

SPRING 2020 REFORM BAROMETER – MALTA

European Semester - Overall assessment of 2019 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (April 2019) is appropriate.	To a large extent	1. Competitiveness and Investment 2. Labour Market, Education and Social Policies
2.	The Commission's country specific recommendations for your country are appropriate.	Yes, absolutely	Along with the first recommendation, the Chamber believes that rule of law and good governance should be a top priority in Malta in the coming year, especially due to the recent events that have tarnished our country and its reputation. The Chamber has made a number of proposals to the government - enclosed in annex.
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	1. The research and innovation potential of Maltese firms remains limited. 2. Ensuring higher standards of anti-money laundering supervision and actual enforcement remains a challenge. 3. The increase in age-related spending represents a substantial risk to the long-term sustainability of public finances 4. The banking sector remains sound, but shortcomings in anti-money laundering enforcement also imply reputational risks. 5. Focussing investments on skills development, innovation, infrastructure and natural resource management would strengthen the sustainability of Malta's economic growth.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	N/A	

Assessment of Country Specific recommendations 2019 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Ensure the fiscal sustainability of the healthcare and pension systems, including by restricting early retirement and adjusting the statutory retirement age in view of expected gains in life expectancy.	Extremely important	Mixed	The Chamber is in full agreement with this recommendation and includes it as one of the priorities for 2020.
CSR 2	Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments. Strengthen the overall governance framework, including by continuing efforts to detect and prosecute corruption. Continue the ongoing progress made on strengthening the anti-money-laundering framework, in particular with regard to enforcements. Strengthen the independence of the judiciary, in particular the safeguards for judicial appointments and dismissals, and establish a separate prosecution service.	Important	Mixed	The Chamber has mixed views regarding this recommendation as it believes that tax is at the discretion of the MS and it should remain as such; unlike bigger EU states, Malta requires such measures to remain competitive and attractive to foreign investment. Furthermore, the Chamber fully agrees with the recommendation to "Strengthen the overall governance framework, including by continuing efforts to detect and prosecute corruption. Continue the ongoing progress made on strengthening the anti-money laundering framework, in particular with regard to enforcements. Strengthen the independence of the judiciary, in particular the safeguards for judicial appointments and dismissals, and establish a separate prosecution service."
CSR 3	Focus investment-related economic policy on research and innovation, natural resources management, resource and energy efficiency, sustainable transport, reducing traffic congestion and inclusive education and training.	Extremely important	Mixed	The Chamber has previously stated that these areas are vital for the competitiveness of Malta and the government should do its utmost to invest in these areas.

Reform Progress in your Member State in 2019

How would you assess reform progress in 2019, for the following broad areas:

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

Reform priorities for 2020

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Sector specific regulation (telecom, energy)	Malta has been experiencing a number of power outages due to damages with the interconnector that needs to be fixed as soon as possible, as the current gas power station is not sufficient to meet the demand that is required which will be prevalent as the weather gets hotter. The Chamber has long sustained that Malta requires a secondary interconnector and a gas pipeline to diversify its energy supply and ensure that citizens and the business community do not suffer the consequences of these power outages.	No
Priority 2	Public investment	The government has been using EU Funds to invest in Malta's infrastructure; this will hopefully reduce traffic congestion and result in better planning.	Yes

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Priority 3	Labour market mismatch and labour mobility	The technology the industry is using is constantly being updated for more efficiency, and therefore, the workforce needs adapting as a result. Unfortunately, more is required to encourage people to invest in themselves and to incentivise the industry to invest in their employees.	Yes
Priority 4	Pension and health care reforms	The system by which the government allocates pensions is not sustainable and Maltese youths are faced with the probability that they will not have a pension in the future. The government needs to come up with a formula that considers the aging population and one measure it can do so is by increasing the retirement age. The government also recently introduced voluntary occupational pension schemes and third pension pillars, however the take up has not been positive; more incentives need to be offered in this regard.	Yes
Priority 5	R&D and Innovation	<ol style="list-style-type: none"> 1. Research and Innovation deserves a dedicated Parliamentary Secretary closely linked to the industry sector instead of other unrelated areas; 2. Promotion of knowledge transfer between industry and academia through knowledge transfer partnerships (KTPs); 3. Assessment and forecasting of skills and human resources required by R&D firms and the subsequent modifications necessary to the education system; 4. Creation of incentive schemes and facilitation of visa application to allow more foreign researchers to conduct research in Malta; 5. Promotion and incentivisation of the concept of 'living labs' in Malta; 	No