



ASSESSMENT OF INDIVIDUAL COUNTRY RECOMMENDATIONS BY EACH MEMBER FEDERATION

Q1: For each country specific recommendation Member Federations were asked to answer whether it is 1: extremely important; 2: Important; 3: Helpful (but not a priority); 4: Irrelevant; 5: Contrary to federation's advice;

Q2: For each recommendation, Member Federations were asked to answer whether government's efforts to implement it were: 1: Excellent, 2: Satisfactory; 3: Mixed; 4: Unsatisfactory; 5: no progress observed.

N.B.: Federations in countries under financial assistance commented on recommendations made by the Troika in Economic Adjustment Programmes; Non EU countries commented on recommendations made by the OECD

SPRING 2015 REFORM BAROMETER - MALTA

European Semester - Overall assessment of 2015 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (April 2015) is appropriate	To some extent	In general, the Malta Chamber believes that the NRP document is appropriate in recommending reforms to address the Country specific recommendations proposed by the Commission.
2.	The Commission's country specific recommendations for your country are appropriate.	To some extent	To a certain extent yes, the four CSRs proposed are overall directed towards areas which require further reform and restructuring. As an example, the Malta Chamber has long been advocating the need for the country to bring its financial house in order as a matter of prime economic priority. To this end, it is encouraged by the fact that two of the 2015 CSRs for Malta are dedicated to public finance consolidation objective. Nevertheless we feel that the pensions issue is no longer an issue in the short to medium term since the Government has specifically addressed this during the consultation by the Pensions Working group in the summer of 2015. We feel that although long term this may become a major issue for the Maltese economy, due to ageing of the country's population and the Chamber has suggested innumerable times that discussions between all social partners are initiated the discuss the potential impact of introducing any mandatory private systems and its impacts on competitiveness and salary increases. Further to this the Malta Chamber is suggesting to Government to promote more aggressively, through better fiscal incentives, the take up of voluntary pension systems both at the individual and occupational level.

	To what extent do you agree with these statements:		Detailed comments
3.	The Commission assessment of reform implementation the year before is appropriate.	To some extent	<p>The European Commission’s staff working document published in February of last year gave an overall healthy bill to the Maltese economy. Indeed the Commission notes that despite the challenging external environment, the economy performed well last year and the outlook is favourable for 2015 and 2016.</p> <p>Nevertheless, the Commission’s assessment points out a number of areas which require further attention namely the general business environment competitiveness which remains hampered by structural challenges, lack of innovation and rigid labour laws. It is also pointed by the Commission that Investment has remained muted despite the favourable economic conditions and that fiscal evasion is not being addressed in a timely manner. These areas amongst others clearly denote the need to address these themes which in the medium to long term will continue hampering the functioning of our economy. In its Economic Vision 2014-2020 and subsequent pronouncements, the Malta Chamber pointed to the need for these matters, amongst others, to be addressed without further delay and would be willing to assist and cooperate with the administration in achieving a better business environment and overall better functioning economy.</p> <p>The Malta Chamber of Commerce, Enterprise and Industry, insists Malta’s continued prosperity depends on a robust trend of economic growth. The country cannot afford complacency and should ensure that the right policies are in place to allow business and industry to continue to thrive.</p>
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	(no reply)	The European Commission did not carry out a further in-depth review analysis on Malta.



Assessment of Country Specific recommendations 2015 in detail

		Q1 : the recommendation is	Q2 : Implementation on effort is :	Detailed comments
CSR 1	Following correction of the excessive deficit, achieve a fiscal adjustment of 0,6 % of GDP towards the medium-term budgetary objective in 2015 and 2016.	Important	Mixed	<p>The Malta Chamber has long been advocating the need for the country to bring its financial house in order as a matter of prime economic priority. To this end, it was encouraged by the fact that two of the 2015 CSRs for Malta were dedicated to public finance consolidation objective. In the view of the Malta Chamber, fiscal consolidation must be tackled effectively through more pro-active measures to enforce fiscal morality.</p> <p>To this end, it was encouraged by the fact that the Government in 2014 enacted the Fiscal Responsibility Act which the Commission has also pointed out to in its report as a positive development. Indeed the principles behind this Act are similar to those which the Chamber has always advocated, that is, fiscal consolidation and morality. The Chamber is nevertheless, disappointed with the fact that this piece of legislation does not delve deeply into combatting fiscal evasion and only focuses on the income and expenditure side of Government finance.</p> <p>The Malta Chamber reiterated its proposals for Government to:</p> <ul style="list-style-type: none"> • effectively tackle the Country’s structural deficit and debt positions; • address abuse in undeclared economic activity/social benefits; • eliminate wastages, abuse, bad planning and mismanagement of public resources; • eliminate amnesty schemes to evaders; • lower tax burdens on those who honour their tax obligations. <p>It also welcomes the institutional reforms in relation to public expenditure and fiscal planning namely those arising from the Fiscal Responsibility Act as long as the reforms will not be growth limiting.</p> <p>The Malta Chamber proposed to tackle public finance consolidation by</p> <ul style="list-style-type: none"> • addressing abuse in undeclared economic activity/abuse in social benefits, and • ensuring that Wealth Creation is placed before Wealth Distribution. <p>To this end, it places strong emphasis on the enforcement of fiscal morality. For many years, Malta seemed to have a two-tier economy – a productive and law-abiding section that dragged behind it the burden of a large section of the population intent on living on free meals and others who do not contribute their fair share to the tax coffers. In certain cases, there is a strong overlap between the two cases. Of course, the tax compliant portion is overburdened with the portion of tax evaded and for unjustified claims made by others. This has brought about a situation whereby the authorities resort to quick-fix solutions of granting amnesties to the evaders whilst resorting to honest taxpayers and wringing them dry in an attempt to make good for what others failed to contribute in the past. Such quick-fix solutions are not acceptable, give wrong signals to market players and are not in the country’s socio-economic interest.</p>

		Q1 : the recommendation is	Q2 : Implementation on effort is :	Detailed comments
CSR 2	Take measures to improve basic skills and further reduce early school-leaving by promoting the continuous professional development of teachers.	Important	Mixed	<p>Education, training and the fostering of our human resources remain a hallmark for any economic development. As part of other consultation processes, the Malta Chamber submitted extensive feedback to the formulation of a renewed national employment policy. The Malta Chamber’s document particularly focused on three main principles which in the Chamber’s opinion remain the most important issues to tackle in order to have a better functioning labour market, these are:</p> <ol style="list-style-type: none"> 1) Structural labour market factors; 2) Low labour market participation; 3) and the skills challenge. <p>It is believed that further labour market reforms are needed to reduce the rigidity of the same which in return is affecting Malta’s productivity and competitiveness levels. Due attention should be given to the manner in which this is implemented to ensure a healthy balance between the employer and the employees. Lessons should be learnt from other European models such as Germany and Scandinavian countries but finally there is no quick fix or one size fits all solution and Malta has to guarantee reforms that apply for its specific situation. The Chamber shall be issuing an extensive document in the coming days with concrete suggestions in this regard.</p>

		Q1 : the recommendation is	Q2 : Implementation on effort is :	Detailed comments
CSR 3	To ensure the long-term sustainability of public finances, continue the ongoing pension reform, such as by accelerating the already enacted increase in the statutory retirement age and by consecutively linking it to changes in life expectancy	Important	Satisfactory	<p>The Commission once again stated the need to address the sustainability of our current pensions system. In the past, the Malta Chamber reiterated that the sustainability of our pensions system is beyond debate stage and required the country's full and constant focus. Further delays in implementing the necessary reform will result in grave repercussions. For this reason, the Chamber urged the timely implementation of a voluntary third pillar scheme to supplement the existing Pay-As-You-Go (PAYG) system. This has been implemented last year but nevertheless, we maintain the need to increase fiscal incentives in order to increase the take up of voluntary schemes. With the necessary safeguards, voluntary schemes are to be encouraged because they tend to decrease the burden on public finances and allow more private sector initiative. Proposals need to be considered in the light of all the related factors, such as health, education and income, in order to safeguard economic stability. With regards to the compulsory Second Pillar, the Malta Chamber commented that this could have serious social and economic implications. Consequently, the Chamber is not in a position to consider this alternative until such time that precise details are made known about its possible implementation. This could be carried out following extensive discussions with all stakeholders leading to the design of a medium/long-term blueprint which would provide specific details and timeframes about when and how such a system would be implemented. Between June and August the Malta Chamber was extensively consulted on the conclusions made by the Pensions Strategy Group which was set up by the Ministry of Finance with the intention of reviewing the current situation. Further to this, the Malta Chamber submitted extensive feedback to Government which were generally positive especially in view of the fact that, despite very limited room for manoeuvrability it did not seem to create any shocks to the economy. Indeed, no increases were being contemplated in retirement age or in social security contributions for both employer and employee. The Malta Chamber reiterates the need to increase the fiscal incentives already introduced last year in relation to the third pillar system and exhaust all possibilities in this regard prior to starting any debates on a mandatory second pillar system. At the same time, the Malta Chamber is not opposed to have voluntary occupational pensions schemes which could be managed directly by companies and these could be regularised and incentivised in the immediate future.</p> <p>The country must send a clear message in its continued effort to reform the pension system to encourage personal responsibility given the ever changing socio-economic trends in our society such as increased life expectancy, aging population, lower birth rates, increased spending over saving patterns.</p> <p>Above all, the Chamber continues to insist that the Pensions Sustainability be approached holistically via enhancing national competitiveness and promoting economic growth and therefore have a holistic approach to the matter. This approach promises more and higher value added jobs for Malta's workforce which is conducive towards rendering the pensions system more sustainable.</p>

		Q1 : the recommendation is	Q2 : Implementation on effort is :	Detailed comments
CSR 4	Improve small and micro-enterprises' access to finance, in particular through non-bank instruments.	Helpful (but not a priority)	No progress	<p>The Malta Chamber noted that the European Commission reported that despite the overall positive economic outlook, investment has stagnated. The report goes into the details of this potential stagnation namely difficulties in the access to finance, inefficiencies in the business environment and restructuring of the economy towards less capital intensive service activities. The Malta Chamber partially agreed with this conclusion nevertheless, we had pointed out that the decline in investment was not entirely linked to limited commercial lending from Banks but rather to a declining business confidence in a number of sectors such as Manufacturing and Import, Wholesale and retail. This was mainly being driven by the lack of clarity in relation to state aid provisions and possible future assistance in the case of the former and the abuse of the principle of free movement of goods by rogue traders which was leading to an un-level playing field for the latter sector. Malta has a proven track record in prudent, safe bank lending, maintaining very high liquidity and also solid capital basis. Maltese banks never had a reputation for having liberal lending practices.</p> <p>Malta Chamber members nevertheless fear that undue interference with the local banks' business models coupled with the myriad one-size-fits-all EU regulations which our leading local banks will be subjected to might cause banks to reduce their appetite for commercial lending, limiting access to finance for the business community.</p> <p>Moreover, certain SMEs in Malta remain constrained by difficulties in accessing finance due to a number of market frictions including:</p> <ul style="list-style-type: none"> • Lack of a venture capital market • Little or no presence of business angels • Excessive collateral requirements <p>Venture Capital, Business Angels and Seed Capital Funds should be further reevaluated. At present these are uncommon if not inexistent locally. The Malta Chamber also suggests that the Government should consider further tax incentives for business angels investing in SMEs as well as tax reliefs for innovation and training. It is also believed that the experience gained with financial engineering instruments, such as the JEREMIE scheme, has been overall very positive. This will indeed be replicated during the current EU funding programming period 2014-2020, through the new SME instrument. It is also interesting to note the recent development in launching an Enterprise Bank which will fill national financing gaps that are not appropriately served by traditional banking products such as the financing of start-ups and more innovative projects. Amongst other matters, it would have the responsibility to promote the enterprise in the economic growth sectors. We are expecting this Bank to be launched in the first half of this year.</p>

Reform Progress in your Member State in 2015

How would you assess reform progress in 2015, for the following broad areas:

Taxation and Public Finances	Satisfactory
Business environment (regulation/access to markets)	No progress
Labour market	Excellent
Innovation and skills	Satisfactory
Access to finance and Financial stability	Mixed



Reform priorities for 2015

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Wage bargaining and wage-setting policies	To start concrete discussions between employers organisations/representations and Trade Unions to strike a balance and flexibility in employees' demands in line with today's economic realities. Increase in salary conditions need to be coupled with increased productivity	no
Priority 2	Consolidation of public expenditure	<p>See CSR 2015 assessment section. Further to this, the Malta Chamber would like to add the following item : For the past years, the Malta Chamber has actively promoted its members' interests by advocating a liberalised commercial environment that is regulated in an equal and fair manner.</p> <p>One such case is the unlevelled playing field which exists for local businesses with regard to the seaborne importation of goods into the country where the Chamber has consistently drawn the Authorities' attention towards practices that give rise to serious abuse. The Chamber continues to point out a situation of erratic and inconsistent enforcement of importation regulations by the Authorities coupled with an inadequate structure to enforce the same regulations. During recent discussion with the Ministry of Finance, it was noted that plans are at hand and that the Authorities have started acting on the strengthening of the necessary law enforcement structures with a view to safeguarding and ensuring fair trade within the parameters of the European Single Market of which Malta forms an intrinsic part. This will mainly come about through the implementation of further coordination between the different stakeholders, which in turn will lead to market intelligence.</p> <p>As has been frequently pointed out, the Chamber has no issue with the right acquired by us Maltese citizens to travel anywhere within the European Union and return with products for personal use. However, this right must not be abused as has been allowed to happen due to differing application of laws and definitions of legal terms between or across EU countries.</p> <p>One such example is the definition of "accompanied vehicle", which, uniquely to Malta, has been extended to include every vehicle up to a maximum of 10 tons. This complicates matters and introduces the potential of abuse due to the fact that a laden forty-foot trailer evidently exceeds the dimensions of a private car and is able to carry "accompanied cargo" in commercial quantities.</p> <p>Moreover, besides the local definition matter, there still remains a lack of uniformity in the treatment of "accompanied cargo" depending on which quay it lands on. That being said, the Chamber is not invoking more stringent border controls as it is well aware that these are not allowed by EU laws unless they are triggered by reasonable suspicion. Neither is the Chamber against the fast release of cargo as long as the necessary checks and balances are carried out equitably in all areas of the harbour.</p>	yes

I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
	<p>The Chamber strongly recommends to the Ministry a review of those procedures and legal provisions which are not serving the country well. First amongst these is a review of the local applicable threshold for the Intrastat formula. Increasing the current local threshold of 700 euros would facilitate matters in that this would enable the authorities to concentrate their enforcement efforts where it matters most. It is hoped that the new systems being proposed by Government are put into place without any further unnecessary delay. In this regard, the Chamber pledges its full support to Government in order to introduce them. The Malta Chamber has also noted that the finalisation of the process to merge the public revenue collecting entities, namely Customs, the Inland Revenue Department (IRD), the VAT department and Tax Compliance Unit (TCU), has been+ stalled. It is essential that the momentum which had started in 2012 through the enactment of the Commissioner for Revenue Act is resumed.</p>	
<p>Priority 3 Business Environment - Regulatory barriers to entrepreneurship</p>	<p>The Malta Chamber has for the last decade argued in favour of implementing a long-term strategy for a reduction in administrative burdens and the implementation of better-regulation policies.</p> <p>The vast majority of Maltese companies are micro-firms which are disproportionately affected by overregulation and bureaucracy compared to their larger counterparts. The Malta Chamber proposed that:</p> <ul style="list-style-type: none"> <input type="checkbox"/> A new national competitiveness watchdog is established which would ensure that the economy is not hampered by new measures, regulations and taxes that negatively affect competitiveness. The Malta Chamber believes the Better Regulation Unit within the Management Efficiency Unit could be the entity to implement this initiative; <input type="checkbox"/> Regulatory assessments, as established by the Small Business Act, are enacted without further delay. These should be applied to all pieces of legislation which directly affect industry; <input type="checkbox"/> An extensive process of legislative simplification is undertaken and where the need arises unnecessary laws are amended or repealed, especially in the case of legislation where Government has no administrative capacity to enforce and which is leading to unfair competition to bona fide operators which comply with all their fiscal, environmental and other obligations; <input type="checkbox"/> The Government should emulate the British legislative system for business-related laws of “one in two out” rule. Effectively what this means is that where policymakers do need to introduce a new regulation, and where there is a cost to business when complying with that regulation, departments have to remove or modify existing regulation(s) to the value of 2 euro of savings for every euro of cost imposed. This would prevent policymakers from creating new regulations that increase costs for business and voluntary organisations. <input type="checkbox"/> Business is disrupted by burdens ensuing from legislation and procedures that is missing or half-baked. Therefore, it is important that prior to launching any initiatives (not least new national budget measures) which directly impact business operations there should be 1) prior consultation with impacted or interested parties, 2) a proper implementation plan and 3) the necessary legislative backing. 	<p>no</p>

I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 4 R&D and Innovation	<p>The Malta Chamber made extensive recommendations/suggestions during the last national Budget debate (July - October 2015). Unfortunately very little in this respect was included for this year's budget. The Chamber's main recommendations included:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Promote knowledge transfer between industry and academia through Knowledge Transfer Partnerships (KTPs). KTPs have been very successful in the UK and the US in encouraging close collaboration between Industry and Research Institutes through financial assistance from their respective Governments; <input type="checkbox"/> Assess and forecast the skills and human resources required for R&D processes to be in place; <input type="checkbox"/> Facilitate VISA applications to allow more third country nationals researchers; <input type="checkbox"/> Promote the concept of "living labs" in Malta on the lines of similar investments made by Vodafone Malta in the past and the recent investment by Huawei. Other sectors which could be attracted to use Malta as a test base for their products/services include green technologies such as renewable energy sources and electric vehicles and IT applications (apps), amongst others; <input type="checkbox"/> Access to Finance: there is a clear need to increase the budget under the MCST National R&I programme which is currently considered to be too low. Further to this, the Chamber looks forward to the 2014-2020 Structural Funds which should allocate a total funding in excess of 72 million euros under Priority AXIS 1, which is specifically intended towards infrastructural investment in this area (this includes EU and National contributions). Nevertheless, efforts must not stop solely at national and EU funding sources but must encourage the private sector to invest in start-ups through measures which enhance equity financing. The Chamber proposed to introduce a tax allowance of 200% on R&D expenditure to companies. This could be further expanded to include investments in innovative start-ups and research activities at University of Malta (RIDT trust fund) and MCAST; <input type="checkbox"/> Intellectual Property Rights (IPR): The Malta Chamber is of the belief that the local IPR registration office within the Commerce Department requires more resources in order to achieve its goals of raising awareness amongst the business community of the different IPR commercial opportunities. 	no

I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
<p>Priority 5</p> <p>Health care reforms</p>	<p>It is the Malta Chamber 's opinion that the national healthcare system is unaffordable and does not adequately reach its objectives. Besides, it does not give dignity to the patient in need. From the Chamber's point of view, it is most unfortunate that concrete action on addressing the situation is rendered impossible by political sensitivities.</p> <p>Testament to the failure of the current system are the unrelenting efforts of the President of the Republic in reaching out to the generosity of the Maltese people to provide financial support to those in need of life-saving treatment. Under the circumstances, such efforts are proving providential but it also means that we have rendered the persons in need of life-saving treatment into beggars. The country must address the sustainability issue directly and ensure that suffering individuals are able to obtain the necessary support from a structured system rather than from ad-hoc charity efforts. Our proposals are based on applying the benefits of “prevention is better than cure” to the national healthcare system. Of course, if the country frees up resources to, at least, afford a widening of the medicine formulary to include important and advanced drugs, it would be keeping patients healthier and reducing their need to seek urgent attention at Health Centres and bed-nights at Mater Dei general hospital.</p> <p>Besides, the Chamber has also gone on record suggesting other measures that enhance people’s awareness about the value of “free” health care services they are entitled to. We must all be aware that there is a cost to our “free” healthcare, and this needs to be paid by every taxpayer. We are confident that the culture of appreciation will increase with the introduction of “phantom billing” indicating a breakdown of costs incurred in the delivery of the treatment or service to every patient.</p>	<p>no</p>