

# NATIONAL REFORM PROGRAMME

30<sup>th</sup> March 2017



MINISTRY FOR FINANCE

Maison Demandols, South Street, VALLETTA, MALTA

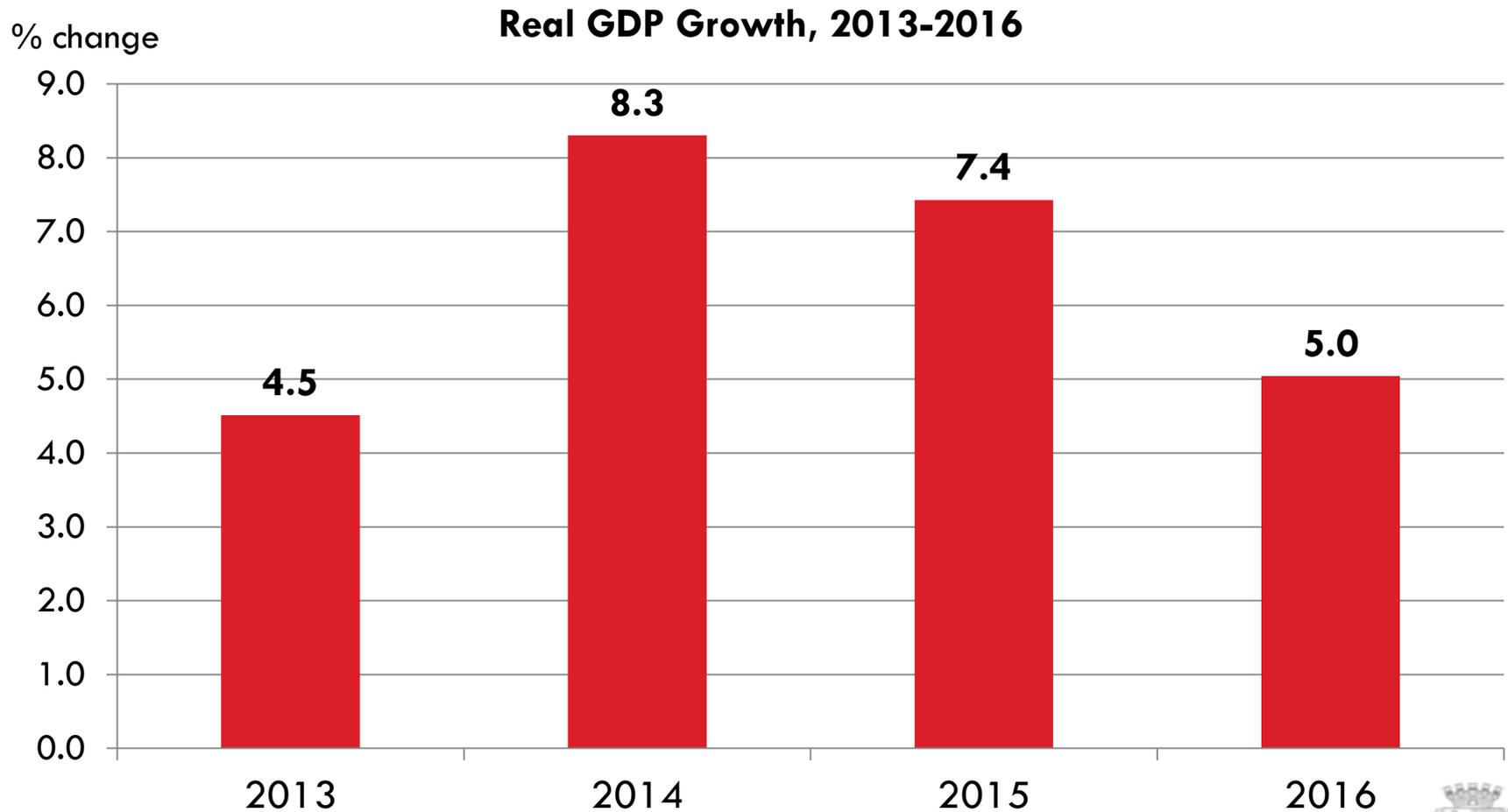
# Contents

- Macroeconomic Overview
- Policies addressing Country Specific Recommendations
- Policies addressing EU 2020 Targets
- EU Funds and Other Reforms



# Robust Economic Performance in the last Four Years

3



# Robust Economic Performance

4

% change	2013	2014	2015	2016
<b>Private Consumption</b>	2.3	2.8	5.2	3.8
<b>Public Consumption</b>	-0.3	6.5	3.8	-3.1
<b>Gross Fixed Capital Formation</b>	-1.7	8.8	48.8	-1.3
<b>Exports of goods and services</b>	1.4	5.3	4.1	4.0
<b>Imports of goods and services</b>	0.4	1.6	7.5	1.1



# Robust Economic Performance

5

- Economic growth remained robust in 2016, primarily driven by strong external demand conditions.
- Net exports was the key contributor to growth, although domestic demand was also a positive contributor.
- Consumption growth remained modest, driven by moderate appreciation in wages, strong labour market conditions and subdued acceleration in prices.



# Positive Macroeconomic Conditions

6

	2013	2014	2015	2016
<b>Employment (% change)</b>	3.7	5.1	3.8	3.7
<b>Unemployment Rate (%)</b>	6.4	5.8	5.4	4.8
<b>HICP (% change)</b>	1.0	0.8	1.2	0.9
<b>Current account balance (% of GDP)</b>	6.8	12.6	7.8	11.9
<b>Potential GDP (% change)</b>	3.5	4.2	5.5	5.1
<b>Output gap (% of potential GDP)</b>	-1.6	2.4	3.1	1.9



# Positive Fiscal Indicators

7

	2013	2014	2015	2016*
General Government balance (% of GDP)	-2.6	-2.0	-1.3	-0.7
General Government gross debt (% of GDP)	68.5	64.3	60.8	59.0

\*Autumn forecast



# CSR 1 – Fiscal Policy

8

- Achieve a fiscal adjustment of 0.6% of GDP in 2016 and 2017
  - Preliminary estimates indicate that the medium-term objective of a balanced structural budget was achieved in 2016
  - Debt declined from 60.8% in 2015 to 59.0% in 2016
  - Over the medium-term, a broadly neutral fiscal stance is envisaged.



# CSR1 – Fiscal Policy (2)

9

- Ensure the long-term sustainability of public finances
  - Reforms to the First Pension Pillar
    - Reform is ongoing
    - The contributory period is being raised from 40 to 41 years for persons born after 1968, and is to be reviewed every 5 years
    - Persons born on or after 1/1/1969 who want to access the early exit option, will require 35 years of paid contributions with a maximum of 6 years of credits.
    - An incentive mechanism for persons in the private sector to defer their pension.
    - The Minimum Pension for a person with a full contributory record will not be less than €140 per week
    - Better credits for child rearing and family growth



# CSR1 – Fiscal Policy (3)

10

- Diversifying Income in Retirement
  - First pension products were launched in November 2015- number of qualifying individuals stood at 0.7% of total employment in 2016.
  - In the case of the voluntary occupational pension plans, employees shall continue to benefit from the incentives announced for the third pillar pensions.
  - The employer shall consider expenditure related to investment to the occupational scheme as part of recurrent expenditure for company tax computation purposes.
  - The company will be also receiving a credit of €150 for every €1,000 invested on behalf of its employees.



# CSR1 – Fiscal Policy (4)

11

- Health Reform
  - Adoption of the National Health Systems Strategy covering 2014-2020 focusing on the three pillars of improving governance; health promotion and disease prevention; and strengthening of primary care
  - Measures aimed at increasing access whilst maintaining quality and sustainability were introduced and implemented.
  - More free healthcare benefits were introduced to diabetic patients
  - Reduction of the outpatients and surgical waiting lists.
  - The community mental health support through partnerships with NGOs



# CSR 2 : Education – Strengthen Labour Supply

12

- Improve basic skills and employability
  - National Lifelong Learning Strategy for Malta 2020
    - Setting up of National Skills Council
    - University setting up a specialised department on Adult Education
    - National Diploma on teaching adults
  - Implementing a 3 year project under the ERASMUS+ Programme focusing on enhancing literacy
  - Jobsplus Work Programme Initiative, assisting long term unemployed individuals; Continuation of work placement scheme and work exposure scheme
  - Second cycle of the NEET Activation Scheme II as part of Youth Guarantee Initiative



# CSR 2 : Education – Strengthen Labour Supply (2)

13

- Reducing Early School Leaving
  - Targeted approach to reducing ESL leading to tailor-made career guidance programme
  - Guže Ellul Mercer 16+ - learning programme focusing on low-achievers, alongside free revision classes under Youth Guarantee
  - Alternative Learning Programme focusing on students unable to complete or sit for the MATSEC ordinary level examinations
  - Vocational subjects offered at state secondary schools



# CSR 2: Education – Strengthen Labour Supply (

14

- Continuous Professional development for Educators
  - Setting up of Institute of Education entrusted with continuous professional development and training of teachers, offering courses at MQF 6 and 7
  - One tablet per child rollout in September 2016
  - Creation of Continuous Professional Development Programme for Educators



# EU 2020 Targets (1)

15

National Target	2016	2020
<b>Employment</b>		
Employment rate (age group 20-64)	69.6%*	70%
<b>Education</b>		
Share of early school leavers	19.8%*	10%
Share of 30-34 years old completed a tertiary or equivalent education	29.8%*	33%

\* *Provisional*



# EU 2020 Targets (2)

16

National Target	2015	2020
<b>Climate Change &amp; Energy</b>		
Share of renewable energy sources in final consumption	5.0%	10%
Greenhouse gas emissions (not falling within the scope of the ETS)		5%
Gap between 2014 inventory emissions & 2014 binding target*	-7.4%	
Gap between projected 2020 inventory emissions & 2020 binding target*	-4.06%	
Energy consumed in all forms of transport from renewable sources	4.7%	10%

\* Source: Second Biennial Report 2016 (MT's gap in line with annual emission allocation pursuant to Decision 2013/162/EU)

# EU 2020 Targets (3)

17

National Target	2015	2020
<b>Research and Innovation</b>		
Gross Domestic Expenditure on R&D	0.77%*	2%
<b>Social Inclusion through reduction of poverty</b>		
People at risk of poverty or social exclusion	94,000	Reduce by 6,560

\* Provisional



# EU Funds (1)

- Significant use of EU Funds leading to improvements in terms of:
  - Development of physical infrastructure
  - Investment targeting its human capital
  - Other investments targeting Malta's competitiveness, environment, education, health, social welfare as well as agri/aquaculture



# EU Funds (2) - Malta's Partnership Agreement

- Sets out an assessment of national needs and defines the priorities for the use of the European Structural and Investment (ESI) Funds.
- 3 Main priorities:
  - Fostering competitiveness through innovation and the creation of a business friendly environment
  - Sustaining an environmentally friendly and resource efficient economy
  - Creating opportunities through investment in human capital and improving health and well being



# Reform Measures implemented through Structural Funds

20

- Digital Malta Strategy
- European Platform Against Poverty
- Innovation Union
- New Skills for New Jobs
- Increasing employability through training
- Industrial Policy Flagship



# Strengthening Financial Stability

- Transposition and adoption of macro prudential provisions under Capital Requirements Directive IV (CRDIV) and the Capital Requirements Regulation (CRR)
- Bill published to further specify the ranking of creditors in case of insolvency or winding up of a credit institution
- Strengthened further the local macro prudential framework with the introduction of specific buffers
- Amendments to Banking Rule 9 aim to address high levels of non-performing loans and bad assets
- Malta Development Bank to start operating by end 2017 with the aim of supporting SME financing
- Establishment of Central Credit Registrar – expected to improve competition
- Strengthening of Anti-Money Laundering and Countering Financing of Terrorism



# Further Reforms

- Updating of electronic system for the Inspectorate section
- Consultations with all stakeholders regarding equal pay for equal work
- Introduction of online electronic payment by importers
- Reduction from 5% to 1.5% in stamp duty in transfer of a business to the children
- Modernising Public Administration



23

Thank you for your attention

[pdpid.mfin@gov.mt](mailto:pdpid.mfin@gov.mt)

