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**COMMISSION STAFF WORKING DOCUMENT**

**2025 Country Report - Malta**

*Accompanying the document*

**Recommendation for a COUNCIL RECOMMENDATION**

**on the economic, social, employment, structural and budgetary policies of Malta**

{ COM(2025) 218 final }

# Malta

## 2025 Country Report

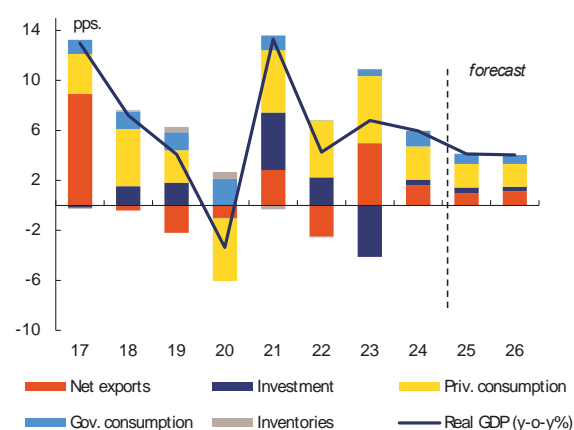


# ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

## Economic growth maintains momentum

**The Maltese economy is maintaining its growth momentum on the back of strong domestic demand and export performance.** Exports grew faster than imports in 2024, driven by tourism and other service sectors (recreational services, and professional, IT and financial services). After GDP adjusted for inflation grew 6.0% in 2024, the Maltese economy is set to continue expanding at 4.1% in 2025 and 4.0% in 2026 (see Graph 1.1). With regard to uncertainty in international trade flows, Malta's economy is less exposed than most EU countries to external shocks in goods trade.

Graph 1.1: Malta - Real GDP growth and contributions



Source: European Commission, Eurostat

**Employment is expected to grow, relying on high immigration flows given the intense labour and skills shortages in the domestic market.** Employment growth

reached 5.1% in 2024, yielding an employment rate of 83.0%. Employment growth is set to slow down but remain strong at 3.1% in 2025 and at 2.8% in 2026. The unemployment rate was at 3.1% in 2024, and is expected to remain stable towards 2026. However, high employment growth in low-paid sectors is set to keep nominal wage growth per employee in 2024 and over the forecast horizon modest, growing at a pace slightly above projected inflation.

**Inflation is falling, following the global trend.** Inflation moderated to average 2.4% in 2024. Energy prices are expected to remain stable also in 2025 and 2026, as the Maltese authorities confirmed their commitment to keeping their energy subsidy measures in place. Inflation is forecast at 2.2% in 2025 and 2.1% in 2026, with the main contributors to set to be food and services.

**The government deficit is set to decrease.** In 2024, the general government deficit is set to fall to 3.7% of GDP, from 4.7% in 2023. In 2025, the deficit is forecast to further decrease to 3.2% of GDP. In particular, energy subsidies are expected to drop as a percentage of GDP as they remain unchanged in absolute terms. In 2026 the deficit is set to decline further to 2.8% of GDP. This mainly reflects a further decrease of subsidies as well as increase of revenues as a share of GDP also due to efforts to improve tax collection. Smaller deficits should lead the debt ratio stabilising by 2026, below 50% of GDP.

**The net expenditure growth is going to significantly decelerate.** In 2024, net expenditure<sup>(1)</sup> in Malta grew by 13.9% (see Annex 1). This increase is mainly driven by an increase of current expenditures and of other capital expenditures related to the national airline. In 2025, net expenditure is forecast by the Commission to grow by 0.8%, which is below the maximum growth rate recommended by the Council<sup>(2)</sup>. The cumulative growth rate of net expenditure in 2024 and 2025 taken together is projected at 14.9%, which is above the maximum rate recommended by the Council.

Despite strong economic growth, challenges to competitiveness persist

**Labour shortages and skills mismatches are holding back Malta's future competitiveness.** The calls for investing in skills under the Commission's Competitiveness Compass initiative are particularly relevant to Malta, where shortages of skilled labour and skills mismatches are holding back future growth, competitiveness and the digital and green transitions (see Annex 12). To

unlock its potential, Malta could address shortages that are particularly acute in the information and communication technology, construction, arts, entertainment and recreation sectors, parts of the professional services sector and among health and long-term care professionals and teachers. In Q1 2025, 68.5% of employers in Malta's services sector reported labour shortages limiting their production compared to 24.1% in the EU. In addition, adults' participation in learning is still considerably lower than the 2030 national target of 57.6%. Furthermore, Malta can further enhance its labour market by tapping into underutilised talent pools, particularly by further reducing the gender employment gap and enhancing the inclusion of persons with disabilities.

**Malta's research & innovation performance is held back by one of the lowest levels of spending in this area in the EU and by a lack of skilled labour.** Research & innovation spending accounted for only 0.64% of GDP in 2023, against an EU average of 2.24%. This was down from 2012, when it accounted for 0.79% of GDP. Malta's underperformance in research & innovation is further exacerbated by a shortage of skilled workers – particularly in science, technology, engineering and mathematics subjects.

**Maltese businesses face considerable administrative pressure and regulatory burden.** The OECD economy-wide Product Market Regulation indicator improved for Malta between 2018 and 2024 but the country is the second weakest performing in the EU after Luxembourg. Malta ranks the lowest in the EU for the Product Market Regulation sub-components 'administrative and regulatory burden' (for businesses) and 'barriers to trade and investment' <sup>(3)</sup>.

<sup>(1)</sup> Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-off and other temporary measures.

<sup>(2)</sup> Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Malta (C/2025/5036) and Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Malta (OJ C, C/2025/649, 10.2.2025, ELI: <http://data.europa.eu/eli/C/2025/649/oj>).

<sup>(3)</sup> OECD, [PMR indicators](#).

**UN Sustainable Development Goals (SDGs)**

Malta performs well (SDG 8) or is improving (SDGs 4 and 9) on SDGs related to productivity. However, it still needs to step up efforts to close the gap with the EU average on quality education (SDG 4) and on industry, innovation and infrastructure (SDG 9).

Skills shortages in Malta are at risk of getting worse due to worsening education outcomes, a still high number of young people leaving school early and a very low share of R&D personnel. This further hamper economic growth and competitiveness. Out of the 17 indicators, 9 SDGs remain below the EU average. Besides SDGs 4 and 9 highlighted above, the affected SDGs relate to environmental sustainability (SDGs 11, 12, 13 and 15) and fairness (SDGs 2, 3, and 5) (see Annex 15).

Obtaining licences and dealing with permitting issues are particularly significant barriers.

**The length of judicial proceedings remains above the EU average.** The duration of litigious civil and commercial cases at first instance in 2023 was still lengthy (454 days), although down from 491 days in 2022. Malta has several initiatives to tackle inefficiencies in the justice system. These include attracting additional staff and implementing the national digital justice strategy. While these initiatives are positive, it is important to implement them at a good pace and in full, given how long proceedings still last and the resulting negative impact on business investment and potentially on the banking sector. Businesses can obtain more legal clarity through alternative out-of-court dispute settlement options such as mediation and arbitration.

### Long way ahead in the green transition

**Malta's uptake of renewables remains low, despite installed capacity going up 4% from 2022 to 2023.** Renewables

covered 17% of Malta's electricity mix in 2024 (the EU figure for the same period was 47%). To date, renewable energy comes mainly from solar energy in the form of photovoltaics and solar water heaters. Malta's production could potentially be enhanced by large-scale floating offshore wind and solar energy. However, fossil fuel subsidies are distorting prices. This acts as a disincentive for businesses and residents to invest further in renewables, and holds back energy efficiency and decarbonisation.

**The transport sector is the biggest emitter of Effort Sharing Regulation emissions in Malta.** Malta is among the EU countries with the lowest proportion of cars and vans with alternative fuelled engines (around 3% at the end of 2023, compared to 6.17% in the EU). In addition, with a reported 27 cars added to the vehicle fleet each day in 2024, traffic congestion remains problematic. This has an impact on the quality of public transportation, the limited possibilities for safe alternative modes of transport and a negative impact on the population's quality of life. Malta's recently announced policy measures directed towards encouraging a shift to alternative modes of transport than passenger cars are largely reward-based rather than deterrence based.

**Rapid economic and demographic developments exert very high pressure on Malta's infrastructure and natural resources.**

Malta generates a very large amount of municipal waste and most of it remains landfilled. Municipal waste generation stood at 606 kg per capita in 2023, among the highest in the EU (EU average: 513 kg per capita). In 2023 the recycling rate for municipal waste was only 17%, well below the EU average of 48.1%. Landfill rates are high, with taxes and fees on waste disposal practically absent. Large areas of Malta are water-stressed due to demands from agriculture, tourism and energy. Water quality in Malta has only marginally improved, and concerns remain for surface and groundwater bodies. Malta remains vulnerable to flash urban floods, water scarcity and heatwaves, with a low but improving climate protection gap.

### Inequalities in social outcomes

**Poverty indicators are below the EU average in general but remain high for specific vulnerable groups.**

Gaps in the labour market contribute to the vulnerability of some groups. The gender employment and pension gaps remain among the widest in the EU, increasing the vulnerability of Maltese women. Similarly, the disability employment gap remains wide, particularly among women. Moreover, non-EU nationals often face challenging working conditions, resulting in a high turnover of workers (see Annex 10). This leads to higher poverty risks for non-EU nationals, low-skilled adults, people aged over 65, in particular for women and persons with disabilities. This may slow down progress towards Malta's 2030 poverty reduction target, which is to reduce the at-risk-of-poverty or social exclusion rate by 3.1 pps compared to 2019 (see Annex 11). Moreover, the impact of

monetary social benefits on poverty reduction is relatively low, while income inequality is above the EU average and rising. Despite action being taken, housing overcrowding, access and affordability are of growing concern, with rising costs affecting low-income households. Malta has one of the shortest durations of unemployment benefit in the EU, with strict eligibility criteria. The benefit has an activation component, as it links access to benefits with active job seeking and participation in employment services.

### Taxation and sustainability of government finances challenges warrant attention

**Malta's tax revenues remain low and are highly reliant on corporate income taxes, making the fiscal position sensitive to economic shocks.**

In 2023, tax revenue measured as a percentage of GDP stood at 26.6% of GDP (EU average: 39%). This was due mainly to Malta's low reliance on labour taxation. The share of corporate income tax in total tax revenue (16% in 2021) continues to be among the highest in the EU. Malta does not perform so well on property and environmental taxation: there is no recurrent tax on property while the effective carbon rate<sup>(4)</sup> is lower than the EU average. Additionally, Malta continues to grapple with a significant VAT compliance gap. In 2022, this gap was estimated at EUR 415 million, or 25.9% of the total VAT tax liability, far exceeding the EU average of 7%. Indicators suggest challenges in tax collection efficiency, prompting the government to introduce measures to

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<sup>(4)</sup> The effective carbon rate is the sum of tradeable emission permits, carbon taxes and fuel excise taxes, all of which result in a price on greenhouse gas emissions.



improve tax administration (see Annex 2). Furthermore, Malta's corporate tax system may be exploited by companies for aggressive tax planning purposes.

**The projected future growth in health, long-term care and pension expenditure may put a strain on the long-term fiscal sustainability and the adequacy of Malta's social protection system.** Age-related government spending is expected to increase significantly (see Annex 1). After an initial decline, spending on public pensions (currently at around 6% of GDP, among the lowest in the EU) is projected to increase. By 2070 this is expected to reach 10.5% of GDP, one of the highest projected increases in the EU. The pension benefit ratio is expected to remain below the EU average (a gap of around 4 pps) in the long term. Government spending on healthcare, which in 2024 was relatively low at 5.1% of GDP, is projected to surge to 7.2% of GDP by 2070, close to the projections for the EU average (7.3%), to support the adequacy of the system.

**While Malta reports one of the lowest levels of unmet needs for medical care in the EU, there are very high out-of-pocket payments<sup>(5)</sup> and a significant gap between people living below and above the poverty threshold (see Annex 14).** Government spending on long-term care is also expected to increase, from 1.2% of GDP in 2024 to 3.5% by 2070. However, the potential efficiency gains of home care remain underutilised. Currently, home care accounts for only 8% of total public spending on long-term care (compared to 29% at EU level). At present, the Commission has not identified Malta as an

EU country with any macroeconomic imbalances, so it is not set to undergo an in-depth review.

### Malta progressed on implementation of its recovery and resilience plan

Malta's recovery and resilience plan amounts to EUR 328 million in grants, corresponding to 1.6% of GDP. The plan's measures are focused on several key areas, including the green transition (waste, energy, transport), digital transformation, health, education, socio-economic sustainability and strengthening Malta's institutional framework. So far, two payment requests have been positively assessed, representing 39% of the milestones and targets. This corresponds to 50.7% of grants disbursed (including pre-financing). A proposal to revise the plan is currently being assessed, as is the payment request for the third instalment.

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(5) Household out-of-pocket payment' means a direct payment for healthcare goods and services from the household primary income or savings, where the payment is made by the user at the time of the purchase of goods or the use of the services.



### Barriers to private and public investment.

Malta's **private and public investment situation show a clear need for improvement**. There is need to address the existing challenges and barriers to investment, and to promote a more favourable business environment, to support sustainable and inclusive growth.

- **The length of judicial proceedings** adds uncertainty to business investments in Malta, hindering the development of a more dynamic business environment.
- **Skills shortages, particularly in knowledge-intensive services and tourism activities.** Employee shortages are a concern for small businesses, and the shortage of skilled staff is a major obstacle to long-term investments for Maltese businesses.
- **Shortcomings in local infrastructure and congestion** weigh heavily on business activities and are seen as obstacles to investment.

Malta's public investments are characterised by low levels of investment in research and development and insufficient public support for business innovation, despite some progress in introducing research & innovation schemes to stimulate private investment. Moreover, there are gaps in the management of public investment.

- **The still evolving governance framework** is yet to fully show its ability to drive forward the research and innovation agenda. 2024 saw the establishment of a new government agency, Science Malta (*Xjenza Malta*). However, in the future it will be important to assess the effects of this reform on the functioning of the Maltese research & innovation system.
- **The management of public investment shows gaps** over integrated long-term planning, standardised procedures for project assessment and selection, and multiannual capital budgeting.

On the implementation of the recovery and resilience plan, Malta is progressing well and should continue to ensure a timely implementation of reforms and investments that will help the country succeed in the green and digital transitions, as well as on the economic and social recovery from the pandemic.

It remains important to accelerate the implementation of cohesion policy programmes. The mid-term review offers opportunities to speed up progress and better address EU strategic priorities related to competitiveness, defence, housing, water resilience and the energy transition.

Malta has not yet taken advantage of the opportunities provided by the Strategic Technologies for Europe Platform (STEP) under Cohesion Policy to reallocate resources towards this priority. However, it can still support the development or manufacturing of critical technologies in the areas of digital and deep tech, clean and resource efficient technologies, and biotechnologies.

# INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

## Overcoming underinvestment in research & innovation and skills shortages to boost innovation and competitiveness

**Overall Malta shows a good trend for productivity growth.** Over 2020-2023, Malta's productivity growth was among the highest across EU countries. In fact, annualised growth over this period was 3.2% for labour productivity and 3% for total factor productivity. In 2023, labour productivity grew by 1.3% and total factor productivity by 2.2%. Labour productivity in Malta is currently around the level of the EU median and continues to converge towards the EU-27 aggregate. However, Malta underperforms on indicators related to innovation, human capital, and technology diffusion (see Annexes 3 and 12).

**Malta is striving to unlock its innovation potential, despite persistent challenges.** Malta maintained its 'moderate innovator' status in the 2024 European Innovation Scoreboard, performing at 88% of the EU average. In July 2024, Malta revamped its research & innovation governance, establishing Science Malta (*Xjenza Malta*), a government agency responsible for all research & innovation activities, including policymaking, implementation and financial programmes. In addition to its 2021-2027 smart specialisation strategy, in March 2024 Malta adopted the 2023-2027 national research and innovation strategic plan. The plan focuses on boosting the country's innovation capacity, fostering international

collaboration, developing skilled talent, and aligning research & innovation efforts with national economic priorities. Nevertheless, Malta continues to face obstacles in improving its innovation performance.

**Tackling very low research & innovation investment remains a necessary – although not a sufficient – condition for stimulating innovation.** Malta's total R&D intensity is the second lowest in the EU (0.64% of GDP in 2023 vs the EU average of 2.24%) and has been declining over the last decade. This concerns both public and private research & innovation expenditure. Public investment in R&D is lower than 10 years ago and well below the EU average (0.27% of GDP in 2023; EU average: 0.72%). The picture is similar for private R&D investment. The lack of investment impacts the excellence of the public research system and the results of innovation (for instance, Malta's patenting activity is below the EU average; see Annex 3).

**Innovative companies struggle to get financing.** In March 2024, the government established Malta Venture Capital, which will provide equity investment in start-up companies focused on innovative technologies. Despite this, venture capital financing remains underdeveloped in Malta and has been declining over the last decade (0.004% of GDP in 2023, down from 0.028% in 2014 and well below the EU average of 0.078%; see Annex 3). Funding is largely concentrated in the start-up phase, while the scale-up stages are insufficiently financed (see Annex 5). Traditional banks are generally hesitant to support projects from start-ups and scale-ups, which are

often considered high-risk and lack collateral. To some extent, public financing steps in – for example, the Malta Development Bank offers financing schemes to companies, primarily small and medium-sized enterprises. However, public actors cannot sufficiently compensate for the lack of private funding.

**Lack of skilled human resources is a key challenge for fostering innovation and competitiveness.** A shortage of employees is generally reported as the biggest concern by businesses, particularly small and medium-sized ones (see Annexes 4 and 10). Having a relatively small workforce, Malta experiences difficulties in nurturing talent in high-skill fields. The share of tertiary students enrolled in science, technology, engineering and mathematics (STEM) subjects is one of the lowest in the EU (see Annex 12). Similarly, the number of new graduates in science and engineering is critically low – three times lower than the EU average. Also, the share of doctorate graduates in the STEM field remains very low, at only 0.2 per thousand of population aged 25-34 in 2022, against 0.7 for the EU as a whole. This translates into a low number of researchers employed in both the public and private sectors. Malta should consider expanding initiatives (e.g. scholarships): (i) to increase the number of science and engineering graduates and PhD holders; and (ii) to foster public-private mobility and cooperation in the research & innovation field.

The business environment is affected by regulatory complexity and lengthy court proceedings

**The administrative and regulatory burden on Maltese businesses remains substantial.** While the OECD economy-

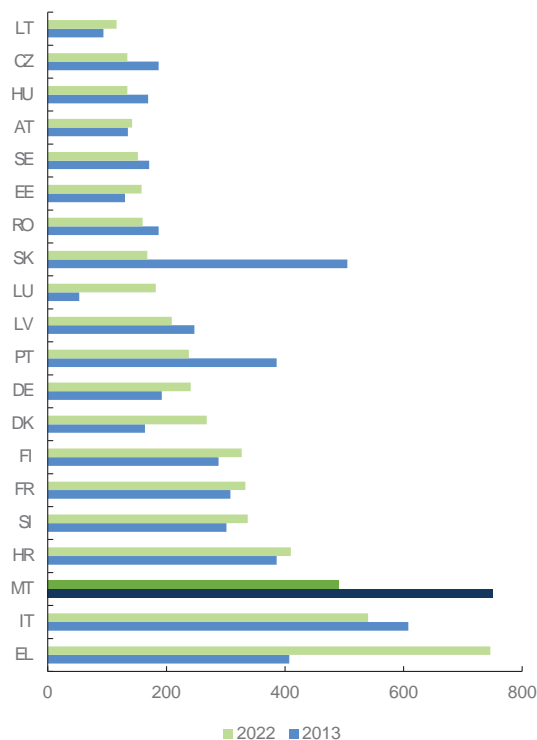
wide Product Market Regulation indicator improved for Malta between 2018 and 2024, the country is the second weakest performer in the EU <sup>(6)</sup>. For the Product Market Regulation sub-components 'administrative requirements for businesses' and 'barriers to trade and investment' Malta ranks the lowest. In particular, obtaining licences and dealing with permitting issues is a significant barrier for businesses (see Annex 4).

**The length of court proceedings impacts Malta's business environment.** The 2023 and 2024 European Semester country reports and rule of law reports for Malta highlight the need to further reduce the length of judicial proceedings, which remain above the EU average. At 454 days, the average duration of litigious civil and commercial cases at first instance in 2023 was markedly high, although down from 491 days in 2022. Businesses cite the length of court proceedings as a major challenge when doing business in Malta (see Annex 6). Malta has several initiatives under way to tackle inefficiencies in the justice system. These include implementing the national digital justice strategy for 2022-2027 (partly funded by the Recovery and Resilience Facility), and hiring additional members of the judiciary and support staff (see Annex 6).

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<sup>(6)</sup> Malta's Product Market Regulation indicator is 1.81, vs an EU average of 1.24 (a higher value signifies more restrictive regulations).

Graph 2.1: **Estimated time needed to resolve litigious civil and commercial cases at first instance in EU countries in 2013 and 2022**



**Source:** European Commission, EU Justice Scoreboard

**However, attaining sufficient skilled legal personnel continues to be a significant challenge.** Despite recruitment efforts, including under the resilience and recovery plan, Malta's legal system finds it difficult to retain skilled and specialised staff at all levels. Malta also has a low number of judges per capita – the third lowest in the EU (see Annex 6). Any increase in staff must be matched by increased space available, both in terms of court chambers and office space. Work is under way to open a new commercial court and family court, which will help alleviate capacity issues and offer enhanced procedures and specialised judges.

**Malta's legal system can benefit from modernising certain work practices and providing means for alternative dispute settlement.** Optimising alternative dispute settlement, such as mediation and

arbitration, would provide more legal clarity to the business community and alleviate the burden on the judiciary. Malta could further benefit from putting in place a structured framework for public consultations in the legislative process. This would cover all stakeholders, including civil society organisations, and provide the necessary checks and balances in the system.

### Aggressive tax planning risks are still present

**Some features of Malta's corporate tax system help to attract investment, but also present risks of aggressive tax planning.** Certain indicators, such as the persistently high level of foreign direct investment compared to the size of the Maltese economy (see Annex 2), suggest that companies are exploiting loopholes in Malta's tax system to minimise or avoid tax liability.

**Malta is taking important steps to curb aggressive tax planning practices.** Aside from implementing international and European agreed initiatives, Malta is also tackling the challenge in its resilience and recovery plan. Reforms include new legislation establishing transfer pricing rules (effective as of January 2024). Malta is further committed to introducing new legislation to address risks of aggressive tax planning stemming from inbound and outbound payments. However, until Malta enacts and enforces the new legislation imposing withholding taxes (or equivalent defensive measures) on payments to low-tax or zero-tax jurisdictions, there is a risk of these payments leaving the EU without being taxed. Furthermore, the Maltese treatment of resident non-domiciled companies continues to provide multinational firms with opportunities for

double non-taxation<sup>(7)</sup>. The implementation of the EU's Minimum Tax Directive, expected by the end of 2029, will only partially solve this issue, as it will only apply to large multinational corporations (see Annex 2).

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(7) A 'resident non-domiciled company' refers to a company incorporated in a given country but effectively managed in Malta. Because the firm is incorporated abroad, Malta only taxes profits realised in or remitted to Malta, while foreign profits that are not remitted to Malta are not subject to tax in Malta. This leads to a situation of double non-taxation.

# DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

## Phasing out fossil fuel subsidies and boosting renewables to reach climate goals

**Malta has a significant level of macroeconomically relevant fossil fuel subsidies without a planned phase-out before 2030. These accounted for 1.6% of Malta's GDP in 2023, above the EU weighted average of 0.49%.** Scaling down and phasing out these subsidies is in line with EU commitments and can contribute to giving the government more flexibility for its spending choices. The fiscal burden resulting from such subsidies could be redirected towards incentives for green investments to promote the uptake of renewables and energy efficiency measures, while ensuring that vulnerable households are still supported. Fossil fuel subsidies that do not address energy poverty in a targeted way, do not respond to genuine energy security concerns, hinder electrification and are not crucial for industrial competitiveness could be considered for priority phase-out. These include the ongoing emergency support to energy provider *Enemalta*, subsidies to petroleum producers, and a reduction in excise duties on petrol and diesel (see also Annex 8).

**Malta's uptake of renewable energy sources remains one of the lowest in the EU.** In 2023, the share of renewable energy sources in gross final energy consumed in

Malta was only 15% (against 25% in the EU) <sup>(8)</sup>. In turn, the share of RES in the electricity mix was only 17% in 2024 (far below the EU share of 47%) (see Graph 3.1 and Annex 8). Solar power, primarily from photovoltaic panels, dominates the country's renewable energy landscape, accounting for nearly all of Malta's 237 MW renewable energy capacity in 2024 (see Graph 3.1 and Annex 8). Malta has significant potential to expand its renewable energy mix through large-scale floating offshore wind <sup>(9)</sup> and solar projects. In 2024, the government launched a national policy for the deployment of offshore renewable energy <sup>(10)</sup>. This was accompanied by a preliminary market consultation to assess the market's interest and technology readiness of floating solar with estimated generation capacity of 50 MW, together with a preliminary qualification questionnaire for a floating windfarm of 300 MW and aiming at a total capacity (offshore solar and wind) of 350 MW by 2050 <sup>(11)</sup>. Under its recovery and resilience plan, Malta will also reform permitting procedures to accelerate the deployment of renewable energy and mandate solar energy installations on certain new buildings.

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<sup>(8)</sup> [Renewable energy statistics - Statistics Explained.](#)

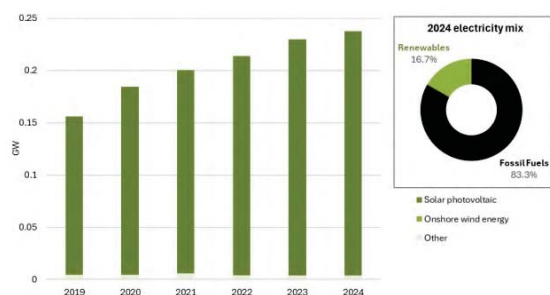
<sup>(9)</sup> [The net-zero manufacturing industry landscape across the Member States. Annex 2, Country fiches - Publications Office of the EU.](#)

<sup>(10)</sup> <https://energywateragency.gov.mt/national-policy-for-the-deployment-of-offshore-renewable-energy-launched-at-the-national-energy-conference/>.

<sup>(11)</sup> <https://www.etenders.gov.mt/epps/pmc/viewPmc.do?resourceId=10825857>



Graph 3.1: **Malta's installed renewable capacity (left) and electricity generation mix (right)**



Source: IRENA, Ember

### To ensure security of supply and further deployment of renewable energy, more investment is needed in grid capacity.

In terms of new projects, cohesion funds support the development of a second 225 MW electricity sub-sea link with Italy (Sicily). This will contribute to long-term security of supply and allow for the integration of a higher proportion of renewable energy sources in Malta (see Annex 8). Malta is also planning a new hydrogen-ready gas interconnector with Italy, which will transmit pure hydrogen from its commissioning date <sup>(12)</sup>. In addition, using EU funds, Malta is investing in its electricity distribution network, through investments in grid and distribution services, as well as on battery storage. Further promoting the necessary investments to strengthen its grid infrastructure and grid flexibility will enable Malta to stabilise its grid capacity, provide room for more renewables, and increase security of supply (particularly when demand for electricity peaks in summer).

### While actions are in place, increased gains on energy efficiency are needed.

In 2023, primary energy consumption increased by 3.0% and final energy consumption by 3.2% (see Annex 8). Malta

<sup>(12)</sup> The Melita Pipeline is a gas project on the 2023 projects of common interest list under Article 24(1) and (2) of the TEN-E Regulation (EU).

supports energy efficiency through financial instruments in different sectors. However, more efforts are needed in the building sector, as final energy consumption in residential buildings increased by 13.5% between 2018 and 2022 and no lasting decrease was observed in greenhouse gas emissions in the household and service sectors (see Annex 8). Malta's recovery and resilience plan supports the energy efficiency renovation of commercial and public buildings (including schools and hospital facilities).

### Addressing traffic congestion to improve quality of life and competitiveness

#### Despite an increase in public transport users <sup>(13)</sup>, an average of 39 passenger cars were added to Malta's roads daily

over the two-year period following the extension of free public road transport to all Maltese residents <sup>(14)</sup>. This contributed to a 4% increase in licenced passenger cars over the same period, bringing the passenger car fleet up to 329 286 by 30 September 2024 <sup>(15)</sup> (see Graph 3.2). In addition to increased noise and air pollution, the large number of cars on Malta's roads impacts the population's quality of life, leaving less room for open spaces and limiting the independence of more vulnerable groups such as children,

<sup>(13)</sup> [NSO Malta | Transport Statistics 2023 - NSO Malta](#), which points to a 40% increase in road public transport commuters between 2021 and 2022, reflecting the extension of fare-free scheduled transport to all holders of the Tallinja (bus) card as of 1 October 2022.

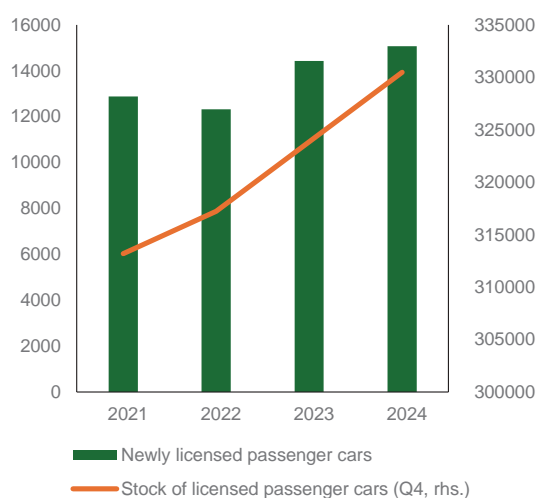
<sup>(14)</sup> A total of 28 576 passenger cars were newly licenced over the period 1 October 2022 to 30 September 2024. (Table 2).

<sup>(15)</sup> [NSO Malta | Motor Vehicles: Q4/2024 - NSO Malta \(table 1\)](#).



older people, and people with disabilities. Congestion also impacts the country's competitiveness. For businesses, severe traffic congestion has a direct negative impact through lost time and reduced productivity <sup>(16)</sup>. In a 2024 survey on Malta's attractiveness to foreign investors, transport and logistics feature as the least attractive parameters for foreign direct investment in the country <sup>(17)</sup>.

Graph 3.2: **Passenger cars in Malta - newly licenced vehicles and total fleet**



**Source:** National Statistics Office Malta

**Policies in place to address traffic congestion have been predominately incentive-based and largely ineffective.** New proposals to address traffic congestion, as part of the 'Reshaping Our Mobility' action plan <sup>(18)</sup> still favour rewards over sanctions, with potential actions including cash injections to surrender one's car driving licence or to opt out/give up a motor vehicle licence in exchange for driving a small scooter. In addition, the proposal to increase the number of parking spaces will further encourage car use,

leading to increased congestion. Measures to tackle congestion by disincentivising the use of private cars through, for instance the revision of transport pricing or access restriction schemes are not foreseen. While the government has invested heavily in recent years in road infrastructure, investments aimed at improving public road transportation and alternative modes of transport seem to be systematically lacking. The ban on rentals of e-scooters from March 2024 also reduced alternative mobility options, though a recently proposed measure providing for the availability of designated parking spaces for scooters is welcome. Taking measures to reduce the number of cars on the road and implement dedicated bus lanes would improve the quality of public transport. At the same time, improved pavements and limitations on car use in areas with a higher concentration of pedestrians would ensure people's safety and improved quality of life. Cohesion funds support sustainable multimodal urban mobility, including investments in pavements and cycling lanes, though more systemic change is needed.

**The transport sector remains a top polluter in Malta, with swift action required to decarbonise it.** While Malta achieved a total net emissions reduction of 24% between 2005 and 2022<sup>(19)</sup>, greenhouse gas emissions from road transport increased by 32% during the same period, against a reduction in the EU of 5% (see Annex 7). In Malta, transport represents 32% of all greenhouse gas emissions, making it the second-largest polluter after the energy industries <sup>(20)</sup>. Efforts are needed to decarbonise the

<sup>(16)</sup> [Final-Draghi-Report-for-MCESD-18122024-FINAL.pdf](#)

<sup>(17)</sup> [ey-malta-attractiveness-report-2024.pdf](#)

<sup>(18)</sup> [Reshaping our Mobility > en/home.](#)

<sup>(19)</sup> [EEA greenhouse gases — data viewer | European Environment Agency's home page.](#)

<sup>(20)</sup> [EEA greenhouse gases — data viewer | European Environment Agency's home page.](#)

transport sector as Malta remains among the EU countries with the lowest proportion of cars and vans with alternative fuelled engines (around 3% at the end of 2023, compared to 6.17% in the EU) <sup>(21)</sup>. Malta's recovery and resilience plan supports the uptake of electric vehicles in the private sector, although sufficient electric charging points are also required. Cohesion funds will support the instalment of 1 080 recharging points by 2029.

### Improving municipal waste management and recycling

**Municipal waste generation stood at 606 kg per capita in 2023, well above the EU average of 513 kg per capita.** Malta has recorded low rates of preparing municipal waste for recycling in recent years (17,1% in 2023; estimated EU average: 48%). Most waste is landfilled: 73.7% in 2023, well above the EU average of 22.5%. In addition, Malta's generation of packaging waste increased between 2010 and 2022 (see Annex 7). This puts Malta on course to miss: (i) the 2025 target of preparing 55% of its municipal solid waste for re-use and recycling; and (ii) the 2025 target of recycling 65% of its packaging waste. The 2021-2030 waste management plan puts in place the required framework and measures to sustain an increase in waste recycling rates and the preparation of waste for re-use <sup>(22)</sup>. Several reforms featured in Malta's recovery and resilience plan have been enacted. These include: regional reorganisation of waste collection, the entry into force of new rules on managing construction and demolition

waste and the establishment of a buildings regulator.

### Climate risks are amplified for a small island state

#### **Climate risks directly affect Maltese society and the country's economy.**

Malta is increasingly exposed to heatwaves, droughts, floods and wildfires. These events not only threaten human lives, with 84 heat-related deaths recorded per 100 000 inhabitants between 2018-2022 (see Annex 9), but also exacerbate inequalities due to the asymmetric effect on different socio-economic groups and regions. The economic costs of extreme weather and climate-related events in Malta are estimated at EUR 51 million for the period 1980 to 2023 (see Annex 9). In its national adaptation strategy, Malta has identified several critical sectors requiring adaptation measures. These sectors include water management, infrastructure and transport, land use and buildings, agriculture and fisheries. To further integrate climate resilience in critical sectors, Malta has concluded a vulnerability risk assessment and is now developing an Adaptation Plan. While Malta's recovery and resilience plan supports the renovation of buildings in line with climate adaptation requirements, additional effort is required to further improve its adaptation frameworks, policies, planning and implementation.

#### **Large areas of Malta are water stressed and water quality has only marginally improved.**

Water stress is fuelled by demands from agriculture, tourism and energy and is exacerbated by the country's geographical position and high population density. Maltese water productivity, measuring water extraction from natural sources, is higher than in other EU countries (see Annex 9). In addition, the

<sup>(21)</sup> [European Union \(EU27\) | European Alternative Fuels Observatory.](#)

<sup>(22)</sup> [European Union \(EU27\) | European Alternative Fuels Observatory.](#)

reported annual value of the Water Exploitation Index (WEI+) increased to 34% in 2022 from 26% in 2021 (see Annex 9). This indicates that Malta is overusing its freshwater resources. With a seasonal WEI+ exceeding 60%, the problem is particularly worrying in the summertime when total consumption surpasses Malta's renewable freshwater resources. Surface water faces issues with chemical and nutrient pollution, while groundwater concerns relate to chemical pollution, saline intrusion and over-abstraction. Sound water management and better integration of water objectives with other sectoral policies, including agriculture and energy, is required.

**Nature degradation threatens biodiversity and competitiveness.** Malta is the EU country with the highest dependency on ecosystem services, with 100% of the gross value added of sectors like agriculture, fisheries and construction directly reliant on ecosystem services (see Annex 9). Next to the need to protect nature, habitats and species, this dependency underlines the importance of ecosystem services to the Maltese economy, reinforcing the need to preserve them. However, excessive construction continues to put further pressure on soil quality and the degradation of nature and ecosystems.

# SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

## Strengthening labour market inclusion of disadvantaged groups

**Although overall male and female employment rates are high, there is still room for improvement to reduce the gender employment gap.** Malta has one of the highest employment rates in the EU (83%, vs EU 75.8%; 2024) (see the Social Scoreboard in Annex 13). Yet, the benefits of employment growth are not shared by all population groups. Despite improvements, the gender employment gap remains among the widest in the EU (13.4 pps vs EU 10 pps; 2024; see Annex 10) and women are under-represented in some key economic sectors. Some groups are more vulnerable, including migrant women, low-skilled women, and older female workers. The gender gap tends to widen with age, contributing to a significant pension gap. Despite progress in enrolment rates and the increase of childcare centres, gaps in early childhood education and care (ECEC) continue to make it harder for carers, often women, to enter the labour market. While enrolment for the youngest children is above the EU average, participation among children aged three to the start of compulsory education remains slightly lower than the EU average (93.2% vs EU 94.6%; 2023). Children at risk of poverty or social exclusion are less likely to be enrolled, further deepening inequalities. Expanding access to ECEC could help more women in joining and staying in the workforce, while improving equal opportunities for all children regardless of their socio-economic background.

## **The disability employment gap also remains wide, despite a recent decrease.**

Persons with disabilities often encounter limited access to education, training and employment (see Annexes 10 and 12). The gap is particularly significant for women at 24.4 pps (vs EU 20.4 pps) against 22.0 pps for men. Policy initiatives, with support from EU funding such as the European Social Fund Plus, aim to get more persons with disabilities into the labour market but seem insufficient to tackle the challenges. Strengthening targeted active labour market policies, including up- and reskilling and reasonable accommodation in the workplace, could help more persons with disabilities enter the labour market.

**People from non-EU countries often experience precarious working conditions, affecting social inclusion, while workplace safety risks remain a broader challenge.** Non-EU nationals frequently hold low-wage, unstable jobs, often lacking safety protection and advancement opportunities. This vulnerability is exacerbated by their reliance on employers and exclusion from collective bargaining. Malta faces significant workplace safety challenges, especially for non-EU nationals, who are over-represented in hazardous sectors and face weak occupational safety and health standards.

**Malta also experiences high job vacancy and turnover rates,** particularly among foreign workers. These issues are exacerbated by structural barriers to social dialogue, such as focus on information sharing rather than active engagement and

the low levels of union representation for non-EU nationals (see Annex 6). In 2024, Malta introduced a new agency regulation<sup>(23)</sup> and a skills pass for non-EU nationals<sup>(24)</sup>, while establishing the Building and Construction Authority as part of its recovery and resilience plan. The medium-term fiscal-structural plan outlined various training and support measures for migrant workers. A new labour migration policy is currently being developed. Malta would benefit from having a larger labour inspection workforce and a stronger framework for collective bargaining.

## Ensuring quality education and training for all

**Malta faces persistently insufficient basic skills, which point to systemic shortcomings in the education system, and undermine competitiveness.** In Malta, every third 15-year-old lacks basic skills in mathematics, reading and science, and about half of eighth graders lack digital skills (see Annex 12)<sup>(25)</sup>. The potential drivers of this problem include: (i) a high rate of student absenteeism; (ii) a stratified school system, with disadvantaged students concentrated in state schools; and (iii) a lack of, or inadequately qualified, teaching staff; together with ineffective teaching practices and curricula that insufficiently cater for students' different learning abilities (see Annex 12). The latter issue might stem from weaknesses in initial teacher education and a lack of appropriate needs-based assessment of teachers'

professional development support. Furthermore, to mitigate teacher shortages, substitute teachers with a different or lower qualification are being used to replace fully qualified teachers. The 2024-2030 national education strategy commits to a revision of the National Curriculum Framework, to a mathematical literacy strategy and to strengthening literacy skills to narrow the learning gap in the early years. Under the recovery and resilience plan, Malta has introduced quality inclusive learning spaces in colleges and middle schools for students with significant needs, thereby aiding their integration into mainstream education settings. Quality of education and learning could improve if steps are taken to reduce the current stratification of the school system and to support educators by revising initial teacher education programmes and offering continuous professional development.

**Enrolment in science, technology, engineering and mathematics (STEM) remains limited despite demand on the labour market.** Malta's share of tertiary students enrolled in STEM subjects is one of the lowest in the EU at 13.9%, with only 5.1% in information and communication technology. The share of women enrolling in an ICT subject is particularly low at 1.5%, and only 17.4% of students enrolled in ICT are women. The supply of ICT graduates falls short of demand on the jobs market. Structural barriers in early education limit students' opportunities to pursue STEM studies in higher education. Malta is planning measures to ensure that girls have greater exposure to women as positive role models. It also has plans to promote partnerships with industry that will help bridge the existing gender gap. In addition, the current scholarship scheme for students in STEM fields will be boosted via a stipend system and increased investments.

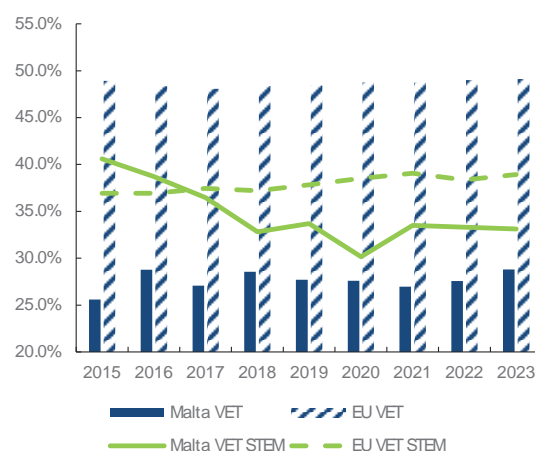
<sup>(23)</sup> Subsidiary Legislation 452.130.

<sup>(24)</sup> <https://skillspass.org.mt/>

<sup>(25)</sup> OECD Programme for International Student Assessment (PISA); 2022, and International Computer and Information Literacy Study (ICILS); 2023.

**Competitiveness is hindered by enrolment gaps in adult learning and vocational education and training (VET), and by skills mismatches.** Despite improvements in recent years in the rate of early school leaving from education and training, it still remains somewhat above the EU average, contributing to a large pool of low-skilled adults. Adult learning has improved over time but remains well below the national target of 57.6% set for 2030. Additionally, participation gaps have widened, with highly educated adults engaging in learning at much higher rates than their low-skilled counterparts. Enrolment in Malta's VET system remains low, with participation among upper-secondary students well below the EU average, also regarding STEM subjects (see Graph 4.1 and Annex 12). Skills mismatches in Malta are driven by inefficiencies and disparities in the education and lifelong learning system, which is not fully aligned with labour market demands. The ability to match people to jobs continues to be held back by mismatches in their level of qualification and fields of study. Consequently, labour shortages are a growing concern (see Annex 10). The job vacancy rate has risen to one of the highest in the EU. While initiatives to attract foreign workers and improve workforce skills have helped, the supply of skilled labour still falls short of demand (see Annex 12). Under its recovery and resilience plan, Malta introduced an e-college platform to improve guidance and training opportunities for all adults.

Graph 4.1: **Enrolment in vocational education and training (VET) in general and STEM subjects in Malta and the EU**



**Source:** Eurostat: [educ\_uoe\_enrs04], [educ\_uoe\_enrs10]

**Despite promising education and skills policy actions, tangible results have yet to be observed.** In 2024, Malta launched its 2024-2030 national education strategy, which is a cornerstone initiative aimed at transforming the educational and skills landscape. Alongside this, the 2025-2030 digital education strategy was introduced to improve digital skills. Malta's medium-term fiscal-structural plan complements these strategies with comprehensive action spanning all levels of education. Malta is also developing a new national skills strategy through a project supported by the EU's Technical Support Instrument and by the National Skills Council. These new policies would benefit from timely implementation. To better align education and training with labour market needs and address skills mismatches and labour shortages, Malta would benefit from improving VET programmes, strengthening career guidance and financial incentives for key sectors, expanding adult learning for sectoral retraining and encouraging business to invest in reskilling. Learning could be made more accessible by adopting flexible options tailored to



different needs, including those of low-skilled adults.

## Fostering equal opportunities

### **Poverty among certain groups weakens social cohesion, despite policy action being taken.**

Those most impacted by higher poverty risks are non-EU nationals, the low-educated, persons with disabilities, and older adults, particularly women (see Annex 11). Child poverty is increasing and now exceeds the EU average, driven by low parental education, single-parent households and non-Maltese citizenship. These issues are intensified by rising housing costs. In-work poverty also remains a concern. Tackling these challenges is essential for achieving Malta's 2030 poverty reduction target. In 2024, the government reformed unemployment benefits and introduced a new national poverty strategy; a social plan for the family is also under way. Prompt implementation with clear monitoring would be advisable.

### **Malta's social benefits system shows room for improvement in relation to effectiveness, accessibility and adequacy.**

The impact of monetary social benefits on poverty is among the lowest in the EU and is declining further. Recently reformed, at a maximum of 156 days, the country has one of the shortest durations for unemployment benefit, with strict eligibility criteria. The benefit has an activation component linking access to benefits with active job seeking and participation in employment services. Targeted energy benefits are too small to be effective in lifting people out of poverty; universal benefits have a greater impact on reducing poverty but lack sustainability (see also

Chapter 3). <sup>(26)</sup> Social protection spending is relatively low and mostly allocated to old age and health, and less to family, disability, housing, and unemployment support.

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<sup>(26)</sup> Evidence based on a study by the European Commission Joint Research Centre, using the EUROMOD model.



## KEY FINDINGS

To boost competitiveness, sustainability and social fairness, Malta would benefit from:

- **implementing the RRP**, including the REPowerEU chapter; **swiftly implementing cohesion policy**, taking advantage of the opportunities under the mid-term review and **making optimal use of EU instruments, including InvestEU and STEP**, to improve competitiveness;
- **fostering research and innovation** by encouraging both private and public investment in this field;
- **fostering access to alternative non-bank financing** for start-ups/scale-ups and innovating companies;
- **improving the business environment** by reducing regulatory complexity and lengthy courts proceedings;
- **providing means for alternative business dispute settlement** and modernising work practices in the justice system;
- **improving fairness in corporate taxation** by curbing aggressive tax planning risks;
- **making further progress on decarbonising by phasing out fossil fuel subsidies**, which discourage investments in, among others, renewables and energy efficiency;
- **promoting the uptake of renewable energy**, including by making better use of the potential of offshore wind and solar energy;
- **ensuring security of energy supply and promoting efficiency gains**, by addressing grid capacity and flexibility and boosting energy efficiency in the buildings sector;
- **reducing traffic congestion and decarbonising the transport sector**, by disincentivising car use and ensuring that infrastructure facilitates the use of public and alternative modes of transport, while further promoting the use of electric and alternative fuel vehicles;
- **increasing municipal waste recycling** and the preparation of waste for reuse;
- **improving water quality and management**, including by ensuring sustainable use of fresh resources and tackling pollution of surface water and groundwater;
- **tackling skills shortages and mismatches** by strengthening the quality, inclusiveness and labour market relevance of education and training;
- **ensuring equal labour market participation**, particularly for

women and for persons with disabilities;

- **improving working conditions**, by enhancing work safety measures, labour inspection capacities, and social dialogue;
- **strengthening adequate and effective social protection for vulnerable groups**, by addressing inefficiencies and reinforcing social benefits.

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This Annex contains a series of tables relevant for the assessment of the fiscal situation in Malta, including how Malta is responding to Council recommendations issued under the reformed Economic Governance Framework.

The reformed framework, which entered into force on 30 April 2024<sup>(27)</sup>, aims to strengthen debt sustainability and promote sustainable and inclusive growth through growth-enhancing reforms and priority investments. The medium-term fiscal-structural plans (hereinafter, MTPs or plans) constitute the cornerstone of the framework, setting the budgetary commitment of Member States over the medium term. The latter is defined in terms of net expenditure growth, which is the single operational indicator for fiscal surveillance.

Malta submitted its plan on 20 September 2024. The plan covers the period until 2028, presenting a fiscal adjustment over four years. On 21 January 2025, the Council adopted the Recommendation endorsing Malta's plan. On 21 January 2025 the Council also adopted a Recommendation under Article 126(7) TFEU to correct the excessive deficit in Malta<sup>(28)</sup>. The corrective net expenditure path recommended by the Council under the excessive deficit procedure is consistent with the path set out in the plan.

The assessment of the implementation of the Council Recommendations to correct the excessive deficit and endorsing the Malta's plan is carried out on the basis of outturn data from Eurostat and the Commission's Spring 2025 Forecast and taking into account the Annual Progress Report (APR), that Malta submitted on 30 April 2025. Furthermore, in the context of the Commission Communication of 19 March 2025<sup>(29)</sup>, on accommodating defence expenditure within the Stability and Growth Pact, the Annex reports the projected increase in defence expenditure based on the Commission Spring 2025 Forecast.

The Annex is organised as follows. First, developments in **government deficit and debt** are presented based on the figures reported in Table A1.1. Then, the assessment of the **implementation of the Council Recommendation to correct the excessive deficit and of the Council Recommendation endorsing the plan** follows, based on the relevant figures presented in Tables A1.2 to A1.8, including data on defence expenditure.

The Annex also provides information on the **cost of ageing** and the **national fiscal framework**. Fiscal sustainability risks are discussed in the Debt Sustainability Monitor 2024<sup>(30)</sup>.

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(27) Regulation (EU) 2024/1263 of the European Parliament and of the Council (EU) on the effective coordination of economic policies and on multilateral budgetary surveillance, together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure, and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States are the core elements of the reformed EU economic governance framework.

(28) Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Malta, C/2025/5036.

(29) Communication from the Commission accommodating increased defence expenditure within the Stability and Growth Pact of 19 March 2025, C(2025) 2000 final.

(30) Commission (2025) 'Debt Sustainability Monitor 2024,' *European Economy-Institutional Papers* 306.

## Developments in government deficit and debt

Malta's government deficit amounted to 3.7% of GDP in 2024. Based on the Commission Spring 2025 Forecast, it is projected to decrease to 3.2% of GDP in 2025 and 2.8% of GDP in 2026. The government debt-to-GDP ratio amounted to 47.4% at the end of 2024 and, according to the Commission, is projected to increase marginally to 47.6% end-2025.

Table A1.1: **General government balance and debt**

#	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
1	General government balance	%GDP	-3.7	-3.3	-3.2	n.a.	-2.8
2	General government gross debt	%GDP	47.4	48.4	47.6	n.a.	47.3

**Source:** Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

## Developments in net expenditure

The net expenditure<sup>(31)</sup> growth of Malta in 2025 is forecast by the Commission<sup>(32)</sup> to be below the recommended maximum. Considering 2024 and 2025 together, the cumulative growth rate of net expenditure is projected to be above the recommended maximum cumulative growth rate, corresponding to a deviation of 0.2% of GDP.

The cumulative deviation in 2024 and 2025 is below the 0.6% of GDP threshold.

Table A1.2: **Net expenditure growth**

	Annual			Cumulative		
	Rec.	APR	COM	Rec.	APR	COM
	Growth rates					
2024	n.a.	14.3%	13.9%	n.a.	n.a.	n.a.
2025	6.0%	-0.1%	0.8%	13.8%	14.2%	14.9%
2026	5.8%	n.a.	5.3%	20.4%	n.a.	20.9%

\* The cumulative growth rates are calculated by reference to the base year of 2023.

**Source:** Council Recommendation to correct the excessive deficit in Malta (Rec.), Annual Progress Report (APR) and Commission's calculation based on Commission Spring 2025 Forecast (COM)..

<sup>(31)</sup> Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-off and other temporary measures.

<sup>(32)</sup> Commission Spring 2025 Forecast, *European Economy-Institutional paper 318*, May 2025.

General government defence expenditure in Malta amounted to 0.5% of GDP in 2021, 0.5% of GDP in 2022 and 0.4% of GDP in 2023<sup>(33)</sup>. According to the Commission 2025 Spring Forecast, expenditure on defence is projected at 0.4% of GDP in 2024 and 0.4% of GDP in 2025.

Table A1.3: **Net expenditure (outturn and forecast), annual and cumulated deviations vis-à-vis the recommendation**

#	Variables		2023	2024	2025	2026
			Outturn	Outturn	COM	COM
1	Total expenditure	bn NAC	7.5	8.6	8.7	9.2
2	Interest expenditure	bn NAC	0.2	0.3	0.3	0.3
3	Cyclical unemployment expenditure	bn NAC	0.0	0.0	0.0	0.0
4	Expenditure funded by transfers from the EU	bn NAC	0.2	0.1	0.3	0.3
5	National co-financing of EU programmes	bn NAC	0.1	0.0	0.1	0.1
6	One-off expenditure (levels, exd. EU funded)	bn NAC	0.0	0.0	0.0	0.0
7=1-2-3-4-5-6	<b>Net nationally financed primary expenditure (before discretionary revenue measures, DRM)</b>	<b>bn NAC</b>	<b>7.1</b>	<b>8.2</b>	<b>8.1</b>	<b>8.5</b>
8	Change in net nationally financed primary expenditure (before DRM)	bn NAC		1.1	-0.1	0.4
9	DRM (exd. one-off revenue, incremental impact)	bn NAC		0.1	-0.2	0.0
10=8-9	<b>Change in net nationally financed primary expenditure (after DRM)</b>	<b>bn NAC</b>		<b>1.0</b>	<b>0.1</b>	<b>0.4</b>
11	Outturn / forecast net expenditure growth*	% change		13.9%	0.8%	5.3%
12	Recommended net expenditure growth	% change		7.4%	6.0%	5.8%
13=(11-12) x 7	Annual deviation	bn NAC		0.5	-0.4	0.0
14 (cumulated from 13)	Cumulated deviation	bn NAC		0.5	0.0	0.0
15=13/17	<b>Annual balance</b>	<b>% GDP</b>		<b>2.1</b>	<b>-1.8</b>	<b>-0.2</b>
16=14/17	<b>Cumulated balance</b>	<b>% GDP</b>		<b>2.1</b>	<b>0.2</b>	<b>0.0</b>
17	p.m. Nominal GDP	bn NAC	20.5	22.5	24.0	25.5

\* The growth rate for 2024 is not a recommendation but serves to anchor the base, as the latest year with outturn data when setting the net expenditure path is year 2023.

**Source:** Commission Spring 2025 Forecast and Commission's calculation

Table A1.4: **Defence expenditure**

			2021	2022	2023	2024	2025	2026
1	Total defence expenditure	% GDP	0.5	0.5	0.4	0.4	0.4	0.4
2	of which: gross fixed capital formation	% GDP	0.1	0.1	0.1	0.1	0.1	0.1

**Source:** Eurostat (COFOG), Commission Spring 2025 Forecast and Commission's calculation

<sup>(33)</sup> Eurostat, government expenditure by classification of functions of government (COFOG).

Table A1.5: Macroeconomic developments and forecasts

#	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
1=7+8+9	<b>Real GDP</b>	% change	6.0	4.0	4.1	na.	4.0
2	Private consumption	% change	5.7	4.7	4.0	na.	3.9
3	Government consumption expenditure	% change	7.3	6.5	4.7	na.	4.2
4	Gross fixed capital formation	% change	2.4	2.5	2.5	na.	2.1
5	Exports of goods and services	% change	5.3	3.4	3.5	na.	2.9
6	Imports of goods and services	% change	4.7	3.6	3.1	na.	2.4
	<b>Contributions to real GDP growth</b>						
7	- Final domestic demand	pps	4.4	3.7	3.1	na.	2.9
8	- Change in inventories	pps	0.0	0.0	0.0	na.	0.0
9	- Net exports	pps	1.6	0.3	1.0	na.	1.1
10	Output gap	% pot GDP	-0.1	-0.5	-0.5	na.	-1.0
11	Employment	% change	5.1	4.0	3.1	na.	2.8
12	Unemployment rate	%	3.1	3.0	3.1	na.	3.1
13	Labour productivity	% change	0.8	0.0	1.0	na.	1.2
14	HICP	% change	2.4	2.3	2.2	na.	2.1
15	GDP deflator	% change	3.2	2.6	2.5	na.	2.2
16	Compensation of employees per head	% change	5.9	5.0	4.1	na.	3.5
17	Net lending/borrowing vis-à-vis the rest of the world	% GDP	5.0	na.	4.7	na.	4.4

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

Table A1.6: General government budgetary position

#	Variables (% GDP)	2024	2025		2026	
		Outturn	APR	COM	APR	COM
1=2+3+4+5	<b>Revenue</b>	34.6	33.0	33.1	na.	33.2
	<i>of which:</i>					
2	- Taxes on production and imports	9.4	9.2	9.3	na.	9.3
3	- Current taxes on income, wealth, etc.	15.1	13.9	13.4	na.	13.7
4	- Social contributions	5.2	5.2	5.2	na.	5.2
5	- Other (residual)	5.0	4.7	5.2	na.	4.9
8=9+16	<b>Expenditure</b>	38.3	36.2	36.3	na.	36.0
	<i>of which:</i>					
9	- Primary expenditure	37.1	34.9	35.0	na.	34.7
	<i>of which:</i>					
10	- Compensation of employees	9.9	9.9	9.9	na.	9.9
11	- Intermediate consumption	7.6	8.1	7.7	na.	7.7
12	- Social payments	8.1	8.1	7.9	na.	7.9
13	- Subsidies	2.5	2.3	2.1	na.	1.8
14	- Gross fixed capital formation	3.3	3.8	3.8	na.	3.9
15	- Other	5.8	2.7	3.6	na.	3.6
16	- Interest expenditure	1.2	1.3	1.3	na.	1.3
18=1-8	<b>General government balance</b>	-3.7	-3.3	-3.2	na.	-2.8
19=1-9	<b>Primary balance</b>	-2.5	-2.0	-1.9	na.	-1.5
20	Cyclically adjusted balance	-3.6	na.	-3.0	na.	-2.3
21	One-offs	0.0	0.0	0.0	na.	0.0
22=20-21	<b>Structural balance</b>	-3.6	-3.1	-3.0	na.	-2.3
23=22+16	<b>Structural primary balance</b>	-2.4	-1.8	-1.7	na.	-1.0

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

Table A1.7: **Debt developments**

#	Variables	2024	2025		2026	
		Outturn	APR	COM	APR	COM
1	Gross debt ratio* (% of GDP)	47.4	48.4	47.6	na.	47.3
2=3+4+8	Change in the ratio (pps. of GDP)	-0.5	1.0	0.2	na.	-0.3
3	Contributions**					
	Primary balance	2.5	2.0	1.9	na.	1.5
4=5+6+7	'Snow-ball' effect	-2.9	-2.8	-1.7	na.	-1.5
	of which:					
5	- Interest expenditure	1.2	1.3	1.3	na.	1.3
6	- Real growth effect	-2.6	-2.6	-1.8	na.	-1.8
7	- Inflation effect	-1.5	-1.5	-1.2	na.	-1.0
8	'Stock-flow' adjustment	0.0	-0.7	-0.1	na.	-0.3

\* End of period.

\*\* The 'snow-ball' effect captures the impact of interest expenditure on accumulated general government debt, as well as the impact of real GDP growth and inflation on the general government debt-to-GDP ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in Recovery and Resilience Facility grant disbursements), accumulation of financial assets, and valuation and other residual effects.

**Source:** Commission Spring 2025 Forecast and Commission's calculation (COM), Annual Progress Report (APR)

Table A1.8: **RRF Grants**

Revenue from RRF grants (% of GDP)								
		2020	2021	2022	2023	2024	2025	2026
1	RRF grants as included in the revenue projections	na.	0.2	0.0	0.3	0.3	0.2	0.1
2	Cash disbursements of RRF grants from EU	na.	0.2	0.0	0.3	0.3	0.2	0.0
Expenditure financed by RRF grants (% of GDP)								
		2020	2021	2022	2023	2024	2025	2026
3	Total current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Gross fixed capital formation	0.0	0.0	0.1	0.1	0.1	0.1	0.1
5	Capital transfers	0.0	0.0	0.0	0.0	0.1	0.1	0.0
6=4+5	Total capital expenditure	0.0	0.0	0.1	0.2	0.2	0.2	0.1
Other costs financed by RRF grants (% of GDP)								
		2020	2021	2022	2023	2024	2025	2026
7	Reduction in tax revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Other costs with impact on revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Financial transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0

**Source:** Annual Progress Report





















## Cost of ageing

**Total age-related spending in Malta is projected to rise from about 17% of GDP in 2024 to about 26% in 2070 (see Table A1.8).** The overall increase, the second largest of all Member States, is driven by the projected rise in pension spending in the long term as well considerable

increases for healthcare and long-term care expenditure. While 0.9 pps lower in 2040 compared to 2024, the pension expenditure-to-GDP ratio would be 4.4 pps higher by 2070. This is the second highest projected increase in pension spending of all EU Member States for 2024-2070.

**Public healthcare expenditure is projected at 5.1% of GDP in 2024 (below the EU average of 6.6%) and is expected to increase by 0.4 pps by 2040 and by a further 1.8 pps by 2070 <sup>(34)</sup>.** Public expenditure on long-term care is projected at 1.2% of GDP in 2024 (below the EU average of 1.7%) and is expected to increase by 0.4 pps of GDP by 2040 and by a further 1.8 pps of GDP by 2070 <sup>(35)</sup>. These expenditure increases, due to an ageing population, pose a risk to fiscal sustainability in the long term.

Table A1.9: **Projected change in age-related expenditure in 2024-2040 and 2024-2070**

	age-related expenditure 2024 (% GDP)	change in 2024-2040 (pps GDP) due to:					age-related expenditure 2040 (%GDP)	
		pensions	healthcare	long-term care	education	total		
MT	16.7	 -0.9	 0.4	 0.4	 -0.5	 -0.5	16.1	MT
EU	24.3	 0.5	 0.3	 0.4	 -0.3	 0.9	25.2	EU
	age-related expenditure 2024 (% GDP)	change in 2024-2070 (pps GDP) due to:					age-related expenditure 2070 (%GDP)	
		pensions	healthcare	long-term care	education	total		
MT	16.7	 4.4	 2.1	 2.2	 0.1	 8.9	25.6	MT
EU	24.3	 0.2	 0.6	 0.8	 -0.4	 1.3	25.6	EU

**Source:** 2024 Ageing Report (EC/EPC).

## National fiscal framework

**Malta’s Independent Fiscal Institution, the Malta Fiscal Advisory Council (MFAC), would benefit from strengthened independence.** Its members are appointed by the Minister of Finance, with relatively lenient formal criteria. While MFAC has freedom to communicate at any time and runs a well-structured website, the Chair’s role does not encompass external communication.

**The management of public investment could be improved across the investment cycle.** Currently, integrated visions outlining long-term country objectives only cover selected sectors or policy areas, such as the environment and decarbonisation. There is no clear monitoring process to ensure that these long-term objectives and subsequent action plans or sectoral strategies are aligned and that these objectives are achieved. Moreover, there is no widespread use of standardised assessment or selection methodologies for projects, although external quality reviews are carried out on ad-hoc basis. The management of public investment could be improved across the investment cycle. Currently, integrated visions outlining long-term country objectives only cover selected sectors or policy areas, such as the environment and decarbonisation. There is no clear monitoring process to ensure that these long-term objectives and subsequent action plans (e.g. the green public procurement national action plan for 2022- 2027) or sectoral strategies are aligned and that these objectives are achieved. Moreover, there is no widespread use of standardised assessment or selection methodologies for projects, although external quality reviews are carried out on ad-hoc basis.

<sup>(34)</sup> Key performance characteristics, recent reforms and investments of the Maltese healthcare system are discussed in Annex 14 ‘Health and health systems’.

<sup>(35)</sup> The adequacy and quality of the Maltese long-term care system are covered in Annex 11 ‘Social policies’.

Table A1.10: **Fiscal Governance Database Indicators**

2023	Malta	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	13.60	14.52
Medium-Term Budgetary Framework Index (MTBFI)	0.72	0.73

The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on i) the legal base, ii) how binding the rule is, iii) monitoring bodies, iv) correction mechanisms, and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength.

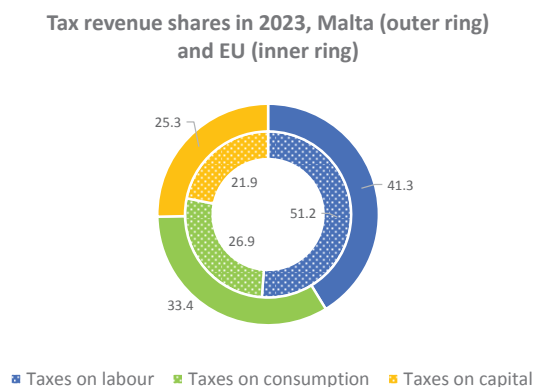
**Source:** [Fiscal Governance Database](#)



**This annex provides an indicator-based overview of Malta's tax system.** It includes information on: (i) the tax mix; (ii) competitiveness and fairness aspects of the tax system; (iii) tax collection and compliance; and (iv) aggressive tax planning.

**Malta's tax revenues as a percentage of its GDP are below the EU average, with greater reliance on corporate taxes.** As shown in Table A2.1, in 2023 the Maltese tax base measured as a percentage of GDP was 26.6%, significantly below the EU average (39.0%). Much of this difference can be attributed to Malta's low reliance on labour taxation, which constituted 11.0% of its GDP in 2023, compared with 20.0% across the EU. In contrast, corporate taxation, at 4.2% of GDP, was 1 pp. higher than the EU average and represented almost 16% of Malta's total tax revenues. Revenues from consumption taxes as a percentage of GDP were relatively low in Malta (8.9% vs 10.5% across the EU). Also, in recent years, Malta experienced a significant decline in the share of environmental taxes, which dropped to 1.5% of GDP in 2023, down from 2.8% in 2010 (with an EU average of 2.0% in 2023 and 2.5% in 2010). The effective carbon rate is lower than the EU average, suggesting that there may be potential to increase the role of taxation in strengthening environmental sustainability.

Graph A2.1: Tax revenue shares in 2023

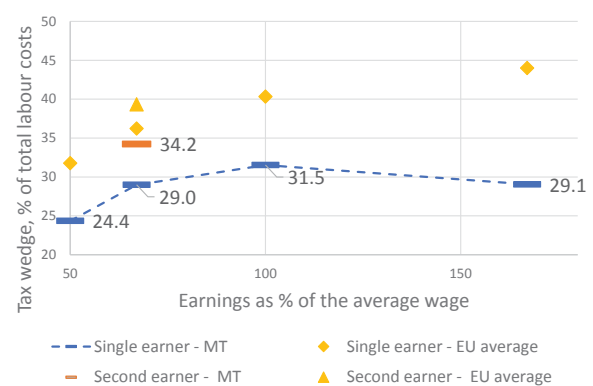


Source: Taxation Trends Data, DG TAXUD

**Some features of Malta's corporate tax system help to attract investment but also**

**present risks of aggressive tax planning.** In 2023, the forward-looking effective average tax rate in Malta was 25.1% (compared with around 19% for the EU average). This represents a significant decrease of 10 pps since 2010, one of the largest among EU Member States. However, Malta operates a full imputation system that allows shareholders to receive refunds of part of the tax paid by the company, to prevent double taxation. In practice, the design of Malta's refund system allows most non-resident shareholders to claim a refund of 6/7 of the corporate tax paid in Malta, reducing the effective tax rate from 35% (the statutory corporate income tax rate) to 5%. In light of the implementation of the EU Minimum Tax Directive, discussions on a possible reform of the Maltese corporate tax system are underway. The combined features of Malta's tax system can result in double non-taxation for certain income, creating risks of aggressive tax planning (see below). In addition, Malta is one of the EU Member States with notional interest deduction (NID) rules in place, which align the tax treatment of the cost of equity with the cost of debt.

Graph A2.2: Tax wedge for single and second earners, % of total labour costs, 2024



The tax wedge for second earners assumes a first earner at 100% of the average wage and no children. For the full methodology, see OECD, 2016, Taxing Wages 2014-2015.

Source: European Commission

**The labour tax wedge in Malta is lower than the EU average across all income levels<sup>(36)</sup>.**

<sup>(36)</sup> The tax wedge is defined as the sum of personal income taxes and employee and employer social-security

Table A2.1: Taxation indicators

		Malta					EU-27				
		2010	2021	2022	2023	2024	2010	2021	2022	2023	2024
<b>Tax structure</b>	Total taxes (including compulsory actual social contributions) (% of GDP)	30.7	27.5	27.7	26.6		37.8	40.2	39.7	39.0	
<b>By tax base</b>	Taxes on labour (% of GDP)	9.8	11.0	11.3	11.0		19.8	20.5	20.1	20.0	
	of which, social security contributions (SSC, % of GDP)	5.4	4.9	4.9	4.7		12.9	13.0	12.7	12.7	
	Taxes on consumption (% of GDP)	11.9	9.0	9.4	8.9		10.9	11.2	10.9	10.5	
	of which, value added taxes (VAT, % of GDP)	7.0	6.0	6.5	6.1		6.8	7.3	7.4	7.1	
	Taxes on capital (% of GDP)	9.0	7.4	7.0	6.7		7.1	8.5	8.7	8.5	
<b>Some tax types</b>	Personal income taxes (PIT, % of GDP)	5.7	7.2	7.5	7.3		8.6	9.6	9.4	9.3	
	Corporate income taxes (CIT, % of GDP)	5.5	4.7	4.5	4.2		2.2	2.9	3.2	3.2	
	Total property taxes (% of GDP)	1.0	0.8	0.8	0.8		1.9	2.2	2.1	1.9	
	Recurrent taxes on immovable property (% of GDP)	0.0	0.0	0.0	0.0		1.1	1.1	1.0	0.9	
	Environmental taxes (% of GDP)	2.8	1.7	1.6	1.5		2.5	2.4	2.1	2.0	
	Effective carbon rate in EUR per tonne of CO <sub>2</sub> equivalents	NA	NA	NA	75.9		NA	86.0	NA	84.8	
<b>Progressivity &amp; fairness</b>	Tax wedge at 50% of average wage (single person) (*)	18.9	21.7	22.6	23.0	24.4	33.9	31.8	31.5	31.5	31.8
	Tax wedge at 100% of average wage (single person) (*)	26.4	30.8	31.5	31.7	31.5	40.9	39.9	39.9	40.2	40.3
	Corporate income tax - effective average tax rates (1) (*)	35.1	28.1	26.2	25.1		21.3	19.3	19.1	18.9	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	7.2	6.2	6.3	5.5		8.6	8.2	7.9	7.7	
<b>Tax administration &amp; compliance</b>	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)		140.0	131.3				35.5	32.6		
	VAT gap (% of VAT total tax liability, VTTL) (**)		25.5	25.9	28.6			6.6	7.0		

(1) Forward-looking effective tax rate (KPMG).

(2) A higher value indicates a stronger redistributive impact of taxation.

(\*) EU-27 simple average.

(\*\*) Forecast value for 2023. For more details on the VAT gap, see European Commission, Directorate-General for Taxation and Customs Union, VAT gap in the EU - 2024 report, [https://data.europa.eu/doi/10.2778/2\\_476\\_549](https://data.europa.eu/doi/10.2778/2_476_549)  
For more data on tax revenues as well as the methodology applied, see the Data on Taxation webpage, [https://ec.europa.eu/taxation\\_customs/taxation-1/economic-analysis-taxation/data-taxation\\_en](https://ec.europa.eu/taxation_customs/taxation-1/economic-analysis-taxation/data-taxation_en).

**Source:** European Commission, OECD

The labour tax system is less progressive in Malta than in the EU average. As shown in Graph A2.2, the labour tax wedge in Malta in 2023 was significantly lower than the EU average for single people at various income levels. Second earners at 67% of the average wage, whose spouses earn the average wage, also face a tax wedge that is below the EU average. At 167% of the average income, the tax wedge is lower than for those earning an average wage, which suggests that the Maltese tax system may lead to regressive taxation. In 2025, the tax burden of taxpayers subject to personal income taxation was lowered by the adoption of widened tax bands.

**The redistributive impact of the tax and benefit system is limited compared to the EU average.** Given the relatively low level of taxation and the modest progressivity of

Malta's tax structure, the contribution of Malta's tax and benefit system to ensuring income redistribution and inequality reduction is lower than the EU average. In 2023, the tax and benefit system reduced the Gini coefficient by 5.5 points on average, while the EU average reduction was 7.7 points in the same year. In addition, Malta has no net wealth tax or similar taxes on capital, and no inheritance, estate or gift taxes (although stamp duty may be payable on inheritance of certain chargeable assets). Malta has two preferential tax regimes to attract personal income taxpayers, targeting workers with certain characteristics and foreign pensioners. These regimes include some harmful features in terms of tax competition<sup>(37)</sup>.

**Malta continues to suffer from a large VAT compliance gap.** For 2022, the VAT

contributions net of family allowances, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer).

<sup>(37)</sup> For additional detail, see <https://www.taxobservatory.eu/www-site/uploads/2021/11/EU-Tax-Observatory-Report-3-Tax-Competition-November-2021-3.pdf>.

compliance gap was estimated at EUR 415 million, or 25.9% of the VAT total tax liability, well above the EU average of 7%. Only one other Member State had a larger compliance gap. Furthermore, the compliance gap, unlike what has been the case for the EU as a whole, has not shown a clear downward trend in recent years but increased by 0.4 percentage points compared with 2021. The current level, despite declines in 2020 and 2021, remains above the 2018 mark (23.4%).

**In terms of collection efficiency, the available indicators point to some problems.**

As of the last available date, 2023, the stock of gross outstanding revenue arrears at year-end reached just over EUR 7 billion, or more than 5% of GDP, with a notable increase of EUR 429 million over the previous year. This amount, which includes all revenue arrears and not just tax arrears, has continued to increase significantly in the years since 2019, and the vast majority of revenue arrears (5.9 billion) are considered not collectable. However, the amount of arrears actually collected has also increased in absolute terms, from 330 million to 438 million over the same period. Nevertheless, as a percentage of GDP, the amount of collected arrears decreased in 2023. A large portion of the gross arrears balance, EUR 4.8 billion (of which 92% are deemed not collectable), is attributed to the VAT <sup>(38)</sup>.

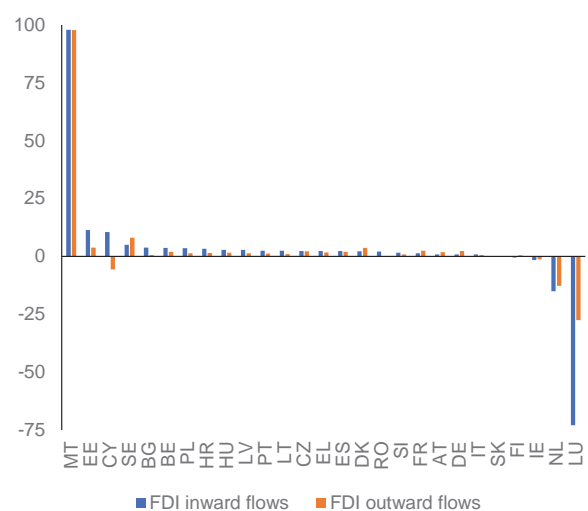
**The government has announced a series of measures aimed at increasing the efficiency of tax collection.** The Malta Tax and Customs Administration adopted a 2023-2025 strategy to streamline and modernise tax administration. An important objective of the plan was to complete the integration of previously separate departments (e.g. customs). The plan also focused on creating a large taxpayers' office and developing a compliance risk management framework. The vision behind the strategy was to improve relations with

taxpayers also by providing more services upfront (for example, out of 440 thousand taxpayers, more than 360 thousand no longer need to file a return). The strategy is showing signs of success: thanks to nudging and enforcement measures, filing rates for individual taxpayers increased from 60% to 90% for assessment year 2022 <sup>(39)</sup>.

**Aggressive tax planning has been identified by the Commission as a key issue in Malta.**

Previous data releases suggested that companies were using Malta's tax system for aggressive tax planning. However, at the moment of drafting the present document, most of the relevant indicators produced by Malta's National Statistics Office (such as interest and dividend flows and foreign direct investment (FDI) stock held through special purpose entities) have been classified as confidential and are therefore not available. Still, available data on FDI flows as a share of GDP show exceptionally high FDI inflows and outflows compared with the EU average, as shown in Graph A2.3.

Graph A2.3: **Foreign direct investment (FDI) flows, % of GDP, 2023**



Source: UNCTAD,  
<https://unctadstat.unctad.org/datacentre/>

<sup>(38)</sup> See National Audit Office, December 2024 Report, available at [PublicAccountsDec2024.pdf](#).

<sup>(39)</sup> See MTCA Annual Report 2023, *passim*.

**Malta has committed to making further progress in the fight against aggressive tax planning.** Malta has taken important steps to curb aggressive tax planning practices. In particular, as part of the implementation of the RRP, Maltese legislation has recently been amended to ensure that transfer pricing reflects the arm's length principle. However, Malta currently has no withholding tax on outbound interest, royalty and dividend payments. The introduction of new legislation in this area is a commitment under the RRP. Furthermore, the treatment of resident non-domiciled companies may result in double non-taxation between Malta and most countries with which Malta has bilateral tax treaties. The implementation of the EU Global Minimum Tax Directive, expected by the end of 2029 <sup>(40)</sup>, will only partially resolve this issue, as it will only apply to large multinational enterprises.

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<sup>(40)</sup> The EU Global Minimum Tax Directive, published in 2022 to incorporate the OECD's Pillar Two rules, allows a delay in the adoption of certain provisions until 31 December 2029.

# PRODUCTIVITY

## ANNEX 3: INNOVATION TO BUSINESS

**Malta's innovation potential is hindered by very low levels of R&D investments in both the public and the private sector, affecting competitiveness.** Total R&D intensity is the second lowest in the EU (at 0.64% of GDP in 2023, vs the EU average of 2.24%) and has been on a declining trend over the last decade. According to the European Innovation Scoreboard, Malta is a 'moderate innovator', performing at 88% of the EU average in 2024<sup>(41)</sup>. While this is above the moderate innovator average (84.8%), its performance is increasing at a slower rate than in the EU as a whole. In addition to very low R&D investments, innovation remains hampered by a lack of human resources for R&I and limited public support for business innovation. Science-industry linkages remain limited, despite recent measures to foster inter-sectoral collaboration.

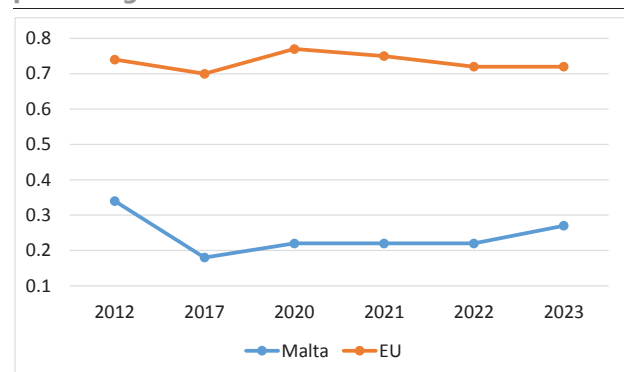
### Science for an innovative ecosystem

**Very low levels of public investment in R&D continue to be a major challenge for Malta, affecting scientific excellence.** Public investment in R&D as a percentage of GDP increased in the past year, but is currently lower than it was 10 years ago (0.27% of GDP in 2023, vs the EU average of 0.72%). This impacts the excellence of the public research system. Malta's scientific output, as measured by the share of the country's scientific publications, as a percentage of its total publication, among the top 10% most-cited worldwide, remains below the EU average. The number of researchers per thousand active population employed by the public sector is

<sup>(41)</sup> 2024 European Innovation Scoreboard, country profile: [Malta](#). The EIS provides a comparative analysis of innovation performance in EU countries, including the relative strengths and weaknesses of their national innovation systems (also compared to the EU average).

also quite modest (2.2 in 2022, compared to the EU average of 4.2). Malta's research system has a good level of internationalisation, which is key given its geographical specificities. This can be seen from the share of foreign doctoral students, which has significantly increased in recent years, and the proportion of international co-publications (69.4% of the total number of publications in 2023, which is higher than the EU average of 55.9%).

Graph A3.1: **Public expenditure on R&D as a percentage of GDP**



Source: Eurostat

**The need for a stronger governance to drive forward the R&I agenda, as pointed out in the recommendations of the PSF peer review undertaken in 2019<sup>(42)</sup>, is acknowledged by the Maltese authorities.** In July 2024, Science Malta (*Xjenza Malta*) was officially launched as the successor entity to the Malta Council for Science and Technology. The aim of the newly-established government agency is to bring together, under its responsibility, all activities related to research and innovation, including policy development and implementation, management of national, European and international financial programmes and space-related initiatives, thus creating a stronger institutional actor. While this is a major step in the right direction, going

<sup>(42)</sup> 2019 peer review of the Maltese R&I system: <https://ec.europa.eu/research-and-innovation/en/statistics/policy-support-facility/peer-review-maltese-research-and-innovation-system>.



forward it will be important to assess the effects of this reform on the functioning of the Maltese R&I system.

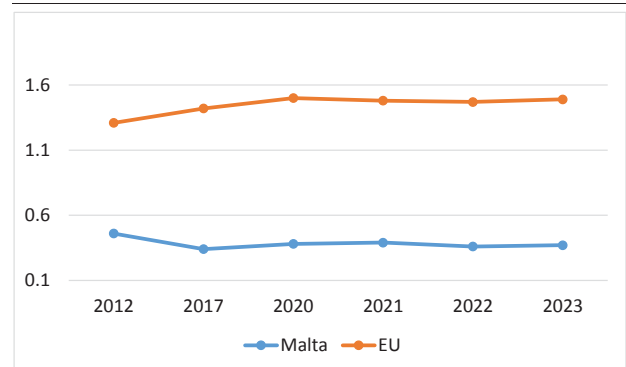
## Business innovation

**Malta has a dynamic business ecosystem, but innovation activities are limited and companies do not invest sufficiently in R&D.**

The country has a lively start-up ecosystem, encouraged by the multiple incubators and accelerators providing start-ups with mentorship, funding, and office space<sup>(43)</sup>. The start-up sector is supported by different government initiatives, including 'Start in Malta', which aims to make Malta the birthplace of start-up success stories. Despite the dynamism of the business ecosystem, private investment in R&D (0.37% in 2023) remains far below the EU average (1.49%). Malta performs modestly in the area of intellectual asset generation. While trademark applications were more than twice the EU average in 2024<sup>(44)</sup>, patenting activity (the number of patents filed under the Patent Cooperation Treaty) is below the EU average, despite some improvement in recent years. According to the European Investment Bank (EIB) investment survey<sup>(45)</sup>, only 3 in 10 Maltese firms (30%) developed or introduced new products, processes or services as part of their investment activities in 2022. A promising exception is the ICT sector. It is larger than the EU average (10.26% vs 5.5% in gross value added in 2021), and its R&D business expenditure accounts for 38.19% of total R&D expenditure<sup>(46)</sup>. This sector therefore has

potential to drive additional innovation activities in Malta.

Graph A3.2: **Business expenditure on R&D as a percentage of GDP**



Source: Eurostat

**Public support for business R&D remains limited, with only some small-scale initiatives in place.**

Total public support for business R&D has been decreasing over the years, from 0.04% of GDP in 2010 to 0.010% in 2022. Direct support (i.e. through grants) stood at 0.010% in 2022, against the EU average of 0.1%. Small and targeted actions are in place to help business accessing funds, including European ones. For example, a cooperation agreement was recently set up between the two government entities, *Servizzi Ewropej f'Malta* (SEM), a public agency entrusted to promote EU funding opportunities, and Business First, the Government's main point of contact for the business community and for aspiring entrepreneurs. As part of this cooperation, SEM officials will provide Business First employees with training on European funding opportunities for businesses<sup>(47)</sup>. Going forward, expanding and diversifying support schemes for business innovation will be key.

**Malta enterprises perform well when it comes to the adoption of digital technologies.** The country performs above the EU average in terms of basic digital intensity for SMEs (81.28% vs 72.91%) and the share of enterprises that have taken up advanced digital

<sup>(43)</sup> 2024 European Innovation Scoreboard, country profile: [Malta](#).

<sup>(44)</sup> 2024 European Innovation Scoreboard, country profile: [Malta](#).

<sup>(45)</sup> [EIB Investment Survey - Malta](#).

<sup>(46)</sup> Eurostat, [ICT sector size](#) and [R&D in ICT sector](#), all data from 2021.

<sup>(47)</sup> [SEM - Ftehim ta' koperazzjoni bejn Servizzi Ewropej f'Malta \(SEM\) u Business First Ltd.](#)

technologies. In artificial intelligence and cloud technology, respectively, Malta boasts rates of 17.30% and 58.19%, vs 13.48% and 38.86% in the EU, whereas in data analytics the country is close to the EU average (35.59% vs 33.17%). To support the further adoption and development of digital technologies, Malta has allocated a significant part of its recovery and resilience plan to digitalisation. One of the main measures it has adopted to reach the cloud target is the 'SME digitalisation scheme', which seeks to support digitalisation investment initiatives by SMEs in several economic sectors. The scheme is expected to contribute directly to the uptake of cloud computing and other related technologies. It is crucial that businesses step up the adoption of cloud computing, which supports the deployment of other technologies, such as artificial intelligence and edge nodes, both associated with a Digital Decade target<sup>(48)</sup>.

**Malta has made efforts to foster academia-business cooperation, which remains a challenge despite encouraging first results.**

The share of public-private scientific co-publications has been steadily increasing in recent years, reaching 8.4% of the total number of publications, above the EU average of 7.7%. However, while it has been slightly improving, public R&D financed by businesses as a percentage of GDP remains quite low. This may be a sign that businesses are reluctant to engage in contractual research with public labs. Malta has taken the first steps towards setting up a public-private post-doctoral fellowship scheme<sup>(49)</sup>. This scheme is promoted by the Ministry for Education, Sport, Youth, Research and Innovation, in collaboration with the University of Malta and the Malta Chamber of Commerce, Enterprise and Industry. The

scheme will give PhD graduates the opportunity to join local businesses to conduct research, thereby fostering integration with businesses and strengthening science-business linkages. However, the scheme remains limited (a new call was published in 2024, following the launch in 2022). It is too early to assess its effectiveness, but if the scheme gives good results it could be beneficial to expand it to achieve a greater impact. Moreover, the University of Malta tries to promote technology transfers by hosting the Centre for Entrepreneurship and Business Incubation, which seeks to strengthen entrepreneurship. The centre also houses the TAKEOFF incubator, created to assist start-up firms<sup>(50)</sup>. Furthermore, the Malta Enterprise Agency provides financial assistance and consultancy services to Maltese businesses interested in collaborating with universities.

## Financing innovation

**Innovative companies experience difficulties in accessing finance.** Venture capital financing remains underdeveloped and has been declining over the last decade (0.004% of GDP in 2023, down from 0.028% in 2014 and well below the EU average of 0.078%). Moreover, most resources are devoted to the start-up stage, while seed and later stages are not well enough funded. (For more details on these topics, see Annex 4).

## Innovative talent

**The lack of human resources remains a key challenge, for both the private and the public sector.** Shortage of staff is often reported to be one of the major obstacles for

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<sup>(48)</sup> The Digital Decade policy programme sets out a pathway for the EU's digital transformation, including concrete commitments from Member States to jointly achieve objectives (e.g. competitiveness, resilience, sovereignty) and digital targets by 2030.

<sup>(49)</sup> [Applications reopen for the Post-Doctoral Fellowship Scheme - Newspoint - University of Malta.](#)

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<sup>(50)</sup> [View of Technology Transfer Offices for Better Management of The University-Industry Collaboration: Comparison of Slovenia, Italy, And Malta.](#)

businesses, SMEs especially. The number of new graduates in science and engineering per thousand population aged 25-34 remains critically low, at 5.8 in 2022, which is well below the EU average of 17.6 (see also Annex 12). This also explains the low number of researchers employed in both the public and the private sector. Such shortages constrain Malta's ambitions to strengthen productivity and sustainability and foster innovation and competitiveness. Malta has requested technical support instrument (TSI) support to tackle this challenge. This ongoing TSI project aims to provide technical support in the area of skills policy, with the objective of developing a national skills strategy<sup>(51)</sup> using the maritime sector as a pilot. Through this project, Malta will receive an assessment of its skills systems based on EU good practice, along with concrete recommendations implementable in the short to medium term.

Entrepreneurship education is embedded at certain levels of the Maltese school system; however, it lacks a comprehensive strategy and adequate monitoring and evaluation systems of students' competencies. Entrepreneurship education is a transversal skill which is compulsory in Maltese schools, and it is promoted in higher education for instance through incubators. Malta's National Education Strategy 2024–2030 addresses entrepreneurship competences in its Growth and Empowerment pillar. This pillar identifies transversal skills—such as creativity, innovation, critical thinking, and entrepreneurial mindset—as essential for learner development in a fast-changing world. The Strategy also commits to setting up more structured and efficient monitoring and evaluation systems. Furthermore, entrepreneurship education is part of the National Research and Innovation Strategic Plan 2023–27 which expresses the need to promote innovation culture among youth. While these developments are

promising, Malta lacks data on the effectiveness of the programmes, and it does not have a comprehensive strategy to further develop these entrepreneurship competences.<sup>(52)</sup>

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<sup>(51)</sup> [Developing a skills strategy for Malta and its maritime sector - European Commission](#).

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<sup>(52)</sup> See Annex 4.



Table A3.1: Key innovation indicators

Malta	2012	2017	2020	2021	2022	2023	2024	EU average (1)	USA
<b>Headline indicator</b>									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	0.79	0.53	0.6	0.6	0.58	0.64	:	2.24	3.45
<b>Science and innovative ecosystems</b>									
Public expenditure on R&D as % of GDP	0.34	0.18	0.22	0.22	0.22	0.27	:	0.72	0.64
Scientific publications of the country within the top 10% most cited publications worldwide as % of total publications of the country	4.2	4.9	8.4	8	:	:	:	9.6	12.3
Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population	1.5	1.7	1.8	2.2	2.2	2.2	:	4.2	:
International co-publications as % of total number of publications	50.6	56.4	58.3	64	64.1	69.4	:	55.9	39.3
<b>R&amp;D investment &amp; researchers employed in businesses</b>									
Business enterprise expenditure on R&D (BERD) as % of GDP	0.46	0.34	0.38	0.39	0.36	0.37	:	1.49	2.7
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	0.38	0.3	0.34	0.29	0.29	:	:	0.4	0.3
Researchers employed by business per thousand active population	2.3	2.5	2	2	2.2	1.9	:	5.7	:
<b>Innovation outputs</b>									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	0.5	1.3	1.8	1.6	1	:	:	2.8	:
Employment share of high-growth enterprises measured in employment (%)	14.75	:	19.36	:	:	:	:	12.51	:
<b>Digitalisation of businesses</b>									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	77.89	:	81.28	72.91	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	:	35.59	:	33.17	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	47.48	:	58.19	:	38.86	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	10.16	:	13.17	17.3	13.48	:
<b>Academia-business collaboration</b>									
Public-private scientific co-publications as % of total number of publications	5.3	5.8	6.3	7.4	7.8	8.4	:	7.7	8.9
Public expenditure on R&D financed by business enterprise (national) as % of GDP	0.004	0.001	0.004	0.003	0.006	:	:	0.05	0.02
<b>Public support for business innovation</b>									
Total public sector support for BERD as % of GDP	0.087	0.041	0.010	0.010	0.010	:	:	0.204	0.251
R&D tax incentives: foregone revenues as % of GDP	0.057	0.024	0	0	0	0	:	0.102	0.141
BERD financed by the public sector (national and abroad) as % of GDP	0.03	0.017	0.010	0.010	0.010	:	:	0.100	0.110
<b>Financing innovation</b>									
Venture capital (market statistics) as % of GDP, total (calculated as a 3-year moving average)	0.022	0	0.006	0.006	0.005	0.004	:	0.078	:
Seed stage funding share (% of total venture capital)	0	0	73.6	0	0	0	:	7.3	:
Start-up stage funding share (% of total venture capital)	100	0	26.4	100	100	100	:	44	:
Later stage funding share (% of total venture capital)	0	0	0	0	0	0	:	48.7	:
<b>Innovative talent</b>									
New graduates in science and engineering per thousand population aged 25-34	10.9	7.8	5.4	5.3	5.8	:	:	17.6	:
Graduates in the field of computing per thousand population aged 25-34	4.3	5	3.3	4	3.4	:	:	3.6	:

(1) EU average for the last available year or the year with the highest number of country data.

**Source:** Eurostat, DG JRC, OECD, Science-Metrix (Scopus database), Invest Europe, European Innovation Scoreboard

**Despite flourishing economic growth, Maltese businesses would profit from improved business environment conditions.**

Malta is improving its connectivity infrastructure in line with the EU's Digital Decade targets. However, regulatory restrictions in professional services and administrative burdens impact business activities. Additionally, firms encounter investment barriers due to skill shortages and uncertainty.

### Economic framework conditions

**Staff availability and uncertainty about the future weigh on business activity and investments.**

According to the EIB Investment Survey <sup>(53)</sup>, the primary obstacles to long-term investments for Maltese businesses are the availability of skilled staff (90%) (see Annex 10), and uncertainty about the future (82%). Employee shortages are specifically a concern for small businesses <sup>(54)</sup>. In services, which have a share of 83% and 86% in employment and production (GVA) respectively, labour shortages are highest in tourism-related services, such as entertainment activities (over 95%), tour operators/travel agencies (54%), but also in knowledge intensive services such as computer programming (41%) and services related to financial activities (69%) <sup>(55)</sup>. Businesses remain hesitant to invest because of uncertainty, with only 14% planning to expand their business in the next 12 months <sup>(56)</sup>. According to the European Commission's economic uncertainty indicator (EUI) especially in the services sector uncertainty is increasing.

<sup>(53)</sup> European Investment Bank, [EIB investment Survey 2024](#), based on interviews carried out between April and July 2024.

<sup>(54)</sup> SME chamber, [SME barometer](#), different vintages (2023-2024).

<sup>(55)</sup> EC, ECFIN Business and Consumer Survey, 2024.

<sup>(56)</sup> SME chamber, [SME barometer](#), different vintages (2023-2024).

**Foreign investors still consider Malta as an attractive investment destination, although shortages of skilled staff, infrastructure problems and political transparency concerns have an impact on investors planning.**

According to a survey of managers <sup>(57)</sup>, 54% of foreign investors consider Malta to be an attractive location (59% in 2023) and 38% of respondents have expansion plans for their businesses. However, workforce skills and availability as well as the political and regulatory environment are seen as challenges, especially in the service sector. Financial services and insurance activities represent the highest share of foreign investments (over 95% of new projects in 2023). As these sectors require highly skilled staff, quality living conditions are needed to attract European and foreign nationals, yet 51% of respondents considered the increase of housing and living costs (due also to the growing population) as a barrier to attracting international talent. Additionally, respondents reported that the stability and transparency of Malta's political, legal and regulatory environment had weakened significantly. In 2015, it was rated positively by 85% of participating firms, but by 2021, it had dropped to 17%, making it the lowest rated attractiveness parameter. By 2024, it had slightly improved to 29%, but only ranked among the bottom three attracting factors for investors in Malta.

**Access to finance and late payments from business-to-business risk disrupting firms' cash flows.**

The availability of finance is an obstacle to investment for 55% of Maltese firms (above the EU average of 45%) (see Annex 5) <sup>(58)</sup>. Additionally, late payments from business-to-business represent an ongoing issue for about 23% of SMEs <sup>(59)</sup>. Comparing

<sup>(57)</sup> EY [Attractiveness Survey Malta](#), 20 years on, 2024.

<sup>(58)</sup> European Investment Bank, [EIB investment survey 2024](#), based on interviews carried out between April and July 2024.

<sup>(59)</sup> SME chamber, [SME barometer](#), different vintages (2023-2024).

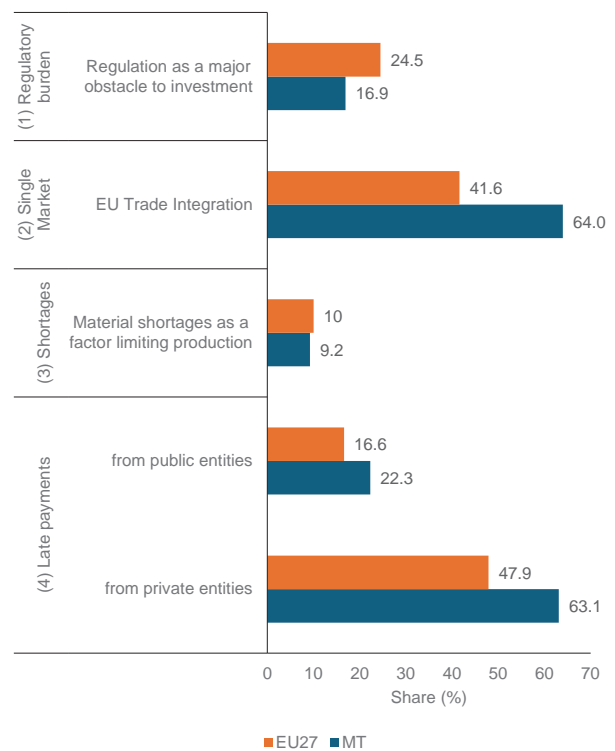
the issue with other EU Member States, for 63% (against 46% for the EU average) of respondents to the Safe Survey in Malta, late payments from private entities pose a regular or occasional issue. Late payments from public entities are regularly or occasionally problematic for 22% of those surveyed (against 17% for the EU average) <sup>(60)</sup>.

**Overpopulation and infrastructure issues are impacting business activities and investment to a greater extent than in the rest of the EU.** Shortcomings in local infrastructure and traffic congestion have a major impact on business activities. A significant majority of businesses in Malta (72% vs the EU average of 45%) see transport infrastructure as an obstacle to investment. This share is one of the highest in Europe, tied with Greece <sup>(61)</sup>. The rapidly increasing population and reliance on private cars for mobility lead to recurrent traffic congestion, which requires political action such as urban planning initiatives, investment in sustainable transport infrastructure and enforceable measures. In its recovery and resilience plan, Malta aims to improve the sustainability of transport through measures such as providing free public transport and increasing the number of electric private vehicles.

<sup>(60)</sup> European Commission and European Central Bank, [2023 SAFE survey](#). Survey conducted between September and October 2024.

<sup>(61)</sup> European Investment Bank, [EIB investment Survey 2024](#), based on interviews carried out between April and July 2024.

Graph A4.1: **Making Business Easier: selected indicators**



Share of (1) enterprises, (2) average intra-EU exports and imports in GDP, (3) firms, (4) SMEs.

**Sources:** (1) EIB IS, (2) Eurostat, (3) ECFIN BCS, (4) SAFE survey.

**Malta has made significant strides in enhancing its digital infrastructure, particularly in connectivity.** FTTTP<sup>(62)</sup> coverage is at 69.6%, slightly above the EU average of 64%. The share of fast fixed broadband take-up is increasing but remains limited. In 2023, the share of fixed broadband subscriptions ensuring connectivity speeds equal to or above 1 Gbps was 11.7% (up from 6.8% in 2022 and slightly below the EU average of 18.5%). In terms of mobile connectivity, 5G coverage was achieved nationwide by one of the three operators in 2022, while the other two mobile operators reached that threshold towards the end of 2023, in line with spectrum assignment conditions. However, 5G coverage in the 3.4-3.8 GHz bands remains limited, i.e. 24.7% versus 50.6% at the EU level.

<sup>(62)</sup> FTTTP stands for 'Fibre to the Premises' and describes the network infrastructure consisting of weatherproof fibre optic cable.

**On digital infrastructure resilience of cybersecurity among firms in Malta is decreasing while businesses invest in preventive security measures.**

The percentage of enterprises experiencing ICT security incidents leading to service unavailability, such as ransomware or denial-of-service attacks, increased in Malta, from 3.4% in 2022 to 5.2% in 2024. It remains above the EU average (3.4%) reflecting relatively poor security measures. However, around 94% of enterprises have implemented some form of ICT security measure (EU average of 92.8%) and 62.5% of Maltese enterprises have actively engaged in raising employee awareness of ICT security obligations, which is higher than the EU average of 59.97%. Overall, Malta's progress in digital infrastructure and connectivity demonstrates its commitment to meeting the EU's Digital Decade objectives, though continued efforts are necessary to ensure both inclusivity and resilience.

## Regulatory and administrative barriers

**Malta advances in providing public services for businesses online, however, Maltese businesses face administrative pressure and regulatory burden.** The OECD economy-wide Product Market Regulation (PMR)<sup>(63)</sup> indicator improved for Malta between 2018 (1.98) and 2024 (1.81) but together with Luxembourg the country is one of the weakest performing EU countries<sup>(64)</sup>. It ranks lowest for the PMR sub-components 'administrative and regulatory burden' (for businesses) and 'barriers to trade and investment'. Obtaining licences and permits represent a major barrier for businesses according to the survey. In order to simplify obtaining licenses, Malta's government streamlined the current requirement and

introduced a one-stop-shop for starting a business. Additionally, the Maltese authorities are currently establishing a Business Portal, which will integrate the 'once-only principle'.

**The number of business registrations in Malta is on a decreasing trend in the past three years and although there are several initiatives and programmes promoting entrepreneurship and entrepreneurial skills, a national strategy is so far missing.**

In 2024, business registrations declined further with a decrease of up to 20% recorded since 2021. The most affected sectors are services sectors such as wholesale and retail trade, transportation and storage. A range of initiatives have been set up to promote entrepreneurship by the University of Malta and the Ministry for the Economy, Enterprise and Strategic Projects, including courses, programmes, and funding for education projects. Informal and non-formal education initiatives such as 'Take Off' by the Centre for Entrepreneurship and Business Incubation or the Skills Development Scheme by Malta Enterprise, also foster a culture of entrepreneurship. Despite these initiatives, a comprehensive and systemic approach appears to be lacking, with some initiatives seeming to be ad hoc or dependent on individual school or college initiatives, rather than being mainstreamed or widely integrated into the education system<sup>(65)</sup>.

**Changes in the insolvency framework in Malta were implemented, further progress needs to be monitored.** According to the OECD<sup>(66)</sup>, Malta scored low in different areas of its insolvency regulations, in different areas: the treatment of failed entrepreneurs, prevention and streamlining, as well as restructuring tools. Changes in the Malta's legislation in 2022 were aimed at improving long-standing shortcomings in the Maltese

<sup>(63)</sup> OECD PMR, <https://www.oecd.org/en/topics/product-market-regulation.html>, cut-off date for Malta: 01.01.2024.

<sup>(64)</sup> The EU average PMR is at an index value of 1.24.

<sup>(65)</sup> See Annex Innovation to Business.

<sup>(66)</sup> OECD, [Enhancing insolvency frameworks to support economic renewal](#), 8/12/2022.

insolvency and restructuring procedures. Besides revising the bankruptcy procedure, an early warning mechanism was introduced, and the supporting role of an 'insolvency practitioner' was defined. Since these changes only entered into force in 2024, any potential effects need to be monitored.

**Tax compliance costs are below the EU average** (See Annex 2). Malta ranks as one of the countries with the lowest compliance costs in both absolute terms and as a share of tax revenue, while it is close to the median when using share of turnover. For Maltese SMEs, the total cost of tax compliance across direct and indirect taxes stood at 1.6% of turnover on average in 2019, below the EU aggregate mean of 1.9% <sup>(67)</sup>. This analysis might be impacted by the size of the country. Specific incentives for micro-firms might also affect the overall tax compliance costs. At the same time, the complexity of taxation and reporting requirements weigh on firms' compliance costs. The tax system and tax incentives in general are still attracting business to Malta but to a decreasing extent <sup>(68)</sup>.

## Single market

**Malta is relatively well integrated in the Single Market, especially in trade in services.** Malta's trade integration in services amounts to 50.8% of GDP in 2024, well above the EU average of 15%, while goods trade activities are structurally relatively low. However, manufacturing is Malta's largest export sector. Tourism-related services represented 43% of services exports in 2023, followed by 'other business services' such as administrative and support services (23%) and transportation (17%). The island has strong economic ties in trade and investments to Italy and Germany,

but also to the United Kingdom and Asian countries such as Japan. <sup>(69)</sup>

**Administrative barriers to trade have been lowered in recent years, but there is scope for improvements.** According to the OECD trade facilitation indicator, Malta's performance has improved with the score falling from 1.23 in 2019 to 0.93 in 2023, still above the EU average of 0.69 <sup>(70)</sup>. A closer look at the indicator components shows that simplification of formal procedures and providing transparent information would improve the efficiency of border activities.

**Malta is performing well in fully and accurately enacting single market legislation, as reflected in different single market enforcement indicators, although there is scope for improving transposition delays and resolving SOLVIT<sup>(71)</sup> cases.** According to the Single Market and Competitiveness Scoreboard <sup>(72)</sup>, Malta ranks among the top-performing Member States in terms of timely transposition of directives (0.5% vs 0.8%, EU average) and conformity of transposition with a rate of 0.6% compared to the 0.9% EU average. Malta has the shortest delays in transposition (4 months vs 11.9 months, EU average) of any Member State, which is a huge improvement on last year (when it ranked 24th out of 27 Member States). Within the SOLVIT system for resolving EU rights for business and individuals, Malta solved 77.8% of SOLVIT cases it handled as lead centre in 2024 (EU average, 84.9%).

**Several professional services are more strictly regulated than in the other EU countries.** According to the European

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<sup>(69)</sup> Eurostat.

<sup>(70)</sup> See [OECD Product Market Regulation indicators](#). Low level indicators: Barriers to trade- facilitation and tariff barriers.

<sup>(71)</sup> SOLVIT is a service to help businesses and citizens in the event of an EU Member State other than their own breaching EU law.

<sup>(72)</sup> Single Market Scoreboard.

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<sup>(67)</sup> [Tax compliance costs for SME](#), European Commission, 1/2022, p. 38.

<sup>(68)</sup> EY [Attractiveness Survey Malta](#), 20 years on, 2024.



Commission<sup>(73)</sup> and the OECD<sup>(74)</sup>, regulatory barriers remain higher in Malta than in comparable countries for lawyers and accountants. Those barriers are mostly related to market entry and conduct regulation. Despite legal changes concerning architects and engineering, businesses still report the lack of staff as one factor which limits their business activities (50% in 2024)<sup>(75)</sup>. Exclusive rights for these professions are still in place, which hinders the development of innovative services.

## Public procurement

**Despite considerable progress in public procurement, there is still room for improvement.** Malta completed successfully the transition to the new eForms system. The rate of negotiated procedures without publication stood at 5% in 2024, which is below the EU average of about 7%. However, a significant proportion of contracts (33%) were unsuccessful<sup>(76)</sup>. Dividing tenders into lots would help SMEs in particular to participate in tender procedures.

**The use of socially responsible public procurement (SRPP) in Malta is still very limited and in its very early stages.** Despite the opportunities provided by the legal framework, some provisions, such as the possibility of reserving contracts for specific economic operators in the social field, have never been used. There remains limited awareness and understanding of SRPP and its potential to achieve social goals. Prioritising national strategies, targeted guidance,

collaboration, and the development of pilot projects will be essential.

**Businesses raise concerns about public procurement procedures.** In a national survey, unfair competition was mentioned by 23% of respondents as the second most common concern businesses face. Businesses also raised concerns about good governance issues and corruption<sup>(77)</sup>. Transparency measures could be implemented to improve Malta's public procurement infrastructure. Although the OECD PMR sub-indicator on public procurement<sup>(78)</sup> indicate that tender procedures in Malta are favourable to competition in legal terms, the PMR indicator value did not actually change between 2019 and 2023.

**Public procurement is not used enough to encourage innovation.** To date, Malta has yet to put a specific focus on innovation procurement. Current legislation allows public procurement to be used for innovation and optional training on the subject is offered occasionally to business and public procurement officials. However, as long as policy guidance and strategic planning are not in place, public entities will be reluctant to make advances in the public procurement of innovation.

**Malta encourages sustainable procurement, but despite an integrated approach, the price criteria still remains critical in public tender procedures.** The Maltese authorities have made progress with the green public procurement national plan as well as the 2050 sustainable development strategy, which also contains sections on green procurement. However, several challenges persist, including limited staff capacity and the risk aversion of public procurement agents, who are deterred

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<sup>(73)</sup> EC, [Communication on updating the reform recommendations for regulation in professional services](#), COM(2021) 385, 9/7/2021.

<sup>(74)</sup> [OECD, Product Market Regulation \(PMR\) indicators: How does Bulgaria compare?](#) OECD, 2024.

<sup>(75)</sup> EC, Business and Consumer Survey.

<sup>(76)</sup> No tenders or requests to participate were received or all were rejected; or other reasons of not successful contracting.

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<sup>(77)</sup> SME barometer, Q3 2024.

<sup>(78)</sup> See [OECD Product Market Regulation indicators](#). Low level indicators: Barriers to trade facilitation and tariff barriers.

by concerns over potentially higher prices and the uncertainty of available offers <sup>(79)</sup>.

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(79) EC, [Article 83- public procurement monitoring reporting](#), – 2021-2023.

Table A4.1: **Making Business Easier: indicators.**

Malta							
POLICY AREA	INDICATOR NAME	2020	2021	2022	2023	2024	EU-27 average
Investment climate							
Shortages	Material shortage, firms facing constraints, % <sup>1</sup>	9.0	47.3	41.5	24.0	9.2	10.0
	Labour shortage, firms facing constraints, % <sup>1</sup>	16.2	27.1	33.1	44.3	24.3	20.2
	Vacancy rate, vacant posts as a % of all available ones (vacant + occupied) <sup>2</sup>	1.7	2.4	3.0	3.2	3.5	2.3
Infrastructure	Transport infrastructure as an obstacle to investment, % of firms reporting it as a major obstacle <sup>3</sup>	20.4	18.3	27.1	30.3	29.6	13.4
	VHCN coverage, % <sup>4</sup>	-	100	100	100	-	78.8
	FTTP coverage, % <sup>4</sup>	-	48.0	56.2	69.6	-	64.0
	5G coverage, % <sup>4</sup>	-	20.0	100	100	-	89.3
Reduction of regulatory and administrative barriers							
Regulatory environment	Impact of regulation on long-term investment, % firms reporting business regulation as a major obstacle <sup>3</sup>	16.2	15.7	14.2	14.9	16.9	24.5
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment <sup>5</sup>		0.0	0.0	0.0	0.0	15.6
	Payment gap - public sector, difference in days between offered and actual payment <sup>5</sup>		0.0	0.0	0.0	0.0	15.1
	Share of SMEs experiencing late payments, % <sup>6</sup>						
	from public or private entities in the last 6 months	73.8	64.4	60.9	76.0	-	-
	from private entities in the previous or current quarter	-	-	-	-	63.1	47.9
	from public entities in the previous or current quarter	-	-	-	-	22.3	16.6
Single Market							
Integration	EU trade integration, % (Average intra-EU imports + average intra EU exports)/GDP <sup>2</sup>	63.3	59.8	63.9	63.2	64.0	41.6
	EEA Services Trade Restrictiveness Index <sup>7</sup>	-	-	-	-	-	0.050
Compliance	Transposition deficit, % of all directives not transposed <sup>8</sup>	0.7	1.1	0.4	0.6	0.5	0.8
	Conformity deficit, % of all directives transposed incorrectly <sup>8</sup>	0.8	1.0	0.6	0.4	0.6	0.9
	SOLVIT, % resolution rate per country <sup>8</sup>	91.7	93.8	86.7	90.0	77.8	84.9
	Number of pending infringement proceedings <sup>8</sup>	24.0	19.0	15.0	13.0	15.0	24.4
Public procurement							
Competition and transparency in public procurement	Single bids, % of total contractors <sup>**8</sup>	15	9	15	15	-	-
	Direct awards, % <sup>**8</sup>	1	1	9	13	5	7.0

\*Change in methodology in 2024: reporting late payments from public and private entities separately.

\*\*The 2024 data on single bids is provisional and subject to revision. Please note that approximately 100% of the total data is currently missing, which may impact the accuracy and completeness of the information. Due to missing data, the EU average of direct awards data is calculated without Romania.

**Sources:** (1) ECFIN BCS, (2) Eurostat, (3) EIB IS, (4) Digital Decade Country reports, (5) Intrum Payment Report, (6) SAFE survey, (7) OECD, (8) up to 2023: Single Market and Competitiveness Scoreboard, 2024: Public procurement data space (PPDS).



## ANNEX 5: CAPITAL MARKETS, FINANCIAL STABILITY AND ACCESS TO FINANCE

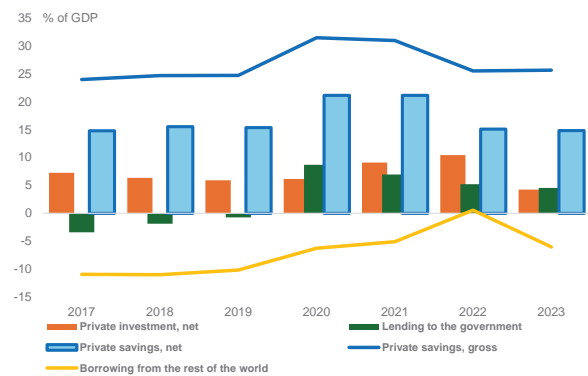
**The significant net private savings in Malta are mostly channelled towards private investments at home and abroad, even if lately government deficits have been absorbing also a non-negligible part.** Against this backdrop, the country has further strengthened its positive net international position. Nevertheless, domestic capital markets remain largely underdeveloped and do not make a material contribution to the funding of businesses, which rely primarily on internal financing and bank lending. The predominantly small size of companies and the relatively low capital intensity of the economy account for this outcome. Banks, which enjoy high resilience to risks and ample liquidity, have a strong capacity to finance the economy, as illustrated by persistently high credit growth rates. Non-bank financial intermediaries, which appear large, use Malta as a registration jurisdiction and do not play a significant role in the funding of the economy. So far, Maltese retail investors have had a conservative approach to managing wealth, which creates a wide potential for boosting their participation in capital markets, thereby directing bank deposits to more productive uses.

### Availability and use of domestic savings

**The comparatively high net private savings of the Maltese economy have been supporting primarily private investment at home and abroad.** As of end-2023, the private savings ratio, net of fixed capital consumption, which has been historically very high, reached 14.8% of GDP, i.e. slightly below its ten-year average of 15.8% of GDP (see Graph A5.1). The net private investment ratio, which measures the net contribution of the private sector to capital accumulation in the country, fell to 4.3% of GDP as of end-2023, i.e. significantly below its ten-year average of 7.2%. Since 2020 the government has started running deficits again, thereby absorbing private savings that averaged the equivalent of 2.1% of GDP in the

period 2014-2023. As a result of these trends and structural changes, the Maltese economy has been a net creditor to the rest of the world for the equivalent of 6.5% of GDP per year over the last decade, with the notable exception of 2020, when it borrowed about 0.6% of GDP from abroad. Thus, over the last decade, the bulk of the private net savings were privately invested in the domestic economy (46% of the total) or abroad (41% of the total), while the government's fiscal deficits absorbed the remaining 13%.

Graph A5.1: Net savings-investment balance

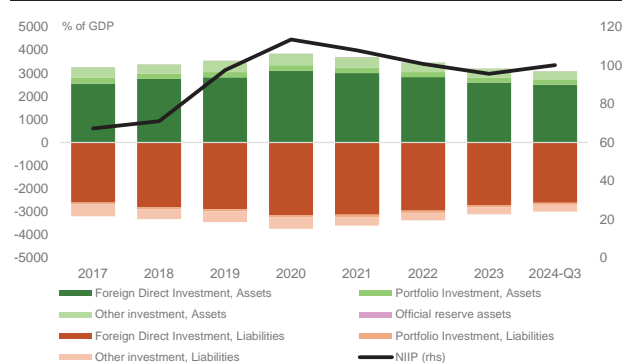


Source: AMECO.

**Consistent with its regular position of a net annual creditor to the rest of the world, the Maltese economy strengthened its positive net international investment position.** Malta has an established international reputation as a jurisdiction that provides legal protection for establishing businesses and rerouting investments. Due to that national particularity, as of Q3 2024, total assets on foreigners reached the equivalent of 3 095% of GDP, down from 3 268% in 2017, while liabilities to foreigners stood at 2 995% of GDP, down from 3 201% in 2017 (see Graph A5.2). As a result, the positive net international investment position (NIIP) further increased from 67.3% in 2017 to 100.3% of GDP as of Q3 2024, showing that the Maltese economy, in net terms, increased its overall assets on foreigners by the equivalent of 33% of GDP between 2017 and Q3 2024. The improvement came exclusively from the net change in financial assets, which alone increased in net terms, while the net

stock of both foreign direct and portfolio investments decreased meanwhile. Thus, though lately gross outstanding volumes of foreign assets and foreign liabilities declined, the Maltese economy remained exceptionally well-integrated in international capital flow, successfully increasing its net foreign wealth.

Graph A5.2: **International investment position**



Source: ECB.

## Structure of the capital markets and size of the financial sector

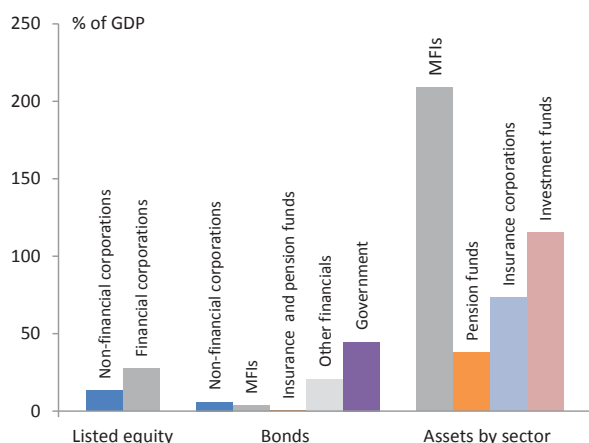
**Despite high domestic savings, capital markets in Malta appear as relatively underdeveloped.** The market capitalisation of listed equity reached 41% of GDP at end-2023, which is much below the EU average of 67% (see Graph A5.3). Non-financial corporations accounted for less than a third of that capitalisation, which is another sign of the high degree of financialisation of the Maltese economy. Traded volumes at the Malta Stock Exchange are very low, at EUR 365 mn in 2024, including bonds, equity, exchange-traded funds (ETFs) and treasury bills, with trade in government bonds representing about half of the turnover. The outstanding volume of debt securities reached 75% of GDP at end-2023, which is also significantly below the EU average of 137% of GDP. General government bonds accounted for 60% of the outstanding amounts. The remainder was distributed between banks (5%), non-financial corporations (8%) and other financial intermediaries (27%). Thus, the contribution of capital markets in

Malta to the financing of the domestic economy, and especially of the private non-financial sector, appears to be very limited.

### **Banks continue to dominate the financial sector in Malta but non-bank financial intermediaries have significant importance as well.**

As of end-2023, banks' total assets, stood at of 209% of GDP, below the EU average of 253% and much lower than their 2020 size of 281% of GDP. Foreign banks, which were attracted by the special jurisdictional status of Malta, significantly reduced their presence from 58% of total assets in 2017 to 34% as of end-2023. With the top five monetary financial institutions (MFIs) controlling more than 75% of the sector as of end-2023, banking concentration appears to be higher than the EU average of 54%. The insurance sector, despite a decline in its total assets of about 17 percentage points of GDP, remains very well developed. Its total assets stood at the equivalent of 73.2% of GDP at end-2023, well above the EU average of 55%. Pension funds, with total assets of 38% of GDP at end-2023, are also more developed than the EU average. Investment funds are also very prominent in Malta, even though their total assets decreased from the equivalent of 150% of GDP in 2021 to 115.4% of GDP as of end-2023. However, most of the non-bank financial intermediaries use Malta as a registration jurisdiction and do not have local business ties (see the discussion on institutional investors).

Graph A5.3: **Capital markets and financial intermediaries**



Source: ECB, EIOPA, AMECO.

## Resilience of the banking sector

**Banks in Malta exhibit high resilience to risks, thanks to comparatively high levels of capital.** Historically, the aggregate capital adequacy ratio in Malta has been relatively higher than elsewhere in Europe. As of Q3 2024, the overall capital ratio averaged 24.3%, well above the EU average of 20.1% (see Table A5.1). At the same time, the common equity tier 1 ratio stood at 20.2%, again well above the EU average of 16.6%. However, the coverage ratio of non-performing loans by provisions, which stood at 35% as of Q3 2024, i.e. 7 percentage points below the EU average, continues to be lower than elsewhere in Europe. While this might be justified by the comparatively better quality of assets and does not constitute a vulnerability, it might indicate a structural accounting boost to capital levels. Maltese banks' aggregate Minimum Requirement for Own Funds and Eligible Liabilities (MREL) rate stood at 32.3% of risk-weighted assets at the end-2023, which was 3.7 percentage points above the required level.

**While the satisfactory asset quality is a good basis for future profitability, banks need to boost their returns.** With an aggregate non-performing loan (NPL) ratio of 1.8% as of Q3

2024, which is below the EU average of 1.9%, credit quality remains satisfactory. The corporate NPL ratio, which has been persistently declining since its recent peak of 7.1% in 2020 fell to 3.3% as of Q3 2024, again below the 3.5% EU average. Less than 2% of loans to households are delinquent. So far, there is no evidence of deteriorated asset quality due to the tightening cycle of interest rates. The average return on equity, which was closer to the lower end in the EU in 2021-2022, increased recently and reached 10.4% as of Q3 2024, just above the EU average of 10%. However, this average return appears out of phase with the very significant credit growth rates, well above the EU averages, in both corporate and household segments. This implies that, despite expanding its interest-bearing assets more than their EU peers, banks in Malta did not manage to generate higher net returns. To remedy the situation, banks need to improve their operational efficiency in the future.

**Maltese banks maintain very strong liquidity positions and have a low structural exposure to the liquidity risk.** Banks in Malta are exposed to a low liquidity funding risk and show a satisfactory term adequacy between assets and liabilities. Their loan-to-deposit ratio stood at 55.9% as of Q3 2024, the second best in the Union and well below the EU average of 96%. This shows a structurally better coverage of deposits by other, marketable and liquid, assets. The impressively high aggregate liquidity coverage ratio of 358% as of Q3 2024 also illustrates the excellent situation of ample immediately available liquidity for meeting short-term needs. At the same time, the net stable funding ratio, which measures the availability of stable longer-term funding, reached 171% of GDP, i.e. 42 percentage points above the EU average.

## Resilience of the non-bank financial intermediaries

**The non-bank financial sector that is domestically relevant is relatively small, with total assets of the insurance sector and investment funds around 25% of GDP.** Both sectors increased their assets in the first six months of 2024. Insurance sector holds solid capital and liquidity positions but there is some pressure in the life insurance segment due to declining premia in the insurances with profit participation. Profitability of domestically-relevant investment funds was supported by price increases in equity markets and a modest increase in fixed-income securities. As a structural feature, most domestically-relevant investment funds are owned by core domestic banks and hold approximately 10% of their overall assets in investments issued by core domestic banks.

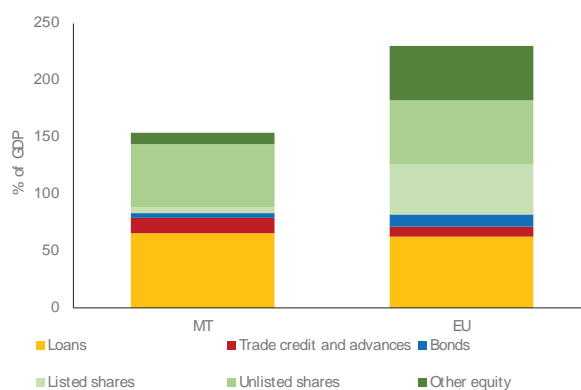
**The predominant driver of Maltese financial system expansion since 2019 was growth in the non-bank sector.** This sector registered a 47.4% increase in total assets to reach €744.6 billion by end-2023. In December 2022, 89.6% of the total financial system's assets were non-bank financial intermediaries (NBFI, the broader measure), second highest ratio in the EU. In Malta, the dominant component (95%) of the NBFI is the category of Captive Financial Institutions and Money Lenders.

## Sources of business funding and the role of banks

**Firms in Malta rely more than the EU average on funding from banks and less than the EU average on funding from capital markets.** More specifically, at the end of 2023, bank finance through loans constituted 42.6% of all funding sources for Maltese non-financial corporations (NFCs), while listed shares and bonds represented only 6% of the aggregate funding sources. The equivalent figures for the

EU average are 27.2% and 23.8%, with the overall levels also substantially higher as a percentage of GDP (as the overall level of NFC funding was 153.8% of GDP in Malta and 230.3% of GDP for the EU average, see Graph A5.4).

Graph A5.4: **Composition of NFC liabilities as a % of GDP**



Source: Eurostat and E2 calculations.

**Businesses in Malta depend more on internal financing than their European peers.** According to the 2024 EIB Investment Survey, 79% of Maltese firms reported that their investment needs are covered by internal funding, compared to an EU average of 66%. At the same time, 83% of Maltese firms believed that their investment activities over the last three years were about the right amount, higher than the EU average of 80%, suggesting that there is no material financing gap relative to investment demand. However, this may not be the case for firms with no or limited capacity for internal funding, such as innovative start-up firms.

**Maltese companies are using capital markets less than their EU peers.** Maltese NFCs have a higher share of unlisted equity compared to their euro area peers, which suggests that a large portion of corporate ownership remains private and that many businesses do not need or want to access capital by going public. Bond issuances are used more commonly as an instrument for raising funds than initial public offerings (IPOs) or stock listings. Over 2020-2023, Malta had

the highest rate among all EU countries of NFC bond issuances as a percentage of total NFC financing, due to few large bond issuances <sup>(80)</sup>. In addition, Malta is a less capital-intensive economy than the EU average, which, when combined with the predominantly small size of its companies, creates less demand for capital market instruments. The use of equity by small and medium-sized enterprises (SMEs) is low, despite 13% of SMEs having indicated in the 2024 SAFE survey that equity was relevant for them, compared to an EU average of 11.7% <sup>(81)</sup>.

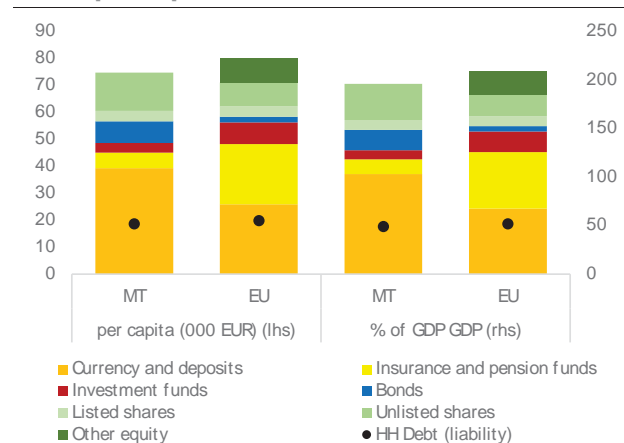
**The high resilience to risks and the ample available liquidity account for the high capacity of the banking sector to finance the economy.** Malta has experienced a prolonged period of economic growth in the last four years, well above the EU average. Rapid population growth and foreign direct investments in residential property, together with continued bank credit expansion, contributed to this outcome. After growing by 7.3% and 10.2% respectively in 2022 and 2023, credit growth to NFCs moderated to 3.7% as of Q3 2024. Credit to households continued to expand at the sustained rate of 9.2% as of Q3 2024 (see Table A5.1).

## Retail investment in capital markets

**Maltese households, in relative terms, own slightly more financial assets in certain categories than households in the rest of the EU.** In particular, compared to the EU average, Maltese households keep a much larger share of their assets in currency and deposits as well as bonds (see Graph A5.5), which suggests a conservative approach to managing wealth. They also keep a smaller part of their financial assets, in comparison to other EU countries, in insurance and pension funds. Two factors

explain this outcome. First, despite a large insurance sector, given Malta's special jurisdictional status, the part of it that is relevant for residents is small. Second, the country does not have second-pillar pension scheme and about 85% of the members of third pillar pension funds are non-residents at the end of 2023, even though the number of domestic participants has risen rapidly since 2019.

Graph A5.5: **Composition of household financial assets per capita and as a % of GDP**



Source: Eurostat.

**There is significant scope to increase the level of direct or indirect retail investment in Malta.** Cash and deposits represent a much higher share of households' assets compared to the EU average (52.6% vs 32.3%), which gives an opportunity to develop and use other types of saving and investment options that may bring higher yield. Furthermore, the dominance of the pillar-1 pension system does not incentivise Maltese households to invest enough into high-return assets, e.g. equity, for their retirement. Encouraging the build-up of universal funded supplementary pension schemes would positively contribute to (i) the sustainability and adequacy of pension benefits; (ii) investment in equity; (iii) access to finance; (iv) growth; and (v) innovation.

<sup>(80)</sup> AFME, CMU Key Performance Indicators, 2023.

<sup>(81)</sup> Data and surveys - SAFE - European Commission, 2024, Results by country, T27.



## The role of domestic institutional investors

**While non-bank financial intermediaries are large, most of them are only registered in Malta and do not conduct business domestically.** One peculiarity of the Maltese insurance sector is that most licensed insurance companies (57 out of 67 in 2023) did not conduct business in Malta. The ten companies that insured risks located in Malta or sold life insurance products to residents had total assets of EUR 3.8 bn, equivalent to 18.3% of the 2023 GDP. Based on data from the European Insurance and Occupational Pensions Authority (EIOPA), as of Q3 2024, the sector's total assets of EUR 10.4 bn were invested primarily in government bonds (21.1%), corporate bonds (18.8%), collective investment undertakings (15.9%), mortgage and loans (13.3%) and equity (5.9%). 15% of the portfolio was held in cash and deposits. As of end-2023, the investment funds of domestic relevance had EUR 1.6 bn of assets under management (equivalent to 7.7% of the 2023 GDP), with 64.4% of these assets invested in bond funds. This suggests that institutional investors have a conservative investment profile and do not play a material role in funding the domestic corporate sector.

## The depth of venture and growth capital

**The domestic private equity and growth venture capital market is not developed.** There were no registered private equity and venture capital investments in 2023, which were below 0.01% of GDP over the last five years. This underdeveloped growth capital market points to a financing gap for early-stage innovative firms in need of capital with high-risk tolerance, throughout their life cycle (see Annex 3). On the public side, Malta Enterprise, the national economic development

agency, offers various support programmes (including grants), from early seed funding for small start-ups to larger support schemes for business development.

## Financing the green transition

**Sustainable finance is not yet very developed in Malta.** While the integration of environmental, social and governance (ESG) criteria in Malta is progressing, the market has not yet developed sufficiently to facilitate the promotion of green finance in order to bring the necessary investments for decarbonisation. So far, only one green instrument has been listed on the Malta Stock Exchange and Malta has not yet issued a sovereign bond with ESG labelling<sup>(82)</sup>. The financing needs of the green transition in Malta are mainly supported by various public schemes. 68.8% of the EUR 336.3 mn Maltese recovery and resilience plan are allocated to the green transition.

## Financial literacy

**The level of financial literacy in Malta is slightly above the EU average.** The overall financial literacy indicator of 48.5 is 3 percentage points above the EU average score of 45.5<sup>(83)</sup>. The 2023 Eurobarometer survey<sup>(84)</sup> on financial knowledge shows that 26% of Maltese citizens have a high level of financial knowledge (26% in the EU) and 19% have a low level (24% in the EU). Malta scores slightly below the EU average in using digital financial services (such as online banking or mobile

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<sup>(82)</sup> Source: AFME CMU Key Performance Indicators, Seventh Edition, November 2024.

<sup>(83)</sup> See Indicator 27 c) Average Score of [Commission staff working document: Monitoring progress towards a capital markets union: a toolkit of indicators - 2024](#).

<sup>(84)</sup> Source: [Monitoring the level of financial literacy in the EU - July 2023 - Eurobarometer survey](#).

Table A5.1: Financial indicators

	2017	2018	2019	2020	2021	2022	2023	2024-Q3	EU	
Banking sector	Total assets of MFIs (% of GDP)	383.3	324.7	283.8	280.9	255.5	229.7	208.8	206.5	248.4
	Common Equity Tier 1 ratio	18.1	18.9	20.2	21.3	20.6	19.7	20.7	20.2	16.6
	Total capital adequacy ratio	21.1	22.3	23.4	25.1	24.5	23.9	24.9	24.3	20.1
	Overall NPL ratio (% of all loans)	3.1	3.1	3.2	3.6	3.0	2.3	2.0	1.8	1.9
	NPL (% loans to NFC-Non financial corporations)	6.1	5.6	5.9	7.1	6.5	4.5	3.7	3.3	3.5
	NPL (% loans to HH-Households)	4.2	3.9	3.3	3.5	3.0	2.3	1.9	1.9	2.2
	NPL-Non performing loans coverage ratio	34.8	35.3	32.8	36.6	34.5	39.2	33.9	35.0	42.1
	Return on Equity <sup>1</sup>	7.2	5.2	6.0	0.3	3.5	4.3	10.6	10.4	10.0
	Loans to NFCs (% of GDP)	26.8	25.8	25.1	27.9	24.2	23.7	23.0	21.8	30.0
	Loans to HHs (% of GDP)	43.0	42.4	43.4	46.4	43.6	43.5	41.8	41.4	44.5
Non-banks sector	NFC credit annual % growth	-1.4	4.8	5.1	8.9	0.3	7.3	10.2	3.7	0.8
	HH credit annual % growth	6.1	7.1	8.2	5.2	9.2	8.8	8.1	9.2	0.7
	Stock market capitalisation (% of GDP)	55.9	51.8	47.4	49.4	49.9	46.1	40.8	40.5	69.3
	Initial public offerings (% of GDP)	0.22	0.64	0.77	0.00	1.06	0.31	0.02	-	0.05
	Market funding ratio	32.9	30.9	32.5	29.9	32.0	30.1	29.0	-	49.6
	Private equity (% of GDP)	1.10	0.02	-	-	0.01	0.01	-	-	0.41
	Venture capital (% of GDP)	0.00	0.02	0.00	0.00	0.01	0.00	0.00	-	0.05
	Financial literacy (composite)	-	-	-	-	-	-	48.5	-	45.5
	Bonds (as % of HH financial assets)	12.1	11.1	10.3	9.1	8.1	8.1	10.7	-	2.7
	Listed shares (as % of HH financial assets)	5.5	5.0	4.8	4.4	4.6	5.0	5.2	-	4.8
	Investment funds (as % of HH financial assets)	7.1	7.2	7.0	6.2	6.2	4.7	4.7	-	10.0
	Insurance/pension funds (as % of HH financial assets)	11.8	9.9	10.8	10.6	10.3	8.7	7.7	-	27.8
	Total assets of all insurers (% of GDP)	76.9	68.9	87.4	91.4	82.9	66.9	73.2	64.5	54.8
	Pension funds assets (% of GDP)	-	-	47.2	49.4	52.7	43.2	37.9	38.7	23.4
		1-3	4-10	11-17	18-24	25-27	Colours indicate performance ranking among 27 EU Member States.			

<sup>1</sup> Annualized data.

Credit growth and pension funds EU data refers to the EA average.

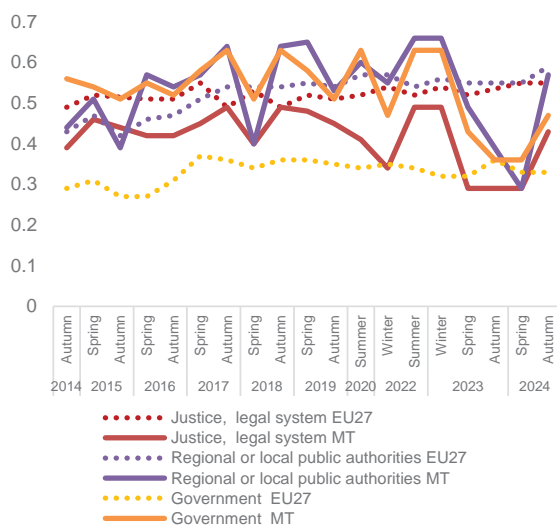
Source: ECB, ESTAT, EIOPA, [DG FISMA CMU Dashboard](#), AMECO.

payments), where 75% are 'very comfortable' or 'somewhat comfortable' in using them, compared to the highest score of 95% in Finland and 77% in the EU overall. Financial literacy is crucial to promote retail-investor participation in capital markets but also to familiarise SMEs with alternatives to bank financing. While financial literacy is not integrated into the Maltese school curriculum, the Central Bank of Malta offers a range of resources to build the public's knowledge. The Malta Financial Services Authority is participating in an EU-supported project in the area of financial literacy, to improve the financial literacy levels of the Maltese population.

**Malta's institutional framework influences its competitiveness.** Malta excels in digital public services, with a strong infrastructure for secure digital authentication and high uptake of e-government services. However, there is scope to enhance regulatory practices in Malta, simplify complex regulations and reduce administrative burdens. Malta is working to improve the attractiveness of the civil service, but concerns around corruption remain. There are also concerns about the efficiency of the justice system, partly due to still limited human resources.

## Public perceptions

Graph A6.1: **Trust in justice, regional / local authorities and in government**



(1) EU-27 from 2019; EU-28 before

**Source:** Standard Eurobarometer surveys

**Trust in public institutions has fluctuated greatly over the past decade.** Trust in public institutions increased overall in 2024, though trust in justice still scored below the EU average (Graph A6.1). Trust in government continues to be higher than in justice, in contrast to the established EU trend. Aspects that can improve trust in public administration are greater transparency in decision-making and use of public money, less bureaucracy and more

moral integrity in the public administration <sup>(85)</sup>. The perceived quality of government has deteriorated further and stands at values below the EU average <sup>(86)</sup>.

## Quality of legislation and regulatory simplification

### Performance in developing and evaluating legislation is below the EU average.

Performance in regulatory tools like ex ante impact assessment, public consultation, and regulatory reviews is similar for primary laws and subordinate regulations. It is also stronger for stakeholder engagement than for ex ante impact assessments and ex post evaluation, the last two showing a gap compared to the EU average due to weaker requirements in methodology, adoption, oversight, and quality controls for both types of legislation (Graph A6.2). To enhance policymaking, Malta is working on building capacity in strategic foresight and anticipatory governance <sup>(87)</sup>.

<sup>(85)</sup> [Understanding Europeans' views on reform needs - April 2023 - Eurobarometer survey](#), Country Fact Sheet.

<sup>(86)</sup> [Inforegio - European Quality of Government Index](#)

<sup>(87)</sup> [Closure of the project "Strengthening of Strategic Foresight and Anticipatory Governance Practices in the Maltese Public Administration \(LIMINAL\)"](#), 1 October 2024.

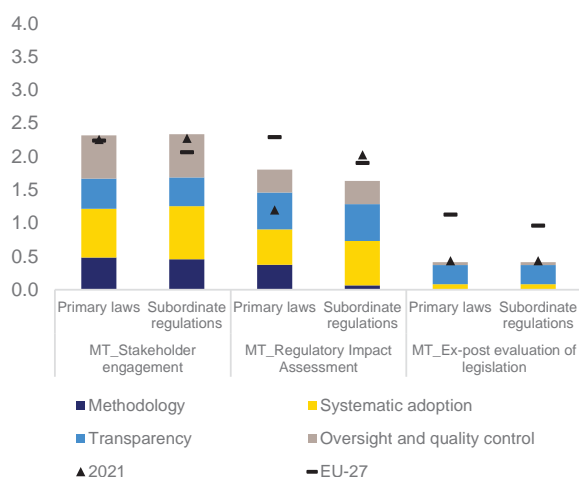


Table A6.1: **Malta. Selected indicators on administrative burden reduction and simplification**

Ex ante impact assessment of legislation		Ex post evaluation of legislation			
When developing new legislation, regulators are required to ...	Identify and assess the impacts of the baseline or 'do nothing' option.	<input type="radio"/>	Is required to consider the consistency of regulations and address areas of duplication.	<input type="radio"/>	
	Identify and assess the impacts of alternative non-regulatory options.	<input checked="" type="radio"/>	Is required to contain an assessment of administrative burdens.	<input type="radio"/>	
	Quantify administrative burdens of new regulations.	<input type="radio"/>	Is required to contain an assessment of substantive compliance costs.	<input type="radio"/>	
	Quantify substantial costs of compliance of new regulations.	<input checked="" type="radio"/>	Compares the impact of the existing regulation to alternative options.	<input type="radio"/>	
	Assess macroeconomic costs of new regulations.	<input type="radio"/>	Periodic ex post evaluation of existing regulations is mandatory.	<input checked="" type="radio"/>	
	Assess the level of compliance.	<input type="radio"/>	Government uses stock-flow linkage rules when introducing new regulations (e.g., one-in one-out).	<input type="radio"/>	
	Identify and assess potential enforcement mechanisms.	<input checked="" type="radio"/>	A standing body has published an in-depth review of specific regulatory areas in the last 3 years.	<input checked="" type="radio"/>	
		In the last 5 years, public stocktakes have invited businesses and citizens to assess the effectiveness, efficiency, and burdens of legislation.	<input type="radio"/>		
<input checked="" type="radio"/> Yes / For all primary laws		<input type="radio"/> For major primary laws		<input type="radio"/> For some primary laws	<input type="radio"/> No / Never

(1) This table presents a subset of iREG indicators focusing on regulatory costs. The indicators refer to primary legislation. **Source:** OECD (2025), Regulatory Policy Outlook 2025 [<https://doi.org/10.1787/56b60e39-en>] and Better Regulation across the European Union 2025 (forthcoming).

Graph A6.2: **Indicators of Regulatory Policy and Governance (iREG)**



**Source:** OECD (2025), Regulatory Policy Outlook 2025 and Better Regulation across the European Union 2025 (forthcoming).

**There is scope to further strengthen the mechanisms for simplifying regulation.** For example, when drafting legislation or evaluating it after adoption, the government is required to identify administrative burdens but only for some primary laws. Ex-ante and ex-post evaluations of legislation are not required to contain an assessment of substantive

compliance costs. Moreover, periodic ex post evaluation of existing regulations is not mandatory. In addition, the government has not conducted recently in-depth reviews of specific regulatory areas and public stocktakes of legislation (see table A6.1).

## Efficiency of selected administrative procedures

**Selected indicators point to Malta's public administration taking longer to complete procedures.** For example, the mean time for decision-making by public buyers, measured as the time from the deadline for receiving offers to the date the contract is awarded, is above the EU average (165 days in Malta vs 99 days in the EU-27). This creates additional uncertainty for companies. Furthermore, the OECD product market regulation (PMR) indicator shows that Malta's licensing system is slightly more burdensome than the EU average. There is room to further align it with best practices. For example, the government does not keep an up-to-date online inventory of all the permits

and licences required/issued to businesses by public bodies, and there is no requirement that new licences and permits introduced by central/federal government bodies must be risk proportionate. Nor do public bodies at central level have to observe to the once-only principle (see also Annex 4).

## Social dialogue

**Social dialogue encounters numerous structural barriers in Malta, centred mostly on information sharing rather than active engagement.** The current model suffers from short consultation timelines, insufficient resources, and a limited representation, all of which undermine its effectiveness, despite support from ESF+ in capacity building, training and networking initiatives <sup>(88)</sup> (see also Annex 10). Trade union density recently declined, to 41.9% in 2023 <sup>(89)</sup>. This is due to difficulties with engaging workers, as well as the reported dominance of the Malta Council for Economic and Social Development (MCESD) as the main platform for dialogue, which is criticised for a lack of transparency <sup>(90)</sup>.<sup>(91)</sup>

## Digital public services

**Malta is the European leader in the provision of online public services** (Table A4.2). The country has already reached the Digital Decade targets for public services for citizens and businesses. Servizz.gov centralises citizen-centric government services, whereas Business First serves as an information point for entrepreneurs and self-employed to access essential business-related government services for starting, managing and growing a business in Malta. Furthermore, access to e-health records has improved considerably and scores well above the EU average. This progress reflects the country's commitment to enhancing digital healthcare infrastructure, enabling people to manage their health more effectively while supporting interoperability across healthcare systems.

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<sup>(88)</sup> Servizzi Ewropej f'Malta (SEM) (2021). [Promoting Improved Social Dialogue in Malta](#). Misco.

<sup>(89)</sup> ILOSTAT trade union density rate.

<sup>(90)</sup> Zammit, E. L. (2019). [Social dialogue and competence development: the role of Malta's social partners](#). Centre for Labour Studies: Biennial Report: 2017-2018.

<sup>(91)</sup> For an analysis of the involvement of Malta's social partners at national level in the European Semester and the Recovery and Resilience Facility, see Eurofound (2025), [National-level social governance of the European Semester and the Recovery and Resilience Facility](#).

Table A6.2: **Digital Decade targets monitored through the Digital Economy and Society Index**

		Malta			EU-27	Digital Decade target by 2030
		2022	2023	2024	2024	EU-27
<b>Digitalisation of public services</b>						
1	<b>Digital public services for citizens</b> Score (0 to 100)	100	100	100	79	100
		2021	2022	2023	2023	2030
2	<b>Digital public services for businesses</b> Score (0 to 100)	97	97	100	85	100
		2021	2022	2023	2023	2030
3	<b>Access to e-health records</b> Score (0 to 100)	na	78	88	79	100
		2021	2022	2023	2023	2030

**Source:** State of the Digital Decade report 2024

**The take-up of digital services is above the EU average.** The share of e-government users among the population in 2024 stood at 81%<sup>(92)</sup>. Moreover, 54.6% of individuals used their eID to access online services for private purposes, surpassing the EU average of 41.1%. This reflects Malta's strong infrastructure for secure digital authentication and its success in encouraging the public to embrace eID for a variety of purposes.

**Malta is now closer to being ready for seamless, automated exchange of authentic documents and data across the EU.** It has completed its first transactions using the Once-Only Technical System, part of the EU Single Digital Gateway, and is ready to roll out services for citizens and business <sup>(93)</sup>.

**Malta has not yet set up and notified eID schemes for legal persons under the eIDAS Regulation.** This means that Maltese businesses cannot authenticate themselves to access public services provided by other Member States, including those enabled by the Once-Only Technical System, part of the EU Single Digital Gateway <sup>(94)</sup>.

<sup>(92)</sup> Eurostat. E-government activities of individuals via websites.

<sup>(93)</sup> European Commission, [The Once Only Principle System: A breakthrough for the EU's Digital Single Market](#)

<sup>(94)</sup> European Commission, [Once-Only Technical System Accelerator meter](#)

**Malta is continuing its efforts to promote digitalisation within the public service** by implementing the corporate document management system, revamping the citizen portal and developing an interactive intelligent business portal <sup>(95)</sup>. Other measures under Malta's recovery and resilience plan (RRP) include providing a better customer experience for the public and for businesses and increasing the uptake of online services.

## Civil service

**Malta is making efforts to increase the attractiveness of its public administration.**

The proportion of Maltese civil servants who frequently telework has increased and is well above the EU average <sup>(96)</sup>. This could be due to the administration's policy of encouraging remote working, including through RRP measures. Moreover, the government announced a comprehensive reform of wage legislation, marking the first full overhaul in over 70 years. This initiative aims to update over 60 labour laws to reflect modern labour market realities and improve working

<sup>(95)</sup> Digital Decade Strategic Roadmap 2023-2030 of Malta: [National Digital Decade strategic roadmaps | Shaping Europe's digital future](#).

<sup>(96)</sup> Eurostat. Employed persons working from home as a percentage of the total employment, by sex, age and professional status (%).

conditions across various sectors <sup>(97)</sup>. Malta has also started working on assessing the current skills framework and practices in the public service to improve workforce planning, employee performance and career progression. In 2024, the participation rate in adult learning of employees in public administration, defence and social security rose to 26.3%, above the EU average of 18.9%. However, the proportion of those employees with higher education is one of the lowest in the EU <sup>(98)</sup>. Malta is steadily improving its share of women in senior management positions in the national administration (47.6% compared to EU average of 46.5) <sup>(99)</sup>.

## Integrity

**A higher proportion of companies than the EU average consider corruption to be widespread and a problem in doing business, with only few corruption cases leading to final decisions.** In Malta, 71% of companies consider that corruption is widespread (EU average 64%) and 55% consider that corruption is a problem when doing business (EU average 36%). Moreover, 36% of companies believe that people and businesses caught bribing a senior official are appropriately punished (still above the EU average of 31%) <sup>(100)</sup>. The length of investigations remains problematic, and no progress was made on establishing a robust track record of final judgments <sup>(101)</sup>. Furthermore, Malta is not a signatory party to the OECD Anti-Bribery Convention.

<sup>(97)</sup> [Government press release, 8 November 2024.](#)

<sup>(98)</sup> Labour Force Survey – 2024 data, Eurostat.

<sup>(99)</sup> National administrations: top two tiers of administrators by function of government - [European Institute for Gender Equality](#).

<sup>(100)</sup> Flash Eurobarometer 543 on businesses' attitudes towards corruption in the EU (2024).

<sup>(101)</sup> See the 2024 country-specific chapter for Malta of the Rule of Law Report, pp. 12-13.

**Although preventive measures exist, the 2023 National Audit Office reports indicated that public procurement procedure is a sector at high risk of corruption in Malta** <sup>(102)</sup>. 26% of companies (EU average 27%) think that corruption has prevented them from winning a public tender or a public procurement contract in practice in the last three years<sup>(103)</sup>. In 2023, the department of public procurement developed an internal database of conflict-of-interests declarations and public officials continue to follow training on integrity standards in public procurement. Investor citizenship schemes present inherent risks of corruption and continue to raise concerns. <sup>(104)</sup>

**Concerns remain regarding the extent of integrity measures, including measures on lobbying, applied to high-ranking officials.**

Malta received several recommendations to improve the integrity and transparency framework for elected and appointed officials, including lobbying measures <sup>(105)</sup>. These recommendations on lobbying include clear definitions of 'lobbying' and 'lobbyists' as well as coherent strategies and mechanisms, such as a register. So far, the actions suggested have not yet been implemented <sup>(106)</sup>.

## Justice

**Significant concerns remain about the efficiency of the justice system.** The estimated time taken to resolve administrative cases at first instance has significantly

<sup>(102)</sup> The 2023 activity reports were related to activities occurred in 2022. See the 2024 country-specific chapter for Malta of the Rule of Law Report, pp. 17-18.

<sup>(103)</sup> Flash Eurobarometer 543 on businesses' attitudes towards corruption in the EU (2024).

<sup>(104)</sup> Ibid., pp. 17-18.

<sup>(105)</sup> Including from the OECD and GRECO. See the 2024 country-specific chapter for Malta of the Rule of Law Report, pp. 11-16, with further references.

<sup>(106)</sup> Ibid.

increased (1 350 days in 2023, the longest in the EU, compared to 1 081 days in 2022). The average duration of litigious civil and commercial cases at first instance was also long in 2023 (454 days), though it decreased from 491 days in 2022. While the overall quality of the justice system is good, the low number of judges per capita (the third lowest in the EU), the shortage of clerical staff, and limited available premises are still a concern despite ongoing efforts made by Malta <sup>(107)</sup>. The national digital justice strategy for 2022-2027, partly funded by the Recovery and Resilience Facility (RRF), is currently under implementation. As regards judicial independence, no systemic deficiencies have been reported <sup>(108)</sup>.

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<sup>(107)</sup> Ibid., p. 6.

<sup>(108)</sup> For more detailed analysis of the performance of the justice system in Malta, see the upcoming 2025 EU Justice Scoreboard and the 2025 Rule of Law Report.

**Malta faces significant challenges regarding its clean industry transition and climate mitigation:** its slow advancement in renewable energy systems and high dependency on critical raw material imports highlight strategic vulnerabilities. Although improvements are noted in circular economy practices, Malta lags in recycling rates, and has a significant gap between planned climate policy measures and its 2030 climate target, with emissions from transport being a particular challenge. This annex reviews the areas in need of urgent attention in Malta's clean industry transition and climate mitigation, looking at different dimensions.

### Strategic autonomy and technology for the green transition

**Malta's net zero industry manufacturing activities are at an early stage, and the installation of renewable systems is advancing slowly** (see also Annex 8 on the Affordable Energy Transition). In 2022, Malta's Energy Intensive Industries represented 1.1% of total gross added value (GVA). The most significant industry being the manufacturing of other non-metallic mineral products, with 0.5% of the total GVA <sup>(109)</sup>.

Although small in size, Malta's manufacturing sector is involved in motor vehicles parts and accessory production, while the transition of the car mobility progresses only gradually. There is a small number of businesses operating in the sector. The industry has experienced significant growth over the past 5 years, with a compound annual growth rate (CAGR) of 17.2%. The sector produces a range of products such as airbags, seats, and

electrical equipment <sup>(110)</sup>. However, it may be worth noting that, in 2024, 41 new passenger cars a day were registered, adding to the congestion problem on the islands' streets. Additionally, Malta is among the EU Member States with the lowest share of cars with alternative energy engines (around 3% at the end of 2023 compared to 6.17% in the EU) <sup>(111)</sup>. This shows that the deployment of a greener and electrified vehicle fleet is still facing challenges, mainly due to the lack of the necessary infrastructure such as charging stations, but also current grid capacity. In this regard, cohesion funds will support the instalment of recharging points. Moreover, through its recovery and resilience plan and cohesion funds, Malta is investing in its electricity distribution network. Moreover, through its recovery and resilience plan and cohesion funds, Malta is investing in its electricity distribution network.

### Critical raw materials

**Manufacturing in Malta depends on imports of critical raw materials needed for the green and digital transitions.** Currently, Malta's Waste Management Plan is lacking a critical raw materials (CRM) strategy. Malta did not provide the Commission with any information on policies to increase recycling rates for waste containing CRM.

**While critical raw materials are needed for developing net zero industry, Malta depends heavily on imports.** Its material import dependency stood at 70.9% in 2023 (EU average 22%), the second highest among EU Member States. Malta's critical raw material

<sup>(109)</sup> EC, Eurostat.

<sup>(110)</sup> <https://www.ibisworld.com/malta/industry/motor-vehicle-parts-accessories-manufacturing/200189/#IndustryStatisticsAndTrends>

<sup>(111)</sup> [European Union \(EU27\) | European Alternative Fuels Observatory](#)





import is mainly helium, which is used e.g. in the food and beverage industry, metal fabrication, ship building and semiconductor manufacturing. It is mainly imported from Qatar and Algeria <sup>(112)</sup>. As regards the level of strategic dependencies on raw materials <sup>(113)</sup>, Malta is below the EU average (0.21 vs 0.23) together with Italy, Cyprus and Czechia <sup>(114)</sup>. The recycling rate for e-waste, a key source of critical raw materials, is below the EU average, with 76% in 2022. The reuse and recycling rate for end-of-life vehicles is also below the EU average (84% vs. 89% in 2022).

## Climate mitigation

### 1 - Industry decarbonisation:

**Malta's industry, though limited in scale, is trying to reduce its greenhouse gas emissions.** The manufacturing industry plays a minor role in Malta's overall greenhouse emissions: about 2%, the lowest share in the EU <sup>(115)</sup>. In 2022, manufacturing in Malta emitted 70 g CO<sub>2</sub>eq of greenhouse gases per unit of GVA, the third lowest intensity in the EU and less than a third of the EU average. Since 2017, the greenhouse gas intensity of

manufacturing in Malta has been reduced by 16%, less than in the EU overall (21%). In Malta's overall industrial greenhouse emissions, the shares of energy and non-energy-related emissions are 30% and 70%, respectively; the latter relate to industry processes and product use. Its share is the highest in the EU.

### **Clean energy supply and energy efficiency are improving in Malta's manufacturing sector, but the intensity of energy-related greenhouse emissions has increased lately.**

Between 2017 and 2022, the energy-related greenhouse gas emissions intensity of Maltese manufacturing increased by 40%, to 55 g CO<sub>2</sub>eq per euro of GVA, albeit still low relative to the EU average, 133 g/€. At the same time, its process- and product use-related emissions intensity decreased by 27%, (slightly more than the decrease in the EU overall, 23%), to 125 g/€, about 25% above the EU average level. In the same period, the share of electricity and renewables in final energy consumption in manufacturing increased by 4 percentage points, to reach 74% in 2022, the second highest value in the EU. In parallel, the energy intensity of manufacturing production decreased by 12%, from 0.7 to 0.6 GWh per euro of GVA.

### **F-gases are an important part of greenhouse gas emissions from manufacturing in Malta.**

In terms of carbon dioxide equivalents, they are a significant contributor to these emissions, especially due to their high global warming potential. From among the greenhouse emissions from industrial processes and product use in Malta, the most relevant is the use of fluorinated fluids <sup>(116)</sup>.

<sup>(112)</sup> EC, [Raw Materials Information System \(RMIS\) – Country Profile - Malta](#)

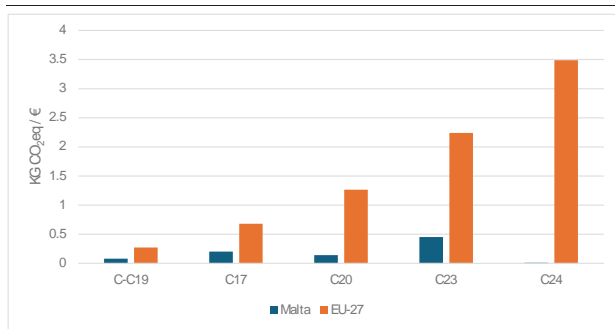
<sup>(113)</sup> The value of this concentration index shows how much a country relies on a number of partner countries for a basket of critical raw materials. Higher values indicate higher import dependency – a value of 0.25 indicates high dependency, 0.15-0.25 refers to a moderate degree, and below 0.15 import dependency is low.

<sup>(114)</sup> EC, 2025 Single Market and Competitiveness Scoreboard.

<sup>(115)</sup> In 2023. Manufacturing includes all divisions of the "C" section of the NACE Rev. 2 statistical classification of economic activities. In the remainder of this section, unless indicated otherwise, data on manufacturing refer to the divisions of the NACE section C excluding division C19 (manufacture of coke and refined petroleum products), and the year 2022. The source of all data in this section is Eurostat; data following the UNFCCC Common Reporting Framework (CRF) are from the European Environment Agency (EEA), republished by Eurostat.

<sup>(116)</sup> For the GHG emissions intensity of GVA related to energy use and industrial processes and product use respectively, GHG emissions are from inventory data in line with the UNFCCC Common Reporting Format (CRF), notably referring to the source sectors CRF1.A.2 – fuel combustion in manufacturing industries and construction and CRF2 – industrial processes and product use. The CRF1.A.2 data broadly correspond to the NACE C and E sectors, excluding C-19. GVA data (in the denominator for both intensities) are aligned with this sectoral coverage.

Graph A7.1: GHG emission intensity of manufacturing and energy-intensive sectors, 2022



Source: Eurostat.

**Energy-intensive manufacturing sectors only have a minor role in Malta<sup>(117)</sup>.** The processing of non-metallic minerals has a more pronounced presence, having provided about 7% of manufacturing GVA in 2022. Still, the overall greenhouse gas emissions intensity of these sectors is low.

**Malta has an indirect approach towards industry decarbonisation.** Malta's Climate Action Act commits the government to achieving climate neutrality by 2050, but Malta does not have specific sectoral targets, including for the industrial sector. Its "indirect" industrial decarbonisation strategy is based on the electrification of most energy-consuming processes and end-uses, while exploring biofuels and green hydrogen as sustainable energy options for hard-to-abate processes and sectors, and supporting technological innovation and research to develop new solutions tailored to Malta's unique context. The solutions being explored include offshore

Therefore, they are not fully consistent with the data referred to in other part of this section.

<sup>(117)</sup>EU-wide, energy-intensive sectors comprise the manufacture of paper and paper products (NACE division C17), of chemicals and chemical products (C20), "other" non-metallic mineral products (C23; this division includes manufacturing activities related to a single substance of mineral origin, such as glass, ceramic products, tiles, and cement and plaster), and basic metals (C24). To date, these industries are energy-intensive – i.e. consuming much energy both on site and/or in the form of purchased electricity – and greenhouse gas emissions intensive, in various combinations. In Malta, all of these sectors are present but their overall share in GDP is below 1 per cent.

wind and solar power as well as flexibility solutions such as battery storage. Malta is also investing in the infrastructure needed for the electrification of energy-consuming processes. Studies are underway to identify cost-optimal options for electricity infrastructure and develop strategies for decarbonising the industry and service sectors. Malta is also considering the potential of biofuels and green hydrogen as sustainable energy options<sup>(118)</sup>.

## 2- Reduction of emissions in the effort sharing sectors:

**To attain its 2030 effort sharing target, Malta needs to swiftly specify and implement further climate mitigation policies<sup>(119)</sup>.** In 2023, greenhouse gas emissions from Malta's effort sharing sectors are expected to have been 30.6% above those of 2005. By 2030, current policies are projected to limit their increase to 42.6% above 2005 levels; additional policies considered in Malta's final updated NECP are projected to limit the increase to 29.4%. This results in a significant shortfall regarding Malta's effort sharing target, -19%, by 48.4 percentage points<sup>(120)</sup>, highlighting the need for much more ambitious climate action. While Malta could use domestic

<sup>(118)</sup> Malta's final national energy and climate plan (NECP) enumerates a range of specific projects in the filed of e.g. offshore energy storage systems; the decarbonisation of ports using microgrid technologies; reducing the operational carbon footprint of construction; the construction and monitoring of deep aquifer boreholes, to use ground heat as an energy source; using Liquefied Natural Gas (LNG) in ship propulsion; a pilot study developing an innovative methodology to analyse the thermal behaviour of traditional and modified roofs; and others.

<sup>(119)</sup> The national greenhouse gas emission reduction target is set out in Regulation (EU) 2023/857 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling); road transport, agriculture; waste; and small industry (known as the effort sharing sectors).

<sup>(120)</sup> The effort sharing emissions for 2023 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections on the impact of current policies ("with existing measures", WEM) and additional policies ("with additional measures", WAM) as per Malta's final updated NECP.

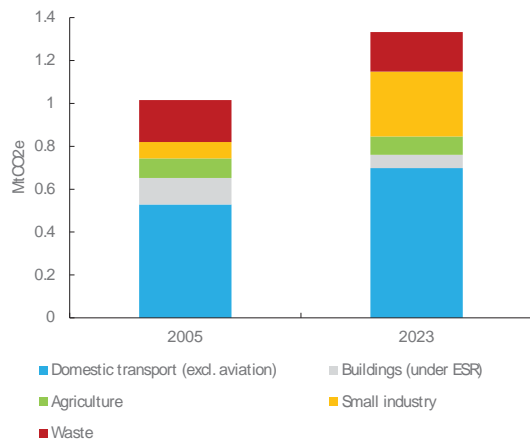


flexibilities available under the effort sharing regulation, this would not be sufficient to close the gap to target.

### Swift action on decarbonising transport appears particularly exigent in Malta.

Between 2005 and 2023, greenhouse gas emissions from road transport increased by 32% in Malta, while they decreased by 5% in the EU overall. Speeding up climate mitigation in these sectors would help protect households, businesses and transport users in Malta from the impact of the carbon pricing.

Graph A7.2: Greenhouse gas emissions in the effort sharing sectors, 2005 and 2023



Source: European Environment Agency.

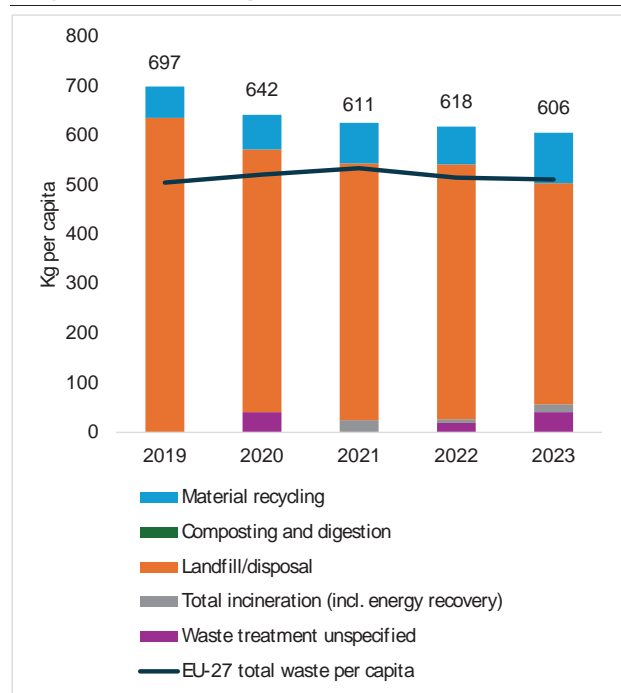
## Sustainable industry

### 1 - Circular economy transition:

**Malta shows robust improvement on some circular economy indicators.** It is currently working on a National Strategy for the Environment 2050, which will set the framework for a longer-term transition to increased sustainability. The circular economy is mentioned throughout the text, which includes more upstream measures on the sustainable design of products and initiatives empowering consumers, reflecting the measures of the EU 2020 Circular Economy Action Plan. Malta's circular use of materials – which is key to reducing its dependence on

imports – has been steadily increasing since 2016, reaching 19.8% in 2023 and remains well above the EU average of 11.8%. As regards resource productivity, in 2023, Malta generated EUR 3.52 per kg of material consumed after a steady increase of 70% since 2018, above the EU average of EUR 2.74.

Graph A7.3: Municipal waste treatment



Source: Eurostat

**Malta faces significant challenges in transitioning to a circular economy, including stagnation in municipal waste reduction, low recycling rates and a reliance on landfilling.** In 2020, Malta adopted its national Strategic Vision 2020-2030 – towards a Circular Economy<sup>(121)</sup>. With this, Malta introduced a series of measures to reduce waste generation and in particular landfilling. However, there are as yet no tangible results on the ground. Municipal waste generation in Malta has stagnated in recent years. In 2023, the country generated 606 kg/capita of municipal waste, which is significantly above the estimated EU27 average of 511 kg/cap in the same year (see Graph A7.3). Malta has shown very low rates of preparing municipal

<sup>(121)</sup> Circular Economy Malta, Strategy 2020 – 2030, [Link](#).

waste for reuse and recycling in recent years. In 2023, only 17,1% of municipal waste was prepared, significantly below the estimated EU average of 48% in the same year. This has not improved in the last decade. Landfilling is the dominant treatment method in Malta and the landfilling rate has remained relatively stable.

**Malta's packaging waste generation increased between 2010 and 2022.** In 2022, the country generated 167 kg/capita of packaging waste, which is slightly below the estimated European average of 186 kg/capita in the same year <sup>(122)</sup>. Malta's overall packaging waste recycling rate was 32% in 2022 and has not improved overall in the past decade. Initiatives regarding single-use plastics include: (i) 'The Single Use Plastics Strategy 2021-2030 – Rethink Plastics', which introduces measures aiming at reducing the consumption of certain single-use plastic products through a ban on imports and production for some products and a ban on the sale and distribution of others <sup>(123)</sup>. (ii) The 2024 'Bring Your Own Container' scheme, which promotes product reuse as opposed to single-use consumption <sup>(124)</sup>. Yearly investment needs in the fields of circular economy and waste management are EUR 248 m. Currently additional investment worth EUR 31 m is needed to meet this total.

## 2 - Zero pollution industry:

**Air quality in Malta has improved, with some exceptions.** The emissions of several air pollutants have decreased significantly in Malta since 2005, while GDP growth has continued. Malta meets its emissions reduction commitments for 2020-2029 for air pollutants

NO<sub>x</sub>, non-methane volatile organic compounds (NMVOC), sulphur dioxide (SO<sub>2</sub>), ammonia (NH<sub>3</sub>) and PM<sub>2.5</sub>. According to the latest projections, Malta would meet its emissions reduction commitments for 2030 onwards for NMVOC, SO<sub>2</sub> and PM<sub>2.5</sub>, but not for NO<sub>x</sub> and NH<sub>3</sub>. Nevertheless, in 2023, exceedances above the legal limit values were registered for PM<sub>10</sub> in one air quality zone; and in another air quality zone the target values for ozone concentrations were not met <sup>(125)</sup>.

**Malta's industry releases significant water pollutants.** Malta ranks 8th in emissions intensity of heavy metals to water in the EU, the main contributors being the energy and livestock sectors (the latter for nitrogen, total organic carbon and phosphorous). Malta submitted its first national air pollution control programme to the Commission on 18 March 2020. An update was due four years afterwards. Malta also has to update its policies and measures for reducing air emissions. The yearly investment needs in the field of pollution prevention and control are EUR 57 m (a yearly shortfall of EUR 32 m) <sup>(126)</sup>.

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<sup>(122)</sup> The EU average might be influenced by the situation that not all Member States already fully apply the reporting rules for packaging waste as defined in Commission Implementing Decision 2019/665.

<sup>(123)</sup> Environment & Resources Authority, 2021, Single-Use Plastic Products Strategy for Malta 2021-2030, [Link](#).

<sup>(124)</sup> Circular Economy Malta, BRING YOUR OWN CONTAINER (BYOC) Initiative, [Link](#).

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<sup>(125)</sup> Malta exceeded the daily limit value for PM<sub>10</sub> on 52 days and the ozone target value on 36 days in those zones in 2023, EIONET Central Data Repository, [Link](#).

<sup>(126)</sup> European Commission, DG Environment, *Environmental investment needs & gaps assessment programme*, 2025 update. Expressed in 2022 prices.

Table A7.1: Key clean industry and climate mitigation indicators: Malta

Strategic autonomy and technology for the green transition									Malta		EU-27	
Net zero industry												
Operational manufacturing capacity 2023												
- Solar PV (c: cell, w: wafer, m: module), MW	-			- Electrolyzer, MW				-				
- Wind (b: blade, t: turbine, r: nacelle), MW	0			- battery, MWh				-				
Automotive industry transformation	2017	2018	2019	2020	2021	2022	2023		2018	2021		
Motorisation rate (passenger cars per 1000 inhabitants), %	615	609	597	597	602	585	575	↘	539	561		
New zero-emission vehicles, electricity motor, %	0.31	3.49	3.65	3.87	7.92	15.40	20.31	↗	1.03	8.96		
Critical raw materials	2017	2018	2019	2020	2021	2022	2023		2018	2021		
Material import dependency, %		75.1	70.1	69.3	71.3	70.2	70.9	↗	24.2	22.6		
Climate mitigation												
									Malta		Trend	EU-27
Industry decarbonisation	2017	2018	2019	2020	2021	2022	2023		2017	2022		
GHG emissions intensity of manufacturing production, kg/€	0.1	0.09	0.09	0.09	0.08	0.08		↘	0.34	0.27		
Share of energy-related emissions in industrial GHG emissions	79.2	81.2	80.2	76.9	72.4	71.6	69.4	↘	44.8	42.5		
Energy-related GHG emissions intensity of manufacturing and construction, kg/€	39.5	36.8	39.7	51.9	50.4	55.2	-	↗	158.4	132.9		
Share of electricity and renewables in final energy consumption in manufacturing, %	70.0	72.2	73.1	73.2	74.1	73.8	77.0	↗	43.3	44.2		
Energy intensity of manufacturing, GWh/€	0.68	0.64	0.63	0.62	0.61	0.60	0.53	↘	1.29	1.09		
Share of energy-intensive industries in manufacturing production						9.1				7.3		
GHG emissions intensity of production in sector [...], kg/€												
- paper and paper products (NACE G17)	-	0.20	0.21	-	0.15	0.20	0.20	-	0.73	0.68		
- chemicals and chemical products (NACE C20)	0.25	-	0.21	0.19	0.16	0.14	0.13	-	1.25	1.26		
- other non-metallic mineral products (NACE C23)	-	-	-	0.36	0.29	0.45	0.42	-	2.53	2.24		
- basic metals (NACE C24)	0.02	0.03	0.02	0.01	0.01	0.01	0.01	-	2.79	3.49		
Reduction of effort sharing emissions		2018	2019	2020	2021	2022	2023		2018	2023		
GHG emission reductions relative to base year, %					30.1	43.6	30.6					
- domestic road transport		24.9	32.6	9.6	17.5	37.0	32.2	↗	1.4	5.2		
- buildings		10.1	20.2	6.0	8.5	30.3	-50.0	↘	21.4	32.9		
	2005				2021	2022	2023	Target	WEM	WAM		
Effort sharing: GHG emissions, Mt; target, gap, %	1.0				1.3	1.5	1.3	-19.0	-61.6	-48.4		
Sustainable industry												
									Malta		Trend	EU-27
Circular economy transition		2018	2019	2020	2021	2022	2023		2018	2021		
Material footprint, tonnes per person		10.0	11.0	11.1	9.4	10.1	5.8	↘	14.7	15.0		
Circular material use rate, %		8.3	12.8	16.5	19.2	21.5	19.8	↗	11.6	11.1		
Resource productivity, €/kg		2.1	2.4	2.0	2.6	3.2	3.5	↗	2.1	2.3		
Zero pollution industry												
Years of life lost due to PM2.5, per 100,000 inhabitants		482	447	326	438	536	-	↗	702	571		
Air pollution damage cost intensity, per thousand € of GVA					1.7					27.5		
Water pollution intensity, kg weighted by human factors per bn € GVA						1.2				0.9		

**Source: Net zero industry:** European Commission: [The net-zero manufacturing industry landscape across Member States: final report](#), 2025. **Automotive industry transformation:** Eurostat. **Critical raw materials:** Eurostat. **Climate mitigation:** See footnotes in the "climate mitigation" section; reduction of effort sharing emissions: [EEA greenhouse gases data viewer](#); European Commission, [Climate Action Progress Report](#), 2024. **Sustainable industry:** Years of life lost due to PM2.5: Eurostat and EEA, [Harm to human health from air pollution in Europe: burden of disease status](#), 2024. Air pollution damage: EEA, [EU large industry air pollution damage costs intensity](#), 2024. Emissions covered: As, benzene, Cd, Cr, Hg, NH3, Ni, NMVOC, NOX, Pb, dioxins, PM10, PAH, SOX. Water pollution intensity: EEA, [EU large industry water pollution intensity](#), 2024. Releases into water covered from cadmium, lead, mercury, nickel. Other indicators: Eurostat.

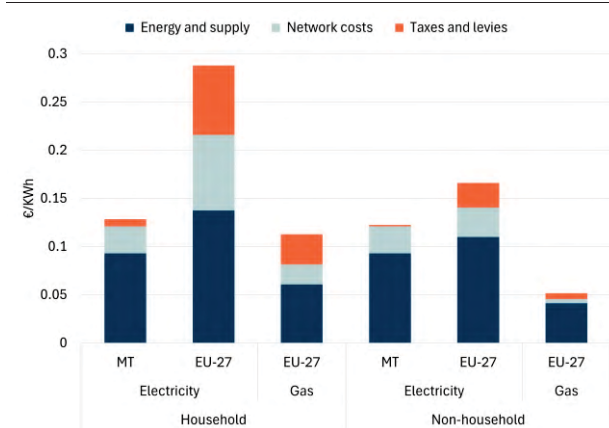
## ANNEX 8: AFFORDABLE ENERGY TRANSITION

**This annex outlines the progress made and the ongoing challenges faced in enhancing energy competitiveness and affordability, while advancing the transition to net zero.** It examines the measures and targets proposed in the final (draft) updates to the national energy and climate plans (NECPs) for 2030.

**Despite some limited progresses in terms of policy support to the deployment of renewables and strengthen its electricity grid, the energy system of Malta remains dominated by fossil fuels.** Energy consumption in the residential sector remains high.

### Energy prices and costs

Graph A8.1: Retail energy price components for household and non-household consumers, 2024



(i) For household consumers, consumption band is DC for electricity and D2 for gas. Taxes and levies are shown including VAT.

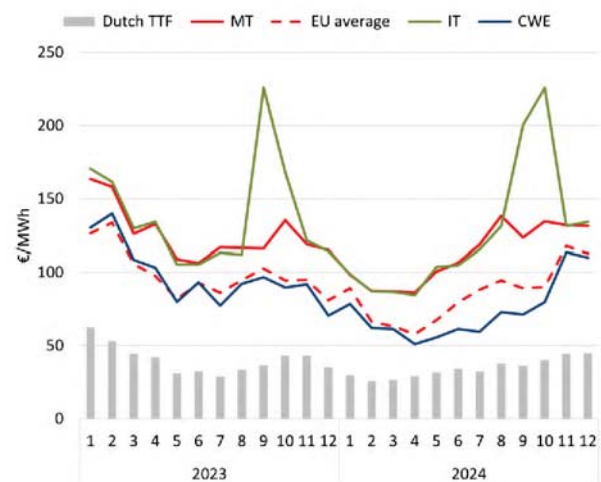
(ii) For non-household consumers, consumption band is ID for electricity and I4 for gas. Taxes and levies are shown excluding VAT and recoverable charges, as these are typically recovered by businesses.

**Source:** Eurostat

**Malta's electricity retail prices in 2024 remained stable, and among the lowest in the EU, especially for household consumers.** This trend is largely driven by a reduced burden of taxes and levies compared to the EU average. The later, for non-household consumer, accounts for 5,9% of the electricity final price for household consumers and 1,2%

for non-household consumers (against an EU average of 25% and 11,4% respectively). The retail market in Malta is not fully liberalised. Malta do not report natural gas prices in the non-household sector.

Graph A8.2: Monthly average day-ahead wholesale electricity prices and European benchmark natural gas prices (Dutch TTF)



(i) the Title Transfer Facility (TTF) is a virtual trading point for natural gas in the Netherlands. It serves as the primary benchmark for European natural gas prices.

(ii) CWE gives average prices in the central-western European market (Belgium, France, Germany, Luxembourg, the Netherlands and Austria).

**Source:** S&P Platts and ENTSO-E

### Flexibility and electricity grids

**Malta is currently interconnected with the European electricity grid through a single submarine power cable link with Italy.** To further strengthen the security of electricity supply in the country, a decision was taken to invest, with support from the Cohesion Fund, in a second 225 MW electricity sub-sea link with Italy (Sicily) by 2026. This second cable link connecting the existing Magtab terminal station and Ragusa terminal station will contribute to long-term security of supply as well as allow for the integration of a higher share of renewable energy sources. The planning and design phase for the cable is progressing well. With a distribution network



connection to Italy, Malta is indirectly linked to the Greece-Italy capacity calculation region.

**Malta is not interconnected with the European gas grid. It imports natural gas through a liquefied natural gas terminal.**

Malta is also considering a new hydrogen-ready gas interconnector with Italy, which would be capable of transmitting 100% hydrogen from its commissioning date. It will benefit from an exemption under Article 24 of the TEN-E Regulation and continue to be a project of common interest in the first Union list under the revised Regulation.

**Malta is taking some steps to strengthen its national grid.** Through its recovery and resilience plan, Malta is investing in its electricity distribution network. This takes the form of investments in the grid and in distribution services.

**The electricity supply market in Malta remains closed, with Enemalta being the only electricity supplier on the island, with few opportunities for consumer empowerment.** In terms of consumer empowerment, 94% of final household consumers had smart meters installed by 2023. However, the absence of a liquid wholesale market hindered the liberalisation of the electricity market, as well as the development of demand-side response mechanisms and further aggregation opportunities. Nevertheless, 9.5% of households in Malta produce their own energy, which is considerably greater than the proportion of prosumers in most of the EU Member States. Energy communities have not yet found their place in the Maltese energy system, with no such communities registered in Malta in 2023.

**In 2023, electricity accounted for 39.2% of Malta's final energy consumption, above the EU average of 22.9%, and this share has**

**seen a slight increase in the last decade<sup>(127)</sup>.** When it comes to households, electricity accounts for 75.4% of final energy consumption, while in industry it represents 66.5% (see also Annex 7). For the transport sector, this share remains negligible at 0.6%. Further progress in electrification across sectors is required for cost effectively decarbonising the economy and bringing the benefits of affordable renewable generation to consumers.

## Renewables and long-term contracts

**Deployment of renewable in Malta progresses at a slow pace.** Renewable installed capacity in Malta in 2024 increased by 3% compared to 2023. The total renewable energy capacity stood at 237 MW<sup>(128)</sup>. An overwhelming share of total installed capacity is solar, with 233 MW in 2024. Wind capacity is still null as of 2024. The share of renewable energy sources (RES) in Malta's electricity mix in 2024 was 16.7%<sup>(129)</sup>, far below the EU overall RES share (47%) and one of the lowest in the EU.

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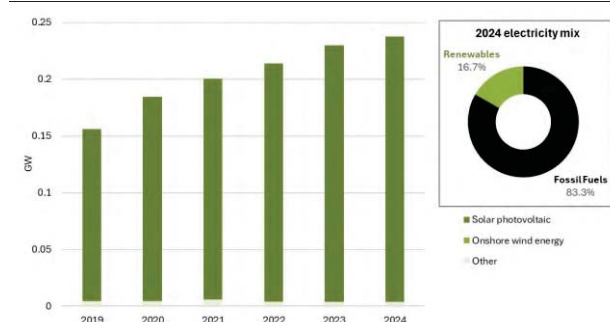
<sup>(127)</sup> CAGR (compound annual growth rate) of -0.2% between 2013 and 2023 and minimum/maximum share of 39.0% and 40.9%, respectively.

<sup>(128)</sup> IRENA 2025: [Renewable Energy Capacity Statistics 2025](#)

<sup>(129)</sup> Yearly electricity data, Ember. These data might still be subject to change once final figures become available.



Graph A8.3: **Malta's installed renewable capacity (left) and electricity generation mix (right)**



"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.

Source: IRENA, Ember

The government plans to reform the permitting framework for renewable energy projects, as outlined in the NECP, in order to accelerate application and permit-granting procedures. However, there is still a need for internal coordination around permit-granting procedures. In practice, actual implementation and cooperation may vary depending on the context and effectiveness of regulatory oversight. A one-stop-shop could facilitate procedures and reduce the number of authorities involved. Malta has already developed two functioning electronic portals to that effect.

Malta's contribution regarding its renewable energy share, 24.5%, is below the 28% objective calculated according to the formula set in Annex II of the Governance Regulation. Furthermore, 2024 is the last year for which Malta has released a schedule on the expected allocation of support for renewables on the Union Renewables Development Platform.

Malta has taken some steps to develop long term contracts to support RES deployment. Regarding the power purchase agreement (PPA) and contract for difference (CfD) markets, Malta has launched a tender to assess the regulatory and administrative barriers to PPAs for long-term renewables and in 2024 a bidding process for solar was launched based on a two-way contract for difference.

## Energy efficiency

In 2023, primary energy consumption (PEC) increased in Malta by 3.0% to 0.91 Mtoe. Final energy consumption (FEC) increased by 3.2% to 0.72 Mtoe<sup>(130)</sup>. Compared to 2022, FEC decreased in all main sectors but transport, in which FEC increased by 10.3%. In residential, FEC decreased by 2.4%, in industry by 13.8% and in services by 0.6%. Under the recast Energy Efficiency Directive, Malta is to reach a PEC of 0.8 Mtoe and an FEC of 0.68 Mtoe by 2030.

Malta needs to step up its efforts in the building sector to make a meaningful contribution to the 2030 reduction target for energy consumption in buildings. As per its most recent long-term renovation strategy, Malta intends to reduce the average delivered energy demand by 18% by 2030 in dwellings and to bring down the CO<sub>2</sub> emissions from residential and non-residential buildings by 38% compared to 2018. However, between 2018 and 2022, final energy consumption (climate corrected) in the residential sector increased by 13.5% and no lasting decrease can be observed in greenhouse gas emissions in the household and service sectors.

In 2022, heating and cooling represented 60% of the country's residential final energy consumption. The residential electricity-to-oil price ratio is below 3, but it has increased by 35% over the past four years, making heat pumps less financially attractive.

Malta deploys an effective supportive national financing framework mobilising energy efficiency investment composed mainly of grants and mixed schemes. These instruments cover various sectors, mainly in the form of grants and subsidies (e.g. grants for EVs, or support to buy energy efficient heating

<sup>(130)</sup> Source: Final energy balance, Eurostat.

& cooling appliances). However, transport and services could benefit from more action.

## Security of supply and diversification

**In 2024, Malta did not depend on Russia for its imports of natural gas.** Malta is the only Member State whose natural gas demand increased between August 2022 and July 2024, by 7%, compared to the average gas demand of the years 2017-2021, mainly due to the shifting of demand from the interconnector onto local electricity generation to avoid exacerbating gas supply issues on the continent. However, between April and July 2024, Maltese gas consumption decreased by an average of 3.75%.

**Malta's energy mix saw a slight shift towards natural gas and renewables in 2023.** The share of natural gas increased to 35.7% in 2023 while renewables and biofuels rose to 7,3%<sup>(131)</sup> Oil and petroleum products remained the dominant source but declined slightly to 51,3%<sup>(132)</sup>

## Fossil fuel subsidies

**In 2023, environmentally harmful<sup>(133)</sup> fossil fuel subsidies without a planned phase-out before 2030 represented 1.6%<sup>(134)</sup> of Malta's GDP<sup>(135)</sup>, above the EU weighted average of 0.49%.** Income/price support accounted for

86% of this volume, while tax measures represented 14%. Fossil fuel subsidies without a planned phase-out before 2030 and which do not specifically address, in a targeted way, energy poverty nor genuine energy security concerns included the ongoing emergency support to Enemalta, subsidies to petroleum products, notably petrol and diesel, and a reduction of excise duties on petrol and diesel. Additionally, Malta's 2023 Effective Carbon Rate<sup>(136)</sup> averaged EUR 75.9 per tonne of CO<sub>2</sub>, below the EU weighted mean of EUR 84.80.

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<sup>(131)</sup> Electricity and heat are excluded to avoid double counting focusing on primary energy sources.

<sup>(132)</sup> Gross Inland Consumption: [Energy Balances - Eurostat](#)

<sup>(133)</sup> Direct fossil fuel subsidies that incentivise maintaining or increasing in the availability of fossil fuels and/or use of fossil fuels.

<sup>(134)</sup> For all Member States, it includes public R&D expenditures for fossil fuels as reported by the IEA (Energy Technology RD&D Budgets) and excludes, for methodological consistency, excise tax exemption on kerosene consumed in intra-EU27 air traffic.

<sup>(135)</sup> 2023 Gross Domestic Product at market prices, Eurostat.

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<sup>(136)</sup> The Effective Carbon Rates is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.



Table A8.1: Key Energy Indicators

	Malta				EU			
	2021	2022	2023	2024	2021	2022	2023	2024
<b>Household consumer - Electricity retail price (EUR/KWh)</b>	<b>0.1301</b>	<b>0.1290</b>	<b>0.1271</b>	<b>0.1286</b>	<b>0.2314</b>	<b>0.2649</b>	<b>0.2877</b>	<b>0.2879</b>
Energy & supply [%]	73.3%	73.2%	72.0%	72.3%	36.6%	54.3%	55.6%	47.8%
Network costs	20.8%	20.9%	22.0%	21.8%	26.7%	25.3%	24.8%	27.2%
Taxes and levies including VAT	5.9%	5.9%	6.0%	5.9%	36.7%	20.3%	19.6%	25.0%
VAT	4.8%	4.7%	4.8%	4.7%	14.5%	13.4%	13.8%	14.6%
<b>Household consumer - Gas retail price</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>0.0684</b>	<b>0.0948</b>	<b>0.1121</b>	<b>0.1128</b>
Energy & supply	n/a	n/a	n/a	n/a	43.7%	61.0%	64.5%	53.9%
Network costs	n/a	n/a	n/a	n/a	22.5%	17.3%	17.1%	18.3%
Taxes and levies including VAT	n/a	n/a	n/a	n/a	33.8%	21.7%	18.4%	27.8%
VAT	n/a	n/a	n/a	n/a	15.5%	11.6%	10.2%	13.6%
<b>Non-household consumer - Electricity retail price</b>	<b>0.1209</b>	<b>0.1187</b>	<b>0.1224</b>	<b>0.1225</b>	<b>0.1242</b>	<b>0.1895</b>	<b>0.1971</b>	<b>0.1661</b>
Energy & supply	72.8%	72.4%	72.3%	72.3%	43.0%	66.5%	63.0%	55.8%
Network costs	21.3%	21.7%	21.8%	21.8%	15.8%	10.7%	11.9%	15.5%
Taxes and levies excluding VAT	1.2%	1.3%	1.2%	1.2%	30.4%	9.9%	11.2%	15.4%
<b>Non-household consumer - Gas retail price</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>0.0328</b>	<b>0.0722</b>	<b>0.0672</b>	<b>0.0517</b>
Energy & supply	n/a	n/a	n/a	n/a	66.2%	77.3%	77.3%	68.7%
Network costs	n/a	n/a	n/a	n/a	7.7%	3.8%	5.3%	7.1%
Taxes and levies excluding VAT	n/a	n/a	n/a	n/a	12.5%	6.1%	7.3%	11.6%
<b>Wholesale electricity price (EUR/MWh)</b>	<b>129.0</b>	<b>295.1</b>	<b>126.1</b>	<b>112.2</b>	<b>111.0</b>	<b>233.2</b>	<b>99.1</b>	<b>84.7</b>
<b>Dutch TTF (EUR/MWh)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>46.9</b>	<b>123.1</b>	<b>40.5</b>	<b>34.4</b>
	2017	2018	2019	2020	2021	2022	2023	2024
<b>Gross Electricity Production (GWh)</b>	<b>1,652</b>	<b>1,962</b>	<b>2,060</b>	<b>2,143</b>	<b>2,215</b>	<b>2,293</b>	<b>2,345</b>	-
Combustible Fuels	1,489	1,772	1,864	1,906	1,959	2,004	2,036	-
Nuclear	-	-	-	-	-	-	-	-
Hydro	-	-	-	-	-	-	-	-
Wind	0	0	0	0	0	0	0	-
Solar	162	190	195	237	256	289	309	-
Geothermal	-	-	-	-	-	-	-	-
Other Sources	-	-	-	-	-	-	-	-
<b>Gross Electricity Production [%]</b>								
Combustible Fuels	90.2%	90.3%	90.5%	88.9%	88.5%	87.4%	86.8%	-
Nuclear	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Hydro	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Wind	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Solar	9.8%	9.7%	9.5%	11.1%	11.5%	12.6%	13.2%	-
Geothermal	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Other Sources	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
<b>Net Imports of Electricity (GWh)</b>	<b>861</b>	<b>621</b>	<b>636</b>	<b>416</b>	<b>511</b>	<b>639</b>	<b>622</b>	-
As a % of electricity available for final consumption	37.1%	26.0%	25.7%	17.5%	20.4%	23.7%	22.7%	-
<b>Electricity Interconnection [%]</b>	<b>24.2%</b>	<b>29.4%</b>	<b>29.0%</b>	<b>31.0%</b>	<b>44.5%</b>	<b>42.3%</b>	<b>40.9%</b>	<b>39.5%</b>
<b>Share of renewable energy consumption - by sector [%]</b>								
Electricity	6.8%	7.7%	7.5%	9.5%	9.6%	10.1%	10.7%	-
Heating and cooling	19.3%	22.8%	23.6%	23.0%	32.6%	39.9%	47.5%	-
Transport	6.8%	8.0%	8.9%	10.6%	10.5%	10.5%	10.7%	-
Overall	7.2%	7.9%	8.2%	10.7%	12.6%	14.0%	15.1%	-
	2020	2021	2022	2023	2020	2021	2022	2023
<b>Import Dependency [%]</b>	<b>97.6%</b>	<b>97.0%</b>	<b>99.0%</b>	<b>97.6%</b>	<b>57.5%</b>	<b>55.5%</b>	<b>62.5%</b>	<b>58.3%</b>
of Solid fossil fuels	0.0%	0.0%	0.0%	0.0%	35.8%	37.2%	45.9%	40.8%
of Oil and petroleum products	99.3%	97.9%	100.7%	100.1%	96.8%	91.7%	97.8%	94.5%
of Natural Gas	96.2%	103.5%	100.2%	93.3%	83.6%	83.6%	97.6%	90.0%
<b>Dependency from Russian Fossil Fuels [%]</b>								
of Natural Gas	0.0%	0.0%	0.0%	0.0%	41.0%	40.9%	20.7%	9.3%
of Crude Oil	0.0%	0.0%	0.0%	0.0%	25.7%	25.2%	18.4%	3.0%
of Hard Coal	0.0%	0.0%	0.0%	0.0%	49.1%	47.4%	21.5%	1.0%
	2017	2018	2019	2020	2021	2022	2023	
<b>Gas Consumption (in bcm)</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	
Gas Consumption year-on-year change [%]	-	20.5%	6.1%	3.5%	-0.2%	1.6%	4.4%	
<b>Gas Imports - by type (in bcm)</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	
Gas imports - pipeline	-	-	-	-	-	-	-	
Gas imports - LNG	0.3	0.4	0.4	0.4	0.4	0.4	0.4	
<b>Gas Imports - by main source supplier [%]</b>								
Trinidad and Tobago	65.3%	36.6%	80.7%	81.4%	66.6%	67.8%	83.4%	
United States	8.0%	16.0%	2.4%	18.6%	33.4%	32.2%	16.6%	

Source: Eurostat, ENTSO-E, S&amp;P Platts

**Malta faces multiple climate-related challenges as it becomes increasingly exposed to heatwaves, droughts, floods and wildfires, which have a direct impact on its society and economy.** In its national adaptation strategy, Malta has identified several critical sectors requiring adaptation measures. Of these, water management is paramount, followed by infrastructure and transport, land use and buildings, agriculture and fisheries, and others. Malta's newly adopted national energy and climate plan (NECP) states that Malta has developed its own pathway towards 2050, looking into climate-change mitigation and adaptation aspects. The country's water resources are under severe stress due to high demand from the agriculture, tourism and energy sectors, with water scarcity exacerbated during the summer months. Despite implementing adaptation strategies, Malta still struggles with significant environmental issues, such as insufficient wastewater treatment, degrading biodiversity and ecosystems, and nutrient pollution from agriculture, all of which undermine the nation's climate resilience.

### Climate adaptation and preparedness

**Malta is increasingly exposed to heatwaves, droughts, floods and wildfires.** Climate risks directly affect Malta's society and economy. Between 2018 and 2022, Malta recorded 84 heat-related fatalities per 100 000 inhabitants. Between 1980 and 2023 EUR 51 million in economic losses were caused by extreme weather- and climate-related events. However, only 4% of the economic damage over that period was insured, compared to 62% in Denmark <sup>(137)</sup>. This will have a particular impact on vulnerable groups and on regions in Malta with populations of lower socioeconomic status where unemployment is high, due to their

lesser capacity to adapt, and where climate change aggravates pre-existing vulnerabilities <sup>(138)</sup>.

**Malta is becoming more vulnerable to floods, as recent events have demonstrated.**

Economic losses since 1980 amount to nearly 23 million. In accordance with the EU Flood Directive, in February 2024 Malta adopted the second cycle of flood risk management plans (FRMPs) 2021-2027, which is being assessed to ensure that the plans provide for the identification and mitigation of flood risk on the islands.

**Several national policy measures related to adaptation and preparedness have been implemented over recent years.** Malta is included in two of the three regions identified as hotspots for climate risks, meaning that they are most affected by climate change – Southern Europe and low-lying coastal regions <sup>(139)</sup>. Malta remains vulnerable to urban flash floods, water scarcity and heatwaves, with a low but improvable climate protection gap.

**Malta is focusing on the integration of climate resilience into critical sectors through an updated adaptation strategy, a vulnerability risk assessment, and the low carbon development strategy, though more progress is needed to further develop these frameworks.** Malta has identified several critical sectors that require adaptation. These include water management, infrastructures and transport, land use and buildings, agriculture, and fisheries. Malta updated its national adaptation strategy in 2021 and is currently drawing up a vulnerability risk assessment to lay the ground for integrating climate resilience into sectoral policies. The low carbon development strategy (LCDS) which updates Malta's adaptation strategy revolves around 47 sector-specific measures addressing energy, transport, buildings, industry, waste, water and

<sup>(137)</sup> EEA, 2024, *Economic losses from weather- and climate-related extremes in Europe*, [Link](#).

<sup>(138)</sup> EEA, 2024, *European Climate Risk Assessment*, p. 345.

<sup>(139)</sup> EEA, 2024, *European Climate Risk Assessment*, [Link](#).



agriculture. A key measure is the requirement to carry out a vulnerability risk assessment (VRA). The VRA provides a detailed analysis of sectoral vulnerabilities and adaptive capacities to guide effective adaptation strategies. It provides a detailed analysis of Malta's adaptation goals, progress and ongoing actions is provided <sup>(140)</sup>. Despite recent progress, significant work remains to be done to bring Malta's adaptation frameworks, policies, planning and implementation up to the required level of maturity.

**Malta makes use of several EU funds to improve its preparedness.** These include the European Regional Development Fund, the Common Agricultural Policy (CAP) strategic plan, and the Recovery and Resilience Facility.

## Water resilience

**Large areas of Malta are subject to water stress due to demands from agriculture, tourism and energy.** These sectors are heavily dependent on water supply, and irrigation is crucial in many rural areas. Maltese water productivity is considerably higher than that of other Member States, standing at EUR 308 per m<sup>3</sup> of abstracted water in 2022 and showing an increasing trend over a five-year period <sup>(141)</sup>. The water exploitation index plus (WEI+) rose to 34.1% in 2022 from 26% in 2021. This illustrates a worrying trend over the last few years, with Malta over-using its freshwater resources. Seasonal data show that in the summer months the country's total water consumption is greater than its renewable freshwater resources. The highest WEI+ value (72) was reached in the third quarter of 2021 and the second highest value (69) in 2019. The main consumer of water is the agricultural

sector (83% of total water consumption in 2022), putting a significant strain on the country's water resources

**Water quality in Malta has only marginally improved, and concerns remain for surface and groundwater bodies.** Based on the reporting on the second river basin management plan, covering the years 2015-2021, 36.8% of all surface water bodies in Malta have reached good ecological status (with unknown ecological status for 52.6% of all surface water bodies) while only 52.6% have a good chemical status. For groundwater bodies, 47.7% failed to achieve good chemical status and 10.5% have a poor quantitative status. The third river basin management plan (2022-2027) currently being assessed by the Commission will provide information on, inter alia, the assessment of new physical modifications of water bodies in line with EU water legislation and the consideration of alternative options and adequate mitigation measures for the quantitative status of groundwater, while enforcing measures to prevent and reduce nitrate pollution from agriculture.

**Malta's wastewater treatment is not fully compliant with EU legislation.** Malta has three agglomerations covered by the Urban Wastewater treatment Directive. One agglomeration generating 6% of the urban wastewater is compliant with the requirements of the Directive (Gozo Main). However, two other agglomerations, generating the rest of the urban wastewater (Malta North and Malta South), are not compliant with the Directive, which is cause for concern <sup>(142)</sup>. In October 2024 Malta was condemned by the EU Court of Justice for that reason, compelling the country to take immediate action to redress the legal shortcomings. To that end, additional measures, and specific projects tapping into available EU funding (e.g. the European Regional Development Fund) are necessary.

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<sup>(140)</sup> The Energy & Water Agency, 2025, *2030 National Energy and Climate Plan*, p. 62 ff., [Link](#).

<sup>(141)</sup> Measured as GDP in 2010 chain linked volumes over total fresh surface water abstracted in cubic metres.

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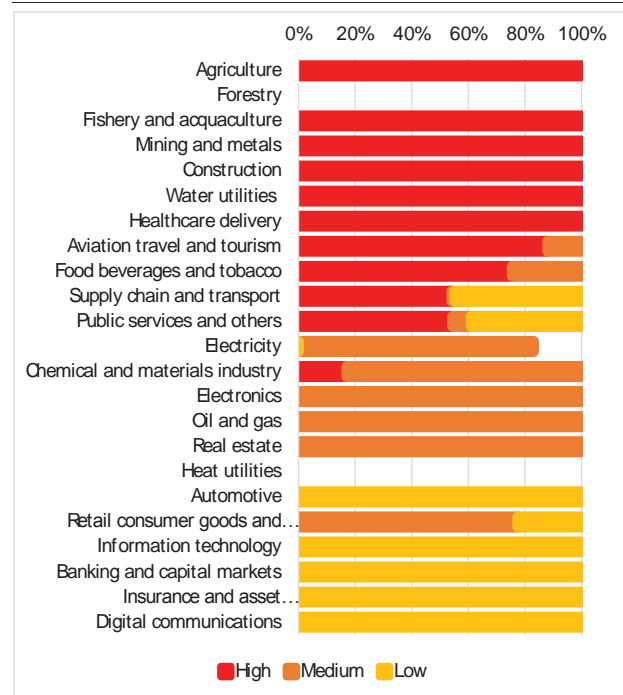
<sup>(142)</sup> European Commission, 2024, *12th UWWTD Implementation Report*.

The investment needs for water protection and water management stand at EUR 61 million per year.

## Biodiversity and ecosystems

**The state of nature and ecosystems continues to degrade in Malta, reducing the country's climate resilience.** Malta hosts 29 habitat types and 66 species covered by the Habitats Directive. In 2022, 13.3% of Malta's land area was covered by Natura 2000 sites (EU average 18.6%). Combined with other nationally-designated protected areas, Malta's protected areas account for 29% of its territory, while only 5.5% of marine areas are protected (below the EU-27 average of 12.1%). According to the latest available data, 27.6% of the country's habitats have a good status, well above the EU average of 14.7%. As regards the conservation status of species, 53.3% were reported in 2018 as having a good status, higher than the EU average of 27%. However, illegal trapping and killing of protected species remains a pressing concern and is subject to infringement proceedings. The situation regarding the conservation of soils, grassland habitat types and forest are unsustainable and unfavourable. The overall situation can have implications for Malta's climate resilience, as the loss of biodiversity impairs ecosystems' ability to provide services that help mitigate the effects of climate change, such as regulating water cycles, maintaining soil health and sequestering carbon.

Graph A9.1: **Direct dependency(1) on ecosystem services(2) of the gross value added generated by economic sector in 2022**



(1) Dependency based on the sector's own operations, excluding value chain operations within countries and across international value chains. A high dependency indicates a high potential exposure to nature-related shocks or deteriorating trends, which means that the disruption of an ecosystem

service could cause production failure and severe financial loss.

(2) Ecosystem services are the contributions of ecosystems to the benefits that are used in economic and other human activity, including provisioning services (e.g. biomass provisioning or water supply), regulating and maintenance services (e.g. soil quality regulation or pollination), and cultural services (e.g. recreational activities).

**Source:** Hirschbuehl et al., 2025, *The EU economy's dependency on nature*, [Link](#).

**Nature degradation creates significant risks to Malta's economy and competitiveness, as it is one of the Member States with the highest direct dependency on ecosystem services.** In particular, Malta's agriculture, fisheries and aquaculture, construction and water utilities sectors are highly dependent on ecosystem services (see Graph A9.1), with 100% of the gross value added of these sectors directly dependent on ecosystem services. With a lower, but still significant, level of dependency, aviation travel and tourism, food and drink, and supply chain and transport, also

rank as important sectors whose gross value added and competitiveness rely on nature. This means that failure to maintain the capacity of ecosystems to deliver services could entail significant costs or even stop production in these sectors. Furthermore, excessive construction continues to increase the amount of sealed, artificially modified and/or degraded soil. The area of sealed soil is an important factor in monitoring land-use change and represents a significant pressure on nature and biodiversity. Based on the limited data available, the contributor to Malta's unhealthy soils is unsustainable soil erosion by water, wind, tillage and harvest, which affects 97 % of cropland area. 18 % of the country experiences soil sealing above 50 % imperviousness<sup>(143)</sup>. Protecting and restoring key ecosystems would ensure that the long-term competitiveness of these economic sectors is preserved. Malta is investing EUR 56 million each year to meet its financial needs.

## Sustainable agriculture and land use

**Malta's carbon removals fall short of the level of ambition needed to meet its 2030 target for land use, land-use change and forestry (LULUCF).** To meet its 2030 LULUCF target, additional carbon removals of -0.002 million tonnes of CO<sub>2</sub> equivalent (CO<sub>2</sub>eq) are needed<sup>(144)</sup>. The latest available projections show a gap to target of 0.003 million tonnes of CO<sub>2</sub>eq for 2030<sup>(145)</sup>. Therefore, additional measures are needed to reach the 2030 target. For Malta, this involves managing its limited land resources to maximise their carbon sink potential.

**Maltese agriculture is a source of greenhouse gas (GHG) emissions and continues to have a significant impact on air, water and soils.** In 2022, agricultural GHG emissions in Malta amounted to 86.1 thousand tonnes of CO<sub>2</sub>eq emissions, down 14.4% since 1990. The agricultural sector's overall share of total national emissions has not fluctuated much in the past, starting at 3.6% in 1990 and amounting to around 3% in 2018, which is low compared to the EU average. However, Malta has the third highest figure among the Member States in terms of GHG emissions from the agricultural sector per hectare of agriculture land, of 5.6 CO<sub>2</sub>eq. According to the Nitrates Directive, 64% of the groundwater monitoring stations in Malta reported nitrates concentrations of over 50 mg/l during the period 2016-2019, exceeding the healthy threshold for human consumption. The latest available datapoint from 2015 shows that the nitrogen surplus (147 kg N/ha) and phosphorus surplus (30 kg P/ha) are well above the EU average. Malta also has the second highest total livestock density in the EU (3.3 livestock units per hectare compared to the EU average of 0.75). Ammonia emissions are showing a

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<sup>(143)</sup> European Commission, 2023, *Impact Assessment on the Soil Monitoring Law*, p. 10, [Link](#).

<sup>(144)</sup> National LULUCF targets of the Member States in line with Regulation (EU) 2023/839.

<sup>(145)</sup> Climate Action Progress Report 2024 COM/2024/498.

declining trend due to falling livestock populations (except for rabbits and horses) resulting from a rise in the import of meat and dairy products, but the manure management system remains rudimental.

Malta has started its transition to a more sustainable food system and is implementing policies to decrease the environmental footprint of agri-food. Agricultural land with landscape features provides numerous environmental and biodiversity benefits, including carbon sequestration, soil erosion prevention, and habitat creation for wildlife. While a relatively large share of utilised agricultural area (UAA) is already covered with landscape features (27.7%), Malta has introduced new commitments for managing landscape features under its CAP strategic plan. In 2022, only 0.62% of Malta's land area was under organic farming, which is the worst result in the EU and way below the EU average of 10.50%. Malta aims to reach 5% of UAA under organic farming by 2030, but conversion to organic farming is a huge challenge for Malta as fields are very small and fragmented. The plan also encourages farmers to adopt a more sustainable approach to pest controls (by promoting alternative pest control measures), to enhance and restore biodiversity and to recover soil health and quality. Given Malta's water scarcity, the plan is intended to support investments in water capture, storage and distribution systems.



Table A9.1: Key indicators for progress on climate adaptation, preparedness and environment

Climate adaptation and preparedness:								EU-27	
	2018	2019	2020	2021	2022	2023		2018	2021
<b>Drought impact on ecosystems</b> [area impacted by drought as % of total]	15.72	0	0	0.32	0	0		6.77	2.76
<b>Forest-fire burnt area</b> <sup>(1)</sup> [ha, annual average 2006-2023]	-	-	-	-	-	-			
<b>Economic losses from extreme events</b> [EURmillion at constant 2022 prices]	-	27	-	-	-	2		24 142	62 981
<b>Insurance protection gap</b> <sup>(2)</sup> [composite score between 0 and 4]	-	-	-	-	1.00	0.88			
<b>Heat-related mortality</b> <sup>(3)</sup> [number of deaths per 100 000 inhabitants in 2013-2022]	84	84	84	84	84				
<b>Sub-national climate adaptation action</b> [% of population covered by the EU Covenant of Mayors for Climate & Energy]	28	30	30	30	27	26		41	44

Water resilience:								EU-27	
	2018	2019	2020	2021	2022	2023		2018	2021
<b>Water Exploitation Index Plus, WEI+</b> <sup>(4)</sup> [total water consumption as % of renewable freshwater resources]	27.0	27.1	34.4	26.0	34.1	-		4.5	4.6
<b>Water consumption</b> [million m <sup>3</sup> ]	23	21	21	20	20	-			
<b>Ecological/quantitative status of water bodies</b> <sup>(5)</sup> [% of water bodies failing to achieve good status]									
Surface water bodies	-	-	-	-	-	-		-	59%
Groundwater bodies	-	-	-	-	-	-		-	93%

Biodiversity and ecosystems:								EU-27	
	2018	2019	2020	2021	2022	2023		2018	2021
<b>Conservation status of habitats</b> <sup>(6)</sup> [% of habitats having a good conservation status]	27.6	-	-	-	-	-		14.7	-
<b>Common farmland bird index</b> 2000=100	-	-	-	-	-	-		72.2	74.4
<b>Protected areas</b> [% of protected land areas]	-	-	-	29	29	-		-	26

Sustainable agriculture and land use:								EU-27	
	2018	2019	2020	2021	2022	2023		2018	2021
<b>Bioeconomy's added value</b> <sup>(7)</sup> [EURmillion]	287	279	316	363				634 378	716 124
<b>Landscape features</b> [% of agricultural land covered with landscape features]	-	-	-	-	28	-			
<b>Food waste</b> [kg per capita]	-	-	-	-	-	-			
<b>Area under organic farming</b> [% of total UAA]	0.4	0.5	0.6	0.6	0.6			7.99	-
<b>Nitrogen balance</b> [kg of nitrogen per ha of UAA]	-	-	-	-	-	-			
<b>Nitrates in groundwater</b> <sup>(8)</sup> [mgNO <sub>3</sub> /l]	53.4	59.4	59.2	59.0	-	-			
<b>Net greenhouse gas removals from LULUCF</b> <sup>(9)</sup> [kt CO <sub>2</sub> -eq]	2	6	9	1	1	-		256 077	240 984

(1) The data show the average for the timespan 2006-2023 based on EFFIS - European Forest Fire Information System.

(2) Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2024, Dashboard on insurance protection gap for natural catastrophes.

(3) van Daalen, K. R. et al., 2024, The 2024 Europe report of the Lancet Countdown on health and climate change: unprecedented warming demands unprecedented action. The Lancet Public Health.

(4) This indicator measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20% are generally considered to be a sign of water scarcity, while values equal or greater than 40% indicate situations of severe water scarcity.

(5) European Commission, 2024, seventh Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans).

(6) For this indicator, the EU average includes the figure for the UK under the previous configuration, EU-28.

(7) European Commission, 2023, EU Bioeconomy Monitoring System dashboards.

(8) Nitrates can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard sets a limit of 50 mg NO<sub>3</sub>/L to avoid threats to human health.

(9) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2024 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.

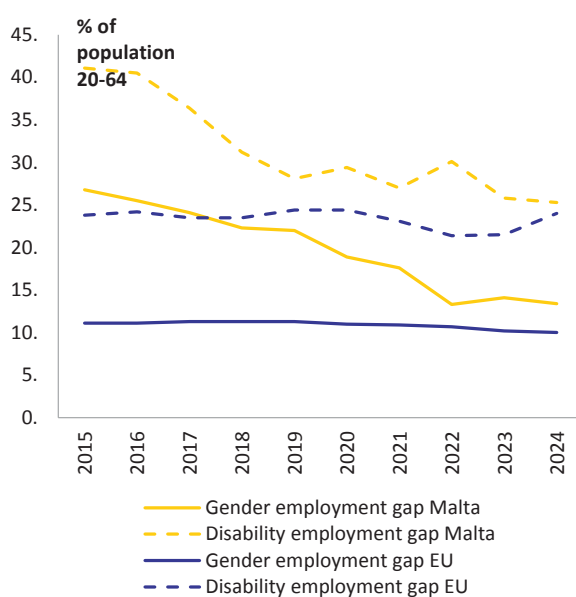
**Source:** Eurostat, EEA.





**Malta's labour market is performing well, with high employment and low unemployment, driven by thriving sectors such as tourism and financial services.** However, challenges persist, including those relating to the employment of women and persons with disabilities benefiting equally from employment growth. Pressing issues include labour shortages, a reliance on foreign workers to meet demand, and high turnover of staff. The quality of jobs, including workplace safety, remains a concern, exacerbated by limited labour-inspection capacity. Weak social dialogue further hampers efforts to address these issues. While efforts are needed to respond to these challenges, the country is on track to reach its 2030 national employment target.

Graph A10.1: **Gender and disability employment gaps in the EU and Malta (pps)**



**Source:** Eurostat [tesem060], EU SILC and [tepsr\_sp200], EU LFS.

**Malta's labour market has performed well in recent years.** This has been underpinned by robust activity in key sectors such as tourism and hospitality, financial services, iGaming, and

the maritime and logistics industries<sup>(146)</sup>. In 2024, Malta had one of the highest employment rates in the EU, at 83% (75.8% in the EU), reflecting steady progress towards its 2030 national target of 84.6%. Youth employment rates (15-29) were also high, at 70.6% (49.6% in the EU), while the proportion of young people not in employment, education or training (NEETs) fell to 7.2% (11.0% in the EU). These outcomes reflect a steady upward trend in labour market participation over recent years, up from 76% in 2020 to 82.1% in 2024 (15-64), driven by both rising domestic employment and sustained immigration flows. This improvement has been further supported by falling unemployment (15-74), down to 3.1% in 2024, which is among the lowest rates in the EU (5.9%), continuing a long-term downward trend since 2009. Long-term unemployment was 0.7%, also among the lowest rates in Europe. Labour market slack<sup>(147)</sup> decreased from 4.8% in Q3-2023 to 4.2% in Q3-2024, mainly due to fewer unemployed workers. This remains significantly below the EU average (10.9%), highlighting Malta's low levels of unmet employment needs.

**Challenges facing the integration of women in the labour market continue to hinder performance, but Malta has made significant progress.** Since 2009, the gender employment gap narrowed from 37.5 percentage points (pps) to 13.3 pps in 2022, the strongest improvement in the EU (see Graph 10A8.1). The gap is only slightly wider at 13.44 pps in 2024, mainly due to faster employment growth among men, particularly foreign male workers. Younger age groups (20-29) now have narrower gender-employment gaps than the EU average, reflecting changes in the labour market, while older women (55-64)

<sup>(146)</sup> Malta Today. (2024, August 21). [Taking a deeper look at Malta's leading sectors](#).

<sup>(147)</sup> Labour market slack refers to all unmet needs for employment, namely it represents the extent to which labour supply exceeds labour demand in the short run.



have also seen significant progress. However, women remain underrepresented in key sectors such as manufacturing, construction, transport and ICT, with nearly 92% of them working in services (e.g. education, health, social work, retail and wholesale) <sup>(148)</sup>. Women from migrant backgrounds, those with lower levels of education, and older women (50–64) face additional barriers. The gap widens with age, contributing to one of the widest pension gaps for women aged 65+ in the EU (40.3% vs 24.7%). Another barrier is the non-universal character of early education and care. On a positive note, Malta's gender pay gap is below the EU average (10.2% vs 12.7% in 2023). To address these challenges, the ESF+ will invest EUR 3 million in promoting gender-balanced work and equal working conditions.

**Persons with disabilities still face significant barriers to entering the labour market.**

Persons with disabilities in Malta face a wider employment gap than the EU average, highlighting systemic barriers to inclusion. Although the gap has gradually narrowed in recent years, it remains wider than the EU average (25.3 pps vs 24.0 pps). For women, the disparity is even greater, with a gap of 24.4 pps compared to 220 pps for men. These challenges are also reflected in labour force participation rates of this section of the population, at 53.5% in Malta compared to 54.3% in the EU <sup>(149)</sup>. In 2022, 32.9% of young persons with disabilities were NEETs (27.3% in the EU). A relatively large proportion (58.3% in 2023) of persons with disabilities have low skill levels, which places them at a disadvantage in the labour market compared to persons without disabilities when looking for work. At the same time, certain sectors such as tourism, construction and technology, are often not accessible to some of them. To address these challenges, the ESF+ supports the VASTE

programme in funding, offering tailored services such as training, work exposure, job coaching and mentoring for persons with disabilities. Malta has set a target of a 15 pps increase in the employment rate of persons with disabilities by 2030 <sup>(150)</sup>.

**Demographic changes in Malta are marked by population growth, increased population density and a rising proportion of foreign residents.**

Between 2003 and 2024, Malta had the largest population increase in the EU, growing by 34% to reach 563 443 inhabitants. This growth has been largely driven by a sharp rise in the foreign-resident population, from 5.5% in 2013 to 28.1% of the total in 2024. In contrast with the EU's generally ageing workforce, Malta has a young population, with 31% under the age of 30. In 2024, the country's population density was the highest in the EU, with 1 693 people per square kilometre, contributing to significant housing challenges.

**Workers in Malta from countries outside the EU tend to have low-quality jobs.**

Over the past decade, the number of non-EU nationals and non-Maltese EU workers grew substantially, by around 84 500 and 37 300 respectively (20-64-year-olds, 2024; see Graph 10A8.2). Combined, they account for 39% of the workforce, with non-EU nationals alone making up 27.4%. They often face poorer working conditions than EU-born workers, including precarious posts with physical hazards, lower wages and limited safety measures <sup>(151)</sup>. Often not unionised, non-EU nationals have limited collective bargaining power and face a 'glass ceiling', offering little chance for career advancement or training.

<sup>(150)</sup> This target was set by Malta on the basis of Jobplus administrative data.

<sup>(151)</sup> Justice and Peace Commission. (2024). [Beyond GDP II. Third Country Nationals in Malta: Sharing in our economic future or serving labour market interests?](#); Government of Malta. (2025). [Malta labour migration policy](#); January 2025; Debono, M. (2021). [Migrants and the challenge of decent work in Malta](#). *e-Revista Internacional de la Protección Social*, 6(2), 272–293. Universidad de Sevilla and Eurostat EU SILC [ilc\_di15] (2023).

<sup>(148)</sup> Central Bank of Malta. (2023). [Women in the labour market: An analysis of trends and challenges](#).

<sup>(149)</sup> [European comparative data on persons with disabilities - data 2022 - European Commission](#)

Other factors adding to their vulnerability include long working hours, limited leave and dependence on employers due to residence status tied to employment contracts. Many struggle to obtain decent housing, often facing overcrowded (despite recent measures), substandard living conditions. In-work poverty affects 16.4% of non-EU nationals, a rate that has fallen since 2019 but remains nearly three times the rate among Maltese workers (5.5%) (see Annex 11).

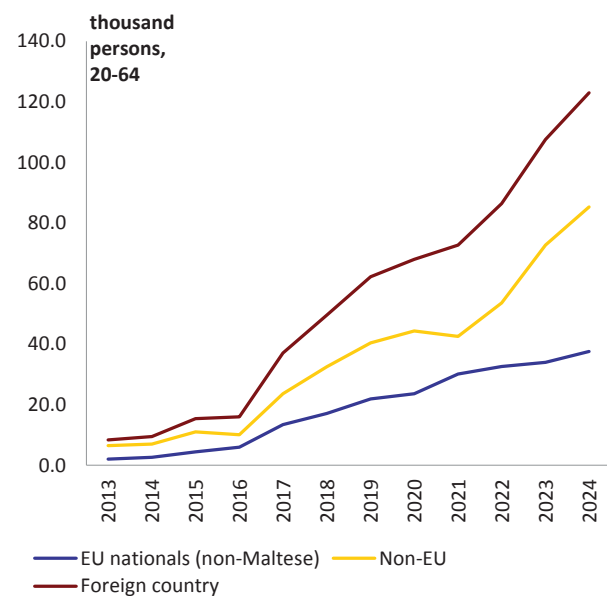
**The high turnover of non-Maltese workers, particularly those from the EU, is indicative of retention challenges.** In 2023, half of foreign workers coming to Malta left within two years, and around a third of EU nationals terminated their work within one year, either to pursue other jobs or to return home. Approximately 70% of termination forms for non-EU nationals were submitted by people employed for less than 12 months<sup>(152)</sup>. Reasons for this include, among others rising rental costs, low wages, lack of access to banking and bank loans to buy somewhere to live, lack of potential for career advancement, and an unfavourable local environment<sup>(153)</sup>. The government is currently discussing a new draft labour migration policy aimed at addressing high turnover by stabilising the labour market, protecting workers' rights, aligning migration with national needs and prioritising skilled workers. The policy should also seek to protect employee rights and enhance working conditions.<sup>(154)</sup>

<sup>(152)</sup> Grech, A. G. (2023). [The Extent of Labour Turnover in Malta](#). Malta: Central Bank of Malta.

<sup>(153)</sup> Justice and Peace Commission. (2024). [Beyond GDP II. Third Country Nationals in Malta: Sharing in our economic future or serving labour market interests?](#). Housing Authority (2023). [The private rental market in Malta: A holistic assessment based on registered contracts](#).

<sup>(154)</sup> Government of Malta. (2025). [Malta labour migration policy](#).

Graph A10.2: **Foreign workers in Malta (thousands, 20-64)**



(1) Break in the series in 2021.

Source: Eurostat [lfsa\_egan], EU LFS.

**Labour shortages are an increasing challenge, driven by skills mismatches and demographic changes.** Efforts to attract foreign workers and improve workforce skills have partly addressed the problem of labour shortages, but the demand for skilled labour still outpaces supply. In Q4-2024, the job-vacancy rate was 2.9%, one of the highest in the EU and exceeding its pre-pandemic level (2.2%). Shortages are particularly acute in the ICT, arts, entertainment and recreation, construction sectors, parts of the service sector and among health and long-term care professionals and teachers (see Annex 12).

**In Q1 2025, 68.5% of employers in Malta's services sector reported labour shortages limiting their production, the second highest in the EU, compared to 24.1% at EU level.** Similarly, in manufacturing and construction, this proportion was 41.6% and 36.2% respectively, significantly above the EU averages of 18.6% and 28%<sup>(155)</sup>. In 2024, the most commonly sought occupations include office associates, office clerks, sales workers,

<sup>(155)</sup> ECFIN, European Business and Consumer Surveys.

personal service workers, and metal and machinery workers<sup>(156)</sup>, reflecting widespread needs across various skill levels<sup>(157)</sup>. These persistent shortages underscore the importance of improving the match between jobseekers and employers, while improving skills and working conditions. Competition among employers to attract and retain skilled workers, especially in high-demand sectors could drive up wages and improve working conditions. However, this dynamic may also harm productivity and competitiveness if underlying labour-market imbalances are not addressed.

**Malta's labour market is transitioning towards a greener and more digital economy, which presents both opportunities and challenges.** Growth is evident in green jobs requiring advanced digital skills, such as those in iGaming and financial services. However, many firms have yet to adopt green roles: almost 43% of companies reported having no employees in green posts, indicating significant room for expansion. Additionally, 64% of firms believe the local labour force is not adequately prepared for the transition to carbon neutrality, with only 16% expressing confidence in its readiness<sup>(158)</sup>. According to the latest available data, employment in Malta's environmental goods and services sector amounted to only 1.5% of total employment, while energy-intensive industries contributed only 1.1% and ICT 4.7%. To ensure a fair transition, useful measures include continued investment in education and training programmes that align with market needs, promoting lifelong learning, fostering collaboration between government, industry and educational institutions and teacher training with transition skills.

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<sup>(156)</sup> CEDEFOP, [Countries and occupations](#).

<sup>(157)</sup> Schengen News. (2025, January 15). [Malta in need of foreign workers: These are the top in-demand jobs](#).

<sup>(158)</sup> Central Bank of Malta, [The Impact of Mitigating Climate Change on Maltese Firms' Employment Plans](#), 2024.

**Workplace safety and the shortage of labour inspectors are critical aspects of working conditions.** In 2022, workplace fatalities rose from 9 to 15, with 60% occurring in construction and related fields and 20% in transportation. Over the past 20 years, nearly 30% of fatal accidents have involved foreign workers, although they tend to be a small proportion of the labour force<sup>(159)</sup>, which illustrates their overrepresentation in more hazardous roles. In 2021, Malta had the third-highest rate of fatal workplace accidents in the EU, with 3.34 per 100 000 workers (1.76 in the EU). Although the overall number of non-fatal accidents was relatively stable in recent years, they are more frequent in construction (15.2%), manufacturing (17.8%), and transport (14%).

**A key issue in the construction industry is poor occupational safety and health culture, including aspects such as enforcement and the training of project supervisors.** This situation is exacerbated by Malta's critically low number of labour inspectors, with only 0.3 inspectors per 10 000 workers in 2023, which is far below the ILO recommendation of 1 per 10 000<sup>(160)</sup>. This lack of adequate oversight increases the risk of workplace accidents and exploitation of workers, especially among non-EU nationals. The recovery and resilience plan addresses workplace safety through training and certifying construction professionals and setting up a Building and Construction Authority.

**Wage growth and productivity increases offer potential for improving job quality and working conditions.** Real wages began to recover in 2024, growing faster than the EU average at 3.5%, but have not fully offset the sharp declines of 0.8% in 2022 and 3% in 2023. Nominal wage growth reached 5.9% in 2024 and is expected to grow by 4.1% in 2025, both

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<sup>(159)</sup> Fiorini et al., Occupational accidents in Malta and the role of the occupational health and safety authority: A twenty-year analysis.

<sup>(160)</sup> ILOSTAT, Inspectors per 10 000 employed persons.

above the euro-area and EU averages, after 2.3% in 2023 <sup>(161)</sup>. Real wages are expected to increase by 1.8% in 2025, above the EU average. These improvements reflect a combination of lower inflation and higher nominal wage growth. However, this recovery will still fall short of fully recouping earlier losses.

**Looking ahead, sustaining wage growth will require boosting labour productivity, particularly in sectors beyond tourism and services.** The relatively low wage growth over the past decade has supported gains in cost competitiveness, reflected in rising export market shares and reduced economic imbalances. However, it has also remained below expectations based on the usual macroeconomic drivers (e.g. inflation, productivity, trade balance and the unemployment rate). Over recent years, unit labour costs (ULCs) have increased less in Malta than in most euro-area countries, with growth of 2.3% in 2023, forecast to rise to 5% in 2024, and then fall back to 3.1% in 2025. Labour productivity challenges, particularly in non-service sectors, continue to hinder the potential for sustained and substantial wage growth. Lastly, the statutory minimum wage increased by 21.3% between January 2022 and January 2025, an approximate 7.6% rise in real terms. In 2024, the minimum wage was still only 46.5% of average earnings.

**Social dialogue in Malta faces structural challenges but also opportunities for enhancement.** It remains largely focused on information-sharing rather than engagement (see Annex 6). Trade union membership has steadily fallen to 41.9% in 2023 <sup>(162)</sup>, partly due to difficulties in unionising non-EU nationals (whose share of the workforce is rising), and engaging construction and hospitality workers.

Collaboration is restricted by the dominance of two major trade unions and fragmented representation among smaller ones. Most collective bargaining occurs at company level, reducing collective impact. The Malta Council for Economic and Social Development serves as the main social-dialogue platform, but there are concerns over transparency and the dominance of a small group in national discussions <sup>(163)</sup>. Women and vulnerable groups, including non-EU nationals and low-skilled workers, remain underrepresented in union leadership and social-dialogue forums, highlighting barriers to inclusivity. Social dialogue is weakened by short consultation timelines, limited training on green and digital transitions, and reliance on individual rather than organisational representation <sup>(164)</sup>. To address these issues, the ESF+ supports capacity building, training and networking initiatives, which would otherwise remain limited due to low resources.

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<sup>(161)</sup> For nominal wage growth, pay per employee is considered. For real gross wages, the deflator used is HICP. Data for 2024 and 2025 are based on the European Commission Spring 2025 economic forecast.

<sup>(162)</sup> ILOSTAT, Trade union density rate.

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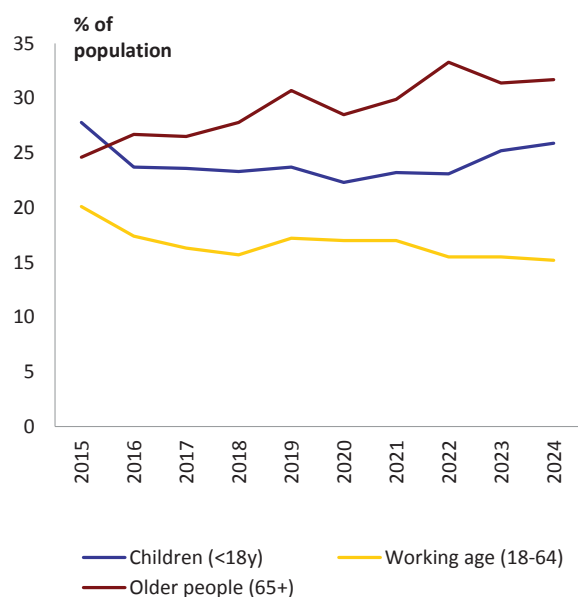
<sup>(163)</sup> Zammit, E. L. (2019). [Social dialogue and competence development: the role of Malta's social partners](#). Centre for Labour Studies : Biennial Report: 2017-2018.

<sup>(164)</sup> Servizi Ewropej f'Malta (SEM) (2021). [Promoting Improved Social Dialogue in Malta](#). Misco.



**Malta's social situation is a dynamic mix of positive developments and persistent challenges.** Overall, poverty rates are comparable to EU averages, and strong economic performance has contributed to relatively stable living standards. However, persistent poverty and disparities among vulnerable groups, including children, older people, and non-EU nationals, remain significant. The impact of social transfers on poverty reduction is relatively low, and income inequality is above average. Housing access and affordability are concerns, with increased costs disproportionately affecting low-income households and non-EU nationals. In addition, despite increasing over the years, relatively limited social protection expenditure (public LTC expenditure stood in 2022 at 1.2% of GDP vs EU 1.7%) hinders progress in reducing poverty and inequality. Addressing these challenges will contribute to inclusive growth and competitiveness.

Graph A11.1: At-risk-of-poverty or social exclusion (AROPE) rate, age groups



Source: Eurostat [ilc\_peps01n], EU-SILC

**Malta's overall poverty levels remain below the EU average.** In 2024, after three years of slow decline, the at-risk-of-poverty and social exclusion rate (AROPE) was 19.7%, consistently below the EU average of 21.0%. However, while the percentage decreases, the absolute number

of people at-risk-of-poverty or social exclusion is increasing in the country, alongside a rising population. Addressing these challenges is key to achieving Malta's 2030 poverty reduction target of reducing the share of people at risk of poverty or social exclusion by 3.1 pps compared to 2019. In October 2024, Malta published a comprehensive poverty strategy, developed through a participatory, evidence-based approach<sup>(165)</sup>. The strategy addresses key challenges, such as housing and the socioeconomic integration of non-EU nationals. It provides a wide range of recommendations across critical areas, including education, social protection, and healthcare, offering a comprehensive framework to tackle poverty.

**Some groups face higher risks of poverty and social exclusion.** Non-EU-born people experience such risks significantly more often as Maltese nationals (22.5% vs 17.7%), driven by low wages and incomes, high housing costs, and the insecurity of relying on their working situation to stay in Malta, leaving them less leverage to push for better working conditions<sup>(166)</sup>. People with a low-level of education are also at greater risk than people with a higher-level of education (29.1% vs 8.4%). Persons with disabilities face stark disparities too, with 33.7% being at risk of poverty and social exclusion compared to 16.3% among those without disabilities, closely related to their difficult employment situation (see Annex 10). Older people are particularly vulnerable, with people at-risk-of-poverty or social exclusion rates at 31.7% for those aged sixty-five or over, significantly higher than the EU average of 19.4%, partly due to declining pension replacement rates. Older women face

<sup>(165)</sup> Ministry for Social Policy and Children's Rights. (2024). [National strategy for poverty reduction and social inclusion 2025–2035](#). Government of Malta.

<sup>(166)</sup> Housing Authority. (2023). [The private rental market in Malta: A holistic assessment based on registered contracts](#). Housing Authority.; Debono, M. (2021). [Migrants and the challenge of decent work in Malta. e-Revista Internacional de la Protección Social](#), 6(2), 272–293. Universidad de Sevilla and Eurostat EU SILC [ilc\_di15] (2023).





even higher at-risk-of-poverty or social exclusion rate than men (35.0% vs 28.2%), and the gender pension gap remains among the widest in the EU (40.3% vs 24.7% EU average). There are higher concentrations of people at-risk-of-poverty or social exclusion in Gozo, Comino, and the northern and western parts of Malta. Plus, the persistent risk of poverty rose steeply to 24.1% in 2024, well above EU levels recently (21.3% vs 10.3% in 2023; 15.4% vs 11.9% in 2022). The European Social Fund Plus (ESF+) allocates 26% of its total budget to support the socioeconomic integration of non-EU nationals and other disadvantaged groups. It also funds food distributions to the most vulnerable households, helping to combat material deprivation and improve living standards.

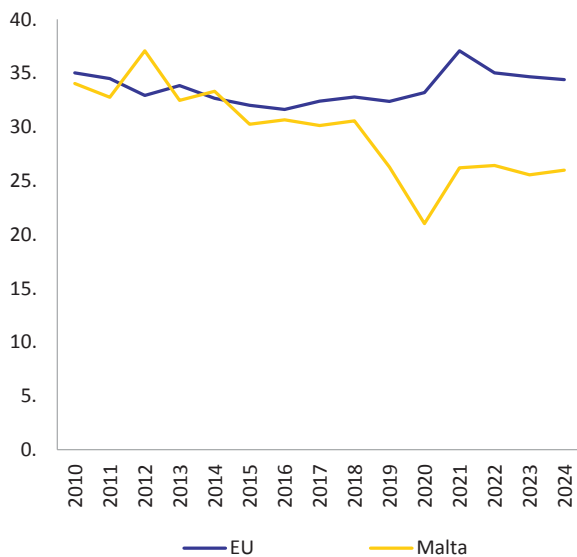
**Child poverty has shown a worsening trend in recent years.** In 2022, 23.1% of children in Malta were at risk of poverty or social exclusion, rising to 25.2% in 2023 and further to 25.9% in 2024, exceeding the EU rate of 24.2%, for the third time since 2015. In absolute terms, the number of children at risk of poverty or social exclusion also rose from about 19 000 in 2022 to about 21 000 in 2023 and 2024, alongside population growth. By 2030, Malta aims to reduce their share by 6 pps compared to 2019. Several factors strongly influence the risk of child poverty, with parental education level being one of the most significant. In 2024, 58.3% of children with low-educated parents were at risk of poverty, a rate that has steadily increased in recent years and raises concerns given Malta's high proportion of low-skilled adults. Household composition is another critical factor: 46.2% of single-parent households with dependent children were at risk of poverty in 2024. Citizenship also plays a role, 25.4% of children of non-Maltese citizens compared to 19.4% of those Maltese. Supported by ESF+, the European Child Guarantee (ECG) follows Malta's 2022 action plan, with 115 measures implemented as of 2024. These include initiatives in social protection, education, healthcare, and

adequate housing, with 70% of the measures planned for 2022-2027 ongoing.

**Malta faces limited effectiveness of social transfers in reducing poverty, coupled with high and rising levels of income inequality.**

In 2024, social transfers reduced the poverty rate by only 26.0%, substantially below the EU average of 34.4%. This situation is concerning as regards the functioning of the social safety net and social protection system. Strong economic performance, including high levels of gross disposable household income (GDHI) (152.78 vs 111.02 in the EU) in tandem with high employment rates seem to effectively keep overall poverty levels low and aligned with the EU. Yet, those in greatest need do not equally profit from this positive outturn. Moreover, the redistributive effect and progressivity of the tax system are limited compared to the EU. Labour income taxation is less progressive and the country lacks wealth, inheritance, estate, or gift taxes, although stamp duties may apply to certain inherited assets. These factors further limit the role of fiscal policy in addressing income disparities (see Annex 15). As a result, income inequality is on the rise, the richest quintile earning 4.87 times more than the poorest one in 2023, exceeding the EU average of 4.66.

Graph A11.2: Impact of social transfers (other than pensions) on poverty reduction (%)



**Note:** Break in series for the EU in 2020 and for Malta in 2022

**Source:** Eurostat [tespm050], EU-SILC

**Social protection spending is relatively low and unevenly distributed.** On a downward trend, in 2022, social protection spending amounted to 14.21% of GDP, significantly below the EU average of 27.98%. This translated to EUR 4 955.29 per inhabitant, compared to the EU average of EUR 10 062.91. Malta's social spending is heavily focused on old age (43.1% in 2023) and sickness/healthcare (35.1%), which together accounted for 78.2% of total spending in 2022. Consequently, expenditure on family and child support (6.3%) is relatively low. Similarly, minimal investment in housing (1.1%) and unemployment (0.9%) provides limited assistance for low-income households and jobseekers. Persons with disabilities (4.0%) and people that suffer from social exclusion (2.3%) also receive modest funding, raising concerns about the inclusiveness and fairness of Malta's social protection system.

**Challenges regarding unemployment benefits and in-work poverty reveal gaps in social protection and labour market resilience.** The duration of unemployment benefits in Malta is among the shortest in the

EU, placing financial strain on people unable to secure new employment within the limited timeframe (26 weeks, after which a person is re-directed to a non-contributory unemployment assistance). The benefit has an activation component, as it links access to benefits with active job seeking and participation in employment services. In January 2024, Malta reformed its unemployment benefits system to better align replacement rates with the recipient's last salary, taking into account the national minimum wage. However, access to unemployment benefits remains restrictive, with eligibility criteria excluding certain individuals and types of employment contracts. As part of its recovery and resilience plan (RRP), Malta has introduced reforms to assess and monitor the adequacy and coverage of unemployment benefits, aiming to improve labour market resilience, incentivise work, and promote gender equality. At the same time, in-work poverty remains an issue. In 2024, 7.8% of workers were at risk of in-work poverty, lower than the EU average of 8.2% but steadily rising over the past decade. Non-EU nationals face significantly higher rates of in-work poverty compared to Maltese nationals (15.0% vs 5.7%).

**Progress in early childhood education and care and long-term care systems have seen improvements, but face challenges in terms of fiscal sustainability and achieving universal coverage.** Progress in early childhood education and care (ECEC) for children under three has been notable, with participation rates for children increasing from 19.1% in 2015 to 51% in 2023. However, the participation rate decreased to 44.1% in 2024, and gaps remain, particularly for children whose parents are not in employment, as Malta continues to strive for universal ECEC access. At the same time, the ageing population drives increased demand for long-term care (LTC) services, with the old-age dependency ratio projected to rise from 31.1 in 2025 to 37.0 in 2050. This increased demand for LTC will require attention to access, adequacy and fiscal sustainability in the long-term (see Annex 14).

This ongoing demographic shift has already boosted the demand for LTC workers, often filled by non-EU nationals (see Annex 10). To improve coverage, successive governments have entered into private-public partnerships. In addition, older people at home can access support like home help, community nursing, free geriatric and telecare service, and various carer benefits, which have increased in recent years.

**House prices have increased in the last decade.** House prices have increased by more than 50% since 2015 in nominal terms. They increased by 6.2% in 2023, 6.7% in 2022 and 5.1% in 2021. They have increased further in 2024 (+6.9% year-on-year in 2024-Q3). However, house prices still do not show signs of overvaluation.

**The affordability of housing has remained broadly stable over the last decade for home buyers but worsened for renters.** The evolution of house prices has been broadly in line with households' income over the past years and the standardised house price-to-income ratio has been broadly stable since 2015 (-3%). However, considering the cost of mortgages, the borrowing capacity of households improved significantly over the past decade. While the rental market is rather small, the ratio of new rents to incomes sharply rose over the last decade.

**The affordability of housing is an increasing challenge for vulnerable groups in Malta.** While the housing cost overburden rate was 5.8% in 2024, below the EU average of 8.2%, disparities remain stark. Two particularly affected groups are non-EU nationals and people in poverty, often overlapping. Among those in poverty, 25.1% face housing cost overburden compared to 1.8% of those not in poverty. Certain groups of people in poverty are especially vulnerable, such as young (41.6%) and older people (12.5%). Similarly, 17.0% of non-EU nationals experience housing cost overburden, compared to just 1.2% of the Maltese population. The overcrowding rate,

too, was very high at 16.8% among non-EU nationals compared to 3.6% among Maltese nationals. In 2023, 8.1% of Malta's population rented accommodation at reduced market prices or for free, below the EU average of 10.2%. The Malta Housing Authority provides social housing to support low-income individuals and recent legal amendments to Malta's Private Residential Lease Laws wish to prevent overcrowding, but challenges persist in addressing the growing affordability crisis.

**Energy affordability and transport access have significant social and sustainability implications.** In 2024, 7.8% of the population were unable to keep their homes sufficiently warm, below the EU average of 9.2% across the EU. However, this rate doubled among those at risk of poverty (AROP), reaching 14.9%. The share of population who could not afford a car was 1.8% in 2024, significantly below the EU average of 5.6%. Similarly, the share of people at risk of poverty who cannot afford a car was 7.7% in 2024, substantially below the EU average (15.9%). Overall, Malta demonstrates strong affordability for car ownership, even among lower-income groups. However, the continued dominance of private cars and the stagnation in public transport use highlight challenges in promoting sustainable and inclusive transportation systems. Universal energy benefits have a stronger impact on reducing poverty and inequality compared to targeted benefits but are costly. Analysis of income distribution by deciles, inequality indicators (e.g. S20/S80 ratio), and at-risk-of-poverty rates suggests that while universal measures benefit the most vulnerable groups, their overall impact is limited. Conversely, targeted benefits often provide insufficient support, which limits their effectiveness<sup>(167)</sup>. To address these challenges, it would be beneficial if Malta designed efficient, well-targeted measures to better support vulnerable groups

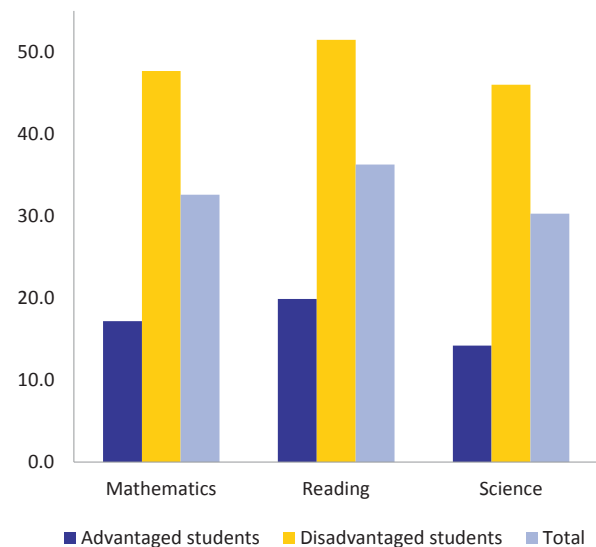
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<sup>(167)</sup> Evidence based on a study by the European Commission Joint Research Centre, using the EUROMOD model.

while gradually phasing out universal benefits that threaten long-term financial sustainability.

**Malta's competitiveness is hindered by skills mismatches and shortages caused by low basic skills among 15-year-olds, low educational attainment for adults and limited participation in vocational education and training (VET) and adult learning.** Skills development challenges start in early childhood education and care (ECEC), where there are quality concerns and limited participation among disadvantaged children. By the age of 15, basic skills shortages reach a concerning level as around one in three students lacks fundamental skills in mathematics, reading and science, and one in two lacks digital skills. This poses a serious challenge to acquiring more complex skills and participating meaningfully in society and highlights challenges with teaching quality. Moreover, one in ten students leaves education or training early. Low enrolment in VET and adult learning reflects challenges in addressing skills gaps, compounded by limited access to flexible training and low participation in lifelong learning. Moreover, education and training systems, including VET, adult learning and higher education, often fail to align with labour market needs, leading to widespread skills mismatches and increasing labour shortages (see Annex 10). These shortcomings in skills development hinder Malta's competitiveness and economic potential.

Graph A12.1: **Underachievement rate in mathematics, reading and science by students' socio-economic background in Malta, PISA 2022 (%)**



Source: OECD (2023).

**Despite progress, challenges with the quality of ECEC and low participation among disadvantaged children remain barriers to successful foundational learning in the early years.** Among children aged three to the start of compulsory education, 93.2% participated in ECEC in 2023 (EU: 94.6%). Among children under three, the overall participation rate was 44.1% in 2024, above the EU average (39.2%). However, participation in this age group among children at risk of poverty or social exclusion (AROP) is considerably lower at 24.3%<sup>(168)</sup>, compared to 48.5% for their peers not at risk. This 24.2 pps gap is one of the widest in the EU. Although extending the free childcare scheme to children whose parents are neither in education nor in employment has been envisaged in several strategic policy documents, no detailed plan or funds have been made available yet.

**The share of students with an insufficient level of basic skills remains high, undermining human capital development.** According to the 2022 OECD Programme for

<sup>(168)</sup> The value is flagged as unreliable.

International Student Assessment (PISA), around one out of three 15-year-old students lacks sufficient basic skills in mathematics (32.6%; EU: 29.5%), reading (36.3%; EU: 26.2%) and science (30.3%; EU: 24.2%)<sup>(169)</sup>. The situation is even more concerning among students from the bottom quartile of the socio-economic distribution (see Graph A12.1), with 47.7% not reaching minimum standards in mathematics, 51.5% in reading and 46% in science. Underachievement is widespread across the entire socio-economic distribution with 17.2% of advantaged students underachieving in mathematics (EU: 10.9%), 19.9% in reading (EU: 10.6%) and 14.2% in science (EU: 8.9%). The underachievement rate in mathematics is highest in state schools (40.6%), followed by church-run (25.5%) and independent schools (16.7%). This reflects the unequal distribution of students from different backgrounds across schools, with a concentration of disadvantaged students in state schools, which points to a stratified school system with systemic challenges. The national education strategy 2024–2030 commits to prioritise equity and inclusion, comprising a revision of the National Curriculum Framework, a mathematical literacy strategy, and by strengthening literacy skills. Furthermore, Malta has recently launched an Action Plan on Addressing 2022 Pisa Challenges, to be reviewed jointly with the OECD. Early leaving from education and training (ELET) decreased by 7.4 pps between 2014 and 2024. However, still 9.6% of young people between the age of 18-24 leave education with at most a lower secondary qualification (EU: 9.3%), and this is higher among young people with disabilities (33% vs EU: 18% in 2022)<sup>(170)</sup>. Driven by the RRP, Malta is strengthening its ELET monitoring system with a data warehouse that aims to identify students at risk. The European Social Fund Plus

(ESF+) national programme prioritises reducing early school leaving by: (i) promoting VET; (ii) implementing preventive and active measures; (iii) providing innovative teaching and learning tools (such as digital technologies); (iv) building education and training professionals' capacity; and (iv) developing inclusive education pathways for children with special education needs.

**The share of top-performing students is shrinking, hindering the country's innovation potential.** The share of top performers in mathematics and science has decreased substantially since 2015 with significant differences across school types. The share of top-performing students in mathematics is highest in independent schools (17.1%) and considerably lower in church-run (7.1%) and state schools (5.0%), highlighting unequal opportunities to succeed in a stratified school system. Only 48% of eighth grade students had at least a basic computer and information literacy level (EU: 57%)<sup>(171)</sup>. A decreasing rate of top performance and a high share of students without an adequate level of basic and digital skills point to an overall challenge in supporting students' skills development in these areas. This raises questions about the overall teaching quality and highlights the need for better school monitoring. To respond to these challenges, the Maltese ESF+ programme has allocated 43% of its budget to promoting quality and inclusive education, training and lifelong learning. To complement these, the country's RRP aims to improve basic skills and literacy, track early school leavers, improve online training, and adapt educational infrastructure for students with disabilities.

**Teacher shortages and challenges with teachers' preparedness could harm the quality of education.** To mitigate teacher shortages at primary and secondary level,

<sup>(169)</sup> OECD (2023). PISA 2022 Results (Volume I): The State of Learning and Equity in Education.

<sup>(170)</sup> [European comparative data on persons with disabilities - Publications Office of the EU](#).

<sup>(171)</sup> European Commission (2024). International Computer and Information Literacy Study (ICILS) in Europe – 2023. Main Findings and Educational Policy Implications.



substitute teachers are being employed, counting for 12.5% of the teaching workforce in 2022<sup>(172)</sup>. Given that the qualification requirements for substitute teachers are different or lower than for fully qualified teachers, this might have a negative impact on teaching and learning quality. In 2022, 41.4% (EU: 53.4%) of students attended schools whose principal reported that the school's capacity to provide instruction was hindered by a lack of teaching staff, and 19.1% (EU: 27.4%) of students attended schools with reported inadequate or poorly qualified teaching staff. Working conditions, a rigid salary scale system and limited career progression have been identified among the drivers behind the limited attractiveness of the profession and teacher retention<sup>(173)</sup>. Moreover, since 2015, Malta has registered the largest increase in the share of foreign-born students in the EU (5.4 pps). To respond to a rapidly evolving environment, students' learning should be better considered in classrooms. This could be facilitated by improving teachers' preparedness through a revision of the initial teacher education curricula; strengthening teacher training institutions; improving practical learning opportunities; monitoring working conditions; and strengthening teacher communities and the current induction and mentoring policy.

**There is scope to improve green skills among both students and educators.** While students can understand fundamental principles and broad concepts underpinning sustainable development, they lack specific knowledge, and systemic understanding or a critical perspective of the area<sup>(174)</sup>. Despite increasing opportunities for teachers to

implement sustainability-topics in their practice, only one in two reported participating in training on the environment and sustainability during pre- or in-service training (or both).

**Far less students in Malta are enrolled in upper-secondary vocational programmes than in the rest of the EU.** Despite the very high employment rates of recent VET graduates, in 2023, 28.8% of upper-secondary students were enrolled in vocational programmes, well below the EU average of 49.1%. The share of 20-34-year-old VET graduates (ISCED 3-4) exposed to work-based learning remains below the EU average (51.9% vs 65.3% in 2024) and the EU target for 2025 (60%). Challenges with the perception, attractiveness and accessibility of VET programmes persist, reflecting broader concerns about the value and relevance of VET qualifications. This misalignment with the needs of both adult learners and the labour market exacerbates existing skills mismatches and contributes to high skills shortages in the country.

**Malta has developed several policy actions to tackle education and skills challenges.** For instance, Malta's new education strategy 2024-2030 improves synergies between education and industry through: (i) partnerships; (ii) professional development for VET educators; (iii) national basic skills guidelines; (iv) entrepreneurship promotion; (v) industry involvement in designing vocational programmes; and (vi) a review of funding opportunities to support lifelong learning. Moreover, MCAST, Malta's leading vocational education institution, provides training aligned with industry needs. With its 2022-2027 strategy, MCAST is aiming to boost vocational and professional education by: (i) developing modern infrastructure; (ii) expanding work-based learning; (iii) advancing research; (iv) promoting sustainability; and (v) strengthening industry partnerships. However, a comprehensive assessment of these measures is still needed.

<sup>(172)</sup> Ministry for Education, Sport, Youth, Research and Innovation.

<sup>(173)</sup> Kutsyruba, B. & Bezzina, C. (2024). Teacher Induction and Mentoring in Malta: A Review of the Literature; Attard Tonna, M. & Calleja, J. (2021): An investigation of the professional behaviour, status, career and identities of teachers in Malta.

<sup>(174)</sup> 2022 International Civic and Citizenship Study (ICCS); IEA International Civic and Citizenship Education Study 2022 International Report (Revised Edition).

**While tertiary attainment rate increases, enrolment in science, technology, engineering and mathematics (STEM) fields remains low, despite labour market demand.**

In 2024, 46.9% of 25-34-year-olds had a tertiary qualification (EU: 44.2%), having increased by 15.6 pps since 2014. However, the share of tertiary students enrolled in STEM subjects is one of the lowest in the EU, at 13.9% (EU: 26.7%), with only 5.1% of all tertiary enrolments in an ICT subject. At upper secondary VET, 33.1% of students in Malta were enrolled in STEM fields in 2023, below the EU average of 38.9%. The area of ICT attracts a very low share of female students. Only 1.5% of women enrolled in tertiary education study ICT, against 10.0% of all male tertiary students, and only 17.4% of students enrolled in ICT are female. The current supply of ICT graduates falls short of the labour market demand<sup>(175)</sup>. To encourage students to pursue studies in areas with growing industry demand, the national education strategy 2024-2030 proposes a stipend system and higher investments in the current scholarship scheme. These initiatives are targeted at students who study in STEM fields or in the area of green skills, and scholarships in niche ICT fields are also provided under the RRP. Furthermore, institutions like MCAST and the University of Malta have expanded their educational offer in ICT and engineering. As part of the digital education strategy 2024-2030, Malta recognises the gender differences in computer science and supports initiatives to offer female role models to girls and promote industry partnerships to bridge the existing gender gap.

**Bottlenecks to enter STEM fields in higher education are already present at earlier stages of students' education.** At each educational level, the pool of potential students pursuing STEM careers decreases. At secondary level, around half of students fail to pass their school leaving exam in mathematics or physics and only a limited number take

exams in biology or chemistry<sup>(176)</sup>. The pool decreases further at post-secondary level, with only a small number of students taking advanced level examinations in STEM-related subjects<sup>(177)</sup>, a pre-requisite in most STEM-related fields to enter university.

**Malta is making efforts to develop digital skills further.** Self-reported data indicate that the share of the overall population in Malta with at least a basic level of digital skills is 63.0%, well above the EU average (55.6%). Malta is actively developing policies to strengthen digital literacy. The 2023-2030 Digital Decade strategic roadmap includes a dedicated section on digital skills. More recently, the 2025-2030 digital education strategy prioritises digital literacy in education at all levels.

**Skills mismatches remain a pressing challenge, contributing to high skills shortages and hindering the country's resilience and competitiveness.** The macroeconomic skills mismatch<sup>(178)</sup> decreased further slightly in 2024, by approximately 0.7 percentage point compared to the previous year, to 18.8%, somewhat below the EU average of 19.2%. The Malta Skills Survey (2022 and 2023) highlights vertical mismatches (skills misaligned with qualification levels) and horizontal mismatches (skills misaligned with fields), alongside shortages in transversal skills, such as soft and digital skills.

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<sup>(175)</sup> European Commission (2024), Digital Decade 2024 – Country Report: Malta.

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<sup>(176)</sup> SEC Statistical Report 2023

<sup>(177)</sup> MC Statistical Report.

<sup>(178)</sup> The macroeconomic skills mismatch indicator measures the dispersion of employment rates across skill groups (proxied by qualification levels, with ISCED 0-2 low; 3-4 medium and 5-7 high).

**% of people aged 25-64**

Year	EU Total	MT Total	MT with low education	MT with high education
2007	28	27	26	27
2011	34	30	30	30
2016	37	33	21	61
2022	40	40	16	66
2030 (target)	-	-	-	58

**Source:** Eurostat, AES, special extraction excluding guided-on-the-job training, available on [CIRCABC](#).

21.7% of workers with higher education qualifications are employed in jobs not requiring that level of qualification, a figure nevertheless consistent with the EU average. Certain sectors exhibit particularly high overqualification rates compared to the EU, such as transportation and storage (49.0%), wholesale and retail trade (50.0%), accommodation and food service (53.2%), and manufacturing (30.1%). Aligning workforce skills with market needs is critical for improving Malta's economic resilience and maximising the workforce's potential.

It is now in line with the EU average but far from the 2030 national target of 57.6%. Moreover, significant disparities not only persist but have increased over time. Highly educated adults are far more likely to participate in education and training than those with lower qualifications (65.9% vs 16.3%, respectively in 2022), and this difference has only increased since 2016 (61.3% vs 20.7%, respectively – see Graph A12.2). Consequently, the people that would benefit the most from these learning opportunities are those less likely to access them. Therefore, substantial efforts are needed to meet Malta's 2030 skills target and support the country's competitiveness.

**are under way.** The ESF+ is supporting investments to upskill and reskill the workforce, particularly in green and digital fields, while also addressing skills gaps in emerging sectors. Initiatives aim to support vulnerable groups by providing training in basic and digital skills, second chance education, and active inclusion for people with disabilities. The ESF+ also contributes to improving healthcare and long-term care services through training for health and care workers, health prevention campaigns and research (see Annex 14). Additionally, the planned implementation of individual learning accounts is expected to encourage greater participation in adult education by giving financial incentives to close skills gaps and foster personal and professional development. Thanks to RRP support, Malta launched the e-College, an online learning platform offering digital and flexible courses to support upskilling, lifelong learning, and a more resilient workforce. The initiative aims to attract at least 4 800 learners, including low-skilled people.

# ANNEX 13: SOCIAL SCOREBOARD

Table A13.1: Social Scoreboard for Malta

Social Scoreboard for Malta						
Equal opportunities and access to the labour market		Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)			39,9	
		Early leavers from education and training (% of the population aged 18-24, 2024)			9,6	
		Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2023)			63,0	
		Young people not in employment, education or training (% of the population aged 15-29, 2024)			7,2	
		Gender employment gap (percentage points, population aged 20-64, 2024)			13,4	
		Income quintile ratio (S80/S20, 2024)			4,87	
Dynamic labour markets and fair working conditions		Employment rate (% of the population aged 20-64, 2024)			83,0	
		Unemployment rate (% of the active population aged 15-74, 2024)			3,1	
		Long term unemployment (% of the active population aged 15-74, 2024)			0,7	
		Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2023)			152,8	
Social protection and inclusion		At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2024)			19,7	
		At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2024)			25,9	
		Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2024)			26,0	
		Disability employment gap (percentage points, population aged 20-64, 2024)			25,3	
		Housing cost overburden (% of the total population, 2024)			5,8	
		Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2024)			44,1	
		Self-reported unmet need for medical care (% of the population aged 16+, 2024)			0,3	
Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

(1) Update of 5 May 2025. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2025 for details on the methodology (<https://employment-social-affairs.ec.europa.eu/joint-employment-report-2025-0>).

Source: Eurostat

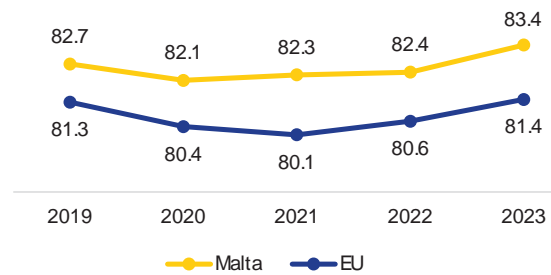


## ANNEX 14: HEALTH AND HEALTH SYSTEMS

**Malta's health system faces challenges that need to be addressed if the country is to improve the health of its population and social fairness, while boosting the competitiveness of its economy.** The main challenges are increasing demand for services due to population growth, high out-of-pocket payments for healthcare, and a high prevalence of overweight and obesity. These challenges are mainly due to: (i) insufficient funding; (ii) health workforce shortages; (iii) limited spending on prevention; and (iv) shortcomings in the effectiveness of current preventive measures.

**Life expectancy at birth in Malta rebounded above its pre-COVID-19 level and was one of the highest in the EU in 2023.** Women can expect to live 3.6 years longer than men, but only around a fifth of a year more in good health. Treatable mortality is lower than the EU average, suggesting that the health system is relatively effective. Diseases of the circulatory system ('cardiovascular diseases') and cancer are the leading causes of death, but with mortality rates lower than the EU average. Mental health is a priority in Malta's national health strategy framework for 2020-2030, supported by the 2020-2030 mental health strategy. The strategy focuses on: (i) social determinants; (ii) transforming service delivery; (iii) supporting individuals and their networks; and (iv) enhancing services through integration, investment and innovation. A key milestone was the launch of a 24/7 mental health hotline in late 2022. Malta participates in several EU4Health-funded joint actions, which aim to reduce the burden of cardiovascular diseases, cancer, diabetes and respiratory diseases, and to improve mental health.

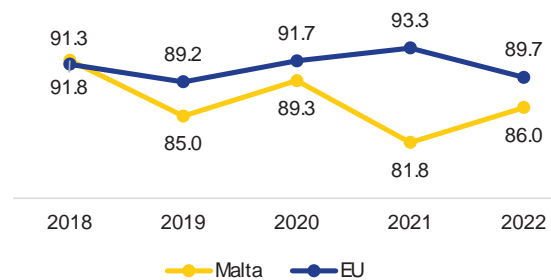
Graph A14.1: Life expectancy at birth, years



Source: Eurostat (demo\_mlexpec)

Graph A14.2: Treatable mortality

per 100 000 population

Age-standardised death rate (**mortality that could be avoided through optimal quality healthcare**)

Source: Eurostat (hlth\_cd\_apr)

**Health expenditure in Malta is lower than the EU average, as is the share of health spending covered by public funds.** In 2022, health spending per inhabitant (adjusted for differences in purchasing power) was lower than the EU average, and only 67% of it was publicly funded. The largest share of health expenditure, above the EU average, was for outpatient care. This, together with a relatively low number of hospital beds (335 per 100 000 population in 2022 vs an EU average of 444), points to Malta's organisational focus on primary care. This matches a health system reform trend observed in other countries. Public spending as a proportion of total health expenditure in Malta was among the lowest in the EU in 2022. This translated into one of the highest proportions of out-of-pocket payments for healthcare in the EU (30% in 2022, more



than twice the EU average) <sup>(179)</sup>. The largest share of out-of-pocket payments went towards outpatient care, followed by retail medical goods, inpatient and dental care. Despite the high out-of-pocket payments for healthcare, Malta continues to report one of the lowest levels of self-reported unmet needs for medical care in the EU, at 0.3% of the population in 2024 compared to 2.5% EU average. At the same time, due to ageing, the projected increase in public healthcare spending raises fiscal sustainability concerns for Malta (see Annex 1). In 2022, investments in health capital formation as a share of total health expenditure were among the lowest in the EU <sup>(180)</sup>. This may be reflected by the scarcity of key diagnostic technologies (medical imaging), however the situation is improving in this respect. Malta invests EUR 36.7 million through its recovery and resilience plan (RRP), and EUR 155 million <sup>(181)</sup> from the cohesion policy funds to improve the accessibility, effectiveness and resilience of the health system.

**As regards public health, Malta places a modest focus on disease prevention.** In 2022, spending on prevention in Malta accounted for 1.2% of total spending on health, much lower than the EU average of 5.5%. This share has been decreasing in recent years, contrary to the EU-wide trend, driven by exceptional expenditure related to COVID-19. More than one third of all deaths in Malta are driven by behavioural risk factors. Dietary risks and smoking are major contributors to mortality. The proportion of the population reporting daily consumption of vegetables in 2022 was among the lowest in the EU, as was the frequency of physical activity outside working time. These factors contribute to the country's high prevalence of overweight and obesity, which in turn drive its comparatively high mortality rates from diabetes and ischaemic

heart disease. Lung cancer is the second main cause of preventable mortality in Malta, which may be linked to high smoking rates.

The Maltese government is carrying out targeted actions to combat chronic conditions like obesity, diabetes and cancer through the 2023-2030 national health systems strategy. Key initiatives include: (i) enhancing healthcare services; (ii) stepping up physical activity programmes; (iii) expanding remote patient monitoring; and (iv) opportunistic screening services in the community for various common non-communicable diseases.

A national framework aims to prevent non-communicable diseases, by addressing systemic challenges within the health system and priority areas targeting major risk factors or determinants of health. Cancer prevention efforts include expanding screening programmes, genetic services, and home-based treatments under new initiatives following on from previous national cancer plans. The Maltese RRP also tackles these issues by setting out a prevention-focused strategic framework and revising legal structures to support a blood, tissue and cell centre. Investments include diagnostic enhancements and procuring radiotherapy equipment. Malta has also set up a newborn hearing-testing programme to identify hearing problems as early as possible. Finally, a report on obesity prevalence among 4–5-year-olds in Malta highlights trends, risk factors and intervention impacts, aiming to guide policy, raise awareness and identify health disparities.

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<sup>(179)</sup> OECD/European Commission (2024), [Health at a Glance: Europe 2024 - State of Health in the EU Cycle](#), pp.186-187.

<sup>(180)</sup> See Health at a Glance Europe 2018, 2020, 2022 and 2024.

<sup>(181)</sup> The EU cohesion policy data reflect the status as of 13 May 2024.



Table A14.1: Key health indicators

	2019	2020	2021	2022	2023	EU average* (latest year)
Cancer mortality per 100 000 population	203.5	212.5	198.3	209.5	n.a.	234.7 (2022)
Mortality due to circulatory diseases per 100 000 population	298.9	286.0	271.8	273.8	n.a.	336.4 (2022)
Current expenditure on health, purchasing power standards, per capita	2 957	3 027	3 391	3 427	n.a.	3 684.6 (2022)
Public share of health expenditure, % of current health expenditure	62.5	66.7	67.4	67.0	n.a.	81.3 (2022)
Spending on prevention, % of current health expenditure	1.5	1.5	1.2	1.2	n.a.	5.5 (2022)
Available hospital beds per 100 000 population**	321	349	343	335	n.a.	444 (2022)
Doctors per 1 000 population*	4.0	4.2	4.3	4.5	n.a.	4.2 (2022)*
Nurses per 1 000 population*	7.7	8.0	8.0	7.8	n.a.	7.6 (2022)*
Mortality at working age (20-64 years), % of total mortality	13.1	14.1	13.8	13.4	12.2	14.3 (2023)
Number of patents (pharma / biotech / medical technology)	2	1	7	9	17	29 (2023)***
Total consumption of antibacterials for systemic use, daily defined dose per 1 000 inhabitants****	20.7	16.6	15.8	24.0	22.9	20.0 (2023)

\*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2022 (or latest 2021) data except for Luxembourg (2017). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except France and Slovakia (professionally active) and Greece (hospital only). \*\*'Available hospital beds' covers somatic care, not psychiatric care. \*\*\*The EU median is used for patents.

**Source:** Eurostat database; European Patent Office; \*\*\*\*European Centre for Disease Prevention and Control (ECDC) for 2023.

**Malta has implemented several reforms to tackle its shortage of health workers.** Malta has more doctors than the EU average (4.5 vs 4.2 per 1 000 population in 2022), while the number of nurses is close to the EU average (see Annex 10). As a small country, Malta faces unique challenges in attracting and retaining specialised health professionals. Key issues include the 'brain drain,' where local medical staff migrates to countries offering better employment opportunities and exposure to a wider range of medical cases. In the past, shortages were worsened by an increasing number of nurses leaving Malta to work in other (English-speaking) countries with more attractive working conditions <sup>(182)</sup>. To address these challenges and mitigate their impact on the health system and patient care, Malta has improved remuneration packages for specialists to better compete with other EU and UK markets. Malta is fairly reliant on foreign nurses, especially in hospitals. Malta is also expected to be more affected by demographic change than most other EU countries <sup>(183)</sup>. To address workforce shortages, Malta launched its first national health workforce strategy in

2022. The strategy's main goals are to: (i) attract, develop, retain and manage an inclusive and resilient workforce; (ii) promote effective management practices; and (iii) support professional growth in response to societal needs. It includes a human resource planning and forecasting tool to enhance workforce sustainability. The Maltese RRP also supports these aims by focusing on workforce planning and retention measures.

**The Maltese health system's potential to drive innovation and foster industrial development in the EU medical sector remains largely untapped.** Malta is among the EU countries that report the lowest public spending on health research and development, in part reflecting the modest size of the country and its health system. This is reflected in the low number of European patents generated: 17 in 2023 in the combined areas of pharmaceuticals, biotechnologies and medical devices (vs an EU-level median of 29) <sup>(184)</sup>.

**Malta aims to scale up the digitalisation of its health system, with support from EU programmes.** The share of people accessing their personal health records online in Malta is

<sup>(182)</sup> [Malta is facing exodus of nurses to the UK \(timesofmalta.com\)](https://timesofmalta.com).

<sup>(183)</sup> Source: [https://economy-finance.ec.europa.eu/system/files/2021-10/ip148\\_en.pdf](https://economy-finance.ec.europa.eu/system/files/2021-10/ip148_en.pdf)

<sup>(184)</sup> European Patent Office, [Data to download \(epo.org\)](https://data.epo.org).

higher than the EU average (41.6 in 2024 vs 27.6). However, the use of online health services (excluding phone) instead of in-person consultations was much lower. The digitalisation of health services and remote care options are becoming more widespread. Malta has adopted a strategic roadmap for digital health as part of its 2023-2030 national health systems strategy. This roadmap aims to guide the integration of digital technologies within the national healthcare ecosystem up to 2030. It focuses on enhancing patient-centred care, achieving system integration, and ensuring continuity across the healthcare system. Key areas addressed include interoperability between healthcare IT systems, governance structures, and opportunities for innovation in healthcare. Significant investments under the RRP and cohesion policy aim to boost the digital transformation of the healthcare sector in Malta. Measures focus on building and improving digital health tools, e-health services and applications. In addition, Malta participates in joint actions and receives direct grants under EU4Health, aimed at improving the semantic interoperability of health data and facilitating the implementation of the European Health Data Space.

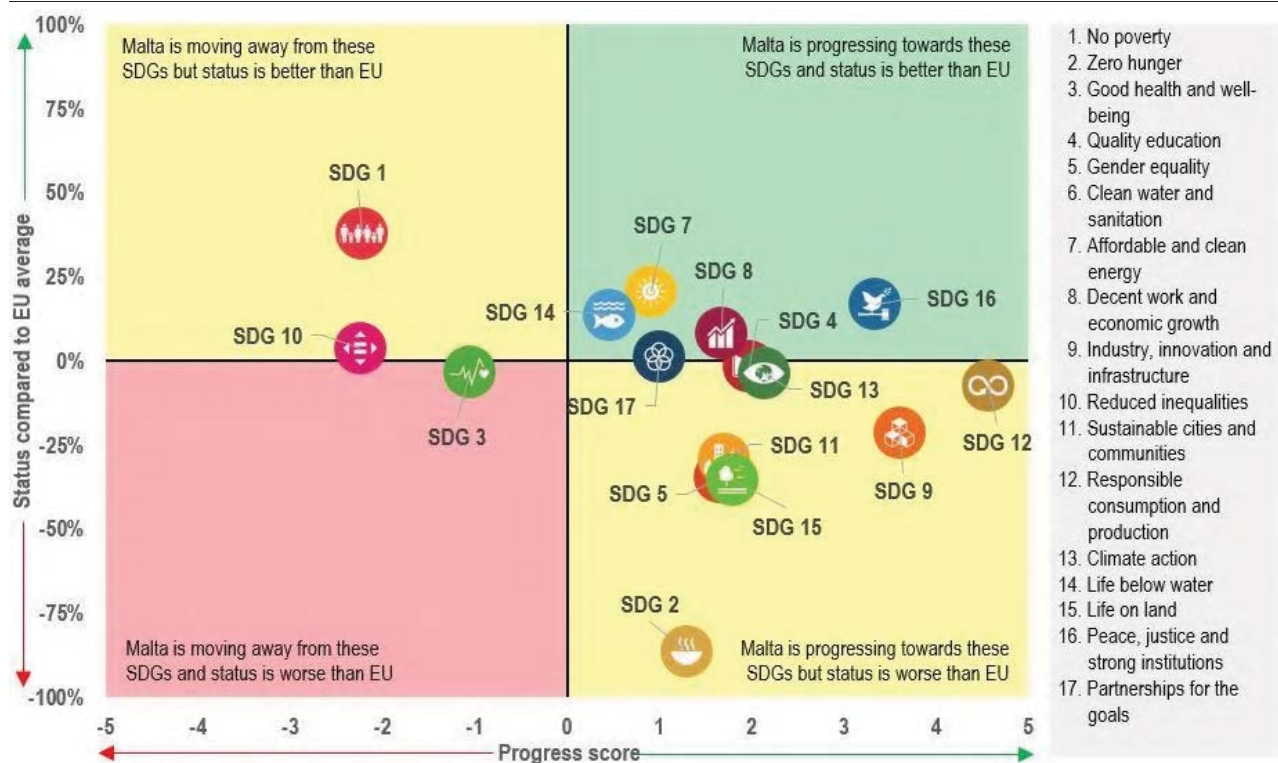


This Annex assesses Malta's progress on the Sustainable Development Goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness and macroeconomic stability. The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

performs well on decent work and economic growth (SDG 8) but, though improving, it needs to catch up with the EU average on SDG 9 (Industry, innovation and infrastructure) as well as quality education (SDG 4). Malta steadily increased its tertiary education rate from 41% in 2019 to 46.9% in 2024 (against 44.2% for the EU; SDG 4). In addition, both adult participation in learning in the past four weeks (18.4%) and the percentage of adults with at least basic digital skills (SDG 4; 63%) are above the EU average (13.3% and 55.6%, respectively). However, regarding innovation (SDG 9), the Maltese research and innovation system suffers from underinvestment as shown by the indicator on gross domestic expenditure on R&D (0.64% of GDP in 2023 compared to the EU average of

### On SDGs related to competitiveness, Malta

Graph A15.1: Progress towards the SDGs in Malta



For detailed datasets on the various SDGs, see the annual Eurostat report '[Sustainable development in the European Union](#)'; for details on extensive country-specific data on the short-term progress of Member States: [Key findings – Sustainable development indicators - Eurostat \(europa.eu\)](#). A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

**Source:** Eurostat, latest update of 28 April 2025. Data refer mainly to the period 2018-2023 or 2019-2024. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

2.24%) and the share of R&D personnel (0.74% of the active population in 2023 compared to the EU average of 1.56%). Complementing the Cohesion Funds, the recovery and resilience plan (RRP) targets digitalisation bottlenecks to improve progress on meeting SDG 9 (Industry, innovation and infrastructure). Cohesion Policy also supports, amongst others, R&I infrastructure and equipment, and the development of a business incubation centre strengthening the competitiveness of Malta's economy.

**While Malta is improving on several SDGs related to sustainability (SDGs 2, 9, 11, 12, 13, 15), their status remains below the EU average. Malta performs well on SDG 7 (Affordable and clean energy) and SDG 14 (Life below water).** Although Malta's energy consumption per capita is below the EU average (SDG 7), the share of renewable energy in gross final energy consumption (15.1%) though improving, remains far below the EU average (24.6% in 2023; SDG 13). As for affordable energy, the percentage of the Maltese population unable to keep their homes adequately warm (6.8% in 2023) is below the EU average (10.6%). Waste generation per capita is on a downwards trend but remains higher than the EU average in 2022 (MT: 5 004 kg against EU: 4 991 kg) (SDG 12), and the rate of recycling for municipal waste is around a third of the EU average (17.3% against 48.2% for the EU in 2023; SDG 11). Only 7.4% of the Maltese population were connected to at least secondary wastewater treatment in 2022 compared to 80.9% at EU level (SDG 11). Various measures in Malta's recovery and resilience plan (RRP) aim to contribute to better energy efficiency, clean energy, sustainable transport, and a circular economy. Examples include energy-efficiency renovations of private and public buildings, investments and reforms to increase renewable energy capacity, promotion of sustainable transport, and improvements in waste management and measures to increase recycling and reuse, including in the construction and demolition industries.

Alongside the RRF, Cohesion Policy also supports multimodal solutions to improve mobility (e.g. pedestrian pathways, cycling lanes) and investment in an organic processing plant to reduce the amount of organic waste that goes to landfill.

**Malta performs well on decent work and economic growth (SDG 8) and affordable and clean energy (SDG 7) and, though still below the EU average, it is improving on education and gender equality (SDGs 4, 5). However, it is moving away from several SDGs related to social fairness, including those addressing poverty and inequalities (SDGs 1, 3, 10).** Malta has very low self-reported unmet medical needs (0.1% in 2023 against 2.4% for the EU), but the obesity rate is above the EU average and increasing while healthy life expectancy at birth, though still above the EU average, is decreasing (SDG 3). Fatal accidents at work have increased significantly to 5.28 per 100 000 workers in 2022 and are now far above the EU average (1.66 per 100 000 workers) (SDG 3). On SDG 4 (Quality education), Malta has significantly decreased its share of early leavers from education and training, which fell from 14.2% (2019) to 9.6% in 2024, although it remains slightly higher than the EU average (9.3%). There is room for improvement in increasing basic skills levels (32.6% of low-achieving 15-year-olds in mathematics against 29.5% for the EU in the OECD Programme for International Student Assessment (PISA) 2022). The share of children over three in early childhood education stood at 93.2% in 2023, slightly below the EU average (94.6%). Furthermore, the gender employment gap (SDG 5), though improving, remains wide in Malta (13.4 percentage points (pps) against 10 pps for the EU in 2024). Although the share of people at risk of poverty or social exclusion (SDG 1) remains below the EU average (MT: 19.8% vs EU: 21.3% in 2023), there is a significant urban-rural gap (SDG 10). Reforms and investments in the Maltese RRP are helping to strengthen the health system, provide quality inclusive

education and training, and promote female labour market participation.

**Malta performs well on SDGs related to *macroeconomic stability* (SDGs 8, 16, 17).**

Regarding decent work and economic growth (SDG 8), Malta further increased its employment rate from 75.6% in 2019 to 83% in 2024, which is very high compared to the EU average (75.8% in 2024). At 7.2% in 2024, the share of young people not in employment, education or training is below the EU average (11%) and long-term unemployment is very low (0.7% against 1.9% for the EU in 2024). General government gross debt, at 47.4% of GDP, is far below the EU average (81% of GDP in 2024) (SDG 17). Although overall Malta performs above the EU average on SDG 16 (Peace, justice, and strong institutions), Malta scores worse than the EU in the Corruption Perceptions Index (46 compared to 62 in the EU in 2024, with 0 being highly corrupt and 100 very clean). The RRP includes reforms to address several long-standing institutional challenges relating to justice as well as to the fight against corruption and money laundering.

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other Annexes.





## ANNEX 16: CSR PROGRESS AND EU FUNDS IMPLEMENTATION

**Malta faces structural challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs) addressed to the country as part of the European Semester.** They refer, among other things, to tax avoidance, skills and education, transport, energy and environmental policy.

**The Commission has assessed the 2019-2024 CSRs considering the policy action taken by Malta to date and the commitments in its recovery and resilience plan (RRP).** At this stage, Malta has made at least 'some progress' on 44 % of the CSRs <sup>(185)</sup>, and 'limited progress' on 40 % (Table A16.2).

**EU funding instruments provide considerable resources to Malta by supporting investments and structural reforms to increase competitiveness, environmental sustainability and social fairness, while helping to address challenges identified in the CSRs.** In addition to the EUR 328 million funding from the Recovery and Resilience Facility (RRF) in 2021-2026, EU cohesion policy funds <sup>(186)</sup> are providing EUR 772.8 million to Malta (amounting to EUR 1.2 billion with national co-financing) for 2021-2027 <sup>(187)</sup> to boost competitiveness and growth. Support from these instruments combined represents around 5.4% of 2024 GDP <sup>(188)</sup>. The contribution of these instruments to different policy objectives is outlined in Graphs A16.1 and A16.2. This substantial support comes on top of financing provided to Malta

under the 2014-2020 multiannual financial framework, which financed projects until 2023 and has had significant benefits for the economy and Maltese society. Project selection under the 2021-2027 cohesion policy programmes has accelerated and is advanced.

**The Maltese RRP contains 16 investments and 31 reforms to stimulate sustainable growth, help speed up the green and digital transitions and make the economy and society more resilient.** A year before the end of the RRF timespan, implementation is on its way, with 51% of the funds disbursed. Malta has fulfilled 39 % of the milestones and targets in its RRP <sup>(189)</sup>. Efforts should continue to ensure completion of all RRP measures by 31 August 2026.

**Malta also receives funding from several other EU instruments, including those listed in Table A16.1.** Most notably, the common agricultural policy (CAP) provides Malta with an EU contribution of EUR 122.3 million under the CAP strategic plan 2023-2027 <sup>(190)</sup>. A further EUR 107.2 million are available under the Asylum, Migration and Integration Fund (AMIF), together with the border management and visa instrument (BMVI) and internal security funds. Operations amounting to EUR 50 million <sup>(191)</sup> have been signed under the InvestEU instrument backed by the EU guarantee, improving access to financing for riskier operations in Malta.

<sup>(185)</sup> 10 % of the 2019-2024 CSRs have been fully implemented, 4 % substantially implemented, and some progress has been made on 44 %.

<sup>(186)</sup> In 2021-2027, cohesion policy funds include the European Regional Development Fund, the Cohesion Fund, the European Social Fund Plus and the Just Transition Fund. The information on cohesion policy included in this annex is based on adopted programmes with the cut-off date of 5 May 2025.

<sup>(187)</sup> European territorial cooperation (ETC) programmes are excluded from the figure.

<sup>(188)</sup> RRF funding includes both grants and loans, where applicable. GDP figures are based on Eurostat data for 2024.

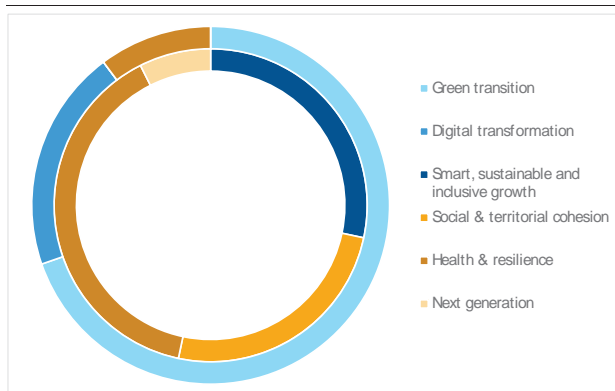
<sup>(189)</sup> As of mid-May 2025, Malta has submitted 3 payment requests, the last one being under assessment.

<sup>(190)</sup> An overview of Malta's formally approved strategy to implement the EU's common agricultural policy nationally can be found at: [https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/malta\\_en](https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/malta_en)

<sup>(191)</sup> Data reflect the situation on 31.12.2024.



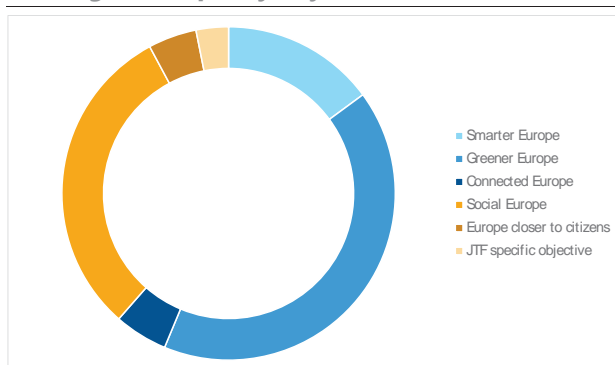
Graph A16.1: **Distribution of RRF funding in Malta by policy field**



(1) Each RRP measure helps achieve the aims of two of the six policy pillars of the RRF. The primary contribution is shown in the outer circle, while the secondary contribution is shown in the inner circle. Each circle represents 100% of the RRF funds. Therefore, the total contribution to all pillars displayed on this chart amounts to 200% of the RRF funds allocated.

**Source:** European Commission

Graph A16.2: **Distribution of cohesion policy funding across policy objectives in Malta**



**Source:** European Commission

**Cohesion policy funds aim to increase the productivity and competitiveness of Maltese firms and improve the business environment.** The European Regional Development Fund (ERDF) is helping to foster competitiveness in Malta, for example, by funding a large incubation centre for innovative businesses (the Hal Far Business Incubation Centre), investing a total of EUR 25 million. The European Social Fund Plus (ESF+) allocates 19.5% of its budget to enhancing employment and the social economy in Malta, focusing on getting young people into work, incentives for job creation, and skills development in green and digital skills. EUR 3 million of EU

contribution will go towards increasing women's labour market participation through targeted information campaigns and skills development. Education and training receive 43% of the ESF+ budget to target early school leaving, promote vocational education and training, and support lifelong learning, emphasising digital and green skills. Specifically, 53 000 adults will participate in learning opportunities in nearly 700 small and medium-sized enterprises (SMEs), while 12 000 young people will take part in employment measures (Youth Guarantee, Aim-Learn-Master-Achieve).

**Other funds are contributing to competitiveness in Malta, for instance through open calls.** The Connecting Europe Facility has financed strategic investments focusing on road transport, contributing to the development of alternative fuel infrastructure; as well as on the modernisation of maritime transport infrastructure. Horizon Europe has supported research and innovation, from scientific breakthroughs to scaling up innovations, with widening participation and spreading excellence and European innovation as top priorities in Malta. The Technical Support Instrument (TSI) in 2024 supported Malta to enhance strategic tax administration reforms; to build capacity to fight aggressive tax planning; to increase financial literacy; to enhance access to justice through the application of a people-centre justice approach; to shape a national skills strategy targeting the maritime sector; to implement the health technology assessment and to promote mental health of youth by addressing the risks of online gambling and gaming. The TSI is also helping Malta to implement specific reforms linked to its RRP.

**Malta's RRP also contains ambitious measures to improve the business environment and competitiveness.** Among the measures completed or under implementation in the past year, Malta has increased the powers and staff of the Asset Recovery Bureau to strengthen the fight

against money laundering and financial crime and is implementing the national anti-money laundering/combating terrorist financing strategy and action plan for 2021-2023. In the construction industry, the governance framework has been improved by the creation of a Regulator for Buildings, and training has been provided to professionals in the industry. Malta's digital strategy 2022-2027 is being implemented to reduce the digital divide and promote digital skills. This includes providing laptops, internet vouchers and training to low-income individuals. Significant investment in digitalisation is also being carried out to implement secure digital tools to support the justice system.

**EU funds are playing a significant role in promoting environmental sustainability in Malta during the current seven-year EU budget (multiannual financial framework).**

For instance, the ERDF is funding 30 km of new/upgraded pipes in the public network for the collection of waste water, benefiting a total population of over 100 000 people. Malta's CAP strategic plan allocates EUR 38 million (48% of rural development funding) to environmental and climate objectives and more than EUR 10 million (25% of direct payments) to eco-schemes supporting animal welfare, biodiversity or integrated pest management. Malta also aims to substantially increase its share of organic farming. Moreover, considering the scarcity of water, the plan also supports investments in, among others, modern water capture, storage and distribution systems.

**Malta's RRP, including the REPowerEU chapter, has a comprehensive set of reforms and investments for the green transition.**

Among the measures completed or under implementation in the past year, Malta is renovating two public schools to improve energy efficiency and building a pilot near-carbon-neutral school. Private-sector uptake of electric vehicles is being promoted by the award of grants to purchase such vehicles. Waste management is being strengthened by

applying the extended producer responsibility to new sectors and implementing a construction and demolition waste strategy.

**Promoting fairness and social cohesion by improving access to basic services are among the key priorities of EU funding in Malta.**

The ERDF is adding classroom capacity in education facilities for 1 200 pupils. The ESF+ in Malta dedicates 26.1% of its budget to social inclusion, including training for vulnerable groups, skills development and active inclusion for persons with a disability. It also prioritises disadvantaged children via the Child Guarantee and supports anti-discrimination and socio-economic integration for nationals of non-EU countries. Additionally, the programme strengthens healthcare and long-term care systems by investing in workforce training and prevention campaigns, aiming to improve service access for 6 500 participants. Social inclusion actions should benefit 1 500 persons with a disability and 1 200 nationals of non-EU countries. In addition, the AMIF supports the reception capacity (through the provision of basic services and material aid to migrants); the efficiency and effectiveness of asylum procedures; the integration of third country nationals (through the provision of services such language learning, cultural mediation and facilitating access to education and the labour market); and returns.

**Malta's RRP contains several reforms and investments related to fairness and social policies.**

Among the measures completed or under implementation in the past year, Malta is building a blood, tissue and cell centre that will alleviate Malta's dependency on other countries for blood, tissue and cell therapies. Malta is speeding up the digitalisation of its healthcare system, using new technologies to improve the quality of patient care and reduce waiting times. Numerous measures are being put in place to prevent early school leaving. To expand upskilling and reskilling opportunities for adults, with particular focus on the low skilled, an e-college offering comprehensive

online courses has been set up, and measures are being taken to develop a guidance system and network.

Table A16.1: **Selected EU funds with adopted allocations - summary data (million EUR)**

Instrument/policy	Allocation 2021-2026		Disbursed since 2021 (1)
RRF grants (including the RepowerEU allocation)	328,2		166,4
RRF loans	0		0
Instrument/policy	Allocation 2014-2020 (2)	Allocation 2021-2027	Disbursed since 2021 (3) (covering total payments to the Member State on commitments originating from both 2014-2020 and 2021-2027 programming periods)
<b>Cohesion policy (total)</b>	830,3	772,8	519,9
European Regional Development Fund (ERDF)	379,5	459,9	201,6
Cohesion Fund (CF)	205,0	165,2	108,9
European Social Fund (ESF, ESF+)	245,8	124,4	202,3
Just Transition Fund (JTF)		23,3	7,2
<b>Fisheries</b>			
European Maritime, Fisheries and Aquaculture Fund (EMFAF) and the European Maritime and Fisheries Fund (EMFF)	22,6	21,8	11,1
<b>Migration and home affairs</b>			
Migration, border management and internal security - AMIF, BVM and ISF (4)	118,8	107,2	58,4
<b>The common agricultural policy under the CAP strategic plan (5)</b>	<b>Allocation 2023-2027</b>		<b>Disbursements under the CAP Strategic Plan (6)</b>
<b>Total under the CAP strategic plan</b>	122,3		14,2
European Agricultural Guarantee Fund (EAGF)	43,0		9,5
European Fund for Agricultural Development (EAFRD)	79,3		4,7

1) The cut-off date for data on disbursements under the RRF is 31 May 2025.

(2) Cohesion policy 2014-2020 allocations include REACT-EU appropriations committed in 2021-2022.

(3) These amounts relate only to disbursements made from 2021 onwards and do not include payments made to the Member State before 2021. Hence the figures do not comprise the totality of payments corresponding to the 2014-2020 allocation. The cut-off date for data on disbursements under EMFAF and EMFF is 29 April 2025. The cut-off date for data on disbursements under cohesion policy funds, AMIF, BMVI and ISF is 5 May 2025.

(4) AMIF - Asylum, Migration and Integration Fund; BMVI - Border Management and Visa Instrument; ISF - Internal Security Fund.

(5) Expenditure outside the CAP strategic plan is not included.

(6) The cut-off date for data on EAFRD disbursements is 5 May 2025. The information on EAGF disbursements is based on the Member State declarations until March 2025. Disbursements for the Direct Payments (EAGF) started in 2024.

**Source:** European Commission

Table A16.2: Summary table on 2019-2024 CSRs

Malta	Assessment in May 2025	Relevant SDGs
<b>2019 CSR 1</b>	<b>Some progress</b>	
Ensure the fiscal sustainability of the healthcare and pension systems, including by restricting early retirement and adjusting the statutory retirement age in view of expected gains in life expectancy.	Some progress	SDGs 3, 8
<b>2019 CSR 2</b>	<b>Some progress</b>	
Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments.	Some progress	SDGs 8, 16
Strengthen the overall governance framework, including by continuing efforts to detect and prosecute corruption.	Some progress	SDG 16
Continue the ongoing progress made on strengthening the anti-money-laundering framework, in particular with regard to enforcements.	Full implementation	SDGs 8, 16
Strengthen the independence of the judiciary, in particular the safeguards for judicial appointments and dismissals, and establish a separate prosecution service.	Some progress	SDG 16
<b>2019 CSR 3</b>	<b>Some progress</b>	
Focus investment-related economic policy on research and innovation,	Limited progress	SDG 9
natural resources management,	Limited progress	SDGs 6, 12, 15
resource and energy efficiency,	Some progress	SDGs 7, 9, 13
sustainable transport, reducing traffic congestion and	Limited progress	SDG 11
inclusive education and training.	Some progress	SDGs 4, 8, 10
<b>2020 CSR 1</b>	<b>Some progress</b>	
Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment.	No longer relevant	SDGs 8, 16
Strengthen the resilience of the health system with regard to the health workforce, critical medical products and primary care.	Some progress	SDG 3
<b>2020 CSR 2</b>	<b>Some progress</b>	
Consolidate short-time work arrangements and ensure the adequacy of unemployment protection for all workers.	Some progress	SDGs 1, 2, 8, 10
Strengthen the quality and inclusiveness of education and skills development.	Some progress	SDGs 4, 8, 10
<b>2020 CSR 3</b>	<b>Some progress</b>	
Ensure effective implementation of liquidity support to affected businesses, including the self-employed.	Full implementation	SDGs 8, 9
Frontload mature public investment projects	Substantial progress	SDGs 8, 16
and promote private investment to foster the economic recovery.	Some progress	SDGs 8, 9
Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy,	Some progress	SDGs 7, 9, 13
sustainable transport	Some progress	SDG 11
waste management,	Some progress	SDG 11
research and innovation.	Limited progress	SDGs 6, 12, 15
<b>2020 CSR 4</b>	<b>Some progress</b>	
Complete reforms addressing current shortcomings in institutional capacity and governance to enhance judicial independence.	Some progress	SDG 16
Continue efforts to adequately assess and mitigate money-laundering risks and to ensure effective enforcement of the anti-money-laundering framework.	Full implementation	SDGs 8, 16
Step up action to address features of the tax system that facilitate aggressive tax planning by individuals and multinationals.	Some progress	SDGs 8, 16

(Continued on the next page)

Table (continued)

<b>2021 CSR 1</b>	<b>No longer relevant</b>	
<i>In 2022, maintain a supportive fiscal stance, including the impulse provided by the Recovery and Resilience Facility, and preserve nationally financed investment.</i>	No longer relevant	SDGs 8, 16
<i>When economic conditions allow, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term.</i>	No longer relevant	SDGs 8, 16
<i>At the same time, enhance investment to boost growth potential. Pay particular attention to the composition of public finances, on both the revenue and expenditure sides of the national budget, and to the quality of budgetary measures in order to ensure a sustainable and inclusive recovery. Prioritise sustainable and growth-enhancing investment, in particular investment supporting the green and digital transition.</i>	No longer relevant	SDGs 8, 16
<i>Give priority to fiscal structural reforms that will help provide financing for public policy priorities and contribute to the long-term sustainability of public finances, including, where relevant, by strengthening the coverage, adequacy and sustainability of health and social protection systems for all.</i>	No longer relevant	SDGs 8, 16
<b>2022 CSR 1</b>	<b>No longer relevant</b>	
<i>In 2023, ensure that the growth of nationally financed primary current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation.</i>	No longer relevant	SDGs 8, 16
<i>Expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds.</i>	No longer relevant	SDGs 8, 16
<i>For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions.</i>	No longer relevant	SDGs 8, 16
<b>2022 CSR 2</b>		
<i>Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 5 October 2021.</i>	RRP implementation is monitored by assessing RRP payment requests and analysing reports published twice a year on the achievement of the milestones and targets. These are to be reflected in the country reports.	
<i>Submit the 2021-2027 cohesion policy programming documents with a view to finalising their negotiations with the Commission and subsequently starting their implementation.</i>	Progress on the cohesion policy programming documents is monitored under the EU cohesion policy.	
<b>2022 CSR 3</b>	<b>Limited progress</b>	
<i>Take action to effectively address features of the tax system that may facilitate aggressive tax planning by individuals and multinational companies, including by ensuring sufficient taxation of outbound payments of interests, royalties, and dividends, and amending the rules for non-domiciled companies.</i>	Limited progress	SDGs 8, 16
<b>2022 CSR 4</b>	<b>Limited progress</b>	
<i>Reduce overall reliance on fossil fuels.</i>	Limited progress	SDGs 7, 9, 13
<i>Accelerate the deployment of renewables, promoting and enabling investments in wind and solar energy, including in floating offshore energy.</i>	Limited progress	SDGs 7, 9, 13
<i>further upgrading Malta's electricity transmission and distribution grids, and creating incentives for electricity storage to supply firm, flexible and fast-responding energy.</i>	Some progress	SDGs 7, 9, 13
<i>Reduce energy demand through improved energy efficiency, particularly in residential buildings.</i>	Limited progress	SDG 7
<i>Reduce emissions from road transport by addressing traffic congestion through improved service quality in public transport, intelligent transport systems and investing in soft mobility infrastructure.</i>	Limited progress	SDG 11
<b>2023 CSR 1</b>	<b>Some progress</b>	
<i>Wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024. Should renewed energy price increases necessitate new or continued support measures, ensure that these are targeted at protecting vulnerable households and firms, fiscally affordable, and preserve incentives for energy savings.</i>	Limited progress	SDGs 8, 16
<i>Ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 5.9%.</i>	No progress	SDGs 8, 16
<i>Preserve nationally financed public investment and ensure the effective absorption of RRF grants and other EU funds, in particular to foster the green and digital transitions.</i>	Full implementation	SDGs 8, 16
<i>For the period beyond 2024, continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, to achieve a prudent medium-term fiscal position.</i>	Substantial progress	SDGs 8, 16
<b>2023 CSR 2</b>		
<i>Continue the steady implementation of its recovery and resilience plan and, following the recent submission of the addendum, including the REPowerEU chapter, rapidly start the implementation of the related measures. Proceed with the speedy implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan.</i>	RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy programming is monitored in the context of the Cohesion Policy of the European Union.	

(Continued on the next page)



Table (continued)

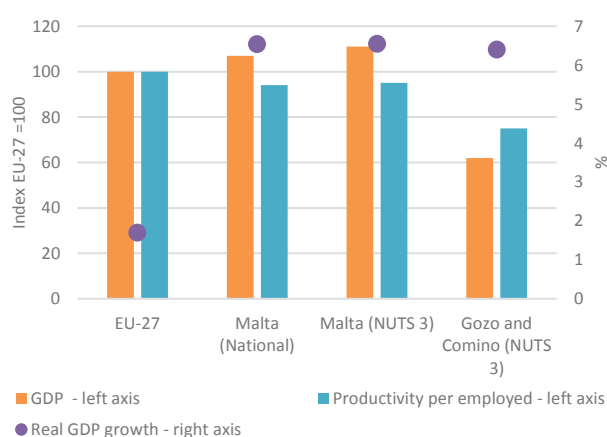
<b>2023 CSR 3</b>	<b>Limited progress</b>	
Effectively address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, including by ensuring sufficient taxation of outbound payments of interest, royalties and dividends, and amend the rules for non-domiciled companies.	Limited progress	SDGs 8, 16
<b>2023 CSR 4</b>	<b>Limited progress</b>	
Reduce reliance on fossil fuels	Limited progress	SDGs 7, 9, 13
by accelerating the deployment of renewables energies, including offshore wind and solar energy,	Limited progress	SDGs 7, 9, 13
and upgrade and expand the capacity of the electricity grid system, including transmission, distribution and battery storage.	Some progress	SDGs 7, 9, 13
Reduce energy demand through improved energy efficiency, particularly in residential buildings.	Limited progress	SDG 7
Reduce emissions from road transport by addressing traffic congestion through improved service quality in public transport, intelligent transport systems and investing in 'soft mobility' infrastructure.	Limited progress	SDG 11
Step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition.	Some progress	SDG 4
<b>2024 CSR 1</b>	<b>Some progress</b>	
Submit the medium-term fiscal-structural plan in a timely manner.	Full implementation	SDGs 8, 16
In line with the requirements of the reformed Stability and Growth Pact, limit the growth in net expenditure in 2025 to a rate consistent with <i>inter alia</i> , reducing the general government deficit towards the 3% of GDP Treaty reference value and keeping the general government debt at a prudent level over the medium term.	Some progress	SDGs 8, 16
Wind down the emergency energy support measures by the 2024/2025 winter.	Limited progress	SDGs 8, 16
To address remaining aggressive tax planning risks, introduce a withholding tax on outbound payments or equivalent defensive measures, and amend rules on non-domiciled companies.	Limited progress	SDGs 8, 16
<b>2024 CSR 2</b>		
Continue with the swift and effective implementation of the recovery and resilience plan, including the REPowerEU chapter, ensuring completion of reforms and investments by August 2026. Accelerate the implementation of cohesion policy programmes. In the context of their mid-term review, continue focusing on the agreed priorities, while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness.	RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets. Progress with the cohesion policy programming is monitored in the context of the Cohesion Policy of the European Union.	
<b>2024 CSR 3</b>	<b>Some progress</b>	
Strengthen the quality and labour market relevance of education and training to address low educational outcomes as well as the severe shortage and mismatch of skills,	Some progress	SDG 4
in particular by fostering basic skills of students and the professional development of teachers.	Some progress	SDG 4
<b>2024 CSR 4</b>	<b>Limited progress</b>	
Accelerate the deployment of renewable energy through large-scale projects as well as small-scale investments in direct energy production and consumption.	Limited progress	SDGs 7, 9, 13
Address traffic congestion by improved quality and efficiency of public transport and step up investments in 'soft mobility' infrastructure.	Limited progress	SDG 11

Source: European Commission

**Malta continues to catch up with the rest of the EU, but the benefits of sustained economic growth are not equally spread across its territory, creating challenges and opportunities in terms of competitiveness, fairness and sustainability at local level.**

**Malta's economy continues its path of sustained growth, but with differences in the country.** Between 2014 and 2023, annual growth in GDP reached 6.5% on average (compared to the EU average of 1.7%), and Malta is expected to maintain this growth momentum over the 2025-2026 forecast period. Compared to 2022, GDP per capita in purchasing power standard (PPS) grew from 108 to 111 in mainland Malta, and recovered from a dip in 2021, to a slight increase in Gozo and Comino, from 57 to 62.

Graph A17.1: **Average annual GDP growth (2014-2023) vs GDP per head (2023)**



**Units:** GDP: GDP per head (PPS, Index EU-27 = 100)

**Productivity:** GDP per employed (PPS, index EU-27 = 100)

**Real GDP growth:** average annual % change (2014-2023)

**Source:** ARDECO (JRC)

**Gaps in labour productivity are still relevant in Malta, despite the country's convergence towards the EU average.** In recent years, Malta's overall productivity measured in gross value added (in PPS) per person employed has steadily improved, climbing to 94% in 2023, driven by the services sector. Here too, however, mainland Malta, as the economic hub of the country, continues to significantly

outperform Gozo and Comino in terms of productivity levels, with GDP (in PPS) per hour worked accounting respectively for 83% and 65% of the EU average in 2023.

**In a context of significant population and economic growth, it would be beneficial to increase efforts to ensure sustainable growth.** During the 20-year period from 1 January 2003 to 1 January 2023, Malta recorded the second largest relative population increase in the EU at 36% (EU 4%) and the highest population density in 2022 at 1 693 people per km<sup>2</sup> (EU 109 people per km<sup>2</sup>) <sup>(192)</sup>. Between 2014 and 2023, both mainland Malta, and Gozo and Comino had a very high average annual change of more than 25 per 1 000 residents. In the face of these demographic trends, it would be beneficial to balance strong economic growth with environmental considerations, ensuring adequate investment in sustainable energy, transport and water management.

## Competitiveness

**There is scope to improve research and innovation performance by increasing expenditure in R&D and continuing to facilitate university-industry collaboration.** According to the European Innovation Scoreboard (2024) <sup>(193)</sup>, Malta is a moderate innovator, ranking 21st out of 27 EU Member States. Despite significant employment in knowledge-intensive services, at 49.6% (EU 41.5%), weak public expenditure and the limited availability of human resources in research and innovation are a major concern. In 2022, R&D expenditure accounted for only 0.6% of GDP (EU average 2.3%), down from 0.7% in 2021. In addition, R&D expenditure in

<sup>(192)</sup> Source: Eurostat – [Demography of Europe 2024 edition](#).

<sup>(193)</sup> Source: European Innovation Scoreboard 2024 – Country profile Malta. Web page: [European Innovation Scoreboard 2024 – Country profile Malta](#).



Table A17.1: Selection of indicators at regional level (NUTS 3) in Malta

	GDP per head (PPS)	Productivity - GDP per person employed (PPS)	Productivity - GDP per hour worked (PPS)	Real productivity growth (per hour worked)	R&D expenditure in business enterprise sector (BERD)	Employment in knowledge-intensive services	Employment in high-technology sectors	Employment rate 20-64	Unemployment rate
	Index EU-27 = 100	Index EU-27 = 100	Index EU-27 = 100	Average annual % change	% of GDP	% of total employment	% of total employment	% of population aged 20-64	% of labour force
	2023	2023	2022	2013-2022	2022	2024	2024	2024	2024
European Union (27 MS)	100	100	100	0.9	1.5	41.5	5.2	75.8	5.9
Malta (National)	107	94	82	2.0	0.4	49.6	6.2	83.0	3.1
Malta (NUTS 3)	111	95	83	2.0					
Gozo and Comino/Ghawdex u Kemmuna	62	75	65	1.8					

Source: Eurostat and JRC

the business enterprise sector is only 0.4% of GDP (EU average 1.5%). This indicates that more measures to encourage R&D would be useful and that there is potential for R&D to contribute further to Malta's competitiveness. For more details on these topics, please see Annex 3 Innovation to Business.

**In the 2022 edition of the European Regional Competitiveness Index 2.0, Malta is below the EU average, particularly in its 'efficiency' sub-index<sup>(194)</sup>.** Although Malta is above the EU average in participation in lifelong learning, the gaps mainly relate to higher educational attainment and early school leaving, as well as the small market size. Improving the educational attainment of the population aged 25-64, continuing to support initiatives to prevent early school leaving and further exploring new opportunities for potential market expansion, including via digital technologies, would be beneficial to increase opportunities for growth in the country.

## Social fairness

**Housing affordability is becoming a significant challenge, especially in mainland Malta, where demand for housing is high, driving up prices and rental costs.** In 2024, the housing cost overburden rate<sup>(195)</sup> affected 5.8% of the population (EU 8.2%). In addition, the risk of poverty or social exclusion remained high in 2023, at 19.7% of the total population (EU 21.0%). According to the EU statistics on income and living conditions, in 2023 approximately 3.5% of people aged 16 or over reported experiencing housing difficulties in their lifetime (EU 4.9%), rising to 5.5% for people at risk of poverty or social exclusion (EU 8.5%)<sup>(196)</sup>. Considering the significant population growth and the fact that Malta is a very tourism-intense country, with domestic and international guests spending 18 nights at tourist accommodation establishments per inhabitant in 2023, innovative and sustainable solutions for affordable housing would be beneficial to ensure that no one is left behind.

<sup>(195)</sup> The housing cost overburden rate is the percentage of the population living in households where the total housing costs ('net' of housing allowances) represent more than 40% of disposable income ('net' of housing allowances).

<sup>(196)</sup> Source: Eurostat, EU-SILC module 2023 on housing difficulties. Web page: [Persons having experienced housing difficulties in their lifetime by sex and current risk of poverty or social exclusion situation](#).

<sup>(194)</sup> Source: European Regional Competitiveness Index 2.0 – 2022. Web page: [European Regional Competitiveness Index 2.0 – 2022 – Malta](#).

circular approach to water, would be helpful in alleviating the stresses placed on water resources.

**Greenhouse gas (GHG) emissions in Malta are below the EU average, but Malta is among the EU countries with the highest GHG emissions from the energy sector.** In 2023, the energy sector in Malta accounted for 31% of total GHG emissions, as renewables still play a very limited role in Malta's energy mix. Improving the roll-out of renewables, coupled with investments in energy efficiency, would help to increase energy security in Malta, also in view of demographic trends, while enabling more sustainable growth.

**Improving the carbon footprint of the transport sector, including through more sustainable multimodal options, would be important.** The stock of licensed motor vehicles in Malta continued to increase, reaching 445 711 at the end of 2024, with passenger cars accounting for 74.1% of total licensed motor vehicles <sup>(197)</sup>. Of these, motor vehicles with an alternative motor drive type amounted to only 4% of the total number of licensed motor vehicles. Considering significant traffic congestion and its impact on air quality, it would be useful to step up electrification of the transport sector by improving access to alternative fuel infrastructure, while making multimodal and collective transport a more efficient and sustainable solution.

**Malta is likely to face increased challenges in managing its water sources.** As Malta is a water-scarce country undergoing significant population growth, with a high population density and seasonally acute water shortages, it is essential to safeguard the availability and security of water. Malta's natural resources such as water are under high strain, which is further exacerbated by the expansion of tourism. Investments to improved sustainable water management, including by promoting a

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<sup>(197)</sup> Source: NSO - Transport Statistics 2024 Web page: [NSO Malta | Motor Vehicles: Q4/2024 - NSO Malta](#).