



# **Malta**

## **National Reform Programme**

### **Annex Table 1**

**Ministry for Finance**  
**April 2016**



Table 1. Description of the measures taken and information on their qualitative impact											
			Information of the planned and already enacted measures								Foreseen Impacts
CSR number (1)	CSR sub-categories (2)	Number and short title of the measure (3)	Description of main measures of direct relevance to address the CSRs					Europe 2020 targets	Challenges/Risks	Budgetary implications	Qualitative elements
			Main policy objectives and relevance for CSR (4)	Description of the measure (5)	Legal/administrative instruments (6)	Timetable on progress achieved in the last 12 months (7)	Timetable on upcoming steps (8)	Estimated contribution to Europe 2020 targets (9)	Specific challenges/risks in implementing the measures (10)	Overall and yearly change in Government revenue and expenditure (reported in mln. national currency) Contribution of EU funds (source and amounts) (11)	Qualitative description of foreseen impacts and their timing (12)
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.	Measure 1 – Review of ministerial spending allocations	The Government is committed to keeping Government expenditure in check including by improving efficiency in public spending.	<p>A Government spending review is ongoing to ensure the achievement of improved efficiency in public spending, reduce waste and ensure value for money.</p> <p>This should ensure that spending reflects changing priorities and changing needs.</p>	Budget Implementation Act and accompanying legislation.	<p>The Financial Estimates now provide projections for the medium-term so that each Ministry will have a planning total in submitting their spending plans for subsequent years.</p> <p>In February 2014, the Government started an in-depth Comprehensive Review within the Social Security Department which was based on a series of hearings with stakeholders. A report was then presented to the Prime Minister at the end of May 2014. This was the framework for the social security reforms announced in the 2015 Budget. The recommendations, which were implemented during 2015, require that all young people under the age of 23 move to a Youth Guarantee pathway rather than social security, that a tapering of benefit is offered to those that enter the labour market, and an in-work benefit is offered to single parent and two parents households. This has resulted in significant savings and in a lower inflow of beneficiaries to the benefit system.</p> <p>In 2015, the Comprehensive Spending Review was focused at the Mater Dei Hospital. The review at Mater Dei included a number of stakeholders in health services and was duly completed in October 2015. At present, the recommendations are in the process of implementation.</p>	In 2016, the Comprehensive Spending Review is focusing on education. The review started in February 2016 and is due to be completed by July 2016. The aim of the review is to make more transparent the outputs of both the primary and secondary educational system. One of the objectives of Government is to lower the number of early school leaving students and to encourage these students to stay within the educational system and be matriculated.	The Review is medium-term. Government now has outputs for each line item against spending inputs, which will allow it to better assess unit costs.	Zero budgets impose a major challenge but they allow Ministries to ask whether resources can be channelled to new areas without asking for additional spending.	The Comprehensive Spending Reviews aim to increase efficiency in public spending. A quantitative estimate of the budgetary implications of the CSR on social security was included in the 2015 Update of the Stability Programme. Impacts of the Comprehensive Spending Reviews undertaken in 2015 and 2016 will be determined later on once the recommendations are implemented.	<p>The reviews are one pillar of Government's approach to economic policy.</p> <p>The aim is to continue with the reviews in the area of education during 2016 as part of the budget strategy for 2017.</p>
		Measure 2 – Ensuring an appropriate structural effort	Ensuring public finance sustainability in the short to medium-term, while also addressing the long-term is a key Government objective. Government is also committed to meet its commitments	The Maltese Government is pursuing an adequate structural effort to ensure the achievement of the medium-term objective consistent with the calendar of convergence established by the European Commission.	Budget Implementation Act and accompanying legislation.	<p>Preliminary estimates indicate that the deficit in 2015 has declined further to 1.5% of Gross Domestic Product (GDP), which represents an improvement in the deficit-to-GDP ratio of 0.5 percentage points, compared to the level recorded a year earlier.</p> <p>In the first two months of 2016, Government's Consolidated Fund registered a deficit of €27.2 million, which is broadly in line with projections reflecting stronger than forecast revenue performance in both tax and non-tax components of revenue, and lower than targeted recurrent expenditure. Nevertheless, the fiscal situation will be monitored closely along the year, also in line with the monitoring requirements established by virtue of the Fiscal Responsibility Act and under the scrutiny</p>	The General Government balance is expected to continue declining in 2016, with further gradual reductions envisaged over the medium-term horizon. Further details of Government's medium-term fiscal plan are included in the 2016-2019 Update of the Stability Programme.		Government is taking the necessary measures to ensure that the appropriate structural effort is achieved and risks of deviation are minimised.	A quantitative estimate of Government's medium-term fiscal targets is included in the 2016 Update of the Stability Programme.	Ensuring a sustainable budgetary position is important to ensure a sustainable debt position, taking into account the economic and budgetary impact of ageing populations, and to have

			as per the Stability Programme which includes aiming for a balanced structural budget as its medium-term objective (MTO).			of the Malta Fiscal Advisory Council.						adequate room for budgetary manoeuvre, in particular taking into account the needs for public investment.
<b>CSR 2</b>	Take measures to improve basic skills and further reduce ESL by promoting the continuous professional development of teachers	Measure 1 – Strategic Plan for the Prevention of Early School Leaving (ESL)	Fighting against ESL.	The Strategic Plan for the Prevention of ESL, as per Council Recommendation 10544/11, was published in Malta in June 2014. This strategy is based on 3 pillars: prevention, intervention and compensation.	The ESL Prevention Unit and Advisory ESL Board have been set up and are operating.	<p>The Inter-Ministerial Committee (IMC) and the ESL Working Group (ESLWG) have continued with their meetings.</p> <p>In order to better focus on specific strategic areas, since June 2015, the ESLWG has been reorganised into a Compulsory Education Working Group and Post-Secondary Education Working Group. With reference to the Compulsory Education Working Group, €500 have been allotted by the Directorate for Lifelong Learning and ESL to each of the colleges who have submitted a project proposal in order to enhance student retention, thus reducing the probability of ESL.</p> <p>A Report on the Implementation of the Strategic Plan for the Prevention of ESL in Malta has been finalised. It is being used in consultations with the IMC on ESL and with the two Working Groups on ESL that bring together different stakeholders from the compulsory and post-secondary providers. A conference will be held on 27 April 2016 to bring the consultation to a close.</p>	By June 2016, the strategy will be revised by the Early School Leaving Unit (ESLU) in cooperation with the IMC and the two Working Groups. Feedback is being sought from them so that the actions included in the strategy are revised, the actions that have been completed are removed and new ones that might target new vulnerable groups are included.	A more focused approach will be taken by all stakeholders to reach the 10% target for ESL in Malta by 2020 in line with the Europe 2020 target.	To set up the necessary organisational structures, in order to bring stakeholders together for concerted action focused on tangible results.	During 2016, a further two research officers will be recruited by the ESL Unit.	A more focused strategy to prevent ESL with cooperation from different stakeholders from within and outside of the Ministry for Education and Employment (MEDE).	
		Measure 2 – Alternative Learning Programme (ALP)	Reducing the number of potential ESLs.	To provide alternative learning pathways for Form 5 students not sitting for any SEC examinations and therefore, almost de facto ESLs.	N/A	<p>70% of the students from the second ALP intake (October 2014) completed the course successfully in June 2015.</p> <p>The third intake of 282 students has started the ALP in October 2015. During scholastic year 2015-2016, students are following the core academic curriculum together with two vocational subjects from a choice of 21 subjects. It is being anticipated that over 130 students will have received some accredited short courses during 2015-16. ALP has also arranged for students to go on two – three-week job exposures linked to their vocational options.</p> <p>Apart from the above, a programme was developed to support students at Paola ALP Centre decrease the number of cigarettes being smoked. The Tobacco Cessation Support Programme targeted around 150 students aged 15 years or over. Parents were involved to support the students.</p>	<p>The ALP will continue to merge the academic core subjects with a substantial variety of vocational subjects spread over three pillars: services, engineering and arts. Continuation of job exposures, on the job training and various other short accredited courses will continue being offered.</p> <p>In April an Open Day will be held at ALP, and subsequently the applications for ALP admission will open for two weeks.</p> <p>Currently plans are being drawn up to offer courses at MQF Level 2 in the upcoming scholastic year and to establish linkages with companies that can offer additional job exposure to ALP students.</p>	<p>ALP is helping reduce early school leavers and school absenteeism of students who are more hands-on than theory-oriented in their learning.</p> <p>The ALP also helps reduce the risk of adolescents ending up not in employment or in any educational path (NEET).</p>	More psycho-social support staff, such as a psychologist, is needed to work full-time at the ALP.	The investment has increased substantially because of the investment being carried out at the new ALP centre in Paola. This is a short-term investment.	It is being envisaged that there will be more engagement at post-secondary level especially in VET areas due to the great investment in the new ALP premises.	

		Measure 3 – Comprehensive Monitoring System in relation to Early School Leavers	To have a clear picture of who ESL really are in order to have in place focused and effective strategies to reduce ESL.	To have an effective monitoring system that gives up-to-date information about potential and real ESLs, with particular reference to school attendance, assessment of student performance, and relationship between ESL and wider socio-economic factors.	A collaborative framework that brings together the Director for Quality Assurance (QAD), the Director of Research and Development (DRD), the ESL Unit, as well as Church and Independent schools.	<p>In Q1 2015 the ESL Unit had addressed all the College Principals during a meeting of the Education Leadership Forum to alert them about the relevance to ESL monitoring of a properly maintained E1 platform at school and college level. This was followed up by other awareness meetings with the Council of Heads of every college. This process has now been concluded. From time to time, the College Principals attending the Education Leadership Council are being reminded about the importance of keeping the E1 platform updated.</p> <p>At the end of 2015, the ESL Unit compiled a report with all the data regarding the implementation of different actions that are found in the Strategic Plan for the Prevention of ESL in Malta, which was gathered from the different stakeholders. In January 2016, feedback about the document was sought from a restricted number of stakeholders. The report that has now been finalised and was utilised as a basis for discussion during the IMC and the WGs that were held during March 2016.</p>	<p>In April 2016, a Conference on the Implementation Report will be held and suggestions shall be received. Following this, the main actions that would make up the revised Strategy should be devised by end of Q2 2016. The draft revised Strategy should be ready by end September 2016. A second implementation report should be ready by Q1 2017.</p> <p>Meetings with the IMC and the two Working Groups will continue to be held every quarter.</p>	<p>The Report on the Implementation of the Strategic Plan for the Prevention of ESL is very useful for evidence-based policies that would be more effective in making schools more effective and meaningful and to reduce early leaving from education.</p>	<p>To bring all stakeholders together, especially Church and Independent schools.</p> <p>To convince the non-State sector to share data.</p> <p>To coordinate the data gathering exercise with entities within the MEDE and also with other agents within the MEDE that are gathering data of their own, in order to avoid duplication and ensure a harmonious effort.</p>	<p>The E1 platform already offers possibilities for the management of further data. ESF funding may be sought to develop a framework that will bring other important data from different departments in line with the E1 platform.</p> <p>The setting up of a Working Group will not incur any substantial budget. However, plans are in the pipeline to commission an electronic data management system that will communicate the various data collection systems together.</p>	<p>All the information retrieved from E1 and also from the proposed wider framework will be invaluable to complement the statistical information supplied by the National Statistics Office (NSO) from its Labour Force Survey.</p> <p>Further to the February 2015 meeting with the NSO, another meeting was held during January 2016 to discuss the monitoring criteria and to inform NSO about the potential Secondary School Certificate &amp; Profile in line with the ESL Strategy.</p>
		Measure 4 – Reform of the National Curriculum Framework (NCF) in Malta	This document outlines the core components that should govern Malta's national curriculum so that personal growth and inclusivity, responsible citizenship and employability can continue to be sustained.	To have a number of learning areas and general learning outcomes that will determine learning and assessment programmes, standards, criteria and profiles. These will guide the teaching and learning process in compulsory education.	Responsibility lies within the Directorate for Quality and Standards in Education (DQSE).	The implementation of this reform has led to the writing of Learning Outcomes and Learning & Assessment Programmes for all subjects within all the educational cycles of compulsory education.	During 2016, Government will be drawing up a plan for the gradual implementation of the Learning Outcomes Framework (LOF) by September 2017. Professional development sessions for teachers will be carried out. The Institute for Education (ICE), set up in October 2015, will start to train educators in the pedagogy required for the implementation of the LOF project.	Through the reform of the NCF, the LOF will be the keystone for learning and assessment throughout the years of compulsory schooling. This will be achieved through giving freedom to schools and learners to develop programmes that fulfil the framework. Therefore this will engage learners and thus will assist in addressing Malta's EU 2020 targets for education and	To bring all stakeholders to work together and to coordinate all the initiatives that will be taken.	ESF funding has been obtained for the implementation of the programme.	Youths ending compulsory schooling in Malta should have obtained all of the necessary skills. This approach will also motivate them to continue learning and engage in lifelong learning programmes.

		Measure 5 – Follow up exercise with 4th and 5th Formers	Identifying and supporting potential and ESLs.	Form 4 & Form 5 students who will not sit for at least one SEC exam and those who have a history of habitual absenteeism are identified and interventions are held accordingly.	Involvement of personnel within the Education Psycho-Social Services giving their service in their respective colleges.  Professionals continued to support the students attending the ALP programmes.	Regular meetings with the Student Services Department (SSD) are held on a regular basis due to relevant updates in the ESL Data Collection Framework. SSD carries out a yearly tracer-study in order to monitor attendance and absenteeism in secondary schools.  The ESL Unit is working on a similar study at post-secondary level with relevant stakeholders within the ESLWG.  The Ġużé Ellul Mercer 16+ Extended Secondary School was opened in Gżira. The first intake of students is 80. These students will be supported to sit again for the SEC examinations in the core subjects of English, Maths, Maltese and Physics/ECDL.	Continuation and reinforcement of services offered by SSD and also the ALP.	employment. Contribution to the reduction of ESL.	The main challenge in this area is that human resources related to career guidance are inadequate. The need for more specialised personnel in career guidance is also an issue.	N/A	Students will no longer leave education without formal qualifications and will be better equipped to respond to the demands of the labour market.
		Measure 6 – Broadening Access in Education	Fighting against ESL.	This initiative was set up at the University of Malta to increase participation in post-secondary and tertiary education in regions with low level of participation, with a particular focus on Cottonera.	Legal Notice 49 of 2014. Statute for the University of Malta Cottonera Resource Centre <sup>1</sup> .	Mentoring and revision classes continued during the last scholastic year and consisted of 10-12 students and mentors. Moreover, the revision classes have continued each year. In 2015, classes for Form 4 and Form 1 students were held in subjects which included: Maltese, English, Italian, Mathematics A, Mathematics B, Biology, Chemistry, Physics, Personal and Social Development, Drama, Design and Technology and Integrated Science. Two hours were devoted for each subject each week. 47 students participated.  Other initiatives included revision study groups, public lectures and University of the Third Age for residents age 60 and over.  Liaisons with organisations in the community continued during the year, for example, members of the team 'Darsu', which is an initiative between the Faculty of Dental Surgery and the Cottonera Resource Centre, visited Ċentru Tbebbix (which offers support services to children) to help promote dental hygiene thanks to the intervention of Cottonera Resource Centre.	These projects and liaisons will continue through the coming year.	The purpose of this initiative is to increase education in regions traditionally associated with low level of participation, therefore this will assist in addressing the European 2020 target related to education, and through education, people may be removed from poverty and social exclusion.	These projects depend on the voluntary work carried out by University of Malta students. Such projects cannot run without these volunteers <sup>2</sup> .	N/A	The objective of these projects is to help more students from all colleges, especially colleges in the South Region such as the Cottonera area, to further their education. One also hopes that by befriending students already studying at University, these students might be encouraged to attend this institution.
		Measure 7 – Construction and Modernisation of Schools	The main objectives are to implement projects in a strategic manner and in close consultation and collaboration with the Education Directorate, which will set out prioritisation.	As announced during the Budget 2015, Government is currently constructing two new schools in Dingli and Kirkop.  During the coming years, new primary schools are planned in Marsascula, St Paul's Bay and Rabat (Gozo) to cater for demographic trends and for other educational	N/A	During the course of 2015, full MEPA permits were obtained for the Kirkop and Dingli schools. The construction tenders pertinent to both schools were published and awarded. Construction works are ongoing and processes for the publication and award of the finishing tenders are at an advanced stage.  Preparatory works in relation to the Marsascula, St Paul's Bay and Rabat (Gozo) schools are ongoing with MEPA and with the Government Property Division for the expropriation/devolution of the sites in question.	Construction of the Kirkop school is envisaged to be completed by 2016.  Construction of the Dingli school is envisaged to be completed during April 2016. MEPA permit for access road is still pending.  With regard to the Marsascula, St Paul's Bay and Rabat Gozo schools, full MEPA permits are being sought, together with clearance from the Lands Department.	With the creation and introduction of the college and co-ed systems, the Education Directorates analysed the current school building stock so as to ensure that all school children are provided with modern, well-equipped and challenging school environments that will facilitate their learning processes	In view that construction and modernisation rely heavily on authorities and private contractors, there may be the possibility of various delays.	N/A	The school investment aims to promote an overall improvement in quality of life through an enhanced educational system. It finances interventions intending to improve the availability of state-of-the-art educational

<sup>1</sup> <http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=12153&l=1>

<sup>2</sup> Azzopardi, M., Formosa, M., Buhagiar, E. (2013) The practice of evaluation. Cottonera Resource Centre. Unpublished report.

				requirements of the country.			Works are also being carried out on other schools for them to be modernised.	and help them develop to their full potential.			infrastructure starting from early childhood, through effective primary and secondary schooling.
		Measure 8 – Lifelong Learning Strategy	Increasing participation in lifelong learning to improve skill matching.	A draft Lifelong Learning Strategy has been published and adopted as final in December 2014.  The scope of the Lifelong Learning Strategy may be widened to encompass all levels of learning from early childhood education until learning in old age but the main thrust of the strategy is adult education.	N/A	The Lifelong Learning Strategy Task force is meeting periodically with different stakeholders. The meeting with stakeholders was held on the 27th October 2015. The three Working Groups on Community, Employability and Quality and Connected Learning met and information was gathered on ongoing initiatives that fulfil the strategic objectives.	The Task force will continue to meet so that by Q1 2016 it will come up with a roadmap identifying actions, timelines and responsible entities. The European Agenda initiatives planned for 2016-2017 will also be complementary to the implementation of the Lifelong Learning Strategy.	The EU2020 target is to increase participation in adult learning from 7% to 15%.	The successful implementation of the Strategy is dependent on the collaboration of various entities involved in adult learning.	N/A	There are 40 strategic programmes to be implemented by 2020.
		Measure 9 – The Institute of Education	Kindly refer to the CSR2 write-up for a list of objectives.	A Legal Notice was enacted for the setting up of the Institute of Education, which is an autonomous entity and which will carry out the function related to Continuous Professional Development and training of educators and shall serve as a main driver in these fields.	Legal Notice 140 of 2015 Institute for Education (Establishment Order) <sup>3</sup>	This Institute has already been set up.	The next step is the consolidation of the Institute, whereby all functions related to Continuous Professional Development and training of educators will be channelled through this entity.	Through Continuous Professional Development and training of educators, educators will continue to be assisted in having the appropriate skills to further reduce ESLs.	N/A	N/A	Providing continuous professional development.
		Measure 10 – Arrangement with the Cambridge University	To strengthen the use of English and encourage more children to choose to study languages through more attractive packages.	Government will be sustaining the arrangement it has reached with Cambridge University to strengthen the use of English. It will continue encouraging more children to choose to study languages through more attractive packages as was the case with the Subject Proficiency	N/A	This project has started in Q4 2015. A report from the Cambridge Assessment regarding the Year 5 and Form 4 students' progress in all four skills of the English language has been presented to the Department for Quality and Standards in Education for its review, who in turn will formulate a report on this initiative.	A number of train-the-trainers sessions and the training of a larger number of primary and secondary school teachers through the said train-the-trainers sessions are envisaged to be carried out.	This measure will help Malta to reach its national literacy targets.	N/A	N/A	This should result in an upgrade to the proficiency of the English language.

<sup>3</sup> <http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=12314&l=1>

				Assessment (SPA) programme for Italian, which it intends to widen to include French and German.							
		Measure 11 – Tools for Teachers	Equip teachers with digital tools that will enable them to monitor their students' learning progress effectively and to tailor education around their students' needs.  Assist educators in creating material; data management; resource gathering; researching online; visually enhance instruction; offers alternative learning opportunities; modelling software use.	This measure involved the purchasing of 3D scanners and printers for Design and Technology laboratories in middle and secondary schools, as well as interactive whiteboards with short-throw projectors and all-in-one computers so as to have one whole set available in each class. Furthermore, all teacher laptops were replaced and laptops were also made available to kindergarten assistants and learning support assistants.	N/A	This hardware was purchased during Q4 2015 and the replacements and installation of such tools happened during the same quarter.  Training is currently being carried out on the use of the 3D scanners.	Training to educators on 3D scanners will continue during the upcoming year.	The procurement of new equipment for a number of refurbished existing learning and training facilities was undertaken in order to address objectives such as the education target of the Europe 2020 Strategy.	N/A	These tools were funded through ESF funds.	Provides tools for teachers to assist them in their teaching.
		Measure 12 – Screening Programme	Through this programme, all Maltese children will be screened for any delays in developmental milestones at an early stage, and therefore this may contribute to decreasing the possibility of these children becoming ESLs in the future due to the lack of timely diagnosis of such developmental conditions.	A new screening programme will be launched with the title of 'Lenti fuq l-Iżvilupp ta' Uliedna'. The programme will monitor children from an early age to identify their needs in good time for them to be given the support they require.	N/A	An action plan is being drawn up with regard to the project which involves the various stakeholders.	During the coming year the following is planned:  1. the setting up of a system to facilitate the identification of children with developmental delays from a very early age and the provision of appropriate support in a timely manner;  2. the linkage of multidisciplinary services to ensure, manage, streamline and overall facilitate the services available to children.	Possible contribution to decreasing any potential ESLs	A possible challenge may be the area of human resources	N/A	This project shall ensure that most of the developmental issues are identified at an early age, thus reducing the need for more intensive type of intervention later on in the child's life, eventually reducing overall health and education cost.



<p><b>CSR 3</b></p>	<p>a) 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.</p>	<p>Measure 1 – Pension reform</p>	<p>Malta has a medium risk with regard to the long-term sustainability of its public finances due to the projected long-term cost of ageing.</p>	<p>The Pensions Strategy Group prepared a post-consultation report, which was submitted to the Government, whereby a number of the presented measures were adopted by Government in the Budget for 2016.</p>	<p>The pension reform measures have been adopted by the House of Representatives (Act No. XV of 2016) in March 2016, with the exception of the incentive mechanism for persons to defer their pensions that has been publicly announced on the 22nd March with legislation to follow during the course of 2016.</p>	<p>Following the set-up of the new Pensions Strategy Group to continue the work of the previous Working Group, a report presenting pension reform recommendations was finalised in June 2015. Subsequently, the Group prepared a post-consultation report that took into consideration the feedback received (till the end of August 2015) from social partners, political partners and the general public. The post-consultation report, including the final recommendations, was submitted for the attention of Government during September 2015. A number of these measures were adopted by Government as from the Budget for 2016:</p> <ul style="list-style-type: none"> <li>• The contributory period is being raised from 40 to 41 years for persons born after 1968.</li> <li>• The introduction of an incentive mechanism for persons to defer their pension, whereby persons who are eligible for retirement at the age of 61 years, are awarded a financial incentive for each additional year they choose to continue working up to the age of 65 years.</li> <li>• A Working Group shall be set up with the scope of bringing to the consideration of Government, proposals relative to the introduction of fiscal incentives for employers that opt to introduce occupational pensions on voluntary basis.</li> <li>• As from 2016, the Minimum Pension for a person with a full contributory record will not be less than €140 per week. This measure will contribute to address the problem of poverty amongst the elderly.</li> <li>• Better credits for child rearing and family growth and the introduction of credits for human capital development and lifelong learning.</li> </ul> <p>The Pension Strategy Group argued against a mandatory approach to increases in the statutory retirement age based on the linking of the retirement age to a longevity index. Such an approach does not take into account differences in life expectancy between different types of workers as well as differences between life expectancy and healthy life expectancy. The Group proposed that the Government should strive to increase active employment beyond the statutory retirement age by (i) incentivising late exits from the labour market; (ii) incentivising the deferral of a retirement decision; and (iii) initiating discussion within civil society and amongst constituted bodies for the eventual separation of the mandatory retirement age from the statutory retirement age.</p> <p>The Government in the 2016 Budget accepted the principle behind recommendations (i) and (ii) above.</p>	<p>The Maltese Government prioritised a number of recommendations and presented them for implementation in the Budget for 2016. It is still considering the next steps with respect to the other recommendations of the Pensions Strategy Group.</p>		<p>Main challenges concern the increase in awareness by the stakeholders, including the general public. Further fine-tuning to the first pillar is necessary to maintain sustainability and adequacy of the pension system.</p>	<p>The pension reform initiatives legislated in 2006 together with the measures of the national minimum pension introduced in the Budget for 2016 are expected to have an incremental budgetary impact of -0.063 per cent of the GDP in 2016.</p>	<p>The Maltese Government prioritised a number of recommendations and presented them for implementation in the Budget for 2016. It is still considering the next steps with respect to the other recommendations of the Pensions Strategy Group. Furthermore, it should be noted that there is also the entrenchment in law of a strategic review process of the pension system every five years (Article 64B of the Social Security Act).</p>
---------------------	---	-----------------------------------	--	--	---	--	--	--	---	---	--

						<p>The reform measures listed above have been adopted by the House of Representatives (Act No. XV of 2016) in March 2016, with the exception of the incentive mechanism for persons to defer their pensions that has been publicly announced on the 22nd March with legislation to follow during the course of 2016.</p> <p>The adoption of the principle of achieving a fair balance between the contributory period and the period spent in retirement across generations ensures that the contribution period for a full pension is now based on a stable ratio between years contributing and years drawing a pension.</p> <p>The incentive to encourage late retirement and the linking of the contributory period to the period spent in retirement are expected to contribute to the strengthening of the long-term sustainability of public finances. At the same time, the adequacy element is also safeguarded through the increase in the minimum pension, better crediting for child rearing (which is designed to mitigate against gaps in the contributory periods particularly of women arising due to family responsibilities and as a policy instrument contributing positively toward fertility increases) and the introduction of credits for human capital development and lifelong learning, alongside other measures.</p>					
		Measure 2 – Third Pillar Pensions		In the Budget for 2014, the Government announced that fiscal incentives will be introduced to encourage people to take out private pensions. This legislation was approved by Parliament and came into force at the beginning of 2015.	The Retirement Pensions Act (Chapter 514 of the Laws of Malta) came into force on 1st January 2015. The new Regulations and Pension Rules also came into force on 1st January 2015. A new set of Regulations and Pensions Rules have been issued under the Act to supplement the legal framework for the licensing and regulation of Retirement Schemes (both Occupational and Personal), Retirement Funds and Service Providers related thereto, as well as for the requirement of recognition for persons carrying on back-office administrative services.	<p>With regard to the third pillar pensions in Malta, it is to be noted that the first pension products were launched on the market during November 2015, thus bringing to fruition Government’s policy initiative in this area. Furthermore, the tax benefits for third pillar pensions have been extended to be applicable to certain insurance products in order to incentivise providers. Accordingly, there are now a number of providers offering personal pension plans. Savers undertaking these plans can receive tax rebates on their savings for retirement.</p> <p>The Government has presented a draft National Strategy for Retirement Income and Financial Literacy for consultation for 2016-2018. The aim of this Strategy is to build a culture of saving for retirement as well as better money management during life events. Through this Strategy, the Government is concluding a three-year action plan. One of the steps that the Government will embark upon following the consultation process is the setting up of an entity to steward the implementation of the National Strategy.</p>	Given the consultation process, Government aims to set up an entity to steward the implementation of the National Strategy.		The main challenge is the uptake of this measure which mainly depends on the package of incentives made available.	No effect on Government revenue or expenditure.  Potential mechanisms for the financing of the implementation entity are presented in the draft National Strategy for consultation.	The uptake of this measure will serve to supplement the amount of pension from the first pillar to increase the level of income of future pensioners.
		Measure 3 - Employment of older persons	The objective is that of increasing the duration of working life in light of the importance of the employment pillar in supporting both	The Maltese Government has introduced a number of measures to encourage entry, re-entry and retention in the labour market.		Malta’s employment rate for older cohorts has shown signs of improvement in recent years. In Q3 2013 the employment rate of workers aged 50-64 years was of 44.7% whereas the EU average was 59.7%. This rate increased to 51.4% by Q3 2015 while the EU average at the time was of 62.2%. Similarly, the employment rate for the group aged 55-64 also progressed over the same period from 37.0% to 42.1%. Female older workers also showed positive trends whereby the employment rates of females aged 50-64 increased considerably from		This measure is expected to contribute positively to the employment target.	Policy responses depend also on behavioural attitudes towards labour market participation, which take some time to be visible.		These measures will continue to support the adequacy and sustainability of pensions in Malta.

			the adequacy and sustainability of pensions			17.7% in 2008 to 26.9% in 2014.  Furthermore, there were increases registered in the duration of working life between 2005-2009 (1.5 years) and 2010 and 2014 (2.7 years). In the National Employment Policy published in 2014 it is pointed out that from 2010 onwards, the employment ratio of older persons increased consistently and is expected to continue increasing in the coming years. This is a reflection of the increases in the pension age legislated in 2006 through which the old age employment ratio is expected to reach 49.4% by 2020 which contrasts sharply with the rate of 28.6% registered in 2000.					
<b>CSR 4</b>	Improve small and micro-enterprises' access to finance, in particular through non-bank instruments.	Measure 1 – Business Start scheme	The scope is to develop a novel access to finance scheme to stimulate the establishment and growth of innovative SMEs.	Malta Enterprise, via B.Start, is offering a seed funding for start-ups. The measure is intended to support small start-up undertakings that have a viable business concept and are in the early stages of their development. Initiatives that are deemed to be economically viable shall be supported through a grant of up to €25,000.	Article 8 (3)(a) of the Malta Enterprise Act, Chapter 463	The scheme was officially launched as a pilot project on the 29th September 2015 and the response has been very encouraging. In view of the positive interest that has been received by the Corporation and to be able to continue receiving applications, the budget was increased to €1 million.	The pilot project terminates in June 2016. In this regard, the scheme will be reviewed during the second quarter of 2016.	N/A	None	N/A	Up to 6 <sup>th</sup> April 2016, 22 beneficiaries have been granted assistance through the B. Start Scheme. The total amount of assistance granted was €550,000.
		Measure 2 – Start-up Finance Scheme	The aim of the Start-up Finance Scheme is to provide mezzanine finance to support small start-up undertakings in the setting-up and initial growth phases.	The support shall be provided as a repayable grant linked to private equity of up to €200,000. In the case of innovative or knowledge-based technology start-ups, the repayable grant may be increased to €500,000 if the investment is linked to the procurement of tangible assets. The Corporation shall charge an interest on any value outstanding at the end of each calendar year. The support will be linked to either the private equity held by the applicant; the procurement of tangible assets; or to crowd funding campaigns.	Assistance to Small and Medium-Sized Undertakings (Amendment) (No. 2) Regulations, 2015.		A review of the Scheme will be carried out towards the second quarter of 2016.				The assistance is provided in a form of a repayable assistance. The Scheme is a pilot project and is available up to October 2016. In this regard, until October 2016 circa 3 beneficiaries are expected to benefit from this scheme.

		Measure 3 – JEREMIE financial Engineering Instrument	Improve small and micro-enterprises' access to finance, in particular through non-bank instruments.	JEREMIE financial Engineering Instrument.	Operational Programme	650 SMEs benefitted from this instrument with a total of 759 loans.	The portfolio needs to be fully committed and disbursed by Quarter 2 2016, with a €62.60 million investment induced through the JEREMIE Financial Instrument.		The challenge is to ensure that the whole portfolio is disbursed on time. The risk is that an enterprise that was given a sanction letter within the JEREMIE framework does not use the funds committed, resulting in partial recovery of funds committed to the instrument.	Equivalent to the outstanding loan portfolio not yet disbursed.	This measure was an important and effective instrument towards aiding access to finance to enterprises.  Benefits for enterprises include reduced collateral obligations, advantageous interest rates and a maximum loan of up to €500,000 within targeted sectors. The impacts have materialised in 2013 to 2015 and will continue to materialise during 2016 and beyond.
		Measure 4 – National Development Bank (NDB)	Improve small and micro-enterprises' access to finance, in particular through non-bank instruments.	The NDB is expected to address market failures and thus it will complement the services provided by commercial banks.	The statute with respect to the NDB is still being developed.	The Maltese Government is currently undertaking the necessary discussions with the European Commission.		N/A in view of state of play.	N/A in view of state of play.	N/A in view of state of play.	N/A in view of state of play.
		Measure 5 – SME Initiative – Stimulating Private Sector Investment for Economic Growth	Improve small and micro-enterprises' access to finance, in particular through non-bank instruments.	Stimulating private sector investment for economic growth.	Operational Programme	Malta has launched its SME Initiative Programme in July 2015, and this aims to stimulate SME financing by providing partial risk cover for SME loan portfolios. The Programme is financed through the European Regional Development Fund (ERDF) with an allocation of €15 million.  The call for the selection of the financial intermediary was launched in July 2015 and closed in October. The European Investment Fund (EIF) assessed the three proposals received and representatives were in Malta between November and December 2015 to carry out a due diligence on submissions. The financial intermediary was selected in January 2016 and the product was launched to the market in February 2016 with the name of JAIME.	Malta's SME Initiative is expected to leverage more than €60 million of new SME financing in Malta over the next few years, targeting circa 850 enterprises.		The challenge is to ensure that the whole portfolio is disbursed on time. The risk is that an enterprise that is given a sanction letter within the SME Initiative framework does not use the funds committed, resulting in partial recovery of funds committed to the instrument.	Equivalent to the outstanding loan portfolio not yet disbursed.	Benefits for enterprises include easier access to bank financing, the added value and the leverage effect created towards the local economy.  This measure also allows for more opportunities for innovative SMEs and new-technology based firms.  Another impact is the more

											<p>efficient use of European Structural and Investment Funds (ESIF).</p> <p>This instrument will also ease the eventual and gradual transition from a subsidy culture (grants) to revolving financial instruments, which is also one of the major foreseen impacts. The timing of the impacts is expected within the period 2016-2020, possibly even beyond.</p>
		Measure 6 – Initiatives supported by Operational Programme I and Operational Programme II.	Improve small and micro-enterprises' access to finance, in particular through non-bank instruments.	<p>Initiatives Supported by Operational Programme I – Fostering a Competitive and sustainable economy to meet our challenges – with a view to contribute towards improved access to finance which are also complemented by soft measures initiatives that enhance the competitiveness of SMEs through Operational Programme II - Investing in human capital to create more opportunities and promote the wellbeing of society.</p>	Operational Programme	<p>Further to the above-mentioned instruments, Malta's Operational Programme I includes support to enterprises through other financial engineering instruments. A pre-condition for the implementation of such financial instruments is the carrying out of an ex-ante assessment which is currently in its final stages. Such assessment identified the existence of gaps in the access to finance for SMEs in the local market and proposed a set of measures to be implemented to address such gaps, amongst which increased access to micro-finance, guarantee instruments and venture capital.</p> <p>In addition, Malta's Operational Programme II includes interventions in education, training and lifelong learning programmes to ensure that the private sector is equipped with human resources having the relevant skills to be able to contribute towards economic growth. Direct interventions towards the training needs of enterprises are also envisaged.</p>	<p>The financial incentives foreseen under Operational Programme I are envisaged to commence during Q2 2016.</p> <p>The grants foreseen under Operational Programme II started implementation in 2015 and another scheme will start implementation in Q2/Q3 of 2016.</p>		Withdrawal of Grant Agreements.	Funds (ERDF/ESF) to be allocated according to nature/timing of call.	<p>Enterprises to benefit from such schemes in the form of grants and/or financial instruments are subject to an ongoing study.</p> <p>This measure will further complement other measures such as the SME Initiative Programme.</p> <p>The timing of the impacts is expected within the period 2016-2020.</p>
		Measure 7 – Managed Seed Capital Fund	The aim of the Managed Seed Capital Fund is to encourage academics and students possessing creative and innovative ideas	The Managed Seed Capital Fund is intended to support early stage technologies and knowledge/technology-based start-ups.	N/A	The Management Committee finalised the details of the implementation of the measure for 2015 and awarded 3 proof of concept projects and 5 start-ups for a total value of €100,000.	This initiative will be replicated in 2016.	This measure will contribute towards a more competitive economy by assisting in the creation of enterprises with high added value	The development of the assisted business ventures may not progress as planned as these depend on market	This measure is nationally funded and not connected with EU funds.	Award funding will help to bridge the initial gap between lab/ patent/idea and market development, and provides support to

			to get the necessary financial support to be able to develop their ideas into business concepts. It aims to assist promising ideas to move forward toward commercialisation and ultimately, creation of high growth businesses in Malta.					and related employment opportunities.	expectations and global competition.		researchers and entrepreneurs when they need it most to increase the likelihood of success.
		Measure 8 – Set up of ‘Prospects’, an SME-oriented Multilateral Trading Facility (MTF)	To provide opportunities to SMEs and start-ups to seek finance and also provide for succession planning.	In line with its strategy to support SMEs and also the economy, over the last two years the Malta Stock Exchange (MSE) has been working on the setting up of a new market, which will be a MTF structure which is focused on the needs of SMEs and start-ups and is intended to provide such companies with an efficient, low-cost opportunity to seek finance and also to provide the structure for good succession planning.	Financial Markets Act (Chapter 345 of the Laws of Malta) and specific Market Rules.	Market was launched on 17th February 2016. Following this launch, information sessions and training for prospective corporate advisors commenced on 26th February 2016.	Currently the MSE is reviewing applications in respect of two corporate advisors.  To date, no applications in respect of admission to the market were received.		The success of the market is dependent on companies being ready to be admitted and also on intermediaries taking on the role of corporate advisor. The risk is that firms/prospective corporate advisors will not take the necessary decisions in due time to come to the market in this calendar year.		The business plan contemplates 10 company admissions and approval of 5 corporate advisors in Year 1.
		Measure 9 – Setting up of an External Capital Markets Advisory Board	To have a forum for debate made up of industry experts and practitioners as well as the MSE regarding the development of the capital market and to make recommendations as may be appropriate.	The strategy of the MSE is to focus on business development over the next few years to seek out new business, both domestically and internationally. To this end the MSE has spearheaded the setting up of a Committee of Experts to discuss and debate the development of the capital market and to make recommendations		First meeting of the Committee was held on 13th January 2016. The Committee intends to meet every 8-10 weeks.	Suggestions by the Committee regarding areas of discussion with a view to drawing up relevant recommendations are to be received by April and then a meeting of the Committee will be set up towards the end of the same month.		The challenge is to draw up recommendations with aims that are achievable within a defined period of time. On the international side, the challenge is to ensure that the MSE and Malta as a financial sector remain competitive.		Recommendations to be made to MSE/ Authorities regarding proposals for strategic developments of the capital market.

				and proposals with regard to such development.							
		Measure 10 - Enhancing financial education in Malta	To widen and deepen financial education in Malta both through collaboration with the MEDE in schools and higher education as well as among the general public.	As part of its corporate social responsibility, the MSE is also focusing on enhancing financial education in Malta through its own initiatives as well as through other initiatives with the MEDE to widen the scope of financial education in schools in order to ensure a better informed and more knowledgeable investor base.		The Committee met at the beginning of February 2016.	During the February meeting, it has been agreed that the trading game will start in October 2016 and will be supported by a short course as an introduction to the capital markets and investing in general.		The challenge is to ensure that financial education within the curriculum or the creation of specific courses or other training opportunities are all within the timeframe of the start of the next scholastic year.		Enhanced financial education, more market activity, and more diverse investment.