

Malta

1. Covid-19 Pandemic and National Recovery and Resilience Plans

Question 1	Based on early indications, how satisfied or dissatisfied are you with the way your country has started implementing the national recovery and resilience plan?	Neutral
Question 2	How satisfied or dissatisfied are you with the involvement of social partners in the implementation so far of your national recovery and resilience plan?	Neutral
Question 3	How confident are you that the European Commission will enforce strong implementation of the reforms in the national recovery and resilience plans across the EU?	Somewhat confident
Question 4	How do you judge the overall economic policy response in your country over the past 24 months to the COVID-19 recession? (e.g. furlough schemes, tax deferrals, state aid schemes)	Very Good
Question 5	How do you judge the overall economic policy response from the European Union over the past 24 months to the COVID-19 recession? (e.g. SURE, Recovery and Resilience Facility, single market)	Very Good
Question 6	To what extent has the COVID-19 pandemic and recession led to scarring i.e. permanent structural damage to your national economy?	To some extent
Question 7	To what extent has the COVID-19 pandemic and recession led to scarring i.e. permanent structural damage to the EU27 economy?	To some extent
Question 8	More specifically, how much lower do you expect GDP in your country to be in 2025 than would have been the case without the crisis?	



Question 8	More specifically, how much lower do you expect GDP in your country to be in 2025 than would have been the case without the crisis?	GDP in 2025 expected to be 5% lower than what would have been the case without the pandemic. This assumes that the overall negative counterfactual structural impact on the economy would not be too acute and that any structural changes would have been driven by other core forces innate to the path of the economy and not the pandemic, with the fallout of the pandemic only affecting volume of activity and only speeding up any structural changes that would have already happened. The only 2 exceptions to this are: the shift to online and virtual work and changes to business models relating to logistical operations. All this assumes the current inflationary trends are transitory and will subside by mid-2023.
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2. Assessment of Country Specific recommendations 2020-2021 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	In line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the resilience of the health system with regard to the health workforce, critical medical products and primary care.	Extremely important	Mixed	Malta's Public Healthcare system already represented a large proportion of Government expenditure (especially recurrent). The combined effects of the demands on the healthcare system from the Pandemic as well as the ever increasing strains from the demand of the ageing population have exacerbated this somewhat. Furthermore, the high skilled labour gaps in the system have necessitated the importation of many healthcare workers (of all skill levels, especially lower level ones such as carers) from Asia. Furthermore, to cope with the demands of the Pandemic, the national public hospital has had to rent out halls from the adjacent university to cope with the demand for space (an issue predating the pandemic). A chronic lack of nurses has also made the situation more difficult. This CSR can only be reached if a new strategy is developed to develop to invest in human healthcare capital and training but also to increase overall capacity at the hospital.

				In terms of fiscal prudence, a plan for more public-private partnerships may be undertaken to best utilise private sector capacity.
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		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 2	Consolidate short-time work arrangements and ensure the adequacy of unemployment protection for all workers. Strengthen the quality and inclusiveness of education and skills development.	Extremely important	Satisfactory	Although imperfect in its application, the Government's wage supplement scheme was timely. They have been maintained and extended to ensure adequate protection until further recovery. The skill development and inclusivity aspects of education still require more work and measures, but momentum in this regard has already been built up slowly. Skill gaps remain across the economy and more micro management at education path level is still required.
CSR 3	Ensure effective implementation of liquidity support to affected businesses, including the self-employed. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, sustainable transport, waste management, research and innovation.	Extremely important	Mixed	Whilst imperfect in its application and delivery, liquidity provision was timely albeit perhaps not comprehensive enough in some cases due to lines of assistance not always being judiciously provisioned. Whilst investment into enabling the green transition is underway, more can be done to ensure strategically adequate development of the capacity of the green economy, especially in terms of replacement non-environmentally friendly systems. Furthermore, a more detailed strategic plan must be laid out to ensure that investment into achieving a green transition is more than just a box ticking exercise.

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 4	Complete reforms addressing current shortcomings in institutional capacity and governance to enhance judicial independence. Continue efforts to adequately assess and mitigate money laundering risks and to ensure effective enforcement of the anti-money laundering framework. Step up action to address features of the tax system that facilitate aggressive tax planning by individuals and multinationals.	Extremely important	Mixed	Following an extended period of monitoring of Maltese Jurisdiction, a lot of reform has been undertaken, especially in terms of building frameworks and re-educating stakeholders .

3. Reform Progress in your Member State in 2020 & 2021

How would you assess reform progress in 2020 & 2021, for the following broad areas:

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

Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2022 Reform Barometer?

4. Reform priorities for 2022

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Tax reforms	Increase the sum of hours work and tax revenue via decreasing part time tax rate in terms of increasing hours of part time work for lower income households	Yes
Priority 2	Public sector efficiency	Quantify the easing of pressure and cost savings for the public sector through incentivising households to hire in-house care for elderly family members.	Yes
Priority 3	Pension and health care reforms	Design a multi annual - multi layered framework to facilitate a WHOLESale transition to obligatory private pensions to ease pressures on system arising from the increasing dependency ratio due to the aggressively ageing population.	No
Priority 4	Active labour market policies Labour supply measures for specific groups (older workers, women...)	Increase female participation in the workforce (and gain increased tax revenue and productivity) via the extension of free childcare services to working nights, weekends and shifts in terms of increasing hours worked and/or household income	Yes
Priority 5	Public investment	Facilitate the Green transition via investing in green infrastructure by installing 1,200 electric vehicle charging points. Will be installed over the next 3 years	Yes