

**SPRING 2018 REFORM BAROMETER – MALTA**

**European Semester - Overall assessment of 2017 cycle**

	<b>To what extent do you agree with these statements:</b>		<b>Detailed comments</b>
1.	The National Reform Programme submitted by your Government (April 2017) is appropriate.	To a large extent	NRP is appropriate to a large extent. It is notably ambitious and touches on all areas of priority for the country.
2.	The Commission's country specific recommendations for your country are appropriate.	To some extent	The CSRs for Malta target two areas that remain lacking, despite the country's strong economic performances in recent years. CSR 1 focuses on controlling the increased public spending, particularly on recurrent expenditure within the public sector itself due to employment of excess civil servants, excess recruitment in numerous state-owned entities and investment on projects with low economic importance and return on investment. CSR 2 places needed added responsibility on the regulatory authorities of the financial services industry to oversee the correct implementation and practice of international standards and laws among service providers and practitioners to maintain the Union's and jurisdiction's reputation in the area. Other pressing issues have been overlooked in the CSRs, such as the continued lack of suitable labour supply, both in terms of quantity and quality, falling standards of results obtained in ordinary level examinations in basic subjects, ageing infrastructure and lack of capital investment, very limited ease of doing business improvements and soaring labour costs.
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	2016: CSR 1 - Limited Progress - This assessment is largely correct, through some additional progress has been achieved in the past year. CSR 2: Some progress - Fair assessment though concrete results of upskilling and reskilling initiatives remain lacking. Labour supply is being strengthened in general but largely due to the influx of foreign labour rather than as a result of the policy initiatives noted in the table on Page 36.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	Not applicable	Not applicable

## Assessment of Country Specific recommendations 2017 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Expand the scope of the ongoing spending reviews to the broader public sector and introduce performance-based public spending.	Extremely important	Mixed	
CSR 2	Ensure the effective national supervision of internationally oriented business by financial institutions licensed in Malta by strengthening cooperation with the host supervisors in the countries where they operate.	Extremely important	Mixed	

## Reform Progress in your Member State in 2017

How would you assess reform progress in 2017, for the following broad areas:

<b>Taxation and Public Finances</b>	Excellent
<b>Business environment (regulation/access to markets)</b>	Satisfactory
<b>Labour market</b>	Unsatisfactory
<b>Innovation and skills</b>	Mixed
<b>Access to finance and Financial stability</b>	Mixed

**Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2018 Reform Barometer?**

1) The Malta Development Bank, serving as a second-tier financial institution when private banks fail to make appropriate financing available to businesses, was established at the end of 2017. The bank's 200 million euros authorised share capital will serve to plug the SME financing gap of between 400 and 600 million euros. It is the first financial institution of its kind in Malta and was long advocated by the Malta Chamber of Commerce, Enterprise and Industry as the risk appetite of commercial banks continued to decline. <http://justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=12662&l=1>

2) In 2017, a historic agreement to raise the national minimum wage was reached between employer organisations and unions. The agreement was endorsed by Government as well as the Opposition, and was enacted into law.

**Reform priorities for 2018**

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
<b>Priority 1</b>	Labour market mismatch and labour mobility	<ol style="list-style-type: none"> <li>1) More incentives for foreign labour to work in Malta.</li> <li>2) Elimination of barriers/costs/bureaucracy when applying for work/residency permits.</li> <li>3) More measures to make work pay, especially targeted towards cohorts of people that continue to have very low unemployment rates such as middle-aged women and migrants already in Malta.</li> <li>4) Strategy to heavily reduce the high rate of early school leavers.</li> <li>5) More incentives for continuous and lifelong learning</li> </ol>	Yes but not sufficient

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
<b>Priority 2</b>	Public investment	Public capital investment is severely lacking. Government has announced 700 million euros spending on roads infrastructure over the next 7 years however investment in roads is not sufficient to ensure that the country's infrastructure can sustain the economic growth. Our federation is focused on advocating investment toward a modal shift which is a much more sustainable long-term investment as the benefits from new roads will be short lived.	no
<b>Priority 3</b>	Public sector efficiency	A comprehensive study of public sector labour force is required. Some departments and entities are overstaffed while others are severely understaffed. Government also continues to employ and recruit new excessively large cohorts of people, especially in fields where skills are severely lacking in the private sector. The private sector is unable to compete with fringe benefits offered by the public sector.	no
<b>Priority 4</b>	Pension and health care reforms	Sustainability of the state pension system was very worrying but the urgency has been somewhat alleviated due to higher levels of economic activity generating higher direct and indirect tax revenue. With regards to health care, the system remains largely unsustainable, public health continues to decline and the early steps of privatisation of hospitals is being closely monitored by our federation.	no
<b>Priority 5</b>	R&D and Innovation	Malta lacks the skills and funding to research and innovate. Greater focus on STEM subjects in early education is required while more incentives to follow STEM education at tertiary level must be implemented and promoted. Availability of funding instruments for innovative projects is improving however there remains significant untapped potential due to funding constraints and lack of fiscal incentives to innovate.	Yes but not sufficient