



Malta

National Reform Programme

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- . . . to indicate that data are not available;
- to indicate that the figure is negligible;
- 0 to indicate that the figure is zero;
- to indicate that data are not applicable or cannot be determined;
- n/c to indicate that there is no change in the data.

Figures may not add up due to rounding.

Minister's Foreword

The Government remains committed to achieving its environmental objectives through a carbon-neutral economy by 2050. Continued investment in renewable energy, sustainable infrastructure and the reduction in the transport sector's carbon footprint are some of the ways in which the Government is attempting to achieve such an objective.



In more practical terms, Malta is investing in an onshore electric power supply at the Grand Harbour area, supporting the electrification of vehicles, promoting public transportation use and offering incentives relating to green and digital investments by businesses. The latter measures resonate with another key area discussed in this year's National Reform Programme (NRP): productivity. The channel through which the Government intends to address this key target is by enhancing competitiveness, innovation, education and digitalisation.

Investments in the country are expected to remain high in 2023, supported by additional funds from the Recovery and Resilience Facility (RRF) towards high-quality investment projects and structural reforms, as well as projects funded from the Multiannual Financial Framework (MFF) for the period 2021-2027. These developments are expected to boost Malta's growth potential and ensure a sustainable growth model.

Such a growth model can only be achieved through a fair and just society that looks at each individual's value. To this end, the Government continues to promote social inclusion, mobility, and poverty reduction. By prioritising measures that incentivise work and increasing measures aimed at making work pay, essential steps are being taken towards ensuring universal access to opportunities for economic advancement. The Government is also prioritising the strengthening of the healthcare system's resilience, particularly in light of the COVID-19 pandemic and the subsequent rise in healthcare expenditure.

The Government is also investing in various social housing policies, demonstrating commitment towards social welfare, and its efforts to build a more inclusive and prosperous society. These targets go hand in hand with the necessity of having a transparent governing structure with a sound revenue collection system. To this end, the Government will continue to promote good governance and transparency, including through strengthening Malta's judicial system and institutional capacities while introducing measures to combat tax evasion and avoidance. Amongst Government's various plans, the Malta Police Force (MPF) and the Financial Intelligence Analysis Unit (FIAU) will continue to be strengthened.

To ensure macroeconomic stability, the overall fiscal policy stance will be marginally contractionary, with a targeted decline in the deficit, to ensure that the fiscal stance does

not add additional pressures on domestic price levels. The Government is committed to gradually balancing the budget over the economic cycle and keeping the debt-to-Gross Domestic Product (GDP) ratio at a prudent level below 60 per cent of GDP to ensure sustainable public finances.

By working closely together, implementing this NRP ensures that all citizens enjoy a sustainable, prosperous, and inclusive future.

A handwritten signature in blue ink, appearing to read 'C. Caruana', with a long horizontal flourish extending to the left.

Mr. Clyde Caruana
Minister for Finance and Employment

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1. Introduction

1.1 Malta's Strategy

The Maltese economy sustained its strong growth performance throughout 2022, as the economy grew by 6.9 per cent in real terms. Domestic demand was the primary contributor to growth in 2022 as the labour market developments remained buoyant, with the unemployment rate decreasing to a historic low of 3.0 per cent.

These macroeconomic developments present key challenges which the Maltese Government is set to address through a balancing act between having a prudential fiscal policy which seeks the efficient use of public funds and attaining the objectives outlined in the Maltese Recovery and Resilience Programme (RRP), the Sustainable Development Goals (SDGs) and the European Pillar of Social Rights (EPSR). The Government's strategy hinges on its socio-economic vision resting on five principles, namely, (i) good governance, (ii) a higher quality of life for all citizens, (iii) investing in education, (iv) renewal of Malta's infrastructure and (v) achieving a carbon neutral economy by 2050. This Programme highlights the Government's key policy responses to the major challenges grouped under thematic areas encompassing Environment, Productivity, Macroeconomic Stability, Fairness and Governance and Taxation.

The general direction of the Government's strategy is to address these key areas in a complementary manner such that multiple objectives can be reached through the same policy measure. Environmental objectives are being given a significant priority and efforts to encourage the green transition are being made through energy efficiency and renewable energy. Such a motive resonates with the need for continual investment in the national research and innovation sectors aimed at enhancing productivity. On the other hand, the key dimensions of Fairness, Macroeconomic Stability and Governance and Taxation are intertwined through the challenge of using public funds in a manner which promotes sustainable and inclusive growth. A sound revenue collection and governance system should support the necessary robustness of public funds which in turn makes it possible to achieve Macroeconomic Stability through a fairer and more equal society.

Malta's RRP, through its six components, outlines a comprehensive package of structural reforms and public investment projects aimed at effectively addressing challenges identified in the European Semester, including measures directly contributing to the green and digital transitions. Following the implementation of 16 milestones and 3 targets associated with a completion target year by end 2021, Malta submitted a request for payment for the first instalment of the non-repayable support, equivalent to €52.3 million net of pre-financing, on 19 December 2022. The satisfactory fulfilment of the milestones and targets associated with this first payment request has been preliminary assessed as positive by the Commission on 27 January 2023. Malta is also on track in implementing the remaining milestones and targets.

Directly contributing to the green transition, through Component 1 and Component 2 of the current RRP, more than half of the RRP funding is being utilised to address climate neutrality by enhancing energy efficiency particularly in buildings, encouraging clean energy and a circular economy, and decarbonising the transport sector. This is set to increase further through the revised RRP by way of the investments included in the REPowerEU Chapter aimed towards reducing the overall reliance on fossil fuels,

improving energy efficiency and speeding the transition to clean energy. These measures will also contribute to improving the air quality, the quality of life and overall health.

Nearly a fifth of the RRP funding is being absorbed by the digital dimension, namely Component 3, part of the investment in Component 4 and the investment in Component 6. Through the reforms and investments of Component 3, Malta seeks to fast track the digital transformation through policy reform, thereby contributing to long lasting impacts on the resilience of the Maltese economy in terms of domestic and international competitiveness. Malta will also be contributing to the digital transformation and resilience of the health system through part of the investment of Component 4 aimed at improving patient care, enhancing patient experiences, reducing waiting time and improving the quality of healthcare provision. Further contributions to the digital transformation are also set to be achieved through the investment in an integrated eFiling system across the justice system, as contained in the investment part of Component 6. These measures are aimed at improving business sentiment and trust in the Maltese institutions, which will in turn increase investment, efficiency and decrease bureaucracy.

Furthermore, through the other part of Component 4, the Government aims at improving the resilience of the health sector, leading to better health outcomes resulting in the population being more active in the labour market, raising productivity whilst sustaining future social protection expenditure. Through Component 5, the Government is focusing on enhancing the quality of education and fostering socio-economic sustainability. This Component's reforms and initiatives aim to bridge the gap between education provision and labour market needs, thereby resulting in enhanced fiscal sustainability in the long run.

1.2 Main Reform and Investment Priorities

1.2.1 Environment

Malta's economic vision places carbon neutrality at its core. The Government is committed to accelerate efforts to improve energy efficiency in buildings, increase investment in renewable energy, and promote the development of green spaces. Recent years have seen increased public investment in transport infrastructure, including arterial and urban roads, aimed at reducing congestion and improving air quality. The Government remains committed to reducing the transport sector's carbon footprint by supporting the electrification of vehicles and promoting the use of public transportation and alternative modes of transport.

The provision of onshore electric power supply through the Grand Harbour Clean Air Project aims at improving air quality. Following further studies, the design of the pipeline infrastructure has been upgraded to accommodate pure hydrogen. The consolidation and upgrading of national waste management infrastructure, will ensure that Malta will continue to positively progress in its green transition and enable Malta to transition towards a more circular economy.

1.2.2 Productivity

The administration of research and innovation and the digital transition remain amongst the key policy areas pursued by the Government. The underlying rationale for which

productivity's importance is shown, stems from a country's ability to efficiently create and make use of resources owned to satisfy both the short-run and long-run social, economic and environmental objectives.

Substantial investment continues to take place in the area of digital transition, with six pilot projects of the National Artificial Intelligence Strategy underway and with a number of initiatives using artificial intelligence on the tourism side. With regards to research and innovation, the Malta Council for Science and Technology is currently in the process of updating the National R&I Strategic Plan for 2023-2027, following a public consultation.

1.2.3 Macroeconomic Stability

The conflict between Russian and Ukraine challenged the prospects of economic recovery across the world after the COVID-19 pandemic. As inflationary pressures mounted from abroad, the Government adjusted its spending to support the economy and stabilise the prices of basic commodities, allowing the economy to register a notable rate of economic expansion and generate more revenues to finance additional support from public funds. In spite of the added cost of energy-support measures, the Government is nonetheless still managing to stay close to the deficit target for 2022, such that by the end of September 2022, the debt ratio stood at 53.1 per cent of GDP, compared to a target of 57.0 per cent of GDP. The Government's prudent fiscal policy in 2024 shall ensure medium-term debt sustainability, while raising potential growth in a sustainable manner and addressing the green and digital transitions and resilience objectives through investments and reforms.

The sustainability and adequacy of the Maltese Pension System is another priority area aimed at enhancing Macroeconomic Stability, whilst reducing inequality. Several measures were introduced over the recent years, targeted at increasing the duration of working lives and to encourage diversification of retirement in order to reduce sole dependency on state pensions. In terms of adequacy, pensioners have been benefiting from annual increases in pensions, complimented by expansions of the non-taxable pension threshold.

1.2.4 Governance and Taxation

One of the Government's aims is to improve governance and strengthen Malta's judicial system and institutional capacities. The Government continued to introduce several measures as well as legislative amendments aimed at improving governance. Amongst these measures are those which seek to improve the efficiency of the law courts through the simplification of judicial proceedings.

During 2022, the Government maintained sustainable effective judicial framework through training, and implementing an effective AML framework. In 2023, these reforms are going to be further supplemented with improvements to institutional capacities. More notably through the improvement in the rule of law and the money-laundering framework. This is to be achieved through the strengthening of the Malta Police Force (MPF) and the Financial Intelligence Analysis Unit (FIAU). Another target is to further digitalise the justice system in order to develop and enhance Malta's democracy.

1.2.5 Fairness

The Government's plan is to continue reinforcing distributional policies with the objective of promoting social inclusion and mobility, as well as reducing poverty. By prioritising measures that incentivise work and increasing measures aimed at making work pay, the Government is taking important steps towards ensuring that everyone has access to opportunities for economic advancement. Moreover, the Government's efforts to promote the inclusion of people with disabilities in the workforce and improve quality and access to education, shows a commitment to reduce early leaving from education and training and build a more equitable and inclusive society. The Government implemented a range of measures to tackle housing affordability, including an equity sharing scheme and other initiatives aimed at helping individuals become homeowners. The Government is also prioritising the strengthening of the healthcare system's resilience, particularly in light of the COVID-19 pandemic and the subsequent rise in healthcare expenditure. Overall, these policies demonstrate the Government's commitment to social welfare and public health, as well as its efforts to build a more inclusive and prosperous society.

1.3 Sustainable Development Goals

The Government has made progress in all areas related to the SDGs and is committed to uphold the principles outlined in the 2030 Agenda. To this end, budgetary measures have been aligned with the SDGs, and initiatives are being implemented in accordance with the 2030 Agenda targets.

2. Macroeconomic Context and Scenario

2. Macroeconomic Context and Scenario

2.1 Macroeconomic outlook for the period covered by the programme

2.1.1 Macro Forecasts 2023-2024

The Maltese economy sustained its strong growth performance throughout 2022, as the economy grew by 6.9 per cent in real terms. Economic growth was mainly driven by domestic demand. Consumption growth accelerated by 10.1 per cent, supported by migrant-led population growth and a resilient labour market. In fact, the unemployment rate decreased to a historic low, reaching 3.0 per cent in 2022. Government consumption remained supportive of domestic growth conditions, and significant one-off investments in transport equipment contributed to robust investment growth. Net exports contributed negatively to economic growth in 2022, driven by a large increase in imports of 9.7 per cent, mainly due to the importation of capital goods and industrial supplies. Import growth was partially offset by growth in exports of 6.4 per cent, which was supported by a stronger than expected rebound in tourism.

Details on the economic outlook, as well as a sensitivity assessment of the baseline scenario will be presented in the Update of the Stability Programme.

2.2 Distributional Impact of Selected 2023 Budget Measures

This section analyses the distributional impact on households of two policy measures¹ announced in the 2023 Budget. These measures are the increase in the children's allowance and the additional Cost of Living Adjustment (COLA) mechanism. To assess the impact of these initiatives, simulations were modelled using EUROMOD². The simulations consisted of a baseline scenario, which represents the 2022 tax and benefit model, and a scenario in which the reform is modelled for estimation. For each measure, the difference between these two scenarios is the impact of that specific policy reform.

EUROMOD is a static model and thus, the results illustrate the impact of the reform measures presuming that everything else remained unchanged. These results cannot be compared to previous estimations as found in earlier editions of the National Reform Programme (NRP) because of the constant changes in the model which affect the baseline scenario.

Increase in the Children's Allowance

In the Budget for 2023, the Government announced that as from this year the children's allowance will increase by an annual rate of €90 for each child. Thus, parents of dependent children will earn an additional €90 per child each year, irrespective of their income.

EUROMOD simulations carried out to assess the impact of the increase in the children's allowance, suggests that the overall at-risk-of-poverty rate is expected to decrease by around 0.03 percentage points, affecting mostly the at-risk-of-poverty for children, equivalent to around 0.11 percentage points. The Gini coefficient, which is an indicator showing the level of inequality in the distribution of disposable income, also recorded a drop, implying that this measure lessens income inequality. In addition, a positive distributional impact on all income brackets was registered. This is illustrated in Chart 2.1, which shows the impact the reform has on the equivalised disposable income by decile.

Distributional impact of reforms (in percentage points)

Table 2.1

	Increase in the Children's Allowance	Additional COLA Mechanism	Combined (Children's Allowance + Additional COLA Mechanism)
Poverty Indicators			
Population	-0.03	-0.58	-0.66
Children	-0.11	-0.74	-1.04
Working Age	-0.01	-0.43	-0.48
Working Age Economically Active	-0.01	-0.32	-0.37
Elderly	-0.02	-0.99	-0.99
Gini Coefficient	-0.000	-0.003	-0.003

Source: Economic Policy Department Workings

Additional COLA Mechanism

The additional COLA mechanism is a new benefit which targets families mostly at-risk-of-poverty. This mechanism was developed to compensate low-income families for the recent increase in the cost of living due to high inflation. The mechanism is triggered when two circumstances occur:

- The inflation rate in the previous 12 months is higher than 2.0 per cent.
- Individual inflation in the previous 12 months in three of the five basic components of the Retail Price Index (RPI) (namely Food; Accommodation; Electricity, Water, Gas and Fuel; Household equipment and house maintenance cost; and Personal health care) exceed their five-year rolling average.

If both conditions are met, the mechanism is triggered and households who earn less than the household median equivalised income³ will benefit from a pay-out based on the household earnings and household size. The households most exposed to the price increases will receive the highest allowance, as the mechanism ensures that the pay-out is highest among families with more persons living in same household and whose household equivalised income is low.

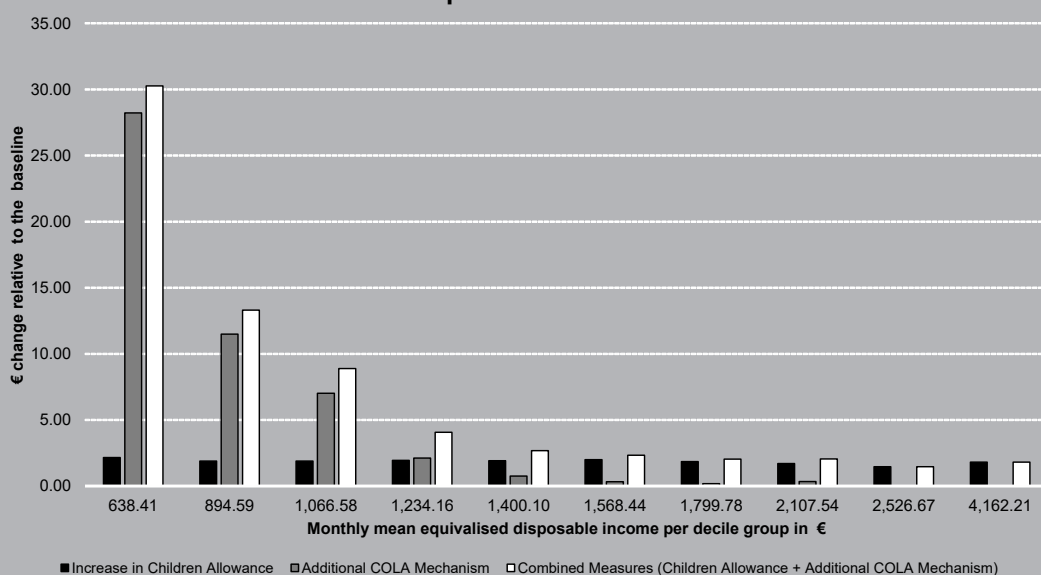
This measure is expected to reduce the overall at-risk-of-poverty rate by around 0.58 percentage points, as shown in Table 2.1. This decline is mainly driven by a decrease of 0.99 percentage points in the at-risk-of-poverty rate among elderly households, reflecting a higher benefit for this category. The Gini coefficient also registered a decline, suggesting that this measure helps to alleviate income inequality. Furthermore, Chart 2.1 shows that the rise in equivalised disposable income is considerably higher for the bottom three deciles, reflecting the targeted nature of this measure.

Combined measures (Children's Allowance and Additional COLA Mechanism)

The combined distributional impact analysis of the two selected 2023 Budget measures referred to in this section demonstrates that the Government continues to fulfil its promise to improve people's standard of living. Specifically, there was a positive distributional impact on all income brackets and a positive impact in terms of the overall at-risk-of-poverty rate for all the policies that have been assessed. In this regard, the largest decline in the at-risk-of-poverty rate was incurred by the children and elderly cohort with a decline of 1.04 percentage points and 0.99 percentage points, respectively. This

Chart 2.1

Distributional impact of the policy measures - based on equivalised disposable income



Source: Economic Policy Department Workings

positive distributional impact is also confirmed by the improvement in the Gini coefficient. Chart 2.1 shows the positive distributional impact by decile group of the aforementioned measures combined. Specifically, households earning a monthly equivalised disposable income of around €638.41 (thereby falling within the first decile) are expected to benefit from an average of €30 per month from both measures.

2.3 Macroeconomic Impact of Structural Reforms

Over the past years, the Maltese Government continued to introduce a number of reforms with the scope of boosting businesses' confidence, thus bringing about higher efficiency, productivity and employment while improving potential output growth and living standards. These reforms, as outlined in Chapter 3, are crucial to meet the objectives laid down in the Country Specific Recommendations (CSRs) as they aim to continue:

- strengthening fiscal responsibility and ensuring long-term sustainability of public finances;
- supporting households and firms most vulnerable to energy price hikes
- strengthening the country's institutions and good governance in line with international standards whilst also strengthening the tax system;
- supporting the green transition by encouraging investment towards energy efficiency, promoting the use of energy from renewable sources and supporting investment in sustainable transport;
- improving the physical infrastructure and the quality of the business environment;
- encouraging greater investment in research and innovation whilst enhancing investment in the digital transition;
- reducing poverty and promoting social inclusion; and
- improving inclusiveness of education and reducing skills gaps.

The following section seeks to illustrate the likely economic impact of the Government's intervention to absorb the spike in the price of electricity.

2.3.1 Stabilisation of Electricity Prices

The COVID-19 pandemic along with the geo-political tension experienced over the past year have led economic conditions to change at a fast pace. Particularly, the post-pandemic period has been characterised by a surge in global demand which in turn resulted in a higher demand for energy. But this increase in the demand could not be met due to the supply of energy being hampered by bottlenecks and lags in the production of oil as a consequence of the pandemic. This, coupled with the sanctions adopted by the European Union (EU) following the conflict in Ukraine, including the ban of imports of refined petroleum products from Russia along with the technical disruptions affecting the provision of natural gas to EU countries, has led to skyrocket energy prices.

Such high increases in energy prices may be detrimental to businesses as it increases their cost of production. In addition, it significantly impacts households by reducing their purchasing power, especially liquidity-constrained households, whereby a higher chunk of their income needs to be attributed towards higher electricity bills and fuels costs. In addition, households' purchasing power could be further impacted if firms and service providers decide to pass, in-part or in-full, the increase in energy prices on their consumers by charging higher prices. This, may lead households to cut back on their consumption which in turn, leaves some businesses with lower sales and hence higher difficulty to maintain their profit margins.

Amid such economic turmoil and in light of the possible adverse impacts of higher energy prices on both households and businesses, the Maltese Government has stepped in to mitigate the higher energy inflation. Indeed, the Government subsidised the increase in energy prices to keep them stable. Apart from this, the Government has also subsidised increases in the prices of some necessity food. However, for the purpose of the analysis presented in this section, the only policy change being modelled is the one relating to the Government's response to the spike in energy prices. Therefore, no Government intervention other than the subsidisation of the increase in the price of electricity and fuel is being modelled, while all other policy parameters are assumed to remain constant. Indeed, the scenario presented in Table 2.2 aims at shedding light on the likely economic impact of the increase in prices of energy had the Government refrained from intervening to soften the blow of energy prices. The results are based on modelling generated on the basis of the QUEST III model⁴.

Based on the results presented in Table 2.2, had the Government refrained from intervening to freeze energy prices, the Maltese economy would have been negatively impacted. Indeed, it is expected that relative to the baseline, output would have declined by around 0.8 per cent by the third year (which is the final year in which a shock to energy prices is given), while the negative effects on output would continue to be felt in the long term, albeit to a lower extent. In line with expectations, consumer prices would have increased by around 5.2 per cent by the third year and thus contribute to a higher inflation rate. Consequently, consumption would have been expected to fall by around 4.9 per cent by the third year term relative to the baseline. In addition, investment would have been expected to fall by around 6.9 per cent by the third year relative to the baseline. Thus, the Government's support on energy prices has prevented the Maltese economy from higher inflation rates and dynamics which would have deteriorated households' financial position and pressured businesses with soaring costs, causing a burden on their margins. Therefore, the Government's timely intervention has been vital in limiting such negative economic dynamics and distress on the Maltese economy.

Estimated economic impact of the increase in energy prices had the Government not intervened (cumulative percentage changes from 2021)

Table 2.2

Year	2022	2023	2024	2025	2026	2030	2035
GDP	-0.29	-0.63	-0.82	-0.90	-0.87	-0.68	-0.47
Consumer prices	3.74	5.21	5.21	3.51	2.38	0.60	0.19
Investment	-3.88	-6.35	-6.90	-5.73	-4.27	-0.93	-0.12
Consumption	-2.65	-4.42	-4.92	-3.97	-2.92	-0.86	-0.36

Footnotes:

¹ The measures are selected based on what can be modelled within EUROMOD using the EU-SILC micro-data.

² EUROMOD is a tax-benefit microsimulation model for the EU that enables researchers and policy analysts to calculate, in a comparable manner, the effect of taxes and benefits on household incomes and work incentives for the population of each country and for the EU. The simulations are based on the 2022 tax and benefit system of Malta using EUROMOD version I5.0+ and the 2020 EU-SILC microdata.

³ In 2022 the household median equivalised income is set at €17,796.

⁴ QUEST III with research and development is a Dynamic Stochastic General Equilibrium (DSGE) model developed by the European Commission and adapted specifically to the Maltese economy.

3. Key policy response to major economic, employment and social developments and challenges

3. Key policy response to major economic, employment and social developments and challenges

3.1 Introduction

This Chapter highlights the key policy responses by the Government to major economic, employment and social development challenges. It is structured around the four dimensions of competitive sustainability and in line with the UN Sustainable Development Goals (SDGs). Malta faces its own unique set of challenges, specifically related to several thematic areas; namely, to the environment, productivity, macroeconomic stability, governance and taxation, and fairness.

In addition to the initiatives highlighted in this document, the Government remains committed to implement the Recovery and Resilience Plan (RRP) in line with the set milestones and targets and the implementation of the 2021-2027 Cohesion policy. This commitment is in line with the second CSR of 2022.

The implementation of the RRP has moved in line with the proceeded and is on track in line with the milestones and targets included in the Council Implementing Decisions of the 5th October 2021. Malta and the Commission have agreed on operational arrangements of a technical nature, detailing aspects of the implementation with respect to timelines, indicators for the milestones and targets, and access to supporting documentation.

Reporting on FENIX is carried out regularly in line with reporting requirements. A first payment request was submitted in December 2022, after which it was approved, subject to following the achievement of all milestones and targets due in 2021.

Work is on schedule for the other milestones and targets. As per schedule, Malta is expected to submit its second payment request in mid-2023. Annex Table 2 includes an extract from FENIX, highlighting the achievement of these milestones and targets.

3.2 Addressing the Challenges

3.2.1 Environment

Related CSRs:

- *focus investment on the green transition (CSR 3 2020), in particular on clean and efficient production and resource and energy efficiency (CSR 3 2019, CSR 3 2020) and natural resources management (CSR 3 2019).*
- *expand public investment for the green and digital transition and for energy security, including by making use of the RRF, RePowerEU and other EU funds (CSR 1 2022).*
- *reduce over-reliance on fossil fuels by accelerating the deployment of renewables; promoting and enabling investments in wind and solar energy, including in floating offshore energy; further upgrading Malta's electricity transmission and distribution grids; and creating incentives for electricity storage to supply firm, flexible and fast-responding energy. Reduce energy demand through improved energy efficiency, particularly in residential buildings (CSR 4 2022).*
- *focus investment on sustainable transport (CSR 3 2019 and CSR 3 2020) and reducing traffic congestion (CSR 3 2019) and waste management (CSR 3 2020).*
- *reduce emissions from road transport by addressing traffic congestion through improved service quality in public transport, intelligent transport systems and investing in soft mobility infrastructure (CSR 4 2022).*

The Government developed a set of measures that decarbonise the economy aimed at achieving carbon neutrality by 2050 through its Low Carbon Development Strategy (LCDS), the National Energy and Climate Plan (NECP), the Long-Term Renovation Strategy (LTRS), the Long-Term Waste Management Plan (WMP), the National Strategy for the Environment (NSE), the National Transport Strategy 2050 (NTS) and the Transport Master Plan (TMP).

To encourage the green transition, measures focusing on energy efficiency and renewable energy contribute to safeguarding access to affordable and clean energy (SDG 7) and towards climate action (SDG 13). Measures aimed at achieving sustainable mobility and decarbonising transport contribute towards building resilient infrastructure, making cities and communities sustainable and towards climate action (SDGs 9, 11, 13). The Government's response to the environmental challenges also contributes towards clean water and sanitation (SDG 6) by ensuring that sustainable waste services (SDG 11) are being supported through waste management policies.

3.2.1.1 RRP related measures

The RRP contributes to environmentally stable economic growth, especially in supporting the green transition. It includes measures relating to energy efficiency, renewable energy, sustainable transport, and waste management.

i. Milestones and targets for reforms and investments completed by 31 December 2022

Malta has delivered on milestones and targets associated with reform and investments in this area. As part of the Long-Term Renovation Strategy, the training and certification of professionals in the construction industry has been launched and standards have been adopted for this industry.

In waste management, the conditions are in place for the recovery of construction and demolition waste through backfilling of void spaces (quarries). In addition, the responsibility for waste collection across Malta and Gozo has shifted to the six regions, in parallel with the entry into force of revised legislation on packaging material to allow for such regional collection.

Energy Performance Audits for Mount Carmel Hospital and for several public buildings selected for retrofitting to increase energy efficiency have been carried out. Furthermore, calls for applications for grants targeting the renovation of non-residential private sector buildings were launched. Efforts towards increasing energy efficiency in public education spaces have continued through the contracting of services for the renovation of two Public Schools and for the construction works of a near carbon neutral school.

Further action has been taken towards addressing the challenges of decarbonising transport, contributing towards the reduction of both traffic congestion and the related emissions, together with the promotion of better work-life balance. The Sustainable Urban Mobility Plan for the Valletta Region has been published along with the Remote Working Policy for Government Employees. A grant scheme to support purchasing of electric vehicles and bicycles by the private sector, including a scrappage scheme, was launched. In addition, a Memorandum of Understanding (MoU) for the part replacement of the public transport fleet was signed. The provision of free public transport to all personalized *Tal-Linja* card holders as well as the completion of the study on enhanced mobility management in the public service, were also achieved ahead of schedule, in 2022.

ii. Milestones and targets expected to be fulfilled between 1 January and 31 December 2023

Further action will continue to be implemented in the environment thematic area during 2023. In relation to the Long-Term Renovation Strategy, further action includes the training and certification of 500 professionals in the construction industry and having a fully operational Building and Construction Authority.

In the area of waste management, action includes the entry into force of a new regulatory framework for the management of construction and demolition waste.

In terms of energy efficiency, procurement contracts for the renovation of public buildings and Mount Carmel Hospital will be signed. The renovation works of two public schools and the construction of the near-carbon neutral school will be completed.

Actions aimed at decarbonising transport will progress steadily. The grant scheme to support the purchase of electric vehicles and bicycles by the private sector, including a scrappage scheme, has been re-launched. Contracts for the purchase of electric vehicles for the public service will be signed and the part-replacement of the public transport

fleet through the purchase of zero-emission electric buses will progress. These three actions are expected to result in reduced emissions and better air quality.

3.2.1.2 Additional Measures

i. The Green Transition

The green transition refers to the economic, environmental, and social transformation needed to make the economy more sustainable in the future. This is done through the implementation of measures that combat climate change and prevent environmental degradation, as better explained in the sub-sections below. R&I efforts supporting the green transition are elaborated in Section 3.2.2.

Sustainable Finance

As included in the Malta Financial Services Authority (MFSA) Supervisory Priorities 2022, the Authority will continue participating in the development and eventually follow the guidelines issued by the European Supervisory Authorities (ESAs) and the Network for Greening the Financial System (NGFS). Additionally, in January 2023, the MFSA started participating in a European Union (EU) Technical Support Instrument (TSI) multi-country project which will provide technical support on supervisory capacity enhancement in Sustainable Finance.

The Government has also launched Malta's first ESG Portal to facilitate local and foreign investors' access to data measuring the environmental, social and governance (ESG) credentials of amongst the largest quoted companies on Malta's Stock Exchange. The ESG Portal provides a platform which will serve to further encourage sustainable investment. Malta Enterprise will also be developing guidelines for companies to obtain ESG credentials. This process will also be extended in the form of technical support for small and medium-sized enterprises.

Green Open Spaces

In 2023, Government has launched Project Green, the agency entrusted with delivering the Government's seven-year investment plan of €700 million in the creation, maintenance and invigoration of public gardens and other open spaces in Malta and Gozo. Project Green will focus on collaboration, delivering quality projects for everyone to enjoy green recreational spaces a short walk from home whilst ensuring their sustainability. It will work in collaboration with other entities to maximise resources and ensure continuity. Project Green already launched a €10 million Community Greening Grant scheme, giving communities in Malta and Gozo the opportunity to create and enrich green open spaces in their localities. St. Clement Park was also extended by more than 2,000 metres squared, including the planting of more than 250 trees and shrubs.

Energy Efficiency

The Government relaunched the roof insulation and double-glazing scheme in mid-2022 for households, aimed at increasing energy efficiency. Between 2017 and the end of 2022, approximately 1,150 inefficient appliances have been replaced for low income and vulnerable households. Schemes encouraging the promotion of energy audits in SMEs will also continue.

The Building and Construction Authority (BCA) launched the 'Irrinova Darek' pilot scheme in 2022. The objective of the measure was to encourage energy efficiency of dwellings in certain Urban Conservation Areas (UCA) in the Southern Harbour. The

upgrades could be tailored to the dwelling's specific needs and were flexible to cater for several energy efficiency measures as well as the integration of renewable energy sources. Whilst registrations for this scheme are now closed, discussions on its renewal are ongoing.

In 2022, calls were issued under the scheme to Sustain Energy and Water Efficiency within Voluntary Organisations. A number of organisations benefited from the allocated funds, and additional funds have been made available to new calls in 2023.

Other measures currently in place to increase energy efficiency and renewable energy uptake include the upgrading of primary water network with the aim of it being completed by Q4 2023; the installation of more energy-efficient process aeration equipment at the Ta' Barkat Wastewater Treatment Plant, to be completed by Q2 2024; and installations of PV panels at the Water Services Corporations (WSC), by Q4 2024.

Alternative Sources of Energy

There are a number of grant schemes in place for households promoting the use of renewable energy, mainly the use of photovoltaic (PV) panels as well as the use of battery storage systems. These schemes are complemented by a number of feed-in tariff schemes such as that available for PV systems with a capacity of less than 40kWp. Additionally, the Government is also providing support schemes for medium- and large-scale renewable energy installations through a competitive bidding process. Further to the calls which have already been launched, ten calls are being scheduled to be held by the end of 2023.

The Energy Efficiency and Renewable Energy (EERE) Malta Financial Instrument is being implemented under the Cohesion Policy programme 2014-2020. Several NGOs have also benefitted from ERDF funding under the 2014-2020 Programme for the installation of PV panels on their respective buildings. A scheme to promote the installation of PV panels on Government buildings in February 2022 is still open for expressions of interest from Ministries, departments, and public entities.

A second electrical cable interconnection between Malta and Sicily is planned to be commissioned by the end of 2025. This will cater for the increased demand in electricity resulting from the electrification of the road transport and to cater for the increased demand due to economic growth. This second cable link will not only double the electrical connectivity capacity with the EU, but it will also increase the uptake of indigenous and large-scale renewable energy generation. Finally, during 2022, Malta conducted further studies on the Melita TransGas hydrogen-ready Pipeline Project of Common Interest (PCI 5.19), thereby upgrading the design of the pipeline infrastructure to accommodate pure hydrogen.

ii. Sustainable Transport and Road Congestion

The Government is improving the road network (particularly the TEN-T roads) by removing traffic bottlenecks and introducing sustainable travel measures, including investments co-funded under the Cohesion Policy for 2014-2020 programming period and investments under the Connecting Europe Facility. Transport Malta is currently conducting a mid-term review of Malta's Transport Master Plan 2025. The time horizon of the plan will be extended up to 2030 to be in line with national commitments relating to greenhouse gas (GHG) emission reduction, as set out in the National Energy and

Climate Plan and Low Carbon Development Strategy. The National Transport Model shall be updated with a view to forecast transport-relevant indicators, to identify new transport policies and measures, where required.

The introduction of various intermodal choices through the SMITHS project shall facilitate intramodality and address cleaner air. These include upgrading the inner-harbour ferry network and promoting walking and cycling as a clean and sustainable mode for commuting. Through this project, six electric buses were deployed in Gozo to offer a park and ride service from Xewkija to Mgarr Harbour, thereby reducing emissions from congestion near the Harbour. Furthermore, works are ongoing to construct a multi-modal transport hub adjacent to *Ta' Xħajma* horse track.

An integrated Intelligent Transport System (ITS) services platform shall be developed to indirectly address public bus transport and traffic efficiency, by providing close to real-time traffic data and travel information.

In 2019, the Government committed an investment of €700 million over 7 years to upgrade the road network aimed at addressing congestion and pollution. By the end of 2022, the Government will have invested a total of €507 million in road infrastructure improvements in Malta. Several large infrastructural projects were completed with this investment, including the Mrieħel Underpass Project, enabling the introduction of safer pedestrian and cycling crossings. In 2022, road infrastructure works continued at the Airport Intersection and Luqa Junction Projects. With an aim to finalise the TEN-T network, road investments are expected to be part of potential investment under the Cohesion Policy for the 2021-2027 programming period.

The Government remains committed to reduce the transport sector's carbon footprint through the electrification of vehicles. To this effect, in 2022 the Government strengthened its efforts towards increasing the uptake of electric vehicles through various measures. As a result, by the end of December 2022, there were 3,046 electric vehicles, 2,986 plug-in hybrid cars, 200 pedelecs and 5,594 electric motorcycles licensed.

As part of its budget measures for 2023, the Government continued to incentivise the acquisition of new electricity-powered vehicles through a grant of €11,000, which goes up to a maximum of €12,000 if the vehicle scrappage scheme as outlined in the RRP related measures above is availed of. Additional incentives provided to whoever purchases a new electric vehicle include relief from registration tax, exemption from the annual road license fee for a period of five years from the date of first registration and lower cost per unit of electricity consumed for owners of electric cars during off-peak hours. Furthermore, as from 2023, plug-in hybrid vehicles with battery autonomy of 50 kilometres will be also eligible for registration for tax relief.

To support the shift towards decarbonisation, the Government remains committed towards the gradual introduction of charging pillars. By mid-March of this year, 182 charging pillars have been made available to the public. Government is currently in the process of modernising 56 of these to be interoperable, and at the same time, convert single point charging pillars to dual point charging pillars and replacing 10 medium chargers to fast chargers. The Government plans to continue increasing the number of charging points in the coming years.

In order to improve the air quality in the highly urbanised areas surrounding the Grand Harbour, the Government is committed to provide onshore electric power supply in the Grand Harbour to enable berthed vessels to switch off their gas- or heavy-fuel-oil-fired engines and plug in to shore side electricity to power their on-board systems. The first phase of the Grand Harbour Clean Air Project is expected to be completed by the end of 2023. Furthermore, with an investment of €50 million, the second phase of the project provides an extension of the supply of shore-side electricity to ships berthing in this area, including *Ras Hanżir*, Laboratory and Magazine Wharves as well as two quays located within the Palumbo Shipyard (these being Dock 6, also known as China Dock, and Parlatorio quay) and the Mediterranean Maritime Hub (MMH).

iii. Waste Management

Adopted in December 2021, the Long-Term Waste Management Plan (WMP) 2021- 2030 includes policy measures which target the recycling and diversion of waste from landfills together with measures that support the green transition.

The ECOHIVE project aims to modernise and upgrade the current waste management infrastructure. It is made up of four facilities: the Waste to Energy Facility, the Material Recovery Facility, the Organic Processing Facility, and the Thermal Treatment Facility for hazardous and clinical waste.

The Waste to Energy plant in Malta focuses on diverting away from landfill non-recyclable waste, whilst also having the required operational flexibility through the installation of two operational lines with a capacity of 96 tonnes each. Interested candidates were requested to provide information on their financial and economic standing, experience and competence for the completion of the Waste to Energy plant. Through a prequalification questionnaire published in April 2022, candidates had till the 21st June 2022 to submit the requested information and the first five ranked operators have been short-listed and received an invitation to tender.

In parallel, ground preparation works for the Waste-to-Energy project are on track and the required excavations have already started. This follows the granting of full development permits for these activities and the conclusion and approval of the environmental impact studies.

The design of the Organic Processing Plant is currently being finalised and set to be commissioned by Q3 2026. The plant, costing around €50 million, is a major project and discussions are currently underway for potential EU funding. This facility will treat source-segregated organic waste, estimated at around a maximum throughput of 74,300 tonnes annually, and will contribute to the reduction of biodegradable waste going to landfill.

The cost-benefit analysis and the feasibility study relevant to the design of the Material Recovery Facility (MRF) are nearing completion. The MRF will sort recyclable waste such as paper, plastic and metals and direct them for export for recycling. The commissioning of the temporary Material Recovery Facility is also currently in progress.

The MRF, the implementation of the Beverage Container Refund Scheme (BCRS) and the changes to waste disposal fees measures (from the Waste Management Plan 2021-2030) shall result in variations to the current feedstock. In view of this, the projected

timeframe of the commissioning of the permanent Material Recovery Facility which was set to take place in Q4 of 2025, might need to be shifted to a later date for the investment to be done at a time when there is better feedstock stability.

Following the launch of the BCRS in November 2022, a total of 47 million empty drinks containers, equivalent to more than 2,000 tonnes, were collected by 25th March 2023. The bulk (70 per cent), were single-use plastics (SUP), followed by aluminum cans (23 per cent), and glass (seven per cent).

In 2023, detailed work is planned for the Thermal Treatment Facility, based on the conclusions of the cost-benefit analysis. This includes the design of the project, technical specifications and cost estimates. The works tender document will also be drafted so as to obtain the relevant permits. The facility will treat hazardous waste that cannot be landfilled, including abattoir, clinical, and pharmaceutical waste, and will cater for waste currently exported for incineration. Commissioning is set to take place in Q4 2026.

As part of the ECOHIVE Project, WasteServ is also building a Skip Management Facility aimed at streamlining the waste received in skips. WasteServ is currently working on the procurement process for the Skip Management Facility, which should be up and running by Q2 2025.

As an expansion to WasteServ's current infrastructure, an advanced Multi-Material Recovery Facility (MMRF) and storage facility, co-funded under the 2014-2020 Cohesion Policy Programme, is close to completion. This will improve the efficiency of handling waste material and its preparation for exports. The MMRF will be fully operational by the first half of 2023. Its purpose is to enhance the reuse and recycling potential of many waste streams which would have otherwise gone to landfill.

Through the Encouraging Sustainable Waste Practices in Households and Beyond Project, households, schools and the public sector are being provided with different facilities to encourage waste separation at source as well as an extensive education campaign. The educational aspect will also be strengthened through an EU-funded interactive centre in Marsascala, planned to open during 2023. The centre will educate people on the various waste management initiatives and projects that WasteServ is currently working on.

3.2.2 Productivity

Related CSRs:

- ***focus investment on research and innovation (CSR 3 2019 and CSR 3 2020).***
- ***focus investment on the digital transition (CSR 3 2020).***
- ***promote private investment to foster the economic recovery (CSR 3 2020).***

Catalysing and sustaining economic growth requires continual investment in the national research and innovation (R&I) sectors. The need for new knowledge in the creation of products and production techniques is common amongst all economic segments.

Furthermore, as will be explained in detail in the following chapter, the CSRs targeted in this sub-chapter all contribute to various sustainable development goals. Primarily, aside from boosting productive capabilities, smarter resource allocation in turn creates smarter job design and creation, falling in line with SDG 8 (decent work and economic growth). On the other hand, investment in local research and innovation contributes in the short- and long-run goals of improving the country's industries, innovation, and overall infrastructure (SDG 9). Furthermore, other measures primarily targeting the productive component additionally address areas such as peace, justice, and institution(al) efficiency (SDG 16), the provision of quality education (SDG 4), amongst others.

3.2.2.1 RRP related measures

The following sub-sections include RRP-specific measures contributing to national productivity through digitalisation and research and innovation (R&I).

i. Milestones and targets for reforms and investments completed by 31 December 2022

Malta has delivered on the remote working policy for the public administration with the Modern Digital Workplace, a remote work platform, which is being strengthened further with the investment envisaged for the provision of the necessary hardware and software to enable remote work for public officers.

A scholarship scheme for students to become ICT professionals was launched. This deepened the digital transformation by promoting advanced digital skills, generating more human resource capacity in this key sector.

A scheme to support businesses in their aims to achieve digitalisation was launched and is generating considerable interest.

A pilot scheme supporting individuals to mitigate the digital divide was concluded ahead of schedule.

ii. Milestones and targets expected to be fulfilled between 1 January and 31 December 2023

Further work relating to the above is expected in 2023. Ongoing investments in the digital backbone (Government Network referred to as MAGNET and MITA Corporate Data Centers) is expected to increase the uptime.

3.2.2.2 Additional measures

i. Digital transition

The six pilot projects of the National Artificial Intelligence Strategy, aimed towards augmenting the digitisation element of Malta's public sector, are well underway. More specifically, the developments of the projects targeting customer service and education are being implemented and expected to be finalised by the end of 2023. The healthcare pilot project is at tender stage and completion is planned by 2024. The tender to the tourism related project has been awarded and is at contract signing stage. The other two pilot projects related to transport and utilities are in progress.

The Malta Digital Innovation Authority is in the process of establishing a European Digital Innovation Hub (EDIH) as a one-stop shop supporting companies to respond to digital challenges and become more competitive.

The National Statistics Office (NSO) and Malta Statistics Authority (MSA) presented 13 key Census topics to Eurostat in a 1km-square-grid format. The latter provides the user additional flexibility in conducting situation-specific research and/or policy analysis. Furthermore, some of these indicators across several thematic publications will be gradually released in 2023.

Interlinking education with the digital transition, the Directorate for Research, Lifelong Learning and Employability (DRLLE) introduced learningbox.edu.mt in December 2021, which is an online platform for asynchronous adult education. In addition, DRLLE in academic year 2022-2023, started offering courses to aid students in acquiring skills in media literacy, digital literacy, and personal finance.

Building upon the criteria for the provision of digital education as developed by experts, a webinar to launch the Guidelines for Quality Assurance for online learning providers in Malta, as published by the Malta Authority for Further and Higher (MFHEA) was held in October 2021. By the end of 2022, the applications of 20 already licensed education institutions to start providing blended or fully online education, were approved. Furthermore, 6 out of 19 new licenses issued in 2022 were issued with online/blended provisions.

Tourism

The Government has officially launched the Digital Tourism Roadmap 2030 in April 2022, a policy document aimed towards providing direction to local tourism operators in terms of maximising their respective opportunities and investment in a post-pandemic era.

In 2021, the Malta Tourism Authority (MTA) initiated the process in creating an artificial intelligence (AI) platform capable of providing specific data based on the tourist policy-stakeholders' needs. The AI's procurement process is nearing its final stage, with implementation expected to commence shortly after the respective winning bidder is notified.

A virtual AI 3D citizen called 'Marija' capable of providing individual-based requests was launched. The branding of 'Marija' is currently being drafted and once this is finalised, MTA shall procure the relevant equipment and structures to start the implementation. Currently, 'Marija's' web version is also being created, which is expected to be finalised within the next few months. On a similar premise, a virtual/augmented reality project has been recently developed, whereby a new and modern mobile app will consist of informative walking trails around Gozo with different multimedia and interactive means.

To further ensure the success of the aforementioned projects, several digital marketing campaigns targeting audiences in countries such as Malta, UK, France, and Germany have been implemented in 2022. Accompanying this is a new scheme launched with the objective of aiding accommodation operators in Gozo in their marketing initiatives. Furthermore, to cast a wider net, another scheme was launched providing financial grants to operators wishing to expand towards the niche of adventurous tourism. These schemes, which were launched in July 2022, will be continued throughout 2023.

Enterprise

The Government is always seeking to augment the digitisation process of private enterprises through various measures. Tech.mt is one means by which Malta aims to

enhance and promote its digital position. During 2023, in collaboration with several local entities such as Malta Enterprise, MIMCOL, MCST, MDB and others, Tech.mt will continue to support local businesses by giving them a platform to promote their innovative tech solutions on local and international levels by attending and organizing a number of events to help businesses in their growth and help them to explore business opportunities.

Furthermore, the Malta Business Registry (MBR) is undertaking a digitisation reform, including the upgrading of the company law framework and the MBR's online portal. By way of this, companies and their branches may be registered and filing of documents may be done fully online using a certified Qualified Electronic Signature (QESig) as provided by the eIDAS Regulation. The online portal is to be launched by 2023, after which, all type of registrations will be done online, and the number of statutory forms will be increased over the years.

Government services

The Digit-X project focusing on the digitisation and re-engineering of 19 public services, including the discussions on the implementation of the project's recommendations by the respective owners, was finalised in May 2022. A Digital Transformation Hub was then set up to ensure continuation of these activities following the closure of this project. The development of a consent management portal will support the Public Service Strategy and places great emphasis on citizen empowerment through the correct and ethical use of data for the purpose of public service provision.

The Connected eGovernment (CONvErGE) project will be finalised by the third quarter of 2023 and has already seen the creation of 26 eService applications.

ii. Research and innovation

In 2022, the Maltese Government published a new Smart Specialisation Strategy for the period 2021-2027 to enhance and modernise Malta's national research and innovation (R&I) framework. The strategy focuses on six smart specialisation areas including (i) health and wellbeing, (ii) sustainable use of resources for climate change mitigation and adaptation, (iii) smart manufacturing, (iv) marine and maritime technology, (v) aviation and aerospace and (vi) future digital technologies, with potential for further R&I activities. The Government is committed to ensure that a better governance framework and the required resources are in place for the growing role of R&I as a driver of economic development. To this effect, in December 2022, the Malta Council for Science and Technology (MCST) launched for public consultation the National R&I Strategic Plan, covering the period between 2023 and 2027. This Strategic Plan seeks to reform Malta's R&I ecosystem and further embed innovation and research into the country's broader economic narrative. Its recommendations are oriented towards five separate thematic pillars, namely governance and priority-setting, local ecosystem development, enhanced directionality, mainstreaming R&I in public policy and strengthening R&I implementation structures. Participation to the public consultation was broad and included private companies, consulting firms, public entities, and individual researchers. MCST is in the process of considering this feedback with a view to carry further reviews of the primary document.

From an investment perspective, investments in research and innovation will also increase in 2023, including a new programme called Technology Extension Support, which will

receive a €5 million investment and will finance innovative projects across a range of industries with the help of the private sector.

The MCST R&I Unit will continue to launch other calls for project proposals under the International Partnership Awards Scheme Plus (IPAS+) and the Commercialisation Voucher Programme (CVP). Similarly, through FUSION, the National R&I funding programme, five projects for an applied research programme between consortia of around €295,000 each were awarded by MCST in 2022. In sum, this brings the total of projects under the Technology Development Programme up to 55 since 2017. Also in 2022, MCST awarded 15 Research Excellence Programme (REP) projects with a budget allocation of around €50,000 each.

The Government will also extend participation in the Horizon Europe programme, the successor of Horizon 2020. For instance, the MCST has launched another two Horizon Europe Support Schemes for 2023 on the 1st of March. As part of Horizon 2020, Malta is a member of the Clean Energy Transition Partnership aimed towards the promotion of the energy transition. The MCST will take part in yearly co-funding calls for initiatives that create practical solutions and deliver outcomes for the clean energy transition.

Furthermore, Malta is a member of the Sustainable Blue Economy Partnership (SBEP), a Horizon Europe co-funded partnership aimed towards smoothening the process towards creating the conditions necessary for a sustainable, people-friendly blue economy by 2030. The MCST will be part of a series of yearly co-funded joint calls addressing various thematic areas within the Blue Economy to fund transnational efforts to attain maximum impact potential on enhancing the resilience of marine ecosystems in accordance with the Partnership's vision and, ultimately, support the key policy targets of the EU. A first call for proposals has been launched on 17 February 2023.

iii. Supporting the acceleration of the Green Transition

Malta acknowledges the important role of R&I in promoting innovative and sustainable policies, services, and products, advancing the green transition in energy and water sectors. To this end, the R&I grant scheme is supporting 11 projects and is looking to support more projects as the findings from the evaluation of the 2022 call is nearly complete.

iv. Promoting private investment to foster the economic recovery

For the period between October 2019 until the end of 2022, Malta's Development Bank's (MDB) SME Invest scheme has supported close to 160 projects, including projects related to childcare, retail outlets refurbishments, and digitalisation and health-related ventures undertaken by SMEs. As at the end of 2022, the scheme has injected approximately €48.6 million in new investments in the Maltese economy.

In addition, operated through commercial banks with the support of the Pan-European Guarantee Fund (EGF) of the European Investment Fund, the MDB launched two new schemes towards the end of 2022. The schemes commonly involve offering favourable financing rates to Maltese businesses which will facilitate investment of up to €180 million in the Maltese economy. Whilst these schemes will be available to all economic sectors, the MDB will be encouraging those investments that aim to build a greener and more digitally oriented economy. The first scheme, the SME Guarantee Scheme (SGS) will facilitate SME access to bank loans so that these are able to continue to invest in

their business. The companies will be able to secure loans of up to €750,000 with the MDB providing a guarantee reaching 80 per cent of this financing. In total, the scheme carries a total of €80 million. The second scheme refers to the Guaranteed Co-Lending Scheme (GCLS). Under this scheme, the MDB will finance half of the requested loan amount, with the remainder being covered by commercial banks. In conjunction to this, the MDB will be covering 60 per cent of the risk carried by the commercial bank. This scheme is targeted to support larger projects exceeding €750,000 and carries a total allocation of €100 million; half by the MDB and the rest by the commercial banks.

In 2022, Tech.mt continued to assist start-ups and students alike in the kickstarting of their entrepreneurial pathway and the implementation of their respective innovative ideas. Throughout 2022, 13 applicants have benefitted from this initiative and 4 new consulting partners (now standing at over 35) were brought onboard. Specifically, these applicants have been provided a predetermined number of hours of free consultancy, with the received expertise ranging from market assessment and penetration approaches (by means of digital marketing and other strategies), as well as concept/product recognition and presentation in the local and international settings, amongst others.

v. Implementation of the 2021-2027 Cohesion Policy Programmes

The European Commission approved Malta's Partnership Agreement in September 2022. The Partnership Agreement outlines the strategic direction for investments made during the Multiannual Financial Framework from the Cohesion Policy funds (ERDF, ESF+, and CF), the JTF, and the EMFAF. Additionally, by November 2022, all Programmes and Plans covering the 2021-2027 period were formally adopted by the European Commission.

Malta will benefit from €817 million in Cohesion Policy Funding in 2021-2027 to support the sustainable development of the economy. EU funds will support green transition and energy security and digital transformation. Along with fostering the development of a sustainable blue economy and enhancing the resilience of the fishing and the aquaculture sectors. Funding will also help individuals obtain additional skills, employment opportunities, and social inclusion.

Funds will specifically focus on improved environmental ambitions, including through investments in energy efficiency, enhanced energy mix and energy stability and security through the development of a second electricity interconnector, battery storage and pilot projects on renewable energy.

Additional investment to improve Malta's potable water networks and wastewater infrastructure, with the aim of enhancing resource efficiency and wastewater treatment, are also foreseen. Similarly, under the Cohesion Fund, support is foreseen for improved treatment of separately collected organic waste through investment in an organic processing plant, while also promoting enhanced sustainable multimodal urban mobility, and the use of alternative fuels in road transport to further support the uptake of electric vehicles.

Funding from the Just Transition Fund is aimed to support onshore electric power supply to further support Malta's decarbonisation efforts through targeted investment in the Grand Harbour and Malta Freeport.

3.2.3 Macroeconomic Stability

Related CSRs:

- **ensure the fiscal sustainability of the pension systems, including by restricting early retirement and adjusting the statutory retirement age in view of expected gains in life expectancy (CSR 1 2019).**
- **take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment (CSR 1 2020).**
- **in 2023, ensure that the growth of nationally financed current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation. For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions (CSR 1 2022).**
- **ensure effective implementation of liquidity support to affected businesses, including the self-employed (CSR 3 2020).**
- **focus investment on research and innovation (CSR 3 2019 and CSR 3 2020).**
- **focus investment on the digital transition (CSR 3 2020).**
- **promote private investment to foster the economic recovery (CSR 3 2020).**

The measures below are aligned with several Sustainable Development Goals (SDGs) and the European Pillar of Social Rights (EPSR). They are particularly relevant to SDG 1, which seeks to reduce poverty and social exclusion, especially among old-age persons; SDG 10, which aims to reduce inequalities; and EPSR 12, which seeks to provide adequate social protection. The Government's commitment to these measures also contributes to SDG 8, which aims to promote sustained and inclusive economic growth and job creation.

3.2.3.1 RRP related measures

i. Milestones and targets for reforms and investments completed by 31 December 2022

Following the presentation of the 2020 Strategic Review Report on the Adequacy, Sustainability and Solidarity of the Pension System by the Pensions Strategy Group in July 2021, an Action Plan outlining measures implemented or planned to be implemented by 2027 towards addressing both the sustainability and adequacy of pensions has been published in November 2022.

3.2.3.2 Additional measures

i. Public finances: supportive fiscal policy and medium- and long-term fiscal sustainability

Prior to the pandemic, the Government succeeded in considerably improving the public finance situation, registering budget surpluses, and reducing the debt-to-GDP ratio. Further to enabling the provision of timely and adequate healthcare (including for the COVID-19 vaccination programme), this fiscal space allowed the Government to take unprecedented steps to support jobs, livelihoods, and businesses throughout

the pandemic. This was achieved through a package of targeted, temporary support worth over €1.7 billion between 2020 and 2022, mainly in respect of the sustainable enterprise schemes administered by Malta Enterprise, including the Wage Supplement Scheme, reduced taxation on the transfer of immovable property for both buyers and sellers, and the Economic Regeneration Voucher Scheme. In addition, the Government supported corporate liquidity by means of tax deferrals and the allocation of a €350 million fund to the MDB to set up and manage the MDB COVID-19 Guarantee Scheme with the purpose of guaranteeing loans granted by commercial banks to businesses facing cash flow disruptions. As a result, the general Government deficit increased significantly. However, in spite of the extraordinary economic challenge posed by the pandemic, the fiscal action taken by the Government over these two years was crucial to support the economy when strict public health restrictions were in place and to provide the necessary fiscal stimulus to sustain the economic recovery.

Despite the strength of the Maltese economy, the weakness in the external conditions from the escalation of the conflict in Ukraine and the resultant inflationary pressures from abroad, called for further Government support. The support, aimed at stabilising the price of essential commodities like energy (including fuel for transportation purposes) and cereals (including wheat), with potentially serious repercussions on the most vulnerable, is estimated to have exceeded €425 million, or 2.5 per cent of GDP, in 2022. Despite the supportive budgetary policy in 2022, the deficit is estimated to have declined to 5.0 per cent of GDP by the end of the third quarter of 2022, as the economic recovery boosted taxation receipts, while temporary pandemic-related support was phased out. Meanwhile, at the end of September 2022, the general Government debt stood at 53.1 per cent of GDP, down from 55.1 per cent in 2021.

The Government is committed to keep providing the necessary support to the economy in 2023 and in the process protect vulnerable households and firms. Nevertheless, the overall fiscal policy stance will be marginally contractionary, with a targeted decline in the deficit and the structural deficit, thus ensuring that the fiscal stance does not add additional pressures on domestic price levels. Nationally financed investments are expected to remain elevated in 2023, further sustained by additional funds from the RRF towards high-quality investment projects and structural reforms, as well as projects funded from the Multiannual Financial Framework (MFF) for the period 2021-2027. This high level of investment is expected to boost Malta's growth potential. The Government's investment efforts are mainly earmarked towards public infrastructure, in particular the arterial and urban roads' networks and other transportation facilities, waste management, the energy sector, environment sustainability, the education sector, and fiscal incentives to encourage innovative, green and digital investments by businesses as further elaborated under the other dimensions of this Chapter.

The Government remains committed to gradually balance the budget over the economic cycle and to keep the debt-to-GDP ratio at a prudent level below 60 per cent of GDP, considering the need to ensure sustainable public finances. The Government's prudent fiscal policy in 2024 shall ensure medium-term debt sustainability, while raising potential growth in a sustainable manner and addressing the green and digital transitions and resilience objectives through investment and reforms. Further details on the Government's fiscal strategy will be outlined in the 2023 Update of the Stability Programme.

ii. Coverage, adequacy, and sustainability of the social protection system

Pensions

Maltese law stipulates that the Strategic Review Report on the Adequacy, Sustainability and Solidarity of the Pension System referred to above has to be tabled in Parliament every 5 years. This report is part of the Government's commitment to enhance the sustainability and adequacy of the pension system in Malta. In terms of adequacy, for the basis year 2023, the Government has once again increased the non-taxable pension threshold for pensioners to €14,968 from €14,318. This applies to single, married and parent rate status individuals. In the case of married rates status, the further €3,600 rebate in respect of income from all sources will remain. These thresholds are available using tax rebates on pension income after calculating the tax due using the normal rates on all income.

In addition, over the recent years, the Government has implemented various measures aimed at lengthening the duration of working years. In this regard, stricter rules were introduced on the access of the 'early exit' option accompanied by an incentive-deferral mechanism whereby those individuals who have paid enough contributions to be able to retire at 61 are given an incremental yearly increase in their pension for every year they decide to continue working until 65 years of age.

To further encourage pensioners to remain active and continue working beyond retirement age, in the Budget for 2023, the Government announced that over a period of five years starting from 2022, pension income will gradually no longer be considered as part of the taxable income. In 2022, 20 per cent of income deriving from pensions for those in work was excluded from taxation, with 40 per cent of income from pensions excluded in 2023. This is in the context of all pensionable income becoming tax exempt over a 5-year period for those in work.

Diversifying retirement income

The Government's policy efforts have also focused on reducing the sole dependency on state pensions through the diversifying of Retirement income. Besides the ongoing education campaigns, in the past Budgets, the Government strengthened the tax benefits to incentivise the uptake of Third Pillar Pension Schemes. As a result, there are now several providers offering personal pension plans. Currently, individuals benefit up to a maximum of €750 in tax credits, with the amount subject to tax credit capped at €3,000.

iii. Other social protection measures

Each year, the Government has made consistent efforts to improve the financial situation of vulnerable households by implementing social protection system reforms. Specifically, since 2018, contributory and non-contributory pension rates have been increased each year beyond the cost-of-living adjustment. Other reforms include the introduction of an annual adjustment as from 2022 for all pensioners who retired after 2008, and the enhancement of the widows' pensions targeting 12,000 widowers with low income.

Furthermore, in 2022 the Government extended the increase in the supplementary allowance targeting all low-income beneficiaries including pensioners, elderly persons, and employed persons who do not have children under 16 years of age. Additionally, as from 2022, beneficiaries of the supplementary allowance who are 80 years old and above will automatically be eligible for free medical assistance, referred to as the Pink Card.

From 2023, the Carers' Grant to parents who provide care to their severely disabled children of over 16 years of age increased to €4,500 yearly, which corresponds to half of the net minimum wage. In 2022, the Carer at Home Scheme was increased to €7,000 per year. Through this Scheme, the Government provides financial support to elderly citizens with low dependency and who employ a carer with a recognised qualification to assist them in their daily needs; thus, helping elderly persons remain in the community, while at the same time supporting informal carers to remain active in the workforce. Moreover, the Government also assists individuals taking care of their relatives with high and medium dependency from a medical point of view through the Increased Carers' Allowance and the Carers' Allowance, respectively, which is paid to a carer taking care of a relative on a full-time basis living within the same household. These schemes are in addition to the Increased Severe Disability Allowance which is granted to persons who are certified as having severe disability and amounts to the net National Minimum Wage.

With the objective of strengthening the incentive to work, the Government continued extending the in-work benefit by widening the income thresholds and increasing the benefit rates. The extension of this measure benefitted 26,000 households. In addition, as from 2023, the Tapering of Benefits payment increased by 10.0 per cent. Therefore, the beneficiary is paid 75.0 per cent of the social benefit in the first year, 55.0 per cent of the social benefit in the second year and 35.0 per cent of the social benefit in the third. On the other hand, the employer is paid 25.0 per cent of the social benefit for the duration of the three years. This measure decreased the dependency on social benefits considerably, as confirmed by a reduction of around 58.0 per cent in the number of Social Assistance beneficiaries between 2013 and 2022.

With the aim of assisting families at risk of poverty when the inflation rate is higher than normal, the Government also introduced the Additional COLA Mechanism. If the triggering conditions are met, households who earn less than the household median equivalised income set at €17,796 for 2022 will benefit from a pay-out based on the household earnings and household size. Furthermore, as from 2023, the Government also increased children allowance by an additional €90 per child per year.

As part of a holistic plan in tackling the issue of housing affordability in Malta, the Government has put in place various social protection measures, which continue to be expanded further. Under the equity sharing scheme, the Government provides up to 50.0 per cent of the purchase price of the property to low-income individuals over the age of 40 who are unable to obtain a bank loan. Similarly, in the New Hope Guarantee Scheme, the Government acts as a guarantor for a life insurance policy, required for home loans, to help individuals with medical conditions or disabilities become homeowners. In order to aid first time buyers, the Government is also extending the amount of interest free loans on the 10.0 per cent deposit. The Housing Authority will now cover the amount of €22,500 instead of the initial €17,500. Furthermore, effective from the 1st of January 2022, the Government will grant €10,000 on a period of 10 years to every first-time buyer when purchasing a property with the value not exceeding €500,000. These measures are a part of a wider range of measures which are aimed at those individuals aspiring to become homeowners.

The Housing Authority, in conjunction with the University of Malta has also drafted a care plan for persons in need of social housing. The care plan is currently being implemented in the form of a pilot project with around 30 beneficiaries. This process should last around

six months before it is rolled out to a larger cohort. In addition, households living in pre-1995 rental housing valued at up to €250,000 that require structural repairs are eligible for subsidies of up to €25,000. The Government also aids low to middle income earners who rent in the private residential market through a scheme based on their income in relation to rent payment, to ensure housing affordability. In 2022, the Government increased the maximum benefit ceiling for the Private Rent Housing Benefit Scheme to reflect current market rates.

3.2.4 Governance and Tax System

Related CSRs:

- ***strengthen the overall governance framework, including by continuing efforts to detect and prosecute corruption (CSR 2 2019).***
- ***complete reforms addressing current shortcomings in institutional capacity and governance to enhance judicial independence, in particular the safeguards for judicial appointments and dismissals, and establish a separate prosecution service (CSR 2 2019 and CSR 4 2020).***
- ***continue efforts to adequately assess and mitigate money laundering risks and to ensure effective enforcement of the anti-money laundering framework (CSR 2 2019 and CSR 4 2020).***
- ***address features of the tax system that may facilitate aggressive tax planning (ATP) by individuals and multinationals, in particular by means of outbound payments (CSR 2 2019 and CSR 4 2020).***
- ***take action to effectively address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, including by ensuring sufficient taxation of outbound payments of interests, royalties, and dividends, and amending the rules for non-domiciled companies (CSR 3 2022).***

Malta continued to take numerous initiatives to address features of the tax systems which could facilitate aggressive tax planning (ATP) in Malta through both new initiatives and further investment in human resources in this area.

Ensuring a just system which strengthens governance in Malta is at the forefront of the Government's priorities. In fact, during 2022, the Government maintained sustainable effective judicial framework through training and implementing an effective anti-money laundering (AML) framework.

During 2023, these reforms are being supplemented with the improvement of the relevant institutional capacity, through the improvement of the rule of law and money-laundering framework. Additionally, the Government aims to improve the digitalisation of the justice system, increase the staff at the Asset Recovery Bureau, train and increase requirements of tax authority staff and to complete actions concerning AML, combating the financing of terrorism (CFT) and targeting financial sanctions (TFS). Additional measures were implemented regarding the independence and effectiveness of the justice

system. Furthermore, the Government aims to further develop and evolve our country's democracy, through the enhancement of further checks and balances of institutions.

Malta's efforts to address challenges related to money laundering were noticed by the Financial Action Task Force (FATF) who acknowledged Malta's progress in addressing the FATF national action plan. All of these relate to SDG 16 regarding Peace, Justice and Strong Institutions.

3.2.4.1 RRP related Measures

Malta gives priority to address the challenges related to governance and institutions in its fight against corruption, money laundering and ATP. This section outlines the main RRP related measures in place (or to be put in place) with the attempt of addressing such challenges.

i. Milestones and targets for reforms and investments completed by 31 December 2022

Reforms in the justice system, prosecution, anti-corruption, AML and ATP areas continued in 2022.

The Office of the Attorney General (AG) sustained efforts to build capacity with the recruitment of additional staff required to take on the increased and phased prosecution responsibility. Training in AML/CFT/TFS for the relevant members of the National Coordinating Committee (NCC) in this area continued. This will ensure a sustainable, proactive, responsive and effective AML framework and capacity that may respond to dynamic risks.

The Budget Measures Implementation Act has introduced limitations to the participation exemption with respect to certain inbound payments from bodies of persons resident in jurisdictions included in the EU list of non-cooperative jurisdictions for a period of at least three months. This has been affected in the corporate tax return for Year of Assessment 2022 by way of a revised corporate tax return to collect better information on dividends. Malta has also assigned dedicated staff to scrutinise taxpayers that emanate from the Code of Conduct Group list of non-cooperative jurisdictions.

Through the October 2021 Memorandum of Understanding, the Community Malta Agency, which is responsible for administering all Maltese citizenship-related matters, is assisting the Office of the Commissioner for Revenue in meeting its international obligations regarding spontaneous exchange of information (SEOI) in relation to Residence by Investment (RBI)/Citizenship by Investment (CBI), thereby bringing into force the SEOI as a mitigation measure against ATP risks by individuals.

Additionally, a study concerning measures relating to inbound and outbound dividend, interest, and royalty payments was also carried out.

On transfer pricing, following a public consultation on the draft Legal Notice between 22 December 2021 and 28 February 2022, the Legal Notice on transfer pricing rules was published on 18 November 2022.

ii. Milestones and targets expected to be fulfilled between 1 January and 31 December 2023

Further reforms continue in the justice system, AML and ATP areas, as well as investments in the digitalisation of the justice system. Such work includes an increase in the number of staff at the Asset Recovery Bureau. The implementation of action concerning AML/CTF/TFS will be completed.

In the area of taxation, recruitment and training of staff by the tax authority on the application of transfer pricing rules will progress along with training for tax practitioners and company representatives. These will contribute towards the Government's plans on introducing a transfer pricing legislation applicable as from 1 January 2024.

3.2.4.2 Additional Measures

i. The independence and effectiveness of the justice system

Efficient Judicial Proceedings

Over the past few months, the Maltese Government has continued to introduce several measures as well as legislative amendments intended to improve governance, and to strengthen the relevant institutional capacities - thereby enhancing democracy and the rule of law.

In February 2023, two new Judges as well as four new Magistrates were sworn in. This was done to shorten the length of judicial proceedings and thereby enhancing efficiency. In an attempt to further increase the efficiency of the law courts, recent legislation has also been enacted in order to create a Fourth Section in the Court of Appeal. The Government has also undertaken a number of legislative procedural reforms whereby inter alia, audiences before the Courts of Appeal have been rendered the exception as opposed to the rule. Said audiences are now only to be undertaken in cases where the Court of Appeal considers that further clarifications and submissions are required. Moreover, in the next few months, the Government will also be tabling amendments to the compilation of evidence procedure - a procedure within our national criminal process which weighs down the criminal judicial procedures substantially. The proposed changes will base said evidence collection procedure to a much wider extent on documentary and less on oral evidence.

In terms of prosecution, following the separation of the AG's Office from that of the State Advocate's Office, the Maltese Government has continued operationalising the phased transition of all serious offences (carrying a sentence exceeding two years imprisonment) from the Police over to the AG; a transfer that will be fully completed in 2025.

To address capacity building at the AG's office, further to the ambitious recruitment drive referred to above, a new collective agreement was signed on 16 December 2022 between the Office of the AG and the trade union representing the legal staff, which revised the remuneration packages and conditions of employment within the AG's Office. This is yet another measure to retain experienced staff and to render employment within the AG's Office more attractive.

In order to also further the effectiveness of the national justice system, an enhanced use of digital technology is being implemented in Malta through the adoption of the national Digital Justice Strategy aiming at increasing the use of digital tools by courts and addressing other gaps in the digitalisation of justice. Currently, efforts are being directed

at digitalising the judicial process by ensuring a state-of-the-art case management system within the courts and within the Offices of the AG and the State Advocate.

Rule of law

In line with the Malta Police Force (MPF)'s Transformation Strategy of 2020, significant resources are being invested into the police force in order to increase the efficiency of the MPF by transforming the current police organisation into a flexible, efficient and data driven one. This Strategy is being implemented under the scrutiny of the Board of Governors of the MPF as well as the European Commission.

In alignment with the key objectives of this Strategy, periodic press briefings communicating with the public in a clear, consistent and transparent manner will be starting in 2023. A feedback-gathering exercise about the service offered by the Police was carried out in 2022 by the NSO. Results were published on 14th February 2023. To always hold the Force accountable, following the strengthening of the internal audit (IA) function within the MPF, various ad-hoc audits were carried out and concluded in 2021. As of 2022, the IA Office is deployed to an approved annual audit plan. During 2021 and 2022, the continuous screening of police officers through the EU Security Clearance programme has continued. Furthermore, the Drugs Misuse Policy has now been implemented and regular random drug testing is continuously being carried out on all police officers.

ii. Money laundering

In addressing the FATF action plan regarding the strategic deficiencies related to the detection of inaccurate company ownership information and sanctions on gatekeepers who fail to obtain accurate beneficial ownership information, as well as the pursuit of tax-based money laundering cases utilising financial intelligence, Malta has made sure that every measure is proactive, responsive, effective and, moreover, sustainable.

During the June 2022 FATF plenary, it was decided that Malta has addressed its action plan and that Malta is showing effectiveness and sustainability in the implementation of Malta's AML/CFT reforms. The FATF plenary decided that there is the necessary political commitment to sustain implementation and improvement in the future. It was decided that Malta is therefore no longer subject to the FATF's increased monitoring process, and that Malta is to continue working with MONEYVAL to sustain its improvements in its AML/CFT system.

Malta is also currently updating its National Risk Assessment (NRA). The process leading to a new NRA for Malta was launched in 2021. The said process is being coordinated by the National Coordinating Committee and sees the involvement of both authorities¹ and the private sector in the form of the representative bodies of the different subject persons. In addition, Malta has contracted the services of a foreign renowned consultant to assist it with the NRA process. A series of meetings were held in the first half of 2021 to (i) agree and set out the methodology to be followed in the carrying out of the said risk assessment; (ii) agree on the constitution of different Working Groups and their composition; and (iii) explain to all interested parties their role within the said process.

Different Working Groups have been set up to assess the threats and vulnerabilities presented by a particular sector or area of activity. Each Working Group is composed of those authorities which have the most intimate knowledge of the given sector, with

one of them also assigned to lead the group. The said process has been improved considerably when compared to the one leading to the 2018 NRA and is set to result in a more detailed and accurate assessment of what are the main threats, vulnerabilities, and overall risks that Malta faces with respect to Money Laundering (ML), Terrorism Financing (TF) and proliferation financing. This has also been done to take into account the issues highlighted by MONEYVAL in Malta's latest Mutual Evaluation Report.

Following the FATF's review, the FIAU launched its 'Strategy 2023-2026'² to its public and private partners in November 2022, with the aim of strengthening its fight against ML/TF while enabling legitimate individuals and businesses to operate in Malta. The aim of this Strategy is also for the FIAU to be more proactive, transparent, and accountable in its fight against ML/TF.

Recognising that the success of the FIAU in performing its functions to combat ML/TF effectively is not solely dependent on its own efforts, but also on the support and cooperation of numerous partners and stakeholders, the FIAU moved away from its old mission statement which focused more on the regulatory and supervisory function of the Unit, towards a declaration of the FIAU's purpose with a broader scope, which includes collaboration with its private and public partners.

The FIAU 2023-2026 Strategy consists of six major pillars with a number of objectives. Under the first pillar, the FIAU is seeking to enhance its understanding and assessment of sectorial and subject person ML/TF risks with a view to improve its compliance monitoring and enforcement functions and to foster a better compliance culture. Under the second pillar, the FIAU is aiming to generate and disseminate useful financial intelligence by (i) providing targeted guidance and feedback to subject persons on their reporting obligations; (ii) ensuring the continuous detection of ML/TF risks, trends and typologies through strategic analysis as well as Public/Private Partnerships; (iii) ensuring efficient prioritisation based on risk materiality and alignment to national ML/TF risks and (iv) strengthening its cooperation with other competent authorities. The third pillar aims to strengthen international cooperation by having the FIAU participating in various international projects, evaluations, and other initiatives, as well as exchanging useful information with counterpart FIUs and Law Enforcement Agencies in order combat cross-border ML/TF. The fourth pillar aims to monitor ML/TF risks and analyse national trends and typologies, while the fifth pillar focuses on improving internal communication to cater for an ever-growing FIAU. Lastly, the sixth pillar is aimed towards supporting and improving the FIAU's human resources, expertise, systems, and technology.

In terms of operational activities, the FIAU continued with its supervisory activities and subsequent enforcement actions. More specifically in 2022, around 135 supervisory examinations were carried out on obliged entities and over 199 enforcement actions were taken against non-compliant obliged entities, with the total quantum of penalties reaching €3.3 million. With respect to intelligence analysis, the FIAU's analytical function (FIU) registered a further increase in submissions of Suspicious Transaction Reports or Suspicious Activity Reports (STRs/SARs) - with over 8,500 reports received by the end of 2022 - which led to further disseminations to competent authorities and foreign FIU counterparts.

Since the entry into force of the Use of Cash (Restriction) Regulations in March 2021, the Unit has embarked on public awareness campaigns to inform the public and subject

persons about cash payment restrictions and ML/TF threats in relation to the use of cash. A Guidance Note³ on the use of cash and the banking sector was also issued by the FIAU in 2022, aiming to provide credit institutions with directions as to how they can comply with their obligations under the Prevention of Money Laundering and Funding of Terrorism Regulations and the relevant Implementing Procedures with respect to cash deposits and withdrawals, whilst also considering the Use of Cash (Restriction) Regulations.

In addition, due to the current actions undermining and threatening the territorial integrity, sovereignty, and independence of Ukraine, in 2022 the FIAU also issued a Guidance Note⁴ on sanctions, and restrictive measures imposed by several jurisdictions, especially by the EU, on multiple individuals and entities. This guidance note, which complements the one issued by the Sanctions Monitoring Board on the imposition of EU sanctions, is intended to provide subject persons with a better understanding of how sanctions influence and interact with their AML/CFT obligations.

In 2022, the FIAU also had the opportunity to organise its first international two-day conference which brought together bank account administrators and retrieval systems from across Europe and other experts from around the world. The conference was also a first of its kind among administrators of such mechanisms and sought to compare different registers and set-ups in terms of technology, data quality checks, and reportable data. The agenda also featured other focused sessions including a session on the use of registers to improve effectiveness under FATF standards and another on the challenges of regulatory reporting as experienced by the reporting entities. Additionally, discussions were also held on commonalities and differences across registers as well as other considerations for the interconnected platform.

As part of its increased efforts to strengthen the exchange of information with foreign counterpart FIUs, in 2022, the FIAU signed a MoU with the Taiwanese FIU in order to enhance bilateral cooperation and information exchange. Negotiations are also underway to sign a MoU with the FIUs of Macao, Kosovo, and Anguilla.

Negotiations are likewise in progress for the entering into of a MoU between the FIAU and participants of the International Anti-Corruption Coordination Centre (IACCC) as well as a MoU between the FIAU and European Public Prosecutor's Office (EPPO) which are aimed at, inter alia, improving co-operation and sharing of information.

Furthermore, over the past several years, various reforms have been ongoing at the Malta Financial Services Authority (MFSA), including organisational restructuring, a significant increase in staffing and training, an overhaul of most supervisory procedures, including a complete shift towards a risk-based supervisory methodology, and an increased focus on the consideration of ML/FT risks within the authorisations processes and supervisory interactions. These measures were taken on board in parallel with reviews and subsequent recommendations provided by the FATF and MONEYVAL. The MFSA continues working to ensure that its processes are in line with the European Banking Authority's (EBA) Guidelines and Opinions.

In 2022 the MFSA continued to place an increased focus on Financial Crime in general. The Financial Crime Compliance (FCC) acts as an agent of the FIAU in order to perform supervisory visits on their behalf. The FIAU, in consultation with the MFSA, draws up a

Supervisory Plan for each sector, and the FCC is allocated with its share of visits, which amounted to 50 in 2022.

The MFSA maintains a MoU with the Sanctions Monitoring Board (SMB), setting out procedures whereby reports of deficiencies from the MFSA are used by the SMB to investigate and take enforcement action, therefore, further complementing the national priority to combat ML/FT.

In 2022, the MFSA conducted 224 on-site supervisory interactions, 388 supervisory meetings and 69 thematic reviews. During 2022, the MFSA continued to integrate Financial Crime elements into Prudential and Conduct supervisory interactions.

The MFSA has also increased outreach to deliver targeted messages and guidance to the industry by organising workshops, webinars, as well as published key guidance documents. A key thematic area was financial crime, whereby a typical webinar included a mix of panel discussions and presentations covering inter-authority cooperation on financial crime matters, financial crime risks in prudential supervision, corporate governance and internal audit, enforcement, and the role of prosecutorial authorities in the fight against financial crime.

Another strategic stakeholder, the Malta Gaming Authority (MGA), also carried out prudential and supervision audits which incorporated elements pertinent to AML/CFT. These included supervision over Know Your Client (KYC) procedures and adherence, registration data, identity and verification statuses, KYC documentation, player due diligence, conformity with the risk-based approach, and other applicable measures. In addition, the MGA also continued to conduct AML audits on its operators on behalf of, or in conjunction with, the FIAU (in line with the FIAU's supervisory plan), with the objective of monitoring the activities of gaming operators and ensuring compliance with the AML laws and regulations and the Implementing Procedures issued thereunder. Furthermore, the MGA continued conducting interviews for prospective Money Laundering Reporting Officers (MLROs) and holders of the Key AML function, to determine whether the applicants have the necessary AML/CFT knowledge and expertise to take on and meet the responsibilities associated with the MLRO function within Malta's gaming sector.

The Malta Business Registry (MBR)'s role in the sphere of corporate and other commercial partnerships registrations, as well as foundations and associations, has been instrumental in ensuring the upkeep of beneficial ownership information. Apart from receiving documentation and information to ensure basic due diligence on involvements and the Register of Beneficial Owners Regulations under the Companies Act, the MBR ensured that adequate cross-reference checks are adopted when vetting documentation, in order to compare information with other Maltese-registered entities having a similar structure and also with data as contained in registers in the EU. The MBR also screens directors, shareholders and beneficial owners prior to registration of new companies or when such involvements join existing companies. Interpretive accuracy was also another measure adopted to ensure that those individuals who might not fall within the thresholds as set out by the legislative framework on beneficial owners, would still be considered as a beneficial owner. Such instances mainly refer to nominee shareholding or directorships. The increased resources, including manpower, to conduct various onsite inspections have also ensured that the commitment to verify data and documentation held by Maltese-registered companies and other entities is truly realised. Coupled with

the multi-pronged approach, such inspections have created a complementary verification system whereby the MBR is in a closer proximity to compare and analyse the veracity of data as received and held by the Registrar to that recorded by other competent authorities and subject persons.

iii. Aggressive Tax Planning

In 2022, the Government has introduced a number of initiatives in the area of ATP. As outlined in the RRP related measures above, these included amongst others, a revised corporate tax return to collect better information on dividends, assigning dedicated staff for the scrutiny of taxpayers in this area of taxation, and the bringing into force of SEOI as a mitigation measure against ATP risks by individuals.

Additionally, the Year of Assessment 2022's corporate tax return has also introduced a new reporting obligation for non-domiciled companies to gather data on non-remitted income. This is being intended to enable an internal review to be undertaken on the matter by the end of Q2 2023.

3.2.5 Fairness

Related CSRs:

- ***ensure the fiscal sustainability of the healthcare system whilst strengthening the resilience of the health system with regard to the health workforce, critical medical products and primary care (CSR1 2019 and CSR 1 2020).***
- ***consolidate short-time work arrangements and ensure the adequacy of unemployment protection for all workers (CSR 2 2020).***
- ***strengthen the quality and inclusiveness of education, training and skills development (CSR 3 2019 and CSR 2 2020).***

Policy measures supporting the resilience and sustainability of the health care system contribute towards ensuring everyone has access to affordable, preventive, and curative health care of good quality (SDG 3 and EPSR 16).

Active labour market policies aid in correcting for market asymmetries such as labour and skills shortages, by means of providing training and job opportunities, irrespective of individuals' gender and other characteristics. Specifically, measures including the NCPÉ's Equality Mark certification, Gender Corrective mechanism, Gender Equality and Mainstreaming Strategy and Action Plan (GEMSAP), and Equal Pay Tool (EPT), amongst others, all contribute towards SDG 5 (Gender equality) and SDG 10 (reducing inequalities). At the same time, the aforementioned schemes aim to address the social pillar regarding gender equality (ESPR 2). Overall, supporting labour market and social policies aid in the reduction of poverty (SDG 1).

Moreover, the Government's policies, programmes and initiatives with the objective of providing quality education contribute towards SDG 4. The Government's efforts in

promoting and facilitating training and life-long learning opportunities align with the objectives of EPSR 1, whilst active support towards employment contribute towards the EPSR 4. Furthermore, the Government's measures to ensure inclusive employment and education aim to achieve several objectives, including providing quality education (SDG 4), promoting decent work for all (SDG 8), reducing inequalities (SDG 10), supporting employment (EPSR 4) and promoting overall inclusion of people with disabilities in every aspect of life (EPSR 17).

Moreover, the establishment of the eLearning College, provision of the '21st century skills' course, publishing of the guidance document for the Recognition of Prior Learning, and others, contribute towards ESPR 1 (Education, training and lifelong learning).

3.2.5.1 RRP related measures

RRP measures related to fairness contribute towards the sustainability and resilience of the healthcare system, the labour market, and inclusiveness of quality education.

i. Milestones and targets for reforms and investments completed by 31 December 2022

Further milestones and targets in this thematic area were delivered upon. In line with the Government's objective to provide more comprehensive and sustainable protection to workers, while also promoting greater labour market flexibility and inclusivity, the Government has undertaken an assessment of unemployment benefits contributing to reinforce the resilience of the labour market and to enhance gender equality.

Two new multi-sensory learning rooms, including adequate equipment and trained educators, have been established in Qawra Primary and St Joachim Marsascala Primary schools to create autism-friendly environments that enhance the educational performance of learners with Autism Spectrum Disorder (ASD). Other initiatives include making primary schools dyslexia-friendly, supporting students with disabilities as they transition from school to post-secondary education and the workforce, and providing language courses to non-Maltese children through the LLAPSI+ project.

With a focus on low skilled adults, the Directorate for Research, Lifelong Learning and Employability (DRLLE) established the eLearning College which is a platform that gives adult learners the ability to progress through learning curricula at their own schedule. The e-college offers, amongst others, comprehensive online courses, online coaches, and a help desk to assist learners.

ii. Milestones and targets expected to be fulfilled between 1 January and 31 December 2023

The Government will seek to continue training educators in the Reading Recovery Programme, while implementing measures which are included in the Roadmap such as developing a guidance system, capacity building for adult learning professionals and establishing guidance networks.

Additional efforts in this thematic area will prioritise strengthening the resilience and sustainability of the healthcare system, as well as the coverage, adequacy and sustainability of social protection systems for all.

3.2.5.2 Additional Measures

i. Resilience and sustainability of the healthcare system

The COVID-19 pandemic has challenged Malta's national health system, resulting in increased health expenditure due to the allocation of resources for COVID testing and public health services like the vaccination program. The policy response was aimed at reducing infections and limiting the spread of the virus to avoid overwhelming the healthcare system and minimise hospital admissions. As part of its pandemic management strategy, Malta prioritized preventive, elective, and emergency health services to minimise future healthcare expenditure, preventing potential complications arising from chronic diseases among patients who missed elective healthcare. This kept waiting lists under control and limited backlogs in most non-communicable disease clinical care, such as cancer and diabetes, as activity in these services resumed to pre-COVID levels.

Nevertheless, the Maltese healthcare system faces challenges due to an ageing population and population growth. These challenges are exacerbated by an inflation rate on medicines, which is three times higher than the rest of the economy. Furthermore, expensive new drugs put Malta at a disadvantage during price negotiations due to its small market size. To address these issues, the Government has expanded the Formulary List to include free medicines and treatments for cancer, osteoporosis, psychiatric conditions, fibromyalgia, circulatory conditions, anaphylaxis, diabetes, IVF rare diseases and certain rare and extreme allergies, with the aim to improve and enhance the accessibility of healthcare.

To address the sustainability of the healthcare system, the Government plans to invest in primary care by increasing the health workforce, with a focus on specialised clinics and with new infrastructure. As part of the health prevention programme, the Government also introduced a remote patient glucose monitoring system for patients with diabetes Type 1 aged 16 years and over. In 2023, this service was extended to patients up till the age of 23 years. In addition, from this year, the Government has provided access to bilateral hearing aids to eligible adults who are born with hearing disabilities. Another measure being introduced is the GP Appointment Clinics in Health Centres, which is aimed at reducing patient waiting time and improve the overall quality of care.

The Government has continued working with the World Health Organisation (WHO) and has now issued a Health Workforce Strategy, which will guide capacity building over the coming years. The strategy sets out priorities and plans for developing the future health workforce for the Maltese Public Health Service. It provides a strategic direction for creating a system that can support, strengthen, and enable the workforce to deliver sustainable and patient-centred healthcare services in the future. In line with the plan to shift from outpatients to primary care, the Government is also recruiting specialists in primary care and supporting young specialists and trainees through EU-funded schemes. The development of the COVID-19 certificate and vaccination scheduling led to new requirements for health IT capacity. The Government also invested in teleconsultation measures at both primary and secondary care levels, to connect patients with healthcare professionals, even when in isolation. The pandemic has offered an opportunity to enhance the digitalisation of healthcare services and strengthen the health system's resilience. In this regard, by the end of 2024, the Ministry responsible for health plans to invest in the National Electronic Health Record and Electronic Patient Record functionality to create a patient-centric ecosystem, where data can be collected, correlated, and analysed in a central repository.

In addition, the network infrastructure at Mater Dei Hospital (MDH) is also being updated, and the ICT system will be enhanced through the refurbishment of the e-Health infrastructure by the second quarter of 2024.

ii. Labour market and social policies

Through the new National Employment Policy 2021-2030, the Maltese Government is embarking on a human-centric approach to work and the future of work. Reskilling and upskilling remain key to prepare the working age population for the future industry-demanded skillsets characterised by technology and green skills. It is important to empower all workers to actively participate in the labour market and ensure that they can achieve a higher standard of living through employment. The Government's aim is also to design work institutions that are responsive and that level the playing field for all workers to work with dignity. It will also continue to encourage the uptake of lifelong learning and will focus on fostering participation in apprenticeships and traineeships to provide a valuable channel for education. Some of the National Employment Policy's recommendations implemented in 2022 will be elaborated upon below, namely the establishment of the National Skills Council, the extension of the Free Childcare Scheme and tax incentives aimed at continued work after retirement.

Other initiatives which are underway include the Malta Skills Survey, which will capture details on Malta's human capital and employment skills and shed light on skills gaps which can then be targeted through policy development.

Consolidate short-time work arrangements

One of the major factors owed to the high levels of economic growth and historically low unemployment rates in the pre-pandemic period, is the sustained and unparalleled level of employment growth in Malta over the years. In fact, Malta's employment rate for the third quarter of 2022 stood at 80.7 per cent, higher than the EU average of 74.7 per cent.

To address the pandemic's repercussions on labour markets and economic systems alike, the Maltese Government reinforced an already historically stable labour market by means of launching a widespread strategy. Amongst the various schemes and policies enacted, the Government extended the most prominent, the Wage Supplement Scheme, until May 2022 for the worst-hit companies (as per the tapering system implemented in August 2021). During the entirety of the scheme, lasting from March 2020 until the end of May 2022, Malta Enterprise disbursed around €762.0 million and assisted 17,576 business entities which together covered 90,630 full-time employees, 12,539 part-timers' jobs and 1,900 casual workers.

Through such measures, including allowing employers to implement different working conditions on a temporary basis, Malta proved capable in maintaining a low unemployment rate, which was additionally registered as one of the lowest among its European peers. Specifically, Malta's unemployment rate for the third quarter of 2022 stood at 2.9 per cent.

Women labour participation rate and gender employment gap

The Maltese Government is committed to increase the women's labour force participation rate and reduce the gender employment gap. In recent years, the Maltese Government introduced a number of initiatives aimed at promoting gender equality and implemented

several active labour market policies targeted towards easing the labour market entry process for women; in particular, for mothers. Over the past decade, the female employment rate (20-64 years) in Malta exhibited a rapid increase from 48.0 per cent to 70.3 per cent in 2021; surpassing the EU-27 rate by 2.6 percentage points.

The exhibited increase in female participation is mainly a result of the introduction of the Free Childcare Scheme and the provision of the breakfast club and after school care services. In the recent budget, the Maltese Government has extended further the free childcare services to parents/guardians who work atypical shifts in order to continue facilitating the integration of women in the workplace. Since the start-up of the scheme, in April 2014, until December 2022, over 29,854 children have benefitted from the service at one point in time.

To further the trend towards the continual inclusion of females in the labour market, the National Commission for the Promotion of Equality (NCPE) awards the Equality Mark certification towards pro-active gender-inclusive organisations. By 2022, there were 129 certified organisations employing around 30,600 employees. Furthermore, the NCPE continued to update the free online database referred to as the Directory of Professional Women, to provide visibility to professional women in key decision-making positions. Additionally, by means of the Gender Corrective Mechanism applicable to Parliament, following the March 2022 Elections, the percentage of women representatives in the House of Parliament went up from 15.0 per cent to 28.0 per cent.

Malta adopted its first Gender Equality and Mainstreaming Strategy and Action Plan (GEMSAP) covering 2022-2027 in November 2022 in order to strengthen gender equality and gender mainstreaming at all stages and in all areas of policymaking, by committing the Government to direct, targeted and comprehensive measures to achieve full gender equality. One of GEMSAP's objectives is to guarantee equal access to employment in all sectors, combat segregation and ensuring Equal Pay for Work of Equal Value. GEMSAP is committed to advance women's participation in the labour market, aiming to have at least 73.0 per cent of women engaged in full-time employment (20-64 years) by 2027 and strengthen the gender balance in segregation of labour.

Equal pay and gender pay gap

In recent years, the Government has taken a number of steps to address the issue of gender-based pay discrimination and promote equal pay for equal work. In 2021, Malta's gender pay gap stood at 2.2 percentage points lower than that of the EU-27 average. Despite these efforts, challenges remain and the Government, through its measures, policies and schemes will continue aiming towards addressing this asymmetry.

The prioritisation of eradicating this inequality stems from the long-term persistent effects of a gap. In this regard, the NCPE and Human Rights Directorate (HRD) have continually worked towards increasing public awareness. In particular, during 2022, NCPE conducted several media and information campaigns aimed towards educating the public regarding the elements surrounding the present gender pay gap. Furthermore, the Equal Pay Tool (EPT) developed by means of the Prepare the Ground for Economic Independence EU co-funded project, is currently being finalised for easier interpretation of results. In turn, this will allow for the identification of gender pay gaps or unequal pay between women and men within an entity.

The Government also aims to tackle equal pay and the gender pay gap through GEMSAP. Apart from strengthening gender mainstreaming in the workforce and providing training, GEMSAP also focuses on ensuring that employees and prospective employees are given accurate and updated information on their employment contract, pay policies and practices, pay structures, starting salaries, pay and promotion progression, as well as access to additional payments and bonuses, among others. These initiatives will combat gender-based job segregation, ensure the provision of information and awareness, and promote research on issues concerning equal treatment for men and women at work.

iii. Education and skills: Training outcomes, quality, access, inclusiveness

Addressing training outcomes, quality and access

The Maltese Government's vision is to create a high-quality, accessible education system that equips students with the values, skills, attitudes and knowledge they need to succeed in a rapidly changing world. The Government's actions in this area include a range of policies and initiatives aimed at improving training outcomes, increasing access to education, and enhancing the quality of education at all levels. To this end, enrolment in tertiary education stood at 17,053 in 2020, increasing steadily since 2013. Tertiary-level graduates amounted to 5,597 during 2021, equivalent to an increase of 20.9 per cent over the previous year. The employment rate of recent graduates stood at 89.0 per cent in 2021, the third highest in the EU. Additionally, the percentage of NEETs in the third quarter of 2022 stood at 6.1 per cent, down from 11.4 per cent when compared to the same quarter of 2020. Whilst recognising that Early Leaving from Education and Training (ELET) in Malta is still high compared to the EU average, there has been a steady decline in ELET from 21.4 per cent in 2010 to 10.7 per cent in 2021.

The Government's vision, forming the basis for all education policies and measures, is highlighted and embedded in the Framework for Education Strategy for Malta 2014-2024, which was also revised in 2019 to reflect ongoing developments. In mid-2021 discussions were held with stakeholders on the new Strategic Framework for Education and Training 2030. Within this Framework, the Ministry responsible for Education has launched several reforms to improve education outcomes, quality, and access.

The Government recognises the importance of investing in early childhood education for long-term success and well-being. In 2022, the Maltese Government's focus on early childhood education was sustained. Following the consultation exercise, the updated National Standards for Early Childhood Education and Care Services (0-3 years) were launched in October 2021. Together with the Early Childhood Education and Care National Policy Framework, the new Registration Criteria for Early Childhood Education and Care Services (0-3 years) were also published in October 2021. The Learning Support Educator program for children aged 3-4 is still in place.

Malta introduced the Learning Outcomes Framework (LOF) in 2015, which started being implemented gradually from 2018. The Ministry responsible for Education will continue the LOF roll-out in 2023 while conducting a review of its implementation. Through "My Journey", the Government will continue to support individual talents and needs of all children through quality academic, vocational, and applied learning programmes offered at MQF 1-3. To reduce the digital divide and promote skills, each seventh-year student will receive a new laptop starting from the academic year 2023/24. Furthermore, the one-tablet-per-child initiative will be extended beyond primary school.

In 2020, Teleskola was set up, offering a repository of recorded lessons, available online free of charge, covering curriculum elements applicable from pre-primary level to secondary Year 11. Since summer 2021, catch-up classes were introduced to revise work done during the scholastic year. Catch-up classes continue to be offered, in core subjects, namely Mathematics, Maltese, English and Science (or physics in the case of secondary school), in the summer and on Saturdays throughout the scholastic year.

The National Literacy Strategy 2021-2030 (NLS) aims to decrease social exclusion resulting from low literacy skills through its range of programmes. In 2022, a 'Bilingual Glossary of Mathematics Terms: The Early and Junior years' was published, providing words and expressions that can be used as part of bilingual communication of mathematics at the Early years and Junior levels of education (ages 3-11 years).

The National Literacy Agency introduced the Language Policy for the Primary Years in Malta and Gozo in 2023 to promote multilingualism in Maltese and English among 7 to 11-year-old students. The policy aims to ensure that every child can develop age-appropriate bilingual skills, which can improve communication in both national and international contexts.

In response to the current challenges, the Government launched in 2021, the 'Early Leaving from Education and Training (ELET) – The Way Forward 2020-2030' Strategy, which outlines the action plan in preventing ELET. An implementation report will be used as Malta's monitoring data collection framework within this field. Given the negative impact brought about by school closures due to COVID-19 on students at risk of ELET, the Government is also consulting with various stakeholders within schools to provide recommendations and evaluate/adjust policy measures as necessary. In addition, the ELET Unit under the DRLLE launched a scheme, benefitting nine educators, to take part in a Fellowship for a Masters in Education (Poverty and Social Exclusion).

With a specific focus on adult learning, persons outside the compulsory school age in need of basic literacy, numeracy and digital literacy are being assisted through basic skills programmes, available free of charge. As already highlighted under the Government's efforts towards addressing Productivity challenges, the upskilling of adults in 21st century skills is also being promoted both through specialised new courses and through asynchronous and synchronous online learning. Under the 'I Belong' Programme, third country nationals are being provided with basic skills, as well as Maltese and English as foreign languages courses.

Furthermore, in 2023, the National Skills Council has been given new powers and tasked with identifying and presenting future skills gaps and adapt to the changing workforce. In addition, with the aim of identifying and analysing present and future industry-specific skills gaps, the Government is implementing the 'Ultimate AI Launchpad – A Strategy and Vision for Artificial Intelligence in Malta 2030'. Within this Strategy, an education Data Warehouse is currently being developed to better inform decision-making in education and identify people at risk of becoming ELET.

To target further and higher education, various guidelines to improve its quality were developed by the Malta Further and Higher Education Authority (MFHEA). Amongst others, these cover quality assurance for online learning providers, recognition of prior learning, and guidelines for ethical practice and research integrity. The MFHEA is also

in the process of developing Malta's first National Strategic Action Plan for Further and Higher Education 2022-2030. Additionally, existing scholarship and tax credit programmes will be strengthened for students pursuing Masters and Doctorate levels, also using funds under the European Social Fund.

The Malta College of Arts, Science and Technology (MCAST) is implementing its Strategic Plan for 2022-2027, released in the end of 2021. The Plan target various objectives including digital and physical infrastructure, quality and relevance of offered programmes, work-based learning, image and esteem of Vocational and Professional Programmes (VPET), collaborations, administration and governance, and research and innovation. MCAST has established a Centre for Learning and Employability to assist its students, through individualised services, with the necessary abilities to become independent learners. The Centre aims to expand its variety of individualised and group-targeted support services further.

In order to incentivise more companies to take on students in apprenticeship programmes which help cultivating skilled and well-trained individuals, the Government introduced the MCAST Apprenticeship Recovery Plan in June 2021 through an allocation of €2.75 million. Currently, around 1,675 students are enrolled in apprenticeship programs at MCAST, and this initiative will continue to ensure that more students have access to such opportunities.

The University of Malta is implementing its Strategic Plan 2020-2025, which sets out the goals and priorities for the University, its faculties, departments, centres, institutes, and schools. The plan focuses on students' experience, resources, contribution of the academic community and the University's impact on the nation as well as the insights of the wider University community and social partners.

Inclusive education and employment

Over the past few years, promoting the inclusion of individuals with disabilities in the workforce has been an important policy objective for the Maltese Government. While notable achievements have been made, there are still ongoing challenges faced by this community that need to be addressed. As such, this remains a critical area of policy focus. The Commission for the Rights of Persons with Disability (CRPD) estimates that there are around 35,000 people with disabilities in Malta, out of which 22,626 are registered with the Commission as of 30 September 2022. This figure includes people of all ages and abilities, including those who are not actively seeking employment. As of July 2022, 4,630 people with disabilities were employed, while 219 were registered as unemployed as of October 2022. Albeit a temporary increase in 2020 with the onset of the pandemic, the disability employment gap in Malta has registered a consistent decline to reach 27.0 per cent in 2021. Through the active legislative employment instrument enshrined in the Persons with Disability (Employment) Act (Cap. 210), facilitated through Jobsplus' partnership with the Lino Spiteri Foundation, better access to the labour market for disabled persons has been achieved.

In 2022, Aġenzija Support launched the 'Way to Work' service with the aim to continue providing training sessions to persons with disabilities who are seeking employment. This, and other already active projects, amalgamate training for both potential employees with disabilities and employers carrying out job matching, job coaching, and mentoring. The Government is implementing the Malta's 2021-2030 National Strategy on the

Rights of Disabled Persons, Freedom to Live, launched in June 2021. The Freedom to Live Community Grant Scheme benefitted 13 registered voluntary organisations and five local councils, with a total of €100,000 allocated to the implementation of the approved projects.

Another key Government priority is promoting inclusive education and providing support for students from diverse backgrounds. In October 2022, the Government announced an annual grant of around €10,000 per state school to cover the basic schooling needs of disadvantaged students aged between 3 and 16. As from this scholastic year, Scheme 9 has also been extended to benefit a wider assistance to around 2,000 disadvantaged students. Through this extension, parents/guardians enrolling in Scheme 9 can now receive all of the following benefits for free, rather than choosing one out of five assistances. The benefits offered for free include a uniform, daily healthy school lunch, stationery, photocopies, and extra-curricular activities like SkolaSajf, Klabb 3-16, and sports programmes through SportMalta. Students on this scheme will also receive free age-appropriate reading books.

MCAST is providing support to learners with disabilities through its Inclusive Education Unit (IEU). Currently, there are around 840 students with special educational needs that are benefiting from this service.

To improve accessibility, the University of Malta has a comprehensive programme of strategic action to meet its objectives. It is also developing support systems that enhance the learning experience and increase the completion rates of students from diverse and under-represented backgrounds.

Footnotes:

¹ Represented authorities include the Financial Intelligence Analysis Unit, Malta Business Registry, Malta Financial Services Authority, Malta Gaming Authority, Malta Police Force, Office of the Attorney General, Customs Department, Asset Recovery Bureau, Commerce Department, Office of the Commissioner for Revenue, Central Bank of Malta, Sanctions Monitoring Board, Office of the Commissioner for Voluntary Organisations, Malta Security Service, Transport Malta, and the Shipping Registry.

² <https://fiaumalta.org/wp-content/uploads/2022/11/FIAU-Strategy-2023-2026.pdf>

³ <https://fiaumalta.org/wp-content/uploads/2022/07/Guidance-Note-The-Use-of-Cash-and-the-Banking-Sector.pdf>

⁴ https://fiaumalta.org/wp-content/uploads/2022/03/20220303_2113_Sanctions-1.pdf

4. Progress towards United Nations Sustainable Development Goals (SDGs)

4. Progress towards United Nations Sustainable Development Goals (SDGs)

4.1 Introduction

The Maltese Government has been focusing on sustainable development as a crucial part of its agenda for several years and has achieved progress in various areas across all SDGs. The Government is incorporating sustainable development principles in its operations and is ensuring that policies, strategies, and initiatives align with the principles outlined in the 2030 Agenda.

4.2 Malta's Sustainable Development Strategy

Following the publication of Malta's Sustainable Development Vision for 2050, on the 9th of December 2022, the Government launched a public consultation for the Malta's Sustainable Development Strategy for 2050¹, which is an ambitious plan that affirms the Maltese Government's commitment to advance sustainable development in every sector at all levels.

The Strategy will seek to stimulate and mainstream actions across all workings of the Government and ascertain that the ambition laid out by the United Nations, together with Malta's Sustainable Development Vision for 2050, is realised in the most consistent and efficient manner possible.

By 2050, Malta will seek to establish a climate whereby its values and priorities complement the core principles of sustainability and allow its economy to grow and its society and environment to flourish and prosper. The Strategy will enable the Government to strengthen and develop mechanisms for cross-sectoral policy integration, while introducing measures and initiatives that reflect the current and future needs. It also aims to empower all members of society to actively contribute to the overall well-being of the Maltese Islands.

This Strategy focuses on five goals, divided into several strategic objectives, which are considered most significant for and pertinent to Malta based on the previously published Sustainable Development Vision for 2050, as well as various sectoral consultations with key stakeholders. Each objective highlights the challenges and needs of the respective thematic area and includes a list of actions and targets required to reach Malta's aims.

The priorities that need to be addressed include:

1. transitioning towards a climate-neutral green and blue economy;
2. preserving sustainable urban development and cultural heritage;
3. ensuring healthy lives and well-being for all;
4. accelerating digital transformation, smart mobility, and connectivity; and
5. achieving social fairness and prosperity for all.

The strategic goals will be monitored through a defined set of targets that will be translated into concrete actions in the next phase of the Strategy; Malta's Sustainable Development Action Plan for 2030.

4.3 The Budgetary Process and the SDGs

The integration of the SDGs in the budget process is an exercise that the Government has been carrying out annually since 2019 with the aim of improving the overall policy coherence and be in a better position to realise the ambitions and targets set out by the UN 2030 Agenda for Sustainable Development. In this regard, the Government undertook a long and intensive process in which all ministries were required to analyse and assess the contributions of the measures and initiatives towards the implementation of the SDGs. This leads to better transparency and accountability of the Government's decision-making processes, whilst ensuring that the three pillars of sustainable development - economic, social, and environmental - are always considered.

The 2023 Budget was directed towards sustaining economic recovery, safeguarding employment, enhancing social protection, ensuring the health and well-being of individuals, as well as incentivising sustainable, innovative, and digital solutions. These are being realised through the introduction of new schemes aimed at assisting businesses in becoming more resilient and competitive, the provision of decent work and high-quality jobs, improvements in the education system, and projects designed to promote the adoption of new and innovative carbon neutral technologies across all sectors. Various measures were introduced to promote the circular economy and waste reduction across sectors, including measures that combat environmental degradation and climate change. Furthermore, the 2023 Budget continued to build on previous years' initiatives that were aimed at further reducing the risk of poverty among the most vulnerable in society, sought to combat discrimination and inequalities, and addressed any past injustices.

Several 2023 Budget measures were aimed towards achieving the objectives set out in the SDGs. These are outlined in the following sub-sections.

4.3.1 The Environment

Malta's economic vision includes the green transition, with an aim to achieve carbon neutrality by 2050. The Government's measures aimed at decarbonising the economy are contributing towards achieving SDG 7 (Affordable and clean energy), SDG 12 (Responsible consumption and production) and SDG 13 (Climate Action). The Government policies in the environmental sphere seek to align economic growth with measures that target the reduction and offset of greenhouse gas (GHG) emissions. Such measures are in line with national commitments, as well as the European Green Deal and the Paris Agreement.

The Government aims to decarbonise the economy through the development of its Low Carbon Development Strategy (LCDS) together with national strategies aimed at reducing carbon emissions. These Government policies, as outlined in Chapter 3, contribute towards climate action.

In the 2023 Budget, the Maltese Government continued to adopt measures and incentives aimed at conserving and diversifying energy and reducing emissions from transport, buildings and the industry (SDG 9 and 11). The Budget also included reforms in waste management, in line with SDG 11 and 12, and enabled more investment in renewable energy, contributing to SDG 7.

In line with SDG 2 (Zero hunger) the Maltese Government is encouraging the interconnection of sustainable food supply security with land use and quality of life. In

2022, an initiative was launched for carbon farming, with the pilot project continuing throughout 2023, as highlighted in Annex Table 4.

4.3.2 Productivity

The promotion in the investment in R&I, the digital transition, and enticing of private investment, all contribute to various sustainable development goals in different manners. As highlighted in Chapter 3, the technological component in an economy's productive capabilities is vital towards boosting the means by which output is produced. For example, the eventual establishment of Malta's European Digital Innovation Hub (EDIH), the Technology Extension Support Programme and the extended participation in the Horizon Europe Programme will all play an important role towards improving the country's industries, innovation, and overall infrastructure (SDG 9).

On the other hand, linking the digital transition with the labour market, the launching of several marketing campaigns in Gozo, and schemes launched towards diversifying Gozitan operators' tourism product, highlight Malta's efforts towards the promotion of decent work and economic growth (SDG 8). Furthermore, the direct and indirect benefits brought about by other measures/actions including the digitisation reform of the Malta Business Registry and the enhancing of the National STEM Community Fund branch into other segments of the SDGs; whereby the former contributes towards augmenting the elements of peace, justice, and institutions (SDG 16), with the latter partially contributing towards the provision of quality education (SDG 4), as well as long-term technological benefits.

4.3.3 Macroeconomic Stability

In the context of the several challenges being faced on a global scale with respect to the Russian-Ukrainian conflict and the fallout from the COVID-19 pandemic, reforms aimed at strengthening macroeconomic stability are central towards ensuring sustainable economic growth. The measures put forward in the 2023 Budget to address challenges with respect to social protection are in line with SDG 1. Some of the reforms related to this SDG include the carer's grant, the continued extension to the in-work benefit, the additional COLA mechanism and the €10,000 grant on a period of 10 years to first time buyers. Furthermore, to tackle uncertainties related to energy supply, the Government renewed its commitment to increase its energy support measures to 3.4 per cent of GDP.

In line with SDG 8 (Decent work and economic growth) and SDG 10 (Reduced inequalities), the Government has also continued to increase the generosity of the pension system in Malta in a bid to tackle the more vulnerable in society. The non-taxable pension threshold of pensioners increased from €14,318 to €14,968 with further benefits to those with a married tax rate status. To encourage active ageing, pension income will gradually no longer be considered as part of taxable income.

4.3.4 Fairness

To address challenges related to a fair society, the Government is currently supporting various policy measures related to the healthcare system to improve access to preventive and curative healthcare. This is in line with SDG 3 (Good health and well-being). The Government also aims to invest in primary care by increasing the health workforce by focusing on specialised clinic and new infrastructure.

Another element tackled in the SDGs is related to SDG 5 and SDG 10 regarding gender equality and the reduction of inequality respectively. These are being tackled through the various active labour market policies aimed at addressing and correcting for market asymmetries.

In terms of education and the associated SDG 4 (Quality education), the Government is committed towards strengthening training outcomes, increasing access to education, and enhancing the quality of education at all levels.

4.3.5 Governance and Tax System

The 2023 Budget measures reflect the importance of strong governance within an economy. In line with SDG 16 (Peace, justice and strong institutions), the Government announced several reform measures to tackle existing challenges within this sphere. More specifically, to strengthen the rule of law, the Government is investing in the Malta Police Force in several key areas as mentioned in Section 3.2.4.

To tackle challenges related to money laundering and combating the financing of terrorism, the FIAU launched its Strategy 2023-2026 with the aim of making the FIAU more proactive, transparent and accountable. In addition, the MFSA has been undergoing organisational restructuring and is increasing its staffing and training to meet demands related to financial compliance in an ever-changing economic environment.

The groundwork for Malta's first ever Asset Recovery Facility is being laid out through a construction project aimed at housing an asset-tracking laboratory. This measure is intended to strengthen the institutional capacity in dealing with proceeds of crime. This development permits the Asset Recovery Bureau to become fully operational. All these measures are in line with SDG 16 (Peace, Justice and Strong Institutions - refer to Annex Table 4).

Footnote:

¹ <https://sustainabledevelopment.gov.mt/wp-content/uploads/2022/12/Maltas-Sustainable-Development-Strategy-for-2050.pdf>

5. EU Funds

Overview of 2021-2027 Priorities for Malta under Cohesion Policy

Prior to the onset of the COVID-19 pandemic, the economic performance registered in Malta over recent years resulted in a rapid expansion of services exports, due to structural rebalancing in the fast-growing export-oriented services industries. This shift led to a surplus in the current account balance and supported rapid income convergence to the European Union (EU) average. The strong pace of economic expansion has also brought about new challenges, such as pressures on the infrastructure and the environment, as well as some labour shortages, amongst others. In this regard, considering Malta's inherent limitations, development in different sectors remains crucial to ensure sustainable development. It is essential that Malta continues to invest in mitigation measures aimed at addressing Malta's vulnerability and to strengthen its resilience to external shocks.

Through the 2021-2027 EU funded plans and programmes, efforts will continue targeting Malta's development needs with a view to enhance the competitiveness of the Maltese economy whilst ensuring sustainable economic growth. Investments and reforms foreseen shall continue contributing towards the European priorities of creating a business environment conducive to economic growth, creating jobs, and enhancing social cohesion, whilst at the same time improving the surrounding environment.

A Smarter Economy

The Maltese business community is mainly made up of micro-enterprises and self-employed, that need a supportive environment for them to be able to set up, grow and compete both locally and abroad. This can be done by encouraging already established enterprises and newly set-up business to strengthen the productivity dimension as indicated in Chapter 3.

In view of the gap between Malta's level of Research and Innovation (R&I) when compared to the EU average, further support is necessary to establish the required infrastructure, knowledge transfer and foster partnerships. This will make it possible for the country to be able to make the leap into an innovation-led business model. Furthermore, efforts to strengthen the digital transition are also foreseen, including the strengthening of digital skills and the promotion of digital services. Through this priority, support for the private sector's engagement in R&I, digitalization, business growth and development will be a core element contributing towards sustaining socio-economic growth.

A Low Carbon and Greener Environment

Notwithstanding the significant investment already undertaken within this sector, including through EU funded initiatives, there is still room for improvement. During the 2021-2027 period, efforts will continue promoting and supporting the shift towards a green economy, including investment in energy, waste and water, biodiversity, green infrastructure, and green mobility, amongst others. Efforts supporting the green transition through the updating of skills related to green and blue jobs are also foreseen. Several measures addressing the environment, with a particular focus on promoting energy efficiency, are being introduced. For instance, the Government is committed to invest in a second electricity interconnector and in energy storage to strengthen the

electricity grid. In addition, investment in waste and water management infrastructure, the decarbonization of ports and multi-modal urban mobility are intended to solidify the environment dimension of sustainable growth as referred to in Chapter 3.

With the aim of shifting towards the use of alternative fuels in road transport, EU funds will be utilised to support a more extensive network of charging points for electric vehicles (EVs) and related infrastructure investments across Malta and Gozo. EU funds will complement schemes for the purchase of electric vehicles and will support the shift towards alternative fuels, cleaner air, mitigating pollutants and Greenhouse gas (GHG) emissions. This is in synergy with the Green Cars Initiative, as part of the European Economic Recovery Plan which seeks to enhance the development of new, clean, and sustainable forms of road transport.

A More Connected Society

Given its limited size, Malta is often faced with challenges that are usually found in cities, in particular congestion and high pressures on the transport infrastructure. Addressing these challenges requires a multifaceted approach for road infrastructure in terms of investment in different modes of transport which are accessible, sustainable, and safe. In addition, as an island state at the periphery of Europe, investment to enhance the maritime infrastructure remains crucial to ensure the competitiveness of the Maltese economy. The Government's efforts aiming to enhance both road and maritime transport connectivity contributes to enhance the competitiveness of the Maltese economy and thus complements the measures included in Chapter 3 addressing the productivity dimension. The interventions targeting road transport are also complementary to the measures and investments targeting the Environment facet of Chapter 3.

A More Social Community

The need to invest in health, education, and socio-economic integration, remains a priority, as also highlighted in measures and investments addressing the fairness dimension of Chapter 3, with a focus on quality and inclusive education and improving access and resilience of the health care system, amongst others. Investment in integrated measures, including infrastructure and services as well as investment to enhance the resilience of labour markets and improve access to quality jobs, remains necessary. Such investment will contribute towards improving access to inclusive quality services and ensure the integration of all communities, particularly disadvantaged and vulnerable socio-economic groups. To continue providing equal access to health services, EU funds continue to address the challenges brought about by the changing demographic trends and emerging health needs. Further investment in education, training and life-long learning is key in addressing the social needs of the country and sustaining Malta's human capital.

The COVID-19 pandemic had severe repercussions on the tourism sector and changed the way in which the touristic product is being delivered. This calls for further investment in Malta's touristic product to ensure recovery of the sector. Initiatives shall focus on the renovation of cultural assets, the valorisation of Malta's cultural heritage and the regeneration of areas to promote tourism. Such efforts will counterpart the Government's aim to improve quality along the value chain, but also to foster social cohesion and an improved environment. This coordinated approach will also enrich Malta's cultural

heritage, thereby complementing the measures and investments addressed in the relevant productivity dimension of Chapter 3.

Bringing Europe Closer to Citizens

The Maltese Islands are characterised by permanent geo-physical challenges, all of which need their due attention. In particular, the island of Gozo faces double insularity challenges. In this regard, efforts to reduce disparities between Malta and Gozo are given precedence. Priority shall be given to Gozo's needs in line with the national policy framework, thereby fostering sustainable growth complementary to the measures and investments addressing the environment and productivity challenges of Chapter 3. Investment in sustainable urban development will continue to be promoted by fostering interventions in social, economic, cultural, and environmental areas, which are tailored to the local specifications of the island's territory.

Facilitating a Just Transition

In line with the ambitions laid out in the European Green Deal for climate action and the objectives of the Paris Agreement, interventions under two main priorities shall serve to enable Malta to continue in its ambitions for decarbonisation and the reduction of GHG emissions. These interventions are consistent and complementary to the measures and investments addressing the environment dimension of Chapter 3.

Investments will go towards the installation of an onshore power supply at Malta's main ports engaged in international trade. This investment will involve the connection of vessels to onshore electricity power supply whilst berthing. This will provide an environmentally friendly alternative to reduce GHG emissions. Such investments will also put Malta in the lead when it comes to the application of such technologies.

5.1 Update on the State of Play

By November 2022, all EU Funded Plans and Programmes under the 2021-2027 period had been officially submitted by Malta and approved by the European Commission in a timely manner, allowing Malta to shift its focus on the implementation of such Programmes and Plans. Following the approval of Malta's Recovery and Resilience Plan (RRP) in 2021, in 2022 Programmes for the European Regional Development Fund (ERDF), Cohesion Fund (CF), Just Transition Fund (JTF), European Social Funds Plus (ESF+), European Maritime, Fisheries and Aquaculture Fund (EMFAF), Asylum, Migration and Integration Fund (AMIF), Internal Security Fund (ISF), Instrument for Financial Support for Border Management and Visa Policy (BMVI), as well as Malta's Common Agricultural Policy (CAP) Strategic Plan were approved and launched.

5.2 Complementarity of Funding between EU Funds and the RRP

Complementarity of funds between Cohesion Policy instruments and the RRP are outlined within both the RRP and the respective Programmes and Partnership Agreement. Efforts under the RRP to foster a digital, smart and resilient economy will be implemented in synergy with the European Regional Development Fund (ERDF) initiatives under Policy Objective 1, particularly in relation to support for digitalisation.

Support and reforms under the RRP are aimed at addressing climate neutrality through enhanced energy efficiency, clean energy, and a circular economy. Decarbonizing transport will be in synergy with initiatives under ERDF and CF with a focus on enhancing water management, investing in the circular economy, developing the TEN-T network (road and ports) as well as nurturing a shift towards carbon neutrality through the decarbonisation of ports under the JTF.

Efforts to strengthen the resilience of the health system and socio-economic sustainability under the RRP will also be complemented by initiatives under ERDF and ESF+ with a view to holistically address service provision related to their corresponding sectors.

Delineation and coordination between instruments are ensured at a programming stage whereby the development of EU Funded Plans and Programmes is coordinated within the same Division and Ministry. Measures to avoid double funding set up for the 2014-2020 programmes will continue to be applied and adjusted as necessary during the implementation of the 2021-2027 programmes.

5.3 Complementarity and Consistency between Funding Priorities and NRP Priorities

The funding priorities addressed by EU Funds, mentioned in Section 5.1, aim to address the four complementary dimensions highlighted in the European Commission's new growth strategy, which include environment, productivity, macroeconomic stability and fairness. EU funding simplifies the challenges faced in Malta and make the priorities highlighted in the NRP more attainable. These funds help support investments related to the health sector, promoting digital objectives, and transportation, mainly by improving network and accessibility. This helps Malta become more competitive and sustainable.

To access EU funds, Member States are required to prepare a Partnership Agreement and plans or programmes covering various funds for the 2021-2027 period. Malta's Partnership Agreement, that was approved in 2022, outlines the main parameters of EU funded plans and programmes as well as synergies with other EU instruments including the Recovery and Resilience Facility (RRF). This coordination is instrumental for Malta to be able to maximise the use of EU funding sources and to ensure coherence between different EU funded initiatives.

The Partnership Agreement sets the overarching strategic direction which is being implemented through the various Plans/Programmes financed through cohesion policy funds, amongst others. The implementation of such Programmes/Plans is expected to directly contribute towards the achievement of the smart, environmental, social, and territorial dimensions which strategically target priority areas aimed to meet both EU and national objectives, whilst considering the relevant Country Specific Recommendations (CSRs).

Investments supported under the Plans/Programmes shall particularly aim to foster an innovative and smart economy, whilst promoting environmentally sustainable practices; to enhance connectivity and foster a healthy environment. They also aim to foster an inclusive social environment in line with the European Pillar of Social Rights, foster an environment conducive to a healthy workforce and sustain a new generation of quality education provision.

The ERDF/CF/JTF programme emanating from the 2021-2027 Partnership Agreement aims to support investments in line with priorities identified under different national policies. Resources are being mobilised to facilitate access to finance for enterprises including through grants and loans. Areas supported through the Plans/Programmes include digitalisation, R&I, energy storage and efficiency, the valuation of cultural heritage and tourism, investments aimed to support business development, clean energy, waste and water management, health facilities (including mental health and paediatrics), culture and tourism, educational institutions, and transport infrastructure, amongst others.

The ESF+ Programme aims to directly contribute towards the achievement of the social dimension which strategically targets priority areas aimed to meet both EU and national objectives relating to employment, education, social inclusion, and material deprivation.

6. Institutional Issues and Stakeholder Involvement

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In order to implement the country-specific recommendations and attain the Sustainable Development Goals, the commitment of the Government as well as that of social partners, local Government and non-governmental organisations, is required. As in previous years, the Government has actively consulted the Malta Council for Economic and Social Development (MCESD), a forum which brings together the main social partners in Malta. In fact, these stakeholders were consulted by the respective Ministries on various measures and initiatives presented in the National Reform Programme (NRP) and they were also invited to attend an ad hoc meeting on the NRP to discuss the strategic underpinnings of the overall report.

Furthermore, a quarterly monitoring exercise on the implementation of the NRP was carried out, prior to the drafting of a status report on each individual measure listed in the NRP. It should be noted that the measures which are co-funded through European Union (EU) funds have also been included in this NRP.

The Ministry for Finance and Employment was responsible for coordinating the required input from the relevant Ministries and key stakeholders, participating in seminars and discussions on issues concerning various EU Strategies and providing updates on the progress achieved in the NRP. This collaborative process proved to be successful and has led to the drafting of a comprehensive yet concise NRP with increased ownership from line Ministries. In addition, the Ministries and entities responsible for the implementation of the NRP document, the respective Local Councils and the Local Councils' Association, were consulted as necessary. A copy of the NRP will be handed to the Malta Fiscal Advisory Council. Subsequently, the NRP will be made available to the public after submission to the European Commission. The 2023 NRP document was discussed and approved by Cabinet on 4th April 2023.