## Annex 2. Reporting table for the assessment of CSRs and key macro-structural reforms

**Table 1. Description of the measure taken and information on their qualitative impact**

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| CSR nr (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 | Challenge s/Risks | Budgetary implications | **Qualitative elements** |
| | | | Main policy objectives and relevance for CSR (4) | Description of the measure (5) | Legal/ administrativ e 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 implemen ting 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) |

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| **CSR 1: Public finances** | Reinforce the budgetary strategy in 2012 with additional permanent measures so as to ensure adequate progress towards the MTO and keep the deficit below 3 % of GDP without recourse to one-offs. | Measure 1 – Review of ministerial spending allocations | After the peak in 2008, the general Government deficit narrowed gradually, reaching 2.8 per cent of GDP in 2011, below the 3 per cent of GDP reference value.<br>During 2012, the deficit-to-GDP ratio increased by 0.5 percentage points to 3.3 per cent of GDP. | Although above 3 per cent of GDP, the ratio remains close to the reference value. Developments in 2012 were influenced by several factors which impinged negatively on public finances.<br>The increase in the general Government balance above the 3 per cent of GDP reference value is expected to be temporary and exceptional. | | | | | | | |
| | Continue fiscal consolidation at an appropriate pace thereafter, so as to make sufficient progress towards the MTO, including meeting the expenditure benchmark, and towards compliance with the debt reduction benchmark, by specifying the concrete measures to back up the deficit targets from 2013, while standing ready to take additional | Measure 2 – Expenditure restraint | After the EDP abrogation, Malta has to ensure progress towards the MTO in line with the SGP. | Over the medium term, the general Government deficit is expected to decline further as Government's fiscal policy objective remains that of ensuring a sustainable fiscal position by gradually but consistently reducing the fiscal imbalance. Indeed, the decline in the ratio of general Government deficit-to-GDP is expected to be sustained and the | The envisaged fiscal consolidation will primarily be aided by a strong macroeconomic environment and a strengthened national fiscal framework, as well as through enhanced efficiency in public spending and tax collection. | | . | | | | |

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| | measures in case of slippages. | | | fiscal imbalance is expected to be reduced further from 2.7 per cent in 2013 to 2.1 per cent and 1.6 per cent in 2014 and 2015, respectively. | | | | | | | |
| | | | Government acknowledges the important role that national fiscal frameworks may play in sustaining budgetary retrenchment. The newly reformed EU fiscal framework provides a good guideline for reforming the Maltese fiscal framework. | The Ministry for Finance has finalised the necessary research on fiscal frameworks and fiscal councils, with work on the legislation reaching an advanced stage. In addition, an independent Fiscal Council will be set up with the aim of evaluating the Government's fiscal projections and to guarantee more transparency in the budgetary process and prudence in the macroeconomic forecasts. | | | Definite positions in this regard are still to be taken. | | | | |

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| | Increase tax compliance and fight tax evasion, and reduce incentives towards indebtedness in corporate taxation | Measure 1 | | | | | | | | | |
| **CSR 2: Sustainability of pension system and labour market participation** | Take action, without further delay, to ensure the long-term sustainability of the pension system, comprising an increase in the effective retirement age, including through a significant acceleration of the progressive increase in the statutory retirement age compared to current legislation and through a clear link between the statutory retirement age and life expectancy, and measures to encourage private pension savings. | Measur 1 – Pension reform | Malta is still at high risk with regard to the long-term sustainability of its public finances due to the projected long-term cost of ageing. | The government has taken up two of the recommendations of the review of the pension reform by the Pension Working Group. The measures include (i) setting up a task force to raise the overall financial literacy of the Maltese population and (ii) setting up a pensions strategy unit that would undertake research on matters related to the framework of the pensions system. | | | Malta has recently undergone a change in administration, which is currently in the process of evaluating developments in this area prior to considering further steps in the reform of the pension system It should be noted that the parametric changes to the First Pension introduced in 2006 are deemed to have fulfilled their role as they braked what was an<br>1. accelerated degeneration of the average pension replacement rate and thus stemmed the pension system from collapse. to the best ten years from the last 40 years; | | | | |

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| | | | | | | | 2. A Guaranteed National Minimum Pension payable at a rate of not less than 60% of the Median Income which was introduced for persons born after 1st January 1962; and<br>3. the Maximum Pensionable Income for persons born after 1st January 1962 will follow a more dynamic path with an indexation of 70% to Wage Growth and 30% to Inflation. | | | | |
| | Take measures to increase the participation of older workers in the labour force and discourage the use of early retirement schemes. | Measure 2 - Active Ageing Policy | Draft an active ageing policy to act as a catalyst for maximising health life expectancies for women and men, reducing dependency levels through the implementation of health promotion and disease prevention, and providing further opportunities for | The policy will take stock of and build upon existing measures, programmes and actions in the areas of active ageing by proposing further initiatives aimed at ensuring the sustainability of the pension system, increasing employability later in life, improving healthy life expectancy, | N/A | The first changes to the legal framework governing pensions were introduced in 2008, and at the moment the retirement age has been harmonised to 61 for both males and females. | By 2014 the retirement age will increase to 62, and by 2019 the retirement age will increase to 63. | This measure is still currently being implemented and it is too early to assess its contribution towards the established targets. | | | |

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| | | | physical activity in later life. | ensuring social participation and social inclusion, as well as addressing independent living to enable more older persons to 'age in place'. Initiatives that build on sustainable principles, and which seek to provide adequate incomes in later life and strengthen the financial autonomy of older people will also be included. | | | | | | | |
| **CSR 3: Education and family-friendly measures** | Take steps to reduce the high rate of early school leaving. | Measure 1- Survey on early school leavers | Understanding the reasons for early school leaving | A survey on early school leavers launched by the National Statistical Office | | | This survey to measure the effect of proposed ISCED revisions on the ESL rates was not launched as funds were not made available. | Possible contribution to the early school leaving target | | | |
| | | Measure 1 - | Understanding the reasons for early school leaving | A project by the University of Malta for monitoring disadvantaged secondary school students | Project Officer on part time basis | Launched beginning of 2012 | Results preliminary study expected in 2013 | Possible contribution to the early school leaving target | | Interventions on a three year part-time basis by psychologists, counsellors, support teachers, social workers, youth workers at individual level and community level; evaluation; publication of report | Identified students who are supported in this period will be monitored and their post secondary trajectory examined in terms of project effectivenes s; policy developme |

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| | | Measure 3 - Strategy against early school leaving | Fighting against early school leaving | A national strategy on early school leaving, as per Council recommendation 10544/11 on policies to reduce ESL | The setting up of an Early School Leaving Prevention Unit and an Advisory Early School Leaving Board | On 5 April 2013, the Ministry of Education and Employment launched an Early School Leaving Strategy The consultation process for this strategy was also launched and will come to an end in mid-May with a national conference. The strategy aims to shed light on the reasons why students leave school at an early age and develop policies that motivate them to continue | To be discussed with stakeholders in the coming weeks | Possible contribution to the early school leaving target | To develop a robust and structured statistical framework for the provision of systematic data as presented in the main body of the report | | |

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| | | | | | | their studies. | | | | | |
| | Pursue policy efforts in the education system to match the skills required by the labour market. | Measure 1 - Lifelong Learning Strategy | Increasing participation in lifelong learning to improve skill matching | A draft Lifelong Learning Strategy | | | 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 | | | | |
| | | Measure 2 - Reform of apprenticeship schemes | Providing the adequate skills for the labour market | A Reform of the Apprenticeship schemes is being proposed by the Employment and Training Corporation (the Maltese Public Employment Service): the aim is to create a single national apprenticeship scheme covering more qualification levels. | Legal Notice | Legal Notice was drafted | The reform and consultation with other stakeholders are expected to come into force gradually in the coming year (2014) | Possible contribution to the early school leaving target and towards increasing employment rate | | €1,148,400 from National Funds | Once the new Legal Notice comes into force it is being envisaged that the number of apprentice in the system will increase by 100 |
| | Enhance the provision and affordability of more childcare and out-of-school centres, with the aim of reducing the gender employment gap. | Measure 1 - Childcare centres | The main objective of this measure is to construct and operate a number of childcare facilities to be able to allow more women to re-enter the labour market. This measure is directly related to the CSR in question. | The Maltese government is opening up a number of childcare centres. To date there are 11 childcare centres which are fully operational and another one which will be operational by the end of March. These centres are run by the Foundation for | The Maltese government established the national standards for child day care facilities in 2006, aimed streamlining the operations of childcare facilities. | During 2011, Government Childcare Centres extended their operational hours until 1600hrs so as to be more accessible for working parents.<br><br>In 2013, it is envisaged | Two further locations, Żurrieq and Gżira, were identified for childcare centres to be set up.<br><br>Furthermore by the end of 2013 it is planned that eight new centres will be operating. | Possible contribution to the employment target, through an increased labour market participation of women. | | Cost of operating government-run childcare centres in 2012: Eur. 1.35 million. - Total cost for the opening of three childcare centres in industrial estates Eur. 1.75 million of which Eur. | |

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| | | | | Educational Services. There are also three childcare centres which are run on a Private Public Partnership basis. | | that these will be extended to 1800hrs.<br>To date, there are 11 active centres (Vittoriosa, Birkirkara, Qawra, Siġġiewi, Pembroke, Cospicua, Santa Venera, Floriana, Marsa and Qormi and Naxxar) and another one (at San Ġwann) will be opening in the near future.<br><br>FES is also a partner in the running of three other childcare centres on a Private/Public Partnership situated within three different state schools. The centres are situated in Luqa, Għargħur and Paola. | | | | 1.488 million coming from EU Funds. | |

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| | | Measure 2 - Afternoon school programmes in the Community | This measure aims at providing an after-school care service within school structures, particularly to bridge the gap between day school and regular working hours of parents in employment. This measure is in line with the CSR. | The 'Klabb 3 -16' have been in operation since October 2009 and provide an after-school service to children whose parents are in employment. This service is operated for school children aged 3 to 16 years, and it operates throughout the scholastic year. | | The Foundation for Educational Services is offering the Klabb 3-16 service from within eight primary schools (Birkirkara, Fgura, Mosta, Żurrieq, St. Paul's Bay, Marsascala, San Ġwann and Qormi), and is planning to open a further 21 new centres in 2013. and increasing to an average of 25 a day during school days and 150 during the summer months. | New localities are being identified for new Centres to be opened between 2013 and 2015. New centres are expected to open in two phases | Possible contribution to the employment target, through an increased labour market participation of women. | | | |

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| **CSR 4: Wage setting** | Take the necessary further steps to reform, in consultation with social partners and in accordance with national practices, the system of wage bargaining and wage indexation, so as to better reflect developments in labour productivity and reduce the impact of prices of imports on the index. | Measure 1 – Reform wage indexation | The Maltese authorities have drawn a report outlining the impact of COLA on the labour market and competitiveness in general in Malta. | | | A report outlining anecdotal evidence of labour market flexibility in specific micro instances where firms were facing exogenous shocks was shared with the EC. | | The review showed that COLA appears to have a marginal impact on developments in the labour market and competitiveness more generally in Malta. One should note that one fundamental characteristic of the COLA framework that is likely to be underpinning this result is related to the fact that COLA is a partial wage adjustment mechanism. | | | |
| **CSR 5: Energy efficiency and renewables** | In order to reduce Malta's dependence on imported oil, step up efforts to promote energy efficiency and increase the share of energy produced from renewable sources by carefully monitoring the existing incentivising mechanism and by prioritising the | Measure 1 – Electricity interconnector with Sicily | Reduce Malta's dependence on oil.<br>Put an end to the secular isolation of Malta by interconnecting the country to EU energy infrastructure.<br>Diversification of energy sources. | Project of the Electricity interconnector MT-Italy (Sicily) | | The project was progressing well and was supposed to be completed in August 2013. | The project is delayed beyond the current end date of August 2013 to Q1/Q2 2014. | | | This project is funded by the EEPR (max. EU contribution is € 20Mio).<br><br>The approximate expenditure is: 2011+2012 – €50million, 2013 – €110million expected but based on milestones, 2014 – | |

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| | further development of infrastructure, including by completing the electricity link with Sicily. | | | | | | | | | €27million | |
| | | Measure 2 – Diversification of generation fuel mix | Reduce dependence on imported oil and reduce the cost of electricity by switching from liquid fuels to natural gas. | Project to enter into long term gas supply and power purchase agreements with private companies in a public private partnership. | | Call for EoI published on 11th April 2013. Expected completion date April 2015 | | | | | |
| | | Measure 3 – Developing electricity distribution network | Malta should further pursue the development of its internal electricity distribution network, consequently to measure 1 described above and to enable a much-needed increase in renewable energy | Construction of a new distribution centre (sub-station) in Kappara, meant to receive the Interconnector and to re-distribute electricity in Malta. | | Project current end date was fixed at 30 September 2012 | A new end date of June 2013 is mentioned by the beneficiary Enemalta | | | Project also funded by EEPR (max. EU contribution is € 5Mio).<br>The approximate expenditure is:<br>pre-2010: €4million,<br>2011 – €3million,<br>2012 – €3million,<br>2013 – €10million | |
| | | Measure 4 – Increase in share of renewable energy & alternative fuels | Increase the share of energy from renewable energy sources & increase the use of alternative fuels | 1) A tender was awarded for the instalment of photovoltaic units.<br><br>2) The large-scale wind farm project has undergone an environmental impact assessment. It would contribute significantly towards achieving the targets | | | | In 2012, Malta has reached more than 1.7% and 1.8% (official figures still need to be audited) of the gross final consumption of energy from renewable energy | | Government has awarded a €20m tender for the instalment of photovoltaic systems | |

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| | | | | | | | | sources. | | | |
| | | | | New scheme for PV panel installation in household | | | | | | Funding allocation of 21million EUR co-financed from ERDF. | |
| | | | | Feed in Tariffs for PVs not supported through other funding | | S.L. 423.46 | | | | National funds up to €5million | |
| | | | | Biofuels substitution obligation | An obligation on importers and wholesalers of petroleum to place on the market as a minimum biofuel amounts as a percentage of the total energy content of petrol and diesel. | S.L. 423.28 | | | | No budgetary implications | |

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| | | | | Autogas conversion scheme | The aim of this scheme is to convert around 1000 cars currently running on petrol/diesel to autogas by means of a EUR 200 rebate per car. This should make it more attractive to owners to convert their cars to autogas. | | | | | National funds up to €0.2million | |
| | | Measure 5 – energy efficient buildings | Nearly-zero energy buildings. Malta plans to utilize experience acquired through implementation of Energy Performance in Building Directive 2010/to achieve the final goal of substantial energy savings through new nearly zero-energy buildings by 2020. | Promotion and penetration of nearly-zero energy buildings. The construction of nearly-zero energy buildings on a wider scale is expected to contribute to a significant reduction in energy consumption. Furthermore, Malta plans to compile an inventory of central government buildings as required by Directive 2012/27/EU of the European Parliament and of the Council of 25 | Energy Efficiency Fund, created by Ministry of Finance, Economy and Investments. With regard to government buildings, Legal Basis stands as per Directive 2012/27/EU | n.a. (at start in 2009 about € 8.3 million was spent on energy efficiency) | By the end of 2018 all new buildings constructed for the use of public authorities are envisaged to be nearly-zero energy buildings. There are further proposals for the expansion of nearly-zero energy buildings. These include the two-stage tightening (from 2013 and 2017) of existing minimum requirements for the building envelope of new buildings and buildings undergoing major renovation. A memo will be sent to all Government | Energy savings not yet accurately calculated. It is roughly estimated that there will be between 5 to 10% savings over energy consumption levels that would have been used had measure not been introduced. | | National funding and structural funds H.1. Energy Efficiency Fund: €15 million will be allocated to energy efficiency. | |

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| | | | | October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC. | | | Departments requesting plans, areas and energy performance. | | | | |
| | | | Solar water heaters. To overcome a major barrier related to uptake of RES and energy efficient equipment; the investment cost of solar water heaters. | One of the important ways to reduce the consumption of fuels in public and private buildings in Malta is the promotion of solar water heaters. | Financing supports are in the form of tax rebate and grant schemes mostly using ERDF allocation (up to 28% co-financing). | Start:2005. Modified in 2008, 2009, 2010 and 2011. | End: ongoing. | Energy savings 2007-2010: 11.5 GWh. Expected energy savings in 2016: 28 GWh.* | | Structural funds B.3. Promotion of solar water heaters in the domestic sector; Subsidies (Grants); €134,400 in 2010 (85% ERDF funds, 15% national funds); National funding €1.6 million in 2009; €800,000 allocated for 2011. | |
| | | | Promotion of uptake of RES and building envelope insulation extended measure | This measure aims to promote the uptake of solar water heaters and roof insulation and double glazing by issuing financial grants to households to encourage the purchase of new solar water heaters (maximum €400 per system | | From 2012 and also to be repeated in 2013. | | | | National funds up to €0.6million | |

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| | | | | installed) and the purchase of roof insulation and double glazing (maximum €1000 per dwelling). | | | | | | | |
| | | Measure 6 – Smart metering | Smart metering: Reduction in energy consumption by changing consumer behaviour through information on energy consumption. | A smart metering scheme is under implementation in Malta by Enemalta Corporation | In 2008, Enemalta Corporation awarded a contract for an automated meter reading system. | Start: 2009. The full replacement of all 275,000 (originally 245,000 but increased due to new consumers and PV systems) electricity meters started in 2010 and should be completed within three years. A total of 204,000 meters are currently installed. | End: 2013. | The expected annual savings will be approx. 25-50 GWh from 2013. | | Enemalta Corporation. Original estimated capital expenditure – €30 million increased to €34 million. The approximate expenditure is:<br><br>Total investment of €34million; investment has been ongoing since 2010. Remaining investment is approx €10million, spread evenly over two years, i.e. 2013 – €5million, 2014 – €5million. | |
| **CSR 6: Banking sector** | To strengthen the banking sector, take measures to mitigate potential risks arising from the large exposure | Measure 1 – Proposal to amend Banking Rule 12 | Address risks arising from exposure to real estate market | Risks related to exposure to the real estate market are to be highlighted as Pillar II risks for the | Amendments to the Banking Rule BR/12. . | Draft amendments to Banking Rule BR/12 have been finalised and | Following the finalisation of the review of the Draft Rule by the authorities,, it is envisaged that the | N/A | In view of the fact that the CRDIV/CR R have not as yet | The envisaged changes are not expected to have any budgetary impact. | The proposed changes would require credit |

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| | to the real estate market. | | | purposes of Banking Rule 12, which would require banks to be on their guard for them and establish appropriate structures to monitor and assess the relevant risk. | | will be discussed with CBM. | finalised Rule will be presented for public consultation by end-March. The consultation will consist of a one-month period and the amendments to the Rule are planned to come into force by the end of the second quarter of 2013. | | been published by the Commissi on, changes may still take place within the official text which will necessitat e further amendme nts to the proposed Rule. Moreover the EBA could possibly issue guidance in the form of Technical Standards which would however only come into force following the implemen tation of the CRDIV/CR R legal text. In this regard, the MFSA and the CBM would be | | institutions to hold Pillar II capital against concentrati on risk resulting from the real estate market, thus ensuring that banks would be in a better position to withstand any adverse risk events emanating from such concentrati on. These measures could possibly also have an impact on dividend payouts. |

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| | | | | | | | | | required to include any changes not yet provided for in the Rule so as to align the national legislation to the EU legal text. | | |
| | Take measures to further strengthen the provisions for loan impairment losses. | Measure 2 - Proposal to amend Banking Rules BR/09 and BR/12 | Credit institutions would be required, to hold additional capital buffers/non-distributable reserves against NPLs which may not necessarily qualify as impaired facilities as per local accounting standards (IFRSs as adopted by the EU). This will be undertaken through the amendments to BR/09. | In conjunction with the amendments carried out under the BR/12 above, the MFSA and the CBM shall require banks to recognise any heightened level of NPLs mainly within the perspective of Pillar II requirements. The Draft Rules will establish a methodology for allocating reserves which would be used for capital buffer purposes. | Amendments to BR/09 and BR/12. | Draft amendments to Banking Rules BR/09 and BR/12 have been finalised and will be discussed with CBM. Notwithstanding this, the discussion on this proposal is still underway between the authorities and the process is subject to further refinements or enhancements. | Following the finalisation of the review of the Draft Rules by the authorities, it is envisaged that the finalised Rules will be presented for public consultation by end-March. The consultation will consist of a one-month period and the amendments to the Rules are planned to come into force by the end of the second quarter of 2013. | N/A | As indicated above, whilst considering putting in place mitigating measures, the authorities would review the amendments to ensure that these fall in line with the requirements of the CRDIV/CRR and any other available guidance. | The envisaged changes are not expected to have any budgetary impact. | The intention of the proposed measures is for banks to increase their capital base but these measures could possibly also have an impact on dividend payouts. |

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