

# Medium-Term Fiscal Structural Plan 2025 - 2028



GOVERNMENT OF MALTA  
MINISTRY FOR FINANCE

**Medium-Term  
Fiscal Structural  
Plan**

2025 - 2028

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**Ministry for Finance**





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## Chapter 1

# Introduction

The following plan constitutes the first submission of Malta's Medium-Term Fiscal-Structural Plan (MTFSP). This submission is a central element of the new economic governance framework and has been prepared in accordance with Council Regulation (EU) No. 2024/1263 and Council Regulation (EC) No. 1467/97 as amended by Council Regulation (EU) No. 2024/1264 (Regulation). Moreover, this plan also takes into account Council Directive (EU) No. 2011/85/EU as amended by Council Directive (EU) No. 2024/1265. The document is in line with the guidance notice provided by the European Commission in notice No. 2024/3975.

The plan sets forth to establish the minimum fiscal adjustment path necessary to ensure debt sustainability in line with the new economic governance framework of the European Union (EU) whilst delineating the reform and investment priorities for the period 2025-2028. The fiscal adjustment path presented within this plan will become the sole operational indicator for fiscal surveillance in the EU and takes into account several elements including the degree of public debt and the associated macroeconomic risks.

The European Commission transmitted a reference trajectory on 21st June 2024, as a guidance for the preparation of this plan, although Member States may deviate from the reference trajectory provided the net expenditure path is still compliant with the requirements of the Regulation. While this plan takes into account more recent macroeconomic data and information, which led to a more favourable starting fiscal position, the net expenditure path presented in this plan is consistent with the reference trajectory transmitted by the European Commission. In fact, the average net expenditure path presented in this plan for the adjustment period between 2025-2028 is 5.9 per cent, equivalent to the reference trajectory transmitted by the European Commission.

In line with Council Regulation (EU) No. 2024/1263, the plan also outlines Malta's strategic investments and reforms across several areas including sustainable economic growth, digital transition, research and innovation, social protection, and environmental sustainability. It also emphasises the importance of high-quality infrastructure and investment, education and employment, and the strengthening of justice, governance, and financial integrity. Addressing these priority areas align with the EU's Country Specific Recommendations and with the EU's cohesion policy, which aims to reduce disparities, promote inclusive growth, and enhance competitiveness across Member States, while contributing to the EU common priorities. The Government remains



committed to implement the Recovery and Resilience Plan and the 2021-2027 Cohesion Policy Programme.

The Ministry for Finance compiled this document, with an important contribution from the National Statistics Office as well as from other Ministries and entities across the Government. In accordance with Council Regulation (EU) No. 2024/1263, this plan was preceded by technical dialogues and exchanges with the European Commission to ensure consistency of the plan with the legal provisions.



## Chapter 2

# Political endorsement and consultation process

This Section outlines the comprehensive consultation process undertaken prior to the submission of Malta's Medium-Term Fiscal-Structural Plan (MTFSP). This process is designed to ensure extensive engagement and national ownership through the involvement of various stakeholders, including civil society, social partners, and other relevant entities. By engaging in a thorough and inclusive consultation process, Malta ensures that its MTFSP is well-informed, balanced, and aligned with both national priorities and European Union (EU) directives.

The consultation process begins with the formulation of the fiscal plan spearheaded by the Ministry for Finance (MFIN). The Economic Policy Department (EPD) formulates macroeconomic projections, which are crucial for predicting the state of the economy and projecting Government revenue.

The MFIN uses the STEMM (Short-Term Quarterly Economic Forecasting Model), a quarterly demand-driven model, for macroeconomic projections. Forecasts rely on several exogenous assumptions about the external economy produced by the Consensus Economics and European Central Bank (ECB) and enables expert judgment, based on ad-hoc data and routine discussions with key stakeholders namely Government departments, authorities, and key operators within the private sector. This judgment considers supply-side factors, influencing value added, employment, investment, and trade at a sectoral level. Furthermore, Fiscal forecasts are based on input from line ministries, following the Consolidated Fund Framework, with estimates derived from historical patterns, expert opinions, legislative changes, and outstanding debts. ESA-based forecasts are also produced, with revenue forecasts linked to macroeconomic indicators. This top-down approach ensures consistency between budget projections and the official economic outlook. Forecasts are prepared in nominal terms and adjusted for economic cycles and temporary measures to meet national and EU requirements. Fiscal forecasts focus on "nationally-financed net primary expenditure" as required under the new economic governance framework.

In conjunction with the above, Ministries and Departments are required to prepare business plans detailing their planned spending priorities, including specific functions or projects and indicative spending. Bilateral meetings between individual Ministries and MFIN are held to discuss these plans. This collaborative effort helps shape the priorities





of the Government for the coming years, as well as the financial allocations, which are then submitted to the Cabinet for final decision-making.

Throughout the past months, MFIN engaged in consultations with the Commission through a number of technical dialogues. Indeed, the projections presented by MFIN within the plan, including the net expenditure path, are consistent with the reference trajectory put forward by the Commission.

Achieving the objectives of the MTFSP 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.

To this end, the Government engages 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 are consulted with regards to the measures and initiatives outlined in the plan.

MFIN was responsible for coordinating the input received from the relevant Ministries and key stakeholders. The Plan underwent discussion and approval by the Cabinet on the 10th of September 2024, prior to its submission to the European Commission.





## Chapter 3

# Overview of the fiscal commitment

In the European Union (EU) economic governance framework, a single operational indicator based on net nationally financed primary expenditure, serves the basis for setting the fiscal path, and corresponding fiscal surveillance for each Member State. When adopted by the Council of the EU, this net expenditure path will become the sole fiscal commitment, serving as a ceiling which Member States are bound not to exceed.

The fiscal path is anchored on debt sustainability and is country-specific, depending on macroeconomic and fiscal risks. In this view, the net expenditure path presented in this plan ensures that the debt ratio is maintained below 60.0 per cent of Gross Domestic Product (GDP), and the deficit is brought and maintained below 3.0 per cent of GDP over the medium-term, under all adverse scenarios and when taking into account the costs of ageing. Since according to the DSA, debt sustainability risks are considered low-to-medium, the net expenditure path is also consistent with additional safeguards. The net expenditure path, which will become the fiscal commitment for Malta, along with the Commission’s reference trajectory is illustrated in Table 1. As indicated, the trajectory in this plan does not significantly deviate from the Commission’s reference trajectory as transmitted in June 2024 and similarly sets out an average net expenditure growth of 5.9 per cent over the next 4 years for Malta.

Table 1  
**Net nationally financed expenditure path for Malta**

	Percentage change over previous period					Average 2025-2028
	2024	2025	2026	2027	2028	
<b>Headline indicators</b>						
Commission's Reference Trajectory		6.0	5.8	5.9	5.7	5.9
Malta's Net Nationally Financed Primary Expenditure Growth	7.4	6.0	5.8	5.8	6.1	5.9





## Chapter 4

# Macroeconomic assumptions

In line with the provisions of Regulation 2024/1263, this section provides the projections and assumptions on key macroeconomic variables underlying the net expenditure path presented within this plan. In particular, a plausible scenario for potential, real and nominal Gross Domestic Product (GDP) growth is presented for the period 2024-2028. These projections are consistent with the central fiscal elements of the plan, as well as with the European Union (EU) commonly agreed methodology of the Debt Sustainability Analysis (DSA), applied for all Member States.

Since the macroeconomic projections presented in this section depend on EU commonly agreed assumptions, the macroeconomic forecasts may differ slightly from the actual forecasts conducted by the Ministry for Finance (MFIN) using its core econometric model, as the basis for the forthcoming budgetary planning. Specifically, the projections outlined in this plan are consistent with a fixed fiscal multiplier assumed in the DSA common methodology, where the fiscal effort affects actual real GDP growth and the output gap. Forecasts produced by MFIN are based on a different model and methodology, and may imply a different fiscal multiplier. This may lead to differences between GDP projections conducted by MFIN, and those presented in this plan which are produced by the common DSA methodology under strict horizontal assumptions across Member States. These differences are however noted to be minor. Also, these differences do not affect the measurement of potential output growth, which is entirely based on MFIN estimates and included in the DSA template. Moreover, it is important to note that these projections are based on latest national accounts data, which include the statistical benchmark revision 2024.<sup>1</sup>

## 4.1 Economic Conditions in 2023

The Maltese economy proved resilient in 2023, as economic activity increased by 7.5 per cent. Economic growth was primarily driven by the external side of the economy. This partly reflects a strong recovery in tourism, in addition to a positive contribution from non-tourism services. Consequently, net exports contributed 6.5 percentage points to

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<sup>1</sup> NSO GDP 2024 Q2: NR 159/2024



growth, indicating that Malta maintained its competitiveness. Domestic demand also supported economic growth, with a contribution of 1.0 percentage point.

Private consumption maintained its trend of double-digit growth since the pandemic, increasing by 11.2 per cent in real terms during 2023. Consumption increases were recorded in all categories, especially in Insurance and financial services, Restaurants and accommodation and Recreation, sport and culture. Government consumption remained supportive of domestic demand conditions, increasing by 2.9 per cent. By contrast, investment declined by 18.2 per cent due to a substantial one-off investment in transport equipment during the previous year, producing a base effect. On the external front, export growth slowed down from 13.7 per cent in 2022 to 4.7 per cent in 2023, reflecting a weak external environment. Nevertheless, exports significantly outweighed imports, which decreased by 0.4 per cent marked by the decline in imports of capital goods.

Gross Value Added (GVA) grew by 13.4 per cent. Such growth was primarily led by the services sector, contributing 12.3 percentage points, while the industrial sector contributed 1.1 percentage points. Therefore, the services sector reinforced itself as the main source of growth in the Maltese economy, constituting 90.9 per cent of total GVA generated in 2023. At a more detailed level, growth was broad-based across all sectors, with a particularly strong performance in Financial and insurance activities, Real estate activities, Professional and administrative services, and the Industrial sector. From the income side, gross operating surplus maintained its trend of substantial increases since the pandemic, as buoyant domestic and external demand maintained corporate profits. Compensation of employees increased by 8.5 per cent, while the labour share remaining below pre-pandemic levels at 39.7 per cent of GDP, reflecting moderate wage growth relative to prices.

## 4.2 Medium-Term Scenario

Although economic uncertainty remains elevated, centred around geopolitical tensions, global economic activity is expected to gradually recover following sluggish growth during 2023 and 2024. In particular, economic growth for trading partners in mainland Europe is expected to pick-up pace in 2025 and 2026, in line with a gradual disinflationary process supporting a recovery in real incomes. Moreover, as inflationary pressures appear to be easing, tight monetary conditions are expected to progressively reverse. A gradual loosening of financial conditions has already begun, potentially strengthening external demand in the short-to medium-term.

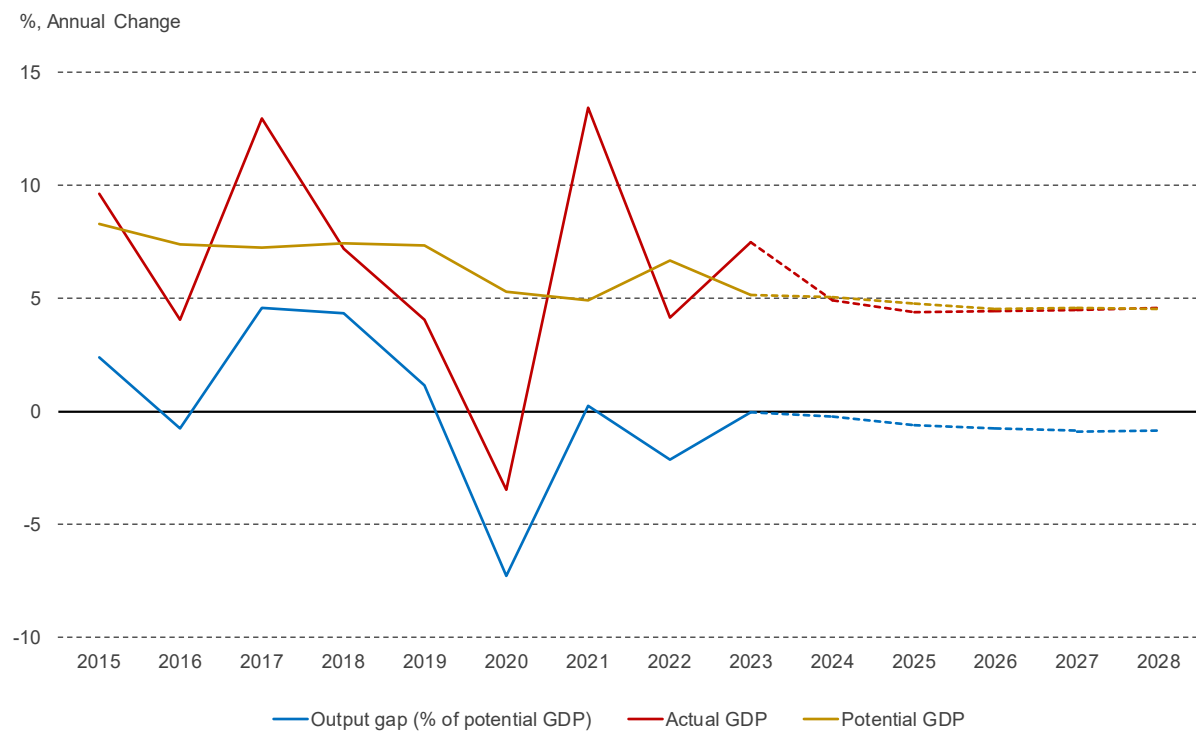


Against this background, the Maltese economy is expected to maintain a positive trajectory, albeit moderating from very strong growth rates recorded during the post-pandemic recovery. Real GDP growth is expected to moderate from 7.5 per cent in 2023, to 4.9 per cent and 4.4 per cent in 2024 and 2025 respectively. Growth is expected to pick-up slightly in the outer years, averaging 4.5 per cent between 2026 and 2028, driven by strengthening external demand. Economic growth in the outer years is projected to move in line with potential GDP growth.

### 4.2.1 Potential Output and Output Gap

The estimation of potential output and the output gap within this Medium-Term Fiscal-Structural Plan is based on the commonly agreed Production Function method. The main differences between the European Commission’s and MFIN’s estimation pertain to differences in the macroeconomic forecasts. Figure 1 depicts historical developments and projections for the potential output and the output gap.

Figure 1  
**Potential GDP and Output Gap**





During the projection period, it is anticipated that the potential output growth rate will maintain a consistent average of 4.7 per cent. The anticipated primary driver of potential GDP growth is the labour contribution. This is in line with continued strength in the labour market, as evidenced by historical low unemployment rate and broad-based increases in sectoral employment. The labour contribution is anticipated to gradually moderate over the outer years, as labour market tightness is expected to decline slightly. Capital accumulation is expected to be the second most significant contributor, followed by an upward trajectory in the Total Factor Productivity (TFP) contribution. As a result, the output gap, as estimated within the DSA common methodology, is anticipated to turn slightly negative in 2024, and then exhibit a downward trend throughout the forecast horizon. The negative output gap reflects some level of caution in MFIN’s macroeconomic projections, in addition to the multiplier impact of the envisaged fiscal consolidation on actual GDP growth.

Table 2 presents the main macroeconomic assumptions underlying the net expenditure path. The figures for 2022 and 2023 represent actual data published by the National Statistics Office (NSO). The figures for the macroeconomic prospects from 2024 and 2028 are derived from the fiscal adjustment-based scenario of the DSA, while potential GDP projections are derived from the commonly agreed Production Function method, using MFIN’s macroeconomic projections.

Table 2  
**Macroeconomic Assumptions**

	Percentage change over previous period						
	2022	2023	2024 <sup>(p)</sup>	2025 <sup>(p)</sup>	2026 <sup>(p)</sup>	2027 <sup>(p)</sup>	2028 <sup>(p)</sup>
<b>Macroeconomic Prospects</b>							
Real GDP	4.1	7.5	4.9	4.4	4.4	4.5	4.6
GDP Deflator	5.1	5.3	3.1	2.6	2.6	2.6	2.6
Nominal GDP	9.4	13.2	8.2	7.1	7.1	7.2	7.3
<b>Potential GDP</b>							
Potential GDP	6.7	5.2	5.1	4.8	4.6	4.6	4.6
<i>Contribution to potential growth</i>							
Labour	2.6	2.6	2.7	2.7	2.3	2.3	2.2
Capital	2.8	1.4	1.4	1.3	1.5	1.5	1.5
Total factor productivity	1.3	1.2	0.9	0.8	0.7	0.8	0.9
Output Gap <sup>2</sup>	-2.1	0.1	-0.2	-0.6	-0.8	-0.9	-0.9

<sup>(p)</sup> Users should note that the macroeconomic assumptions rely on the commonly agreed methodology of the Debt Sustainability Analysis (DSA). Therefore, projections may differ from forecasts conducted by MFIN

<sup>2</sup>Output Gap as a percentage of Potential GDP



## 4.3 Risks to Outlook

The balance of risks to growth appears tilted towards the upside for 2024, primarily due to positive developments in the tourism sector. High-frequency indicators also suggest a continued strong performance during the final summer months. In the medium-term, risks are assessed to be broadly balanced, although the external outlook remains surrounded by high uncertainty. Geopolitical tensions could renew pressures in energy markets, with potential implications both on global economic activity and consumer prices. This is already being reflected in an increase in freight rates and transportation costs, which may have an impact on the Maltese economy given its openness to trade. Such disruptions could weigh on the global manufacturing sector, prolonging its sluggish performance in recent years. At the same time, a resurgence in global commodity prices could improve price competitiveness for export-oriented sectors in the context of stable domestic energy prices. Moreover, as evidenced by recent data outturns, domestic demand could turn out stronger than expected. The consumption sentiment indicator continued to improve in the first months of 2024 in line with the disinflationary environment, with positive expectations for major purchases. Investment could also turn out higher than expected, driven by the limited passthrough of monetary policy.

## 4.4 Comparison with the Commission's Reference Trajectory

Table 3 compares the main macroeconomic assumptions which show that the assumptions underlying the net expenditure path are broadly consistent with those underpinning the reference trajectory. Real GDP growth in the reference trajectory is marginally higher by 0.1 percentage point on average between 2025-2028. The latest Spring 2024 Economic Forecast of the European Commission highlights that such growth is expected to be particularly driven by strong consumption and exports, in line with the projections outlined in this plan. Overall, the assumptions for nominal GDP are consistent between both projections. This is due to a marginally higher GDP deflator underpinning the net expenditure path, also by 0.1 percentage points, thus outweighing a higher real GDP projection by the Commission. A higher GDP deflator reflects an element of caution on inflationary projections by MFIN due to ongoing geopolitical tensions, as well as the introduction of various regulatory measures that will have an impact on shipping costs. It is important to note that Malta has historically maintained a positive terms of trade, resulting in a high GDP deflator, averaging 2.6 per cent in the pre-pandemic period (2015-2019). Moreover, projections for potential GDP growth are also broadly consistent, with both the reference trajectory and the net expenditure path presented in this plan assuming a growth of 4.7 per cent on average.





Table 3  
**Comparison of the macroeconomic assumptions with the reference trajectory**

		2025	2026	2027	2028	Average
		percentage growth				
Reference Trajectory	Real GDP	4.5	4.6	4.6	4.6	<b>4.6</b>
	Nominal GDP	7.1	7.2	7.3	7.2	<b>7.2</b>
	Deflator	2.5	2.5	2.5	2.5	<b>2.5</b>
	Potential GDP	4.9	4.7	4.7	4.6	<b>4.7</b>
Net Expenditure Path	Real GDP	4.4	4.4	4.5	4.6	<b>4.5</b>
	Nominal GDP	7.1	7.1	7.2	7.3	<b>7.2</b>
	Deflator	2.6	2.6	2.6	2.6	<b>2.6</b>
	Potential GDP	4.8	4.6	4.6	4.6	<b>4.7</b>



## Chapter 5

# Budgetary projections and the fiscal strategy

The Maltese Government's medium-term fiscal strategy is centred on addressing the current deficit, ensuring fiscal sustainability, and fostering long-term economic resilience and stability. In 2023, the Government reported a deficit of 4.6 per cent of Gross Domestic Product (GDP), exceeding the 3.0 per cent threshold stipulated by the Stability and Growth Pact. This deviation from the target was primarily due to exceptional fiscal measures introduced to mitigate the economic impact of rising inflation. These measures, including energy subsidies and reduced tax rates on energy products, were crucial in maintaining economic stability and providing vital support to households and industries during a period of significant economic challenges.

Despite the increased deficit, Malta's debt-to-GDP ratio in 2023 decreased to 47.3 per cent, remaining well below the Treaty reference value of 60.0 per cent of GDP. This indicates that while the deficit rose, the overall debt burden remained manageable. These findings however do not diminish the importance of prudent fiscal management and the need for targeted interventions to maintain debt sustainability over the coming years.

The Government is cognisant of the necessity to gradually reduce the deficit while continuing to support economic stability. To achieve this, proactive steps are being taken to improve the deficit-to-GDP ratio. A key element of this strategy is the plan to limit the growth in net expenditure to a rate that is consistent with reducing the primary structural deficit by a minimum 0.5 percentage points annually, on average. This approach, aligned with Country-Specific Recommendations (CSR2024.1.1), is designed to ensure compliance with the requirements for debt sustainability and respect of the applicable safeguards. This is planned to be achieved by controlling net primary nationally financed expenditure growth in line with the new requirements of the Stability and Growth Pact. Additionally, this strategy will help maintain the general Government debt at a prudent level over the medium-term, supporting the country's long-term fiscal health.

In line with the expected developments in general Government revenue and expenditure, the budget deficit is expected to improve to 4.0 per cent of GDP in 2024. The Government remains committed to gradual and sustainable fiscal consolidation, supported by investments and reforms aimed at fostering higher long-term growth. Based on the minimum requirements underlying this Plan, the deficit is set to be reduced gradually over the next four years, reaching 2.6 per cent in 2028. This fiscal plan targets a reduction in the structural deficit from 3.9 per cent of potential GDP in 2024 to 2.1 per cent in



2028, while the structural primary balance is projected to decrease from 2.7 per cent to 0.8 per cent over the same period. This can be accomplished by capping the growth of nationally financed net primary expenditure to an average of 5.9 per cent annually over the next four years.

The above strategy constitutes the budgetary constraint by which the Maltese Government wishes to bind itself. Nevertheless, over the coming months and years, including in the forthcoming budget and in subsequent budgets, Government is maintaining its prerogative of targeting a more ambitious and front-loaded fiscal consolidation strategy.

The Government remains cautious about the potential economic consequences of removing energy support measures too quickly, particularly the risk of triggering excessively high inflation. Such inflationary pressures could undermine the economic stability and resilience that Malta has worked hard to maintain. Therefore, rather than abruptly withdrawing these supports, the Government is focusing on structural reforms and strategic investments in the energy sector. These initiatives aim to facilitate the energy transition, helping Malta achieve its environmental objectives in a sustainable manner. The long-term strategy involves reducing reliance on energy subsidies by investing in renewable energy sources and enhancing energy efficiency. These measures are expected to mitigate long-term inflationary pressures, contribute to environmental sustainability, and reduce fiscal burdens.

The focus on structural reforms and investments in the energy transition aligns Malta's fiscal policies with broader goals of sustainable development and economic resilience. By supporting the green and digital transitions, these policies will enhance Malta's competitiveness in the global market, ensure a more resilient economy, and pave the way for sustainable long-term growth.

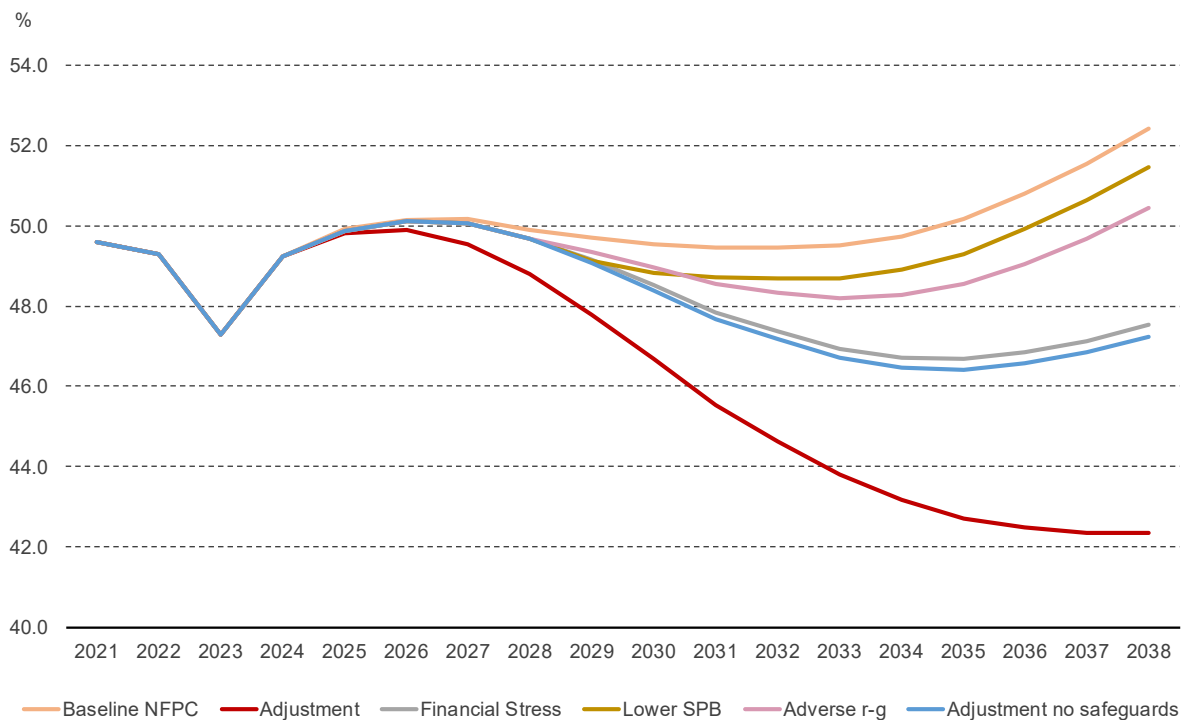


## Chapter 6

# Debt projections

The debt projections presented in this section are based on the commonly agreed Debt Sustainability Analysis (DSA) methodology by the European Commission.<sup>1</sup> In Malta's case, all of the scenarios within the DSA indicate that the debt level will be maintained well below its threshold for the entire projection horizon. Furthermore, the debt trajectory under each scenario declined between 2028 and 2031. At the end of the projection horizon for almost all the scenarios, the debt level starts increasing due to ageing costs but still remains well below the 60.0 per cent threshold. Moreover, in the planned adjustment scenario, debt maintains a downward trajectory throughout the forecast horizon suggesting that the adjustment foreseen in this plan will not only keep the debt ratio below 60.0 per cent but also ensure it is stable over the medium-term even when taking into account ageing costs. The stochastic simulation of the DSA shows that there

Figure 2  
**Debt Paths under the different scenarios**



<sup>1</sup> Draft Budgetary projections are based on the Economic Policy Department, within the Ministry for Finance, forecasting methodology.



is more than a 70.0 per cent probability that the debt-to-Gross Domestic Product (GDP) ratio will remain below the 60.0 per cent threshold.

Under the planned fiscal adjustment, Malta would be bound by the minimum structural adjustment of 0.5 percentage points from 2025 to 2027, after which the deficit resilience safeguard will apply. This would require Malta to resume its annual adjustment by 0.4 percentage points until a structural deficit of 1.5 per cent is reached. It is pertinent to note, that as a result of the application of these safeguards which are binding on Malta, the debt ratio at the end of 2038 is almost 5.0 percentage points of GDP lower when compared to a scenario where the safeguards do not apply. In both cases, debt would be well below the 60.0 per cent threshold.

These projections indicate that Malta's fiscal strategy in the context of the strong potential growth and favourable debt position ensures that debt sustainability is maintained over the medium-term and creates sufficient safeguards to ensure compliance with Treaty obligations, even when taking into account ageing costs and under various risk scenarios.



## Chapter 7

# Information on reforms and investments

This Section details Malta's strategic investments and reforms across areas including sustainable economic growth, digital transition, research and innovation, social protection, and environmental sustainability. They also emphasise the importance of high-quality infrastructure and investment, education and employment, and the strengthening of justice, governance, and financial integrity. Annex Table A.8 includes a list of these initiatives followed by a qualitative impact assessment on economic activity, sustainability and resilience presented in Annex Table A.9. Addressing these priority areas aligns with the overarching goals of the European Union's (EU) cohesion policy, which aims to reduce disparities, promote inclusive growth, and enhance competitiveness across Member States, while contributing to the common priorities of the EU (Annex Table A.10).

## 7.1 Sustainable Economic Growth

### 7.1.1 Sustainable Public Finances

The Maltese Government's medium-term fiscal strategy aims to address the current deficit, ensure fiscal sustainability, and foster economic resilience and stability. In 2023, the Government reported a deficit of 4.6 per cent, exceeding the 3.0 per cent mark stipulated by the Stability and Growth Pact, due to energy subsidies and lower tax rates on energy products to mitigate inflation's impact. Despite this, the debt-to-Gross Domestic Product (GDP) ratio for 2023 decreased to 47.3 per cent, below the 60.0 per cent benchmark.

To reduce the deficit, the Government plans to limit net expenditure growth, targeting a 0.5 percentage points annual reduction, on average, in the deficit-to-GDP ratio (CSR2024.1.1). While cautious about removing energy support measures to avoid high inflation, the Government emphasises structural reforms and investments in the energy transition as sustainable, long-term solutions. These efforts aim to stabilise the economy, reduce reliance on subsidies and promote environmental sustainability, and ultimately enhancing Malta's economic resilience and global competitiveness.



## 7.1.2 Digital Transition

The Maltese Government is dedicated to tackling the challenges associated with advancing digitalisation in both public and private sectors. Initiatives in this policy area contribute to the common priority of the Union for a digital transition, and are also in line with CSR2023.1.3, CSR2022.1.2, CSR2021.1.3, and CSR2020.3.4 (Annex Table A.8). Efforts are focused on enhancing the resilience, capacity, and security of the Government's digital infrastructure, improving access to digital technologies, expanding and elevating the quality of e-government services, and increasing their adoption by citizens and businesses. Additionally, the Government is bolstering the national policy framework, investing in the continued digitalisation of public administration and services, and aiding the digital transformation of small and medium-sized enterprises (SMEs). By advancing the digital infrastructure and services, the envisaged reforms and investments aim to streamline public administration, foster innovation in the private sector, and improve service delivery across various domains including healthcare, education, and fisheries. The enhanced digital capabilities will drive economic growth by boosting productivity and competitiveness, particularly among SMEs. Moreover, the emphasis on cybersecurity and sustainable practices ensures that this economic growth is resilient and aligns with the EU's broader goals and common priorities for a green and digital transition, thereby securing Malta's long-term socio-economic and environmental benefits.

### 7.1.2.1 Public Sector Services

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. The projects that are actively being executed and that have been integrated into the Malta Digital Innovation Authority's (MDIA) Technology Assurance Sandbox (TAS) focus on customer service, tourism, utilities and education. This platform provides a secure environment for individuals or entities to develop and test innovative technology solutions, ensuring they meet established standards. Additionally, pilot projects in healthcare and transport are currently in progress.

Another initiative aimed at promoting digitalisation within the public service is the establishment of the Document Management Unit (DMU). The DMU's primary objective is to drive the transition towards a 'less paper' culture by implementing a Corporate Document Management System (CDMS) in line with existing policies and regulations. The initial pilot phase of the CDMS project includes the Office of the Prime Minister (OPM) and the Ministry for Transport, Infrastructure, and Public Works (MTIP), with plans to extend the system to three additional ministries annually. This includes the Digitalisation of the Merchant Shipping Directorate within Transport Malta, which will benefit from the





conversion of 15,000 physical files to digital files and make them electronically available (€5.9 million has been costed for Recovery and Resilience Facility (RRF) financing). IT tools and systems resulting from this digitalisation transition will subsequently be launched and made available to users in 2025.

The CDMS is designed to streamline the organisation, storage, and management of documents within the public service. It serves as a centralised repository for securely storing and easily accessing documents, featuring advanced search functionalities for quick retrieval. The system enhances collaboration by allowing multiple users to work on documents simultaneously, tracks changes through version control, and enforces strict access controls to protect sensitive information. Furthermore, it supports compliance with regulatory requirements by maintaining comprehensive audit trails and ensuring consistent document management practices, thereby improving operational efficiency and reducing the risk of data breaches.

Several investments in the digitalisation and modernisation of public administration are expected to be concluded, leading to an increase in uptake of online services (€17.7 million costed for RRF financing) in line with Recovery and Resilience Plan (RRP) Milestones & Targets (M&Ts) to be fulfilled by end of 2025. Other investments targeted for 2025 will lead to an improved level of the national cyber security framework (€16.7 million has been costed for RRF financing).

The Government is also actively advancing the digital transition through targeted investments and reforms, leveraging EU funds to bolster these efforts. Notably, under the European Maritime, Fisheries and Aquaculture Fund (EMFAF), two key initiatives are being implemented by the Department of Fisheries and Aquaculture. The first initiative involves the design, development, implementation, and maintenance of a Fisheries Integrated Information System (FIIS). This system aims to consolidate and manage real-time fisheries data from nine existing sub-systems, ensuring comprehensive data integration and processing, with a Union contribution of €3.3 million. Additionally, the Department is executing the Data Collection Multi-Annual Programme 2022-2024, which focuses on the systematic collection and management of diverse data types – biological, environmental, technical, and socioeconomic – pertinent to the fisheries and aquaculture sectors. This initiative is also supported under the EMFAF, with a contribution of €1.5 million. These projects are aligned with the EU common priorities supporting a fair, green, and digital transition.



### 7.1.2.2 Enterprise

The Government is continuously seeking to augment the digitalisation process of private enterprises. Indeed, the Government will roll out measures to intensify the digitalisation of the private sector through €15 million in RRF funding with an implementation target date by mid-2026. In addition, in collaboration with several local entities such as Malta Enterprise, Malta Investment Management Company Limited (MIMCOL), Xjenza Malta (Science Malta), (ex-Malta Council for Science and Technology (MCST)), and the Malta Development Bank (MDB), Tech.mt supports local businesses by giving them a platform to promote their innovative tech solutions at local and international levels.

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 when necessary.

### 7.1.3 Research and Innovation

The Government is committed to continue addressing the challenge associated with improving Malta's performance in research and innovation (R&I). Initiatives in this policy area aim to improve Malta's R&I performance, in line with the CSRs related to research and innovation (CSR2020.3.7 and CSR2019.3.1) as outlined in Annex Table A.8, whilst contributing to the cohesion policy objective for a smarter Europe. The focus on research and innovation, underpinned by strategic investments and international collaborations, will propel Malta towards a knowledge-based economy, fostering high-value industries and creating quality jobs.

The Maltese Government introduced a new Smart Specialisation Strategy (RIS3) for 2021-2027 to revamp the national research and innovation framework by prioritising thematic sectors for investment, aiming to bolster economic development. To achieve this, six expert Thematic Committees were formed in July 2022, each focusing on a specific RIS3 thematic area to facilitate collaboration among stakeholders and support the operationalisation of the Strategy. These committees proposed initial action plans, and together with feedback from the Xjenza Malta decided on the recommendations that should be prioritised. The updated Action Plan of the Health RIS3 Committee, completed



in January 2024, shaped the establishment of the Cancer Research and Innovation Hub Malta (CRIHM), launched in April 2024. As indicated in Malta's RRP, in terms of fostering business R&I and strengthening public-private cooperation through the finalisation and implementation of RIS3, a number of undertakings shall be supported through the inter-agency account management between Malta Enterprise and Xjenza Malta.

From a horizontal perspective, stronger connections are being established between the development of Malta's National AI strategy on skills and Malta's Smart Specialisation Strategy to ensure that the former includes the Committees' recommendations on skill requirements. Additionally, the support of the RIS3 Community of Practice has been secured to enhance Malta's interregional collaboration performance.

The FUSION programme, a multi-million national R&I funding portfolio, is crucial to the implementation of Malta's Smart Specialisation Strategy. Hence, the Government is seeking to double its budget by a continued progressive financial expansion until 2027.

Malta's National R&I Strategic Plan 2023-2027 aims to reform Malta's R&I ecosystem and integrate innovation and research more deeply into the country's economic framework. Efforts to implement the plan are currently underway, involving collaboration with various stakeholders. Key initiatives include enhancing MCST's legal status by establishing it as an agency called Xjenza Malta in May 2024, creating a Community of Practice for Research Funding Organisations (RFOs) in partnership with other RFOs in Malta, and strengthening Malta's certification and monitoring system for Gender Equality Plans in collaboration with the National Commission for the Promotion of Equality and other stakeholders, supported by the GENDERACTION+ Project.

In 2024, the R&I Unit at Xjenza Malta has already received 122 research proposals, totalling €14.1 million in funding requests. These research proposals are currently being evaluated. This year, the R&I Unit launched the Digital Technologies Programme (DTP) in collaboration with the Malta Digital Innovation Authority. Furthermore, the unit has issued three additional calls for proposals: the Research Excellence Programme (REP), the Technology Development Programme Lite (TDP Lite), and the Research Networking Scheme (RNS). The Internationalisation Unit at Xjenza Malta, in collaboration with its foreign funding partners, has initiated Joint Transnational Calls (JTCs) for proposals, comprising bilateral and multilateral opportunities. Malta is a member of the Clean Energy Transition co-funded Horizon Europe Partnership (CETP), aimed at promoting the energy transition. Annually, Xjenza Malta, alongside international partners, issues co-funding calls to support initiatives that generate practical solutions and drive progress in clean energy.



Xjenza Malta is responsible for the administration of €3.5 million in national funds over the period between 2021 to 2028, to sustain on-going and new co-funded Horizon Europe Partnerships projects. These funds relate to projects related to the Clean Energy Transition (CETP), Sustainable Blue Economy (SBEP), Transforming Health and Care Systems (THCSP) and One Health Antimicrobial Resistance (OHAMR). As a member of SBEP, Xjenza Malta aims to foster a sustainable, community-oriented blue economy by 2030. Together with partner entities across different countries, Xjenza Malta initiates annual co-funding calls to support transnational initiatives across various thematic areas related to the Blue Economy. Moreover, to support projects that are not addressed by the SBEP, national funds are being allocated to support these R&I initiatives emerging from selected JPI Oceans Joint Action Plans on marine related themes. Additionally, Xjenza Malta facilitates bilateral calls for proposals with China (SINO-Malta) and Turkey (MCST-TUBITAK) to advance the blue and green transition. In 2024, Malta will be allocating a total budget of €1.7 million through these initiatives to support the local research and innovation community, a budget that will be matched by the foreign counterpart funding entities.

Currently, there are ongoing efforts by Xjenza Malta to take part in another two co-funded Horizon Europe Partnerships, namely Brain Health and the Resilient Cultural Heritage Partnership. These partnerships span over two MFF periods as they relate to the period 2026-2032.

Malta has signed a five-year agreement until 2028 with the European Space Agency, under the Plan for European Cooperating States (PECS) membership. This agreement includes a budget exceeding €1.5 million per year from national funds to support the delivery of the EU's priorities in the space sector and drive significant R&I advancements, ensuring the sustained growth of Malta's emerging space eco-system.

## 7.1.4 Coverage, Adequacy, and Sustainability of the Social Protection System

The Government recognises that an ageing population presents significant challenges to fiscal sustainability and the adequacy of pensions. Over the years, the Maltese Government has committed to a series of transformative measures aimed at extending working years, promoting financial security in retirement, and ensuring the fiscal sustainability of healthcare and pension systems. These efforts are aligned with CSR2019.1.1 (Annex Table A.8) and demonstrate a proactive stance in addressing demographic challenges and economic pressures. Additionally, the Government's reforms extend beyond pensions to a broad spectrum of social protection initiatives, as will be elaborated further on.



These reforms are crafted to uplift vulnerable households, promote social and economic inclusion, and adapt to the evolving needs of the population. These envisaged reforms and investments in Malta's social protection system are set to significantly enhance economic activity, resilience, and sustainability, thereby also addressing the EU common priority of social and economic resilience. By extending working years and promoting diversified retirement income, the measures will bolster financial security and reduce reliance on state pensions, fostering a more robust and self-sufficient elderly population. Measures aimed towards encouraging the uptake of Third Pillar Pension Schemes, including the automatic enrolment in private pension schemes is expected to stimulate private savings and investment, driving economic growth. Moreover, the expansion of social assistance programmes and targeted benefits will uplift vulnerable households, promoting social inclusion and reducing poverty. Housing affordability initiatives will further support economic stability by facilitating homeownership and reducing financial strain on low-income individuals. Collectively, these reforms will create a more resilient socio-economic framework, ensuring sustainable development and improved quality of life for all citizens.

#### 7.1.4.1 Pensions

The Government is aware of the long-term demographic challenges posed by an ageing population, which necessitate a prudent fiscal stance over the long-term, whilst preserving pension adequacy. Consequently, the Government is implementing the 30 measures outlined in the 2021-2027 Malta Pension Action Plan<sup>1</sup>, focusing on both sustainability and adequacy of pensions. Maltese law mandates that a Strategic Review Report on the Adequacy, Sustainability and Solidarity of the Pension System be tabled in Parliament every five years. This report underscores the Government's commitment to enhancing the sustainability and adequacy of Malta's pension system. Indeed, work is currently ongoing for the upcoming Pensions Strategy Review of 2025.

In 2024, the Government continued to improve the incentive mechanism introduced in 2016 to encourage postponing retirement. Individuals who have accumulated enough social security contributions to retire will receive a higher top up to their pension for each additional year they remain employed until reaching the age of 65. For example, those eligible to retire at 61 but who work until 62 will receive a 6.5 per cent increase in their pension; working until 63 results in a 13.5 per cent increase; 64 years yields a 21.0 per cent increase, and 65 years results in a 29.0 per cent increase.

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<sup>1</sup> <https://familja.gov.mt/wp-content/uploads/2023/04/Malta-Pension-Action-Plan-2021-2027-EN-1.pdf>



Additionally, to further incentivise pensioners to remain active and continue working beyond retirement age, as from 2022, private and public pension income is gradually being excluded from taxable income. As at 2024, 60.0 per cent of income from pensions is excluded, rising to 80.0 per cent in 2025 and ultimately reaching 100 per cent in 2026. This measure primarily addresses the adequacy of pensions by providing pensioners with more disposable income, encouraging them to remain in the workforce. By supplementing their income through continued employment, pensioners will be able to have a more adequate standard of living and be less reliant on assistance from Government, thereby easing potential long-term fiscal pressures on the Government.

#### 7.1.4.2 Diversifying Retirement Income

The Government has actively promoted the diversification of retirement income to reduce reliance on state pensions. Alongside educational initiatives, recent budgetary allocations have strengthened tax benefits to encourage the uptake of Third Pillar Pension Schemes. This has led to a proliferation of personal pension plan providers. Currently, individuals who invest in a private pension can benefit from a tax rebate of up to €750. In the 2024 Budget, the Government announced its plans to introduce automatic enrolment in private pension schemes, with an option for voluntary withdrawal. Discussions with social partners are ongoing.

#### 7.1.4.3 Other Social Protection Measures

In recent years, the Government has consistently sought to enhance the financial situation of vulnerable households through various social protection reforms, aiming to improve integration and inclusion, in line with the EU common priority of social and economic resilience.

The Government remains committed to fine-tune social assistance programmes and to amend, as need be, the different benefits to reflect the changing realities and changes in the social and economic dimension. Recent initiatives include the increase in the Carers' Grant for parents of severely disabled children over 16 and the Carer at Home Scheme.

The Government also supports full-time carers living with relatives with high or medium medical dependency through the Increased Carers' Allowance and the Carers' Allowance, respectively. In 2024, both allowances were adjusted by the full Cost of Living Adjustment (COLA), whilst the Increased Severe Disability Allowance, is at par with the net national minimum wage.





To incentivise work, the Government has expanded the in-work benefit, benefiting 26,000 households by broadening income thresholds and increasing benefit rates. In 2024, the in-work benefit increased by €50 per child under 23, benefiting 36,000 children.

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 was set at €30,000 for a single person and for up to €50,000 for a married person. These changes reflect the Government's ongoing efforts to fine-tune social assistance programmes. In 2024, the Additional COLA to mitigate for the impact of rising inflation on living expenses, was implemented through a slightly revised mechanism, benefitting approximately 95,000 households (149,000 people).

The proposed 'Social Plan for Families', scheduled to be launched by the end of 2024, is designed to directly address the diverse and evolving needs of Maltese society, especially families facing significant challenges. This plan aims to reduce social inequalities, promote healthy family relationships, provide essential skills and knowledge, and address Malta's low fertility rates. The plan was developed through extensive research and consultations, including a pre-consultation event and bilateral discussions with stakeholders, to ensure it effectively addresses both current and future challenges in Malta. Through targeted interventions and strategic initiatives, it strives to create an inclusive society where all families can prosper. A High-Level Group for Implementation and Monitoring will ensure the Plan's effective execution, emphasising transparency and accountability. This collaborative effort between Government and civil society aims to create an environment where families are empowered to thrive, and no family is left behind.

Building on the Malta's Child Guarantee National Action Plan (NAP), Government is advancing efforts to launch a Children's Policy Framework 2024-2030, designed to confront persistent and emerging challenges and ensure children can lead safe, healthy, and fulfilling lives in an ever-changing world. Guided by principles, such as, upholding children's rights, prioritising their best interests, promoting equal opportunities, and providing high-quality support, this policy aligns with broader efforts to enhance family quality of life. Key focus areas encompass family time, environment, health, and education.

The Government remains committed to continue prioritising the welfare of every citizen, especially amidst evolving societal realities. Building on the current strategy and public consultation, the forthcoming National Strategy for Poverty Reduction and Social Inclusion 2025-2035 will present a proactive stride towards fulfilling national commitments, aiming for a 3.1 percentage points reduction in the at risk of poverty or





social exclusion (AROPE) rate by 2030 (as per targets of the European Pillar for Social Rights Action Plan) and a targeted decrease of approximately 6.0 per cent in the total number of children at risk of poverty or social exclusion by the same year (in line with the NAP). By comprehensively grasping the multifaceted dimensions of poverty and social exclusion, the strategy endeavours to tackle their fundamental causes. Through tailored interventions, such as bolstering access to education, healthcare, and employment opportunities, and fortifying social support structures, the Government aspires to tangibly enhance the well-being of disadvantaged individuals and communities.

#### 7.1.4.4 Housing Affordability Measures

As part of a holistic plan to address housing affordability issues in Malta, the Government has implemented and expanded various social protection measures such as the Private Rent Housing Benefit Scheme. Furthermore, the equity sharing scheme provides up to half of the property purchase price for low-income individuals over the age of 30 unable to obtain a bank loan. Furthermore, effective 1st January 2022, the Government is granting €10,000 over a period of 10 years to every first-time buyer. The Government also provides the Grant to Assist Owners in the Construction and/or Completion or Rehabilitation of their First Home ('GFR') Scheme. First-time buyers are also exempt from stamp duty on the first €200,000 of the value of their property.

In addition, in 2024, the Foundation for Affordable Housing, in collaboration with a local bank, has launched a financial instrument offering loans at discounted rates to young people wanting to buy a residential property. These measures are part of a broader strategy aimed at facilitating homeownership for aspiring individuals.

## 7.2 High Quality Infrastructure and Investment

### 7.2.1 Sustaining and Supporting Investment

In response to recent global economic challenges, Malta remains committed to implement a series of reforms and strategic investments aimed at revitalising the business environment, enhancing financial stability, and fostering innovation and competitiveness. In particular, Malta is proactively addressing this policy area with a focus on ensuring effective implementation of liquidity support to affected businesses, including the self-employed and promoting private investment to foster the economic recovery (CSR2020.3.3 and CSR2020.3.1) as outlined in Annex Table A.8. Reforms and



investments initiated in this policy area aim to strengthen the business environment, enhance financial stability, and foster long-term economic resilience. These complement the measures which Government has implemented in previous years in order to simplify public procurement. These include the reduction of the Performance Guarantee from 10.0 per cent to 4.0 per cent, introducing the Single Bond concept, removing the Bid Bond requirement and eliminating experience requirements for smaller contracts. Additionally, there are provisions for training, proportionate qualifications for Key Experts, and improved standardisation of procurement documentation.

The MDB enhances SMEs' access to finance for new investments, aligning with the Bank's objectives and diversifying financing options through collaboration with credit institutions. In fact, MDB offers three main investment schemes: the SME Guarantee Scheme (SGS), the Guaranteed Co-Lending Scheme (GCLS), and the Tailored Facility for Businesses. These schemes prioritise investments in innovation, digitalisation, the preservation and enhancement of competitiveness; socially oriented initiatives; and investment aimed at achieving a higher level of sustainability or to promote the green and circular economy.

In May 2024, the MDB received €20 million in two counter-guarantees from the European Investment Fund (EIF) to foster environmental sustainability and cultural activities while boosting the country's economic development and job creation, potentially mobilising €44 million in investments in the real economy. The EIF support, backed by InvestEU, includes a €15 million guarantee to empower SMEs and small mid-caps across Malta to undertake green projects, thereby contributing to a low-carbon economy and mitigating the adverse effects of climate change. Additionally, a €5 million EIF guarantee line will support SMEs in the cultural and creative sectors, aiming to bolster an ecosystem that often faces difficulty accessing finance.

Malta Enterprise is developing a Start-up Framework to simplify administration and support start-up growth and sustainability, thereby providing an eco-system which is agile to the needs of operators, allowing them to get off the ground more easily, scale-up and be sustainable. This will include a revision to the present share options and awards, as announced by the Prime Minister at the EU Start-ups Summit in Malta.

Complementing these initiatives, Malta has also launched several schemes which are part-financed by the European Regional Development Fund 2021-2027 (ERDF) aimed at further supporting enterprises, contributing to a more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity. The SME Enhance Aid Scheme (de minimis and GBER) supports SMEs through non-repayable grants to part-finance investment towards expansion,



diversification, innovation of operations, and initial investment aimed at improving productivity. The Start-up Enhance Aid Scheme supports micro and small start-ups through non-repayable grants to part-finance investments in tangible and intangible assets contributing to improved productivity. The Business Reports Grant Scheme supports SMEs through non-repayable grants in the form of a lump sum to part-finance business reports procured from external consultancy service providers registered with the Scheme and autonomous from the beneficiary undertaking. The Feasibility Study scheme helps enterprises with the cost of researching proposed business ideas to assess viability and sustainability. It aims to increase gross R&D expenditure as a percentage of GDP and stimulate R&I capacities, promoting growth in various economic sectors. Eligible organisations include Micro, Small, Medium-sized, and Small Mid-Cap Enterprises engaged in economic activity. These schemes are integral to Malta's strategy to foster a competitive, innovative, and sustainable economy, ensuring that businesses of all sizes have the support they need to thrive in a rapidly changing global landscape.

Over and above the grants made available for the private sector under the aforementioned aid schemes, a new Financial Instrument under InvestEU has been established to support SMEs in Malta, with a loan portfolio expected to reach €60 million. This initiative, which replaces the SME Initiative Financial Instrument, has an initial budget allocation of approximately €16 million, with about €9.5 million allocated from ERDF and the rest from national resources through JEREMIE reflows. The Financial Instrument implemented under InvestEU is expected to improve access to finance, lower interest rates, and reduce collateral requirements for SMEs, thereby promoting innovation, job creation, and economic growth in Malta.

In addition, Malta has established the Malta Government Venture Capital Limited (MVC) to further support innovation and economic growth. The MVC, a government-owned entity formed in March 2024, manages a €10 million fund dedicated to investing in start-up companies operating in innovative sectors such as AI, video game development, fintech, e-sports, life sciences, green energy, agritech, and other cutting-edge technologies. This fund, which may be expanded with additional Government contributions, provides equity or quasi-equity investments of up to €500,000 per start-up, aligning on a pari-passu basis with accredited private investors. MVC's approach is grounded in strong risk management principles, including partnership with private investors, diversification across approximately 20 start-ups over two years, thorough risk assessment, and a detailed approval process. Investment instruments used by MVC ensure alignment with private investors, while offering flexible financing options tailored to the needs of innovative start-ups. By collaborating closely with private venture capital investors and adhering to strict governance practices, MVC aims to cultivate a vibrant start-up ecosystem in Malta, thereby enhancing the country's innovation capacity and contributing to sustainable economic growth.



## 7.2.2 Sustainable Transport and Multi-modality

The Government is committed to enhancing sustainable transport and infrastructure across multiple modes of transport. The focus spans across various initiatives aimed at reducing traffic congestion, improving air quality, and integrating advanced technologies, thereby enhancing the overall quality of life. Key areas of development include road infrastructure upgrades, the expansion of multi-modal transport hubs and the provision of shore-to-ship electricity. These initiatives underscore Malta's commitment to green maritime operations, reducing emissions from berthed vessels and fostering a cleaner environment and reflect a commitment to modernising transport networks and environmental stewardship across Malta in line with CSR2024.4.2, CSR2023.4.5, CSR2022.4.5, CSR2020.3.5 and CSR2019.3.4 (Annex Table A.8). These projects are also aligned with EU commitments and common priorities for a fair green transition and stimulate economic growth by creating jobs, improving logistics, and attracting investment in sustainable transport solutions. Collectively, these efforts will bolster Malta's resilience to environmental challenges and pave the way for a more sustainable and efficient transport network, contributing to long-term economic stability and ecological preservation.

The Government remains committed to adopting sustainable transport measures and reducing traffic bottlenecks, with the goal of tackling congestion and pollution by enhancing road infrastructure, particularly TEN-T roads, which investment is supported by the 2021-2027 Cohesion Policy and the Connecting Europe Facility. 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 complete. Phase 2 of this project (from Pembroke entrance to Swieqi-St. Julian's Junction) is currently at application stage with the Planning Authority whereas design work and preparations are currently ongoing for Phase 3 (Swieqi-St. Julian's Junction).

Significant emphasis is being placed on promoting sustainable multimodal urban mobility, in alignment with 2021-2027 Cohesion Policy priorities, which aims to transition towards a net-zero carbon economy. A budget of €35 million has been allocated to promote sustainable urban mobility initiatives, including investments in clean and active urban infrastructure such as pedestrian pathways and cycling lanes. This investment will support the development of infrastructure that facilitates sustainable modes of transport, contributing to a reduction in urban congestion and pollution, and ensuring that urban areas are better equipped for a future of low-carbon mobility. Well-designed urban infrastructure alleviates traffic congestion by providing alternative routes and modes of



transport. By integrating pedestrian pathways and cycling lanes into the overall transport network, the reliance on motor vehicles is reduced, leading to fewer traffic jams. As part of its RRP, Government shall also complete Malta's National Household Travel Survey', which study shall quantify current travel patterns and carry a nation-wide awareness raising campaign to promote greener modes of transport, including multimodality for essential travel.

The SMITHS project aims to promote intermodality and improve air quality, includes upgrades to the inner-harbour ferry system, and promoting walking and cycling. Works to construct a multi-modal transport hub in Ta' Xhajma Xewkija (Gozo) are ongoing, where the majority of the construction works on the hub shall be completed by the end of 2024. An integrated Intelligent Transport System (ITS) services platform is under development to provide near real-time traffic data and travel information, indirectly enhancing public bus transport and traffic efficiency. Furthermore, as part of the RRP reform regarding the Sustainable Urban Mobility Plan (SUMP) for the Valletta Region, improved urban mobility solutions under the SUMP are targeted for implementation by mid-2025.

Government is also reducing the socio-economic and environmental impact of vehicles in urban areas including through regeneration areas created in urban areas for open and car free spaces, in line with the relevant RRP target due by mid-2025. In order to improve the air quality in the highly urbanised areas surrounding the Grand Harbour, the Government is committed to providing onshore electricity power supply for berthed vessels in this area. The first project featuring the North Harbour quays and Boiler wharf, facilitated by the EU's Connecting Europe Facility, has been completed. The second project, focusing on the South Harbour quays will provide an extension of the supply of shore-side electricity to ships berthing in other areas within the Grand Harbour. This investment will be co-financed by EU funds from the Just Transition Fund (JTF).

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, which investment is being co-financed by EU funds from the JTF. Two quays within the Freeport Terminals are each to be provided with High Voltage Shore Connection (HVSC) system for use by container ships whilst at berth. These systems will permit berthed container vessels to import power from the national grid.

In alignment with the EU's commitment to ensure the availability of LNG for bunkering in all core TEN-T ports by 2025, Malta has undertaken a comprehensive study to evaluate the provision of LNG bunkers for visiting ships. This initial study concluded that LNG is market driven and based on the demand, with the demand in Malta expected to start in



2025. The evaluation encompassed a detailed analysis of potential infrastructure options within our ports, considering risk assessments, health and safety concerns, potential legislative amendments, and strategic policy recommendations. Subsequent to the findings of the initial study, Malta received several inquiries from LNG service providers interested in offering LNG bunkering services to visiting vessels. In response, a second study was conducted to meticulously assess the risks associated with LNG bunkering within Maltese ports. This risk assessment highlighted significant concerns, particularly in light of the diverse functions of Maltese ports and their socio-economic implications. Consequently, it was determined that LNG bunkering operations should be conducted outside port limits, specifically in designated anchorage areas, to mitigate these high risks. In accordance with the recommendations of the initial study, Malta has enacted the necessary maritime-related regulations to facilitate the provision of LNG bunkers within its waters, while ensuring the highest standards of safety and environmental protection are upheld.

In tandem with the initiatives aimed at enhancing multi-modal transport and reducing emissions from berthed vessels, Malta is also making significant strides in promoting electric vehicle (EV) uptake as detailed in the "Reducing Reliance on Fossil Fuels" subsection. These efforts are integral to the Government's overarching strategy to create a sustainable and efficient transport network. The extensive EV purchase schemes, incentives for scrapping old vehicles, and the introduction of electric public transport buses contribute directly to reducing traffic congestion and improving air quality, reinforcing the Government's commitment to a cleaner environment. Additionally, the gradual introduction of charging stations and the development of a national digital platform for EV charging points complement the infrastructure improvements in road and maritime transport, ensuring a holistic approach to sustainable mobility.

### 7.2.3 Resilience and Sustainability of the Healthcare System

The Government is committed to fortify Malta's healthcare system and bolster resilience in healthcare services. The Government is investing strategically and implementing reforms to enhance the resilience of the health workforce, secure critical medical supplies, and strengthen primary care services, in line with CSR2020.1.2 as outlined in Annex Table A.8. Government's initiatives are also in line with the EU's common priorities, particularly with respect to the digital transition and the need to enhance social and economic resilience. Investments in primary care and the health workforce, including the development of new infrastructure and specialised clinics, are expected to enhance employment and ensure a patient-centred healthcare system. Advancements in digital health infrastructure, including teleconsultation measures, the enhanced myHealth portal and digitalisation of pathology services, aim to improve the digital transition, enhancing





efficiency by reducing wait times and patient care quality, leading to increased economic efficiency. These reforms and investments aim to improve the resilience and sustainability of Malta's healthcare system and also stimulate Malta's economic activity by creating jobs, reducing healthcare costs, and enhancing social well-being, aligning with broader EU priorities for a robust, sustainable, and inclusive society.

Malta's small market size puts it at a disadvantage during price negotiations for new, expensive drugs. Thus, to improve healthcare accessibility and reduce the economic burden of these diseases, the Maltese Government has been expanding its Formulary List to include medications for IVF, cancer, multiple sclerosis, asthma, pulmonary fibrosis, and mental health.

To increase the resilience and ensure sustainability of the health sector, the Government plans to invest in primary care by increasing the health workforce, particularly in specialised clinics and developing new infrastructure. New community clinics are set to open, while the modernisation of other clinics is planned. Additionally, there are ongoing considerations for expanding and modernising key healthcare facilities to improve emergency and specialised care services, with the aid of EU funds. Moreover, the Government is exploring possibilities for the development and regeneration of healthcare infrastructure in Gozo, which aims to address the growing need for comprehensive and modern medical facilities.

Plans are underway to procure and install an Optical Coherence Tomography and Visual Field Analyser, along with a new CT Scan and MRI, within the newly refurbished St Vincent de Paul's (SVP) Rużar Briffa Complex, specifically in the Geriatric Day Hospital, at a cost of €2.5 million. In March 2024, SVP also initiated a pilot programme for an intermediate care service for older adults residing in nursing and residential homes, as well as in the community. This service aims to prevent the transfer of these patients to acute hospital emergency services, thereby providing faster and more specialised care. Pending positive outcomes from this pilot programme, there is potential for future development.

With regards to improving the management of the workforce, addressing long-term capacity needs, supporting sustainable care delivery and fostering economic stability, in collaboration with the World Health Organisation (WHO), the Government also introduced a Health Workforce Strategy for 2030 to build capacity in the future healthcare workforce within Malta's Public Health Service, supporting sustainable, patient-centred care in the years ahead. This includes recruiting specialists, supporting young specialists through EU-funded programmes, and investing in teleconsultation measures. Another reform aimed at fostering resilience in the health sector by ensuring a strong and sustainable workforce shall lead to the development and implementation



of a health policy framework. This reform, part of Malta's RRP, addresses obstacles to the hiring and retention of foreign health care workers.

In line with the RRP M&Ts, Government is also investing in the establishment of a Blood, Tissue and Cell Centre (€25 million under RRF financing), aimed at alleviating the dependency of Malta on other countries for the provision of blood, tissue and cell therapies needed in medical interventions and treatments, with a view to reducing the need for long-term therapies, lowering healthcare costs and improving social well-being by offering services locally. Complementing the Blood, Tissue and Cell Centre, a reform foreseeing the entry into force of a revised regulatory framework in this area is being implemented.

The Government is also advancing electronic health record systems to be accessible across all levels of care by 2030, in line with the National Health Systems Strategy 2023-2030. The myHealth portal, which allows patient and private doctor access to medical data following patient consent, is also being enhanced with new functionalities and additional health data sources, with updates released biannually. The Government will also be investing in the digitalisation of pathology services provided at the histopathology department within Mater Dei (€2.3 million under RRF financing). The objective of this investment is to speed up the digital transition of Malta's healthcare system whilst improving the quality of patient care, enhancing patient experience by timely and transparent information provision, and reducing waiting times.

## 7.2.4 Recovery and Resilience Plan and Cohesion Policy Programme Implementation

The Government is dedicated to implementing the RRP, alongside the 2021-2027 Cohesion Policy Programme. This commitment aligns with CSR2024.2.1.

The RRP's implementation is progressing as scheduled, meeting the M&Ts specified in the revised Council Implementing Decisions of July 14, 2023. Malta and the European Commission have agreed on technical operational arrangements, describing aspects such as the supporting documentation required for verification.

On July 14, 2023, Malta updated its RRP to include measures addressing the REPowerEU objectives. To support this expanded scope, €40 million from Malta's Brexit Adjustment Reserve was allocated to the Plan, in addition to Malta's REPowerEU grant of €30 million. The REPowerEU measures involve reforming the permitting system for renewable energy





projects and a €69.9 million investment in the electricity grid. With the revised RRP approved, the total grants financed by the RRF now amount to €328 million.

Regular reporting on the FENIX portal adheres to the required guidelines. The initial payment request was submitted in December 2022 after fulfilling all 2021 M&Ts and was subsequently approved. The second payment request followed in December 2023, meeting all 2022 M&Ts. Progress on other M&Ts remains on track. Malta is set to submit its third payment request in 2024, as planned.

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. The Managing Authority has taken several steps to ensure more efficient implementation of current programmes, starting with early planning and issuing of calls and frequent Project Selection Committee meetings. The Calls issued so far already cover 75.0 per cent of the ERDF/CF/JTF programme and 78.0 per cent of the ESF+ programme. By the end of Q2 2024, 32.0 per cent of the ERDF/CF/JTF programme and 52.0 per cent of the ESF+ Programme were committed.

Continuous close monitoring of selected operations and verification of payments further ensures the efficient implementation of the programmes. High level bilateral meetings are held on a monthly basis with the beneficiary organisations to obtain status updates on the implementation and discuss any issues which may impact the implementation and mitigation measures proposed.

Following the eight calls issued under the ERDF/CF/JTF programme in 2023, an additional thirteen calls were launched in the first two quarters of 2024. Additional calls are envisaged for launch by the end of the year, including calls targeting the construction of educational facilities and green infrastructure. The project selection process is ongoing and to date three projects have been approved under the said programme, focusing on the development of alternative fuels infrastructure and smart energy systems. Selection of additional projects in the areas of culture and tourism, health, port infrastructure and social infrastructure, amongst others, will be concluded by the end of 2024. In the context of the 2021-2027 Cohesion Funds programmes, Malta is undertaking several strategic investments to promote sustainable development and enhance connectivity. While no Cohesion Fund projects have been approved so far, nonetheless, a number of calls under CF are currently in the final stages of evaluation by the Project Selection Committee whilst others are still open. These investments are aligned with key priorities, including sustainable water management, the transition to a circular and resource-efficient economy, sustainable urban mobility, and the enhancement of transportation



networks to foster a more connected Europe, as referenced in the respective section within this Plan.

Following the four calls for project proposals issued under the European Social Fund Plus (ESF+) in 2023, an additional five calls were launched in the first two quarters of 2024. The project selection process is ongoing and to date three projects have been approved under the said programme, in the area of education. The project selection process for a number of additional projects is ongoing in the areas of material deprivation, employment, social inclusion and health, amongst others, and these will be concluded in 2024. A call for proposals in the area of social enterprise will be issued in 2024.

Following the three calls issued under the EMFAF in 2023, which focused on fostering efficient fisheries and control enforcement and promoting sustainable aquaculture activities, two additional calls were launched in January 2024. These additional calls focused on the protection and restoration of aquatic biodiversity and ecosystems and the quality added value of fisheries and aquaculture products, in line with the EU common priorities of ensuring a fair green and digital transition and social resilience. The project selection process is ongoing, and to date, three projects have been approved, including the “Design, development, implementation and maintenance of a Fisheries Integrated Information system for the Department of Fisheries and Aquaculture, Malta” and the “Data Collection Multi-Annual Programme 2022-2024,” both referenced in the previous section, as well as a project of strategic importance “Species diversification for Maltese aquaculture”. Additional projects are under evaluation, with results expected by end 2024.

## 7.3 Education and Employment

Key investments and reforms in education and employment in Malta such as the expansion of the Free Childcare Scheme, gender equality initiatives like the Gender Equality and Mainstreaming Strategy and Action Plan (GEMSAP) 2022-2027, and lifelong learning programmes are fostering a more inclusive and skilled workforce, enhancing labour market participation and productivity. This has also led to a notable increase in female labour force participation, with the employment rate for women aged 20-64 rising from 48.0 per cent in 2012 to 74.0 per cent in 2023, and a reduction in the gender pay gap. The focus on reskilling and upskilling, particularly through the National Skills Council and various digital and green skills training programmes, prepares workers for future industry demands, ensuring Malta’s workforce remains adaptable and competitive, navigating the demands of modern industries. Furthermore, initiatives like the National Education Strategy (NES) 2024-2030 and the Digital Education Strategy 2024-2030



are crucial for integrating sustainability and digital innovation into the education system, promoting long-term environmental stewardship and economic innovation.

### 7.3.1 Reskilling, Gender Equality, and Lifelong Learning

Addressing the need for reskilling, promoting gender equality, and fostering lifelong learning is essential for preparing the workforce for future industry demands, especially in the context of digitalisation and the green transition. It is crucial to empower all workers, regardless of gender, to actively engage in the labour market and enhance their quality of life through employment. The Government is committed to creating adaptable work institutions that ensure fairness and dignity for all, while also supporting continuous learning and development opportunities.

To foster a functioning labour market, education and skills development, the Government is reinforcing its commitment to lifelong learning and prioritising involvement in upskilling and reskilling programmes in line with the CSR2024.3.1, CSR2020.2.2 and CSR2019.3.5, as outlined by the initiatives included in Annex Table A.8. Key recommendations from the National Employment Policy 2021-2030 have been implemented, including the creation of the National Skills Council, the expansion of the Free Childcare Scheme, and the introduction of tax incentives to promote continued employment after retirement.

In order to ensure that undertakings in Malta have a skilled workforce, Jobsplus, the Maltese Public Employment Service, has relaunched the Investing in Skills Scheme which will be available till 2027. This Scheme is a key initiative in Malta aimed at enhancing the employability and skill levels of the workforce by providing funding for training and development. The initiative is supported by both national funds and the European Social Fund Plus (ESF+), with a substantial budget allocated to support various training programmes. For the period 2021-2027, the total budget for the initiative is set at €10 million, reflecting the Government's commitment to fostering a skilled workforce. Eligibility criteria for accessing funds under Investing in Skills are clearly defined to ensure that the support reaches the intended beneficiaries. To be eligible, applicants must ensure that the training is aimed at improving the skills and qualifications of employees, and it must align with the needs of the labour market. Additionally, the training programmes should be accredited and provided by recognised institutions. This initiative supports a wide range of training activities, including on-the-job training, formal education programmes, and sector-specific courses, thereby catering to the diverse needs of Malta's evolving economy.



Furthermore, the Government initiated the National Lifelong Learning Strategy 2023-2030, prioritising adult education and skill development. This strategy is structured around three pillars aimed at enhancing learning quality throughout individuals' lives. To tackle productivity challenges, there is a strong emphasis on upskilling adults in 21st-century skills. Free basic skills programmes are available for individuals beyond compulsory school age who need support in literacy, numeracy, and digital skills.

The Government has also implemented several initiatives and active labour market policies aimed at increasing women's labour force participation rate and reducing the gender employment gap. This is evidenced by a significant rise in the female employment rate (aged 20-64), which increased from 48.0 per cent in 2012 to 74.0 per cent in 2023, surpassing the EU-27 rate by 3.8 percentage points<sup>2</sup>. This growth is largely due to initiatives like the Free Childcare Scheme, as well as breakfast clubs, summer schools and after-school care services. Additionally, the Government has expanded free childcare for parents working atypical shifts, facilitating women's workforce integration.

Malta's gender pay gap decreased by 0.3 percentage points to 10.2 per cent in 2022 compared to 2021, suggesting a slight improvement in reducing wage disparity between men and women. The gender-pay gap in the EU remained constant at 12.7 per cent in 2021 and 2022, indicating that on average, the wage disparity between men and women is less pronounced in Malta than in the broader EU context<sup>3</sup>. Despite these improvements, challenges persist. The Government is committed to addressing this disparity by combating gender-based pay discrimination and promoting equal pay for equal work. The Gender Equality and Mainstreaming Strategy and Action Plan (GEMSAP) for 2022-2027 includes a specific objective to ensure equal pay for work of equal value, focusing on the gender pay gap. To support this goal, the National Commission for the Promotion of Equality (NCPE) has been actively raising public awareness about the issue. Additionally, the Equal Pay Tool assists companies in achieving equal pay for work of equal value. This tool is available to organisations with at least 50 employees that are certified with the Equality Mark and was developed under the EU-funded project "Prepare the Ground for Economic Independence (PGEI)," addressing both the gender pay gap and the gender pension gap.

Other reforms aimed at bolstering the resilience of the labour market and advance gender equality are scheduled for full implementation by the end of 2025, as part of Malta's

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<sup>2</sup> [https://ec.europa.eu/eurostat/databrowser/view/lfsi\\_emp\\_a\\_\\_custom\\_11986326/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/lfsi_emp_a__custom_11986326/default/table?lang=en)

<sup>3</sup> <https://ec.europa.eu/eurostat/databrowser/view/tesem180/default/table?lang=en>

RRP. These initiatives focus on several key areas outlined in the Employment Strategy. These include activating older workers, particularly women aged 55-64, supporting low-skilled adults, and narrowing the gender employment gap. Additionally, aligned with the Gender Equality and Mainstreaming Strategy Action Plan, measures aimed at fostering gender equality in employment practices will be implemented.

### 7.3.2 Addressing training outcomes, quality and access

The Government is committed to improving training outcomes, broadening educational access, and raising overall quality through a range of investments and reforms. As a result, tertiary enrolment has increased by more than half since 2013, reaching 19,035 in the 2021/2022 academic year<sup>4</sup>. The number of tertiary education graduates stood at 5,472 in 2022<sup>5</sup>, with a 95.8 per cent employment rate for recent graduates (ages 20-34) in 2023<sup>6</sup>. Additionally, the rate of people (ages 15-24) who are Not in Education, Employment, or Training (NEETs) was 8.2 per cent in 2023<sup>7</sup>. Although Malta's early school leaving rate is 0.5 percentage points higher than the EU average, it has dropped significantly from 21.4 per cent in 2010 to 10.0 per cent in 2023<sup>8</sup>. These results highlight the efforts being taken by the Maltese Government to strengthen the quality and inclusiveness of education and training (CSR2024.3.1, CSR2020.2.2 and CSR2019.3.5).

In May 2024, the Government launched the National Education Strategy (NES) 2024-2030. This strategy outlines the nation's vision for the education sector, based on three pillars: (i) Wellbeing, (ii) Growth & Empowerment, and (iii) Equity & Inclusion. These pillars guide the Government's strategic re-orientation process in education, focusing on policy foresight, by putting the individual at the centre of policy design. The strategy also includes a monitoring mechanism to guide and measure policy development and interventions, ensuring targets and objectives remain relevant to educational needs and realities. After the adoption of the evaluation and monitoring work plan outlining key performance indicators and related monitoring arrangements as well as a list of policy measures to be evaluated every year, the policy owners shall report their progress in implementing the measures according to the work plan on a monthly

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<sup>4</sup> [https://ec.europa.eu/eurostat/databrowser/view/educ\\_uoe\\_enrt03\\_\\_custom\\_12162089/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/educ_uoe_enrt03__custom_12162089/default/table?lang=en)

<sup>5</sup> [https://ec.europa.eu/eurostat/databrowser/view/educ\\_uoe\\_grad01/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/educ_uoe_grad01/default/table?lang=en)

<sup>6</sup> [https://ec.europa.eu/eurostat/databrowser/view/tps00053\\_\\_custom\\_12162253/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/tps00053__custom_12162253/default/table?lang=en)

<sup>7</sup> [https://ec.europa.eu/eurostat/databrowser/view/lfsi\\_neet\\_a\\_\\_custom\\_12162029/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/lfsi_neet_a__custom_12162029/default/table?lang=en)

<sup>8</sup> [https://ec.europa.eu/eurostat/databrowser/view/sdg\\_04\\_10/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/sdg_04_10/default/table?lang=en)



basis. This information shall feed into the quarterly meeting of the Ministry's Strategic Management Board for discussion and facilitating the policy implementation process. In line with Malta's RRP, the first publication of the annual internal report on the status of the implementation of the evaluation and monitoring work plan is due by end 2025.

The PISA 2022 results have underscored several areas where Malta's education system needs improvement, particularly in student performance across key competencies. Recognising the importance of addressing these challenges, the Government of Malta is actively developing a Strategy on Addressing PISA 2022 Challenges. This Strategy is closely aligned with a key measure within the NES 2024-2030: the revision of the National Curriculum Framework (NCF), and thus forms an integral part of the broader NES 2024-2030, demonstrating the Government's commitment to tackling these issues through a well-coordinated and forward-looking approach. The revised NCF is being designed to better reflect the needs and challenges of the future, ensuring that the curriculum is not only relevant but also robust enough to address the deficiencies identified in the PISA results. By doing so, the Government aims to equip students with the skills and knowledge necessary to succeed in an increasingly complex and competitive global environment. This strategic response encompasses a range of short, medium, and long-term measures to ensure a comprehensive approach to improving educational outcomes.

To address early school leaving, the Government introduced the Early Leaving from Education and Training (ELET) - The Way Forward 2023-2030 Strategy, which aims to reduce the early school leaving rate to 9.0 per cent or lower by 2030. An annual implementation report is produced as part of Malta's monitoring framework in this area. The newly established Directorate for Planning and Strategic Foresight will monitor the progress of national strategies, including the ELET strategy. Complementing this, the Reading Recovery Programme enables the lowest achieving children aged 6 to reach expected levels of reading, providing a holistic approach. This initiative is part of Malta's RRP commitment.

As part of the NES 2024-2030, the National Literacy Agency (NLA), is working on the continued provision of the Reading Recovery Programme to reach all the students in Year 2 who are experiencing difficulties in literacy. Additionally, as part of Malta's RRP, the Government is developing a comprehensive education policy monitoring system, set for completion by the end of 2025. This system will require monthly progress reports from policy owners, which will inform quarterly Strategic Management Board meetings and culminate in an annual report summarising the status of all education policies reviewed from 2021 to 2030.





The Government also recognises the importance of early childhood education for long-term success and well-being. Since 2022, compliance with enhanced standards has been a requirement for licensing early childhood education services. The 12 state childcare centres operated by the Foundation for Educational Services (FES) continually refine best practices through training and Standard Operating Procedures (SOPs) to uphold these standards and ensure child well-being. The quality of FES Childcare Centres is evaluated according to the National Standards for Early Childhood Education and Care Services (0-3 Years), which set governance parameters. The FES Inclusion Unit also provides additional support to children who need help keeping up with their peers. This approach aligns with the National Education Strategy 2024-2030's third pillar, Equity & Inclusion, ensuring every child has equal opportunities in the education system. Furthermore, Learning Support Educators are assigned to students with a statement of needs in both kindergarten and compulsory school, reinforcing FES's commitment to providing appropriate educational support.

The Government's "My Journey" programme, providing academic, vocational and applied methods of teaching and learning, continues to support diverse learning needs with quality opportunities at levels 1-3. Following the success of the One Tablet Per Child (OTPC) initiative, seventh-year students will receive laptops in the 2024/2025 academic year through the One Device Per Child (ODPC) programme to bridge the digital divide. The ODPC focuses on five components: software, classroom management, web filtering, digital content, and professional development. While the tablet initiative will continue for primary school students, classroom management and web filtering features will be included in these tablets next academic year. The ODPC project is co-financed by the EU through funding from ESF+.

Additionally, Malta's National Literacy Strategy 2021-2030 (NLS), implemented by the National Literacy Agency (NLA), aims to reduce social exclusion linked to low literacy skills. The strategy includes various programmes, such as the Language Policy for the Primary Years, which promotes multilingualism in Maltese and English among children aged 7 to 11. To further enhance children's literacy, the Agency is supporting initiatives like distributing book sets, developing Maltese audiovisual materials, modernising classroom libraries, and expanding educational programmes. These measures aim to foster enthusiasm for reading and provide engaging, modern resources to support young learners' literacy development. Additionally, measures are in place to increase reading time in the Early and Primary Years. Another initiative, the Foreign Language Appreciation Programme (FLAP), introduces Year 3 and Year 4 students to French, German, Italian, Spanish, Arabic, and Chinese through a special programme taught by secondary school language teachers.



The Footballer's Read and Write Programme (Bil-Qari u l-Kitba Niskorja) is a football and literacy programme which offers upper primary (Year 5) and middle school (Year 7) students an opportunity to participate in reading and writing activities related to football and sports. The passion and enthusiasm for football is used to inspire a love of reading and writing amongst students who are reluctant readers.

The Government is actively addressing literacy challenges through a range of targeted programmes managed by the NLA. These initiatives are designed to foster a love for reading and improve literacy skills among children and their families, ensuring that all students have the opportunity to succeed academically. One of the key initiatives designed to foster a love for reading and improve literacy skills is the 'Read with Me Programme', which offers free, one-hour weekly sessions aimed at young children (0 to 3 years). These sessions include storytelling, singing nursery rhymes, and engaging in other fun activities that support the development of early reading and literacy skills. By creating a playful and interactive environment, the programme helps children build a strong foundation in literacy from an early age. Another important initiative is the 'Reading Ambassadors Programme', a school-based literacy effort that promotes the joy of reading through events featuring well-known local personalities. These Reading Ambassadors, who include authors, singers, actors, and journalists, visit schools to inspire and motivate children and young people to read. By linking reading with the influence of admired figures, this programme seeks to make reading a more appealing and enjoyable activity for students. The 'Nwar Programme' is a specialised afterschool family literacy initiative aimed at supporting low-ability primary school children who are struggling with literacy. The programme is specifically designed for children who have not acquired the basic literacy skills required by the end of year 3, with the goal of helping them achieve these essential skills by the end of year 6. Through focused support and engagement with both children and their families, the 'Nwar Programme' plays a crucial role in addressing literacy gaps and ensuring that all students have the necessary skills to progress in their education. Lastly, 'The Magic of Stories' is a programme that promotes reading among children (between 4 and 7 years of age) and their parents or guardians through weekly sessions held free of charge. These sessions involve the reading of various stories in a fun and motivating environment, designed to stimulate children's imagination and foster a love for reading. By involving parents and guardians, this programme not only encourages children to read but also strengthens family bonds through shared literacy experiences.

Reforms under the RRP to be implemented by the end of 2024 focus on the strengthening of skills through the implementation of measures included in the Basic Skills Strategy and the e-college platform, which provides online courses aimed at upskilling and reskilling.





The National Skills Council (NSC) is in the initial stages of developing its first National Skills Strategy with support from the OECD via the Technical Support Instrument – Skills Flagship 2024, focusing on future skills gaps. Concurrently, the Government is also implementing the "Ultimate AI Launchpad – A Strategy and Vision for Artificial Intelligence in Malta 2030," which amongst others, aims to create an Education Data Warehouse. This tracking system initiative, to be implemented by the end of 2024 in line with the relevant RRP M&Ts, will monitor the educational progress from childcare to the last stage of a student's educational trajectory, enabling better decision-making and identification of individuals at risk of becoming ELET.

The Government is also taking actions to enhance teacher quality. A critical initiative in this regard is the Sectoral Agreement between the Malta Union of Teachers and the Government, signed on 15th July 2024. This agreement, retroactive from 1st January 2023, includes several key measures aimed at improving the professional lives of educators. Firstly, the agreement addresses teacher remuneration by increasing salaries and allowances, making the profession more attractive and rewarding. Additionally, the number of years required for progression within the teaching career has been reduced, facilitating faster career advancement for educators. These financial and career progression improvements are expected to enhance job satisfaction and motivation among teachers, leading to better educational outcomes. Moreover, the agreement places a strong emphasis on the well-being of educators, recognising that their health and job satisfaction directly impact the quality of education they provide. By creating a supportive and healthy working environment, the Government aims to ensure that educators are well-positioned to deliver high-quality education and contribute positively to society. In addition to these structural changes, the Ministry responsible for education is also actively working to improve teacher quality through targeted induction and continuous professional development. New teachers are provided with comprehensive induction programmes to ease their transition into the profession, while ongoing training opportunities are offered to all educators. The planned reform under the RRP (mentioned below) further support this by offering continuous training in inclusive pedagogy, ensuring that all educators, including learning support educators, are prepared to meet the diverse needs of their students.

The Malta Further and Higher Education Authority (MFHEA) introduced guidelines to improve education quality, leading to the National Strategic Action Plan for Further and Higher Education (2022-2030). The action plan will be implemented in 2024. In 2023, a new Higher Education Programme Accreditation Standards and Procedures document was proposed for consultation during which stakeholders provided feedback to refine the standards. The implementation phase will include professional development sessions in late 2024, ensuring that providers and evaluators are well-prepared before the standards take effect in 2025. Additionally, scholarship and tax credit programmes



for Masters and Doctoral students have been strengthened, using European Social Fund Plus (ESF+) (2021-2027). The ENDEAVOUR II Scholarships Scheme, launched in 2022, is also co-funded by the ESF+.

MCAST is dedicated to its Strategic Plan for 2022-2027, focusing on expanding support services through its Centre for Learning and Employability. To boost apprenticeship participation among students, the Apprenticeship and Work-Based Learning Department continues to improve the Apprenticeship scheme. As of June 2024, MCAST registered 2,540 industry partners, with 1,456 holding active contracts.

Additionally, the MDB, through the EU-funded "Further Studies Made Affordable" (FSMA) Financial Instrument (FI), is enhancing access to education for students and professionals seeking to further their studies both in Malta and abroad. The FSMA supports those pursuing accredited courses at MQF Levels 5, 6, 7, and 8, as well as other internationally recognised certificates, by providing financial assistance for tuition fees, accommodation, subsistence, and related expenses. This initiative offers eligible students enhanced access to bank loans, with the benefit of zero interest payments during a moratorium period of up to 5 years and a loan repayment period of up to 10 years thereafter. The ESF+ contribution to this initiative amounts to €5 million.

Jobsplus also offers a variety of free training courses, which are demand driven, aimed at enhancing employability and skill levels among both job seekers and current employees. These courses cover a broad range of topics, including green and digital skills, health and safety, hospitality, ICT and language skills. Jobsplus' courses are pegged to the Malta Qualifications Framework (MQF) and aim to provide participants with the necessary transversal skills to enter the labour market and retain gainful employment. The training programmes are designed to align with the needs of the labour market, ensuring that participants acquire relevant skills that are in demand by employers. In addition, Jobsplus also offers logistical support such as free transport to training centres and flexible scheduling to accommodate the needs of trainees. This holistic approach aims to remove barriers to participation and enhance the overall effectiveness of the training programmes.

### 7.3.3 Inclusive Education and Employment

Third Country Nationals (TCNs) with the right to work and asylum seekers and migrants with a protection status have access to Jobsplus' training courses and other employment-related opportunities, in line with Jobsplus' aim to provide quality upskilling and reskilling opportunities and guidance services to eligible individuals residing in Malta. Migrants in



Malta are also eligible for Jobsplus Trade Testing which is a service that aims to assess and certify the skills of individuals in various trades, especially those who have gained their expertise through hands-on experience rather than formal education. Covering a wide range of trades such as construction, electrical work, plumbing, and mechanical fields, this testing ensures that candidates meet industry standards. Successful candidates receive a certification that validates their skills and knowledge, recognised by employers and beneficial for career advancement. Moreover, TCNs who are employed in Malta or engaged in self-employment can further upskill their capabilities through the Investing in Skills Scheme which provides financial aid for employers and self-employed individuals who would like to engage their employees in upskilling and reskilling.

Jobsplus' advisors work closely with clients to ensure a level playing field for all and facilitate integration in the Maltese labour market through advisory and guidance services. Thus, TCNs with a right to work, asylum seekers and migrants with a protection status are entitled to advisory/guidance services offered by the Public Employment Services.

Asylum seekers, refugees, and persons with a protection status are also offered assistance through the Job Brokerage Office (JBO). Through the JBO, Jobsplus' personnel help match jobseekers with suitable job vacancies and offer personalised employment guidance and counselling, including assistance with CV writing, interview preparation and career advice. The JBO serves as an important link between job seekers, who are asylum seekers and beneficiaries of protection and employers. The JBO supports employers in finding suitable candidates for their vacancies for both short work placement opportunities and also for employment opportunities. It assists migrants to adapt to a new work environment and successfully integrate into the workforce through personalised assistance in job searching and through catering to the needs and challenges faced by this cohort.

Moreover, the Jobsplus Migrant Unit has included all relevant information related to employment and courses in the REFAID mobile application, which is an international mobile app which shows migrants, refugees and those who assist them, where services are on a map with a very simple interface. The migrant's unit manages and updates its services on this mobile application. Additionally, the 'I Belong' Programme, a specialised programme designed specifically for TCNs to support their integration into Maltese society and the labour market, including language courses and cultural orientation, offers third-country nationals assistance in basic skills, as well as courses in Maltese and English as foreign languages.

Promoting the inclusion of individuals with disabilities in the workforce has been a key policy objective for the Maltese Government for several years. Despite considerable



progress, Malta remains committed to address the remaining challenges (CSR2019.3.5, CSR2020.2.2 and CSR2024.3.1). By enhancing educational and employment opportunities for persons with disabilities, the Government aims to ensure that all individuals can contribute to and benefit from societal progress, thereby improving the overall quality of life and promoting social inclusion.

Estimates from the Commission for the Rights of Persons with Disability (CRPD) and Aġenzija Sapport indicate that Malta has around 40,000 individuals with disabilities, with 28,466 registered with an EU Disability Card as of June 2024. This group includes people of various ages and abilities, not all of whom are seeking employment. Through active legislative measures, Jobsplus, in collaboration with the Lino Spiteri Foundation, has facilitated better access to the labour market for disabled individuals.

The CRPD also established the Malta Business Disability Forum (MBDF), which includes employer organisations, academics, the Malta Federation of Organisations of Persons with Disability (MFOPD), and the Commissioner for Mental Health. This forum addresses employment issues for disabled individuals, focusing on those with psychosocial impairments from 2024. The CRPD has collaborated on an EU-funded project examining the employment of autistic people. Following this project's findings, the CRPD developed policy recommendations presented to the European Parliament in January 2024, targeting employers, national authorities, and European policymakers, and disseminated these to relevant stakeholders in Malta. Additionally, the CRPD organised a conference with Employers' Associations and other stakeholders to raise awareness about employing individuals with intellectual impairments. In June 2024, in collaboration with the Richmond Foundation, the CRPD held a conference on the inclusion and well-being of individuals with mental health conditions in the workplace.

Malta's RRP includes a reform which aims to enhance the quality and inclusivity of education through various strategic measures. Central to this reform is the continuous training in inclusive pedagogy for teachers and learning support educators complements these structural changes, ensuring that educators are well-equipped to support diverse student needs effectively. Additionally, the RRP reform incorporates the updated National Inclusion Policy Strategy, with a commitment to implementing a significant number of measures aimed at achieving smart targets identified within the strategy by the end of 2025.

Under the Erasmus+ Programme, by September 2024, Aġenzija Sapport will have completed 75 mobilities, varying from job shadowing opportunities to formal training, aimed at broadening employee perspectives and improve services for people with disabilities. Moreover, Aġenzija Sapport is collaborating with the University of Malta's



Faculty of Engineering on the MASCOT (Development of a sMart And Sustainable inClusive wOrksTation) project, which focuses on designing accessible, sustainable, and adaptable workstations.

The Government is also implementing 'Freedom to Live', Malta's 2021-2030 National Strategy on the Rights of Disabled Persons. The Freedom to Live Community Grant Scheme benefitted 13 registered voluntary organisations and 5 local councils, with a total of €100,000 allocated to implement the approved projects. This Strategy sets forth a robust plan to enhance inclusive education and employment opportunities for persons with disabilities. These initiatives are part of Malta's commitment to the United Nations Convention on the Rights of Persons with Disabilities (UNCRPD) and the Sustainable Development Goals (SDGs).

One of the central aspects of the National Strategy is the enhancement of inclusive education. This begins with the development and implementation of transition programmes designed to support students with disabilities as they progress through different stages of education. Malta will also support training programs that equip students with disabilities with essential digital skills. This initiative is expected to significantly enhance both their educational experiences and future employability. Collaboration with the Malta Further and Higher Education Authority (MFHEA) aims to address and improve social inclusion within the educational sector, ensuring that policies and practices are inclusive of students with disabilities. Various specific initiatives will be rolled out within the next five years to support these goals, involving key stakeholders such as the Disability Rights Ministry, the Education Ministry, and representative organisations of disabled persons.

In the realm of employment, Malta's strategy is equally comprehensive. A central element is the development and implementation of a pre-employment, employment, and job retention strategy. This strategy will encompass all stages of employment, from initial job search to long-term career development, providing continuous support to disabled individuals. To facilitate this, necessary supports and reasonable adjustments will be provided to ensure that disabled persons can maintain employment. This includes adaptations in the workplace and personalised support services, enabling disabled employees to perform their roles effectively. Improving career guidance services is also a key focus. These services will be enhanced to better assist disabled persons in navigating their career paths, offering tailored advice and support to match their skills and aspirations with suitable employment opportunities. Malta will also implement outreach and detached youth work programmes aimed at engaging disabled youths. These programmes will provide critical support and information, helping young disabled persons to transition into the workforce and find meaningful employment. Promoting social enterprise incentives will encourage the creation of employment opportunities



within social enterprises, which are often more flexible and inclusive environments for disabled persons. To raise awareness and encourage inclusive hiring practices, Malta will launch a media campaign and establish an inclusive employer certification. This initiative, set to roll out within the next two years, aims to highlight and reward employers who demonstrate commitment to inclusive employment practices, thereby fostering a more inclusive job market.

### 7.3.4 Skills and Competences for the Green and Digital Transition

The Government is committed to enhance skills and competences in response to the green and digital transitions by integrating sustainability and digital innovation into education and workforce development in line with CSR2024.3.1 and CSR2023.4.6.

The newly launched Education Strategy 2024–2030 aims to enhance Global Citizenship Education (GCED), Education for Sustainable Development (ESD) and Learning for Sustainability (LfS) implementation at all levels, starting with mandatory training for approximately 400 Kindergarten educators in the 2023–2024 academic year, to be extended to all primary educators over the next four years. In addition, the first out of four GCED Training and Learning centres was launched in June 2024. These centres will serve as specialised educator training facilities to strengthen Malta’s position in nurturing a knowledgeable, innovative, responsible and engaged younger generation towards holistic sustainable development.

Recognising the importance of digital skills for the Digital Transition and the European Green Deal, the Government launched the Digital Education Strategy 2024-2030 for public consultation in April 2024, which ran until June 2024. While this strategy has its own specific goals, it aligns with the European Digital Education Action Plan and Digital Decade targets. It aims to reduce the need for physical materials, thereby minimising waste and lowering the carbon footprint of educational institutions. Additionally, by equipping students with digital skills, the strategy supports green innovations and solutions, driving the green transition across various sectors and enhancing the skills needed for green jobs.

Furthermore, the Directorate for Digital Literacy and Transversal Skills (DDLTS) has implemented ongoing programmes focused on digital competences for educators, including digital citizenship training programmes and outreach events. DDLTS provides constant opportunities for professional development for educators, through flagship initiatives such as the former One Tablet per Child project and ongoing CoPE sessions that focus on various competences in digital literacy and AI Digital citizenship. These





initiatives aim to ensure educators acquire the necessary skills to integrate emerging technologies into their teaching practices effectively, benefiting student engagement and learning outcomes (CSR 2024.3.1).

The University of Malta and Malta's College of Arts, Science and Technology (MCAST) continues to offer courses on green skills, environmental stewardship, sustainability and science and community social responsibility. In 2024, the Government, through the Malta Digital Innovation Authority (MDIA), has reintroduced two initiatives: (i) the Pathfinder Digital Scholarship Scheme, which aims to encourage students to specialise in Artificial Intelligence (AI) and other digital fields at the Masters and PhD levels; and (ii) the MDIA AI Applied Research Grant (MAARG) to support capacity-building efforts related to AI research in Malta.

The National Skills Council (NSC), in collaboration with the Ministry for the Environment, Energy and Regeneration of the Grand Harbour (MEER), is mapping training opportunities in the area of green skills with a view to addressing workforce preparedness for the green and digital transition. Following the attribution of a broad definition to training opportunities in the area of green skills, an analysis of existing training offerings is being carried out in terms of accredited qualifications at European Qualifications Framework (EQF) levels 4, 5, 6 and 7. Training gaps to either enhance existing courses or to address emerging needs will be outlined with a view to address current and future demands. This desktop evaluation will then be openly discussed with industry by adopting a sectoral approach. Final recommendations will be presented and discussed with academia and VET institutions.

From a business perspective, Malta Enterprise, Malta's economic development agency, supports companies in enhancing and updating their workforce's skills and knowledge through the Skills Development Scheme. This programme provides training for both newly recruited and existing employees, equipping them with essential skills, including green and digital competencies.

Under the MFF programming period 2021-2027, Jobsplus is set to offer a new Youth Guarantee programme (Youth Guarantee 3.0) from 2024 to 2028. This programme consists of innovative elements including the ALMA mobility scheme, technical training tailored to specific sectors and work placement activation. To align the new Youth Guarantee scheme with the current needs, Jobsplus has also commissioned another edition of the NEETs Census. This comprehensive survey aims to provide an in-depth understanding of NEETs (15-29-year-olds) by examining various personal characteristics, including their awareness of digital and green skills.



In addition, through the Smartly project, two training programmes, focusing on green skills and digital skills were developed and accredited, and are now being offered as part of Jobsplus' free training courses.

## 7.4 Environment

The comprehensive initiatives and reforms to boost EV uptake and the Government's commitment to advancing renewable energy, enhancing energy infrastructure, and improving energy efficiency, as outlined in the RRP and REPowerEU, significantly impact economic activity, resilience, and sustainability. Economically, these measures stimulate the automotive market, create jobs, and attract investments in renewable energy infrastructure. Financial incentives like EV purchase schemes and grants for renewable energy technologies lower cost barriers, enhancing consumer spending and driving demand. In terms of resilience, transitioning to EVs and renewable energy reduces reliance on fossil fuels, mitigating risks associated with oil price volatility and supply disruptions, thereby strengthening energy security and transport sector adaptability. Sustainability is markedly improved as these reforms cut greenhouse gas emissions and air pollution by replacing internal combustion engine vehicles with zero-emission EVs. Additionally, grant programmes promote the adoption of renewable energy technologies like photovoltaic panels and battery storage systems, bolstering economic growth and energy resilience. The commissioning of a second electrical cable interconnection between Malta and Sicily by 2026 will double electrical connectivity with the EU, supporting the transition to a low-carbon economy and addressing rising electricity demand. Waste management reforms, including the ECOHIVE project and initiatives to optimise waste handling and promote recycling, further contribute to environmental sustainability. The transition to a regionalised waste collection system, expanding Extended Producer Responsibility (EPR) obligations, and developing a Construction and Demolition Waste Strategy, underscoring the Government's commitment to a circular economy, will create jobs, improve recycling rates and reduce landfill usage. In the realm of sustainable finance, the Malta Financial Services Authority (MFSA) integrates Environmental, Social, and Governance (ESG) criteria into market monitoring and risk assessment, combats greenwashing, and promotes transparency through the Malta ESG Portal. Notable achievements like the issuance of a Green Bond by ClearFlowPlus Plc highlight Malta's dedication to ecological financing and sustainable development.

### 7.4.1 Reducing Reliance on Fossil Fuels

In line with the CSRs aimed at reducing reliance on fossil fuels (CSR2023.4.1 and CSR2022.4.1), and thereby reducing the transport sector's carbon footprint, Malta is





making concerted efforts to increase EV uptake. Nationally financed initiatives and grants to support this transition include an extended electric vehicle purchase scheme which offers grants to buyers based on the vehicle type. Alongside the EV purchase scheme, a scrapping initiative offers financial incentives for scrapping old vehicles, encouraging the replacement of ICE vehicles with electric ones. Another scheme supports voluntary organisations and associations looking to invest in electric vehicle fleets, including those with large vehicles. Additional incentives to encourage EV uptake include relief from registration tax, exemption from the annual road license fee for five years from the date of first registration and lower cost per unit of electricity consumed during off-peak hours for EV owners. Another scheme aims to incentivise the purchase of used electric vehicles. Whilst this scheme offers smaller grants than the scheme for new vehicles, it is intended to further support the increase of electric vehicles in the local market by tapping into the gradually growing market of used electric vehicles.

Through the support of RRF financing, four new, fully electric tourist coaches and one concrete mixer were registered and benefitted from the EV purchase scheme, marking a promising start for the electrification of heavy-duty vehicles in the local fleet. Additionally, Malta Public Transport has introduced 32 new electrically powered buses, contributing to the reduction of emissions in public transportation. In 2025, additional RRF grants are expected to be awarded for electric vehicles under the scheme for the private sector, with €50.3 million costed for RRF financing. The Government fleet of electric general use vehicles will reach 242 vehicles, with €10 million costed for RRF Financing. Mobility management in the public services will also be enhanced through an increase in shared mobility in line with the RRP target. As for public transport, 105 zero emission electric buses will be rolled out for the part replacement of the public transport fleet (€34 million costed for RRF Financing). Complementing these initiatives, reforms included in Malta's RRP, which shall be implemented by 2025, also include an awareness raising campaign on sustainable zero and low-carbon transport.

In alignment with efforts to transition towards decarbonisation, the Government is continuing to gradually introduce more public charging stations. 200 charging points shall be installed by the end of the year 2024, and another 1,000 charging points will be developed in subsequent years. The Government is also looking into options to develop a single national digital platform to merge public charging points into a single simple-to-use system. The EU Cohesion Funds will be supporting projects aimed at developing infrastructure for electric vehicles, including charging points, which are essential for reducing carbon emissions and promoting the use of alternative fuels in road transport.

The initiatives targeting alternative sources of energy and energy efficiency, which shall be outlined further on, will also contribute towards the objective of reducing reliance on fossil fuels. The integration of renewable energy sources and enhancements in energy



infrastructure are vital for supporting the increased use of EVs. For instance, the planned installation of photovoltaic (PV) panels and battery storage systems across Malta will not only provide clean energy but also ensure that the growing demand for electricity, driven by EV uptake, is met sustainably. These interconnected efforts highlight a comprehensive approach to reducing reliance on fossil fuels, improving energy efficiency, and promoting the use of clean energy across various sectors.

## 7.4.2 Alternative Sources of Energy and Energy Efficiency

The Government of Malta is committed to advancing renewable energy, enhancing energy infrastructure, and improving energy efficiency. The comprehensive reforms and investments outlined in Malta's RRP and REPowerEU aim to accelerate the deployment of renewable energy, reduce reliance on fossil fuels, and enhance the overall energy efficiency of the country. Through these and other initiatives, the Government aims to foster a more sustainable and resilient energy system, meeting both current and future demands while significantly reducing carbon emissions and energy waste (CSR2024.4.1, CSR2023.4, CSR2022.4, CSR2020.3.4 and CSR2019.3.3).

Aimed at producing green energy from renewable source, an investment included in Malta's RRP involves the installation of photovoltaic infrastructure in various public areas, including roads, footpaths, and other open spaces. Tendering of photovoltaic infrastructure in roads, footpaths and public spaces in Malta and Gozo is currently underway (€3 million RRF financing). Malta's RRP also include investments aimed at improving energy efficiency, reducing energy demand, lowering carbon emissions, limiting energy waste and retrofitting public and private buildings. One such investment, expected to be contracted by late 2024 is the renovation and retrofitting of Mount Carmel public hospital (€9.4 million in RRF financing). This investment will result in renovated blocks of Mount Carmel by 2026, which shall achieve a reduction of primary energy demand of at least 30.0 per cent. By 2026, the Government also aims to complete the renovation of selected private sector buildings, supported by RRF financing, targeting retrofitting and energy efficiency improvements. This initiative, which includes both commercial and non-residential buildings, is expected to achieve a reduction in primary energy demand of at least 30.0 per cent.

The Government aims to complete reviewing existing permitting systems and streamline processes for renewable energy projects by 2024, in line with the relevant RRP reform. In 2025, a number of investments which will come to fruition include the renovation of a number of public buildings which will be renovated as part of measures targeting renewable energy and energy efficiency (€10 million RRF financing). In terms of 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. By 2025, this contracting should lead to an expenditure target of €19 million in contractual obligations in relation to the strengthening and widening of the electricity distribution network. This investment is in line with the EU's common priority for energy security and will ultimately lead to the entry into operation of facilities that strengthen and widen the electricity distribution network by 2026.

Households can take advantage of numerous grant programmes aimed at promoting the adoption of renewable energy technologies. These programmes specifically encourage the installation of PV panels and battery storage systems. In addition to these grants, various feed-in tariff schemes are available, especially for PV systems with capacities under 40 kWp. The Government also supports medium and large-scale renewable energy initiatives through competitive bidding processes. Additional calls for renewable energy capacities are anticipated, providing further opportunities for expansion in this sector.

By the end of 2026, a second electrical cable interconnection between Malta and Sicily is planned to be commissioned, with the support of EU financing through the ERDF. This will address the rising electricity demand from the electrification of road transport and economic growth. The second cable link will double the electrical connectivity capacity with the EU and enhance the integration of domestic and large-scale renewable energy sources, including offshore generation.

The Roof insulation and Double Glazing (Retrofitting) Scheme, launched by Government in 2023, is currently ongoing. The Scheme encouraging the promotion of energy audits in SMEs is set to persist in 2024 in line with new State Aid Regulations. This Scheme is planned to continue at least up till the end of 2026. The 'Investment Aid for Energy Efficiency Projects' Scheme, managed by Malta Enterprise, continues to support businesses investing in energy-efficiency improvements. These schemes support recommendations CSR2023.4.4, CSR2022.4.4 and CSR2019.3.3.

Further initiatives in this field include the continuous enhancement of the primary water network and the installation of more energy-efficient process aeration equipment at the Ta' Barkat Wastewater Treatment Plant (CSR2019.3.3), funded through the green bond issue by ClearFlowPlus plc, scheduled to be completed in 2024. Works on the PV panel installations at the WSC, with a combined 2.7 MW peak output, are expected to be completed by 2025.



### 7.4.3 Better Waste Management and Efficient Use of Resources

Implemented in December 2021, the Long-Term Waste Management Plan for Malta (WMP) 2021-2030 emphasises recycling, diverting waste from landfills, and promoting the green transition. The ECOHIVE project aims to modernise and upgrade waste management infrastructure through several new facilities and initiatives. This includes the Waste to Energy, Material Recovery, Organic Processing, and Thermal Treatment for hazardous and clinical waste and Skip management (CSR2020.3.6).

The Waste to Energy plant in Malta is aimed towards diverting non-recyclable waste from landfills and will be equipped with two operational lines, each with a capacity of 96,000 tonnes. Additionally, ground preparation for the Waste to Energy project and the necessary excavations have been completed. The Plant will cost over €200 million for its construction and its operation over 20 years.

The Organic Processing Plant's commissioning is planned for 2028. The €75 million plant is a significant project and discussions for potential EU funding (through the Cohesion Fund) are ongoing. This facility will treat source-segregated organic waste, handling up to 74,300 tonnes annually. WasteServ has completed the plant's basic design, detailed cost estimate, and started the Planning Authority permit submission process. Additionally, WasteServ has obtained the environmental impact assessment (EIA) permit, is finalising the Design and Building tender document, and is nearing completion of the documentation for applying for EU funding.

The Thermal Treatment Facility, estimated around €43 million, will also be part of the ECOHIVE Complex. WasteServ has completed the plant's basic design and initiated the Planning Authority (PA) permit submission process. WasteServ is also in the process of obtaining the environmental impact assessment (EIA) permit and is drafting the Design and Building tender document. Commissioning is scheduled for 2028.

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 near completion, and procurement is ongoing, targeting operation by end 2026. The facility is designed to manage bulky waste collected from open-topped skips by sorting it into various waste streams. This process aims to decrease the volume of waste sent to landfills and recover valuable materials. The facility is expected to process 47,000 tonnes of mixed bulky waste each year, enhancing Malta's recycling rates and efforts to divert waste from landfills.



In June 2024, WasteServ began operating a new automated sorting line at its Sant Antnin facility. This project, co-funded under the 2014-2020 Cohesion Policy Programme, is designed to process about 10 tonnes of glass per hour, equivalent to 52,500 bottles. This sorting line can distinguish between clear and coloured glass and sort flat glass offcuts from the commercial sector. The significance of this investment lies in its future impact on Malta's waste management and circular economy. By enhancing operational efficiency and producing higher-quality sorted glass, which will ultimately be transformed into other products as part of a circular economy approach, Malta's ongoing efforts to reduce waste and promote recycling are further supported.

The Government is also advancing its waste management and resource efficiency agenda through a reform which is included in its RRP, designed to foster effective waste management and support the transition towards a circular economy. This reform entails the transition from a fragmented waste collection framework, which currently spans 68 local councils, to a more streamlined regionalised system encompassing six regions across Malta and Gozo. This shift aims to enhance economies of scale, improve separate waste collection, optimise the use of the vehicle fleet, and reduce investment costs. Additionally, the reform includes expanding Extended Producer Responsibility (EPR) obligations to cover new waste streams, such as tyres and textiles, with the scope determined based on an independent feasibility study. This initiative is complemented by new legislation targeting Single-Use Plastics (SUP), reinforcing the commitment to reduce environmental impact.

In parallel, the Government is developing a Construction and Demolition Waste Strategy, which will focus on managing waste from these activities by prioritising reuse and recycling over disposal. This strategy will involve the introduction of a new regulatory framework specifically for construction and demolition waste, the establishment of industry standards to minimise waste generation, and the provision of conditions for recovering suitable waste for quarry backfilling. This approach aims to restore quarries to their original state while aligning with the waste hierarchy principles, as also included in Malta's RRP.

Another significant area of investment, which could see potential EU funding (Cohesion Fund) focuses on the optimisation of potable water facilities, with the objective of promoting sustainable water management. This includes the development of a project that promotes access to water and sustainable water management, which initiative is critical in ensuring sustainable access to water resources and advancing Malta's commitment to environmental sustainability.



## 7.4.4 Sustainable Finance

In line with the MFSA's Supervisory Priorities for 2024, sustainable finance remains a pivotal cross-sectoral priority. The MFSA is enhancing its supervisory capabilities to effectively integrate ESG criteria into market monitoring and risk assessment processes. These efforts are crucial in combating greenwashing and promoting transparency across financial sectors. The Government's commitment to sustainable investment is also exemplified by Malta's ESG Portal, offering comprehensive ESG data to both local and international investors. This portal, supported by Malta Enterprise, plays a crucial role in enhancing transparency and fostering informed investment decisions (CSR2020.3.3).

Building on its commitment to EU collaboration, the MFSA continues its active participation in the EU TSI Multi-Country Project on Sustainable Finance. This initiative, launched in January 2023 with EU funding, strengthens supervisory frameworks and fosters convergence among competent authorities across Europe. Discussions within the project framework are instrumental in refining best practices and addressing supervisory challenges related to the implementation of the EU Sustainable Finance Package.

Stakeholder engagement remains a cornerstone of MFSA's strategy. In May 2024, the Authority hosted a second stakeholder engagement workshop, funded by the EU, aimed at refining compliance frameworks and enhancing industry awareness of regulatory requirements such as the Sustainable Finance Disclosure Regulation (SFDR). This event facilitated insightful discussions led by international experts from ESMA and EIOPA, emphasising regulatory developments and supervisory expectations.

Educational initiatives are pivotal to promoting sustainable finance. The MFSA continues to educate market participants through regular publications, training sessions and online resources, through its Financial Services Academy (FSA). These efforts are geared towards equipping stakeholders with the necessary knowledge to navigate evolving sustainability regulations effectively.

A notable achievement in Malta's sustainable finance landscape is the successful issuance of a Green Bond by ClearFlowPlus Plc, a subsidiary of the Water Services Corporation, being the first of its kind in Malta. This initiative highlights dedication to ecological financing and positions Malta among the select international utilities adopting green financing. Valued at €25 million, this issuance was swiftly subscribed by 1,600 retail investors, highlighting robust investor confidence in ecological financing initiatives. The proceeds from this issuance are earmarked for impactful projects including the installation and commissioning of new photovoltaic panels, part-financing of the energy-efficient





Hondoq ir-Rummien reverse osmosis plant, upgrading to the Barkat urban wastewater treatment plant aeration system and upgrading of the Guarantor's Enterprise Resource Planning (ERP) SAP system to increase effectiveness in detecting losses and improve drinking water quality. This initiative underscores Malta's commitment to sustainable development and aligns with global best practices in green financing (CSR2020.3.3, CSR2020.3.4, CSR2019.3.3).

## 7.5 Strengthening Justice, Governance, and Financial Integrity

The envisaged reforms and investments in Malta's justice system, governance, and financial integrity are poised to significantly bolster economic activity, resilience, and sustainability. By enhancing judicial independence and efficiency, the reforms aim to create a more transparent and reliable legal framework, fostering investor confidence and facilitating smoother business operations. Strengthening governance and anti-corruption measures will improve the accountability and integrity of key institutions, further attracting foreign investment and ensuring the ethical use of public resources. The robust anti-money laundering framework and measures to combat aggressive tax planning will secure Malta's financial system against illicit activities, promoting a stable and transparent economic environment. Collectively, these initiatives will enhance the resilience of Malta's socio-economic structures, ensuring sustainable growth and fostering a trustworthy environment for both domestic and international stakeholders.

### 7.5.1 Strengthening the Justice System and Law Enforcement Capabilities

Malta is committed to continuing its reforms to further enhance judicial independence and institutional capacity. Malta is proactively addressing challenges in this policy area (CSR2020.4.1 and CSR2019.2.4) by implementing comprehensive reforms aimed at enhancing judicial independence and efficiency (Annex Table A.8). Through legislative amendments, increased investment in technology, and the establishment of robust safeguards, Malta is committed to ensuring a transparent, efficient, and independent judiciary that upholds the rule of law and serves the needs of its citizens effectively.

Several reforms included in Malta's RRP will come to fruition in 2024, including a more independent and effective Permanent Commission Against Corruption, as a result of capacity building and strengthened operational procedures. The effectiveness of the justice system, including the judiciary's independence are set to be enhanced further. The institutional capacity to ensure expedited judicial proceedings and the



safeguards surrounding judicial appointments and dismissals to enhance greater judicial independence and transparency have been strengthened (in line with the RRP milestones and targets). An independent review of the independence of specialised tribunals is due by end 2024 and any legislative changes deemed necessary by this independent review are set to enter into force by end 2025. The reform to establish a separate prosecution service to further delineate the functions of the judiciary and the prosecutorial bodies is ongoing, including milestones which form part of Malta's RRP, with a 2026 implementation target year. More specifically, the entry into force of legislative changes deemed necessary by the independent review on the transfer of summary cases from the Police to the Office of the Attorney General (AG) is also due in 2026. Another reform included in Malta's RRP concerns the review of the provision for injured parties (in Act XLI of 2020) to appeal the decision of the AG not to prosecute which is aimed at strengthening the prosecution of cases by ensuring that the decisions of the Public Prosecutor are subject to judicial review. Moreover, amendments to the appeals procedure were intended to expedite cases and reduce backlog. A more equitable distribution of cases between members of the judiciary is going to take place following the creation of the Fourth Section in the Court of Appeal and a second Hall for trials by jury.

Apart from increasing the human capacity within the judiciary, a digital revamp in the Civil Courts enabled virtual sittings, including the second-instance civil courts, thus enhancing the justice system's capacity. In line with one of the common EU priorities, making better use of the digitalisation in the justice system brought about by legislative amendments which facilitated electronic filing and allowed for live video conferencing for civil proceedings, will continue to streamline procedural timeframes and foster expeditious resolution of cases. To achieve a more efficient administration of justice, Government will invest in a number of secure digital solutions and tools to support justice sector users. In line with Malta's RRP, this investment shall be implemented by 2026.

The Government is actively pursuing the reform of committal proceedings to advance the streamlining process of cases. The proposed reforms are aimed at shifting towards document reliance over oral evidence, establishing a one-year deadline for evidence compilation, and setting clear 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 Government is currently in the evaluation phase, aiming to produce legislation on the matter in the coming months.

The Malta Police Force (MPF) is conducting various projects to enhance its capabilities especially by making data and technology central to its operations. This effort includes the setting up of a Criminal and Forensic Data Repository System (RMS) which is to be implemented by 2027 following a €6 million investment co-funded by the EU (Internal Security Fund 2021-2027). On similar grounds, the MPF is also working on a Laboratory





Information Management System (LIMS) for the Forensic Science Laboratory of the Force, which will see an EU co-funded investment of €250,000 until its implementation in 2027. Additionally, work is being conducted in relation to the procurement of Two Tethered Drones, an Automated Number Plate Recognition System, and the setting up of a Police Fusion Centre, all to be implemented by 2027.

## 7.5.2 Enhancing Governance and Anti-Corruption Measures

The Government is committed to strengthening the overall governance framework, with a particular focus on detecting and prosecuting corruption (CSR2019.2.2). Central to this effort is the ongoing enhancement of the capabilities and integrity of key institutions such as the MPF and its Internal Audit and Investigations Unit (IAIU). The MPF plays a crucial role in upholding high professional standards and conducting rigorous internal audits, ensuring that any instances of corruption are promptly identified and addressed. Through continuous improvement and robust internal controls, Malta is dedicated to fostering a transparent and accountable governance environment.

Government will continue implementing the National Anti-Fraud and Corruption Strategy (NAFCS). A central documentary repository system accessible to institutions forming part of the coordinating Committee shall be devised and created to strengthen collaboration between the institutions forming part of this Committee by end 2024. The reform shall also ensure the creation of a database collating whistleblowing data that shall be operational and accessible by all anti-corruption entities.

The IAIU is engaged in auditing work which addresses both performance issues and matters concerning accountability and governance. This office has also published, and is enforcing an Anti-Fraud and Corruption Policy, which includes the establishment of Gifts, Hospitality & Gratuities Register and an anonymous reporting system named, 'Break the Silence', whereby every police officer is able to report alleged abuse within the MPF without fear of facing disciplinary action. These efforts are in addition to the continuous screening of police officers through the EU Security Clearance programme and the full implementation of the Drugs Misuse Policy, including regular drug testing on all police officers.

The MPF is also undertaking investment in line with the Malta Police Force Transformation Strategy 2020-2025, which is EU-funded through the Internal Security Fund (2021-2027), to become a more flexible, efficient, and data-driven force. These efforts, which are being implemented under the scrutiny of the Board of Governors and the European Commission focuses on strengthening the overall governance framework, including by



continuing efforts to detect and prosecute corruption. In line with this Strategy, the MPF is currently engaged in the design and deployment of a risk register that will be incorporated within a management framework, enabling the MPF to identify risks and address these at an early stage.

Other projects that are being undertaken by the MPF include the procurement of specialised vehicles, intended to enhance the protection of public spaces, which is to be implemented by 2025 following an EU co-funded investment of €650,000. In relation to the ever-increasing importance of data, the MPF is in the process of investing heavily in the enhancement of its capacity to protect EU's financial interests through I2 Software. Similarly, it is also working on another project seeking to enhance information sharing solutions to tackle encrypted devices, malware analysis and big data.

### 7.5.3 Effective Enforcement of the Anti-money laundering framework

Malta has undertaken substantial investments and comprehensive reforms to enhance its anti-money-laundering (AML) framework, in line with CSR2020.4.2 and CSR2019.2.3. Related investments and reforms have focused on rigorous assessment and mitigation of money-laundering (ML) risks, terrorism financing (TF), proliferation financing (PF) and targeted financial sanctions (TFS) risks, ensuring robust enforcement and compliance across the financial sector. The Maltese Government remains committed to maintaining a secure and transparent financial environment, fostering a trustworthy and resilient financial system.

The National Coordinating Committee on Combating ML and TF (NCC) is vital in ensuring effective governance of the AML framework. This Committee was responsible for coordinating the 2023 National Risk Assessment (NRA) which was published in January 2024<sup>9</sup>, in close cooperation with all government authorities involved in the fight against crime and representative bodies from the private sector and which is to be updated every three years in line with each National AML/CFT Strategy. The NRA seeks to identify threats and vulnerabilities in ML, TF, PF and TFS related risks.

The Financial Intelligence Analysis Unit (FIAU)'s mission to protect Malta's financial system and the community against ML and TF is crucial, and to this effect, the Government granted FIAU a €11.5 million subvention for 2024, to be used in realising

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<sup>9</sup> [https://www.ncc.gov.mt/wp-content/uploads/2024/05/PublicNRA\\_Dec2023-5.pdf](https://www.ncc.gov.mt/wp-content/uploads/2024/05/PublicNRA_Dec2023-5.pdf)



the FIAU's Strategy until 2026. One important Strategy-project which is currently at an advanced stage, is the development of a business intelligence (BI) tool to facilitate the analysis and presentation of data sets in user-friendly and interactive reports, dashboard graphs and charts, which is scheduled to be completed by this year end.

The case management and analysis tool, goCASE has been fully deployed and allows for a more streamlined and efficient process of handling reports of suspected breaches of the mentioned Regulations.

The MFSA is another important stakeholder in the sector, its Financial Crime Compliance (FCC) Function aids in the fight against financial crime by supporting the NCC and other authorities, through the establishment of MOUs with several national and international stakeholders, particularly with the FIAU and the Sanctions Monitoring Board (SMB). Given the fast-paced nature of financial crime related risks, training has been of utmost importance, whilst also engaging in outreach by organising several workshops and publishing key guidance documents. Financial Crime, specifically Corporate Service Providers (CSPs) and the Money Laundering Reporting Officer (MRLO) role have been a key thematic area of these events.

The Malta Gaming Authority (MGA) is another strategic stakeholder, carrying out prudential and supervision audits to aid in the assessing and mitigating AML/CFT risks. These included the 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. AML audits on gaming operators were carried on behalf of, or in conjunction with the FIAU to monitor their activities and ensure gaming companies' compliance with the AML laws and regulations and the Implementing Procedures issued thereunder.

The MBR is another stakeholder which is relevant in the fight against AML, as it seeks to ensure the upkeep of beneficial ownership information. Apart from receiving information to ensure due diligence, the MBR also carries cross-reference checks with other Maltese-registered entities and registers in the EU, when vetting documentation. The MBR is also engaged in director, stakeholder, and beneficial owner screening prior to registration of new companies or when such involvements join existing companies. The MBR has enjoyed an increase in manpower to conduct onsite inspections as well as continued work on ensuring that data and documentation held by Maltese registered companies and other entities is verified.



## 7.5.4 Addressing Potential Aggressive Tax Planning

The Government aims to continue working in addressing potential aggressive tax planning (CSR2024.1.3, CSR2023.3.1, CSR2022.3.1, CSR2020.4.3 and CSR2019.2.1). The Government continues working towards 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. Legislation related to inbound and outbound payments is also expected to come into force by the end of 2024, in line with the RRP commitment and the relevant CSRs.

The aim of such amendments is to balance out the defensive measures introduced to mitigate aggressive tax planning risk whilst not disproportionately hindering genuine economic activity and foreign investment. Given this consideration, Government is adamant to tackle the issue of aggressive tax planning in a prudent manner. In line with its RRP commitment, the Government is implementing legislative changes in relation to inbound and outbound payments in the area of dividends, interest and royalty payments between companies established in Malta and related companies established in jurisdictions that either form part of the EU list of non-cooperative jurisdictions or that are considered to be zero-tax or low-tax jurisdictions.

Malta is also working on a strategic overhaul of the tax regime, as envisaged in the MTCA's Delivering Transformation Strategic Plan 2023 - 2025. In summary, this strategy emphasises the importance of digitalisation in tax administration and the necessary human resources to realise the investment being undertaken, such as that of incorporating Statistical Analysis Software to mitigate risks. Resources are also being dedicated towards capacity-building to design and implement structural reforms in the field of revenue administration as supported by the ongoing Technical Support Instrument on "Enhancing the quality and use of tax information exchanged between MSs in the context of the DAC" as well as the upcoming project being run together with Cyprus, on capacity building to fight aggressive tax planning.



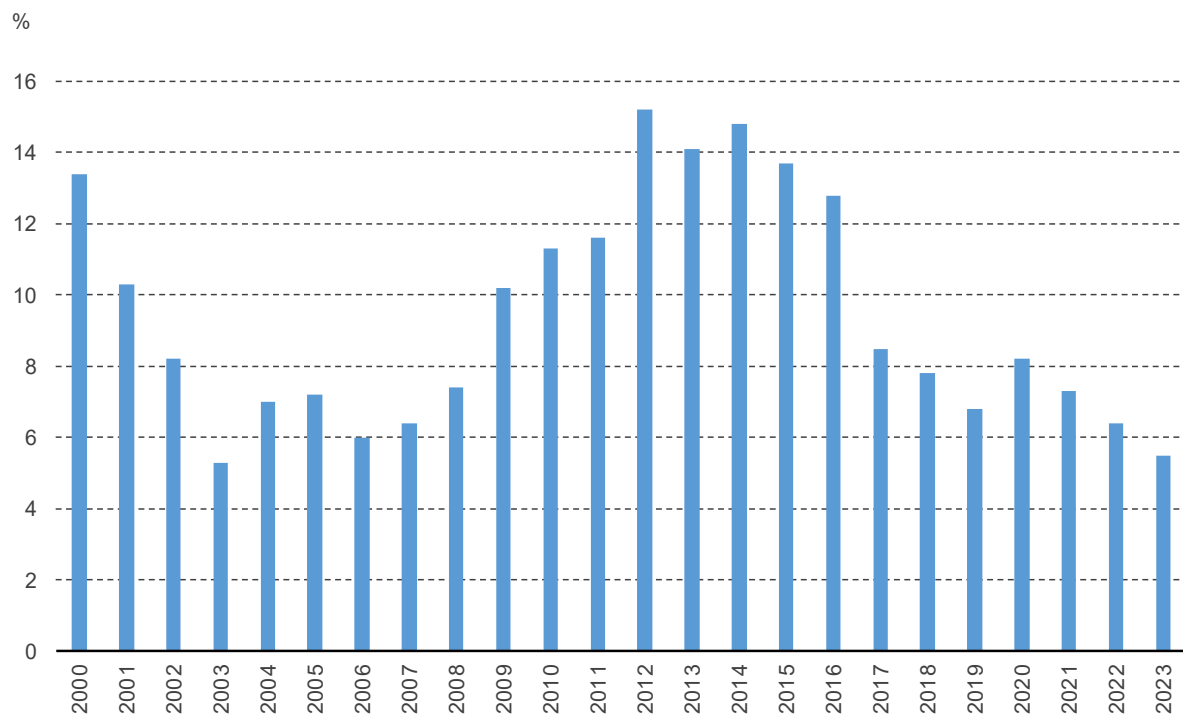
## Chapter 8

# Information on implicit and contingent liabilities

The Government, through the Minister for Finance, may issue financial guarantees to third parties in support of Malta's economic development. The Maltese Government's policy on Government-guaranteed debt is focused on managing the financial risks tied to these guarantees. To limit exposure to contingent liabilities, the Government has reduced the issuance of new guarantees in recent years, leading to a significant decline in government-guaranteed debt, from 15.2 per cent of Gross Domestic Product (GDP) in 2012 to 5.5 per cent in 2023.

Under the new provisions of the Government Borrowing and Management of Public Debt Act (Cap. 575), all guarantee requests submitted for the Minister's consideration must undergo an assessment by the Treasury Department. The Treasury is responsible for evaluating the risk associated with the guarantee and providing a detailed analysis

Figure 3  
**Government Guaranteed Debt**  
% GDP





of the risk quality and level. Additionally, when a loan is guaranteed under this Act, the borrower is required to pay a fee to the Government, unless the Minister decides otherwise. This fee reflects the credit risk and is set at a rate determined by regulations under the Act. The Government also actively monitors existing guarantees. The Treasury Department must regularly assess the financial risks associated with all outstanding guaranteed loans to ensure these liabilities do not pose undue risks to public finances.

Although the legislative framework is still not yet fully implemented, the Government's contingent liabilities are largely governed by administrative controls, ensuring a cautious and controlled approach to managing Government-guaranteed debt.







Table A.2  
Macroeconomic Scenario

	ESA code	2023	2023	2024	2025	2026	2027	2028
		bn NAC		Growth rates %				
<b>GDP</b>								
Real GDP	B.1*g		7.5	4.9	4.4	4.4	4.5	4.6
GDP Deflator (2015 = 100)			5.3	3.1	2.6	2.6	2.6	2.6
Nominal GDP	B.1*g	20.7	13.2	8.2	7.1	7.1	7.2	7.3
		bn NAC		Growth rates %				
<b>Components of real GDP</b>								
Private consumption expenditure	P.3		11.2	4.6				
Government consumption expenditure	P.3		2.9	1.3				
Gross fixed capital formation	P.51		-18.2	4.7				
Changes in inventories and net acquisition of valuables (% of GDP)	P.52+P.53							
Exports of goods and services	P.6		4.7	4.4				
Imports of goods and services	P.7		-0.4	3.8				
Contribution to real GDP growth:								
Final domestic demand			1.0	3.2				
Changes in inventories and net acquisition value	P.52+P.53		0.0	0.0				
External balance of goods and services	B.11		6.5	1.7				
					Growth rates %			
<b>Deflators and HICP</b>								
Private consumption deflator			6.1	2.9				
p.m. HICP			5.6	2.5				
Government consumption deflator			4.7	3.4				
Investment deflator			6.4	2.4				
Export price deflator (goods and services)			3.3	2.6				
Import price deflator (goods and services)			3.4	2.4				
			Levels		Growth rates %			
<b>Labour market</b>								
Domestic employment (1000 persons, national accounts)		308.2	6.1	4.7				
Average annual hours worked per person employed		1,813.9	1.9	0.0				
Real GDP per person employed			1.3	0.2				
Real GDP per hour worked			-0.5	0.2				
Compensation of employees (bn NAC)	D.1	8.2	8.5	9.6				
Compensation per employee		26,569.6	2.3	4.6				
					per cent			
Unemployment rate (%) (1000 persons)			3.1	3.1				
					Growth rates %			
<b>Potential GDP and components</b>								
Potential GDP			5.2	5.1	4.8	4.6	4.6	4.6
Contribution to potential growth								
Labour			2.6	2.7				
Capital			1.4	1.4				
Total factor productivity			1.2	0.9				
					% pot. GDP			
Output gap			-0.0	-0.2	-0.6	-0.8	-0.9	-0.9



Table A.3  
**External Assumptions**

	2023	2024	2025	2026	2027	2028
			% Annual average			
Short-term interest rate	3.8	3.6	2.8	2.8	2.8	2.8
Long-term interest rate	3.7	3.5	3.5	3.6	3.7	3.7
			Annual average			
USD/EUR exchange rate	1.08	1.09	1.11	1.13	1.13	1.13
NAC/EUR exchange rate (only for non-EA Member States)	0.87	0.86	0.86	0.86	0.86	0.86
			Growth rates %			
World real GDP (excluding EU)	0.5	0.8	1.2	1.4	1.3	1.2
EU real GDP	0.6	1.0	1.6	1.4	1.3	1.2
World import volumes, excluding EU						
			Brent, USD/barrel			
Oil prices	82.5	86.8	83.7	83.2	83.2	83.2



Table A.4  
Budgetary Projections

	ESA code	2023	2023	2024	2025	2026	2027	2028
		bn NAC			% of GDP			
<b>Revenue</b>								
Taxes on production and imports	D.2	1.9	9.4	9.9				
Current taxes on income, wealth, etc	D.5	2.4	11.8	12.5				
Social Contributions	D.61	1.1	5.2	5.1				
Other current revenue	(P.11+P.12+P.131) +D.39+D.4+D.7	0.8	4.0	3.8				
Capital taxes	D.91	0.0	0.2	0.1				
Other capital revenue	D.92+D.99	0.2	0.9	1.5				
Total Revenue	TR	6.5	31.4	32.8				
Of which: Transfers from the EU (accrued revenue)	D.7EU+D.9EU	0.2	1.1	1.5				
Total revenue other than transfers from the EU		6.3	30.3	31.3				
p.m. Revenue measures (increments excluding EU funded measures)		0.1	0.4	0.4				
p.m. One-off revenue included in the projections (levels, excluding EU funded measures)		0.0	0.0	0.0				
<b>Expenditure</b>								
Compensation of employees	D.1	1.9	9.4	10.1				
Intermediate Consumption	P.2	1.5	7.3	7.4				
Interest Expenditure	D.41	0.2	1.0	1.2	1.3	1.3	1.4	1.4
Social benefits other than social transfers in kind	D.62	1.4	6.8	7.1				
Social transfers in kind via market producers	D.632	0.2	0.9	0.9				
Subsidies	D.3	0.7	3.6	2.5				
Other current expenditure	D.29+(D.4- D.41)+D.5+D.7+D.8	0.4	2.0	2.6				
Gross fixed capital formation	P.51	0.7	3.3	4.2				
Of which: Nationally financed public investment		0.6	2.9	3.4	3.3	3.2	3.1	3.0
Capital transfers	D.9	0.3	1.6	0.8				
Other capital expenditure	P.52+P.53+NP	0.0	0.0	-0.0				
Total Expenditure	TE	7.4	36.0	36.8				
Of which: Expenditure funded by transfers from the EU	D.7EU+D.9EU	0.2	1.1	1.5				
Nationally financed expenditure		7.2	34.9	35.3				
p.m. National co-financing of programmes funded by the Union		0.1	0.3	0.0				
p.m. Cyclical component of Unemployment benefits		-0.0	-0.0	0.0				
p.m. One-off expenditure included in the projections (levels, excluding EU funded measures)		0.0	0.0	0.0				
Net nationally financed primary expenditure (before revenue measures)		6.9	33.6	34.1				
Growth rates %								
<b>Net nationally financed primary expenditure</b>				7.4	6.0	5.8	5.8	6.1
Net nationally financed primary expenditure growth				7.4	6.0	5.8	5.8	6.1
		bn NAC			% of GDP			
<b>Balances</b>								
Net lending/borrowing	B.9	-1.0	-4.6	-4.0	-3.8	-3.4	-3.0	-2.6
Primary balance	B.9-D.41p	-0.7	-3.6	-2.8	-2.5	-2.1	-1.6	-1.2
<b>Cyclical Adjustment</b>								
Structural balance			-4.6	-4.0	-3.5	-3.0	-2.6	-2.2
Structural primary balance			-3.5	-2.7	-2.2	-1.7	-1.2	-0.8
<b>Debt</b>								
Gross debt		9.8	47.3	49.2	49.8	49.9	49.5	48.8
Change in gross debt		0.8	-2.0	1.9	0.6	0.1	-0.4	-0.8
Contributions to changes in gross debt								
Primary Balance			3.6	2.8	2.5	2.1	1.6	1.2
Snowball effect			-4.5	-2.3	-1.9	-2.0	-1.9	-1.9
Interest expenditure			1.0	1.2	1.3	1.3	1.4	1.4
Growth			-3.3	-2.1	-2.0	-2.1	-2.1	-2.1
Inflation			-2.3	-1.4	-1.2	-1.2	-1.2	-1.2
Stock flow adjustment			-0.9	1.4	0.1	0.0	0.0	0.0
per cent (%)								
p.m. Implicit interest rate on debt			2.4	2.8	2.7	2.8	2.9	3.0



Table A.5  
**Estimated impact of discretionary revenue measures**

	One-off	Expenditure/ Revenue	Sub-sector	ESA code	2023	2024
						% of GDP
<b>Efficiency in revenue collection: The use of digital tools and data-led intelligence to enhance the efficiency and effectiveness of tax collection</b>	No	Revenue	S.13	D.211	-0.01	0.11
Revenue from Citizenship by Investment Scheme	No	Revenue	S.13	P.10	0.14	0.30
Duty on Documents: Reduced tax on the transfer of immovable property payable by buyers	No	Revenue	S.13	D.214	0.02	0.04
Capital Transfer Duty: Reduced tax on the transfer of immovable property payable by sellers	No	Revenue	S.13	D.51	0.28	-0.00
<b>TOTAL</b>					<b>0.44</b>	<b>0.45</b>



Table A.6

**Indicative revenue and expenditure measures envisaged in the plan**

Title/Description measure	Impact on revenue or expenditure	Planned implementation date
Comprehensive review of Malta's tax system, including structure and rates		Q1 2025
Third pillar tax credits		Q1 2025



Table A.7a  
**Debt and headline balance projections and key underlying assumptions (under the planned fiscal path)**

	unit	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Gross Debt	% of GDP	47.3	49.2	49.8	49.9	49.5	48.8	47.8	46.7	45.5	44.6	43.8	43.2	42.7	42.5	42.3	42.3
General government balance	% of GDP	-4.6	-4.0	-3.8	-3.4	-3.0	-2.6	-2.4	-2.2	-2.1	-2.0	-2.0	-2.0	-2.0	-2.0	-2.1	-2.1
Structural primary balance	% of pot. GDP	-3.5	-2.7	-2.2	-1.7	-1.2	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Cyclical component	% of pot. GDP	0.0	0.1	0.3	0.4	0.4	0.4	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
One-off measures	% of GDP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenditure	% of GDP	1.0	1.2	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Long-term interest rate	per cent (%)	3.7	3.5	3.5	3.6	3.7	3.7	3.8	3.9	4.0	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Short-term interest rate	per cent (%)	3.6	3.6	2.8	2.8	2.8	2.8	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.6	2.6	2.5
Implicit average interest rate	per cent (%)	2.4	2.8	2.7	2.8	2.9	3.0	3.1	3.1	3.2	3.3	3.3	3.4	3.4	3.5	3.5	3.6
Stock-flow adjustment	% of GDP	-0.9	1.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Potential GDP	Growth rates (%)	5.2	5.1	4.8	4.6	4.6	4.6	4.6	4.5	4.3	4.2	4.1	3.8	3.4	3.1	3.0	2.8
Real GDP	Growth rates (%)	7.5	4.9	4.4	4.4	4.5	4.6	4.9	4.8	4.6	4.2	4.1	3.8	3.4	3.1	3.0	2.8
GDP deflator	Growth rates (%)	5.3	3.1	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.4
Nominal GDP	Growth rates (%)	13.2	8.2	7.1	7.1	7.2	7.3	7.6	7.5	7.3	6.8	6.8	6.4	6.0	5.6	5.5	5.3



Table A.7b  
Debt projections and key stressed variables, deterministic scenarios and stochastic simulations

	unit	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
<b>Financial stress test scenario</b>																	
Gross debt	% of GDP	47.3	49.2	49.9	50.1	50.0	49.7	49.2	48.5	47.8	47.4	46.9	46.7	46.7	46.8	47.1	47.5
Long-term interest rate	per cent (%)	3.7	3.5	3.5	3.6	3.7	3.7	4.8	3.9	4.0	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Short-term interest rate	per cent (%)	3.6	3.6	2.8	2.8	2.8	2.8	3.8	2.8	2.7	2.7	2.7	2.7	2.7	2.6	2.6	2.5
<b>Lower SPB scenario</b>																	
Gross debt	% of GDP	47.3	49.2	49.9	50.1	50.0	49.7	49.1	48.8	48.7	48.7	48.7	48.9	49.3	49.9	50.6	51.5
Structural primary balance	% of pot. GDP	-3.5	-2.7	-2.4	-2.0	-1.6	-1.3	-1.5	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8
<b>Adverse 'r-g' scenario</b>																	
Gross debt	% of GDP	47.3	49.2	49.9	50.1	50.0	49.7	49.3	49.0	48.5	48.3	48.2	48.3	48.5	49.0	49.7	50.4
Long-term interest rate	per cent (%)	3.7	3.5	3.5	3.6	3.7	3.7	4.3	4.4	4.5	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Short-term interest rate	per cent (%)	3.6	3.6	2.8	2.8	2.8	2.8	3.3	3.3	3.2	3.2	3.2	3.2	3.2	3.1	3.1	3.0
Real GDP	Growth rates (%)	7.5	4.9	4.5	4.5	4.5	4.6	4.3	4.2	4.1	3.7	3.6	3.3	2.9	2.6	2.5	2.3
Potential GDP	Growth rates (%)	5.2	5.1	4.8	4.6	4.6	4.6	4.1	4.0	3.8	3.7	3.6	3.3	2.9	2.6	2.5	2.3
<b>Stochastic Simulations</b>																	
Probability of debt being below its value in T+4	per cent (%)															57.3	

Table A.8  
**Reforms and Investments**

		RRF/PA <sup>1</sup>	Country Specific Recommendations	Common Union Priorities <sup>2</sup>
1	In the medium-term, Government aims to address the current deficit, ensure fiscal sustainability, and foster economic resilience and stability, with plans to limit net expenditure growth to a rate consistent with reducing the general Government deficit by 0.5 percentage points annually, on average		CSR2024.1.1	2
2	Enhancing the digitalisation aspect of the public sector, focusing on customer service, tourism, utilities and education, healthcare and transport. Integrating the projects that have been executed into the Malta Digital Innovation Authority's (MDIA) Technology Assurance Sandbox (TAS)		CSR2021.1.3	1
3	Digitalisation and modernisation of the public administration by establishing the Document Management Unit (DMU) to drive the transitions towards a 'less paper' culture by implementing a Corporate Document Management System (CDMS) in line with existing policies and regulations		CSR2023.1.3	1
4	Digitalisation of the Merchant Shipping Directorate within Transport Malta in an account management system which will eventually result in the conversion of 15,000 physical files to digital files and make them electronically available	RRF (Investment C3-I2)	CSR2024.2.1	1
5	Further digitalisation and modernisation of the public administration to provide better customer experience to citizens and business organisation, to be fulfilled by end of 2025	RRF (Investment C3-I3)	CSR2024.2.1	1

<sup>1</sup> The 'RRF/PA' column is denoting 'RRF' if the reform/investment is also part of Malta's RRF; 'PA' if the reform/ investment is supported under the umbrella of Malta's partnership agreement and empty otherwise. For reforms and investments stemming from the RRF, a reference to the measures in the Council Implementing Decision of 5 October 2021 on the approval of the assessment of the recovery and resilience plan for Malta, is also being included.

<sup>2</sup> The European Union Common Priorities are: (i) a fair green and digital transition, including consistency with the European Climate Law; (ii) social and economic resilience, including the European Pillar of Social Rights; (iii) energy security; and (iv) where necessary, the build-up of defence capabilities.

6	Strengthening the resilience, security and efficiency of the government digital backbone and investing in appropriate digital solutions, devices and tools. The investment shall be complemented by digital training provided to public officers and awareness campaigns, notably on cybersecurity, targeted for 2025	RRF (Investment C3-I1)	CSR2024.2.1	1
7	Rolling out measures to intensify the digitalisation of the private sector consisting of grant schemes for businesses to invest in hardware, software and digital solutions to enhance their operations and explore new business opportunities	RRF (Investment C3-I4)	CSR2020.3.3	1
8	Continued support for local businesses in promoting innovative tech solutions on local and international level in collaboration with Malta Enterprise, MIMCOL, MCST, MDB and Tech.mt		CSR2020.3.3	1
9	Digitisation reforms to enhance the Malta Business Registry's 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		CSR2020.3.3	1
10	Implementation of Malta's Smart Specialisation Strategy 2021-2027, with a focus on fostering business R&I and strengthening public-private cooperation, including supporting a number of undertakings through the inter-agency account management between Malta Enterprise and Xjenza Malta	RRF (Reform C3-R2)	CSR2020.3.7	2
11	Implementation of the National R&I Strategic Plan 2023-2027, intended to reform Malta's R&I ecosystem and further embed innovation and research in the economy		CSR2020.3.7	2
12	Government is investing in research and innovation through Xjenza Malta, with initiatives including the Digital Technologies Programme in collaboration with the Malta Digital Innovation Authority, and additional calls for the Research Excellence Programme, Technology Development Programme Lite, and the Research Networking Scheme		CSR2020.3.7	2
13	Launching of co-funding calls by Xjenza Malta towards the promotion of the energy transition as a member of the Clean Energy Transition Partnership	PA	CSR2020.3.7	2

14	Launching of annual joint calls by Xjenza Malta to support transnational initiatives related to the Blue Economy as a member of the Sustainable Blue Economy Partnership	PA	CSR2020.3.7	2
15	Continued efforts to take part in another two co-funded Horizon Europe Partnerships related to health and cultural heritage, administered locally by Xjenza Malta	PA	CSR2020.3.7	2
16	Supporting the EU's priorities in the space sector through the five-year agreement signed with the European Space Agency under the Plan for European Cooperating States (PECS) membership		CSR2020.3.7	2
17	Implementing the 30 measures included in the Malta Pension Action Plan 2021-2027 focusing on the sustainability and the adequacy of pensions		CSR2019.1.1	2
18	Enhancing the sustainability and adequacy of Malta's pensions system through ongoing work for the upcoming Pensions Strategy Review of 2025		CSR2021.1.4 CSR2019.1.1	
19	Improved the incentive mechanism to postpone retirement, with those who do so getting a higher top up to their pension for every additional year they stay in employment until they reach 65 years of age		CSR2019.1.1	2
20	Private and public pension income is gradually being excluded from taxable income, ultimately reaching 100 per cent exclusion in 2026		CSR2019.1.1	2
21	Plans to introduce automatic enrolment in private pension schemes with voluntary withdrawal		CSR2019.1.1	2
22	Implementing the proposed 'Social Plan for Families' to be launched at end of 2024 aiming to reduce social inequalities, promote healthy family relationships provide essential skills and knowledge, and address Malta's low fertility rates		CSR2020.2.1	2
23	Advance efforts to launch a Children's Policy Framework 2024-2030 to build on the current Child Guarantee National Action Plan (NAP) which is to be recalibrated in 2025		CSR2020.2.1 CSR2024.3.1	2
24	Continued efforts to launch the forthcoming National Strategy for Poverty Reduction and Social Inclusion 2025-2035 to fulfil national commitments such as reducing the AROPE		CSR2020.2.1 CSR2024.3.1	2

25	Malta Enterprise is developing a Start-up Framework to simplify administration and support startup growth and sustainability, thereby providing an eco-system which is agile to the needs of operators, allowing them to get off the ground more easily, scale-up and be sustainable		CSR2023.3.3	2
26	The Government has launched the SME Enhance Aid Scheme, aiming to improve productivity through initial investments in operations by providing non-repayable grants to support SMEs in expansion, diversification, and innovation	PA	CSR2023.3.3	2
27	With a focus on improving productivity, the Government will offer, through the Start-up Enhance Aid Scheme, non-repayable grants to micro and small start-ups for investment in tangible and intangible assets	PA	CSR2023.3.3	2
28	The Business Reports Grant Scheme supports SMEs through non-repayable grants in the form of a lump sum to part-finance business reports procured from external consultancy service providers	PA	CSR2023.3.3	2
29	The Feasibility Study Scheme aims to stimulate R&I capacities by helping micro, SMEs and Small Mid-Cap enterprises with the cost of researching proposed business ideas to assess viability and sustainability	PA	CSR2023.3.3	2
30	A new Financial Instrument under InvestEU has been established to support SMEs in Malta, aiming to build a €60 million loan portfolio		CSR2023.3.3	2
31	The Malta Government Venture Capital Limited (MVC), a government-owned entity will manage a €10 million fund to invest in start-ups within innovative sectors such as AI, fintech, and green energy, providing equity or quasi-equity investments of up to €500,000 per start-up, in partnership with private investors		CSR2023.3.3	2
32	Improving road infrastructure focusing on the TEN-T roads, adoption of sustainable transportation measures and efforts to reduce traffic bottlenecks	PA	CSR2024.4.2	1
33	Promoting sustainable urban mobility initiatives, including investments in clean and active urban infrastructure such as pedestrian pathways and cycling lanes	PA	CSR2024.4.2	1

34	Stimulating the adoption and implementation of policies promoting the sustainability of the transport sector, including by encouraging the use of collective and multimodal transport	RRF (Reform C2-R1)	CSR2024.4.2	1
35	SMITHS project aiming to promote intramodality and improve air quality including upgrading the inner-harbour ferry system and promoting walking and cycling as eco-friendly commuting options		CSR2024.4.2	1
36	Constructing a multi-modal transport hub in Ta' Xhajma Xewkija (Gozo), where the majority of the construction works on the hub shall be completed by the end of 2024		CSR2024.4.2	1
37	An integrated Intelligent Transport System service platform, to provide real time traffic data and travel information is under development	PA	CSR2024.4.2	1
38	Improved urban mobility solutions under the Sustainable Urban Mobility Plan for the Valletta region are targeted for implementation by mid-2025	RRF (Reform C2-R3)	CSR2024.4.2	1
39	Regeneration areas created in urban areas for open and car free spaces	RRF (Reform C2-R4)	CSR2024.4.2	1
40	Providing onshore electricity power supply for berthed vessels in the Southern Region of the Grand Harbour area	PA	CSR2023.4.1	1
41	Providing shore-to-ship electricity at the Malta Freeport, estimated to be completed by 2025	PA	CSR2023.4.1	1
42	The expansion of the Formulary List aimed at improving and enhancing the accessibility of healthcare		CSR2021.1.2	2
43	The Government plans to invest in primary care by expanding the health workforce		CSR2021.1.2	2
44	Opening new community clinics, modernising existing clinics and upgrading key healthcare facilities, including exploring the development of modern medical infrastructure in Gozo		CSR2021.1.2	2
45	Plans are underway to invest €2.5 million to install advanced medical equipment, including an Optical Coherence Tomography, Visual Field Analyzer, CT Scan, and MRI, as part of the newly refurbished St. Vincent de Paul's (SVP) Ruzar Briffa Complex		CSR2021.1.2	2

46	Implementation of a Health Workforce Strategy for 2030, in collaboration with the WHO, to guide capacity building over the coming years in the Maltese Public Health Service, including recruiting specialists, supporting young specialists and investing in teleconsultation measures	PA	CSR2021.1.2	2
47	Developing and implementing a health policy framework to address obstacles to the hiring and retention of foreign health workers	RRF (Reform C4-R1)	CSR2021.1.2	2
48	Establishing a Blood, Tissue and Cell Centre aimed at alleviating the dependency of Malta on other countries for the provision of blood, tissue and cell therapies needed in medical interventions and treatments	RRF (Investment C4-I1)	CSR2021.1.2	2
49	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		CSR2021.1.2	2
50	Digitalisation of pathology services provided at the histopathology department within Mater Dei	RRF (Investment C4-I2)	CSR2024.3.1	2
51	The Government is committed to implementing the RRP as scheduled, meeting all milestones and targets set in the revised Council Implementing Decisions of July 14, 2023		CSR2024.2.1	1 & 2 & 3
52	Following the European Commission's approval of Malta's Partnership Agreement in 2022, the implementation of the ERDF/CF/JTF, ESF+, and EMIFAF programmes commenced in early 2023, and will continue. Continuous close monitoring of selected operations and verification of payments further ensures the efficient implementation of the programmes		CSR2024.2.1	1 & 2 & 3
53	Enhancing the employability and skill levels of the workforce by providing funding for training and development through the Investing in Skills Scheme, which will be available till 2027		CSR2024.3.1	2
54	Implementation of the National Lifelong Learning Strategy 2023-2030 through continued promotion of lifelong learning, prioritising adult education and skill development, including offering free basic skills programmes for individuals beyond compulsory school age who need support in literacy, numeracy, and digital skills and emphasised participation in upskilling and reskilling programmes		CSR2024.3.1 CSR2020.2.2	2





55	Implementing several recommendations from the National Employment Policy 2021-2030		CSR2024.3.1	2
56	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. Initiatives include the Free Childcare Scheme, provision of breakfast clubs and after-school care services are ongoing		CSR2024.3.1 CSR2020.2.2	2
57	Implementation of the Gender Equality and Mainstreaming Strategy and Action Plan (GEMSAP) for 2022-2027 committing 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	RRF (Reform C5-R5)	CSR2024.3.1 CSR2020.2.2	2
58	The National Commission for the Promotion of Equality (NCPE) is committed to raise public awareness on the wage disparity between men and women. Additionally, the Development of the Equal Pay Tool by the NCPE is aimed at assisting companies in ensuring equal pay for work of equal value between genders		CSR2024.3.1 CSR2019.2.2	2
59	Other reforms aimed at bolstering the resilience of the labour market and advance gender equality as outlined in Malta's Employment Strategy include activating older workers, particularly women aged 55-64, supporting low-skilled adults, and narrowing the gender employment gap	RRF (Reform C5-R5)	CSR2024.3.1 CSR2020.2.2	2
60	The implementation of the new National Education Strategy (NES) 2024-2030 based on three pillars; (i) Wellbeing; (ii) Growth & Empowerment; and (iii) Equity & Inclusion, including a monitoring mechanism to guide and measure policy development and interventions, ensuring targets and objectives remain relevant to educational needs and realities		CSR2024.3.1 CSR2020.2.2	2
61	Government is actively developing a Strategy on Addressing PISA 2022 Challenges as part of the revision of the National Curriculum Framework (NCF)		CSR2024.3.1 CSR2020.2.2	2
62	Implementation of the 'Early Leaving from Education and Training – The Way Forward 2023-2030' Strategy, aiming to reduce the percentage rate of early school leavers to 9.0 per cent or lower by 2030. A newly established Directorate for Planning and Strategic Foresight will monitor the progress		CSR2024.3.1 CSR2020.2.2	2

63	of national education strategies, including the Early Leaving from Education and Training (ELET) strategy	RRF (Reform C5-R4)	CSR2024.3.1 CSR2020.2.2	2
64	The Government is developing a comprehensive education policy monitoring system, set for completion by the end of 2025. This system will require monthly progress reports from policy owners, which will inform quarterly Strategic Management Board meetings and culminate in an annual report summarising the status of all education policies reviewed from 2021 to 2030		CSR2024.3.1	2
65	The Government is working on the continued provision of the Reading Recovery Programme, which enables the lowest achieving children aged 6 to reach expected levels of reading		CSR2024.3.1	2
66	Government will continue to require compliance with specific standards for licensing early childhood education services			
67	The provision of appropriate educational support will be ongoing. The Foundation for Educational Services (FES) Inclusion Unit provides additional support to children who need help keeping up with their peers. In addition, learning support educators are assigned to students with a statement of needs in both kindergarten and compulsory school		CSR2024.3.1 CSR2020.2.2	2
68	Continuation of the 'MyJourney' programme to support children's diverse needs with quality learning programmes at levels 1-3		CSR2024.3.1 CSR2020.2.2	2
69	Starting from the academic year 2024/25, seventh-year students will receive new laptops to bridge the digital gap (through the One Device Per Child (ODPC) programme, and the initiative to provide one tablet per child will be extended beyond primary school	PA	CSR2024.3.1	2
69	Implementation of Malta's National Literacy Strategy 2021-2030, including through the promotion of multilingualism in Maltese and English among 7 to 11-year-olds, initiatives like distributing book sets, developing Maltese audiovisual materials, modernising classroom libraries, and expanding educational programmes, and the Footballer's Read and Write Programme and other targeted programmes managed by the National Literacy Agency		CSR2024.3.1 CSR2020.2.2	2

70	Strengthening of skills through the implementation of measures included in the Basic Skills Strategy and the e-college platform, which provides online courses aimed at upskilling and reskilling	RRF (Reform C5-R2)	CSR2024.3.1	2
71	Development of the first National Skills Strategy with technical assistance from the OECD to identify and address future skills gaps to adapt to evolving workforce dynamics		CSR2024.3.1	2
72	Implementation of the 'Ultimate AI Launchpad – A Strategy and Vision for Artificial Intelligence in Malta 2030', which amongst others, aims to develop an Education Data Warehouse to enhance decision-making in education and to identify individuals at risk of becoming ELET	RRF (Reform C5-R1)	CSR2024.3.1	2
73	Implementation of the National Strategic Action Plan for Further and Higher Education (2022-2030)		CSR2024.3.1	2
74	A new Higher Education Programme Accreditation Standards and Procedures document (currently at consultation stage) will take effect in 2025		CSR2024.3.1	2
75	MCAST will continue to provide personalised services to students, aiming to expand its range of support services, through its Centre for Learning and Employability. MCAST's Apprenticeship's scheme will continue to be enhanced in order to boost apprenticeship participation		CSR2024.3.1	2
76	The Malta Development Bank, through the "Further Studies Made Affordable" (FSMA) Financial Instrument (FI), is enhancing access to education for students and professionals seeking to further their studies both in Malta and abroad	PA	CSR2024.3.1	2
77	Jobsplus will continue offering a variety of free training courses aimed at enhancing employability and skill levels among both job seekers and current employees, covering a broad range of topics, including green and digital skills, health and safety, hospitality, ICT and language skills		CSR2024.3.1	2
78	Providing third-country nationals assistance in acquiring basic skills as well as courses in Maltese and English as foreign languages through the 'I Belong' Programme		CSR2024.3.1 CSR2020.2.2	2

79	Facilitation of improved access to the labour market for disabled individuals by a collaboration between Jobplus and the Lino Spiteri Foundation through active legislative measures		CSR2024.3.1 CSR2020.2.2	2
80	Continuous training in inclusive pedagogy for teachers and learning support educators to complement the structural changes, ensuring that educators are well-equipped to support diverse student needs effectively	RRF (Reform C5-R3)	CSR2024.3.1 CSR2020.2.2	2
81	Aġenzija Sapport will continue supporting initiatives, varying from job shadowing opportunities to formal training, aimed at broadening employee perspectives and improve services for people with disabilities	PA	CSR2024.3.1 CSR2020.2.2	2
82	Aġenzija Sapport is partnering with members of the University of Malta's Faculty of Engineering on the MASCO (Development of a sMart And Sustainable inClusive wOrksTation) Project		CSR2024.3.1 CSR2020.2.2	2
83	Implementation of Malta's 2021-2030 National Strategy on the Rights of Disabled Persons, Freedom to Live, including the rolling out of various specific initiatives which aim to address and improve social inclusion within the educational sector		CSR2024.3.1 CSR2020.2.2	2
84	Recognising the importance of digital literacy in modern education and employment, Malta will support training programmes that equip students with disabilities with essential digital skills		CSR2024.3.1 CSR2020.2.2	2
85	Development and implementation of a pre-employment, employment, and job retention strategy, to provide continuous support to disabled individuals. This includes adaptations in the workplace, personalised support services, enabling disabled employees to perform their roles effectively and improve career guidance services		CSR2024.3.1 CSR2020.2.2	2
86	Implement outreach and detached youth work programmes aimed at engaging disabled youths		CSR2024.3.1 CSR2020.2.2	2
87	The Government will launch a media campaign and establish an inclusive employer certification to raise awareness and encourage inclusive hiring practices		CSR2024.3.1 CSR2020.2.2	2
88	Enhancing the Global Citizenship Education (GCED), Education for Sustainable Development (ESD) and Learning for Sustainability (Lfs) implementation at all levels		CSR2024.3.1 CSR2023.4.6	2

89	Launching GCED Training and Learning centres to serve as specialised educator training facilities for the younger generation towards holistic sustainable development	CSR2024.3.1 CSR2023.4.6	2
90	Implementation of the Digital Education Strategy 2024-2030	CSR2024.3.1	2
91	Continuation of efforts to promote a smoother local and global shift into the green transition with programmes such as Eco-Schools and Dinja Waħda	CSR2024.3.1 CSR2023.4.6	2
92	Extending scholarships and grants tailored to emphasise green skills and sustainability	CSR2024.3.1 CSR2023.4.6	2
93	Offering opportunities for professional development for educators with a focus on digital competences	CSR2024.3.1 CSR2023.4.6	2
94	Tertiary education institutions namely, UoM and MCAST offer courses on green skills, environmental stewardship, sustainability and science and community social responsibility	CSR2024.3.1 CSR2023.4.6	2
95	Mapping training opportunities in the area of green skills with a view to addressing workforce preparedness for the green and digital transition	CSR2024.3.1 CSR2023.4.6	2
96	Malta Enterprise supports businesses with the Skills Development Scheme, offering training to newly recruited and existing employees to acquire the necessary skills including green and digital skills	CSR2024.3.1 CSR2023.4.6	2
97	Jobsplus are offering two training programmes focusing on green and digital skills, through the SMARTLY Project aiming to enhance Malta's supply of required green and digital skills while boosting the employability of youth NEETs in key sectors	CSR2024.3.1 CSR2023.4.6	2
98	Commissioning another edition of the NEETs Census, which aims to provide an in-depth understanding of NEETs (15-29-year-olds) by examining various personal characteristics, including their awareness of digital and green skills	CSR2024.3.1 CSR2023.4.6	2
99	Jobsplus will be reinforcing the Youth Guarantee Scheme (Youth Guarantee 3.0) from 2024-2028	CSR2024.3.1	2
100	Strengthening of efforts to increase electric vehicle uptake through various measures including an electric vehicle purchase scheme along with another scheme for used electric vehicles, a scrappage initiative, registration tax	CSR2024.4.2 CSR2023.4.1	1

101	relief, five-year road licence fee exemption and lower per unit cost of electricity during off-peak hours	RRF (Investments C2-I2, C2-I3, C2-I4)	CSR2024.42 CSR2023.4.1	1
102	Financial support towards the EV purchase schemes for private electric vehicles, public transport fleet and the Government fleet of general use vehicles	RRF (Reform C2-R6)	CSR2024.42 CSR2023.4.1	1
103	Mobility management in the public services will also be enhanced through an increase in shared mobility	PA	CSR2024.4.2 CSR2023.4.1	1
104	200 public charging points to be installed by end of 2024 and another 1,000 charging points to be developed in subsequent years	RRF (Reform C7-R1)	CSR2024.4.1	1 & 3
105	Reform to review existing permitting systems and streamline processes for renewable projects	RRF (Investment C1-I5)	CSR2023.4.1	1
106	Installation of photovoltaic infrastructure in various public spaces, including roads, footpaths and open spaces	RRF (Investment C7-I1)	CSR2024.4.1	3
107	Strengthening and widening the electricity distribution network, including grid extension, distribution services	RRF (Investment C7-I1)	CSR2024.4.1 CSR2020.4.3	3
108	Contract for designing of a 10MWh battery storage facility		CSR2023.4.2	1
109	Schemes encouraging the promotion of energy audits in SMEs, in line with new State Aid Regulations, are planned to continue at least up till the end of 2026		CSR2023.4	1
110	Continuation of several programmes aimed at promoting the adoption of renewable energy technologies and increasing the efficiency for households and businesses, including to encourage the installation of photovoltaic panels and battery storage systems which are supplemented by feed-in tariff programmes		CSR2023.4.2	1

	businesses, including the 'Roof insulation and Double-Glazing Retrofitting' Scheme and the 'Investment Aid for Energy Projects' Scheme			
111	Continue enhancing the primary water network		CSR2023.4.4 CSR2019.3.3	1
112	Installation of more energy-efficient aeration equipment in Ta' Barkat Wastewater Treatment Plant scheduled to be completed in 2024		CSR2023.4.4 CSR2019.3.3	1
113	PV panel installations at the Water Services Corporation (WSC) with a combined 2.7MW peak output are expected to be completed by mid-2025		CSR2023.4.1 CSR2023.4.2	1
114	Renovating, by 2025, a number of public buildings as part of measures targeting renewable energy and energy efficiency	RRF (Investments C1-11 and C1-12)	CSR2023.4.4	1
115	A second interconnection between Malta and Sicily is to be commissioned by end of 2026 to cater for increased electricity demand	PA	CSR2024.2.1	1 & 3
116	Construction and operation of the Waste to Energy plant in Malta, aimed towards diverting non-recyclable waste from landfills, will be equipped with two operational lines, each with a capacity of 96,000 tonnes		CSR2020.3.6	1
117	Commissioning of the Organic Processing Plant, which will convert waste into biogas and agricultural compost is planned for 2028	PA	CSR2020.3.6	1
118	The Thermal Treatment Facility will process hazardous waste such as clinical and pharmaceutical waste using environmentally sound technology. Energy in the form of heat will also be generated in the process. Commissioning is scheduled for 2028		CSR2020.3.6	1
119	The Skip Management Facility is aimed to process bulky waste, to be separated and reduce landfill waste while recovering valuable material, anticipated to handle 47,000 tonnes annually. Operation is being targeted to start by 2026		CSR2020.3.6	1
120	Fostering effective waste management through a robust waste governance framework including reforming the waste collection system	RRF (Reform C1-R2)	CSR2020.3.6	1
121	Developing a project that promotes access to water and sustainable water management with a focus on the optimisation of potable water facilities	PA	CSR2019.3.2	1



122	Enhancing the MFSA's supervisory capabilities to effectively integrate Environmental, Social, and Governance (ESG) into market monitoring and risk assessment processes	CSR2020.3.3		1 & 2
123	Continue promoting sustainable investment through Malta's ESG Portal offering investors access to data on ESG credentials, whilst also encouraging SMEs to identify and measure their ESG parameters	CSR2020.3.3		1 & 2
124	Complete the capacity building and enhancement of operational procedures aimed towards increasing the effectiveness and independence of the justice system	CSR2020.4.1	RRF (Reform C6-R4)	2
125	The entry into force of legislative changes deemed necessary by the independent review on the transfer of summary cases from the Police to the Attorney General's Office is due in 2026	CSR2020.4.1	RRF (Reform C6-R2)	2
126	Ongoing efforts to establish a separate prosecution service to delineate the functions of the judiciary and the prosecutorial bodies, including an independent review of the independence of specialised tribunals	CSR2020.4.1	RRF (Reform C6-R1)	2
127	Implementation of the reform concerning the judicial review of decisions not to prosecute and other decisions of the Attorney General, including the assignment of the status of injured party at law to specific institutions when reporting a corrupt practice	CSR2020.4.1	RRF (Reform C6-R7)	2
128	Implementing a number of secure digital solutions and tools to support justice sector users, including investing in the horizontal requirements to support this investment	CSR2020.4.1	RRF (Investment C6-I1)	2
129	Continue the reform of the committal proceedings aimed at streamlining the legal process, including a shift to document reliance over oral evidence, a one-year deadline for evidence compilation, and clear disclosure timelines for both prosecution and defence	CSR2020.4.1		2
130	Government is in the process of evaluating new legislation related to incentives for early guilty pleas and measures to minimise multiple court appearances for witnesses and victims	CSR2020.4.1		2
131	Establish a Criminal and Forensic Data Repository System (RMS) and a Laboratory Information Management System (LIMS) to enhance the Malta Police Force's capabilities by investing in data and technology	CSR2020.4.1	PA	2

132	The MPF is working on the procurement of Two Tethered Drones, an Automated Number Plate Recognition System, and the setting up of a Police Fusion Centre, all to be implemented until 2027	CSR2020.4.1	2
133	Rigorous internal audits within the Malta Police Force (MPF) to address performance, accountability and governance	CSR2019.2.2	2
134	Continue implementing the National Anti-Fraud and Corruption Strategy (NAFCS), including the creation of a database collating whistleblowing data that shall be operational and accessible by all anti-corruption entities	CSR2019.2.2	2
135	Enforcing the Anti-Fraud and Corruption Policy and the anonymous reporting system 'Break the Silence'	CSR2019.2.2	2
136	Continuation of ongoing screening of police officers and the implementation of the Drugs Misuse Policy including regular drug testing on all police officers	CSR2019.2.2	2
137	Increased investment within the Malta Police Force as per the Force's Transformation Strategy to a more flexible, efficient and data-driven force through the procurement of specialised vehicles and investing in the I2 software to enhance the Force's data processing capabilities	CSR2019.2.2	2
138	Establishing a common understanding among competent authorities and ensuring a strong risk understanding in the private sector as per the 2023 National Risk Assessment	CSR2020.4.2	2
139	Continue realise the FIAU's Strategy 2023-2026, including through investment in the FIAU with a subvention granted to the Unit of €11.5 million	CSR2020.4.2	2
140	Continuation of AML audits by the MGA on behalf or in conjunction with the FIAU to monitor activities and ensure compliance with AML laws and regulations	CSR2020.4.2	2
141	Implementation of several initiatives aimed at addressing aggressive tax planning, ongoing work includes the preparatory work on 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)	CSR2024.1.3	2



	project as well as the European Court of Auditors (ECA) visit on harmful tax competition within the Union			
142	Legislation related to inbound and outbound payments will be enacted in line with the RRP commitment	RRF (Reform C6-R11)	CSR2024.1.3	2
143	Implementing the Malta Tax and Customs Administration's (MTCA) Delivering Transformation Strategic Plan 2023 – 2025 which includes further investment in human capital and capacity building by incorporating Statistical Analysis Software in tax administration operations to mitigate risks		CSR2024.1.3	2



Table A.9

**Impact of the envisaged reforms and investments on economic activity, resilience, and sustainability**

	Economic Activity	Resilience	Sustainability
Implementation of Malta's 'National Artificial Intelligence Strategy'			
Establishing the Document Management Unit aimed at driving the transition towards a less paper culture			
Investments in the digitalisation and modernisation of public administration			
Malta Business Registry's digitisation reforms to enhance its online portal and company law framework			
Implementation of the 'Smart Specialisation Strategy (RIS3)' for 2021-2027			
Implementation of the 'National R&I Strategic Plan' 2023-2027			
Further investments and collaborations aimed at driving significant R&I advancements			
Tax incentives for post-retirement employment			
Efforts to enhance pension adequacy			
Diversification of retirement income through tax incentives and private pension schemes			
Launching the 'Social Plan for Families' and the 'National Strategy for Poverty Reduction and Social Inclusion 2025-2035'			
Housing affordability measures			
Various financial schemes aimed at further supporting private enterprises			
Venture Capital Scheme, offering flexible financing options tailored to the needs of innovative start-ups			
Road infrastructure updates			
Expansion of multi-modal transport hubs			
Provision of shore-to-ship electricity and LNG bunkering infrastructure			
Expansion of the Health Formulary List			
Investing in the primary care by increasing the health workforce and develop new infrastructure			
Procure and install an Optical Coherence Tomography and Visual Field Analyser, a new CT Scan and MRI within the Rużar Briffa Complex (SVP)			
Implementing the 'Health Workforce Strategy' for 2030 to build capacity in the future healthcare workforce			
Investment in Blood, Tissue, and Cell Centre, aimed at alleviating the dependency of Malta on other countries for the provision of blood, tissue and cell therapies			
Digitalisation of pathology services provided at the histopathology department within Mater Dei			
Expansion of Free Childcare Scheme			
Providing funding for training and development through the 'Investing in Skills Scheme'			
Implementation of the 'National Lifelong Learning Strategy' for 2023-2030, prioritising adult education and skill development			
Implementation of the 'National Education Strategy' 2024-2030, including developing a Strategy on Addressing PISA 2022 Challenges			
Continued implementation of Malta's 'National Literacy Strategy' 2021-2030, aimed at addressing low literacy skills			
Developing Malta's first National Skills Strategy			
TCNs with the right to work, asylum seekers, and migrants with protection status receive access to Jobsplus training, benefit from the Investing in Skills Scheme and receive support through advisory services			
Promotion of inclusive employment through enhancement and implementation of various strategies and outreach programmes			
Implementing the 'Education Strategy' 2024–2030, aimed at nurturing a knowledgeable, innovative, responsible and engaged younger generation towards holistic sustainable development			
Implementing the 'Digital Education Strategy' 2024-2030, aimed at minimising waste and lowering the carbon footprint of educational institutions			
Extending the EV purchase scheme, offering scrapping incentives for old vehicles and supporting voluntary organisations in transitioning to electric fleets and encouraging the purchase of used EVs			
Relief from registration tax, exemption from the annual road license fee for five years from the date of first registration and lower cost per unit of electricity consumed during off-peak hours for EV owners			
Introduce more public charging stations			
Reviewing existing permitting systems and streamline processes for renewable energy projects			
Strengthening and widening the electricity distribution network, including grid extension, distribution services, and designing a 10MWh battery storage facility			
Investment in public building renovations, photovoltaic infrastructure, and energy-efficient technologies			
Implementation of the 'Long-Term Waste Management Plan' for Malta (2021-2030)			
Enhancing judicial independence, digitalising court processes, and increasing institutional capacity, including the creation of a separate prosecution service and optimising case distribution			
Implementation of the National Anti-Fraud and Corruption Strategy, improving internal audits within the Malta Police Force, and developing a centralised repository for better collaboration among anti-corruption entities			
Investments focusing on rigorous risk assessments, including increased collaboration among financial institutions			
Legislative amendments and initiatives like the VISDAC project to tackle potential aggressive tax planning			

Table A.10  
**Investment Needs**

EU Common Priorities	Description of Malta's investment needs
<p>1a</p> <p>A fair green transition, including consistency with the European Climate Law</p>	<p>Malta's commitment to achieving climate neutrality in the EU by 2050 necessitates substantial public investment in various areas of the green transition. Malta is prioritising climate change mitigation, clean energy transition, and climate change adaptation to align with the EU Green Deal. Given Malta's limited natural resources and geographic constraints, public funds are essential to drive the adoption of renewable energy sources, improve energy efficiency, and implement robust climate adaptation measures. Investments in the circular economy, pollution prevention, and biodiversity protection are also crucial, considering Malta's unique ecological environment and the pressure from urbanisation and tourism.</p> <p>To meet the objectives outlined in Malta's National Energy and Climate Plan (NECP) for 2021-2030, it is imperative to enhance public infrastructure that supports renewable energy projects, particularly solar and wind energy, where viable. Furthermore, the transition to a circular economy requires investments in waste management systems and recycling facilities to reduce landfill dependency and promote sustainable waste practices. Targeted regulatory changes at an EU level aimed to further facilitate, simplify and speed up support measures to assist enterprises will enable the transition to a greener economy.</p> <p>Malta's transport infrastructure also requires substantial public investment to enhance connectivity, reduce congestion, and support sustainable transport modes. The development of the Trans-European Transport Network (TEN-T) is a priority, with investments needed to complete and upgrade the network. Improving public transport infrastructure and promoting clean mobility options are critical to reducing greenhouse gas emissions from the transport sector, which is a significant contributor to Malta's carbon footprint.</p>
<p>1b</p> <p>A fair digital transition</p>	<p>Malta's digital transformation is pivotal for maintaining its competitive edge and ensuring inclusive economic growth. The nation's strategic roadmap for the Digital Decade underscores the need for investments in digital skills, the digital transformation of businesses, and secure and sustainable digital infrastructures. Public investment in advanced technologies such as data infrastructure and computing capabilities is essential to foster innovation and resilience. Therefore, Malta's Digital Strategy 2022-2027 focuses on enhancing digital public services, improving online service delivery, and ensuring</p>



<p>cybersecurity. Government is also in the process of realigning the Strategy and Vision for Artificial Intelligence (AI) in Malta 2030 with a focus on societal well-being and sustainability.</p> <p>Given the digital divide between large enterprises and SMEs, significant public support is needed to enable SMEs to adopt digital tools and technologies. The COVID-19 pandemic highlighted the necessity of robust digital infrastructures for business continuity and recovery. At an EU level, targeted regulatory changes are required to further facilitate, simplify and speed up support measures to assist enterprises in their digital transformation.</p> <p>These initiatives are in line with EU Digital Strategy objectives and the targets of the Digital Decade, aiming to position Malta at the forefront of digital innovation and resilience.</p>	<p>Malta's social and economic resilience hinges on addressing labour market vulnerabilities and fostering inclusive economic growth. Investments in active labour market policies and social services are crucial to reduce unemployment and social inequalities. Enhancing public employment services and integrating them with social services will improve labour market reintegration and economic participation, particularly for vulnerable groups.</p> <p>Education and skills development are vital components of Malta's strategy to enhance economic resilience. Public investment in early childhood education, lifelong learning, and vocational education and training (VET) infrastructure will support the national targets on employment, skills, and poverty reduction. These measures align with the principles of the European Pillar of Social Rights and contribute to upward social convergence and economic cohesion. To address the challenges of early school leaving and improve educational outcomes, Malta will continue to invest in educational infrastructure and support services. Enhancing VET facilities will provide alternative education pathways and improve employability for young people.</p> <p>Government aims to strengthen the opportunities for social participation and civic engagement of older persons as well as provide the necessary learning opportunities to empower older persons to continue to fully engage in the community. Active Ageing Centres are to be modernised and made more accessible to older persons while providing more opportunities for social interaction, learning and for older persons to enjoy themselves. Investments in health infrastructure are also crucial to maintain resilience and meet the increasing demand for healthcare services due to demographic changes and health determinants. Upgrading health infrastructure and adopting digital health technologies will improve healthcare delivery and ensure the system's resilience.</p>
	<p>Social and economic resilience, including the European Pillar of Social Rights</p>
	<p>3</p>

	<p>Malta's tourism sector requires public investments to support sustainable development. Investments in cultural heritage preservation and the regeneration of tourist areas will enhance the sector's attractiveness and support economic development. Gozo, with its unique challenges of double insularity and lower economic productivity, requires targeted public investments to bridge regional disparities. Improving infrastructure, promoting sustainable development, and enhancing accessibility are critical to fostering Gozo's socio-economic development and preserving its environmental and cultural identity.</p>
<p>4 Energy security</p>	<p>Malta's energy security strategy requires diversifying energy sources, increasing energy efficiency, and reinforcing the resilience of the energy system. Investments in renewable energy infrastructure, particularly solar and wind energy, are necessary to reduce dependency on imported fuels and enhance energy sustainability. The National Energy and Climate Plan (NECP) highlights the importance of energy efficiency measures to mitigate increasing energy demands and reduce greenhouse gas emissions.</p> <p>Public investment in energy infrastructure, such as smart grids and energy storage solutions, will ensure a stable and secure energy supply. The REPowerEU investment in the electricity grid will strengthen and expand the electricity grid and distribution services, while also building centralised battery storage capacity. These initiatives are crucial for achieving the objectives set in the NECP and aligning with the EU's energy security goals.</p>
<p>5 The build-up of defence capabilities</p>	<p>In light of evolving security challenges, Malta will continue to invest in its defence capabilities to ensure national and European security. Public investments shall focus on modernising military infrastructure, enhancing cybersecurity, and aligning with the European Defence Industrial Strategy. Key areas of development include the modernisation of basic equipment as part of a holistic plan to heighten defence capability. The Armed Forces of Malta (AFM) are also evaluating various courses of action to establish an adequate aerial domain, potentially encompassing an aerial defence system, and are conducting studies to enhance and replace air and maritime assets. These investments are necessary to bolster Malta's defence capabilities and contribute to the EU's collective security efforts.</p>