



Malta

National Reform Programme

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Minister's Foreword

The National Reform Programme (NRP) has become an important annual health check for the Maltese economy. The NRP for 2024 outlines the Government's planned and executed strategic interventions that have bolstered our economy's resilience in the face of adversity. These initiatives, including the direct interventions during and after the COVID-19 pandemic, have laid critical foundational layers to the economy, showcasing the Government's commitment to sustainable economic growth and social progress.



In 2023, the Maltese economy experienced a strong growth of 5.6 per cent, primarily driven by net exports. Household consumption thrived, reflecting a robust labour market with low unemployment and significant employment growth. However, we recognise the need for continuous reform to ensure long-term sustainability. Our proposed structural reforms have been carefully evaluated to align with national fiscal targets, underscoring our commitment to prudent fiscal management.

Building on this solid foundation, the Government's strategy prioritises five fundamental principles: good governance, enhancing the quality of life for all citizens, investing in education, renewing Malta's infrastructure, and achieving carbon neutrality by 2050. These principles guide our efforts to foster a conducive economic growth and social progress environment.

Environmental sustainability remains a top priority for the Government, with initiatives in place to improve energy efficiency, invest in renewable energy, and address air quality concerns. Our strategy is focused on achieving carbon neutrality by 2050. In this regard, we have taken significant steps towards the green transition, such as the Grand Harbour Clean Air Project and providing electricity at the Malta Freeport, demonstrating our commitment to a sustainable future.

To ensure Malta's economy remains resilient, continuous efforts to enhance productivity are being implemented through research, innovation, and digitalisation initiatives. Additionally, the Government continuously supports start-ups and SMEs by promoting private investment. It has introduced several reforms to strengthen consumer and business confidence.

We are committed to implementing measures that promote fairness and social inclusion while investing in critical sectors such as healthcare, education, and employment. Selected policy measures announced in the 2024 Budget, such as pension increases, child benefits, and the additional COLA mechanism, are not just expected to reduce the overall at-risk-of-poverty rate and alleviate income inequality. Still, they are a testament

to our unwavering commitment to social inclusion and poverty alleviation. Simulations continue to underscore the positive impact of these measures on disposable income across all income brackets, particularly benefiting lower-income groups.

The Government shall also pursue its commitments to ensure macroeconomic stability by reducing the deficit, keeping debt prudent, and addressing the financial and infrastructural challenges an ageing population poses. From a macroeconomic perspective, we shall continue strengthening institutional capacities, fostering democratic principles, combatting financial crimes, and further promoting fiscal integrity through collaborations with international partners and regulatory bodies.

Finally, the Government's reforms reflect its unwavering commitment to dynamic growth and, most importantly, the well-being of all citizens. With continuous efforts to enhance sustainability, productivity, macroeconomic stability, governance and taxation, and fairness, Malta is on its way to achieving a prosperous and inclusive future for all.

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

Mr. Clyde Caruana
Minister for Finance

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1. Introduction

1.1 Malta's Strategy

Throughout 2023, the Maltese economy exhibited a notable expansion of 5.6 per cent in real terms, primarily driven by robust net exports. Household consumption thrived, reflecting the strength of the labour market marked by a historically low unemployment rate of 2.6 per cent and a significant employment growth of 5.4 per cent. In light of ongoing macroeconomic developments, the Government of Malta remains committed to addressing key challenges through a strategic approach that balances prudential fiscal policies with the objectives outlined in the Maltese Recovery and Resilience Programme (RRP), the Sustainable Development Goals (SDGs), and the European Pillar of Social Rights (EPSR).

Malta's RRP, through its six components and the REPowerEU Chapter, 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 approval of the first payment request, a second payment request was submitted on 21 December 2023, with the third payment request to be submitted later on this year. In this context, the implementation of the Recovery and Resilience plan has proceeded and is on track in line with the milestones and targets included in the Council Implementing Decisions of 5 October 2021 and its amendment.

This National Reform Programme (NRP) reflects a commitment to comprehensive and integrated policy approaches aimed at driving sustainable development and fostering prosperity for all citizens. Building upon the foundation laid out in previous years, the Government's strategy continues to prioritise five fundamental principles: good governance, enhancing the quality of life for all citizens, investing in education, renewing Malta's infrastructure, and achieving carbon neutrality by 2050. This year's NRP underscores the Government's key policy responses to major challenges, organised under thematic areas encompassing Environment, Productivity, Macroeconomic Stability, Fairness, and Governance and Taxation. Central to the Government's approach is the recognition that these thematic areas are interconnected, with policies designed to achieve multiple objectives simultaneously.

For instance, environmental sustainability remains a top priority, with initiatives aimed at promoting the green transition through investments in energy efficiency and renewable energy sources. Efforts to enhance productivity are intertwined with investments in national research and innovation sectors, aligning with the Government's broader socio-economic vision. Meanwhile, the dimensions of Fairness, Macroeconomic Stability, and Governance and Taxation are interlinked through the imperative of utilising public funds in a manner that fosters sustainable and inclusive growth. A robust revenue collection and governance framework are essential to support the effective allocation of public resources, ultimately contributing to greater macroeconomic stability and a more equitable society.

1.2 Main Reform and Investment Priorities

1.2.1 Environment

Malta's economic strategy prioritises achieving carbon neutrality. The Government is committed to accelerating initiatives aimed at improving energy efficiency in buildings and increasing investments in renewable energy. Over recent years, there has been a significant rise in public funding directed towards improving transportation infrastructure, including both major and urban road networks, in order to reduce traffic congestion and enhance air quality. The Government maintains its dedication to diminishing the carbon footprint of the transportation sector by supporting the electrification of vehicles and advocating for increased utilisation of public and alternative modes of transportation.

The Grand Harbour Clean Air Project's implementation of onshore electric power together with the progress made towards the implementation of the shore-to-ship provision of electricity at the Malta Freeport are aimed at improving air quality. A bi-directional electric power project at Malta Freeport Terminals aims to reduce emissions and utilise surplus energy from liquified natural gas (LNG), whilst studies are ongoing to evaluate the provision of LNG bunkers to visiting ships in Maltese ports, enhancing sustainability efforts in maritime operations. By consolidating and modernising national waste management infrastructure, Malta is poised to continue its positive momentum in transitioning towards a greener economy, thereby facilitating Malta's shift towards a more circular economic model.

1.2.2 Productivity

The Government continues in its drive towards research, innovation, and digitalisation, as evidenced by its policy agenda covering social, economic and environmental goals across various sectors.

Initiatives like the Artificial Intelligence Tourism Platform and the establishment of 'DiHubMT' aim at facilitating advancements in tourism and supporting start-ups and SMEs, respectively. Moreover, the Government's emphasis on research and innovation, as outlined in the Smart Specialisation Strategy and the National R&I Strategic Plan, reflects a commitment to fostering a vibrant digital economy. Additionally, efforts to promote private investment through schemes like the SME Invest scheme and collaborations with international partners demonstrate Malta's proactive approach to economic growth and sustainable development.

1.2.3 Macroeconomic Stability

The Maltese Government is set to ensure policy continuity towards fiscal responsibility and economic sustainability, by reducing its deficit while consistently supporting and sheltering households and businesses from commodity price hikes. Households and businesses remain protected from fluctuating energy prices by means of energy support measures. The Government is however very conscious of the strain this exerts on public finances and in order to preserve fiscal sustainability, it is committed to ensure convergence to the 3.0 per cent of Gross Domestic Product (GDP) deficit reference value and for debt to be kept at prudent levels in the medium-term. The Government will outline its fiscal strategy in the upcoming medium-term fiscal structural plan.

In addition, the Government continues its efforts to address the challenges posed by an ageing population, particularly focusing on fiscal sustainability and the adequacy of pensions. Since 2024, indexation rules for those pensioners born prior 1962 were equalised to the more beneficial rates applicable to those born after 1962, whilst the incentives to encourage longer working years were strengthened. Additionally, several social benefits were enhanced, intended to alleviate financial strains on vulnerable households. Housing affordability remains a priority, with the implementation of diverse schemes and subsidies aimed at facilitating homeownership and assisting those in need of housing support.

1.2.4 Governance and Taxation

The Government has been committed to enhancing institutional capacities and fostering democratic principles. Through a series of strategic measures and legislative reforms, the Government aims to fortify the foundations of democracy and uphold the rule of law. Notably, efforts to streamline judicial proceedings, digitise the justice system, coupled with the appointment of new judges and magistrates, reflect the Government's proactive stance towards reinforcing the judicial framework. Additionally, the separation of the Attorney General's Office from the State Advocate's Office marks a significant milestone in streamlining legal procedures and optimising prosecutorial functions.

The Government has also undertaken rigorous measures to combat financial crimes and promote fiscal integrity. Through strategic collaborations with international partners and regulatory bodies, Malta endeavours to align its anti-money laundering efforts with global standards and best practices. The Government's initiatives exemplify concerted efforts to fortify regulatory oversight and safeguard the integrity of the financial sector. This underscores Malta's commitment to upholding the rule of law, combating financial misconduct, and promoting transparency in corporate practices. The Government will sustain its efforts to refine tax policies and regulations, building upon the groundwork laid in 2023 to further advance Malta's governance goals.

1.2.5 Fairness

The Government is committed to strengthening distributional policies with the aim of advancing social inclusion, mobility, and poverty alleviation. To this end, the Government has undertaken extensive measures to foster fairness and equity across various sectors, including healthcare, labour markets, education, and social policies. Addressing challenges arising from an ageing population and population growth, the Government has expanded its Formulary List to encompass medications for various conditions. Alongside other advancements in healthcare services, initiatives like the myHealth portal and electronic health record systems, underscore the Government's commitment to improving accessibility and efficiency in healthcare delivery.

By giving precedence to measures that encourage employment and expanding efforts to ensure that work is financially rewarding, the Government is taking significant steps towards providing equal access to economic opportunities for all. Notably, the implementation of schemes like the Free Childcare Scheme and tax incentives to encourage continued work after retirement have contributed to a significant increase in the women's labour force participation rate. Additionally, the Government's initiatives to integrate individuals with disabilities into the workforce and enhance the quality and

accessibility of education demonstrate its dedication to reducing early school leavers and fostering a more equitable and inclusive society.

1.3 Sustainable Development Goals

The Government has shown advancement across various domains pertinent to the SDGs and remains dedicated to maintaining the core principles delineated in the 2030 Agenda. In pursuit of this objective, fiscal strategies have been harmonised with the SDGs, and various measures are underway to execute actions in line with the specified targets of the 2030 Agenda.

2. Macroeconomic Context and Scenario

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2.1 Macro Forecasts 2024

The Maltese economy sustained its strong growth performance throughout 2023, expanding by 5.6 per cent in real terms. Economic growth was primarily driven by net exports, with a substantial growth in exports of 8.7 per cent attributable to a considerable growth in services exports, while imports recorded a growth rate of 4.6 per cent. On the other hand, domestic demand contributed negatively to economic growth in 2023, reflecting a significant decline in investment attributable to an extraordinary investment in aviation in the previous year. However, household consumption expenditure recorded a robust growth rate of 7.7 per cent, reflecting a robust labour market. In fact, the unemployment rate decreased to a historic low, averaging at 2.6 per cent in 2023, while employment increased by 5.3 per cent. Moreover, Government consumption remained supportive of domestic growth conditions, recording a growth rate equivalent to 3.3 per cent.

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 Macroeconomic Impact of Structural Reforms

The Maltese Government continued to introduce and implement several reforms aimed at strengthening consumer and business confidence while concurrently enhancing productivity, potential output growth and living standards. These reforms, 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;
- Improving the quality of the business environment;
- Encouraging greater investment in research and development;
- Strengthening efficiency in the use of energy and promoting the use of energy from renewable sources;
- Fostering the green and the digital transitions;
- Improving education outcomes and reducing skill gaps whilst encouraging higher labour participation rates;
- Reducing poverty and promoting social inclusion.

The following section seeks to illustrate the likely economic impact of a scenario associated with a reduction in skills gaps. The results presented in this section are based on modelling generated on the basis of the QUEST III R&D model.¹ The presented scenario is not intended to represent the impact of a specific policy measure being implemented by the Government.

2.2.1 Simulating improvements in labour skills

Improvements in human capital has always been high on the political agenda both locally and at European Union (EU) level. The COVID pandemic, which has accelerated the demand for skills that match the structural shift in labour markets, has further heightened the need for continuous improvements in human capital, particularly upskilling and reskilling. The importance of the latter is even more pronounced in the context of fast-changing technologies, the rise of artificial intelligence, the green and digital transitions and the creation of green jobs. Within this context, the focus on upskilling and reskilling

and on an education system that adequately equips students with the necessary skills that cater for the current and futuristic labour demands, have become a priority.

The Maltese Government has devoted substantial efforts in recent years to improve the quality of the education system and addressing the skills gap. New initiatives have been launched along the years to ensure that the majority of students pursue further education following secondary education and that early dropouts from the education system continue to decline. Indeed, the share of early school leavers decreased from 18.1 per cent in 2012 to 10.1 per cent in 2022. Nevertheless, despite being on a declining trend, the share of low skilled workers within the Maltese labour market remains one of the highest in the EU. In this regard, the Maltese Government intends to continue investing extensively its resources to further enhance the education system and promote adult learning. Indeed, it has unrolled a series of policies and strategies aimed at improving the quality of education and at providing the workforce with reskilling and upskilling opportunities, including the Malta National Education Strategy 2024-2030 (which is to be launched soon), the National Lifelong Learning Strategy 2023-2030, the Early Leaving from Education and Training Strategy 2023-2030, the 'Investing in Skills Scheme' 2021-2027, the extension of Malta Enterprise's 'Skills Development Scheme' and other policies and reforms as outlined elsewhere in this Programme.

Table 2.1 illustrates the likely economic impact of a scenario associated with a transition of 5,000 individuals from low-skilled population to medium-skilled following further education or training. The shift is assumed to take place gradually over a period of 20 years.² Results in Table 2.1 shows that the shift towards a higher share of medium-skilled individuals would be expected to boost employment by 0.8 per cent in the longer-term, relative to the baseline scenario. This increase in employment reflects the higher employment rate for medium-skilled persons relative to that of lower-skilled ones. This is in-line with actual observations in the labour market, whereby persons with a higher level of education attainment are more likely to be active in the labour market relative to those with lower education levels. Consequently, this increase in employment would be expected to boost Gross Domestic Product (GDP) by 0.8 per cent in the longer-term, relative to the baseline. This increase in output could also reflect the shift towards higher value activities. Overall, this scenario indicates the economic benefits that can be derived by enhancing skills.

Estimated Economic Impact of a Scenario that assumes a shift of 5,000 low-skilled individuals to medium-skilled (Cumulative Percentage changes from baseline)

Table 2.1

Years from baseline	1	2	3	5	10	15	20	30
GDP	0.04	0.10	0.14	0.22	0.39	0.57	0.75	0.79
Employment								
-low	-0.04	-0.08	-0.14	-0.29	-0.74	-1.20	-1.62	-1.67
-medium	0.14	0.28	0.41	0.66	1.27	1.88	2.45	2.49

2.3 Distributional Impact of Selected 2024 Budget Measures

This section examines how selected policy measures announced in the 2024 Budget affect the income distribution and poverty levels of households³. These measures include the weekly pension increase of €2.19, the €50 increase in the elderly grant, the tax rebate for pensioners, an increase in the children’s allowance, the increase in childbirth and adoption bonus, allowance for post-secondary students, as well as the additional cost-of-living (COLA) mechanism. To evaluate the impact of these initiatives, simulations were modelled using EUROMOD⁴. The simulations consisted of a baseline scenario, which represents the 2023 tax and benefit model, and a scenario in which the reform is modelled for estimation. For each measure, the difference between these two scenarios represents the impact of that specific policy reform.

EUROMOD is a static model; therefore, the results depict the impact of the reform measures under the assumption that all other factors remain constant. Furthermore, these results cannot be directly compared to previous estimations found in earlier editions of the National Reform Programm (NRP) due to the ongoing changes in the model, which affect the baseline scenario⁵.

Measures targeted to the Elderly Population

In the 2024 Budget, the Government continued to target pensioners through a set of additional measures, which are collectively analysed through simulation analysis. These measures include a weekly increase of €3.25 in contributory and non-contributory pensions (over and above the increase in the statutory COLA), a €50 increase in the

Distributional impact of reforms (in percentage points)

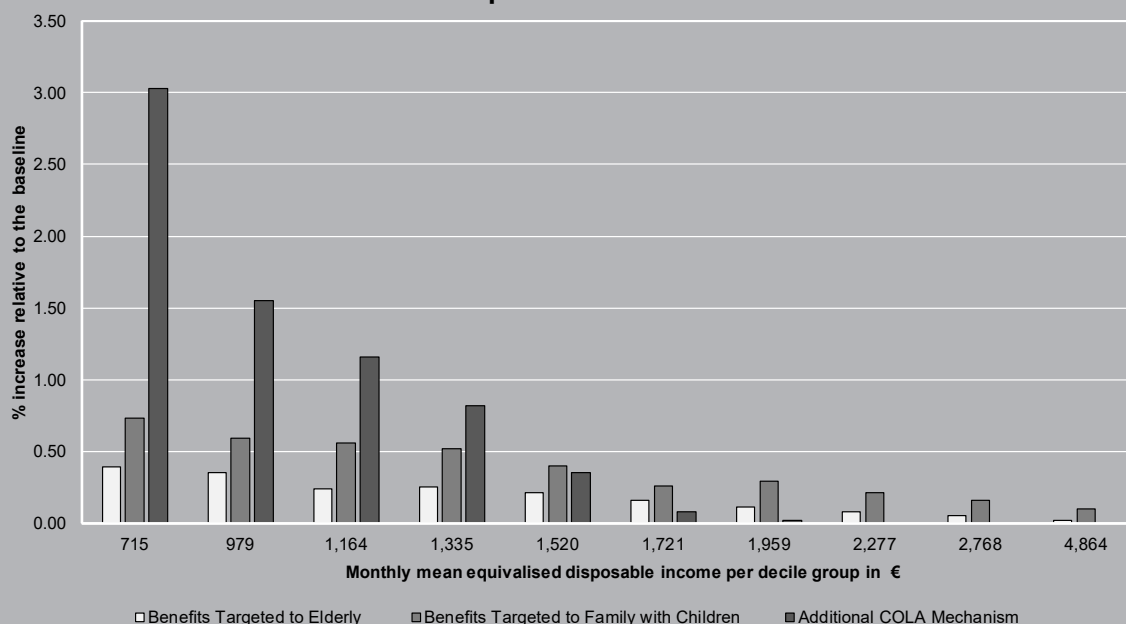
Table 2.2

	Benefits Targeted to Elderly	Benefits Targeted to Family with Children	Additional COLA Mechanism
Poverty rate⁶ of Total Population	-0.18	-0.27	-0.65
Poverty rates by Household Type			
One adult < 65, no children	0.00	0.00	-0.45
One adult >= 65, no children	-0.82	0.00	-1.02
One adult with children	0.00	-2.62	-2.13
Two adults < 65, no children	0.00	0.00	-0.13
Two adults, at least one >= 65, no children	-1.06	0.00	-1.69
Two adults with one child	0.00	-0.59	-0.79
Two adults with two children	0.00	0.00	-0.44
Two adults with three or more children	0.00	-4.49	-4.49
Three or more adults, no children	0.00	0.00	-0.11
Three or more adults with children	-0.07	-0.14	-0.23
Income Inequality - Gini Coefficient	-0.001	-0.001	-0.003

Source: Economic Policy Department Workings

Chart 2.1

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



Source: Economic Policy Department Workings

elderly grant for individuals aged 80 years and over who are still living in the community or in a private care home, and an increase in the tax rebate on pension income.

These combined initiatives are expected to reduce the overall at-risk-of-poverty rate by around 0.18 percentage points, as shown in Table 2.2. Notably, this decline is primarily attributed to the decrease in poverty rates among individuals aged 65 and over, as illustrated in the breakdown of poverty rates by household type.

Additionally, the Gini coefficient, an indicator of income inequality, also showed a decline, suggesting that these measures help in alleviating income inequality. Moreover, as shown in Chart 2.1, it is evident that these policies are expected to have a positive impact on the disposable income of all income brackets, particularly benefiting those in lower-income groups.

Measures targeted to Families with Children

As outlined in the 2024 Budget, the Government implemented several measures pertaining to child benefits. One of these measures involves an annual increase of €250 in the children’s allowance ensuring that parents of dependent children⁷, regardless of their income, receive an additional €250 per child as part of their respective benefit. Additionally, the Government increased the childbirth and adoption bonus by €100 for the first child and €600 for any subsequent children in the family.

Another measure introduced in this context is a special allowance for parents whose children pursue education beyond the compulsory age. This allowance amounts to €500 per year for children aged 16 to 18 who continue living with their parent(s) and are full-time students.

EUROMOD simulations, conducted to evaluate the effects of these measures, indicate that the overall at-risk-of-poverty rate is expected to decrease by around 0.27 percentage points, primarily affecting households with children. The Gini coefficient also registered a decline, indicating that these measures help alleviate income inequality. Furthermore, Chart 2.1 illustrates a positive and progressive impact on disposable income across all income brackets.

Additional COLA Mechanism

The additional COLA mechanism is a benefit designed to support vulnerable families. This mechanism was developed to compensate low-income families for the recent increase in the cost of living due to high inflation. It is triggered when the following two circumstances occur simultaneously:

- The inflation rate in the previous 12 months exceeds 2.0 per cent.
- Individual inflation in the previous 12 months in three of the five basic RPI components - Food; Accommodation; Electricity, Water, Gas and Fuel; Household equipment and household maintenance cost; and Personal health care - exceeds 2 per cent.

If both conditions are met, the mechanism is triggered, and households earning less than the household median equivalised income, set at €18,155 for 2023, will benefit from it. The benefit rate is based on the disparity between the inflation rates experienced by low-income household and the average household. The most affected households 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 households with the lowest equivalised income. The benefit can vary between €100 and €1,500 per household.

This mechanism is expected to reduce the overall at-risk-of-poverty rate by approximately 0.65 percentage points, as shown in Table 2.1. The most substantial decline is expected within households consisting of two adults with three or more children, single-parent households, and households with individuals aged 65 years and older. Consequently, this initiative is expected to have a substantial positive distributional impact on the elderly cohort and families with dependent children.

Additionally, Chart 2.1 illustrates a substantial increase in equivalised disposable income among the bottom three deciles, reflecting the targeted nature of this measure. This result is reinforced by the improvement in the Gini coefficient, affirming the effectiveness of the measure in addressing income inequality.

Footnotes:

¹ 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.

² It is to be noted that this scenario is intended for illustrative purposes only and does not intend to estimate the likely economic impact of any particular measure or reform implemented by the Government. In particular, the presented scenario is solely hypothetical with the purpose of illustrating the likely economic benefits associated with transitioning further individuals from low-skilled to medium-skilled.

³ The measures are selected based on what can be modelled within EUROMOD using the EU-SILC microdata. For further detail on what is modelled in EUROMOD, see the latest [Country Report](#).

⁴ 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 baseline is based on the 2023 tax and benefit system of Malta excluding the additional COLA mechanism introduced in 2022. Thus, the results presented for the additional COLA mechanism are assessed against a no-policy scenario. The same methodology applies to the analysis of the increase in pension reform.

⁵ These simulations are based on the 2023 tax and benefit system of Malta using EUROMOD version I6.0+ and the 2022 EU-SILC microdata.

⁶ The poverty rate calculations are based on a fixed 60 per cent poverty threshold, set at €11,663.

⁷ Dependent children are assumed to be children under the age of 16 in line with the eligibility conditions of the children allowance benefit.

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 presents the Government's primary policy initiatives to address economic, employment, and social development challenges across various thematic areas, including environmental concerns, productivity, macroeconomic stability, governance and taxation, and fairness. It is organised around the four dimensions of competitive sustainability and is aligned with the UN Sustainable Development Goals (SDGs).

Moreover, the Government is committed to implementing the Recovery and Resilience Plan (RRP) in accordance with established milestones and objectives, alongside implementing the 2021-2027 Cohesion Policy. This commitment aligns with the second CSR of 2023, as well as that of 2022.

The RRP's implementation is progressing as planned, adhering to the milestones and targets outlined in the Council Implementing Decisions of October 5th, 2021. Operational arrangements of a technical nature have been agreed upon between Malta and the Commission, delineating aspects such as implementation timelines, indicators for milestones and targets, and access to supporting documentation.

Malta's RRP was updated on 14 July 2023 to include measures that address the REPowerEU objectives. To finance this heightened ambition, €40 million from Malta's Brexit Adjustment Reserve was allocated to the Plan, supplementing Malta's REPowerEU grant of €30 million. The REPowerEU measures encompass a reform of the permitting system for renewable energy projects and a €70 million investment in the electricity grid. Following the approval of the revised RRP, the grants financed by the Recovery and Resilience Facility totalled €328 million.

Reporting on the FENIX portal is conducted regularly in accordance with the reporting requirements. The initial payment request was submitted in December 2022 upon meeting all 2021 milestones and targets and was subsequently approved. Similarly, the second payment request was made in December 2023, following the achievement of all 2022 milestones and targets.

Progress remains on track for other milestones and targets. As scheduled, Malta is expected to submit its third payment request in 2024. Annex Table 2 provides an excerpt from the FENIX portal, highlighting the attainment 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).***
- ***step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition (CSR 4 2023).***
- ***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).***
- ***preserve nationally financed public investment and ensure the effective absorption of grants under the Facility and of other Union funds, in particular to foster the green and digital transitions (CSR 1 2023).***
- ***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, CSR 4 2023).***
- ***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, CSR 4 2023).***

The Government has devised a group of strategies to steer the economy towards decarbonisation, with the ultimate aim of achieving carbon neutrality by 2050. These strategies include the 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).

Measures which promote the transition to environmentally sustainable practices, including initiatives targeting energy efficiency and renewable energy contribute to the goals of ensuring access to affordable and clean energy (SDG 7) and combating climate change (SDG 13). Efforts aimed at fostering sustainable transportation and reducing carbon emissions from transport also play a role in advancing resilient infrastructure, fostering sustainable cities and communities, and addressing climate change (SDGs 9, 11, 13). Furthermore, the Government's response to environmental challenges extends to ensuring clean water and sanitation (SDG 6) by supporting sustainable

waste management policies (SDG 11), thereby contributing to overall environmental sustainability.

3.2.1.1 RRP related measures

The RRP plays a role in fostering economically sustainable growth with a focus on environmental stability, particularly by facilitating the transition to green practices. It encompasses various measures concerning energy efficiency, renewable energy adoption, sustainable transportation, and waste management.

i) Milestones and targets for reforms and investments completed by 31 December 2023

Malta has achieved several milestones and targets in this area. As part of the LTRS, progress was registered on the operation of the Building and Construction Authority (BCA) in line with Act No XIV of 2021, and 500 construction professionals were trained and certified. The Nadur and Għaxaq schools were renovated, and the construction of the near carbon neutral school in Msida is nearly finished. Efforts to decarbonise transport progressed steadily including relaunching a grant scheme for the private sector electric vehicle and bicycle purchases, signing contracts for electric vehicles in the public service and preparing for the part-replacement of the public transport fleet with zero-emission electric buses. These actions aim to reduce emissions and improve air quality. Free public transport was extended to all Tal-Linja Card holders.

ii) Milestones and targets expected to be fulfilled between 1 January and 31 December 2024

More actions are planned for this area in 2024. A study will assess the feasibility of expanding the Extended Producer Responsibility obligations to more waste streams under the LTRS. Investment-wise, renovation and retrofitting of Mount Carmel Public Hospital should be done by late 2024. Photovoltaic infrastructure will be installed in roads, footpaths and public spaces in Malta and Gozo. Over 4,000 grants for electric vehicles are anticipated. The reform to review existing permitting systems and streamline processes for renewable energy projects aims for completion by the end of 2024. Under REPowerEU investments, services and works for strengthening and widening the electricity distribution network, including grid extension, distribution services, and designing a 10MWh battery storage facility, are set to be contracted by end 2024.

3.2.1.2 Additional Measures

i) The Green Transition

The green transition entails an economic, environmental, and social shift towards future sustainability, achieved by implementing measures to combat climate change and environmental degradation. This necessitates reforms in sustainable finance, employment, and energy sources, as detailed in the following sub-sections.

Sustainable Finance

Sustainable finance is one of the three cross-sectoral themes in focus, as included in the Malta Financial Services Authority's (MFSA) Supervisory Priorities 2023. The Authority's efforts in the short- to medium-term will continue to concentrate on developing its

capacities to meet the supervisory responsibilities in this area. Specifically, it aims to integrate Environmental, Social and Governance (ESG) market monitoring and risk assessment into its supervisory processes, and develop the tools to ensure transparency and tackle greenwashing. This is being done in full engagement with the European Supervisory Authorities, the European Commission and the Network for Greening the Financial System (NGFS) to ensure convergence and adopt a best practice approach in this area. Earlier in 2023, the MFSA published its assessment of website disclosures made by licence holders under the Sustainable Finance Disclosures Regulation (SFDR). The document lays out the MFSA's findings and observations, highlights examples of good practices and areas for improvement and sets out its high-level expectations in this area. The MFSA also joined a European Union (EU) Technical Support Instrument (TSI) multi-country project in January 2023, which offered technical support for enhancing supervisory capacity in Sustainable Finance.

The Government also continues to promote sustainable investment through Malta's ESG Portal, offering local and foreign investors' access to data on the ESG credentials of amongst the largest quoted companies on Malta's Stock Exchange. To improve further the ESG Portal, Malta Enterprise has also launched an ESG scheme to encourage SMEs identify and measure ESG parameters within their business.

Skills and competences for the green transition

In 2023, the Government extended scholarships and grants tailored to emphasise green skills and sustainability. Moreover, the Government also continues to promote this area in schools through the Eco-Schools (EkoSkola) and the Dinja Waħda Programmes. Furthermore, the University of Malta and Malta's College of Arts, Science and Technology (MCAST), offer courses on green skills, environmental stewardship, sustainability and science and community social responsibility. MCAST's strategic plan for 2022-2027 emphasises sustainability in education at all levels, aiming to develop a green workforce for a sustainable future. Additionally in 2023, the Institute for Education (IfE) developed a new elective module entitled 'Sustainable Development Goals: Awareness and Accomplishment through Classroom Practice' to form part of its initial teacher education programme.

From an enterprise perspective, Malta's economic development agency, Malta Enterprise, also supports businesses in developing and updating the skills and knowledge of their workforce through the Skills Development Scheme. This scheme offers training to new employees to acquire the necessary skills (including green and digital skills) and knowledge of workforce.

The national Public Employment Services (PES), Jobsplus, aims to equip individuals with the necessary transversal skills, including green skills, to help them integrate in the Maltese labour market, ensuring sustainable economic growth by having a level playing field among the working age population. Jobsplus initiated the INTERCEPT project to engage youths in the green economy through a Green Career Pathway. Furthermore, the Smartly Project aims to enhance Malta's supply of required green and digital skills while boosting the employability of youth NEETs in key sectors. A capacity-building initiative was also undertaken to equip PES staff with enhanced skills and knowledge for green jobs. A new profiling tool to assess youths' competences and skills relevant to green and digital skills was also developed. Insights gathered on the green economy

and emerging green job opportunities from the training project and the profiling tools will be used to reinforce the Youth Guarantee Scheme.

Energy efficiency

In 2023, Government launched a Roof insulation and Double Glazing (Retrofitting) Scheme. This scheme was extended to 31st December 2024. Schemes encouraging the promotion of energy audits in SMEs will also continue in 2024 in line with new State Aid Regulations.

Over the years, the Government launched several programs aimed at increasing energy efficiency for households and businesses. The 'Irrinova Darek' Scheme, aimed to encourage energy efficiency of dwellings in certain Urban Conservation Areas (UCA) in the Southern Harbour, has gathered valuable information regarding energy efficient renovation, particularly in buildings within historical areas.

The 'Investment Aid for Energy Efficiency Projects' scheme, which is administered by Malta Enterprise, supports undertakings carrying out investments leading to improved energy-efficiency. Aid awarded through this measure is in the form of a cash grant or tax credit or a combination of both.

Additional initiatives underway in this field include the ongoing upgrade of the primary water network; the installation of more energy-efficient process aeration equipment at the Ta' Barkat Wastewater Treatment Plant, slated for completion by the second quarter of 2024; and the implementation of PV panel installations at the Water Services Corporations (WSC), expected to be completed by end 2024. Furthermore, the Government launched a Roof insulation and Double Glazing (Retrofitting) Scheme in 2023 which was extended to 31 December 2024.

Alternative sources of energy

Several grant programmes exist for households encouraging the adoption of renewable energy, particularly through the installation of photovoltaic (PV) panels and battery storage systems. These initiatives are supplemented by various feed-in tariff programmes, including those tailored for PV systems with capacities below 40 kWp. Furthermore, the Government offers support for medium and large-scale renewable energy projects through competitive bidding procedures. Four calls for RES capacities between 40kw up to less than 1000kW and one call for RES capacities 1MW or more were held during 2023. Further calls are expected to be held in 2024. The Energy Efficiency and Renewable Energy (EERE) Malta Financial Instrument has been fully implemented and has generated circa €65 million worth of loans to final recipients.

A second electrical cable interconnection between Malta and Sicily is planned to be commissioned by the end of 2026. 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 2023, Malta concluded 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 infrastructure, specifically focusing on the TEN-T roads, through the adoption of sustainable transportation measures and efforts to reduce traffic bottlenecks. This initiative involves investments supported by the Cohesion Policy for 2021-2027 and the Connecting Europe Facility. One notable project, SMITHS, aims to promote intermodality and improve air quality. This includes upgrades to the inner-harbour ferry system and the promotion of walking and cycling as eco-friendly commuting options. Works to construct a multi-modal transport hub in Nadur (Gozo) are ongoing, with the majority of the construction works on the hub completed by the end of 2023.

An integrated Intelligent Transport System (ITS) services platform, aimed at providing close to real-time traffic data and travel information, is currently at an implementation stage. This platform will indirectly address public bus transport and traffic efficiency. The appropriate venue for a National Access Point (NAP) is also identified. More concrete results are expected to be achieved by the end of 2024.

In 2019, the Government pledged €700 million over a span of seven years to upgrade the road infrastructure, with the goal of tackling congestion and pollution. This investment facilitated the completion of various significant infrastructure projects, such as the Mrieħel Underpass (MFSA Junction), the Mrieħel Bypass, the Kirkop Tunnel Airport Intersection Project, and the Luqa Junction Project. Works in Triq Sant Andrija in Pembroke (Pembroke Junction Phase 1) are currently ongoing and nearing completion. Phase 2 of this project is currently at application stage with the Planning Authority (from Sunrise Bar/Pembroke entrance to Swieqi-St. Julian's Junction) whereas design work and preparations are currently ongoing for Phase 3 (Swieqi-St. Julian's Junction).

In 2023, the Government continued to invest in the road network in Gozo to reduce congestion points and improve connectivity. Works on the Bastion Road commenced and are expected to be concluded at the end of 2024. This will serve as an alternative link connecting the western part of Gozo with its eastern side.

The Government remains committed to reduce the transport sector's carbon footprint through the electrification of vehicles. To this effect, in 2023 the Government strengthened its efforts towards increasing the uptake of electric vehicles through various measures. As a result, by the end of December 2023, there were 4,765 electric vehicles, 4,097 plug-in hybrid cars, 403 pedelecs, 4,538 ekick scooters and 3,689 electric motorcycles licensed. Further to the RRP-related measure listed above, thirty buses from the public transport fleet have also been replaced with zero-emission electric buses.

As part of its budget measures for 2023, the Government continued to incentivise the acquisition of new electricity-powered vehicles. Additional incentives on the purchases of 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 and over will be also eligible for registration for tax relief.

The initiatives and grants announced for 2024 include an extended electric vehicle purchase scheme which offers grants to buyers based on the vehicle type. Grants range from €500 for each new pedelec to €2,000-€6,000 for electric motorcycles, tricycles, and quadricycles. Cars and vans qualify for €11,000 grants, while large vehicles for passengers or goods receive higher amounts. Specific grants for electric vans will be determined on a case-by-case basis. Alongside extending the purchase scheme, a scrapping initiative will be introduced offering financial incentives for scrapping: €500 for motorcycles, €1,000 for cars, €30,000 for minivans, and up to €50,000 for coaches older than ten years. The extra grant of €1,000 for scrapping old vehicles registered in Gozo will also be available for 2024. Furthermore, similar to the previous year, a scheme is designed to aid Maltese voluntary organisations and associations looking to invest in electric vehicle fleets, including those with large vehicles.

In alignment with efforts to transition towards decarbonisation, the Government is continuing to gradually introduce more charging stations. In 2023, 182 charging pillars around Malta and Gozo were made available to the general public through the Charge My Ride platform. Another 200 charging points shall be installed by the end of the year 2024. Another 1,000 charging points will be developed in subsequent years. For a complete and better service, the Government is looking into options to develop a single national digital platform to merge public charging points into a single simple-to-use system.

In order to improve the air quality in the highly urbanised areas surrounding the Grand Harbour, the Government is committed to the Grand Harbour Clean Air Project, providing onshore electricity power supply for berthed vessels. The first phase at the cruise liner terminal, namely at Pinto Wharf and Boiler Wharf, has been completed and a trial has been carried out with a visiting cruise vessel. With an investment of €50 million, the second phase of the project will provide an extension of the supply of shore-side electricity to ships berthing in other areas within the Grand Harbour.

Further to the project being undertaken in the Grand Harbour, progress has been made on the process to implement the provision of shore-to-ship electricity at the Malta Freeport. Two quays within the Freeport Terminals, are each to be provided with a bi-directional High Voltage Shore Connection (HVSC) system for use by container ships whilst at berth. These systems will permit berthed container vessels to import/export power to/from the national grid. The project started in the third quarter of 2022 and is estimated to be completed by end 2024. Presently all trenching and pipework has been completed and cable laying will start in the second quarter of 2024. All electrical equipment installation is estimated to start in the third quarter of 2024.

In 2022, another electric power supply project has started at the Malta Freeport Terminals, aimed to be completed by the end of 2024. This project is bi-directional, reducing noise and air emissions and consumes electricity off the grid, or when burning the excess liquified LNG, a container vessel can supply electricity to the grid. Two studies are currently underway on the provision of LNG as bunkers to visiting ships and another one is evaluating the risks associated with the provision of LNG bunkers within Maltese ports. The latter study is in its final phase.

iii) Waste management

The Long-Term WMP 2021-2030, adopted in December 2021, focuses on recycling, waste diversion from landfills, and supporting the green transition. The ECOHIVE project aims to modernise and upgrade waste management infrastructure through four facilities: Waste to Energy, Material Recovery, Organic Processing, and Thermal Treatment for hazardous and clinical waste.

The Waste to Energy plant in Malta diverts non-recyclable waste from landfills and is equipped with two operational lines, each with a capacity of 96 tonnes. A prequalification questionnaire was issued in 2022 and the top five ranked operators submitted their best and final offers, which were evaluated. Additionally, ground preparation for the Waste to Energy project is progressing as scheduled, with the necessary excavations completed.

The Organic Processing Plant design is nearing completion, with commissioning planned for the third quarter of 2027. The €75 million plant is a significant project and discussions for potential EU funding are ongoing. This facility will treat source-segregated organic waste, handling up to 74,300 tonnes annually, thus reducing biodegradable waste sent to landfills. WasteServ has completed the plant's basic design, the detailed cost estimate, and initiated the Planning Authority (PA) permit submission process. WasteServ has also obtained the environmental impact assessment (EIA) permit, begun drafting the Design and Building tender document, and commenced with preparing the documentation required to apply for EU funding.

The temporary Material Recovery Facility has been commissioned and is fully operational. This facility, together with the implementation of the Beverage Container Refund Scheme (BCRS) and the changes to waste disposal fees measures (from the Waste Management Plan 2021-2030) have resulted in variations to the current feedstock. Once there is better feedstock stability, a permanent Material Recovery Facility will be commissioned.

In 2024, detailed work for the Thermal Treatment Facility will be based on the conclusions of the cost-benefit analysis. This involves project design, technical specifications, and cost estimates. Additionally, a tender document will be drafted to obtain permits. The facility will treat hazardous waste, such as abattoir, clinical, and pharmaceutical waste, as well as waste currently exported for incineration. Commissioning is scheduled for the first quarter of 2027.

As part of the ECOHIVE Project, WasteServ is constructing a Skip Management Facility, an investment exceeding €10 million, to optimise waste handling from skips. Foundation works are underway, and procurement is ongoing, targeting operation by the second quarter of 2025. The facility will process bulky waste from open-topped skips, separating the bulky waste into different waste streams, to reduce landfill waste, while recovering valuable materials. It anticipates handling 47,000 tonnes of mixed bulky waste annually, bolstering Malta's recycling rate and landfill diversion efforts.

WasteServ has expanded its infrastructure with a fully operational Multi-Material Recovery Facility (MMRF) and storage facility, co-funded under the 2014-2020 Cohesion Policy Programme. This enhances waste handling efficiency and preparation for exports, promoting reuse and recycling to reduce landfill. The 'Encouraging Sustainable Waste

Practices in Households and Beyond Project' provides facilities for waste separation and an education campaign for households, schools, and the public to encourage waste separation at source. Additionally, an EU-funded interactive centre in Marsascalea, planned to open in the first quarter of 2024, will strengthen educational efforts on waste management initiatives and projects by WasteServ.

In 2024, an automated sorting line for glass recovery, also co-funded under the 2014-2020 Cohesion Policy Programme, will be commissioned. This equipment sorts mixed glass into various fractions, including rejects, clear, green, and amber-coloured glass. These segregated streams open more markets for the material, based on improved quality.

Furthermore, a new system of differentiated gate fees started to apply as of 1 January 2023, applying to operators who dispose of waste directly at WasteServ's facilities. These fees aim to encourage waste separation and divert waste from landfills without hindering efforts made by the public as services offered free of charge to the public were not affected.

After the first full year of the Beverage Container Refund Scheme (BCRS), notable progress in collection and recycling was recorded. During this period, over 250 million beverage containers were placed on the market, with 63 per cent PET single-use containers, 27 per cent aluminium cans, and 10 per cent glass bottles. Overall, the collection rate reached 80 per cent of the beverage containers placed on the market, with PET containers demonstrating the highest collection rate at 81 per cent, followed by aluminium cans at 80 per cent and glass bottles at 74 per cent. Moreover, the recycling endeavours yielded commendable results, with recycling rates standing at 75 per cent for PET single-use containers, 77 per cent for aluminium cans, and 73 per cent for glass bottles.

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).***
- ***proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 5 October 2021 (CSR 2 2022).***
- ***continue the steady implementation of the recovery and resilience plan and, following the recent submission of the addendum, including the REPowerEU chapter, rapidly start the implementation of the related measures (CSR 2 2023).***
- ***submit the 2021-2027 cohesion policy programming documents with a view to finalising their negotiations with the Commission and subsequently starting their implementation (CSR 2 2022).***
- ***proceed with the speedy implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan (CSR 2 2023).***

Encouraging and maintaining economic growth necessitates continuous investment in the national research and innovation sectors. To this end, the Government seeks to invest in research and innovation to drive economic growth and enhance productivity, recognising their pivotal roles in fostering sustainable development and prosperity.

The next section will elaborate on several measures targeting those CSRs which relate to productivity, all of which contribute to various SDGs. Essentially, besides enhancing productive capacities, more efficient resource allocation leads to the creation of better-designed jobs, aligning with SDG 8 (decent work and economic growth). Supporting local research and innovation contributes to both short-term and long-term objectives of enhancing the country's industries, innovation, and overall infrastructure (SDG 9). Moreover, other initiatives primarily aimed at bolstering productivity also tackle issues such as peace, justice, and institutional efficiency (SDG 16), as well as providing 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 2023

Malta has delivered on investments in the digital backbone (Government Network referred to as MAGNET and MITA Corporate Data Centres) resulting in the increase of the percentage of uptime.

ii) Milestones and targets expected to be fulfilled between 1 January and 31 December 2024

The digitalisation and modernisation of the public administration will benefit from the acquisition of additional items of IT hardware and software for public officers. The Digitalisation of the Merchant Shipping Directorate within Transport Malta will benefit from the conversion of 15,000 physical files to digital files and make them electronically available. In terms of reforms, at least 50 undertakings will be supported through an inter-agency account management system between Malta Enterprise and the Malta Council for Science and Technology.

3.2.2.2 Additional Measures

i) Digital Transition

The six initial endeavours of Malta's National Artificial Intelligence Strategy, aimed at enhancing the digitalisation aspect of the public sector, are currently in progress. Specifically, projects focusing on customer service, tourism, and education are actively being executed and have been integrated into the Malta Digital Innovation Authority's (MDIA) Technology Assurance Sandbox (TAS). This platform offers a secure space for individuals or entities developing solutions based on innovative technologies or those deployed in critical settings, ensuring proper nurturing in accordance with established standards. Furthermore, the healthcare pilot project has been successfully granted,

while the remaining two initiatives concerning transportation and utilities are currently underway.

The MDIA has launched the first European Digital Innovation Hub (EDIH) in Malta, 'DiHubMT', as a one-stop shop supporting start-ups and SMEs to facilitate their digital transformation and assist them in becoming more competitive in the digital world. In addition, the MDIA launched two schemes in 2023; (i) the Pathfinder Scholarship to encourage students to specialise in Artificial Intelligence (AI) and other digital areas at Masters and PhD level; and (ii) the AI Applied Research Grant to support capacity-building efforts related to AI research in Malta.

For the local industry, Malta Enterprise also administers the 'Business Re-Engineering and Transformation Scheme' which supports SMEs in realigning their business activities so as to embrace green technology and practices. The digitisation of business processes, including the deployment of digital technologies, is one of the objectives to be addressed when evaluating applications to benefit from this Scheme.

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 policy analysis. Furthermore, some of these indicators across thematic publications are being gradually released. Two thematic publications were released in 2023, while the third and final volume was released in January 2024.

Lastly, the network infrastructure at Mater Dei Hospital (MDH) is undergoing updates, with plans to enhance the ICT system by refurbishing the e-Health infrastructure by the second quarter of 2024.

Tourism

In 2021, the Malta Tourism Authority (MTA) initiated the process of developing an artificial intelligence (AI) platform capable of processing various tourist-related data collated from various sources, with the goal of gaining a deeper understanding of the tourist situation and make more informed decisions. The next step involves the development and deployment of the AI components, including final trained models and integration in the AI Tourism Platform (Power BI). Training will also be conducted progressively throughout 2024. Anticipated tangible benefits are expected to be realised in late 2024 and throughout 2025.

Various virtual reality and augmented reality projects have progressed on several fronts, with the MTA extending support to different entities to develop walking trails in the countryside as well as in towns and villages and in the niche of faith tourism. In addition, works have initiated to launch the new official VisitGozo website which shall be more modern, interactive, and up to standard with the latest digital trends.

Additionally, the MTA has continued with strong digital marketing campaigns across all markets in Europe, North America and the Middle East, with finely targeted initiatives with different demographic segments and motivations to travel. This continued to be complemented by a scheme which aids accommodation operators in Gozo in their marketing initiatives, which will continue to be offered throughout 2024.

Enterprise

The Government is continuously seeking to augment the digitalisation process of private enterprises through various measures. During 2023, in collaboration with several local entities such as Malta Enterprise, Malta Investment Management Company Limited (MIMCOL), Malta Council for Science and Technology (MCST) and the Malta Development Bank (MDB), Tech.mt continued to support local businesses by giving them a platform to promote their innovative tech solutions on local and international levels. In this regard, the 'inMalta' working group was established comprising of Tech.mt, Malta Enterprise, FinanceMalta, GamingMalta and the MDIA, who together are forging a way forward for promotional synergies with the aim of promoting Malta in international Summits and Expos. Events and Summits attended during 2023 under the 'inMalta' Brand include the Dublin Tech Summit, Money 2020, Gitex Global and Web Summit.

Furthermore, the Malta Business Registry (MBR) is undergoing digitisation reforms to enhance its online portal and company law framework, allowing for fully online company registrations and document filings using Qualified Electronic Signatures (QESig) as per the eIDAS Regulation. This initiative aims to streamline processes for commercial partnerships and ensure compliance with reporting obligations to the Registrar, with plans to expand online services to include various statutory forms by the end of 2024. Additionally, the portal is adaptable to integrate with the Business Registers Interconnection System (BRIS), enabling instant information exchange with other EU Member States as needed. In recent years, Malta Enterprise has also embarked on an exercise to digitalise the application forms for a number of its own schemes, in particular those with a large uptake of beneficiaries. This has helped speed up the back-end operations by shortening the processing time required from application to claim stage.

Government services

For the past year, the digitalisation aspect across the Public Administration has been spearheaded by the Digitalisation Committee chaired directly by the Principal Permanent Secretary. In this scenario, servizz.gov has the role to improve the service design which is essential for delivering high quality and user-centred public services. Through its Research & Development Department, servizz.gov is focusing on the user experience by conducting strategic research to direct decision making, build user-centred practices which translate research into design and product improvements, and suggesting procedural and organisational qualitative propositions. In this context, servizz.gov will be actively helping to transform the way public services are delivered so that these are more efficient, simpler, faster and easier to use. In addition, the Connected eGovernment (CONvErGE) project has been delivered, with a total of 30 eService applications enabled.

ii) Research and Innovation

The Maltese Government introduced a new Smart Specialisation Strategy (RIS3) for 2021-2027 to revamp the national research and innovation framework, aiming to bolster economic development. To achieve this, six expert Thematic Committees were formed in July 2022, each focusing on a specific RIS3 area, to facilitate collaboration among stakeholders. These committees proposed initial action plans, and together with feedback from the MCST decided on the recommendations that should be prioritised. Following a review in Summer 2023, adjustments were made to the committee compositions, committees continue to meet to refine and implement the action plans with a more focused approach.

Following the successful conclusion of the public consultation, the National R&I Strategic Plan 2023-2027 was officially approved by the Cabinet in November 2023, with the formal launch of the R&I Strategic Plan planned for the first quarter of 2024. This Strategic Plan seeks to reform Malta's R&I ecosystem and further embed innovation and research into the country's broader economic narrative.

From an investment perspective, investments in research and innovation also increased in 2023, including a new programme called Technology Extension Support, which received a €5 million investment and financed innovative projects across a range of industries with the help of the private sector.

The MCST R&I Unit launched several calls for R&I funding. A total of 131 new projects were committed by the MCST R&I Unit in 2023, an increase of 43 per cent from the previous year's 91 allocated new projects. These 131 new projects granted in 2023 absorbed an MCST commitment budget of €7.3 million. The number of ongoing projects administered by the R&I Unit is currently at 235. The Government's R&I Programmes budgetary allocation for MCST R&I Unit increased by 25 per cent from year 2023 to year 2024, with €7 million to be administered in 2024. In 2024, the MCST R&I Unit will enhance Malta's R&I landscape through thematic top-down initiatives. Building on a collaboration with the MDIA, the MCST seeks to leverage MDIA's technical expertise, MCST Smart Spec Digital Committee and the MCST R&I Unit's funding administration experience for targeted initiatives in the digital domain.

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, together with other partner entities established in other countries, is launching yearly co-funding calls for initiatives that create practical solutions and deliver outcomes for the clean energy transition. Similarly, the MCST is also a member of the Sustainable Blue Economy Partnership (SBEP), a Horizon Europe co-funded partnership that was launched in 2023. The SBEP aims to smoothen the process towards creating the conditions necessary for a sustainable, people-friendly blue economy by 2030. Together with other partner entities, MCST will launch annual joint calls until 2027, to support transnational initiatives on various thematic areas related to the Blue Economy.

iii) Promoting private investment to foster the economic recovery

For the period between October 2019 until the end of 2023, Malta's Development Bank's (MDB) SME Invest scheme has supported more than 160 projects, including projects related to childcare, retail outlets refurbishments, and digitalisation and health-related ventures undertaken by SMEs. By the end of 2023, the scheme has injected approximately €48.6 million in new investments in the Maltese economy.

In addition, the MDB launched two new schemes towards the end of 2022, intermediated through commercial banks with the support of the Pan-European Guarantee Fund (EGF) of the European Investment Fund. The schemes commonly involve offering favourable financing rates to Maltese businesses to facilitate investment of up to €180 million in the Maltese economy. Whilst these schemes are available to all economic sectors, the MDB prioritises those investments that aim to build a greener and more digitally oriented economy. The first scheme, the SME Guarantee Scheme (SGS), facilitates SME access to bank loans so these can continue to invest in their business. The companies can 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. By the end of 2023, the SGS supported around €2 million in intermediated lending facilities. With the second scheme, the Guaranteed Co-Lending Scheme (GCLS), the MDB finances half of the requested loan amount, with the remainder being covered by commercial banks. In conjunction with this, the MDB covers 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. By the end of 2023, the GCLS supported more than €15 million in intermediated lending facilities.

In November 2023, the MDB entered into a €30 million loan agreement with the European Investment Bank. This facility will be used by the MDB to provide access to credit to small and medium-sized enterprises, mid-caps and local authorities willing to invest in projects that contribute to the fight against adverse climate change.

In the year 2023, Tech.mt further advanced its efforts in the successful implementation of the consultation initiative. This initiative in collaboration with key industry players, designed to aid both start-ups and students, has proven to be instrumental across various predefined domains, including the validation of digital concepts, market assessment, formulation of go-to-market strategies, facilitation of digital transformation, implementation of digital marketing, and facilitation of internationalisation. Currently, the initiative boasts a network of 45 esteemed partners. Since its inception, a substantial number of beneficiaries, exceeding 40, have availed themselves of the programme's valuable resources.

iv) Implementation of the 2021-2027 Cohesion Policy Programmes

Following the European Commission's approval of Malta's Partnership Agreement and the adoption of the ERDF/CF/JTF, ESF+ and EMFAF programmes in 2022, work on their implementation began in early 2023.

Eight calls were issued under the ERDF/CF/JTF programme in 2023 with additional calls published in the first quarter of 2024, of which project selection for two calls was concluded by end of 2023. One call, issued under the Just Transition Fund, is intended to support onshore electric power supply to further support Malta's decarbonisation efforts through targeted investment in the Grand Harbour and the Malta Freeport. The other call, issued under the European Regional Development Fund, was for the development of a second Electricity Interconnector. These projects, now approved for funding, are considered to be of strategic interest. The project selection process of several other calls under the ERDF/CF/JTF programme, in the areas of the upgrade of EV charging Infrastructure Network, social infrastructure, business incubation, tourism and youth rehabilitation, will be ongoing in the first and second quarters of 2024.

Two calls for project proposals were issued under the European Social Fund in 2023, targeting material deprivation and promoting quality and inclusive education and training, lifelong learning, and employment access. Selection for these calls is expected to conclude in the first quarter of 2024.

The project selection process under the ESF+ programme, in the areas of active inclusion and employability, gender balance, labour market participation, integration of third country nationals, equal access to quality social and healthcare services, and lifelong learning and career transitions, will be ongoing in the first and second quarters of 2024.

By the end of 2023, three calls were issued under the European Maritime Fisheries and Aquaculture Fund (EMFAF). Two calls were issued under Specific Objective 1.4 – Fostering efficient fisheries and control enforcement, including fighting against illegal, unreported and unregulated (IUU) fishing, as well as reliable data for knowledge-based decision-making and another call under Specific Objective 2.1 – Promoting sustainable aquaculture activities, especially strengthening the competitiveness of aquaculture production, while ensuring that the activities are environmentally sustainable in the long-term.

After the selection process carried out by the Project Selection Committee, three projects were awarded under the EMFAF. These projects are “Design, development, implementation and maintenance of a Fisheries Integrated Information system for the Department of Fisheries and Aquaculture, Malta”, “Data Collection Multi-Annual Programme 2022-2024” and a project of strategic importance “Species diversification for Maltese aquaculture”.

Two additional calls under Specific Objective 1.6 – Contributing to the protection and restoration of aquatic biodiversity and ecosystems and Specific Objective 2.2 – Promoting Marketing, quality and added value of fisheries and aquaculture products, as well as processing of those products were also issued and will close in the first quarter of 2024.

3.2.3 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, CSR 3 2023).***

Ensuring a fair system which enhances governance in Malta remains a top priority for the Government. In 2023, Malta persisted in taking a number of initiatives aimed at mitigating features of the tax systems which could facilitate aggressive tax planning (ATP) in Malta through the introduction of measures and further investment in human resources in this area.

In 2023, these reforms were supplemented with the improvement of the relevant institutional capacity, through the enhancement of the rule of law and money-laundering framework. Additional measures were implemented focusing on the independence and effectiveness of the justice system. These efforts align with SDG 16, which focuses on Peace, Justice, and Strong Institutions.

3.2.3.1 RRP related measures

Malta gives priority on tackling governance and institutional challenges in its efforts to combat corruption, money laundering, and ATP. This section delineates the primary RRP-related measures that are either in place or planned, aimed at addressing these challenges.

i) Milestones and targets for reforms and investments completed by 31 December 2023

Reforms in the justice system, prosecution, anti-corruption, anti-money laundering (AML) and ATP areas continued in 2023. Such work includes an increase in the number of staff at the Asset Recovery Bureau. The implementation of actions concerning AML/ Countering the Financing of Terrorism (CTF)/ Targeted Financial Sanction (TFS) was completed.

In the area of taxation, work was finalised on a set of Guidelines¹ which are meant to accompany L.N. 284 of 2022 (Transfer Pricing Rules); following also engagement with the EU Commission as part of the RRP discussions.

Additionally, during 2023, the capacity building in connection with the roll-out of such rules continued, with specialised transfer pricing training undertaken by Malta Tax and Customs Administration (MTCA) staff as well as industry and tax practitioners.

Following the additional reporting that had been introduced for non-domiciled companies (to gather data on non-remitted income) in the corporate tax return (via TRA 124), the study that the Ministry responsible for Finance contracted on inbound and outbound payments was finalised during 2023. The collaboration between the Government and the external contractors aimed to pave the way for legislative actions aligned with subsequent milestones outlined in the RRP for 2024.

ii) Milestones and targets expected to be fulfilled between 1 January and 31 December 2024

Almost half of the milestones and targets due to be implemented in 2024 concern governance and the institutional framework, including the completion of several independent reviews on the independence of specialised tribunals, and the transfer of summary cases from the Police to the Attorney General (AG)'s Office. The phased transfer of all non-summary cases will take place in 2024. Several reforms concern capacity building within the Permanent Commission against Corruption.

Building upon the groundwork laid in 2023 as referred to above, the MTCA will continue its focus on refining tax policies and regulations as part of subsequent RRP milestones in this area during 2024. This includes the entry into force of legislation related to inbound and outbound payment by September 2024.

3.2.3.2 Additional Measures

i) The independence and effectiveness of the justice system

Efficient Judicial Proceedings

The Maltese authorities are striving to enhance the overall effectiveness of the justice system through efforts that include further digitalisation in the justice process, implementing legislative reforms to reduce procedural timeframes, and strengthening the judicial workforce.

The Maltese authorities have been actively working to improve the effectiveness of the justice system, particularly to expedite judicial proceedings. On 21st December 2022, the Judicial Appointments Committee appointed two judges who previously served as Magistrates and subsequently, a call for four Magistrates was published in the Government Gazette in late December 2022. Following a selection process, the four newly appointed Magistrates took office on 8th February 2023. A call to appoint three Judges, to replace two retiring Judges and appoint one new Judge, was issued on 11th July 2023. The three new Judges were appointed on 1st November 2023. A call for the appointment of five additional Magistrates was announced on 13th October 2023. The selection process was successfully completed, and these Magistrates were appointed on 10th January 2024. When compared to 2020, the number of the members of the judiciary has increased by 35 per cent.

The Maltese Government has also committed to shorten the length of court proceedings. To address this issue, Civil Courts have been digitally revamped with reinforced technological and legislative instruments, that enable virtual sittings. As a result, the second-instance civil courts has been optimised, which includes the Courts of Appeal and the Constitutional Court.

The appeals procedure has been amended to expedite cases and reduce backlog, with a focus on immediate progression to judgment in certain instances. The establishment of a Fourth Section in the Court of Appeal and the creation of a second Hall for trials by jury further contribute to a more equitable distribution of cases. Legislative amendments, including the facilitation of electronic filing and the introduction of live video conferencing for civil proceedings are testament to the commitment for enhanced effectiveness of the justice system. While acknowledging the ongoing need for further improvement in both civil and criminal courts, positive data trends and internal consultations reinforce the commitment to pursue the necessary legislative reforms that will streamline procedural timeframes and foster a more expeditious resolution of cases. The observed improvement in the output of courts, particularly evident in the resolved caseload of the Court of Appeal (Superior Jurisdiction) over the past five years, underscores the positive trajectory in this regard. The Court of Appeal (Superior Jurisdiction) recorded an increase in court proceedings of over 200 per cent over a five-year period reaching 487 proceedings in 2023.

Moreover, the overall length of proceedings in civil cases also began to notably decrease. Despite the increase compared to previous years in the incoming caseload of certain courts, such as the Constitutional Court, the Land Arbitration Board, and the Rent Regulation Board, the surge in cases has not adversely impacted the disposition time of the second instance courts due to the ongoing capacity building.

An ongoing initiative involves reforming committal proceedings, with proposed changes aiming to streamline the legal process. Key proposals include a shift towards document reliance over oral evidence, a one-year deadline for evidence compilation, and disclosure timelines for both prosecution and defence. Additionally, incentives for early guilty pleas and provisions to minimise multiple court appearances for witnesses and victims are being considered. The public consultation process on this judicial reform was concluded in May 2023 and the Government is currently evaluating the outcome of the public consultation. The draft legislation will be presented to the Cabinet of Ministers and subsequently tabled to the House of Representatives by the end of the first quarter of 2024.

The Maltese authorities remain committed to facilitate the transition to a more digitalised justice environment to continue enhancing the quality and the efficiency of the national justice system. This is being achieved through the implementation of the national Digital Justice Strategy 2022-2027, which is gradually re-designing the business processes in the justice sector by means of a digital by default architecture, whilst also ensuring that all citizens and legal professionals have effective access to justice and legal information irrespective of one's level of digital literacy as supported by Recovery and Resilience Facility (RRF) financing on the basis of the RRP.

Rule of law

As per the Malta Police Force (MPF)'s Transformation Strategy of 2020, more investment is being made within the police force to transform it into a more flexible, efficient and data-driven one. Such Strategy is being implemented under the scrutiny of the Board of Governors of the MPF as well as the European Commission. In 2023, periodic briefings to the public commenced in order to ensure transparency. In 2023, the Internal Audit Office of the MPF continued to engage on audit work which, while primarily addressing issues of performance, efficiency and effectiveness, also addressed matters concerning accountability and governance, mainly through the strengthening of internal controls. The continuous screening of police officers through the EU Security Clearance programme has also continued in 2023. 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 2021, Malta launched the 2023 National Risk Assessment (NRA)². The 2023 NRA is the latest iteration of the process by Malta that seeks to identify threats and vulnerabilities in money laundering (ML), terrorist financing (TF) as well as for the first time, proliferation financing (PF) and TFS related risks. The purpose of the NRA is two-fold:

- i. to establish a common understanding among competent authorities, including supervisory authorities and law enforcement authorities, of the risks of ML, TF, PF and TFS, thereby improving and ensuring that risk-based mitigation measures are implemented nationally; and
- ii. to ensure a strong risk understanding in the private sector with a view to enhancing the risk-based approach and alignment with the priorities, risks and recommendations identified in the NRA.

This iteration of the NRA was coordinated by the National Coordinating Committee on Combating ML and TF (NCC) and has involved a number of authorities and the private sector in the form of the representative bodies of the different subject persons.

The methodology adopted was that of assessing the threats, and the vulnerabilities by analysing the likelihood and the impact, and the likelihood and exposure respectively, and the mitigating measures in place, to thereafter derive the residual risk. The analysis took also into consideration the approach adopted in the European Union Supranational Risk Assessment (EU SNRA), the recommendations in the 2019 Mutual Evaluation Report for Malta, the Post-Observation Period Report for Malta, and the reports by the European Banking Authority (EBA), as well as the Financial Intelligence Analysis Unit (FIAU) strategic analysis; but above all, it focused on constructive discussions with set-up working groups and discussions with the private sector representatives. The NCC will coordinate the updating of the NRA to align with each National AML/CFT Strategy, that is every three years.

Following the publication in 2022 of the FIAU's 'Strategy 2023-2026'³, the FIAU commenced work on its implementation, with 33 per cent of the goals identified under the Strategy already in progress as at the end of 2023.

The Strategy is being implemented in alignment with other national strategies which are more or less linked with the FIAU's work. One of these is the Malta Strategy for Financial Services⁴, which was launched in March 2023 by Finance Malta through the coordination of the Malta Financial Services Advisory Council. The Financial Services Strategy aims to further strengthen Malta's position and performance in a professional and regulatory compliant manner, creating a digitally enabled, easy to use financial system. Aligning itself with this Strategy, the FIAU seeks to foster a culture of AML/CFT compliance and collaboration amongst stakeholders in the sector.

Notably in 2023, the FIAU published for the first time its supervisory plan for 2023-2024⁵ with the intention of increasing transparency and accountability on its supervisory priorities. Moreover, 2023 saw the FIAU conclude 146 supervisory examinations on obliged entities and impose 173 enforcement actions against non-compliant obliged entities. The nature of these enforcement actions ranges from administrative penalties and follow-up directives to remediation directives and reprimands. The total quantum of administrative penalties imposed in 2023 exceeded €3.3 million.

With respect to intelligence analysis, the FIAU's analytical function (FIU) registered a further increase in submissions of Suspicious Transaction Reports and Suspicious Activity Reports (STRs/SARs) – with 9,377 reports received by the end of 2023. Throughout the year, the analysis conducted by the FIAU led to 390 disseminations to the national law enforcement agency, 644 disseminations to the tax authorities and 5,964 disseminations

to foreign FIU counterparts. Collaboration with foreign FIU counterparts was also at the forefront in 2023, with the FIAU engaging in training initiatives and secondment opportunities aimed at exchanging operational experiences and best practices.

Since the entry into force of the Use of Cash (Restriction) Regulations in March 2021, the Unit has embarked on a number of public awareness campaigns to inform the public and obliged entities about cash payment restrictions and ML/TF threats in relation to the use of cash. As a result of increased awareness among the general public, the FIAU saw a rise in the number of reports of suspected breaches of the Regulations, with 86 reports submitted to the Unit in 2023. For this reason, the FIAU has been working on the introduction of a case management system in order to have a more streamlined and efficient process of handling reports of suspected breaches. As of 1st January 2024, obliged entities are also able to use a newly designed report type on the goAML system, where they suspect breaches of the Use of Cash (Restriction) Regulations.

In 2023, over 24,800 searches were made by competent authorities on the Centralised Bank Account Register (CBAR) administered by the FIAU for the timely retrieval of data on bank and payment account information identifiable by IBAN, safe custody services and safe deposit boxes held by Maltese credit and financial institutions, including details on account holders and beneficial owners. The FIAU has continued to consult and work closely with credit and financial institutions, competent authorities as well as the system developers in order to improve the Register's functionality.

The FIAU has also continued to demonstrate a strong commitment to the sharing of knowledge and best practices with both its private and public partners. In 2023, the FIAU hosted a total of 12 training events and participated in 61 events hosted by third parties. In addition, due to the current situation in the Middle East, the FIAU issued a Joint Guidance Note alongside the Malta Financial Services Authority (MFSA)⁶ to remind obliged entities of their obligations in relation to terrorist financing and to especially draw their attention to the potential risks emanating from the current conflict. In doing so, the FIAU highlighted the manner in which sanctions may impact obliged entities' AML/CFT obligations.

In 2023, the FIAU upheld its commitment to strengthen the exchange of information with foreign counterpart FIUs and enhance bilateral cooperation. To this effect, the FIAU entered into eight Memorandum of Understandings (MOUs) with counterpart FIUs. Additionally, the FIAU signed a MOU with participants of the International Anti-Corruption Coordination Centre (IACCC), along with a MoU between the FIAU and the European Public Prosecutor's Office (EPPO). These memoranda are geared towards improving collaboration and facilitating the exchange of information.

The Financial Crime Compliance (FCC) Function within the MFSA is a dedicated AML/CFT Supervisory Function established to strengthen the MFSA's role in preventing the use, involvement and/or facilitation of authorised entities in money laundering, financing of terrorism (ML/FT) and other financial crimes. Over the years, the MFSA remains committed to the nation-wide fight against financial crime by providing support to the NCC and other local competent authorities. Through the establishment of bilateral MoUs, the function works closely and collaborates with several national and international stakeholders, particularly with the FIAU and the Sanctions Monitoring Board (SMB).

In terms of the MoU, the FIAU is delegating its supervisory powers to the MFSA (FCC). As agents of the FIAU, FCC performs supervisory engagements and extends assistance and cooperation to the FIAU in the fulfilment of its responsibilities under the Prevention of Money Laundering Act (PMLA). The FIAU, in consultation with the MFSA, draws up a Supervisory Plan for each sector, and FCC is allocated with its share of visits, which amounted to 44 in 2023, with a focus on AML/CFT and sanctions compliance, across the various sectors that are supervised by the MFSA. Onsite interactions with authorised entities are conducted using the FIAU's supervisory methodologies, based on the FIAU's Supervisory Plan. The basis for cooperation between the two entities, including the rendering of assistance and exchange of information is specified within the MoU.

The MFSA also maintains an MoU with the SMB, setting out the framework for supervisory cooperation and exchange of information. The MFSA cooperates with the SMB by assisting in the monitoring of Subject Persons' compliance with the obligations stemming from the National Interest (Enabling Powers) Act, during the AML/CFT Compliance Examinations. Sanctions breaches identified during FIAU delegated examinations are reported to the SMB, for the competent authority to further investigate and take enforcement action where necessary. Sanctions monitoring and implementation is covered in all FCC AML/CFT examinations, irrespective of the examination focus. During these interactions, FCC assesses the sanctions screening processes, procedures, and systems, together with the review of a sample of customer files from a sanctions' obligations perspective. Another key MoU which the MFSA holds is that with the Malta Police Force, which facilitate information exchange, together with sharing of knowledge and expertise in the ongoing fight against financial crime.

In terms of organisational enhancements, various reforms have been ongoing at the MFSA including organisational restructuring, a significant increase in staffing, an overhaul of supervisory procedures and processes, and an increased focus on the consideration of ML/TF risks within the authorisations processes and supervisory interactions. Due to the rapid consideration of financial crime related risks, the MFSA has made considerable efforts in the area of training. Employees working within the MFSA received a total of 3142.50 hours of AML/CFT training in 2023. 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, though other topics such as emerging technologies, the MFSA's expectations in banking and payments, and crime typologies specific to the Maltese context, were also covered.

The MFSA's efforts towards promoting its expectations have been both through organising its own conferences and webinars and participating in events organised by major industry players and other third parties. The MFSA has additionally issued a myriad of guidance documents on issues such as the war in Ukraine and the Israeli-Palestinian conflict. The MFSA is also actively involved in bilateral meetings with international authorities serving as a platform for collaboration and the exchange of best practices in authorisation and supervision. To support its supervisory work, the MFSA actively participates in committees and local and foreign Working Groups at a national and European level.

As ML/FT risk exposures remains one of the most prevalent risks in financial services. During 2023, the MFSA continued to integrate Financial Crime elements into Prudential

and Conduct supervisory interactions. Overall, the MFSA conducted 219 on-site supervisory interactions, 375 supervisory meetings and 134 thematic reviews. Throughout the past years, Malta has made great strides towards harmonising its anti-financial crime legislation and related controls to international and European legislation, regulations and standards. This is further safeguarded through its regular engagements with Credit Rating Agencies, who recently affirmed Malta's A+ status.

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. Between January and June 2023, the MGA conducted 14 prudential and conduct supervision audits which integrated elements pertinent to AML/CFT. In addition, the MGA also continued to conduct AML audits on its operators on behalf of, or in conjunction with, the FIAU, 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. The MGA carried out 11 AML/CFT compliance examinations in the gaming sector on behalf of the FIAU in the first half of 2023. 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 MGA has conducted 19 MLRO interviews in the first half of 2023.

The 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, the MBR ensures 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. 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

During 2023, the Government implemented several initiatives aimed at addressing aggressive tax planning. Ongoing work in 2023 included the preparatory work going into the Pillar 2 implementation, the forthcoming DAC 8/CARF implementation, the ongoing supplementary review on the Exchange of Information on Request standard

(EOIR), the VISit Direct Administrative Cooperation (VISDAC) project as well as the European Court of Auditors (ECA) visit on harmful tax competition within the Union.

3.2.4 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 prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 5.9% (CSR 1 2023).***
- ***for the period beyond 2024, continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, in order to achieve a prudent medium-term fiscal position (CSR 1 2023).***
- ***ensure effective implementation of liquidity support to affected businesses, including the self-employed (CSR 3 2020).***
- ***wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024. Should renewed energy price increases necessitate new or continued support measures, ensure that such support measures are targeted at protecting vulnerable households and firms, are fiscally affordable and preserve incentives for energy savings (CSR 1 2023).***

The outlined measures of this Section are in harmony with various SDGs and the European Pillar of Social Rights (EPSR). They specifically address SDG 1, aiming to alleviate poverty and social exclusion, particularly among the elderly; SDG 10, focusing on diminishing inequalities; and EPSR 12, which underscores the importance of ensuring sufficient social protection. These commitments also support SDG 8, which underscores the importance of fostering sustained and inclusive economic growth and job creation.

3.2.4.1 RRP related measures

No measures relevant to this thematic area are envisaged under the RRP.

3.2.4.2 Additional measures

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

The Maltese Government is set to ensure policy continuity towards fiscal responsibility and economic sustainability, by reducing its deficit whilst consistently supporting and sheltering households and businesses from commodity price hikes. Whilst the various fiscal support measures that the Government was compelled to implement since the COVID outbreak were undeniably costly for public finances, they have been instrumental in keeping the economy stable, resilient and strong. The various policies were key to support the high potential growth which is ultimately keeping the debt-to-Gross Domestic Product (GDP) ratio relatively stable, safely below the 60.0 per cent Maastricht threshold.

Households and businesses remain protected from fluctuating energy prices by means of energy support measures. Whilst these price support measures have a broad impact across society, including the most vulnerable households and firms, several social support measures in the 2024 Budget are targeted at specific groups of society. Malta deems that its current energy policy remains appropriate for the current macroeconomic environment, but future developments will continue to be monitored closely. Malta continues to believe that structural reforms and investments in the energy transition are more effective in targeting the energy and environmental objectives than measures which are aimed at allowing prices to increase.

The Government is however very conscious of the strain this exerts on public finances and is committed to preserve fiscal sustainability. In the context of the deactivation of the general escape clause as of 2024 and the need for prudent fiscal policies, it is the Government's commitment to ensure convergence to the 3.0 per cent of GDP deficit reference value and for debt to be kept at prudent levels in the medium-term. Government's fiscal strategy will be detailed in its medium-term fiscal structural plan later on this year.

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

Pensions

An ageing population raises important challenges for fiscal sustainability and adequacy of pensions. The Government is conscious of the long-term demographic challenges which necessitate a prudent fiscal stance over the long-term, whilst at the same time preserving the adequacy. To this end, the Government is in the process of implementing the 30 measures as included in the 2021-2027 Action Plan, with a focus on both the sustainability and adequacy of pensions. Maltese law stipulates that a Strategic Review Report on the Adequacy, Sustainability and Solidarity of the Pension System has to be tabled in Parliament every five years. This report is part of the Government's commitment to enhance the sustainability and adequacy of the pension system in Malta. Work is already underway for the upcoming Pensions Strategy Review for 2025.

In the 2024 Budget, the Government announced the removal of the different indexation rules applying to those pensioners born before 1962 and those born after. As from 2024, both groups will share the same indexation rule corresponding to 70-30 rule previously only applicable to the post-1962 cohort, which is more generous than the indexation previously applied to the pre-62 cohort.

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.

In 2024, the Government continued to improve the incentive mechanism introduced in 2016 to encourage postponement of retirement, whereby those individuals who would have accumulated enough social security contributions to retire will get a higher top up to their pension for every additional year they stay in employment until they reach 65 years of age. Specifically, those who for instance are eligible to retire at 61 but choose to continue working until 62 years will receive an increase from 5.0 per cent to 6.5 per cent in their pension. A person who works until 63 years would receive an increase from 10.5 per cent to 13.5 per cent. A person deferring retirement by four years and five years, to retire at 64 and 65 respectively, would receive an increase from 16.5 per cent to 21.0 per cent and from 23.0 per cent to 29.0 per cent, respectively.

Additionally, to further encourage pensioners to remain active and continue working beyond retirement age, in the Budget for 2022, 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, rising to 60 per cent in 2024.

In terms of adequacy for the basis year 2024, Government has announced an extra €15 a week in the pensions, which includes the Cost of Living Adjustment (COLA) increase of €12.81 a week. Additionally, for the same year, the Government has once again increased the single rate non-taxable pension threshold for pensioners to €16,220. In the case of married rates status, a 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.

Diversifying retirement income

The Government has been actively working to decrease reliance solely on state pensions by promoting diversification of retirement income. Alongside ongoing educational initiatives, recent budgetary allocations have seen the Government strengthening the tax benefits aimed at encouraging the uptake of Third Pillar Pension Schemes. Consequently, there has been a proliferation of providers offering personal pension plans. Presently, individuals can receive tax credits of up to €750, with a maximum tax credit cap set at €3,000. In the Budget for 2024, the Government announced its intention to introduce a mandatory automatic enrolment in a private pension scheme, with voluntary withdrawal. Talks with social partners are to start in the coming months.

Other social protection measures

Over the recent years, the Government has consistently strived to enhance the financial situation of vulnerable households through the implementation of reforms within the

social protection system. Since 2018, contributory and non-contributory pension rates have been increased each year, beyond the cost-of-living adjustment. Additional 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. 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. Furthermore, 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 for parents caring for severely disabled children over 16 years of age increased to €4,500 yearly, corresponding to half of the net minimum wage. In 2024, the Carers' Grant rose by an additional €487 per year annually, reaching nearly €5,000 per year, mirroring the increase in the national wage agreed by the Government and the social partners. In 2024, the Carer at Home Scheme increased by a further €1,000, reaching €8,000 per year. This scheme 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, thereby enabling elderly individuals to stay in the community whilst at the same time supporting informal carers to remain active within the labour force.

Moreover, the Government also supports individuals caring for relatives with high and medium dependency from a medical point of view through the Increased Carers' Allowance and the Carers' Allowance, respectively. Both allowances cater to full-time carers residing in the same household. In 2024, both the Increased Carers' Allowance and the Carers' Allowance were adjusted by the full COLA, resulting in a weekly increase of €12.81. Accordingly, the Increased Carers' Allowance went up to €173.78 per week, and the Carers' Allowance rose to €120.68 per week. The Increased Severe Disability Allowance, which is granted to persons who are certified as having severe disability, is at par with the net national minimum wage this year. Thus, as a result of the announced increase in the minimum wage and the COLA, Increased Severe Disability Allowance increased by €17.39. The Severe Disability Assistance and Disability Assistance increased by €12.81 per week and €8.54 per week respectively.

To bolster the incentive to work, the Government continues to extend the in-work benefit by broadening income thresholds and augmenting the benefit rates, with around 26,000 households benefiting from these extensions. In 2024, the in-work benefit was increased by €50 for each child in the family who is under the age of 23, benefiting 36,000 children. Throughout 2023, further adjustments were also made to the Tapering of Benefits, so that beneficiaries would receive an additional 10.0 per cent of their benefits over the specified three years. Consequently, recipients maintained 75.0 per cent of the benefit during the initial year of employment, followed by a 55.0 per cent in the second year, and 35.0 per cent in the third year. On the other hand, the employer is paid 25.0 per cent of the social benefit for the duration of the three years. Figures show that this measure has significantly decreased the dependency on social benefits, with a reduction of around 61 per cent in the number of beneficiaries in receipt of social assistance between 2013 and 2023.

Furthermore, in 2024, improvements were made in the capital means test for Sickness Assistance beneficiaries who have been eligible for such assistance for at least five years upon sanctioning of wills. Under these revisions, the capital means test for a single person is set at €30,000 and for a married person up to €50,000. These changes illustrate the Government's ongoing efforts in the fine-tuning of the social assistance programs.

In 2024, the Additional COLA was implemented through a slightly revised mechanism to mitigate for the impact of rising inflation on living expenses. Approximately 95,000 households (149,000 people) are to benefit from an extra COLA boost provided by the Government.

Beneficiaries of Social Assistance shall receive the full cost of living adjustment. Furthermore, starting from 2023, the Government also increased children allowance by an additional €90 per child annually, with a further annual increase of €250 as from 2024.

As part of a holistic plan to address the housing affordability issues in Malta, the Government has implemented and expanded various social protection measures. 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 30 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. To support first time buyers, the Government is also extending the amount of interest free loans on the 10.0 per cent deposit requirement, aimed at individuals lacking the liquidity to fulfil the deposit requirement for properties not exceeding €225,000, up from the initial €175,000. Furthermore, effective from the 1st of January 2022, the Government is granting €10,000 over a period of 10 years to every first-time buyer. These measures are part of a broader strategy aimed at facilitating homeownership for aspiring individuals.

Recognising the importance of establishing a care plan for those individuals in need of housing, the Housing Authority, in conjunction with the University of Malta, has developed a pilot project to address rent arrears among beneficiaries. Based on the outcomes of the pilot project, the Housing Authority has developed a tailored care plan for tenants facing significant rent arrears. This plan is currently being implemented. 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 supports low to middle income earners who rent in the private residential market through a scheme based on their income in relation to rent payment, ensuring housing affordability. Further increases to the Private Rent Housing Benefit Scheme have been announced by the Government, with the maximum benefit now reaching €6,000 per annum.

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 initiatives aimed at enhancing the resilience and sustainability of healthcare systems play a pivotal role in ensuring access to affordable and high-quality preventive and curative healthcare services, aligning with SDG 3 and EPSR 16.

Active labour market policies are essential for addressing imbalances within the job market, such as shortages in labour and skills. By offering training and employment opportunities regardless of gender or other personal characteristics, these policies aim to rectify such disparities. Notably, initiatives like the NCPE's Equality Mark certification, the Gender Equality and Mainstreaming Strategy and Action Plan (GEMSAP), and the Equal Pay Tool (EPT) all make substantial contributions to advancing SDG 5 (Gender equality) and SDG 10 (reducing inequalities). Moreover, these measures target the social aspect of gender equality (ESPR 2) and contribute to poverty alleviation (SDG 1).

Furthermore, governmental policies, programmes, and initiatives aimed at delivering quality education are aligned with the objectives of SDG 4. These efforts, including the promotion of training and lifelong learning opportunities, not only significantly contribute to advancing education, training, and lifelong learning (ESPR 1) but also actively facilitate employment, in line with EPSR 4. Additionally, measures to ensure inclusive employment and education strive to achieve multiple objectives, such as providing quality education (SDG 4), promoting decent work for all (SDG 8), reducing inequalities (SDG 10), supporting employment (ESPR 4), and fostering the overall inclusion of people with disabilities in various aspects of life (ESPR 17).

3.2.5.1 RRP related measures

Measures pertaining to fairness within the RRP framework contribute significantly to enhancing the sustainability and resilience of the healthcare system, the labour market, and the inclusiveness of quality education.

i) Milestones and targets for reforms and investments completed by 31 December 2023

The Government continued to train educators in the Reading Recovery Programme while implementing measures outlined in the Roadmap. These measures include the

development of a guidance system, capacity building for adult learning professionals, and the establishment of guidance networks.

Additional efforts in this thematic area prioritised strengthening the resilience and sustainability of the healthcare system.

ii) Milestones and targets expected to be fulfilled between 1 January and 31 December 2024

Starting from the year 2021, it is envisioned that at least 1,000 students aged 6-7 years old will be trained in the Reading Recovery Programme. Additionally, at least three measures outlined in the Basic Skills Strategy will be implemented. Progress is currently underway on the completion of the Data Warehouse Project for tracking early school leavers (ESL), while the number of learners engaging with the new e-College platform is expected to reach 4,800.

Furthermore, a monitoring process will be implemented to periodically assess the effectiveness of policy measures concerning unemployment benefits.

3.2.5.2 Additional Measures

i) Resilience and sustainability of healthcare system

The Maltese healthcare system faces challenges stemming from an ageing population and population growth. These challenges are intensified by an inflation rate on medicines, which is three times higher than the rest of the economy. Moreover, expensive new drugs put Malta at a disadvantage during price negotiations due to its small market size. To tackle these issues, the Government has been expanding its Formulary List to now include medications for IVF patients, individuals with asthma, Pulmonary Fibrosis, and those with mental health challenges. This effort aims to improve and enhance the accessibility of healthcare.

To ensure healthcare sustainability, the Government intends to invest in primary care by increasing the health workforce, particularly in specialised clinics, and by developing new infrastructure. The Government has also implemented a remote patient glucose monitoring system for individuals with Type 1 diabetes aged 16 and above. This service was extended to include patients up to the age of 23 in 2023 and up to 40 in 2024. Additionally, eligible adults born with hearing disabilities now have access to bilateral hearing aids. Another initiative is the pilot introduction of GP Appointment Clinics in Health Centers, designed to reduce patient waiting times and enhance the overall quality of care.

The Government, in collaboration with the World Health Organisation (WHO), has introduced a Health Workforce Strategy to guide capacity building over the coming years within the Maltese Public Health Service. This Strategy aims to create a system supporting sustainable and patient-centred healthcare services. As part of this effort, specialists are being recruited, and support is provided to young specialists and trainees through EU-funded programmes. Additionally, investments have been made in teleconsultation measures at primary and secondary care levels, including the establishment of a new

Telemedicine support centre in Siġġiewi, staffed by healthcare professionals 24/7, free of charge. The pandemic has provided an opportunity to improve the digitalisation of healthcare services and enhance the health system's resilience.

The Government is also advancing electronic health record systems to be more accessible across all levels of care by 2030, in line with the National Health Systems Strategy 2023-2030 and the planned Digital Health and Health Data Strategy 2030. Another initiative is the myHealth portal, which facilitates patient and private doctor access to medical data following patient consent. Furthermore, a product roadmap for myHealth, developed in 2023, outlines a plan for introducing new functionalities and integrating additional health data sources until 2030, with developments released following six-month cycles.

ii) Labour market and social policies

Reskilling and upskilling remain crucial to preparing the working-age population for future industry demands, particularly in technology and green skills. It is essential to empower all workers to actively engage in the labour market and achieve a higher standard of living through employment. The Government also aims to create responsive work institutions that ensure fairness for all workers and promote dignity in the workplace.

In 2023, the Government continued to promote lifelong learning and emphasised participation in upskilling and reskilling programmes, a priority that will persist in 2024. Several recommendations from the National Employment Policy 2021-2030 have been implemented, including the establishment of the National Skills Council, extending the Free Childcare Scheme, and introducing tax incentives to encourage continued work after retirement.

Other ongoing initiatives include the Malta Skills Survey, aimed at gathering information on Malta's human capital and employment skills to identify and address skills gaps through policy development. The final results for this survey are expected to be published by the first half of 2024.

Women labour participation rate and gender employment gap

The Maltese Government has demonstrated a strong commitment to increasing women's labour force participation rate and reducing the gender employment gap. In recent years, several initiatives aimed at promoting gender equality have been introduced, along with active labour market policies targeted at easing the labour market entry process for women, especially mothers. Over the past decade, Malta has witnessed a significant rise in the female employment rate (aged 20-64), increasing from 48.0 per cent in 2012 to 74.1 per cent in 2022, surpassing the EU-27 rate by 4.8 percentage points. This remarkable increase in female participation can be attributed to initiatives such as the Free Childcare Scheme, as well as the provision of breakfast clubs and after-school care services. Furthermore, the Maltese Government has expanded free childcare services to parents or guardians who work atypical shifts, further facilitating the integration of women into the workforce. Since the inception of the scheme in April 2014 until December 2023, a total of 38,814 children have benefited from the service at some point in time.

To promote gender equality in the labour market, the National Commission for the Promotion of Equality (NCPE) awards Equality Mark certification to proactive gender-

inclusive organisations. By 2023, 136 certified organisations, employing around 31,000 employees, were recognised. The NCPE also maintains the Directory of Professional Women, with 277 registered women, to enhance visibility and opportunities for women in professional roles on boards and committees. Additionally, following the March 2022 Elections, the Gender Corrective Mechanism applied to Parliament increased women representatives from 15.0 per cent to 28.0 per cent.

In November 2022, Malta adopted its first Gender Equality and Mainstreaming Strategy and Action Plan (GEMSAP) for 2022-2027. The Plan commits the Government to direct, targeted, and comprehensive measures to achieve full gender equality, including ensuring equal access to employment in all sectors and addressing the Gender Pay Gap.

Equal pay and gender pay gap

In the past few years, the Maltese Government has implemented several measures to address gender-based pay discrimination and promote equal pay for equal work. In 2022, Malta's gender pay gap narrowed by 0.3 percentage points compared to 2021, and it stood 2.2 percentage points below the EU-27 average. Despite these advancements, challenges persist, and the Government remains committed to rectifying this disparity through various measures, policies, and schemes. To this end, the NCPE have been actively engaged in raising public awareness on the gender pay gap.

The NCPE has developed an Equal Pay Tool aimed at assisting companies in ensuring equal pay for work of equal value between genders. This tool is available to organisations with at least 50 employees certified with the Equality Mark and was created under the EU-funded project 'Prepare the Ground for Economic Independence (PGEI)', targeting not only the gender pay gap but also the gender pension gap. Its official launch took place in November 2023.

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

Addressing training outcomes, quality and access

Through various policies and initiatives, the Government strives to enhance training outcomes, expand educational access, and elevate overall quality. To this end, tertiary enrolment has steadily increased since 2013, reaching 19,035 in the 2021/2022 academic year. Tertiary-level graduates increased by 20.9 per cent to 5,597 in 2021. The employment rate among recent graduates (20-34 years) stood at 90.8 per cent in 2022, the fourth highest in the EU. Furthermore, the percentage of NEETs (age 15-24 years) decreased to 7.1 per cent in 2022 from 9.8 per cent in 2021. Despite Malta's higher early leaving from education and training (ELET) compared to the EU average, there has been a consistent decline from 21.4 per cent in 2010 to 10.1 per cent in 2022.

The Framework for Education Strategy for Malta 2014-2024 underpins the Government's educational vision, encompassing all education policies and initiatives. The Strategy was revised in 2019 to reflect ongoing developments. Within this Framework, the Ministry responsible for Education has launched several reforms to enhance education outcomes, quality, and access. In 2023, the Framework underwent a review, and together with two surveys conducted among educators, served as the basis upon which the new National Education Strategy (NES) 2024-2030 could be built. The NES 2024-2030 is currently in a public consultation phase and outlines the nation's vision for the education sector.

It is based on three pillars: (i) Wellbeing; (ii) Growth & Empowerment; and (iii) Equity & Inclusion.

In addition, the Government also recognises the importance of investing in early childhood education for long-term success and well-being. Since 2022, compliance with these standards and criteria has been a prerequisite for being granted a license to operate early childhood education services. Meanwhile, the Learning Support Educator programme for children aged 3-4 continues to be in place.

Furthermore, the Government's 'My Journey' programme will continue to provide support for children's diverse needs with quality learning programmes at levels 1-3. Starting from the academic year 2023/24, seventh-year students will receive new laptops to bridge the digital gap, and the initiative to provide one tablet per child will be extended beyond primary school.

In 2023, the National Literacy Agency introduced the Language Policy for the Primary Years in Malta and Gozo, promoting multilingualism in Maltese and English among 7 to 11-year-olds. This policy aims to develop age-appropriate bilingual skills, enhancing communication in both national and international contexts. Additionally, the agency is responsible for the National Literacy Strategy 2021-2023 (NLS), which seeks to address social exclusion caused by low literacy skills through various programmes.

To address ongoing challenges, the Government introduced the 'Early Leaving from Education and Training – The Way Forward 2023-2030' Strategy in 2023. This strategy outlines an action plan to prevent early school leaving, aiming to reduce the percentage rate of early school leavers to 9.0 per cent or lower by 2030. An implementation report will be used as Malta's monitoring data collection framework within this field. Additionally, the ELET Unit under the Directorate for Research, Lifelong Learning, and Employability (DRLLE) launched a fellowship scheme, through which nine educators successfully completed a Fellowship for a Masters in Education focusing on Poverty and Social Exclusion.

A new pilot project, ALMA (Aim, Learn, Master, Achieve), targeting disadvantaged young people aged 18 to 29 who are currently NEETs, was initiated by the Government in October 2023. The project's goal is to unlock the potential of these young people through a three-month period of engaging in non-formal training, emphasising soft skills, independence skills, and life skills and a two-month work placement in a European Union country. This comprehensive approach aims to prepare participants for a journey of personal and professional growth. The ALMA Malta Committee comprises experts and key stakeholders, who hold regular meetings that focus on project assessment, consultations, and implementation strategies aligned with grant agreement deliverables.

In November 2023, the Government initiated the National Lifelong Learning Strategy 2023-2030, with a primary focus on adult learning. This strategic plan is structured around three pillars, all designed to facilitate and enhance the quality of learning throughout individuals' lives. As part of the Government's broader efforts to address productivity challenges, particular emphasis is placed on upskilling adults in 21st-century skills. This initiative includes the introduction of specialised new courses and the implementation of both asynchronous and synchronous online learning platforms. Additionally, individuals beyond the compulsory school age who require support with

basic literacy, numeracy, and digital literacy are being catered to through free basic skills programmes. Furthermore, under the 'I Belong' Programme, third-country nationals are provided with assistance in basic skills acquisition, as well as courses in Maltese and English as foreign languages.

The National Skills Council (NSC), responsible for identifying and addressing future skills gaps to adapt to evolving workforce dynamics, will develop the first National Skills Strategy with technical assistance from the OECD through the Technical Support Instrument - Skills Flagship 2024. In this context, the Government is also implementing the 'Ultimate AI Launchpad - A Strategy and Vision for Artificial Intelligence in Malta 2030'. The aim of this strategy is to develop an Education Data Warehouse to enhance decision-making in education and to identify individuals at risk of becoming ELET. The tender was published in 2023 for the third time and is currently under evaluation.

The Malta Further and Higher Education Authority (MFHEA) has developed guidelines to enhance the quality of further and higher education. This led to Malta's first National Strategic Action Plan for Further and Higher Education (2022-2030), which was approved by the Cabinet in June 2023 and will be implemented in 2024. Additionally, existing scholarship and tax credit programmes for master's and doctoral students have been reinforced and are also utilising funds from the European Social Fund.

MCAST remains committed to implementing its Strategic Plan for 2022-2027. Moreover, MCAST has established a Centre for Learning and Employability to provide personalised services to students, aiming to expand its range of support services. Additionally, to encourage more companies to participate in apprenticeship programmes, thereby cultivating skilled and well-prepared individuals, the Apprenticeship and Work-Based Learning Department continues to enhance the Apprenticeship scheme. As a result of these efforts, as of January 2024, MCAST has registered 2,406 industry partners, with 771 holding active contracts.

Inclusive education and employment

For several years, the policy objective of promoting the inclusion of individuals with disabilities in the workforce has been one of the priorities for the Maltese Government. Despite significant progress, ongoing challenges persist, making this a crucial area of policy attention. According to estimates from the Commission for the Rights of Persons with Disability (CRPD), Malta has approximately 40,000 individuals with disabilities, with 27,030 registered with the Commission as at the end of 2023. This demographic encompasses people of diverse ages and abilities, including those not actively seeking employment. As of August 2023, 5,027 individuals with disabilities were employed, while 456 were registered as unemployed as of October 2023. Through active legislative measures, Jobsplus, in collaboration with the Lino Spiteri Foundation, has facilitated improved access to the labour market for disabled individuals.

The CRPD has also established the Malta Business Disability Forum (MBDF), comprising employer organisations, academics, the disability umbrella organisation Malta Federation of Organisations of Persons with Disability (MFOPD), and the Commissioner for Mental Health. This forum addresses issues related to the employment of disabled people and in 2024, it will focus on the employment of people with psycho-social impairments. Since 2022, CRPD have also partnered in an EU funded project to examine the employment of autistic people. As a result of the findings of this project, CRPD produced a set of

policy recommendations that were presented to the European Parliament at the end of January 2024. These were divided into recommendations for employers, national authorities and European policymakers. They have been disseminated to the relevant stakeholders in Malta by CRPD. Furthermore, CRPD organised a conference among Employers Associations and other stakeholders to increase awareness of employing people with intellectual impairments.

Since its inception in 2022, Aġenzija Sapport's 'Way to Work' service has supported 76 persons with disabilities seeking employment, with 34 actively participating in the programme as of February 2024. The programme supports individuals in discovering their preferred career paths, developing skills, and determining the best way forward to achieve their goals.

The Government is also 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.

Furthermore, to improve accessibility, the University of Malta is developing support systems that enhance the learning experience and increase the completion rates of students from diverse and under-represented backgrounds.

Footnotes

¹ <https://cfr.gov.mt/en/inlandrevenue/legal-technical/Documents/Guidelines%20-%20Transfer%20Pricing%20Rules.pdf>

² <https://www.ncc.gov.mt/resources/#risk-assessments>

³ <https://fiaumalta.org/wp-content/uploads/2022/11/FIAU-Strategy-2023-2026.pdf>

⁴ <https://financemalta.org/publications/mfsac-strategy-document/>

⁵ <https://fiaumalta.org/wp-content/uploads/2023/07/AMLCFT-SUPERVISORY-PLAN-2023-%E2%80%93-2024.pdf>

⁶ <https://fiaumalta.org/wp-content/uploads/2023/11/The-Israeli-Palestinian-Conflict-Guidance-Note.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 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 Sustainable Development Governance Model

In the wake of the recent public consultation on Malta's Sustainable Development Strategy for 2050, the Government has intensified its efforts in implementing the 17 Sustainable Development Goals nationwide. This commitment is channelled through focused attention on five key areas of development: transitioning towards a climate-neutral green and blue economy; safeguarding sustainable urban development and cultural heritage; ensuring universal well-being and healthy lives for all; expediting digital transformation, smart mobility, and connectivity; and fostering social equity and prosperity for all segments of society.

To ensure the effective realisation of these objectives, the Government has established a comprehensive set of national Sustainable Development targets and indicators to assess progress. Furthermore, the efforts are complemented by the diligent work of the National Expert Group on Sustainable Development Indicators (SDIs), overseen by the National Statistics Office since its inception in 2021. This body serves to facilitate coordination among stakeholders in SDI-related activities, addressing any existing gaps in the process.

Moreover, the Government has demonstrated its ongoing commitment to bolstering policy coherence for Sustainable Development by aligning budgetary measures with the SDGs, a practice initiated in 2019. This strategic alignment is outlined in Annex Table 4: Reporting on SDGs.

4.3 The Budgetary Process and the SDGs

The integration of SDGs into the budgetary process is crucial for enhancing policy coherence and aligning governmental actions with the aspirations and targets delineated in the United Nations 2030 Agenda for Sustainable Development. Each year, this process involves a comprehensive assessment undertaken by all ministries to evaluate how their respective measures and initiatives contribute towards attaining the SDGs. Such an approach not only fosters transparency and accountability within Governmental decision-making but also ensures that the principles of sustainable development (economic, social, and environmental) are consistently prioritised.

Building upon the Government's vision, the budget for 2024 was strategically oriented towards sustaining economic recovery, the preservation of employment opportunities, the reinforcement of social protection systems, the enhancement of public health, and the promotion of sustainable, innovative, and digital solutions. To this end, several schemes

that were introduced to bolster the resilience and competitiveness of businesses, facilitate the creation of decent work opportunities, elevate the standards of education, and spearhead projects aimed at mainstreaming cutting-edge, environmentally neutral technologies across various sectors, were also extended for 2024. Additionally, the Government continues to implement measures to foster the transition towards a circular economy, minimise waste generation, combat environmental degradation, and mitigate the impacts of climate change. Moreover, the 2024 Budget also builds upon the foundations laid in preceding years, particularly in actions aimed at reducing poverty risks among marginalised groups, combating discrimination and inequalities.

Initiatives outlined in the 2024 Budget were designed to advance the objectives outlined in the SDGs, thereby reinforcing the Government's commitment to sustainable development. Detailed descriptions of these initiatives are provided in the subsequent sections.

4.3.1 The Environment

Central to Malta's economic vision is the ambition to achieve carbon neutrality by 2050. As seen in Chapter 3, the Government's endeavours in this direction contribute significantly to the attainment of SDGs 7 (Affordable and clean energy) and 13 (Addressing climate change).

In pursuit of this goal, the Maltese Government introduced its Low Carbon Development Strategy (LCDS) in October 2021, outlining a comprehensive set of measures aimed at decarbonising the economy and achieving carbon neutrality by 2050. Additionally, the forthcoming National Strategy for the Environment (NSE), which will be subject to public consultation soon, will serve as a strategic framework to address all environmental aspects of national policies, plans, and programs by establishing strategic goals and objectives that are to be met by 2050.

The Government continued its proactive stance by spearheading initiatives to enhance energy efficiency, promote clean energy, decarbonise transportation, and foster a circular economy. These initiatives encompass measures and incentives focused on energy conservation, diversification, emission reduction across various sectors (SDGs 9 and 11), waste management reforms (SDG 11), increased investment in renewable energy (SDG 7) and combating climate change (SDG 13). Simultaneously, ongoing investments in infrastructure and technology aim to bolster the country's sustainable growth (SDG 9).

Through the implementation of its vision for carbon neutrality, the Government aims to synchronise economic growth with strategies aimed at reducing and offsetting greenhouse gas (GHG) emissions. These align with national commitments, the European Green Deal, and the Paris Agreement.

4.3.2 Productivity

The emphasis on fostering investment in Research and Innovation (R&I), facilitating the digital transition, and attracting private investment serves as a multifaceted approach to advancing various SDGs. As highlighted in Chapter 3, the integration of technology into a nation's productive capacities is paramount for enhancing productivity. For instance, initiatives such as the launch of the R&I Strategic Plan 2023-2027 and the schemes supported by Malta's Development Bank together with the participation in the Horizon

Europe Programme in projects related to, amongst others, childcare and retail outlets refurbishments, are poised to bolster the country's industrial landscape, foster innovation, and enhance overall infrastructure (SDG 9).

The alignment of the digital transition with labour market dynamics and marketing campaigns in Gozo, including initiatives aimed at diversifying the tourism offerings of Gozitan operators, underscores Malta's commitment to promoting decent work and economic growth (SDG 8). Additionally, the direct and indirect benefits stemming from the digitalisation reform of the Malta Business Registry highlights the Government's contribution to strengthening aspects related to peace, justice, and institutions (SDG 16).

The integration of the education component into the Malta Digital Innovation Authority's Technology Assurance Sandbox, together with Malta's participation in project proposals issued under the European Social Fund in 2023 targeting lifelong learning and inclusive education and training, contribute to the provision of quality education (SDG 4).

4.3.4 Fairness

In its efforts to foster a more equitable society, the Government is implementing a range of policy initiatives aimed at strengthening the healthcare system to enhance access to both preventive and curative healthcare services. This strategic approach aligns with the objectives outlined in SDG 3 (Good health and well-being). Furthermore, there is a concerted effort to reinforce primary care services by augmenting the healthcare workforce, with a particular emphasis on establishing specialised clinics and developing new infrastructure.

Regarding education and its correlation with SDG 4 (Quality education), the Government is steadfast in its commitment to enhancing training outcomes, expanding educational access, and elevating educational standards across all levels. Efforts are directed towards ensuring that education remains a cornerstone for personal and societal advancement, thus also contributing to the attainment of SDG 1 (Poverty eradication).

Addressing elements pertinent to SDG 5 (Gender equality) and SDG 10 (Reduced inequalities), the Government has embarked on a series of proactive labour market policies designed to rectify market imbalances and promote gender equality. These initiatives aim to mitigate disparities and foster a more inclusive and fair labour market environment.

4.3.5 Governance and Tax System

The budgetary initiatives which the Government will implement in 2024 underscore the pivotal role of robust governance frameworks within an economy. Aligned with the principles enshrined in SDG 16 (Peace, justice, and strong institutions), the Government will continue to strengthen measures aimed at addressing prevailing challenges in this domain.

By enhancing the efficiency and effectiveness of the justice system through digitalisation, legislative reforms, and bolstering the judicial workforce, as outlined in Chapter 3, these efforts align notably with SDG 16 (Peace, Justice, and Strong Institutions). The increase in judicial personnel and the implementation of measures to expedite court proceedings aim to ensure equal access to justice for all, while the reforms to reduce

procedural timeframes and enhance case management contribute to building effective, accountable, and inclusive institutions at all levels.

In the area of taxation, initiatives such as finalising guidelines on transfer pricing rules and enhancing capacity building through specialised training contribute to SDG 17 (Partnerships for the Goals) by fostering collaboration between government agencies, industry stakeholders, and tax practitioners. Furthermore, legislative adjustments aimed at addressing aggressive tax planning and enhancing transparency align with SDG 16 (Peace, Justice, and Strong Institutions) by promoting accountability and combating illicit financial flows. The continued work on international tax cooperation, such as Pillar 2 implementation and exchange of information standards, supports SDG 17 by facilitating global cooperation to combat tax evasion and promote financial transparency.

Overall, these measures demonstrate the country's dedication to achieving sustainable development objectives through comprehensive tax reforms and international cooperation whilst also fostering resilient and just institutions.

5. EU Funds

Overview of 2021-2027 Priorities for Malta under Cohesion Policy

Malta experienced notable economic growth in recent years, primarily driven by a significant increase in service exports resulting from structural adjustments within the rapidly expanding export-oriented service industries. This transition contributed to a surplus in the current account balance and facilitated a swift convergence of income towards the European Union (EU) average. However, alongside this economic boom came new challenges, including strains on infrastructure and the environment, as well as occasional labour shortages. Given Malta's inherent limitations, it is imperative to focus on diversified sectoral development to ensure sustainable growth. Therefore, continuous investment in mitigation measures to address vulnerabilities and enhance resilience to external shocks remains crucial for Malta's future prosperity.

The 2021-2027 EU-Funded Plans and Programmes will continue addressing Malta's development requirements, aiming to boost the competitiveness of the Maltese economy while promoting sustainable growth. The envisioned investments and reforms will align with European priorities, fostering a business-friendly atmosphere to spur economic expansion, generate employment opportunities, and foster social cohesion, all while advancing environmental quality.

A Smarter Economy

The Maltese business landscape predominantly comprises micro-enterprises and self-employed individuals who require a nurturing environment to establish, expand, and compete effectively, both domestically and internationally. This entails incentivising existing businesses and newly established ventures to enhance productivity, as outlined in Chapter 3.

Considering the disparity between Malta's Research and Innovation (R&I) level and the EU average, additional assistance is imperative to develop essential infrastructure, facilitate knowledge transfer, and cultivate partnerships. This will make it possible for the country to be able to take the leap into an innovation-led business model. Furthermore, initiatives to strengthen the digital transition, including enhancing digital skills and advocating for digital services, are also planned. Through this priority, support for the private sector's engagement in R&I, digitalisation, business growth and development will be a fundamental element in contributing towards sustaining socio-economic growth.

A Low Carbon and Greener Environment

Despite significant investments made in this sector, including those facilitated by EU-funded initiatives, there remains scope for further initiatives to improve this area. Efforts will persist during the 2021-2027 period to advocate for and support the transition towards a green economy. This encompasses investments in various areas such as energy, waste management, water conservation, biodiversity preservation, green infrastructure and sustainable transportation. Furthermore, initiatives aimed at enhancing skills pertinent to green and blue jobs will be pursued to support this transition. Numerous measures targeting environmental concerns, notably the promotion of energy efficiency, are being implemented. For example, the Government is committed to investing in a second

electricity interconnector and energy storage infrastructure to fortify the electricity grid. Additionally, investments in waste and water management infrastructure, decarbonisation of ports, and the advancement of multi-modal urban mobility are intended to reinforce the environmental aspect of sustainable growth, as outlined in Chapter 3.

EU funds will be utilised to expand the network of electric vehicle (EV) charging points and related infrastructure investments throughout Malta and Gozo. These funds will complement initiatives facilitating the purchase of electric vehicles and promote the adoption of alternative fuels, thereby contributing to cleaner air, pollution mitigation, and the reduction of Greenhouse Gas (GHG) emissions. This aligns with the objectives of the Green Cars Initiative, a component of the European Economic Recovery Plan aimed at advancing the development of innovative, clean, and sustainable modes of road transportation.

A More Connected Society

Given its small size, Malta is often faced with challenges that are usually found in urban areas, particularly traffic congestion and strains on its transport infrastructure. Tackling these issues necessitates a multifaceted approach to road infrastructure, involving investments in diverse, accessible, sustainable, and safe modes of transport. Furthermore, as an island situated on the periphery of Europe, enhancing maritime infrastructure investment remains pivotal to uphold the competitiveness of Malta's economy. The Government's initiatives to improve both road and maritime transportation connectivity contribute significantly towards improving economic competitiveness, thereby complementing the strategies outlined in Chapter 3 that focus on productivity enhancement. Moreover, interventions aimed at improving road transport synergise with measures targeting the environmental aspect outlined in Chapter 3, thus forming a cohesive strategy for sustainable development.

A More Social Community

Prioritising investments in health, education, and socio-economic integration remains crucial, as highlighted in the measures and investments targeting fairness outlined in Chapter 3. Emphasis is placed on enhancing the quality and inclusivity of education and fortifying the accessibility and resilience of the healthcare system, amongst other initiatives. Integrated measures encompassing infrastructure, services, and efforts to improve labour market resilience and access to quality employment are also deemed essential. These investments aim to enhance access to inclusive and high-quality services while fostering the integration of all communities, especially marginalised and vulnerable socio-economic groups. Continued EU funding aims to address challenges arising from shifting demographic trends and evolving health needs, ensuring equitable access to healthcare services. Moreover, sustained investment in education, training, and lifelong learning is essential to address the social requirements and nurturing Malta's human capital.

The tourism sector has encountered significant hurdles in recent times, prompting a shift in the way tourist experiences are offered. This underscores the need for increased investment in Malta's tourism offerings to support the sector's resurgence. Plans will focus on upgrading cultural assets, preserving Malta's rich heritage, and rejuvenating areas to attract visitors. These initiatives are in line with the Government's goals to elevate

standards across the tourism sector, foster social unity, and enhance environmental sustainability. This integrated approach will not only enrich Malta's cultural heritage but also complement the measures and investments outlined 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. Notably, the island of Gozo faces unique challenges stemming from its double insularity. Efforts to mitigate disparities between Malta and Gozo are prioritised, with a focus on addressing Gozo's specific needs within the national policy framework. This approach aims to foster sustainable growth in alignment with measures and investments targeting environmental and productivity challenges outlined in Chapter 3. Promotion of sustainable urban development remains paramount, emphasising interventions tailored to Gozo's distinctive socio-economic, cultural, and environmental characteristics.

Facilitating a Just Transition

Aligned with the aspirations outlined in the European Green Deal for climate action and the objectives of the Paris Agreement, interventions focus on two main priorities with the aim to support Malta's pursuit of decarbonisation and the reduction of GHG emissions. These interventions are in harmony with the measures and investments aimed at addressing the environmental dimension outlined in Chapter 3.

Investments will be allocated to implement onshore power supply systems at Malta's main ports involved in international trade. This initiative entails connecting vessels to onshore electricity while docked, offering an eco-friendly solution to lower GHG emissions. These investments will position Malta at the forefront of adopting such technologies.

5.1 Update on the State of Play

By the end of November 2022, the European Commission approved all EU Funded Plans and Programmes under the 2021-2027, allowing Malta to shift its focus on the implementation of such Programmes and Plans.

Numerous calls were issued under the European Regional Development Fund (ERDF)/Cohesion Fund (CF)/Just Transition Fund (JTF) 2021-2027. The project selection process is well underway. The three projects of strategic importance concerning onshore power supply in the Grand Harbour and the Freeport, as well as the second electricity interconnector were already approved by the end of 2023. Additional projects will be approved in the first half of 2024. Four aid schemes for the private sector, with an initial budget of €16.5 million, were launched in 2023, namely SME Enhance Aid Scheme (de minimis), the SME Enhance Aid Scheme (GBER), the Start-up Enhance Scheme and the Business Reports for SMEs.

Similarly, the implementation of the European Social Fund Plus Programme (ESF+) progressed steadily in 2023. This programme serves as a key instrument for supporting active inclusion and ensures enhanced education and fairer job opportunities for all citizens, through investment in human capital. The ESF+ programme in Malta provides an important opportunity to boost investment in its human capital, which remains Malta's

most important resource. By end 2023, two aid schemes were launched; being the Access to Employment (A2E), an employment aid scheme, and the Investing in Skills (IIS), a training aid scheme, representing €12 million and €10 million commitments respectively. Additionally, the Further Studies Made Affordable (FSMA) financial instrument was launched under the 2021-2027 ESF+ programme, with a commitment of €5 million. Continuing from the previous programming period, the FSMA financial instrument will continue to support students pursuing further education.

By the end of 2023, three calls were issued under the European Maritime Fisheries and Aquaculture Fund (EMFAF). After the selection process, which was carried out by the Project Selection Committee, three projects were awarded under the EMFAF in the area of information systems, data collection and species diversification. This resulted in the commitment of €7.5 million Public Eligible. Two additional calls under the specific objectives relating to the protection and restoration of biodiversity and the promotion/marketing of fisheries products were also issued. The deadlines for these calls are the 15th March 2024 for the former call and the end of March 2024, for the latter call.

5.2 Complementarity of Funding between EU Funds and the RRP

The synergy between the Cohesion Policy instruments and the Recovery and Resilience Plan (RRP) is detailed in both the RRP and the corresponding 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.

The support and reforms outlined in the RRP are directed towards achieving climate neutrality by enhancing energy efficiency, promoting clean energy, and advancing a circular economy. The RePowerEU Chapter under the RRP also complements measures under the ERDF/CF/JTF Programme in strengthening the electricity grid and distribution and targeting renewable energy measures. Decarbonising 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 enhance the resilience of the health system and socio-economic sustainability within the RRP will also be reinforced by initiatives under the ERDF and ESF+, aimed at comprehensively addressing service provision in their respective sectors.

Coordination and delineation 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 needed throughout the implementation of the 2021-2027 programmes.

In 2023, the Ministry overseeing EU Funds established an Inter-Ministerial Consultative Committee. This committee brings together stakeholders responsible for EU funds under direct, indirect and shared management funds in order to be able to discuss

complementarities between possible actions under different EU Funds. Additionally, the Committee also mandates the Managing Authorities/implementing bodies to establish further delineation parameters to identify overlaps at Programme/Plan level. This mechanism further strengthens Malta's efforts to improve synergies, prevent possibilities for double funding and further enable a holistic use of EU Funds across different programmes and regulatory regimes.

5.3 Complementarity and Consistency between Funding Priorities and NRP Priorities

The funding priorities highlighted in Section 5.1, which are targeted by EU Funds, are designed to address the four complementary dimensions mentioned in the European Commission's new growth strategy. These dimensions include environment, productivity, macroeconomic stability and fairness. EU funding simplifies the challenges faced in Malta and makes the priorities highlighted in the National Reform Programme (NRP) more achievable. These funds facilitate investments related to the health sector, promoting digital objectives, and transportation, mainly by improving network and accessibility. This contributes to Malta's enhanced competitiveness and sustainability.

In order to access EU funds, Member States must prepare a Partnership Agreement and plans or programmes covering various funds for the 2021-2027 period. Malta's Partnership Agreement, which 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 crucial for Malta to optimise the utilisation of EU funding sources and ensure alignment among various EU-funded initiatives.

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

Investments supported under the Plans/Programmes will aim to foster an innovative and smart economy, whilst promoting environmentally sustainable practices; to enhance connectivity and foster a healthy environment. Furthermore, these investments will also aim to foster an inclusive social environment in line with the European Pillar of Social Rights, whilst also fostering an environment conducive to a healthy workforce and sustaining 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 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, strategically focusing on priority areas aimed to meet both EU and national objectives relating to employment, education, social inclusion, and material deprivation.

The EMFAF Programme will remain the main funding mechanism for investment in the Fisheries and Aquaculture sectors in Malta, complementing additional EU funded interventions and investments. The EMFAF 2021-2027 Programme is expected to expand upon the investments made during the previous programming period, thus aiming to optimise the added value of public investment.

6. Institutional Issues and Stakeholder Involvement

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Achieving the country-specific recommendations and Sustainable Development Goals necessitates the commitment of not only the Government but also social partners, local government, and non-governmental organisations. Addressing economic, social, and environmental challenges requires the collective commitment of these stakeholders to ensure the effective implementation of reform measures and investments.

Similar to previous years, the Government has engaged in active consultations with the Malta Council for Economic and Social Development (MCESD), a platform that convenes the primary social partners in Malta. These stakeholders were consulted by the respective Ministries regarding different measures and initiatives outlined in the National Reform Programme (NRP). Additionally, they were invited to participate in a special meeting focused on the NRP to deliberate on the strategic foundations of the overall report.

Additionally, a monitoring assessment was conducted twice a year (in the first and third quarter of the year) to track the progress of implementing the NRP, preceding the compilation of status reports for each specific measure outlined in the programme. It is important to highlight that measures co-funded by EU funds have been incorporated into this NRP.

The Ministry for Finance and Employment was responsible for coordinating input from relevant Ministries and key stakeholders, engaging in seminars and discussions on issues related to various EU Strategies, and providing updates on NRP progress. This collaborative effort proved to be successful, resulting in the development of a comprehensive yet concise NRP with increased ownership from line Ministries. Furthermore, necessary consultations were conducted with the Ministries, entities responsible for NRP implementation, respective Local Councils, and the Local Councils' Association. A copy of the NRP will be provided to the Malta Fiscal Advisory Council, and subsequently made available to the public after submission to the European Commission. The 2024 NRP document underwent discussion and approval by the Cabinet on 9th April 2024.