



Malta's Annual Progress Report

Ministry For Finance

March 2025

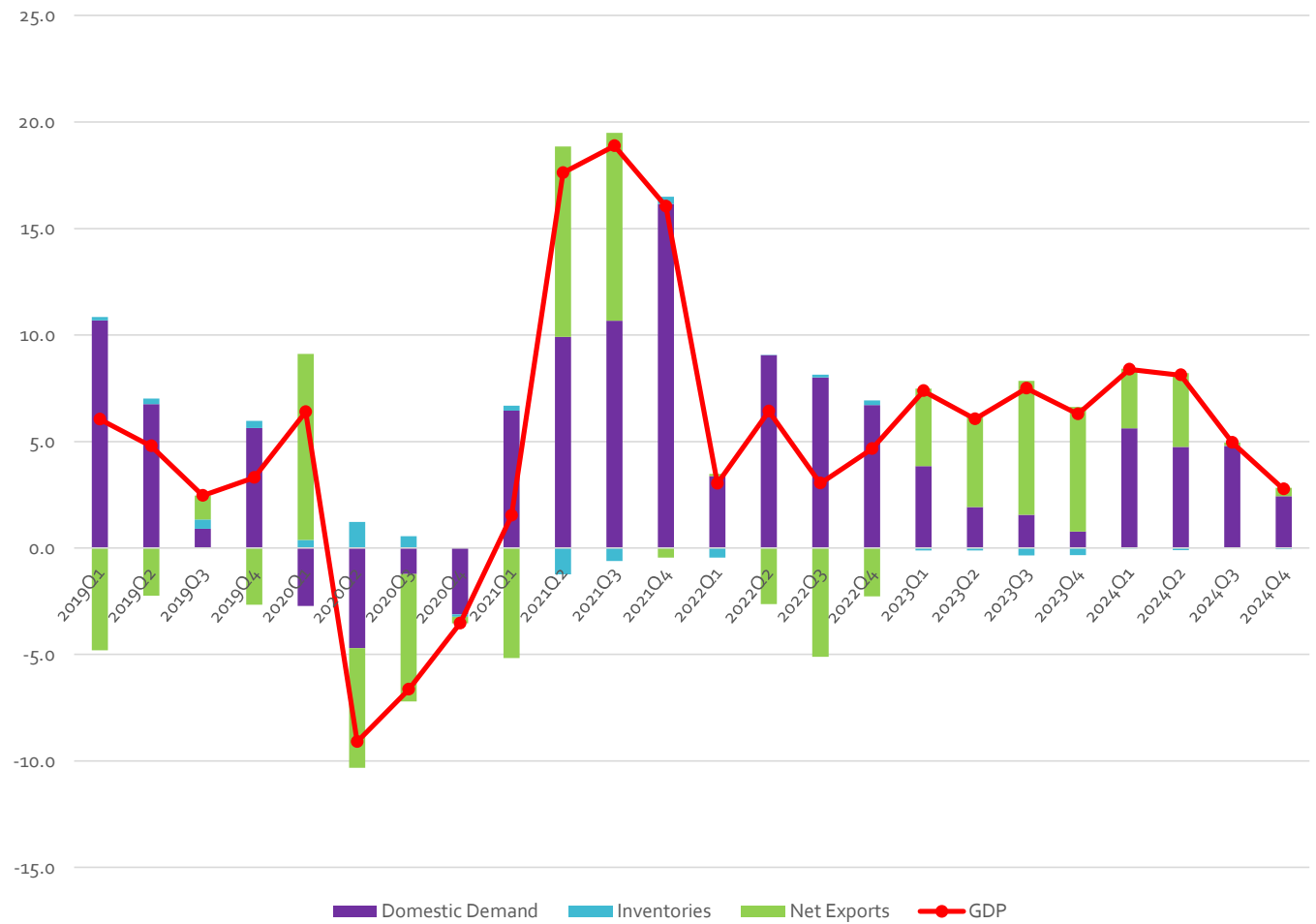


Macroeconomic developments

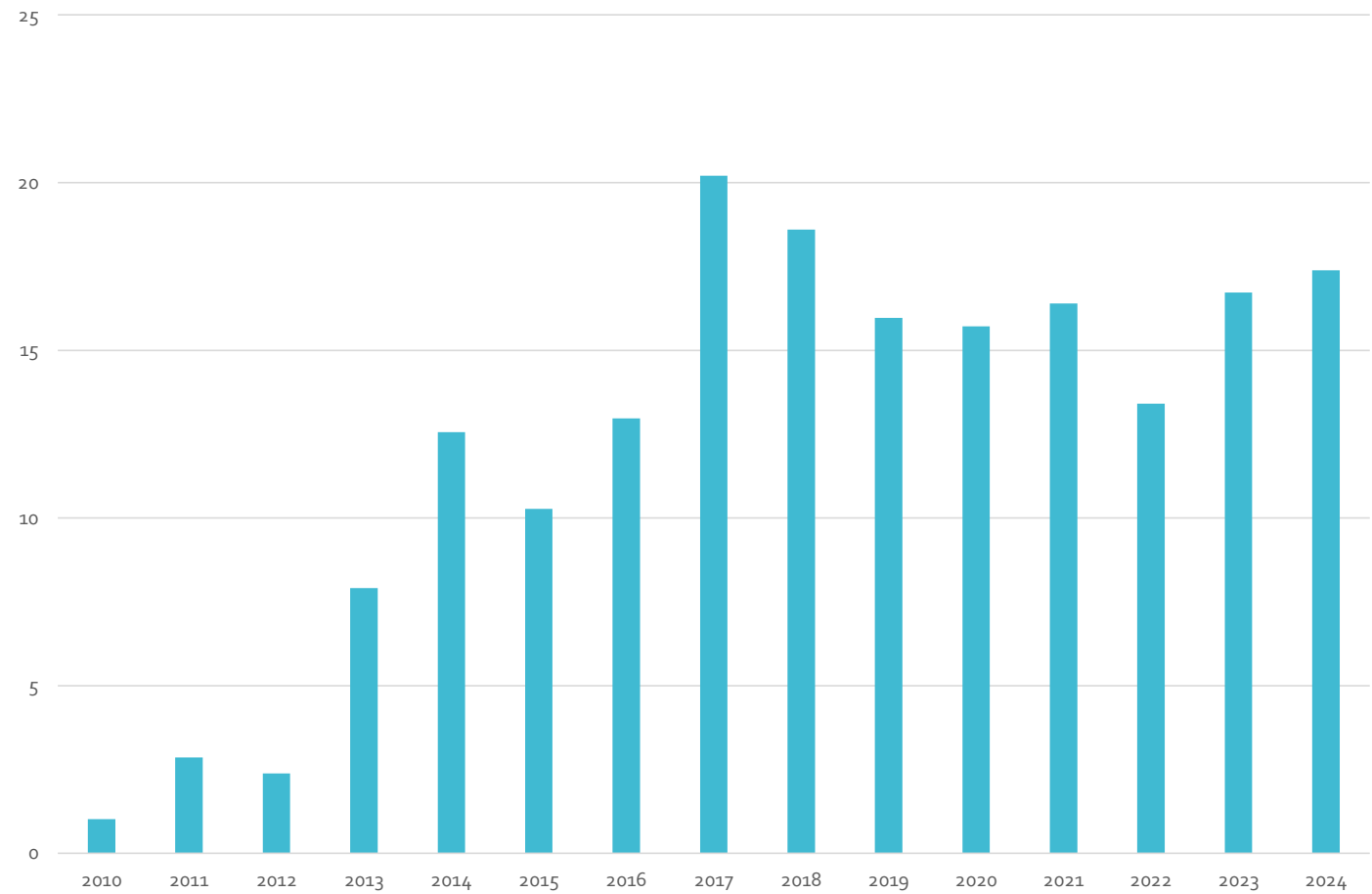
%	2023	2024
Real GDP	6.8	6.0
Inflation rate (%)	5.6	2.4
Employment growth	6.8	5.1
Unemployment Rate (%)	3.5	3.1
Exports of Goods and Services	5.6	5.3
Imports of Goods and Services	2.0	4.7
Compensation per employee (% change)	2.3	5.9
Labour Productivity	0.0	0.8
Unit Labour Costs (% change)	2.3	5.0

Macroeconomic Context

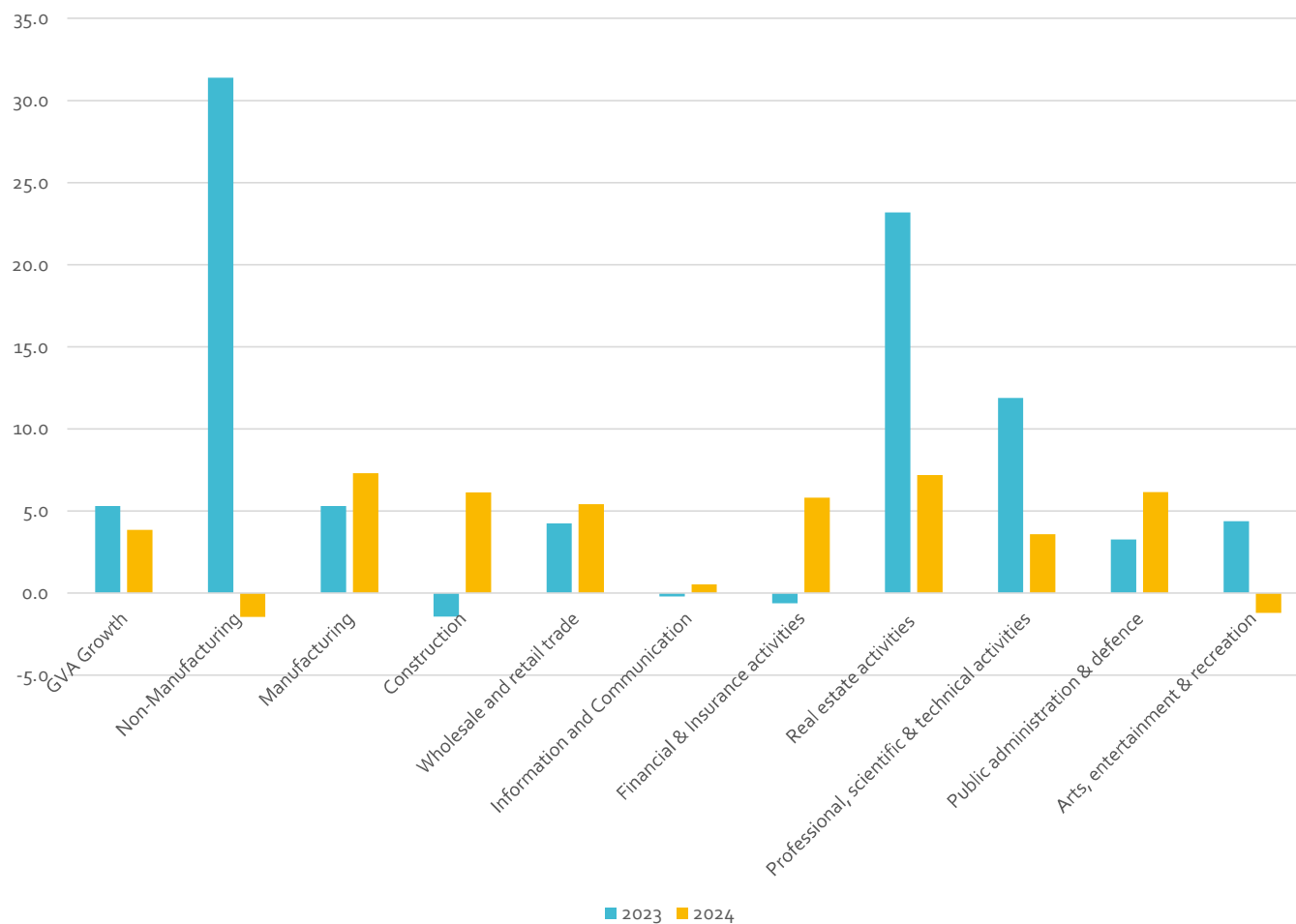
Contributions to Growth



External Balance (% of GDP)



GVA Growth by Sector

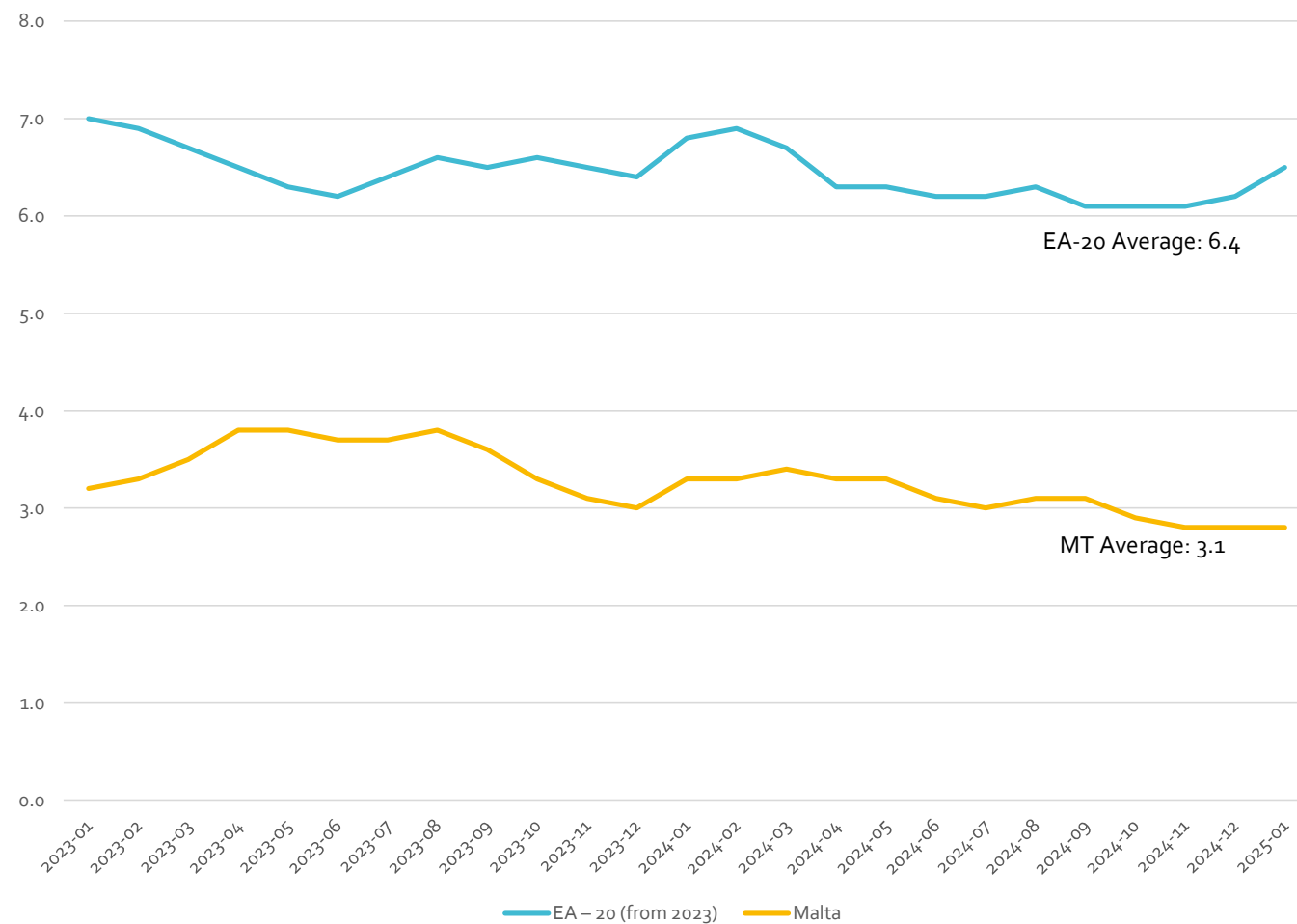


Growth in the main components (%)	2023	2024
Total compensation of employees	9.7	11.4
Gross operating surplus and mixed income	13.2	6.6
Taxes less subsidies on production and imports	26.6	20.9

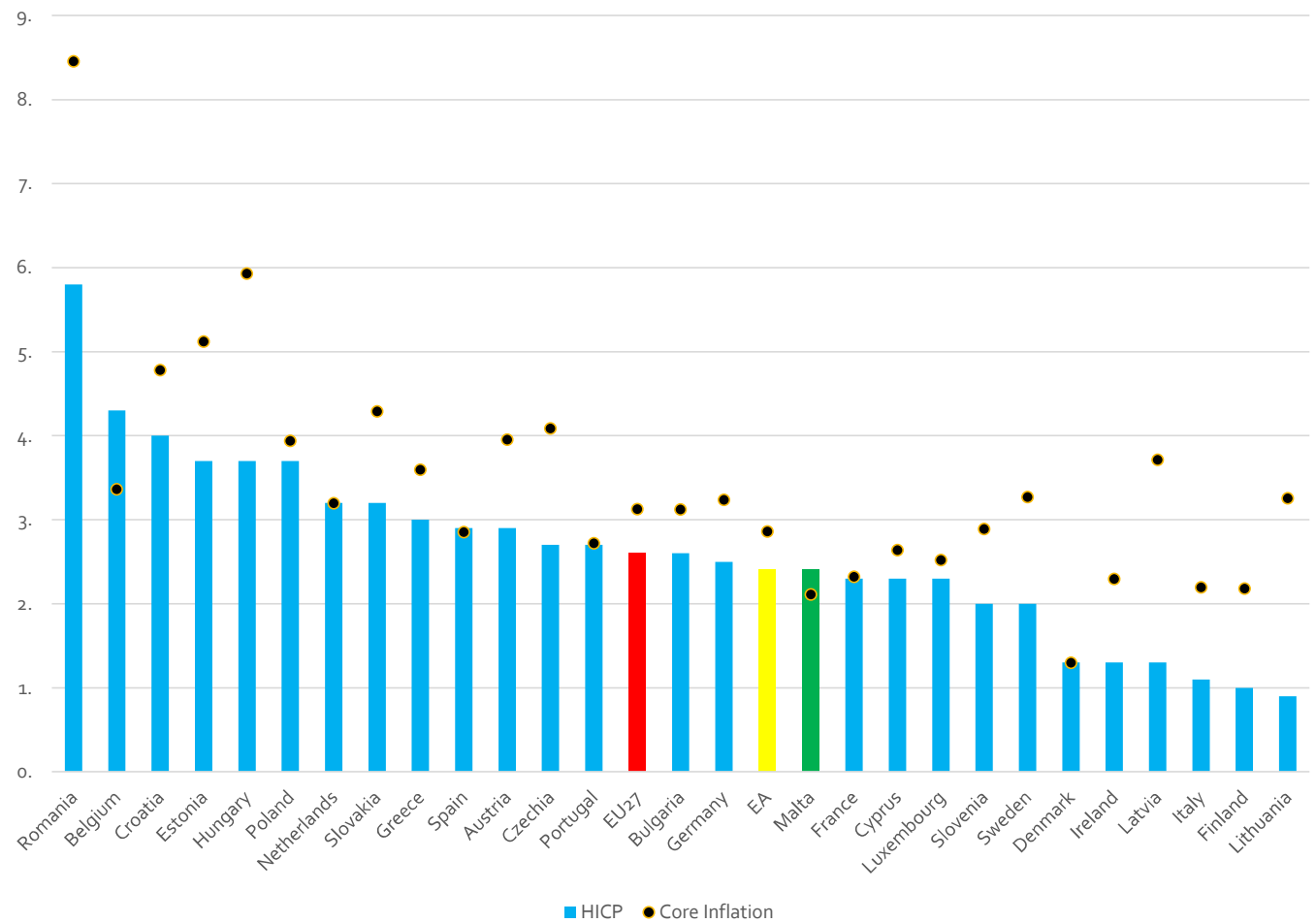
Values based on nominal figures.

Income Approach

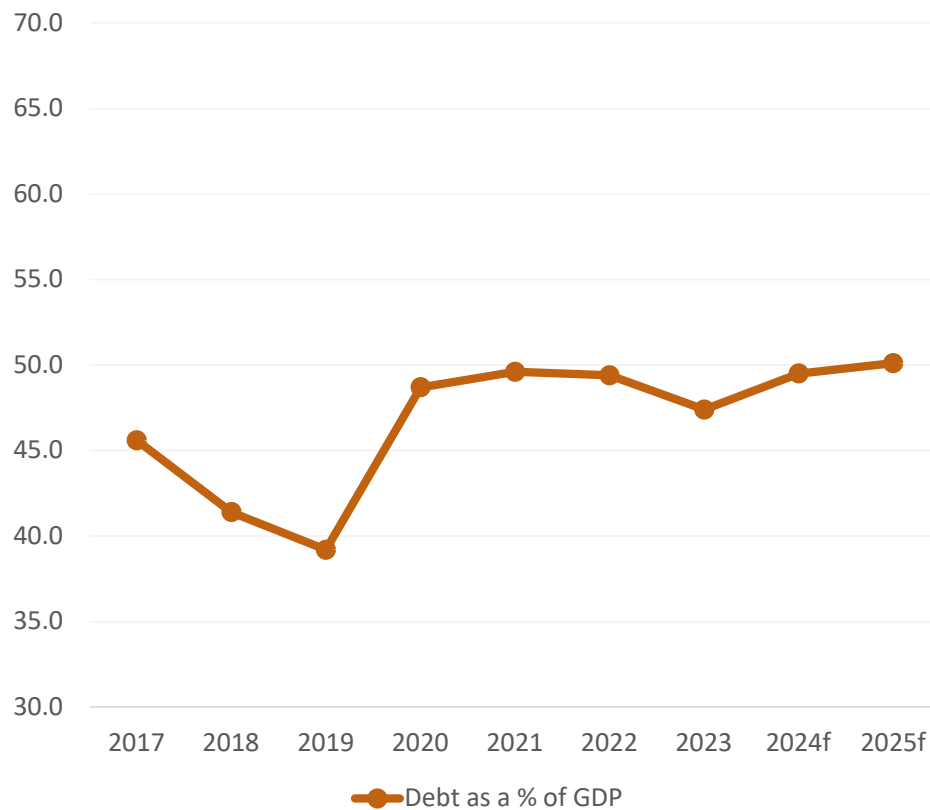
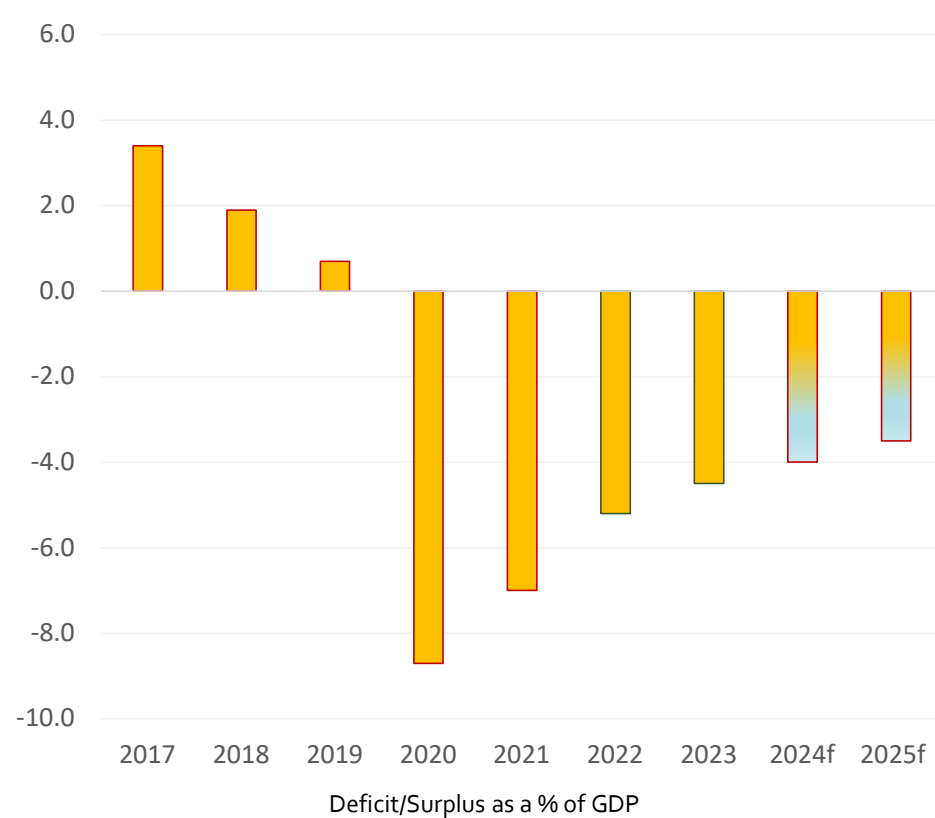
Unemployment Rate



Harmonised Index of Consumer Prices



State of Public Finances – Draft Budgetary Plan 2025





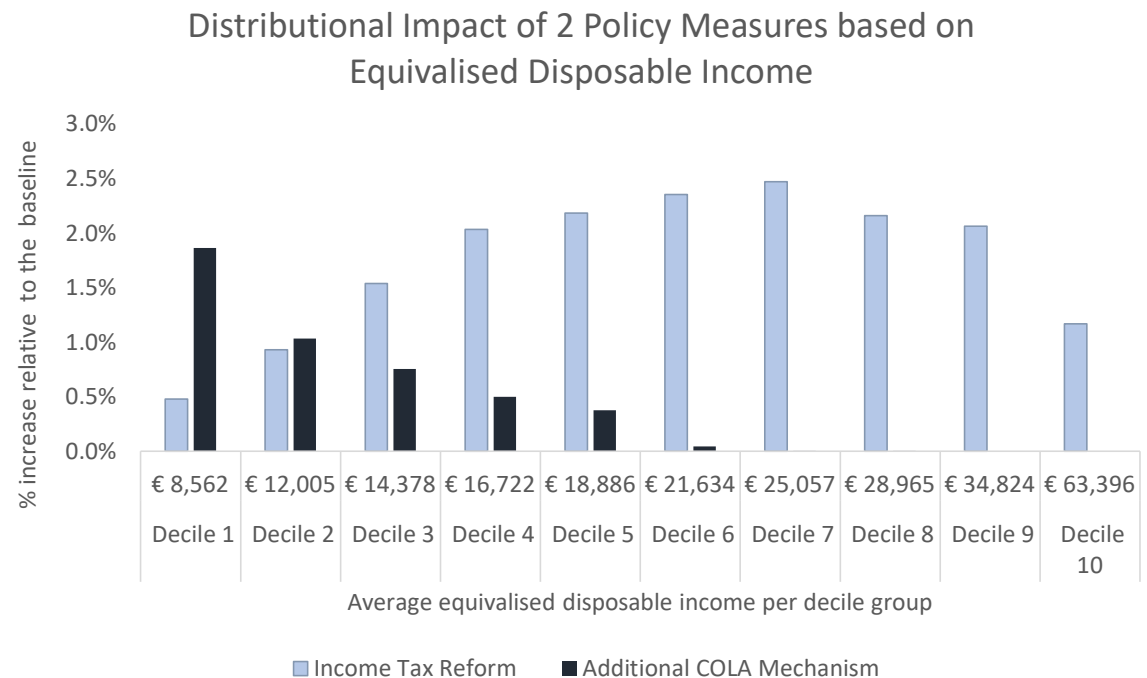
Impact Assessment

Distributional Impact of selected 2025 Budget Measures

- Using EUROMOD, analysed the distributional impact of the following reforms:
 - Income Tax Reform.
 - Additional COLA Mechanism.

Impact on at-risk-of-poverty (AROP) rate and Income Inequality		
	Income Tax Reform	Additional COLA Mechanism
Poverty rate of Total Population	-0.13pp	-0.36pp
Poverty rates by Household Type		
One adult < 65, no children	-0.78pp	-0.41pp
One adult >= 65, no children	0.00pp	-2.04pp
One adult with children	0.00pp	0.00pp
Two adults < 65, no children	-0.20pp	-0.19pp
Two adults, at least one >= 65, no children	0.00pp	-1.64pp
Two adults with one child	0.00pp	0.00pp
Two adults with two children	-0.28pp	-0.41pp
Two adults with three or more children	0.00pp	0.00pp
Three or more adults, no children	-0.04pp	-0.01pp
Three or more adults with children	0.00pp	0.00pp
Income Inequality - Gini Coefficient	0.000	-0.002

Source: EPD Workings





Addressing Country Specific Challenges

Digital Transition

- The Malta Digital Innovation Authority (MDIA) is expanding the **Technology Assurance Sandbox** (TAS) to support AI projects in sectors like education, healthcare, and tourism.
- The MDIA is developing the **EU Digital Identity Wallet Framework**.
- The Malta Business Registry has been digitised for **online company registrations**.
- The Ministry for Health is introducing an **Electronic Medical Record** (EMR) system to enhance healthcare delivery.

Research and Innovation

- Progress has been achieved in implementing the **R&I Strategic Plan 2023-2027**.
- The Government is investing in R&I through Xjenza Malta supporting programmes like the Digital Technologies Programme, Research Excellence Programme (REP), and Technology Development Programme (TDP) Lite as part of the **FUSION** funding portfolio.
- Malta is enhancing its **space sector** with a five-year agreement with the European Space Agency (ESA) under PECS, offering funding for space-related proposals.
- Xjenza Malta is also co-funding energy transition and Blue Economy initiatives and merging Horizon Europe Partnerships on health and cultural heritage.

Coverage, Adequacy, and Sustainability of the Social Protection System

- In 2024, the Government enhanced the incentive introduced in 2016 for those who have completed their full contributions and choose to defer their pension beyond the age of 61, with 7,323 pensioners currently benefiting.
- The 2025 Budget further mentions intention to set up enrolment in private pension schemes with voluntary withdrawal. Government to match contributions up to €100 per month for public employees to boost retirement savings.
- Ongoing preparations for the 2025 Pensions Strategy Review.

Sustaining and Supporting Investment

- Tech.mt promotes Maltese enterprises through initiatives like the **inMalta Initiative and Strategic Partnership Initiative**.
- Government continues to provide targeted financial assistance to businesses, particularly SMEs and start-ups, designed to sustain and support investment by enhancing business growth, competitiveness, and innovation.
- Supporting sustainable investment through the **ESG Portal**.
- The **Seed Investment Scheme** was relaunched in 2024 and remains valid until December 2026.
- The **InvestEU Programme** has allocated €30 million to support Maltese SMEs, unlocking €60 million in financing.

Sustainable Transport and Multi- modality

- Focus on reducing congestion and pollution through enhanced road infrastructure, particularly TEN-T roads.
- Construction works on the Msida Creek project commenced in November 2024 and are ongoing.
- Vjal Kulhadd scheme is advancing and C-SAM Project (investing in cycling and pedestrian infrastructure): Phase 1 nearing completion, and Phase 2 in progress.
- Completion of several traffic reorganisation projects.
- Work is progressing on a new publicly accessible ferry terminal in Bugibba
- Incentives for EVs, scrapping old cars, and financial aid for e-scooters, pedelecs, and bicycles are ongoing.

Resilience and Sustainability of the Healthcare System

- Government is currently in the process of identifying suitable sites for **new community clinics** planned in Burmarrad and Pembroke, while renovations at the Cospicua, Mosta, and Floriana clinics progress.
- Continuous implementation of the **Health Workforce Strategy for 2030**.
- **€2.5 million upgrade** at St. Vincent de Paule Residence, equipping it with advanced medical technology.
- **Expansion of the Formulary List** to enhance healthcare accessibility.

Skills, Vocational Education and Training & Adult Learning

- **NEET Census:** Identified skills gaps and employment barriers for young people aged 15-29, informing future policies for youth employability.
- **Youth Guarantee 3.0:** Launched in February 2025, €10 million funding to provide training and work placements, supporting young people's transition to education or employment.
- **Investing in Skills Scheme:** Financial support for employers to upskill their workforce, improving adaptability.
- **FSMA+ Programme:** Over €30 million in support for 700 students (as at December 2024) to ensure affordable higher education.
- **National Education Strategy 2024-2030:** Ongoing efforts to improve educational outcomes, with a focus on vulnerable groups.
- **Early Leaving Strategy:** 700+ interventions to prevent dropouts, with 40% of deliverables completed.
- **Reading Recovery Programme:** 80.4% of participating students met classroom expectations, addressing early literacy challenges.
- **National Literacy Strategy:** Book distribution and classroom library enhancements to improve literacy across age groups.

Non- discrimination and equal opportunities

- **National Lifelong Learning Strategy 2023-2030:** Focuses on adult education, upskilling, and reducing employment barriers, with 46.0% of deliverables completed by December 2024.
- **Inclusive Learning Initiatives:** Programmes like "Way To Work" and "I Belong" support employability and language skills for disadvantaged groups.
- **Social Plan for Families (2024):** Aims to improve family well-being through financial literacy, problem-solving, and stress management skills, with ongoing implementation and monitoring.
- **Children's Policy Framework 2024-2030:** Ensures children's access to quality education, healthcare, and social services, incorporating feedback from over 200 children and 35 stakeholders.
- **National Strategy for Poverty Reduction 2025-2035:** Launched in February 2025, focuses on reducing economic disparities and promoting social inclusion, currently in the early-stage implementation with ongoing stakeholder engagement.

Renewable Energy and Energy Infrastructure

- **Renewable Energy Incentive Schemes:** Ongoing support for solar PV and battery storage (€15.4M disbursed, 12.85MW capacity added by 2024).
- **Second Malta-Sicily Interconnector:** €165M EU-funded (ERDF) - improving energy security & renewable integration.
- **Competitive Bidding for Large-Scale Renewables:** Auctions for solar & wind projects up to 1MW held in 2024.

Energy Efficiency

- **Free Energy Audits for SMEs:** Grants for efficiency upgrades extended to 2026.
- **Grand Harbour Clean Air Project:** Shore-to-ship electricity supply (Phase 1 completed, Phase 2 underway).
- **Shore Power at Malta Freeport:** High Voltage Shore Connection system for container ships operational by 2025.
- **Primary Water Network Upgrades:** Pembroke-Ta' Qali tunnel completed, enhancing energy-efficient water distribution.

Management of Waste and Natural Resources

- **Organic Processing Plant (€75M):** Bidders have until 10 June 2025 to submit their proposals for the design, construction, commissioning, and trial operation of the Plant.
- **Waste-to-Energy (WtE) Plant:** Tender appeal in progress.
- **Thermal Treatment Facility:** Processes hazardous waste; operational by 2028; procurement process for the thermal treatment plant is on track within its planned timeline.
- **Water Production Capacity Expansion:** 85% complete, 50% increase in RO plant output by 2025.
- **New Strategic Water Mains:** Ċirkewwa-Ta' Qali & Naxxar-Salini links to improve distribution.
- **Energy-Efficient Water Transfer:** Pembroke-Ta' Qali tunnel completed, with the majority of associated pipework and ancillary installations completed.

Strengthening the Justice System and Law Enforcement Capabilities

- Projects to enhance surveillance and data management are currently ongoing.
- A Competitive Dialogue procedure is in progress for a Criminal and Forensic Data Repository System (RMS) procurement.
- Reforms in committal proceedings aim to shift to document-based evidence, set a one-year deadline for evidence compilation, and establish clear disclosure timelines.

Enhancing Governance and Anti- Corruption Measures

- The Malta Police Force is enhancing its capabilities through investments in specialised vehicles and i2 software as part of its Transformation Strategy.
- Anti-fraud and corruption efforts have been strengthened with the enforcement of the Anti-Fraud and Corruption Policy and the 'Break the Silence' anonymous reporting system.
- Internal audits are being carried out within the force to ensure accountability, governance, and performance.

Enforcement of the Anti- Money Laundering Framework

- Malta is strengthening its AML framework through regular audits by the MFSA, MGA, and FIAU.
- The FIAU's Strategy 2023-2026 is being implemented e.g. new case management system and staff increases.

Addressing Potential Aggressive Tax Planning

- MTCA is implementing its Delivering Transformation Strategic Plan 2023–2025, focusing on human capital investment and capacity building, including the integration of Statistical Analysis Software in tax operations.
- Key projects include the completion of Risk Queues for VAT and Corporate Tax, ongoing Transfer Pricing training, and preparations for Pillar 2 and the DAC 8/CARF framework.

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