

Summary of the Commission's assessment of the Maltese recovery and resilience plan

Grants: EUR 316 403 496; no loans requested

47 measures: 30 reforms and 17 investments divided into 6 components

Number of milestones and targets: 138

Climate target: 53.8%

Digital target: 25.5%

1. Summary of the Commission's assessment of the recovery and resilience plan

Criterion	Commission assessment	Rating A-C
2.1	The green transition is expected to be addressed through various reform and investment measures aiming to decarbonise road transport, to achieve sustainable mobility, to improve the energy efficiency in buildings, to improve the waste management system, and to promote renewable energy. Investments and reforms in the public administration, health sector and the justice system support the digital transition . Measures to prevent early school leaving and improve the quality and inclusiveness of the education and training system are expected to increase supply of necessary skills and contribute to smart, sustainable and inclusive growth , and also promote policies for the next generation, children and the youth . Health, economic, social and institutional resilience is covered by measures such as reforms and investments to strengthen and increase the resilience of the health care system, increase efficiency of the public administration, including the justice system, through digitalisation, and address institutional bottlenecks. Furthermore, the measures in the area of education, skills, health and public administration are expected to contribute to greater social and territorial cohesion .	A
2.2	The plan is ambitious in effectively addressing a significant subset of the structural challenges identified in the country-specific recommendations (CSRs) of 2019 and 2020 . The plan is ambitious and envisages reforms and investments to address the challenges identified in health, employment, education and skills, climate and digital transition, justice and the fight against corruption and money laundering. Good governance is one of the pillars of the government's long-term economic vision, and the plan makes significant efforts to remedy the challenges in this area. Investing in education also features prominently in the plan, with relevant measures proposed to address weaknesses in the education system. A major part of planned investments focuses on the green and digital transition, thereby addressing the country-specific recommendations on investments in these areas. The challenges identified in aggressive tax planning, R&I and the sustainability of the pension system are partly addressed. The investments and reforms included in the recovery and resilience plan also appear consistent with the challenges and priorities identified in the Council Recommendation on economic policy of the euro area.	A
2.3	Investments and reforms in education and training are expected to contribute to resilience and smart and inclusive growth . The reforms in education and training and to active labour market policies proposed under the different components will help improve the training offer and align it better with labour market needs. The plan includes reforming the employment	A

	<p>strategy, promoting upskilling by developing a career and lifelong guidance system for adult learners, and investments in skills for the tourism and hospitality sector, which is a key economic sector in Malta. This investment focuses on the training and upskilling of human capital to answer the future needs of higher quality, more sustainable and greener tourism. Ambitious investments and reforms for the renovation have the potential to boost job creation and support the development of green skills for the renovation and construction sector. Investments in innovative health services could have a spillover effect on growth and job creation in other fields. Support for the digitalisation of the private sector is also likely to create job opportunities in ICT. A better skilled population should also help address high skills mismatches and labour shortages in the country. It will ensure access to better quality jobs and encourage more vulnerable groups to participate in the labour market.</p> <p>The resilience of the health sector is expected to be strengthened by a better planning of the health workforce and addressing the difficult situation of foreign workers in the sector. Furthermore, the investment in blood and tissue centre should provide the health system with valuable capacity to improve the health outcomes of the population. The implementation of the measures for digitisation of health services will also help make the health system more resilient.</p> <p>The institutional resilience of Malta will be addressed through reforms and investments to promote the digitalisation of its public services and improve its institutional framework. These investments should help further strengthen the digitalisation of public administration and improve the delivery of and access to digital public services, including in the maritime sector. Investments in the further digitalisation of the justice system should create better conditions for information exchange, which is instrumental in tackling the challenges in the area of justice, the fight against corruption and money laundering, and taxation. The reforms proposed should strengthen different elements within the justice system, in particular the independence of the judiciary, the lack of a separate prosecution service from the investigative branch, as well as operational inefficiencies. Furthermore, the plan contains reforms to improve the capacity to effectively detect and prosecute corruption and to fight money laundering.</p>	
2.4	All measures in the plan have passed the <i>ex ante</i> assessment of the ‘do no significant harm’ principle. The assessment was conducted per reform or investment. In addition, for some measures this principle has been reflected in the milestones and targets.	A
2.5	The measures in Malta’s recovery and resilience plan are expected to contribute to the green transition and environmental protection. The plan supports Malta’s decarbonisation and energy transition objectives, as set out in its 2030 national energy and climate plan, and are a step forward in achieving climate neutrality by 2050. Two of the six components in the plan include expenditure that contributes to climate objectives, accounting for 53.8% of the plan’s total allocation. These mainly reflect sustainable transport investments (ferry landing site, electric vehicles) and energy efficiency interventions in buildings. To a lesser extent, the plan also includes renewable energy investments. Waste management reforms aim to strengthen the circular economy. The plan contains no measures with biodiversity as their objective, although reductions in pollution emissions resulting from building renovations,	A

	the decarbonisation of transport as well as the planned strengthening of waste management may indirectly improve biodiversity.	
2.6	Malta's recovery and resilience plan is expected to contribute to the digital transition. Measures supporting digital objectives represent 25.5% of the plan's total allocation. Component 3 is fully dedicated to the digital transition and aims to invest in the further digitalisation of public administration and public services (i.e. investing in the government's IT systems to strengthen their resilience, capacity and security; digitalizing Malta's Merchant Shipping Directorate; enhancing digital public services), as well as strengthening initiatives related to the digitalisation of the private sector (i.e. support to companies, notably SMEs). Components 4 and 6 also address this objective by boosting digitalisation of the health and judicial systems.	A
2.7	The proposed reforms and investments are expected to have a lasting, positive impact on the functioning of the institutions, public administration and policies. Institutional changes to strengthen the independence and effectiveness of the justice system as well as the anti-corruption and anti-money laundering framework are expected to have lasting benefits on how the country's institutions function. Digitalisation is expected to improve access to and the efficiency of government services to businesses and individuals. Healthcare provision is strengthened through investments and a broader and more digitalised service. Policy changes are also expected to bring about lasting benefits, including a reduction in energy consumption, improved air quality, reduced noise pollution, better work-life balance and improved access, quality and resilience of educational services, bridging the gap between education provision and labour market needs.	A
2.8	The 138 milestones and targets included in the Maltese plan constitute an appropriate system for monitoring the plan's implementation. The selected milestones and targets represent the key elements of the proposed investment and reform measures over their life cycle. They are sufficiently clear and comprehensive to ensure that their completion can be traced and verified. They reflect adequately the overall level of the plan's ambition and appear realistic. The milestones and targets appear well timed throughout the plan's implementation schedule. The verification mechanisms, data collection and responsibilities described by the Maltese authorities appear sufficiently robust to verify the completion of milestones and targets, and to justify in an adequate manner the disbursement requests.	A
2.9	Malta has provided estimated costs for each investment included in the recovery and resilience plan. The cost breakdown is generally detailed and well substantiated. The assessment of the cost estimates and other supporting documents show that a large majority of the costs are reasonable and plausible. However, in some limited cases, further supporting evidence and clearer justification for the assumptions made for some measures would have been needed to reach a fully positive assessment. In addition, the amount of the estimated total cost of the plan is commensurate with its expected economic and social impact and is in line with the principle of cost efficiency and the plan confirms that all investments will be financed solely by the RRF excluding any possibility of double EU financing.	B

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2.10	The plan provides sufficiently detailed information on the national set-up for the RRF internal control system, which is similar to the one used for EU cohesion policy funds. The internal control system seems to be adequate. The Ministry responsible for the management of EU funds in Malta will act as the RRP Coordinator and is entrusted with the authority to fulfil all relevant tasks related to the management and control of the recovery and resilience plan. The Internal Audit and Investigations Department has been designated as the audit authority for the purposes of the RRP, as an independent body. The audit authority's strategy comprises both system audits, focusing on the system in place for the reporting of the milestones and targets, and on the system to prevent detect and correct serious irregularities, including the IT system, as well as substantive testing based on an adequate sampling. Its independence from the coordination body and institutions responsible for implementing the reforms and investments will be ensured respecting the segregation of duties principle.	A
2.11	The plan includes a set of consistent, coherent and mutually supportive reforms and investments that are proportional and commensurate with the overall long-term development objectives. Each component includes reforms and investments that are consistent and mutually reinforcing. No cases have been observed where the measures proposed within any component (be it reforms or investments) contradict or undermine any other's effectiveness. The plan presents a balanced approach between reforms and investment. Due care was given to ensure that implementation timelines of reforms and investments are aligned to ensure successful delivery of the measures.	A

2. Horizontal principles and additionality

Horizontal principle	Commission assessment
Complementarity with EU programmes 2021-2027	The measures in the plan are consistent with and complementary to other EU programmes in the period 2021-2027.
Principle of additionality	The measures in the plan respect the principles of additionality. The plan ensures the additionality of the support provided under the Recovery and Resilience Facility to the support provided under other Union funds and programmes and also ensures that they do not cover the same cost.
Recurring costs	Some of the investment projects are expected to create recurrent cost, due to the nature of the investment, but these cases are limited in number and duly justified and well explained.

3. Reply to the European Parliament's questions

Contribution to equality and gender equality: The plan contains a series of measures that are expected to help address the challenges in the area of gender equality and equal opportunities for all. Particularly relevant measures include those that aim to (i) improve the provision of childcare services as part of the new Centre for Vocational Education Excellence (ITS Campus), encouraging people with unpaid care responsibilities, especially women, to attend courses; (ii) promote remote working solutions for the public administration, enabling a better work-life balance; and (iii) implement measures included in the forthcoming Employment Strategy on older workers (aged 55-64), low-

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skilled adults and the gender employment gap. The construction of the near-carbon-neutral school will also feature early childhood education and care infrastructure for around 120 pupils contributing to equal opportunities for all children. The plan also includes measures to improve the integration and well-being of foreign workers in the health sector as well as an e-Learning Centre focusing on the requirements of the Human Rights Directorate, providing among other things language training, cultural orientation and one-stop shop integration facilities to thousands of foreign workers. Granting access to free public transport to around 100,000 people, in addition to the current groups already enjoying free public transport, will particularly benefit those dependent on and frequently using public transport.

It is noteworthy that Malta includes the adoption and implementation of measures from its updated National Inclusion Policy together with a dedicated reform measure to improve quality inclusive education for pupils with special needs. It also includes measures from its first Gender Equality and Mainstreaming Strategy Action Plan, including tackling gender stereotypes and collecting disaggregated data to further support evidence-based policymaking. In addition, Malta highlights that all reforms and investments will be implemented in line with its National Disability Strategy. Reforms and investments to reduce early school leaving and to expand upskilling and reskilling opportunities for all adults, in particular for low-skilled adults, are expected to benefit young students and people from vulnerable socio-economic backgrounds, including those with migration backgrounds. The plan further includes a programme to help families with low incomes get connected and have access to computers as well as related knowledge. This will improve digital literacy, reduce the digital divide and improve socio-economic cohesion.

Contribution to high-quality employment creation: The plan contains investments and reforms to support economic growth and jobs in the short and long term. The investments are expected to provide a short-term demand boost, thereby contributing to the economy's recovery in the short to medium term. A stronger institutional framework, education system reforms and digitalisation efforts are expected to boost growth potential in the long term. Further benefits for growth and jobs are expected from the investments and reforms to boost energy efficiency, decarbonise transport and improve the health system.

Improving skills and bridging the gap between education provision and labour market needs is expected to address bottlenecks to growth. Component 5 aims to encourage students to continue pursuing education beyond compulsory education through better vocational education and training, with one objective being to reduce Malta's early school leaving rate. The development of a revised Employment Strategy aims to address issues raised by the COVID-19 crisis and address structural challenges, including skill mismatches, and adapt to new trends such as increased automation. The strategy will focus on modern and effective active labour market policies that equip workers with the right skills, support their employability and provide the right incentives to work. Overall, the reforms aim to improve skills, providing a bridge towards the education and training of adults to ensure that the skills of the workforce are up to date. This is expected to address skills shortages and boost job creation. Promoting upskilling and reskilling opportunities is particularly important for SMEs, where skills mismatches and shortages create significant bottlenecks, while participation in training remains low. The benefits from these measures are likely to be long-term and long-lasting.

Contribution to the implementation of the European Pillar of Social Rights: The recovery and resilience plan submitted by Malta aims to address some employment and social challenges relevant for the implementation of the European Pillar of Social Rights, complementing actions of the European Social Fund Plus. To support equal opportunities and access to the labour market, the plan envisages targeted reforms to: promote skills development; address early school leaving and improve inclusiveness of education through setting up an 'e-college'; strengthening an existing literacy programme; and setting up special classrooms for students with disabilities. A revised employment

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strategy aims to support the employability and mobility of workers, and promote further participation of older workers and low skilled adults. The plan also aims to boost gender equality through the Gender Equality and Mainstreaming Strategy Action Plan. In the area of social protection and inclusion, Malta plans to review its unemployment benefits system to make it more responsive to the economic cycle and to review the sustainability of the pension system, including through consultations, studies and possible recommendations.

Addressing regional disparities: The plan takes into account the limited territorial challenges. Given Malta's size, regional differences are related to the geographic split between the main island and Gozo. All measures in the plan benefit Gozo as well as the main island. The investments proposed under Component 5 are particularly important in this respect as they aim to improve the quality of the tourism industry, a key sector for the economic development of both islands.

Contribution to upward economic and social convergence: Social cohesion will be strengthened through measures to improve access to education and training, and the adequacy of social protection and pension systems. Measures in the education area have the potential to increase participation in education and training, including for vulnerable groups such as young people at risk of early school leaving, low-skilled people and those with disabilities, reducing their risk of falling into inactivity and poverty traps. The development of digital training offers through the e-college platform in particular will allow better access to training for all and reduce possible geographical barriers. In the area of health, the provision of new medical services aims to improve access to healthcare across the island. The plan also includes measures with the potential to further contribute to social cohesion, such as the review of the effectiveness of the unemployment benefits system in terms of adequacy, activation and adaptation to the economic cycle and a review of the adequacy and sustainability of the pension system.

Contribution to CSRs on taxation and anti-money laundering: The plan includes four measures under Component 6 aimed at curbing aggressive tax planning practices (CSR 2 2019 and CSR 4 2020), including the introduction of transfer pricing legislation and a study followed up by legislative amendments on measures relating to inbound and outbound dividends, interest and royalty payments. Moreover, the measures presented in the plan also offer a strong commitment to further reduce money laundering opportunities (CSR 2 2019 and CSR 4 2020) due to the implementation of the respective Strategy and Action Plan for 2021-2023 and adoption of necessary actions to rectify shortcomings found in the June assessment of the Financial Action Task Force.

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Annex

Table 1: Illustration of the plan's contribution to the six policy pillars

	Green transition	Digital transformation	Smart, sustainable & inclusive growth	Social and territorial cohesion	Health, and economic, social and institutional resilience	Policies for the next generation
Component 1	●		○			●
Component 2	●		○			●
Component 3		●	●		●	○
Component 4		○	●	○	●	○
Component 5			●	●	○	●
Component 6		●	○		●	

Key: “●” investments and reforms of the component significantly contribute to the pillar; “○” the component partially contributes to the pillar

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Table 2: Mapping of country challenges identified in 2019-20 country-specific recommendations and the Maltese RRP components

Country challenges	Associated CSR (2019-2020) and European Semester recommendations	Component 1- Addressing climate neutrality through enhanced energy efficiency, clean energy and a circular economy	Component 2- Addressing carbon neutrality by decarbonising transport	Component 3- Fostering a digital, smart and resilient economy	Component 4- Strengthening the resilience of the health system	Component 5- Enhancing quality education and fostering socio-economic sustainability	Component 6- Strengthening the institutional framework
Public finances: long-term sustainability and fiscal policy	2019.1.1, 2020.1.1					○	
Healthcare system: Resilience and provision of health	2020.1.2				●		
Labour market and social policies	2020.2.1					●	
Education and skills: Training outcomes, quality, access, inclusiveness	2019.3.5, 2020.2.2					●	
Digital transition	2020.3.4			●			●
Green transition, in particular clean and efficient production and use of energy	2019.3.3 2020.3.4	●					
Sustainable transport and congestions	2019.3.4, 2020.3.5		●				
Natural resources and waste management	2019.3.2,	●					

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	2020.3.6						
Research and Innovation	2019.3.1, 2020.3.7			○			
Front-load mature public investment projects; promote private investment	2020.3.2, 2020.3.3		●			●	
Justice system, prosecution service, corruption	2019.2.2, 2019.2.4, 2020.4.1						●
Money laundering	2019.2.3, 2020.4.2						●
Aggressive tax planning	2019.2.1, 2020.4.3						○

Key: “●” investments and reforms of the component significantly address the challenge; “○” the component partially addresses the challenge