create an environment which is conducive to economic development whilst sustaining improved urban environment which is safe, liveable and environmental friendly, improved housing and social infrastructure complimented with the provision of social and educational services for stronger sustainable neighbourhoods.

3.6.1 Investment Priority 1: Taking action to improve the urban environment, to revitalise cities, regenerate and decontaminate brownfield sites (including conversion areas), reduce air pollution and promote noise-reduction measures.

Specific Objective

Improve the urban environment in the Harbour area for stronger and sustainable neighbourhoods.

Development Needs

The sustainable use of land and spatial planning are pressing challenges for the Maltese Islands, in particular within the Harbour Area due to its rich urban fabric, high population density and a high rate of vacant dwellings. In line with the objectives of the Strategic Plan for the Environment and Development, Government recognises that the improvement of the urban environment within the Harbour area can only be achieved if it is interlinked with the socio-economic challenges faced by the community. Within this context, Government aims to adopt an integrated approach towards sustainable urban development for liveable and revitalised cities.

With high unemployment levels in both the Southern and Northern Harbour region, it is no surprise that the area also registers the highest at risk of poverty rate\textsuperscript{108}. In this regard, it is worth noting that youth unemployment in Malta is concentrated in the Southern Harbour region with 28\% while the Northern Harbour region stands at 16\%.\textsuperscript{109} A high rate of authorised absences from school also characterise the region\textsuperscript{110} which can be considered as a consequence of interrelated socio-economic inequalities. This calls for targeted approach to address the particular needs of young people living in the area. This reality is also contributing towards a high crime and vandalism rate considering that this is one of the main problems of households living in the area\textsuperscript{111}.

The high population density coupled with the high level of urbanisation including industrial activity has an impact over the environmental conditions in the area. Residents suffer from pollution, noise and environmental damage which impacts on the quality of the urban environment and the well-being of residents.\textsuperscript{112} This element is also contributing towards the high rate of vacant old dwellings given that 12\% of vacant property is located in the Harbour area is in a dilapidated state or need serious repairs.\textsuperscript{113} Albeit the investment that was undertaken over the past years to revitalise the towns and

\begin{thebibliography}{99}
\bibitem{108} Survey on Income and Living Conditions (SILC) 2012, National Statistics Office 2014
\bibitem{109} National Youth Employment Strategy, 2015 Ministry of Education and Employment
\bibitem{110} An Early School Leaving Strategy for Malta, Ministry of Education and Employment, 2012
\bibitem{111} Survey on Income and Living Conditions (SILC) 2012, National Statistics Office 2014
\bibitem{112} Ibid.
\bibitem{113} Census of Population and Housing 2011, National Statistics Office 2014
\end{thebibliography}
cities in the Harbour area, further investment is required to address the economic, social and environmental challenges of communities across the whole region. Within this context, Government envisages to take an integrated approach to comprehensively address the needs and problems of the Harbour region and its functional areas through focused interventions with a view to create an environment which is more attractive and conducive to generate economic activity and ameliorate the well being of citizens.

**Expected Results**

- Implementation of integrated sustainable urban development actions.

**Actions to be supported under the investment priority**

Integrated urban development actions are vital mechanisms to boost commercial activity and industries in targeted areas within the Northern and Southern Harbour region. These two regions although having different characteristics and challenges, common needs have been identified particularly due to the high at risk of poverty rates, high unemployment rates, and socio-economic challenges.

Urban development and regeneration projects are therefore required to revitalise these towns and cities ensuring better infrastructure to address the social and educational needs of citizens whilst enhancing the environmental aspects of localities. Government intends to embark on projects aimed to develop the Harbour regions as a successful socio-economic hub and foster an environment which is attractive and conducive to economic activity and maximises the characteristics of the area. This will be achieved through investment aimed at improving the design of the urban environment, reduce its impact on the environment through enhanced energy efficiency and renewable energy measures, create high quality public spaces and enhance accessibility to and within the regions.

**Target groups, beneficiaries and territories targeted**

Interventions envisaged under this investment priority are aimed to revitalise the towns and cities located in the Northern and Southern Harbour region of Malta. The interventions target the communities living in these towns and cities including households and businesses. The Public Administration is the primary beneficiary of projects envisaged under this investment priority. The interventions targeted under this investment priority will be complemented with the measures envisaged under the priority axis aiming for sustainable urban development.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Communities living in the identified areas including households and commercial business; Tourists and General Public visiting upgraded areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration; NGOs; Enterprises</td>
</tr>
<tr>
<td>Territories</td>
<td>Northern and Southern Harbour Region</td>
</tr>
</tbody>
</table>

**Types of Interventions**

The quality of life of communities is intertwined with the quality of the environment therefore Government aims to improve the urban environment and revitalise the commercial and social activity of the area. To achieve balanced and suitable living conditions, communities deserve high quality public spaces and modernised infrastructure through better and improved urban design combined with innovative measures to enhance social inclusion and education support. Investment to enhance
accessibility to the localities within these regions to spur commercial activity and to attract visitors to the area is also envisaged.

**List of Potential Interventions**

- **Create high quality public spaces**

  Government aims to revitalise cities through the development of high quality public spaces. The objective is to utilise public land to develop and increase the number of available public spaces across the identified regions which can be used for recreational, social and educational purposes whilst ensuring interventions also contribute towards the greening of the area. The aim is to provide safe and secure places for all the community particularly these spaces can serve as a hub for young people to meet and share experiences, engage themselves in activities that bring out their creativity and artistic expression and become active citizens. Through innovation in the design and use of public spaces, society can move young people away from delinquency considering that the high rate of reported crime in the area\(^\text{114}\) and to empower them to develop confidence and learning new skills which are a prerequisite to enter the labour market.

  Similarly public spaces can also be created to target young children such as play areas, open theatres and space where children can interact and socialise. Targeted innovative programmes aimed to strengthen the needs of children living in these areas and to encourage them from an early age to sustain their educational development will be encouraged. The aim is to sustainably utilise limited land available for recreational use whilst at the same time bringing out the artistic and creativity of the younger generations which consequently can help them to develop as active participants in society. These initiatives will be developed with the assistance of local councils and NGOs working within the community so as to meet the specific needs of this generation and especially address social challenges in an innovative way.

  The development of public spaces will be also promoting resource efficiency and renewable energy sources, thus promoting respect for the environment through resource efficiency, both in terms of energy and water, as well as the generation of energy through clean sources. Furthermore, in order to enhance the environmental conscience of society, interventions will ensure the sustainability and greening of public spaces to ensure high quality spaces for the community.

- **Improve urban design**

  Urban design is at the very core of the identity of the locality. The enhancement of design will directly affect the quality of life of the community through enhanced region identity, improved urban environment and the creation of more lively communities. To revitalise cities and towns Government envisages to support investments that can provide for a makeover of cities to make them more environmental friendly, more accessible, more technologically advanced and more responsive to people’s needs. Collaboration between various entities and Government departments can result in projects that redesign streets to be safe, liveable, and supportive of economic activity and development. Innovative concepts are necessary in order to ensure that urban design supports historical and traditional characteristics whilst integrating modern features and technology. Projects envisaged include the enhancement of pedestrian spaces and development of spaces which can offer lively activities such as food markets and live events. Projects are envisaged to integrate where possible environmental friendly measures to enhance greener cities and sustainable development.

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\(^{114}\) Demographic Review 2010, National Statistics Office, 2011
Enhance accessibility of revamped neighbourhoods

Government aims to enhance accessibility to the towns and cities located in the Northern and Southern Harbour Region to attract visitors to the area thus providing great opportunity to spur the economic drive and tourism development which may accede to social development. Better accessibility is required to ensure that revamped neighbourhoods become more attractive and can encourage influx of tourists to visit the area. Enhanced accessibility also encourages business creation and the development of economic activities such as gastronomy and culture related markets which can attract residents and tourists to the area. This investment is necessary so that areas that previously lacked public and business facilities are revamped thus revitalising cities and enhance opportunities for growth.

Interventions will aim to develop or upgrade alternative modal transport systems to create innovative ways how to travel within the revamped neighbourhoods. Government will consider the greening of mass transport systems in the area to ease air and noise pollution throughout the region thus enhancing the quality of life of residents. The aim is to change the local urban environment to create opportunities for the communities living in the area and visitors alike to easily access different services and commercial businesses within the region whilst ensuring better accessibility within the area.

3.6.2 Investment Priority 2: Conserving, protecting, promoting and developing natural and cultural heritage.

Specific Objective

Foster an environment which is conducive to economic activity in particular tourism and cultural activities, through the preservation and promotion of cultural heritage.

Development Needs

Malta’s cultural heritage resources are remarkable, especially considering the small size of the country. Malta has a rich cultural heritage which includes World heritage sites, fortifications, archaeological sites and other historical buildings which are scattered all over the Islands. The City of Valletta has now been rewarded as European Capital for Cultural in 2018 thus placing Malta’s cultural assets at the forefront.

A high concentration of cultural assets resides within the Northern and Southern Harbour region. Although some investment aimed at revamping cultural assets within the area has been undertaken, the potential of the cultural heritage which is still dilapidated and can contribute towards the economic development of this region is significant. Investment has been undertaken on various important historical and cultural sites, including the fortifications in Valletta and Vittoriosa, which added significant value to the tourism product offered by Malta, however other historical and cultural sites in the Harbour region exist which can contribute towards further developing the Maltese tourism experience if properly utilised. In this regard, there is a need to rehabilitate sites which are currently in a state of physical degradation and are inaccessible. Furthermore, there is a need to maximise the potential of underutilised assets with a view to maximise the contribution towards the development of the tourism product as well as an improved urban environment.

Within this context, Government will seek to maximise the potential of cultural assets in those areas which will have a significant impact on the contribution to the tourism sector and which will positively
contributing to the community in terms of the amelioration of the urban environment, enhancement of business opportunities and improve the quality of life of citizens.

Expected Results

- Implementation of integrated sustainable urban development actions; and
- Increase in the number of conserved, protected, promoted and developed cultural assets.

Actions to be supported under the investment priority

Cultural heritage is an important niche tourism market for the Maltese Islands especially when considering that 50% of tourists visiting the Islands in 2012\textsuperscript{115} made it a point to visit historical sites and museums. Taking into account this reality, coupled with the fact that a significant part of Malta’s cultural assets are located within the Harbour area, investment aiming to conserve and promote cultural heritage within this area is required. Government envisages uplifting areas within the Northern and Southern Harbour regions aiming to create an environment which is conducive to economic activity and improves the quality of the local environment. Investment in cultural tourism will not only boost the economy and tourism product of the region but will also open opportunities for the business community within the area.

Target groups, beneficiaries and territories targeted

Interventions targeted under this investment priority aim to restore and promote cultural and historical buildings within the Northern and Southern Harbour regions of Malta. The investment envisaged targets particularly the community living within the Northern and Southern Harbour area as well as the tourism sector through the creation of new cultural tourism experiences. The primary beneficiary within this priority is the Public Administration. The interventions targeted under this investment priority will be complemented with the measures envisaged under the priority axis aiming for sustainable urban development.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Community living within the Northern and Southern Harbour Region; Tourism Sector; Private entities including civil society working in tourism and culture sector; General Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration; NGOs</td>
</tr>
<tr>
<td>Territories</td>
<td>Northern and Southern Harbour Region</td>
</tr>
</tbody>
</table>

Types of Interventions

Given the growth potential of cultural tourism, investment to maximise the potential of Malta’s cultural heritage found in the Northern and Southern Harbour districts, is being envisaged. Interventions to restore and promote existing cultural buildings and historical sites are envisaged to uplift the potential of various untapped cultural assets, to expand the tourism product offered and to generate economic activity within the region. Investments are also targeted towards the development of heritage trail to accentuate the added value of the cultural heritage located within the Northern and Southern Harbour area.

\textsuperscript{115} Market Profile Survey by the Malta Tourism Authority, 2013
List of potential interventions

- **Restoration and Conservation projects**

Due to the significant impact of cultural heritage on the Maltese tourism product and economic development, Government aims to support investment in cultural infrastructure within the Northern and Southern Harbour region. This investment is necessary to implement sustainable urban development in the Harbour area resulting in the regeneration of the towns and cities and improving the quality of life of communities living in the regions. Interventions envisaged include upgrading or preserving of degraded cultural buildings whilst ensuring the necessary promotion of cultural sites which potential remain untapped. These interventions will not only result in the upgrading and restoring the physical buildings but will provide the opportunity to spur commercial activity within the region.

Investment in cultural heritage also aims to focus on the greening of this public infrastructure as a way to interlink historical features with modern technology. Such interventions will not only upgrade the energy performance of buildings and ensure protection of the environment but will also promote the creation of green jobs.

- **Heritage, Archaeological, Cultural Trails and other related interventions**

In order to further develop and promote culture heritage within the Northern and Southern harbour region, physical upgrading of infrastructure will be complemented with innovative initiatives to tap into the added value of cultural sites. For an integrated approach towards cultural heritage, Government aims to undertake interventions to develop trails that stress the importance of the Maltese history and culture within the region. This targeted approach will ensure better accessibility of cultural heritage within the region aiming to contribute towards economic activity in the area and the creation of jobs whilst enhancing the potential of a new tourism experience within the area.

3.6.3 **Investment Priority 3: Providing support for physical, economic and social regeneration of deprived communities in urban and rural areas.**

**Specific Objective**

Invest in the social and physical regeneration in deprived neighbourhoods

**Development Needs**

The urban fabric in the Harbour area revolves around old dwellings mainly utilised for residential property which pose challenges in terms of accessibility and physical limitations such as lack of basic facilities. Statistics show that households living in the Northern and Southern Harbour areas are the most that suffer from problems with their main dwellings due to physical damages in buildings, noise, pollution and environmental problems and crime, violence and vandalism in the area.\(^{116}\)

A strong North-South divide is evident in Malta with the Northern part experiencing less inequalities and better conditions than the Southern localities. 54% of households earning disposable income of

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€10,000 and under live in the Northern and Southern Harbour districts.\textsuperscript{117} The highest number of persons at risk of poverty is also concentrated in these two districts with the rate of persons at risk of poverty reaching 17.8\% in the Southern Harbour district and 15.3\% in the Northern Harbour district.\textsuperscript{118} A significant contributor towards a higher at-risk-of-poverty rate is unemployment. Unemployment tends to be high in these two areas with 10.4\% and 7\%\textsuperscript{119} for Northern Harbour and Southern Harbour region respectively.

The high concentration of inequalities within the Northern Harbour and Southern Harbour area create the need for a holistic approach to address the challenges and needs of communities living in these localities. Whereas investment has been carried out in various localities within the these two regions, including: demolition of old properties and the construction of modern housing, refurbishment of social housing and the creation of new or refurbished public areas, other localities or part of localities within the Harbour area tend to continue suffering from degraded housing conditions and lack of facilities for the community. This calls for interventions to ensure the upgrading of social housing conditions whilst ensuring safe and secure social housing estates that are accessible and provide the basic amenities to lift these persons from deprivation. In order to address the needs of the communities living in deprived neighbourhoods, physical upgrading alone is not enough. In this regard, Government intends to adopt a holistic approach in deprived areas, through soft measures aimed at regenerating communities within this area.

**Expected Results**

- Implementation of integrated sustainable urban development actions

**Actions to be supported under the investment priority**

The multidimensional aspect of the challenges that communities living in the Northern and Southern Harbour region face call for a targeted approach towards their specific needs. In order to adopt a tailored approach, Government aims to focus on the challenges and needs of deprived households living in social housing. Interlinking physical interventions with social and educational measures is considered to be paramount to ascertain a holistic approach in tackling the concentration of inequalities of the different localities within the region. This approach is in line with the specific objectives of the Strategic Plan for Environment and Development\textsuperscript{120} which aims to support the lifting of persons out of risk of poverty and social exclusion by seeking to: integrate social facilities for vulnerable groups within existing communities; and increase the supply of and assistance for affordable and social housing.

**Target groups, beneficiaries and territories targeted**

This investment priority will target housing renovation and regeneration of communities living in social housing within the Northern Harbour and Southern Harbour region. The target groups are primarily the residents and communities living in these areas including civil society organisations and businesses that already operate in the area. The primary beneficiaries of interventions in the region are Government authorities responsible for areas of intervention including housing, education and social issues. The interventions targeted under this investment priority will be complemented with the measures envisaged under the priority axis aiming for sustainable urban development.

\textsuperscript{117} Survey on Income and Living Conditions (SILC) 2012, National Statistics Office 2014
\textsuperscript{118} Ibid.
\textsuperscript{119} Labour Force Survey Q3 2013, National Statistics Office 2013
\textsuperscript{120} Available online: [http://www.mepa.org.mt/sped](http://www.mepa.org.mt/sped)
<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Residents and communities living in these areas including civil society organisations, business and tourism operators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Territories</td>
<td>Northern Harbour and Southern Harbour region</td>
</tr>
</tbody>
</table>

**Types of Interventions**

Government envisages supporting measures that lead towards sustainable urban development within the Northern Harbour and Southern Harbour region of Malta. Interventions relate to physical renovation and upgrading of social housing, the development and refurbishment of landscaped and recreational areas in the neighbourhood, the creation of community centres and educational facilities and other measures targeting social and educational needs of the residents living in the area.

**List of Potential Interventions**

- **Development and Renovation of Social housing**

  Government recognises that there is a high concentration of social housing within the Northern and Southern harbour region that is in a state of decay. The lack of good quality housing has a significant impact on the quality of life of residents which put strain on health, accessibility and social issues. Adequate housing infrastructure is a basic need and therefore Government aims to support the necessary investment to ensure that residents living in inadequate housing conditions within the Northern and Harbour region can benefit from improved quality of housing and surrounding areas.

  Interventions envisaged include the renovation of very old housing blocks which need to be rebuilt to meet household needs as well as the upgrading of social housing stock including the introduction of accessibility measures for persons with disability and the elderly; improved energy performance in building through renewable energy sources and energy efficient measures; and the introduction of water conservation measures. Physical interventions are also envisaged for the surrounding areas of housing estates with open spaces for recreational areas for children, elderly and families living in the social housing estate. Improved landscaped areas give way for more liveable surroundings which can be utilized for leisure, educational and social purposes.

- **Community and Educational Centres**

  For Government to address the needs of socio-economic deprived communities within the Northern and Southern Harbour region interventions are envisaged to ensure that community space and public facilities to assist families are in place. This community space is necessary to promote active participation within the community and to empower residents to be part of the regeneration of their community. Community space can be used for social and educational purposes targeting children, families and elderly as well as for cultural activities that can bring together locals and tourists. These spaces enhance social integration of families and ensure desegregation of communities within the neighbourhood.

  This community space can be developed within a framework to provide services to families that have social and financial problems to ensure sustainable regeneration. These services can include amongst others, the development of child care centre and child services as a measure to stimulate social and educational integration including emotional and behavioural development of young children whilst providing more flexibility for parents to look for work as well as health related services for children, families and the elderly. The creation of accessibility to such services in deprived neighbourhoods is necessary to tackle social exclusion, mitigate risks of aggressive behaviour and
delinquency particularly among children, to stimulate employment and to empower communities with the necessary skills and knowledge to integrate within society.

3.6.4 Indicative Financial Allocation

The indicative total funding for this Priority Axis amounts to € 24 million.
3.7 Priority Axis 7: Shifting towards a more low-carbon transport sector

3.7.1 Investment Priority 1: Developing and improving environmentally-friendly (including low noise) and low-carbon transport systems, including inland waterways and maritime transport, ports, multimodal links and airport infrastructure, in order to promote sustainable regional and local mobility.

Specific Objective

Promote and facilitate sustainable transportation systems and mobility across the Islands.

Development Needs

Land transport is in the main characterised by private car transportation with the number of private car vehicle registrations, at the end of 2012, amounting to 79%\textsuperscript{121} of total vehicle registrations. The high level of private car ownership is negatively impinging on air quality and the environment due to the high level of Green House Gas (GHG) emissions that result. Government recognises that the emissions related to the transport sector have a significant negative impact on the level of air pollution and that concrete measures are needed to encourage a shift towards low-carbon transport systems.

In this regard, Government has over the past years embarked upon a series of measures aimed to curb GHG emissions and to promote more environmentally-friendly transportation systems. Measures included the introduction of auto-gas (LPG) and incentives to promote alternative means of transport such as electric cars and bicycles. Government also embarked on a reform of the public transport system to promote a modal shift, whilst ensuring the availability of more sustainable alternative public transport modes across the Islands. Measures undertaken include the introduction of park and ride systems, electric cabs in Valletta, inner-harbour ferry and water taxis, and a more environmentally-friendly bus fleet equipped with Euro V engine technology, amongst others.

Government will continue to support a shift towards low-carbon transport systems whilst ensuring wider accessibility and a more efficient public transport service that also responds effectively to the needs of commuters. Notwithstanding the measures in place, further efforts are needed to successfully implement a sustainable modal shift and to increase the share of cleaner transportation, whilst ensuring a reduction in pollution emanating from the transport sector. To this effect, Government aims to embark on a number of measures that will aim at incentivising investment in the greening of transport, securing the availability of the necessary enabling infrastructure and promoting a change in public perception towards public transport. This is necessary to reduce traffic on the road and improve its efficiency, whilst encouraging commuters to make a shift from private transport to collective modes of transport.

Expected Results

- Reduction in journey time; and
- Increase in the share of greener fuels.

The achievement of the results under this investment priority will contribute towards reduced road congestion and reduced transport emissions in line with the country specific recommendations whilst contributing towards achieving the target of 10% share of renewable energy in transport.

\textsuperscript{121} Transport Statistics 2013, National Statistics Office, Malta, 2013
**Actions to be supported under the investment priority**

Investing in a sustainable and reliable transport system remains a key objective. During the 2007-2013 programming period, investment aimed at improving the reliability and efficiency of public transport systems including the introduction of alternative modes of transportation has been undertaken, however, more investment is required with a view to achieve the EU 2020 objectives. Within this context, the decarbonisation of the transport system particularly road transport remains a priority for Malta during the 2014-2020 programming period.

In terms of private car usage, Government is committed to enhance the uptake of low-carbon transportation systems and greener fuels through the adequate provision of the necessary enabling infrastructure. In partnership with the private sector (though not exclusively), Government will seek to invest in more environmentally-friendly transport methods.

Investment in low-carbon transportation systems is crucial however this has to be complemented by an efficient mass transit system. In this regard, Government will seek to assess the feasibility, and invest in alternative modes of transport, with a view to achieve a shift from private to collective transport methods.

**Broad target Groups, beneficiaries and territories targeted**

The measures and interventions foreseen under this investment priority aim to curb CO₂ emissions resulting from the transport sector. These interventions will contribute towards achieving a cleaner environment and improved air quality for all. Within this context, the implementation of a modal shift and the promotion, development and use of low-carbon transport systems will be beneficial to all commuters. Interventions will cover the whole territory of Malta and Gozo. The beneficiaries of these interventions will include Government departments and authorities responsible for transport. Furthermore, interventions under this investment priority will also seek to attract private sector investment with a view to leverage additional funds.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Commuters</th>
</tr>
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<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public and Private Sector</td>
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<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
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</tbody>
</table>

**Types of Interventions**

In order to strike a balance between the socio-economic demands of transport and safeguarding the environment, Government will undertake measures to ensure a clean modal shift that addresses both its economic and environmental needs. In this regard, the objective of the Maltese Government is to promote a sustainable modal shift with a view to reduce the utilisation of private vehicles whilst also contributing towards improved air quality.

In line with Government’s efforts to curb GHG emissions resulting from the transport sector, during 2014-2020, ERDF funds will seek to contribute towards the reduction of emission levels in transport whilst ensuring the availability of sustainable transportation systems across the Islands. In an effort to increase the penetration of low-carbon transportation systems in Malta, this investment priority will focus on interventions that aim to stimulate the market to invest in greener technologies in the transport sector. Thus, Government will support the development of the necessary infrastructure and facilities aimed at greening the transport sector. Furthermore, through this investment priority Government will also assess the development and use of alternative modes of transport. Government believes that investment in alternative modes of transport is fundamental to implement a sustainable
modal shift ensuring a shift from private transportation to more efficient and reliable collective transport systems also through intra-island transportation.

**List of Potential Interventions**

- **Environmental-friendly and low-carbon transport systems**

The Maltese population is still heavily dependent on fossil fuel powered vehicles resulting in a low share of renewable energy sources from the transport sector. This dependency leads to negative impacts on the environment as well as on citizens' health and safety. In this regard, Government will consider interventions that lead to developing sustainable mobility which is based on clean, low-carbon transportation systems. Interventions under this Investment Priority will also positively contribute towards Malta's target in relation to the share of renewable sources from the transport sector. Within this context, interventions that address the decarbonising of road transport, also vis-à-vis public transport, are envisaged to be funded under this investment priority.

The lack of enabling infrastructure along the road network coupled with the market price for alternative fuel and electric cars has contributed towards the low take up of environmentally-friendly transport systems in Malta and Gozo. Government believes that the availability of the necessary enabling infrastructure to meet expected growth in demand for greener vehicles should stimulate the market and ultimately lead to an increased take up of such technologies. In this regard, Government will embark upon a promotion campaign as well as introduce schemes for the private sector to incentivise investment in greener transport systems while securing the availability of the necessary enabling infrastructure and equipment to facilitate the shift towards the consumption and use of vehicles from carbon free and low-carbon sources. Government believes that private sector investment coupled with public investment would seek to spur the necessary development of the required infrastructure for alternative fuels and electric cars which will in turn boost the demand for greener vehicles and increase the share of green fuels in Malta as a substitute to conventional fuel.

Government will also seek a zero emission solution to public transit. This intervention will start as a pilot project that may develop into a public transportation initiative at the national level. The aim is to initialise and support new technologies that can eventually then be disseminated at the national level. The intervention will provide a zero emission electrified public transportation solution to put Malta's first public transit electric bus into operation.

- **Modal Shift**

As part of its strategy to embark on a more environmentally-friendly transport system, during the 2014-2020 programming period, Government will promote and invest in sustainable transportation and mobility across the islands through an effective application of modal shift. In this regard, Government will undertake a comprehensive educational campaign aimed at changing public perception towards public transport with a view to promote a shift from private car usage towards the utilisation of collective public transport. These educational efforts will also be underpinned by appropriate incentives such as free travel passes that will aim to attract new commuters towards public transport. The objective is to cause a meaningful shift in consumer behavioural and attitudinal patterns from private vehicle use to public transport.

The implementation of modal shift will also look at further developments in sea transportation which has been already explored during the 2007-2013 programming period. The geographical characteristics and the very short travel distances within the island render inter modal transport challenging particularly in terms of striking a balance between the cost of the journey and travelling
time. Experience to date has shown that the take-up of existing inner-harbour maritime transport systems was quite low, which can be attributed to various factors including lack of economies of scale. Notwithstanding, Government is committed to further explore intermodal transport as long as this is economically viable and can provide a reliable alternative transport solution to commuters across the Islands. Infrastructural interventions to sustain the market for sea transportation are therefore envisaged through the ERDF to promote further sustainable internal mobility between towns and cities.

In addition, Government is also considering the implementation of intermodal shift between the two islands which presents an opportunity to enhance mobility and accessibility between Malta and Gozo. Under this investment priority, Government will invest in the necessary infrastructure and facilities required to develop and introduce an alternative, fast and more efficient ferry service between Malta and Gozo aimed to facilitate inter-island transport, but also to curb traffic from the road network.

Interventions under this investment priority will complement interventions to shift to a low-carbon economy under priority axis 4.

3.7.2 Indicative Financial Allocation

The indicative total funding for this Priority Axis amounts to € 35 million.
3.8 Priority Axis 8: Investing towards a more socially-inclusive society

3.8.1 Investment Priority 1: Investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services.

Specific Objective

Strengthening primary healthcare and increasing community-based social infrastructure.

Development Needs

Active labour market participation and economic prosperity depends heavily on the level of educational attainment of citizens as well as the ability to remain healthy and to actively participate in the community and labour market. In this respect, with an increasingly ageing population, the sustainability and provision of quality health services play a key role in the long term participation of citizens within the labour market. Within this context, the current dependence on the main acute hospital and the limited provision of community based health services continue to pose limitations to the development in this field.

The draft National Health Strategy indicates that whilst the standardised mortality rates for circulatory diseases have decreased between 1990 and 2010, the rate experienced in Malta remains higher than the average EU-15.122 In addition, when compared to other Member States, Malta has the highest rate of obesity amongst males and the third highest of overweight and obese females.123 Within this context, Government will aim to address health challenges from a very young age with a view to instil a culture change particularly by investing in facilities which contribute towards the establishment, promotion and maintenance of healthy lifestyles.

Furthermore, Government will seek to address the sustainability of health financing through investments which promote the shift from institutional services to community based service. This approach will be underpinned by a number of reforms that are aimed to render the health sector more cost effective and which will address three main blocks of action: more effective governance to improve the efficiency of health care delivery to citizens and patients, increasing health promotion and disease prevention and strengthening health care by fostering a solid infrastructure and appropriately trained workforce.124 Apart from health inequalities, social exclusion and poverty remain high on Malta's agenda. According to Eurostat figures, the number of persons at risk of poverty or social exclusion in Malta (23.1% of the total population in 2012) has increased at a faster pace than that registered at EU level.125 In line with the European aim to eradicate poverty and promote social inclusion, under this investment priority Government is committed to support the development of adequate facilities and services with the aim of lifting persons from the risk of poverty in line with the national 2020 target. In this respect the shift towards community based services will also be extended towards the provision of facilities aimed at integrating disadvantaged groups within communities, including persons with disabilities and children, amongst others, in the spirit of social inclusion, equality and a better provision of services.

124 Such measures will be complemented by interventions relating to the training of the workforce within OP II.
125 Figure provided by the National Statistics Office based on aggregate data provided from the Census of Population and Housing 2011, March 2014.
Expected Results

- Improved social / health service quality;
- Increase in preventive health measures; and
- Increase in social and health infrastructure.

By achieving these results, Government will move towards a more sustainable primary health care system and a more inclusive society enabling a better quality of life for all citizens. Such results are in line with the principles identified in the relevant national strategies and Europe 2020 Strategy.

Actions to be supported under the investment priority

Within a society which depends on human capacity as its only natural resource, investment in the well-being of citizens in terms of health and social development remains of utmost importance. The challenges posed by an ever increasing ageing population, coupled with a relatively high number of persons suffering from chronic health problems, require interventions aimed at retaining persons active within the labour market for longer periods.

In this regard, Government will adopt a multifaceted approach under this investment priority with the aim of moving towards more community based health and social services whereby investments will focus on strengthening primary healthcare (including an appropriately trained workforce), reducing health inequalities, facilitating active and healthy ageing, and promoting social inclusion through community based services.

Moreover, in an effort to lift people from poverty and from the risk of social exclusion, Government will also embark on the provision of community based services as a means of integrating disadvantaged and vulnerable groups within society. Such a holistic approach will be a priority under the 2014-2020 period and will seek to integrate all groups within society whilst at the same time providing the necessary social support structures.

Broad target groups, beneficiaries and territories targeted

Government is committed to provide the necessary health and social infrastructure with the aim of maintaining a healthy and active population. Within this context, the target groups for such investments will primarily involve the general public with particular focus on vulnerable groups whilst the primary beneficiaries of such investments will be the Public Administration.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>General public, vulnerable and disadvantaged groups including children, the elderly, and persons with disabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration, NGOs</td>
</tr>
<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
</tr>
</tbody>
</table>

126 Measures will be complemented with interventions relating to the training of the workforce within OP II.
127 Vulnerable groups may include, amongst others, the long-term unemployed, the working poor, persons with a disability, persons with mental health difficulties, older persons, vulnerable women, victims of domestic violence, children, migrants and young people in institutional care.
Type of interventions

Under this investment priority, Government will support interventions aimed at improving primary healthcare provision as well as infrastructural interventions aimed to act as preventive measures promoting a healthy lifestyle. Preventive measures will include the provision of sports and/or recreational facilities with a view to reach out to the heart of local communities. In line with Government’s approach to shift from institutional to community based services, Government will also support infrastructural projects aimed at eradicating social exclusion by providing more services in the community for disadvantaged and vulnerable groups. These interventions will contribute towards a more inclusive society which will enable Government to provide more targeted services based on the needs of individual persons.

List of potential interventions

- **Developing the provision of primary healthcare services**

Government’s aim is to take concrete action which optimises capacity by upgrading and modernising existing health structures and services (also through the setting up of specialisation units and ancillary services) contributing towards a sustainable approach within the health sector. In this regard, Government will seek to encourage community-based approaches whereby ESI funds will support the drive to optimise capacity in the provision of health services and establish a more sustainable primary health care system.

The development and/or modernisation of primary healthcare infrastructure remains necessary to decrease the dependence on the main acute hospital. In this respect, Government will support infrastructural measures which provide primary health services, including pro-active preventive care directed to educate society, including socially vulnerable groups. Such facilities are expected to act as hubs providing specialised care for a number of prevalent diseases and conditions and will enable a more comprehensive health care service provision which is closer to the community resulting in an enhanced access to health care services whilst providing support to the main acute hospital by treating minor yet urgent injuries in an effort to offload pressure. This will result in a more efficient service for patients and a more sustainable healthcare provision.

Moreover, with an ever increasing ageing population, improving the regional health facilities in Gozo is also necessary to ensure the long term sustainability of the sector as well as to provide quality services. Within this context, building on the investments carried out under the 2007-2013 period, Government will also support measures to increase health care service provision and improve service quality in Gozo.

- **Preventive Health measures including recreational facilities for the promotion of active and healthy ageing**

Under this investment priority, Government will also support measures which aim to instil the notion of a healthy lifestyle from a very young age. According to the Healthy Weight for Life Strategy (2012-2020), the childhood phase has a life course impact on a person’s health and wellbeing including effects on obesity, heart and mental health. Within this context, Government will support social, cultural and recreational facilities, including sports related infrastructure, which will provide services aimed at promoting healthy and active ageing, particularly amongst children, youths and other

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128 Vulnerable groups may include, amongst others, the long-term unemployed, the working poor, persons with a disability, persons with mental health difficulties, older persons, vulnerable women, victims of domestic violence, children, migrants and young people in institutional care.

vulnerable groups. Apart from contributing to the health dimension, these interventions will also form a channel through which socially excluded individuals can be better integrated within society and provide opportunities for education which will help bring down barriers to social equality.

- Facilities for community-based social services and for the promotion of social inclusion

Government is committed towards ensuring that Maltese society is an inclusive one which caters for the needs of disadvantaged groups. In this regard, Government will aim to provide adequate services and resources to the most vulnerable groups in society in order to reinforce the social fabric at its roots. Within this context, Government will support actions aimed at providing the necessary infrastructure for the inclusion of persons with disabilities and other disadvantaged groups or marginalised communities within the society.

Furthermore, in an effort to support measures targeting the social development of children within the community, Government will seek to develop and upgrade facilities for the care of children with difficult social or family background. These measures will promote the social inclusion of children living in a variety of social care facilities while preventing long term institutionalisation of children. Furthermore, through the development of care services, children will be provided with the opportunity to develop in an environment which is similar to a home and thus foster an environment where the child can develop holistically. This will contribute towards instilling the right foundations for the child to be an active contributor towards society and the economy during adulthood.

Government will also support the setting up of facilities such as Family Resources Centres which will provide information, advice, education and other support including therapeutic interventions, to persons with physical, psychological and economic difficulties (amongst others) in various areas around Malta and Gozo. Such facilities will be strategically placed in areas with high risk of poverty and social exclusion in an effort to address problems at their roots by creating more targeted awareness and by providing more hands on assistance to vulnerable groups.

3.8.2 Investment Priority 2: Providing support for physical, economic and social regeneration of deprived communities in urban and rural areas.

Specific Objective

Improve social housing infrastructure to promote social inclusion through the regeneration of deprived communities.

Development Needs

Shelter is one of the basic needs which remains fundamental for the wellbeing of individuals and the communities within which they interact. In this respect, the provision of adequate housing in particular to disadvantaged groups contributes towards mitigating social exclusion and poverty. According to the Statistics on Income and Living Conditions Survey issued by NSO, in 2012, the material deprivation rate amongst households stood at 19.8% while the severe material deprivation rate stood at 9.2%. In recent years, Government has undertaken various measures to address the need for social housing as well as upgrade housing estates in order to address emerging needs.

131 National Statistics Office: SILC 2007 - 2012; Eurostat website
Nevertheless, further investment in the social housing sector particularly housing estates in disadvantaged or deprived communities is necessary to improve and preserve the quality of affordable housing and foster a safe and independent living.

Within this context, under this investment priority Government aims to renovate public dwellings which are not in an adequate habitable state as well as develop new and/or upgrade old social housing estates and the surrounding areas. Such interventions will translate into dwellings and communities which are accessible and environmentally friendly, coherent with the surrounding environment and which will restore dignity to the area and its inhabitants.

**Expected Result**

- Increase in social and health infrastructure.

The achievement of this result will form part of a series of measures to be implemented during the 2014-2020 period which will aim to contribute towards social inclusion and address social barriers to equality, in line with the relevant EU 2020 and national targets.

**Actions to be supported under the investment priority**

The challenges that arise in relation to poverty and social inclusion aspects are complex and multi-dimensional requiring a holistic and integrated approach in the interventions to be adopted in order to be effective. The actions to be supported under this investment priority will tackle the needs of marginalised and/or deprived groups who live or will start living in social housing or the surrounding areas. In this regard, interventions will also seek to contribute towards an improved standard of living.

**Broad target groups, beneficiaries and territories targeted**

Government is committed to invest in adequate social housing infrastructure and surrounding areas with the aim of promoting social inclusion and combating poverty. Within this context, the target groups for such investments will primarily involve marginalised communities and vulnerable groups including the elderly, single parents, disadvantaged children, low income earners and the working poor, amongst others. Interventions under this investment priority will cover the entire Maltese territory where particular attention will be given to the most deprived areas.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Marginalised and/or deprived communities including disabled persons, low income earners, the elderly, persons at risk of poverty, children, youth, low skilled persons, single parents etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration, NGOs</td>
</tr>
<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
</tr>
</tbody>
</table>

**Type of interventions**

Interventions under this investment priority will focus mainly on developing and rehabilitating social housing infrastructure with the aim of regenerating deprived communities. Moreover, in line with Government's strategy of adopting a multifaceted approach when addressing the needs of persons at risk of poverty and social exclusion, Government will not only support investments in social housing per se but will also focus on interventions aimed at improving the surrounding area, through increased community facilities, recreational areas, open spaces and the provision of support services.
List of potential interventions

- **Regeneration and upgrade of social housing facilities and deprived areas**

Given the long waiting list for social housing and the precarious state of a number of housing estates, Government believes that the development and renovation of such buildings is a significant part of the integrated approach that is being adopted to reduce poverty and address social exclusion. The integrated approach will also lead to the development of bottom up approaches of community regeneration in which the communities involved will take responsibility for the renovation and maintenance of their own dwellings.

Within this context, Government will support measures aimed at improving the accessibility of housing estates and the development of adequate dwellings in terms of space and commodities. Furthermore, interventions foreseen will aim to maximise resource efficiency, in particular water and energy efficiency measures, as well as energy generation through renewable sources.

In this respect, in an effort to revitalise deprived areas, Government will also support interventions such as the building of recreational areas and childcare facilities which will provide children from an early age within the community with opportunities for integration and education and which will also aim to encourage an increased participation of women in the labour market.

### 3.8.3 Indicative Financial Allocation

The indicative total funding for this Priority Axis amounts to € 59 million.
3.9 Priority Axis 9: Developing our future through education, training and lifelong learning

3.9.1 Investment Priority 1: Investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure.

Specific Objective

Provide education, research and training facilities for academic and vocational education and training (VET) institutions.

Development Needs

Malta’s progress in the education sector and the need to increase the employability of the workforce remain of key importance for Government. In 2012, employment rates ranged from 47.9% for individuals with less than upper secondary and post-secondary education to 67.4% for persons with upper secondary and post-secondary education and 86.7% for those who had achieved tertiary education qualifications. This trend is also enhanced by the fact that in 2012, 31.4% of early school leavers were not in employment.

In 2012, the rate of early school leavers stood at 22.6%, which was high compared to the EU-27 average rate of 12.8% for the same year. Within this context and having surpassed the National 2020 headline target of reducing ESL to 29% in 2009, Government has embarked on an ESL Strategy which will serve as the basis for measures aimed at reducing ESL. In an effort to address the relevant CSR and stemming from the constraints of the current ESL rate, Government has set a new target, in line with the ambitions of the Europe 2020 Strategy, to reduce the percentage of early school leavers to 10% by 2020.

Moreover, whilst the overall tertiary education attainment (15-64 year olds) has been on the increase between 2008 and 2012, the participation rate in tertiary education or equivalent of 30-34 year olds remained relatively constant during the same period reaching 22.4% in 2012. This rate remains lower than the EU-27 average of 35.8% that was reached in 2012 and is still distant from the national EU 2020 target of 33%. This scenario prompts the need for Government to invest in measures which encourage a higher participation and attainment rate in tertiary education amongst 30-34 year olds.

Within this context, during the 2014-2020 programming period, Government will give priority to investments in education and training infrastructure with a view to improve the quality of education facilities, address skills mismatches, foster lifelong learning and address the current rate of ESL. Such investments will also be complemented by measures under the ESF operational programme to address the challenges posed by ESL and low tertiary education.

Expected Result

- Increase in educational/training facilities

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135 Ibid.
Through the achievement of this result, Government aims to reduce the rate of ESLs and increase attainment rates at tertiary education level in line with the national targets as set out in the Draft National ESL Strategy, the Further and Higher Education 2020 Strategy and the NRP, whilst taking account of the CSR which is relevant to this sector.

**Actions to be supported under the investment priority**

Recognising the importance of developing human capital, Government has invested heavily in the education sector and reforms in education service provision have been ongoing. In recent years, investment in education and training infrastructure, including improved ambience and modern teaching tools, have had a significant positive effect in the reduction of ESLs. In fact, although Malta’s ESL rate remains high when compared to the EU-27 average, between 2008 and 2012 the decrease in the rate of ESL registered by Malta was one of the highest, ranging from 29.3% in 2008 to 22.6% in 2012, when compared to that of other Member States.\(^{137}\) Moreover, although the rate of 30-34 year olds having achieved tertiary education remains low, the considerable investment in state-of-the-art facilities targeting further and higher education infrastructure carried out in recent years such as the initial phases of the MCAST master plan and new faculties within the University of Malta have also resulted in a significant increase in the overall participation in tertiary education, vocational education and training as well as in lifelong learning.

Nonetheless, Government recognises that with a high ESL rate and a low rate of tertiary education attainment, the possibility of exploiting to the full the abilities of Malta’s human capital will become ever more difficult and will limit the economic growth of the country. In this respect, Government will support targeted infrastructural projects under this Investment Priority, building on the interventions already undertaken under the 2007-2013 programming period, to provide improved and high quality education facilities as part of Government’s mission to match the students’ needs for high quality facilities, variety of subjects and flexible learning opportunities with the current and future demands of the industry.

**Target groups, beneficiaries and territories targeted**

Government is committed to provide sufficient learning resource facilities and educational tools throughout Malta and Gozo for students to develop during their studies as well as create the right environment to attract and entice new students to undertake further and higher education studies. In this respect, the target groups for such investments will primarily involve students at various levels of education and active participants in the labour market whilst the primary beneficiaries of such investments will be education, training and research providers.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Students, teaching and support staff, as well as labour market participants including self-employed, employees etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration</td>
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<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
</tr>
</tbody>
</table>

**Type of interventions**

In recent years, Government has embarked on a Further and Higher Education strategy and the finalisation of Draft ESL strategy with a view to strengthen policy efforts to tackle education attainment in a coordinated and targeted manner. Such policy developments progressed in line with new

\(^{137}\) National Statistics Office: Eurobase, accessed on 10 March 2014
infrastructural projects which Government has carried out in further and higher education institutions, including VET institutions, also with the support of European funds. These efforts have translated in an increase in the number of students entering further and higher education which has been possible primarily through the expansion of MCAST and developments within the University of Malta. Building upon the developments in the education sector over the past years, Government will invest in the development and modernisation of further and higher academic and vocational institutions through targeted infrastructural measures.

**List of potential interventions**

- *Education, Training and VET related facilities*\(^{138}\)

Between 2002 and 2012, Malta witnessed a significant increase in the total student participation rates in further and higher education\(^{139}\). This increase is not only reflected in attainment levels, student mobility, number of awarded scholarships, etc. but is also mirrored in the relatively stable employment levels which have weathered the economic crisis that has afflicted many European countries in recent years. In this respect, Government aims to build upon the investments carried out in the education sector thus far and focus its interventions for the 2014-2020 programming period on two main strands, namely: the building and modernisation of facilities within VET and training institutions and the development of high quality education facilities within further and higher education institutions.

Government aims to improve the range and standards of VET courses available, narrow the skills gap between the needs of the industry and the competences of students, and improve access to lifelong learning which enables the re-skilling and up-skilling of workers. Within this context, Government will seek to invest in the final phase of the MCAST master plan with a view to accommodate the long term growth in VET.\(^{140}\) Specific actions under this measure will provide access to high quality education and will include infrastructural projects in VET institutions, in order to broaden the spectrum of courses and provide the necessary modern teaching resources and equipment. Such interventions will offer students the facilities to acquire the skills and competencies needed to move up the education ladder and to enter and move within the labour market. In addition, interventions under this priority will include investment in VET infrastructure specifically targeting the tourism and hospitality industry which are necessary for developing the necessary human capacity required to ensure that Malta maintains its competitive edge within the sector.

Investment within the educational sector will also address the needs of tertiary education. The investment undertaken in recent years within the University of Malta campus has enabled an improved learning experience and also contributed to address the demand of the increasing number of students. Within this context, whilst building upon interventions undertaken to date, Government will also seek to support the expansion of the medical, surgery and healthcare sciences faculty within the University Campus. Such interventions will enable the provision of state of the art learning facilities keep abreast with the developments within the health sector.

### 3.9.2 Indicative Financial Allocation

The indicative total funding for this Priority Axis amounts to € 33 million.

\(^{138}\) Investments to strengthen the infrastructural capacity of Further and Higher Education Institutions are in line with the strategic thrust of the National Further and Higher Education 2020 Strategy. They also reflect the aim of the relevant ex-ante conditionalities which promote an increase in quality and efficiency of VET systems and Higher Education.


\(^{140}\) NCHE, Further and Higher Education Strategy 2020 (April 2009).
3.10 Priority Axis 10: Investing in a more environmentally-friendly society

3.10.1 Investment Priority 1: Investing in the waste sector to meet the requirements of the Union’s environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements.

Specific Objective

Invest in sustainable waste management in line with the waste hierarchy.

Development Needs

Despite the significant investment in the waste sector in recent years, particularly with the assistance of European funds, waste remains a very challenging sector in Malta. In 2011, 56% of the waste generated was land filled while 21% was recycled. This high dependence on land filling poses a significant challenge within the Maltese Islands particularly due to the lack of physical space available as well as the lack of economies of scale required to make interventions in this sector economically viable and sustainable.

The population growth over the years, combined with a growth in GDP per capita, is contributing towards a change in people’s consumption patterns, which also has a consequential impact on the waste sector in terms of the amount of waste produced. The increase in waste, particularly of specialised waste due to increased economic activity and the greater flow of goods, puts further pressure on the sustainable management of waste.

Government is committed towards ensuring the sustainability of the waste sector. Thus, it is the intention of Government to adopt a holistic approach with a view to address the challenges emanating from this sector. In this regard, in January 2014, Government published a Waste Management Plan 2014-2020 which addresses different waste streams with the aim to implement a sustainable waste management strategy for the years to come. Key issues and challenges have been identified and national interventions are being directed to move towards sustainable waste management practices whilst aiming to achieve the EU 2020 targets. To further consolidate waste management policy, a Waste Prevention Plan has been included identifying the key issues and necessary measures to move waste in line with the waste hierarchy.

Government recognises that further investment in the waste sector is needed to address these challenges. Hence, investment in line with the waste hierarchy is considered crucial to achieve the necessary sustainability and to minimise the effects of waste on the environment and society. The potential of exploiting waste as a resource in order to generate energy is also critical to enhance the efficient utilisation of waste. Efforts to minimise waste going to landfills will also continue with a view to ensure the long term sustainable management of waste. Within this context, Government will also seek to invest in the possibility of land filling facilities as well as the potential of rehabilitating existing landfills.

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141 Data provided by the Ministry for Sustainable Development, the Environment and Climate Change, October 2013
142 Land filling will only be utilised as the last option in treating waste, which is in line with the last stage of the waste hierarchy.
143 A study is currently underway that will take into account all alternatives with the aim of ensuring sustainable waste management.
Expected Results

- Increase waste treatment facilities; and
- Increase in number of new/rehabilitated landfills.

Actions to be supported under the investment priority

Malta has long relied on landfilling as its main waste treatment option, however, in recent years efforts have been undertaken to recycle and divert waste away from landfills thus moving waste in line with the waste hierarchy. In this regard, further efforts are necessary to move towards a more sustainable waste management system which aims to reduce the environmental impact of waste management practices including air, land and water pollution, health and safety, etc.

Shifting waste management to more sustainable practices in line with the waste hierarchy depends on a variety of factors including population habits, waste volumes, waste collection practices, waste infrastructure and output markets\(^{144}\). Within the Maltese context, this proves to be very challenging when taking into account the high population density, limited land space as well as the lack of economies of scale.

In this regard, Government intends to undertake investment to further address waste management issues with a view to reduce the health risks and environmental concerns typically associated with waste operations, whilst ensuring a more efficient use of waste as a resource and ensure a long term sustainable approach towards waste management in Malta and Gozo. Proposed interventions to be carried out through this investment priority aim to minimise waste and enhance reutilisation of waste elements. This will in turn promote sustainable development and contribute towards the socio-economic development of the country, while safeguarding the natural and urban environment.

Target groups, beneficiaries and territories targeted

Interventions in the waste sector are envisaged to be implemented at national level covering the whole territory of Malta and Gozo and will target all citizens in particular households, local councils and local communities, commercial businesses, operators within the tourism sector, industry, civil society as well as entities in the public and private sector. The aim is to ensure that sustainable waste management options are promoted and implemented universally. The primary beneficiary of investments in the waste sector is the Public Administration.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Households, local councils and communities, commercial businesses, tourism sector, industry, civil society, Public and Private sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Public Administration</td>
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<tr>
<td>Territories</td>
<td>Malta and Gozo</td>
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</tbody>
</table>

Types of Interventions

Government recognises that despite the significant investment undertaken within the waste sector over the years, particularly with the assistance of European funds, continued investment is necessary to address the challenges posed by the sector. Malta is committed towards achieving its national targets, and in this regard Government will seek to maximise the use of the Cohesion Fund to implement sustainable waste management investments. Government aims to channel funds towards

\(^{144}\) Markets that produce goods and services within the economy
facilities that will enable the generation of energy from diverse sources of waste thus maximising the use of waste as a resource, whilst diverting waste from landfill disposal. Government also envisages continued investment in the rehabilitation of existing landfill sites.

**List of Potential Interventions**

- **Waste-to-energy treatment facility**

In line with the Waste Management Strategy, waste to Energy plays an important role in the sustainable waste management sector since it further values the concept of waste as a resource. Waste is a valuable resource which can be treated and produce energy. During the 2014-2020 programming period, Government will invest in the generation of energy from waste by investing in a waste-to-energy treatment facility targeting the generation of electrical and thermal energy. The investment aims to develop a facility to treat a wide range of waste mainly the output from the Mechanical Biological Treatment (MBT) plants as well as bulky waste.

- **Rehabilitation of landfill**

Government is committed to continue rehabilitating closed landfills, such as Wied Fulija located in the limits of Żurrieq (located in the South West of Malta) with a view to reducing air pollution, through the control of aerial emissions from landfill and combustion gases, as well as improving the visual impact of such landfills.

**3.10.2 Investment Priority 2: Investing in the water sector to meet the requirements of the Union’s environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements.**

**Specific Objective**

Improve the sustainability of water resources particularly through improved management practices leading towards better water quality and enhanced water conservation.

**Development Needs**

Malta’s typical Mediterranean climate that is characterised by long bouts of hot and dry weather has a significant impact on the availability of water resources. Malta has one of the highest water competitiveness index in the world, implying that it is one of the poorest countries in the world in terms of water resources per inhabitant. This stems from a number of factors including the fact that Malta is surrounded by sea water, has a high population density and is subject to increased demands for water by sectors such as agriculture, fisheries and tourism.

The sustainable management of water resources is vital for the Islands’ prosperity as it is essential for human consumption and for the development of the economy. However, the sustainability of water resources proves to be challenging particularly due to natural water shortages. The Malta Environment Report states that one of the principal pressures on Malta’s groundwater resources is over abstraction, which is of particular concern due to the risk of the resource and the proximity of
groundwater bodies to the sea. The report highlights that groundwater bodies in the Maltese Islands are principally replenished through rainwater infiltration. Furthermore, the report concludes that approximately 50% of the water recharged into the aquifer systems is lost naturally through subsurface discharge to the sea.

Desalination is the primary reason for the reliability of Malta’s water supply to meet the required drinking water quality standards. However, this process is heavily dependent on electricity generation. Within this context, endeavours to maximise the efficiency of the desalination process as well as the water distribution system will be undertaken. Particularly, Government aims to establish and develop a desalination plant in Gozo in an effort to save energy by eliminating the pumping process between the islands and, more importantly, will be securing water supply for Gozo. The objective of these interventions will be the conservation of water and the promotion of the efficient utilisation of water resources.

Apart from water scarcity, Malta is also facing challenges in relation to water quality. The quality of groundwater is deteriorating due to increasing concentrations of nitrates present in the aquifer and the steady increase in salinity. Within this context, a multifaceted approach is required to maximise the efficient use of water resources and adopt measures aimed at improving the quality of water.

To address the scarcity and sustainability of water supply, besides infrastructural investment, measures are also needed to achieve a cultural change involving all stakeholders including domestic households, industrial and commercial users encouraging practices for the harvesting, recovery, recycling, and conservation of water as well as improving water efficiency across the board.

**Expected Results**

Sustainable management of water resources is vital to Malta’s long term prosperity therefore this investment priority will aim to:

- Improved water quality;
- Increased awareness on climate change and water conservation Improved water efficiency and an increase of alternative sources of water supply;
- Increase in capacity of water harvested; and
- Increase in climate change adaptation infrastructure.

**Actions to be supported under the investment priority**

The sustainability of water supply as well as water quality raise a number of challenges which need to be addressed in a coherent and integrated approach. The objective of Government is to effectively manage water resources and ensure its sustainability in the long run. A significant contributing factor in this process is the required culture change whereby water is not seen as a commodity which is readily available, but rather a scarce resource which needs to be managed efficiently.

Government intends to undertake a multi-faceted approach with a view to maximising water efficiency as well as improving water quality. In this regard, Government will undertake measures to provide for the supply of good water quality whilst enhancing efforts to protect the water environment including groundwater and surface waters in line with the Water Framework Directive and Habitats Directive. Investment will be channelled towards improving public infrastructure aiming for a sustainable balance between water demand and long term viability of Malta’s water resources. Infrastructural investments

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will be complemented by awareness and educational nationwide campaigns aimed to change behavioural patterns and norms with regards to the use and conservation of water.

**Target groups, beneficiaries and territories targeted**

Interventions promoting the sustainability of water are earmarked for the whole territory of Malta and Gozo. Infrastructural investments and educational campaigns will target all citizens including economic and social actors and civil society. The aim is to ensure that sustainable water management solutions are promoted and implemented universally. The Public Administration is expected to implement the interventions envisaged under this investment priority.

<table>
<thead>
<tr>
<th>Target Groups</th>
<th>Business Community; Industry; Tourism Sector; General Public; Tourists</th>
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<td>Territories</td>
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**Types of Interventions**

The need for effective management of water resources is pressing due to the limited availability of freshwater. Given the scarcity of water resources in Malta, the effective and efficient management of this resource is given priority with a view to ensure its sustainability. Interventions foreseen under this investment priority are aimed towards ensuring that the limited water naturally available is not be used wastefully and its efficiency in use is enhanced through sustainable water practices and management in line with the Water Catchment Plan.

Malta also needs to source additional sources of water, as the amount of groundwater sustainably available simply cannot meet Malta’s demand. In view of this, interventions are being considered to maximise the use of rainwater through harvesting. In addition interventions are also envisaged to identify alternatives to substitute the use of groundwater. The quality of water is also an important issue that must be addressed, particularly when it comes to human consumption. In this regard, interventions are in fact earmarked to achieve higher quality of potable water, whilst maximising on the efficiency of the desalination process.

To address the scarcity and sustainability of water supply, Government envisages complementing infrastructural investments with a nationwide campaign that seeks to promote and incentivise the domestic as well as the agricultural, fisheries and industrial/commercial user to harvest, recover, recycle, conserve and improve water efficiency.

**List of potential interventions**

- **Desalination plant**

Significant public investment has been made to ensure the supply of water, mainly through desalination. Malta is dependent on desalination plants for its water supply. Within the context of Gozo, ground water supply does not yield enough water for the self sustainability of the Island. Hence, additional water is transferred to Gozo through the submarine pipeline that exists between the two islands, resulting in pipeline water losses and or leakages. In this regard, Government intends to invest in a desalination plant in Gozo with a view to ensure the security of supply of water, whilst reducing water losses.
- **Investment in Groundwater**

Groundwater is a national asset and has strategic significance for the country’s development. In line with the National Water Catchment Management Plan\(^{146}\), Government will seek long term sustainable management of groundwater taking into consideration the principle of sustainable development and realities of the country. Government will consider broadening the groundwater abstraction from existing stations in order to balance the spatial distribution of groundwater abstraction and thereby significantly limit the impact of localised sea-water intrusion. Thus, abstraction methodologies will be put in place with a view to optimise groundwater abstraction, namely by ensuring that the annual volume of groundwater abstracted from the public groundwater abstraction network has the lowest technically possible levels of salinity and nitrate, enabling the achievement of a better quality water supply without the need of increasing the levels of production of energy intensive desalinated water. Government will also explore possibilities for the replenishment of groundwater as part of its wider water management policy.

- **Improve the primary water network**

Government will seek to further develop the primary ground and desalinated water network with a view to enhance the flexibility required to shift water supply in relation to variations in water demand thus maximising the use of the water resource according to the needs and reducing water losses. This investment will seek to improve water efficiency and significantly decrease frictional losses and enhance the overall performance of the system.

- **Upgrading the Water Network**

Highly polished reclaimed water from polishing plants can be a reliable, alternative resource which Malta can utilise to maximise and conserve its resources as well as augment the water supply. In this respect, efforts will be undertaken to substitute the use of ground water particularly for commercial and industrial needs by alternative sources. In line with the national Water Policy\(^{147}\), the re-use of second class water is an important consideration in Malta’s overall strategy for sustainable water use. Reclaimed water can be a reliable, alternative resource which Malta can utilise to maximise and conserve its resources as well as augment the water supply. Government will therefore seek to study and implement the distribution of the water demand for the use of second class water with the aim to build a customer base for its use.

In addition, Government will also invest in the public sewage network with a view to connect recently formed centres to the main sewage network as well as reducing saline infiltrations into the sewage collection network.

- **Rainwater Reservoirs**

One of the objectives of Government is that of maximising rainwater harvesting. Within this context, Government will identify existing water reservoirs owned by Government which are currently in a dilapidated state and not in utilisation in order to explore the possibility of upgrading these facilities to increase and further optimise the potential for water harvesting. The possibility for the development of new similar infrastructure will also be considered as necessary.

\(^{146}\) The Water Catchment Management Plan for the Maltese Islands, March 2011

\(^{147}\) A Water Policy for the Maltese Islands, June 2012
- National Campaign towards the Efficient Utilisation of Water

Infrastructural investment to enhance water quality and efficiency whilst maximising the potential to ensure good and reliable supply of water is vital however this infrastructure needs to be complemented by a culture change in society. Government will seek to invest in changing behavioural patterns and norms with respect to the use and conservation of water. Within this context, Government will be embarking on a nationwide awareness campaign to promote and incentivise the domestic as well as industrial and commercial users to utilise water efficiently, including the utilisation of second class water. Government will seek to develop an educational campaign to promote water saving practices particularly in households to use water in a more sustainable and efficient manner. Through a nationwide campaign, Government will also seek to raise awareness on the consequences of water wastage both in economic and environmental terms in an effort to increase responsibility among users and to optimise the use of water by the different sectors.

3.10.3 Indicative Financial Allocation

The indicative total funding for this Priority Axis amounts to € 166 million.
3.11 Priority Axis 11: Investing in TEN-T Infrastructure

3.11.1 Investment Priority 1: Supporting a multimodal Single European Transport Area by investing in the TEN-T

Specific Objective

Reduce journey time and improve efficiency and safety through investment in the Trans European Transport (TEN-T) network

Development Needs

Malta’s specific characteristics, including its small size and the relatively high urban density, pose significant challenges to the national transport sector. Over the past years, Government invested in significant transport infrastructures, including TEN-T infrastructure, required for internal and external accessibility and connectivity. However, for Malta to remove persistent traffic bottlenecks in air, sea and road transport, further development of the TEN-T core and comprehensive networks is required. To this end, Government is currently developing an integrated National Transport Strategy for Malta which will adopt a multi-faceted approach covering all relevant transport modes including road, public transport, sea, and air. The Strategy will take into account the investment undertaken to date and will identify the necessary requirements, over the medium to long term, to improve the efficiency of the transport sector.

Internal mobility is dependent on road transport which comprises a route network of over 100km forming part of the TEN-T network. The increasing trend in private car ownership over recent years has contributed towards delays in journey times mainly due to high levels of congestion leading to increased costs to business as well as a negative impact on air quality.

As an island state, ports and airport infrastructure play a critical role in Malta’s competitiveness standing. Malta is highly dependent on this infrastructure for the transit of both goods and passengers. In this regard, investment in port infrastructure to enhance efficiency, improve safety of ports and reduce administrative burden will be supported. Cross-border trade is a significant contributor towards the Maltese economy and interventions in this sector will aim to increase its efficiency by alleviating bottlenecks with a view to ensuring faster and more efficient cross border trade.

Port infrastructure is also critical in terms of inter-island transportation particularly for the overall development of Gozo, both in terms of accessibility and economic activity. Past investments in Ħal Far and Mġarr Harbours have contributed towards addressing the insularity of Gozo. Notwithstanding, there is a real need to further expand the operations and enhance the capacity of Mġarr Harbour with a view to increasing Gozo’s accessibility and competitiveness. In addition, Government is also exploring the need and viability of airport facilities in Gozo.

Expected Results

- Reduction in journey time;
- Increase in number of kilometres of reconstructed and upgraded roads;
- Increase in the number of new/improved maritime facilities; and
- Reduction of bottlenecks at cross border links.
The achievement of the results under this investment priority will contribute towards enhanced connectivity, interoperability and competitiveness of the Maltese economy. Interventions under this investment priority will also complement priorities identified under the Connecting Europe Facility aiming to address severe traffic bottlenecks in the national transport sector.

**Actions to be supported under the investment priority**

Transport infrastructure is a key element in the functioning of the economy. The social and economic development of the Maltese Islands depends on the timely and regular connections for goods and passengers to and between sea and air ports. Thus, improving the efficiency of transport infrastructure is a constant priority for Government to enhance interconnectivity and interoperability through the provision of road and port infrastructure.

To this effect, the integrated National Transport Strategy which is currently being developed will address the challenges that characterise the transport system. The aim of the strategy is to develop a medium to long term vision interlinking those elements necessary to ensure an effective and sustainable national transport system. A National Transport Model for Malta will be developed to enable the simulation and analysis of the urban and inter-urban transport and to assess likely future transport demand for passengers and freight by mode of transport (road, public transport, sea, air) in the short, medium and long term taking into consideration the impact of both economic and demographic trends. Within this context, this Investment Priority will support interventions which are in line with the priorities set out within the integrated National Transport Strategy.

**Target Groups, beneficiaries and territories targeted**

The infrastructural investments identified by Government in relation to the TEN-T network aim to boost competitiveness, enhance productivity, bolster the tourism industry and improve the quality of life of citizens and visitors. Within this context, the target groups for such investments are the population as a whole and all economic sectors including the tourism and maritime industry, commercial businesses and investors. The Public Administration is the primary beneficiary of interventions to be financed through the Cohesion Fund.

Government has identified investments on the TEN-T road and maritime network for the whole territory of Malta and Gozo. Strategic areas such as Valletta, Marsaxlokk, and Mgarr, Gozo, where TEN-T sea ports are located will be given due consideration. Gozo will also be given particular importance to address its double insularity mainly due to its main dependence on Malta based channels for its connectivity to mainland Malta and the outside world.

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**Types of Intervention**

During the 2014-2020 programming period, Government envisages to continue investing in the upgrading of the TEN-T network. The planned interventions target the core and comprehensive network covering the recently agreed TEN-T road and maritime network in line with the TEN-T guidelines. Furthermore, this investment priority will support actions aimed at improving the efficiency of cross border transportation.
List of Potential Interventions

- Upgrading of the TEN-T Road Network

In order to ensure the smooth running of many economic sectors and improve accessibility, Malta needs to manage its road capacity and demand in a sustainable and resource efficient manner. Malta's geographical constraints put pressure on the current road network and therefore it is necessary for Government to enhance road efficiency and promote a coordinated development of existing road infrastructure. To this effect, Government envisages to improve safety and enhance efficiency through the upgrading of the TEN-T road network facilitating the development of sustainable urban transportation in Malta and Gozo.

The upgrading of existing road infrastructure in Malta and Gozo will also contribute towards alleviating bottlenecks on the road network with the ultimate aim to reduce travel times and achieve a more efficient transport system in Malta. Addressing points of congestion along the network will also result in a reduction of vehicle emissions which in turn should reduce the level of pollution generated through road transport.

- Maritime transport infrastructure

Malta has established itself as one of the leading maritime hubs and service centers in the Mediterranean region. Malta's four sea ports are an integral part of the maritime industry which has a vast potential to expand and create a number of job opportunities. The importance of the maritime industry has increased with maritime tourism and international shipping services gaining ground as important sectors within this industry. In this regard, the objective of the Maltese Government is to support investment in maritime infrastructure which will contribute towards enhanced competitiveness in the maritime sector as well as improved maritime accessibility.

The Valletta Grand Harbour and the port in Marsaxlokk are the main ports serving international traffic. These ports provide a myriad of maritime services including cargo storage and handling as well as maritime tourism services. In fact, Valletta is also a multipurpose port serving cruise liners, cargo, pleasure ships and yachts. The increasing shipping activity and new ancillary maritime services give an added value to the Maltese economy which requires the strengthening of maritime accessibility and improvement of port infrastructure to boost the potential of the country’s ports whilst meeting the needs of today's port business. In this regard, this investment priority will support the upgrading and development of port infrastructure in Marsaxlokk and Valletta. The interventions undertaken will aim to contribute towards increased safety and capacity whilst ensuring that the ports will be operational under all weather conditions.

Government intends to carry out maritime investment that would also target the secondary maritime ports which serve an important function in the Maltese socio-economic fabric. The ports in Ħalkewwa and Mgarr mainly serve inter-island transportation and business however these ports, particularly the Mgarr Harbour, has the potential to expand its operations and offer enhanced maritime services. During the consultations undertaken as part of the partnership process, the expansion of the Mgarr Harbour has been identified as a critical investment requirement for the economic development in Gozo. Over the past years, investment has been carried out for Mgarr Harbour to become a multi-purpose port meeting the needs of the Island of Gozo in terms of tourism and maritime leisure. However, further infrastructural investment is necessary to facilitate current and future maritime activities whilst sustaining Gozo’s potential to attract new industries and the creation of niche tourism activities including the cruise liner industry. Within this context, steps will be undertaken to explore the necessary interventions, including potential expansion, at the Mgarr Harbour with a view to maximise
efficiency in operations and facilitate the development of new services resulting in increased economic activity and accessibility.

- **Cross border links**

Government acknowledges that the infrastructural investment in international ports must be complemented with the necessary supporting amenities to carry out smooth operations as is expected from international hubs. To remain competitive, Maltese ports need to offer an efficient simplified customs procedure with reduced administrative burden. Within this context, this investment priority will support investment to reduce red tape and simplify clearance procedures with a view to ensure fast, secure and safe cross border systems.

### 3.11.2 Indicative Financial Allocation

The indicative total funding for this Priority Axis amounts to € 89 million.
3.12 Flexibility Facility

In line with Article 98 (2) of the Council Regulation (EU) No 1303/2013, Government has decided to avail of the possibility to finance in a complementary manner and subject to the limit of 10 per cent of European funds for the Programme, actions falling within the scope of assistance from the ERDF, provided that they are considered necessary for the satisfactory implementation of the operation and are directly linked to it. The flexibility facility will not necessarily reach the full 10 per cent. The use of the facility will be monitored through the Structural Funds Database.
Chapter 4: The Next Steps – Your views are welcome

This Operational Programme has been drafted as part of the programming process of the 2014-2020 EU Funding which has been allocated to Malta. Based on the Partnership Agreement of Malta 2014-2020; this Operational Programme sets out the investment plan that Government will undertake in the next programming period in relation to the European Regional Development Fund and the Cohesion Fund. Investments will be directed towards a number of key areas in line with the Europe 2020 targets, the Fund specific missions as well as Malta’s priorities. Interventions are aimed to enhance environmental sustainability, social well-being and a healthy society, whilst fostering competitiveness through economic development and job creation.

As part of the partnership principle and multi-level governance, whereby economic and social partners, civil society including environmental partners, non-governmental organisations and bodies responsible for the promotion of equality and non-discrimination and the general public at large are to be actively involved in the preparation of the Operational Programmes; interested stakeholders are invited to put forward their views, suggestions and comments in reaction to this document by Monday 16 June 2014.

Additional information may be viewed on www.eufunds.gov.mt and written feedback may be submitted through the following channels:

- by email on:
  info.eufunds@gov.mt

- by post at:

  EU2014-2020 Programming Unit
  Ministry for European Affairs & Implementation of the Electoral Manifesto
  House of Catalunya
  Triq Marsamxett
  Valletta