



Malta's Recovery & Resilience Plan



GOVERNMENT
OF MALTA

OFFICE OF THE PRIME MINISTER
PARLIAMENTARY SECRETARIAT
FOR EUROPEAN FUNDS



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01 Introduction

In May 2020, the European Commission proposed the Recovery and Resilience Facility (RRF) as the main pillar under the NextGenerationEU.

The Facility serves as a temporary recovery instrument in the form of loans and grants that aims to address the short to medium term impact brought about by the coronavirus pandemic as well as to provide a supporting platform for the green and digital transitions.

For Member States to make use of the Facility they must present their national recovery and resilience plan, which identifies a coherent package of structural reforms and investment projects, in line with the regulatory framework.

Malta's plan outlines the strategic approach underpinning the investments to be supported through grants under the Facility for a total budget of circa €345 million. The plan takes account of the need to address the challenges identified in the relevant Country Specific Recommendations (CSRs); a minimum climate contribution of 37% of expenditure and 20% on digital investments; and the importance of alignment with national economic and investment plans as well as funding under other EU Cohesion Policy programmes 2021-27.

Currently, Malta is not planning to make use of the loan facility under this Facility.

The overall objective of Malta's Recovery and Resilience Plan is to contribute to a sustainable, equitable, green and digital recovery effort, in a manner that complements and supports the Government's broader policy objectives, the European Goals, as well as the Sustainable Development Goals (SDGs).



02

Key Priority Areas

Malta's Recovery and Resilience Plan consists of six components:

- 1. Addressing climate neutrality through enhanced energy efficiency, clean energy and a circular economy**
- 2. Addressing carbon-neutrality by decarbonising transport**
- 3. Fostering a digital, smart and resilient economy**
- 4. Strengthening the resilience of the health system**
- 5. Enhancing quality education and fostering socio-economic sustainability**
- 6. Strengthening the institutional framework**

Each area includes several measurable reforms and investments. The implementation of the milestones and targets for these reforms and investments will enable Malta to use the funds allocated under the Facility.

Component

1

Addressing climate neutrality through enhanced energy efficiency, clean energy and a circular economy.

The policy reforms and investments under this component will contribute towards the green transition through energy efficiency in buildings, whilst facilitating reforms in renewable energy and waste management. These initiatives also address the challenges outlined in CSR 3 of 2019 and 2020 relating to the green transition.

Reforms

- a. *Develop a long-term renovation strategy as a key action of Malta's efforts for Clean Energy and to achieve the decarbonisation of the building stock by 2050.*
- b. *Fostering effective waste management through a robust waste governance framework including reforming the waste collection system and actions envisaged in the forthcoming Construction and Demolition Waste Strategy.*

Investments

- a. *Investment in the renovation and greening of public and private sector buildings, including deep retrofitting through energy and resource efficiency measures.*
- b. *Investment in the renovation and deep retrofitting of public hospitals.*
- c. *Investment in the renovation, deep retrofitting and renewable energy in public schools.*
- d. *Investment in the construction of pilot near-carbon-neutral school to serve as a model for the future and provide a future-proof learning experience to students.*
- e. *Renewable energy investments in footpaths, roads, and public spaces.*

This Component
has a budget of circa
€78 million

Component 2

Addressing carbon-neutrality by decarbonising transport

This component supports Malta's commitments towards the reduction of national GHG emissions reduction targets and contributes towards national efforts aimed at cleaner, smarter and more sustainable mobility.

The reforms and investments under this component also address CSR 3 of 2019 and 2020, particularly the green transition, sustainable transport and the reduction of traffic congestion.

The component also follows the concept of the European Flagship '**Recharge and refuel**' by promoting future-proof clean technologies and accelerating the use of sustainable transport through zero emission vehicles, thus contributing to reaching the 2050 climate neutrality objective.

Reforms

- a. *Stimulating the adoption and implementation of policies promoting the sustainability of the transport sector, including by encouraging the use of collective and multimodal transport.*
- b. *Promoting further use of collective road public transport by introducing new cohorts of the population that will be provided with free access to scheduled road public transport services.*
- c. *Expediting the finalisation and implementation of a Sustainable Urban Mobility Plan (SUMP) for the Valletta Region.*
- d. *Reducing the socio-economic and environmental impact of vehicles in urban areas through the regeneration of public squares and community spaces in village and town cores, and by creating more open and car free spaces across Malta and Gozo.*
- e. *Promoting remote working in the public service also by leveraging the use of technology for online services, which will reduce the number trips on the road network.*
- f. *Enhanced mobility management in the Public Service through rationalisation of fleet and better transport mobility services.*

Investments

- a. *New ferry landing facility to promote alternative modes of transport at St Paul's Bay/Bugibba.*
- b. *Enhancing the uptake of new electric vehicles (including motorcycles and pedelecs) in the private sector through grant schemes for individuals and business.*
- c. *Decarbonising the public service fleet through the use of zero emission vehicles.*
- d. *Support for the acquisition of new electric buses to replace part of the existing ICE buses in the public transport fleet.*

This Component
has a budget of circa
€111 million

Component 3

Fostering a digital, smart and resilient economy

The objective of this component is to fast track the digital transformation by strengthening the national policy framework, facilitating the further digitalisation of services in public administration and regulatory bodies, as well as supporting business to invest in digitalisation.

The initiatives under this component compliment the additional digitalisation actions foreseen in the health sector and the judiciary covered under other components of the plan. The reforms and investments under this component will also address CSR 3 of 2020 in relation to the digital transition.

This component will contribute towards the European Flagship '**Modernise**' by promoting modernised and secure digital services that are accessible to all.

Reforms

- a. *Deepening the digital transformation through policy reform, with a focus on reducing the digital divide and promoting digital skills.*
- b. *Finalise and implement Malta's Smart Specialisation Strategy, with a particular focus on fostering business R&I and strengthening public-private cooperation.*

Investments

- a. *Strengthening the resilience, security and efficiency of the government digital backbone and investing in appropriate digital solutions, devices and tools which will enable Government to provide proactive action, secure services and streamlined operations to citizens and the business sector.*
- b. *Investments in the digitalization of the Merchant Shipping Directorate within Transport Malta, thus providing a more efficient regulatory service to operators in this important economic activity.*
- c. *Further digitalization and modernisation of the public administration, including public and intra-facing services, through several solutions to improve the front-end customer experience, data sharing and reuse, virtual desktops, property transfer processes, National Single Window for customs purposes, and digital tools for remote-working solutions.*
- d. *Investment grants to intensify the digitalisation of the private sector.*

This Component
has a budget of circa
€55 million

Component 4

Strengthening the resilience of the health system

This component aims to strengthen the resilience of the health system through policy reforms and investments focusing on prevention measures, improving medical services and treatments, digitalising healthcare services and strengthening the health workforce. It also aims to address the challenges outlined in CSR 1 of 2019 and 2020 relating to the resilience of the health system.

Reforms

- a. *Develop and implement a health policy framework aimed at making the health system more sustainable and resilient, with a particular focus on health prevention and a strong workforce.*
- b. *Review the national legislative framework related to the establishment of a Blood, Tissue and Cell Centre for Malta in order to remove any regulatory barriers that may affect the functioning of the Centre.*

Investments

- a. *Establishment of a new Blood, Tissue and Cell Centre for Malta that will cater for all blood needs of the country and provide advanced facilities for bone and stem cells.*
- b. *Enhancing the resilience of the health system through digitalisation and new technologies including investments at the new outpatient facility, digitalisation of the pathology function and improved radiotherapy delivery to the benefit of patients.*

This Component
has a budget of circa
€50 million

Component 5

Enhancing quality education and fostering socio-economic sustainability

The reforms and investments under this component will aim to provide students and learners with quality vocational education possibilities in the tourism sector, as well as strengthen employment policy measures and support the shift towards pension sustainability.

The initiatives under this component aim to continue to reduce Malta's Early School Leaving (ESL) rate [CSR 3 of 2019 and CSR 2 of 2020], and to ensure the adequacy of employment [CSR 1 of 2020], whilst fostering fiscal sustainability [CSR 1 of 2019].

This component will contribute to the European Flagship Initiative '**Reskill and Upskill**' particularly by strengthening vocational education.

The component also underlines the commitment to ensure that all reforms and investments will be implemented in line with the Gender Equality and Mainstreaming Strategy and Action Plan and the Malta National Disability Strategy, which are currently being drafted, as well as the legislative measures being developed to ensure compliance with policies related to accessibility.

Reforms

- a. *Strengthen early school leaving prevention measures, with a focus on skills acquisition.*
- b. *Strengthening skills development and recognition, with a particular focus on low-skilled adults.*
- c. *Developing new education pathways towards inclusive and quality education.*
- e. *Implementing an effective education policy monitoring system.*
- f. *Reinforcing the resilience of the labour market, through the implementation of labour market and gender equality measures.*
- g. *Ensuring the sustainability of Malta's pension system.*

Investments

- a. *Setting up of a Centre for Vocational Education Excellence (ITS Campus)*

This Component
has a budget of circa
€41 million

Component 6

Strengthening the institutional framework

This component builds on the progress already achieved in relation to CSR 2 of 2019 and CSR 4 of 2020. The component addresses institutional capacity and governance of the judiciary, anti-corruption, anti-money laundering and the fight against aggressive tax planning.

Reforms

- a. *The Office of the Attorney General will continue to take over prosecuting responsibility for other serious crimes.*
- b. *Reinforcing the institutional framework capacity to fight against corruption through the implementation of the National Anti-Fraud and Corruption Strategy (NAFCS)*
- c. *Strengthen the Permanent Commission Against Corruption (PCAC), including through capacity building*
- d. *Strengthen the Asset Recovery Bureau including through capacity building.*
- e. *Review the 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*
- f. *Strengthening Malta's regime in the area of Anti-Money Laundering and Combating Terrorist Financing (AML/CTF).*
- g. *Implement further measures to combat Aggressive Tax Planning (ATP) within the framework of the EU Code of Conduct Group*
- h. *Specific Transfer Pricing Legislation and procedures to prevent loss of public revenues through international tax arbitrage.*
- i. *Undertake a study and propose legislation that may be deemed necessary relating to inbound and outbound dividend, 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 a zero-tax or low-tax jurisdictions.*
- j. *Spontaneous Exchange of Information with tax authorities relating to individuals that are in future granted Citizenship by Naturalisation for Exceptional Services by Direct Investment (Citizenship Regulations) with a view to mitigate against risk of ATP by individuals.*

Investments

- a. *Further digitalisation in the Justice System, including the Courts, thus facilitating the interactions with different agencies.*

This Component
has a budget of circa
€10 million

03

Impact of Investments and Main Reforms

The investments and reforms underpinning the Recovery and Resilience Plan are expected to have a long-term economic impact and achieve substantial economic benefits.

Looking at the investments under the Plan, econometric modelling (QUEST and SAMM) shows that over the project rollout period (2022-2025), output is expected to grow on average by 0.53% relative to the baseline. Moreover, the investments are expected to reap long-term economic benefits with output expected to stand around 0.3 % higher in the long term (2040) relative to the baseline.

Table 1
**Macroeconomic
 Impact**

Year		2021	2022	2023	2024	2025	2030	2040
GDP*	QUEST	0.33	0.48	0.61	0.68	0.56	0.49	0.30
	SAMM	0.55	0.60	0.58	0.37	0.10		
Employment*	QUEST	0.13	0.08	0.04	0.00	0.00	0.01	0.00
	SAMM	0.12	0.20	0.23	0.16	0.06		
Productivity*	QUEST	0.2	0.4	0.56	0.68	0.59	0.49	0.29
	SAMM	0.41	0.35	0.29	0.15	0.03		

* percentage difference from baseline

Source: Economic Policy Department, MFE

The RRP also shows how the various reforms and investments are sustainable over the long-term and will be implemented in an inclusive manner to avoid pressure to revert the changes:

Table 2

Qualitative Impact on Sustainability

Component	Qualitative Impact
1. Addressing climate neutrality through enhanced energy efficiency, clean energy and a circular economy	Long-lasting impact in the form of reduced of energy consumption and the clean and efficient use of energy.
2. Addressing carbon-neutrality by decarbonising transport	Improve the air quality and reduce noise pollution, which will result in improvements in quality of life and overall health.
3. Fostering a digital, smart and resilient economy	Enhance the resilience of the Maltese economy both for domestic competitiveness and in relation to international markets.
4. Strengthening the resilience of the health system	Better health outcomes are expected to result in a more economically active labour force, raising productivity whilst sustaining future social protection expenditure.
5. Enhancing quality education and fostering socio-economic sustainability	Bridge the gap between education provision and labour market needs leading to higher employment and better-quality employment whilst contributing to enhanced fiscal sustainability in the long run.
6. Strengthening the institutional framework	Improve business sentiment and trust in Maltese institutions, leading to improvements in the business environment as a result of higher investment, less bureaucracy and more efficient structures.



04
Next Steps

The European Commission will now assess Malta's draft Recovery and Resilience Plan with a view to make a recommendation to the Council of the European Union for adoption. This will serve as the basis for implementation of the Plan.

Further details of Malta's Recovery and Resilience Plan will be published in due course.

Annex

RRP: Summary of Reforms and Investments

Component

1

Addressing climate neutrality through enhanced energy efficiency, clean energy and a circular economy (EUR 78 m)

Reforms

- Develop a long-term renovation strategy
- Fostering effective waste management through a robust waste governance framework including reforming the waste collection system

Investments

- Investment in the renovation and greening of public and private sector buildings, including deep retrofitting through energy and resource efficiency measures
- Investment in the renovation and deep retrofitting of public hospitals
- Investment in the renovation, deep retrofitting and renewable energy in public schools
- Investment in the construction of pilot near-carbon-neutral school to serve as a model for the future and provide a future-proof learning experience to students
- Renewable energy investments in roads and public spaces

Component 2

Addressing carbon-neutrality by decarbonising transport (EUR 111 m)

Reforms

- Stimulating the adoption and implementation of policies promoting the sustainability of the transport sector, including by encouraging the use of collective and multimodal transport
- Promoting further use of collective road public transport
- Expediting the finalisation and implementation of a Sustainable Urban Mobility Plan (SUMP) for the Valletta Region
- Reducing the socio-economic and environmental impact of vehicles in urban areas
- Promoting remote working in the public service
- Enhanced mobility management in the public service

Investments

- New ferry landing place to promote alternative modes of transport at St Paul's Bay/ Bugibba
- Enhancing the uptake of electric vehicles in the private sector
- Decarbonising the public service fleet
- Part replacement of the Public Transport Fleet

Component 3

Fostering a digital, smart and resilient economy (EUR 55 m)

Reforms

- Deepening the digital transformation through policy reform, with a focus on reducing the digital divide and promoting digital skills
- Finalise and implement Malta's Smart Specialisation Strategy, with a particular focus on fostering business R&I and strengthening public-private cooperation

Investments

- Strengthening the resilience, security and efficiency of the government digital backbone and investing in appropriate digital solutions, devices and tools which will enable Government to provide proactive action, secure services and streamlined operations to citizens and the business sector
- The digitalisation of the Merchant Shipping Directorate within Transport Malta, thus providing a more efficient regulatory service to operators
- Further digitalisation and modernisation of the public administration, including public and intra-facing services, through several solutions to improve the front-end customer experience, data sharing and reuse, virtual desktops, property transfer processes, National Single Window for customs, and digital tools for remote-working solutions
- Rolling out measures to intensify the digitalisation of the private sector

Component 4

Strengthening the resilience of the health system
(EUR 50 m)

Reforms

- Develop and implement a health policy framework aimed at making the health system more sustainable and resilient, with a particular focus on health prevention and a strong workforce
- Review the national legislative framework related to the Establishment of a Blood, Tissue and Cell Centre for Malta

Investments

- Establishment of a Blood, Tissue and Cell Centre for Malta
- Enhancing the resilience of the health system through digitalisation and new technologies

Component 5

Enhancing quality education and fostering socio-economic sustainability (EUR 41)

Reforms

- Strengthen early school leaving prevention measures, with a focus on skills acquisition
- Strengthening skills development and recognition, with a particular focus on low-skilled adults
- Developing new education pathways towards inclusive and quality education
- Implementing an effective education policy monitoring system
- Reinforcing the resilience of the labour market
- Ensuring the sustainability of Malta's pension system

Investments

- Setting up of a Centre for Vocational Education Excellence (ITS Campus)

Component 6

Strengthening the institutional framework (Eur 10 m)

Reforms

- The Office of Attorney General will continue to take over further prosecution responsibilities
- Reinforcing the institutional framework capacity to fight against corruption; through the implementation of the National Anti-Fraud and Corruption Strategy (NAFCS)
- Strengthen the Permanent Commission Against Corruption (PCAC)
- Strengthen the Asset Recovery Bureau
- Review the implementation of the reform concerning the judicial review of decisions not to prosecute and other decisions of the Attorney General.
- Strengthening Malta's AML/CFT regime
- ATP - Code of Conduct Group
- Specific Transfer Pricing Legislation
- Completion of study and propose legislation that may be deemed necessary, on the relevance of measures relating to inbound and outbound dividend, interest and royalty payments by companies established in Malta

Investments

- Digitalisation in the Justice system

Component 6

Reforms

- Spontaneous Exchange of Information relating to individuals that are granted Citizenship by Naturalisation for Exceptional Services by Direct Investment (Citizenship Regulations)

Investments





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