RESET & LEAD

Pre-Budget Document

2027

THE MALTA CHAMBER

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THE MALTA CHAMBER

Foreword

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The Malta Chamber of Commerce, Enterprise and Industry has consistently presented policymakers with clear, evidence-based recommendations designed to safeguard our nation's future – not only from an economic perspective, but also in terms of liveability, institutional strength and quality of life. Nonetheless, an honest evaluation of past legislatures reveals the **uncomfortable reality that too many critical proposals have been left unaddressed, delayed or stalled**.

While our economy has consistently demonstrated an ability to absorb shocks, resilience alone is not enough. Without decisive action to address what needs fixing and what is not working, resilience can gradually give way to stagnation or, even worse, a downturn – and, ultimately, expose the country to far greater risks. Today, the structural bottlenecks holding back Malta – from infrastructure constraints, labour inefficiencies and planning pressures to weak enforcement, excessive bureaucracy and governance shortcomings – are no longer distant warnings. They are actively eroding our productivity, competitiveness and the overall attractiveness of our country.

This Pre-Budget document, titled **RESET and LEAD**, sends an unequivocal message to Government: **the time for incremental adjustments has passed.**

To **RESET** means having the political courage to acknowledge where our current trajectory is failing us, and address it. It requires moving away from an economic model fuelled primarily by volume and low-value growth toward one built on high-value added, increased productivity and efficiency, and higher quality of life. It demands swift, uncompromising reforms to push forward innovation, eliminate systemic inefficiencies, cut through bureaucratic friction, and restore full faith in governance and public administration.

To **LEAD** means translating policy into rapid and effective execution. Decisive action must be taken immediately to streamline processes, modernise utilities, strengthen digital and physical infrastructure, upskill our workforce, and improve enforcement. Malta cannot afford to let another budget pass as an exercise in rhetoric. Budget 2027 must be the catalyst for immediate structural transformation and the foundation on which subsequent budgets during this legislature are built.

The recommendations outlined in this document represent the unified voice of an ethical, forward-looking business community. We call on the Government to take the bold, necessary decisions today, however challenging they may be, so that our nation can enhance its competitiveness, drive true productivity, rebuild trust in its institutions and secure sustainable well-being for generations to come.

Introduction

For years, Malta's business community has demonstrated remarkable resilience in navigating global volatility and internal pressures. However, resilience alone can no longer serve as a proxy for progress. The persistence of unaddressed bottlenecks, from infrastructural strain and labour inefficiencies to planning pressures and administrative friction, continues to erode national competitiveness and weigh down productivity.

RESET and LEAD, The Malta Chamber's Pre-budget 2027 document provides government with the tools to restore productivity, enhance global competitiveness, and secure sustainable well-being for the nation. Malta must shift away from an economic model fuelled primarily by volume and short-term expansion toward a high-value, quality-driven economy that elevates quality of life. Achieving this requires fast decision-making, operational agility, and the determination to implement long-overdue reforms. For the past years, economic growth has relied heavily on short-term fixes and excessive dependence on foreign labour, leaving Malta with low productivity and persistent skills shortages. Infrastructure is struggling to cope with the pressure, urban planning lacks coherence and long-term vision, and key sectors are drifting toward lower-value models. These realities demonstrate that many foundations underpinning Malta's economic model have reached their limits. Concepts built around volume-driven growth require fundamental rethinking.

To bridge immediate economic necessities with long-term strategic vision, this document is structured into two distinct, action-oriented sections:

A. **Section A: Proposals for Execution within the First Year of the Legislature**
   This section sets out actionable policy interventions designed for immediate implementation during the 2027 fiscal budget cycle. These proposals are intended to address pressing operational pain points, reduce bureaucratic friction, optimise existing public resources, and deliver immediate efficiency gains for businesses and citizens.
B. **Section B: Reforms for Quality, Sustainability and Governance (January 2027 – End of Legislature)**
   This section focuses on fundamental economic and governance reforms, which, by their nature, require more than one year to complete. The first year of the legislature should therefore serve as the launch phase, during which the necessary decisions, frameworks, resources and implementation plans are put in place. These reforms should then be progressively rolled out over the remaining years of the legislature, guided by clear deliverables and milestones, supplemented by accountability mechanisms, to ensure that the required transformation is fully completed by the end of the legislature.

For Malta to remain competitive and resilient, the country must quickly pivot to value-based growth built on productivity, innovation and efficiency. The skills gap needs to be reduced before it creates systemic unemployment. Policy must also prioritise simplification, effective enforcement and transparent governance, creating a level playing field where ethical business and citizens can thrive. Governance must also be given due priority and a thrust in reinforcing institutional integrity is a must.

It is all too clear to The Malta Chamber that for business to thrive, for wealth to be created and for the quality of life to improve, policymaking needs to balance short-term goals with long-term considerations. This is what motivates investment in people, infrastructure and the environment, and what underpins political commitment to sustainability and fiscal discipline. RESET and LEAD provides a comprehensive list of proposals addressing well-being, environmental sustainability, sustainable economic resilience and growth, human capital and education, infrastructure and digitalisation, and good governance.

In essence the country needs:

- Reforms that initiate structural change.
- Transformation that prioritises core, value-added productivity.
- Excellence and Value-Add to replace volume-driven expansion.
- Standards to reshape business and institutional culture.
- Execution anchored in firm legislative foundation and delivery, on the basis of a fair-level playing field.
- Good Governance to build trust, uphold the rule of law, and ensure national resources are used efficiently to promote economic stability and improve citizens' quality of life.

This critical juncture demands an urgent, decisive pivot towards transformation, by addressing (a) immediate priorities while (b) simultaneously executing phased annual milestones required to carry out the necessary reforms. This dual approach should aim to dismantle complacency and shortsightedness, and cultivate a forward-looking nation, with the ultimate aim of resetting national productivity to accelerate sustainable economic growth on Quality and Excellence.

Economic Insights

Malta's economy continued to expand in 2025, with real GDP growth of 4.0%. However, the composition of growth remains a key structural concern. As The Malta Chamber set out in LEAD, between 2015 and 2025, Malta's gross value added increased by 81.9%. Of this increase, 68.9% was attributable to employment growth, 9.9% to shifts towards higher-value sectors, and only 3.1% to productivity gains[1].

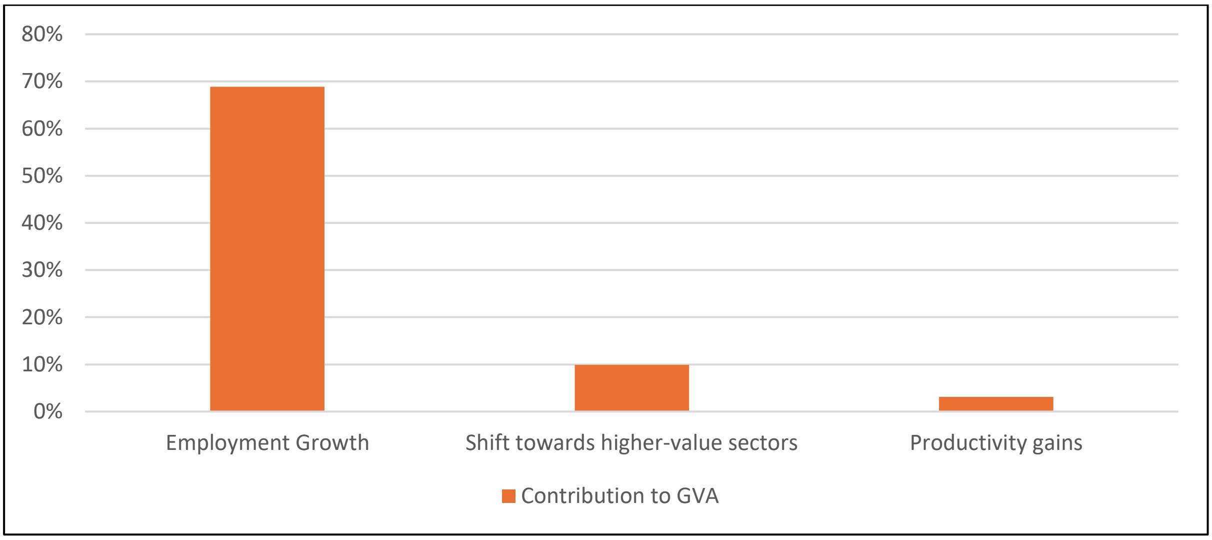

Figure 1: Growth Contribution (%)
Source: The Malta Chamber. (2026). LEAD

The data therefore indicates that Malta's economic expansion over the past decade has relied predominantly on additional labour input rather than improvements in output per worker. This raises questions about the sustainability of the current growth model as labour-market capacity becomes increasingly constrained.

Malta's economic expansion over the past decade has therefore been driven predominantly by employment growth rather than productivity gains. This increases the importance of assessing whether further labour-driven growth can be sustained.

Labour-market participation has also increased significantly. The participation rate rose from 70.6% in 2016 to 82.6% in 2025, compared with an EU average of 75.7%. Among women, the participation rate increased from 58.0% to 75.5% over the same period.[2]

Unemployment stood at 3.1% in 2025, among the lowest rates in the EU. At the end of the year, registered vacancies stood at 9,544, compared with 1,236 registered unemployed persons. Malta's job vacancy rate also remained around three times the EU average through 2025 and into 2026.[3] These

[1] The Malta Chamber. (2026). *LEAD: Proposals for the 2026-2031 Legislature*, "Economic Insights."
[2] Malta Fiscal Advisory Council. (2026). *Assessment of the Macroeconomic Forecasts Underlying the Annual Progress Report 2026* (Assessment Report No. 01/2026), pp. 10, 29.
[3] Eurostat. (2026). *Job vacancy statistics*, Q3 2024-Q1 2026.

indicators point to a tight labour market and increasingly limited scope for sustaining growth through further increases in employment.[4] Higher productivity reduces Malta's need for additional workers.

The Malta Fiscal Advisory Council estimates that maintaining economic growth of around 4% would require around 14,000 additional workers each year if productivity remains close to its historical level. If productivity growth increases to 3%, this requirement would fall to around 6,000 workers annually.[5]

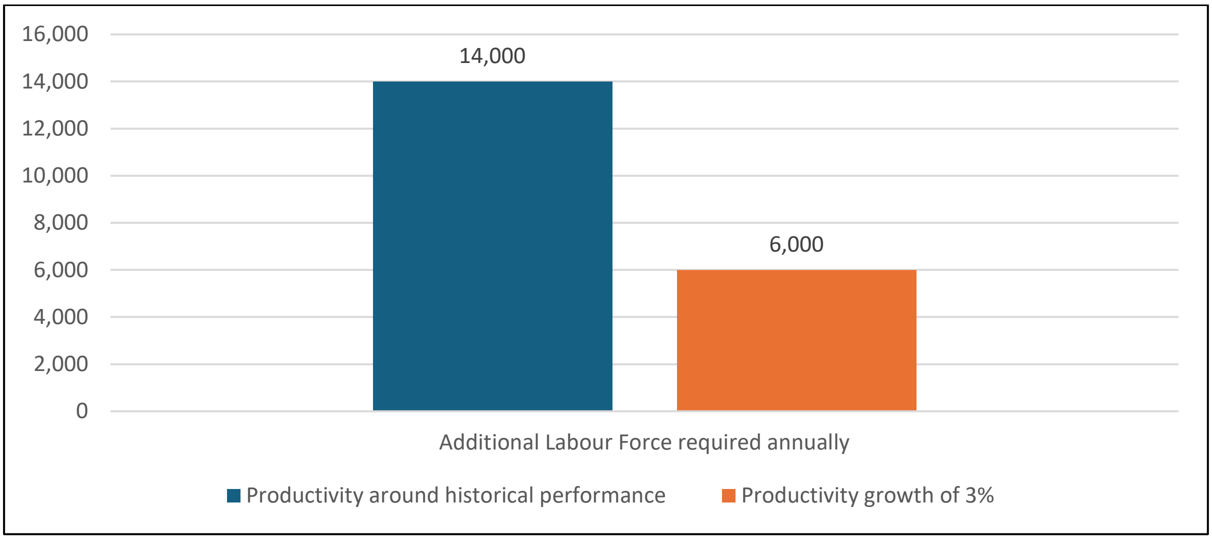

Figure 2: Additional Labour Requirements under Alternative Productivity Scenarios
Source: The Malta Chamber, based on Malta Fiscal Advisory Council (2026), Assessment of the Macroeconomic Forecasts Underlying the Annual Progress Report 2026, Assessment Report No. 01/2026.

Stronger productivity growth would allow Malta to sustain economic expansion with substantially lower additional labour requirements, reducing the extent to which future growth depends on continued population and workforce expansion.

Skills constraints are also limiting productivity growth. The European Commission reports that 43% of Maltese firms lack workers with the green skills they require, while around two-thirds consider their workforce insufficiently prepared for the transition. STEM graduates account for only 13.8% of post-secondary output, while one in three 15-year-olds does not reach basic proficiency in reading, mathematics or science.[6]

Investment in research and development also remains low. R&D expenditure in Malta stands at 0.54% of GDP, compared with an EU average of 2.24%. Public R&D expenditure is 0.16% of GDP, compared with 0.72% in the EU, while private R&D expenditure is 0.38%, compared with 1.49%.[7]

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[4] The Malta Chamber. (2026). *LEAD: The Malta Chamber's Proposals for the 2026–2031 Legislature*, Economic Insights, p. 9.
[5] Malta Fiscal Advisory Council. (2026). *Assessment of the Macroeconomic Forecasts Underlying the Annual Progress Report 2026* (Assessment Report No. 01/2026).
[6] European Commission. (2026). *Country-Specific Recommendation for Malta* (COM(2026) 218 final).
[7] European Commission. (2026). *Country-Specific Recommendation for Malta* (COM(2026) 218 final).

These indicators point to weaknesses in both skills' formation and investment in productivity-enhancing activity.

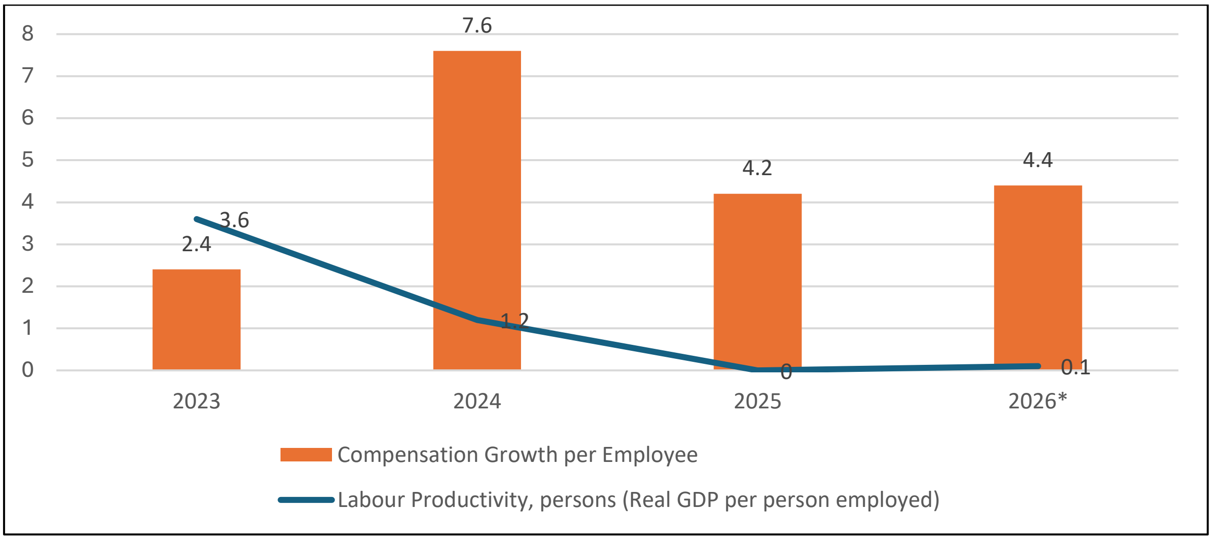


Figure 3: Compensation Growth has Outpaced Labour Productivity (Annual percentage change, 2023-2026)
Source: The Malta Chamber, based on Ministry for Finance (2026), Annual Progress Report 2026.
****Compensation per employee for 2026 is a projected figure.***

The consequence is visible in this year's figures. Compensation per employee is set to rise 4.4% in 2026, while labour productivity grows just 0.1%, against an EU average of 1.0%.[8] As Figure 3 shows, compensation is running ahead of output for a second consecutive years. If this pattern persists, labour costs will continue to rise faster than output, weakening cost competitiveness and making Malta a less attractive location for investment and job creation.

The productivity challenge is also evident at sector level. In manufacturing, increasing productivity ranks among the sector's most pressing business concerns, second only to energy costs. Tourism and other labour-intensive activities face similar pressures, where growth that depends mainly on additional staff rather than higher output per worker can become increasingly difficult to sustain.[9]

Malta's headline fiscal indicators remain relatively favourable. The general government deficit declined to 2.2% of GDP in 2025 and is projected to narrow to 1.6% in 2026, while public debt stood at 46.4% of GDP, below the 60% Maastricht threshold.

However, the debt ratio is being supported by strong GDP growth. Figure 4 shows that the interest-growth differential is expected to continue reducing the debt-to-GDP ratio over the forecast period, even though other components continue to add to debt pressures.[10]

[8] Ministry for Finance. (2026). *Annual Progress Report 2026*, Appendix Table 1c.
[9] The Malta Chamber. (2026). *LEAD*.
[10] Central Bank of Malta. (2026). *Outlook for the Maltese Economy 2026*

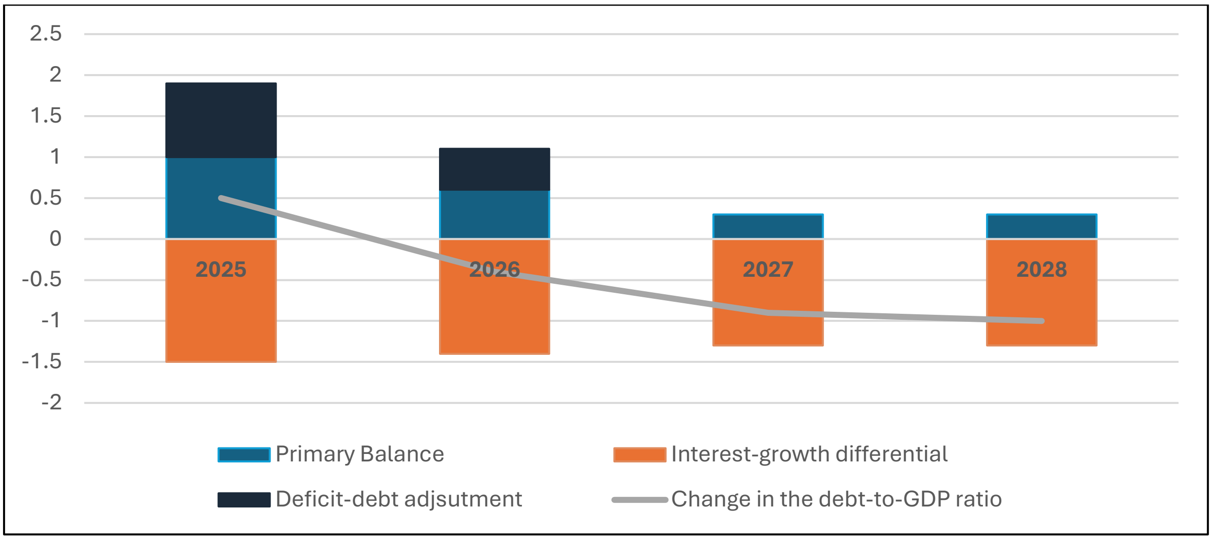


Figure 4: Debt Dynamics - (What is driving the debt ratio?)
Source: Adapted from Central Bank of Malta (2026), Outlook for the Maltese Economy 2026:2, Chart 4: "Contribution to Change in the Debt Ratio", p. 10.

This means that an improving debt-to-GDP ratio does not necessarily imply that the underlying debt burden is falling. Figure 5 therefore looks at the nominal stock of debt itself, which has continued to increase.

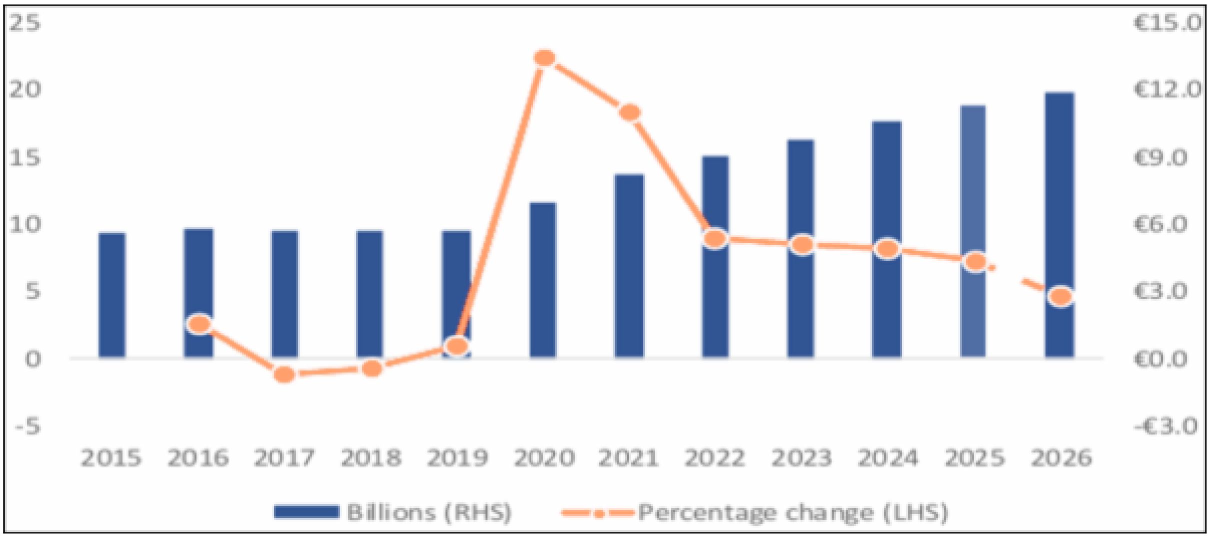


Figure 5: Government Debt Developments and APR26 Forecast (EUR billions and annual percentage change)
Source: Malta Fiscal Advisory Council (2026), Economic and Fiscal Developments over the First Half of 2026, Council Note No. 03/2026, 1 September 2026, p. 11.

The composition of government spending is another important consideration. Capital expenditure can support future productive capacity, while sustained growth in recurrent expenditure can reduce the fiscal space available for investment. The Malta Fiscal Advisory Council has also highlighted expenditure-side risks and the need for continued monitoring.[11]

Fiscal sustainability also depends on how economic growth is generated. Productivity-led growth can increase incomes, value added and government revenue without requiring the same increase in population and employment. By contrast, growth driven mainly by a larger population can also increase pressure on infrastructure and public services. The fiscal benefits of growth are therefore more sustainable when they are supported by stronger productivity. The pressure is building from outside as well. As Malta's income levels converge toward and beyond the EU average, EU cohesion funding is set to tighten, and the EU's own co-financing contribution is expected to fall from 60% to 40%, meaning a significantly larger share of any future investment in infrastructure or skills will have to come from Malta's own resources, just as fiscal headroom is under greater strain than the headline numbers suggest.[12]

Another critical dimension concerns the business environment, particularly the role of taxation in shaping investment and productivity outcomes. Evidence indicates that foreign-controlled enterprises in Malta significantly outperform domestically controlled firms in productivity, profitability, and investment intensity. These firms benefit from a tax framework (6/7th refund) that makes it easier for them to reinvest a larger share of profits. On the other hand, purely Maltese owned businesses have to pay 35% tax which is the highest in Europe.

It is also important to note that the improvement in public finances is largely due to a record contribution from direct taxation, with taxes on income and wealth reaching the highest-ever recorded ratio. This stems from the Central Bank of Malta Report "Fiscal Developments in 2025" where it is categorically stated that the performance "*in these last two years mostly reflects a surge in the amount of taxes paid by firms that are registered in Malta but conduct most of their business overseas. These firms typically benefit from generous tax rebates but still pay significant amounts in taxes after all refunds are settled with the tax authorities"*. [13]

Put together, this is a story about a model reaching the end of what it can do, hence why Malta cannot keep growing by adding people, vehicles and pressing demand on public infrastructure faster than it adds value from the people, firms and institutions already here.

Productivity is the necessary next stage of Malta's economic development – the only route to growth that does not compound the pressure on housing, infrastructure and public services with every additional year, and the only foundation on which Malta's current fiscal comfort can be relied upon.

[11] Malta Fiscal Advisory Council. (2026). *Economic and Fiscal Developments over the First Half of 2026*, Council Note 03/2026.
[12] The Malta Chamber. (2026). *LEAD*, "Economic Insights."
[13] https://www.centralbankmalta.org/site/Publications/Staff-Insights/16-26.pdf

SECTION A

PROPOSALS FOR EXECUTION WITHIN THE FIRST YEAR OF THE LEGISLATURE

Improving Malta's productivity is definitely one of the priorities that Government needs to focus on. It is no longer a desirable economic objective. It is an urgent national imperative. Over the past years, Malta's growth has been driven too heavily by population expansion, imported labour and increased activity, rather than by higher output per hour worked, stronger innovation, better use of technology and more efficient public and private systems. This model has served the country in periods of rapid expansion, but it has now reached its limits. Malta cannot continue to sustain growth by adding more people, more vehicles, more pressure on infrastructure and more demand on public services without generating higher value from the resources it already has.

In the post-pandemic recovery, Malta's Total Factor Productivity (TFP) growth has remained subdued, as economic expansion relied predominantly on factor accumulation rather than technological or efficiency gains. Labour productivity (output per worker/hour) stagnated or experienced periods of decline due to rapid, volume-driven employment growth and an influx of foreign labour into labour-intensive, lower-value sectors. Meanwhile, capital productivity faced downward pressure as high capital investment – particularly in physical infrastructure and capacity expansion – yielded diminishing marginal returns rather than efficiency-driven output growth.

Productivity is the foundation of competitiveness, wage growth and quality of life. When <u>businesses</u> are more productive, they can pay better wages, invest more in skills and technology, compete more effectively internationally, and generate higher-value employment. When <u>Government</u> is more productive, public services become faster, more transparent and less costly to administer. When the <u>economy as a whole</u> becomes more productive, it can grow without placing unsustainable pressure on land, roads, utilities, housing, the environment and social cohesion.

If Malta fails to improve productivity, the consequences will be severe. Businesses will face rising labour costs without corresponding gains in output, making them less competitive and less able to invest. Labour shortages will deepen, because too much activity will continue to depend on quantity rather than efficiency. Infrastructure will remain under strain, congestion and administrative delays will continue to erode working time, and inflationary pressures will persist as costs are passed on to consumers. **Most importantly, the country risks locking itself into a low-value growth model where more effort produces only marginal gains, while quality of life declines and Malta's attractiveness as a place to live, work and invest weakens.**

Conversely, **a decisive productivity agenda would allow Malta to reset its economic trajectory**. By prioritising digitalisation, automation, skills, better enforcement, smarter regulation, modern infrastructure and a fair level playing field, Malta can shift from volume-driven expansion to value-added growth. This would enable <u>businesses</u> to produce more with fewer constraints, <u>employees and workers</u> to benefit from better career progression and real wage growth, and <u>Government</u> to deliver more efficient services with greater accountability.

To achieve meaningful productivity gains, Malta must reallocate resources away from low-productivity, volume-driven activities towards high-value, innovation-led investments. To reverse this trend, government incentives, funding mechanisms, and tax structures must be decisively realigned to reward automation, digitalisation, and upskilling, while disincentivising low-yield, resource-intensive ventures. For example, policy measures and fiscal support should prioritise businesses investing in advanced digital infrastructure, high-tech manufacturing, and specialised exportable services, rather than continuing to subsidise or facilitate over-expansion in low-margin, labour-heavy sectors that simply add congestion and strain to national systems without generating higher output per hour worked.

When speaking about productivity, one must also delineate between business-level productivity and overarching national systemic productivity. **Presently, while individual enterprises can optimise internal operations through automation, lean processes, and digital tools, their localised efficiency gains are frequently eroded by systemic bottlenecks in the wider economy** – improved productivity is hindered by an environment where private firm optimisation is being neutralised by public infrastructure deficits.[14]

Improving productivity is therefore not simply an economic reform. It is central to Malta's competitiveness, fiscal sustainability, environmental resilience and social well-being. It is the means through which Malta can safeguard prosperity without sacrificing liveability. Budget 2027 must place productivity at the centre of national policy and allocate the necessary resources, incentives and institutional discipline to deliver measurable improvements. **The objective must be clear: a country that grows through excellence, standards and innovation, not through volume alone (within both the private and the public sector). This is the only way how our productivity can be improved.**

This section features a number of proposals in this regard, focusing on:

1. Funding Support, Investment Support and Taxation
2. Human Resources, Education and Skills
3. Technology
4. Infrastructure
    a. Spatial Planning and Construction
    b. Mobility
    c. Energy
    d. Water, Domestic/Industrial/Storm Wastewater and Sewage
    e. Waste Management
5. Value Enhancement in Tourism
6. Addressing State-Induced Market Distortions, Ensuring a Level Playing Field and Levelling-Up Proactive Enforcement
7. Addressing Island State Drawbacks and Other EU Matters
8. Internationalisation
9. Others

[14] To give a tangible example – a company automates its internal supply chain and warehouse operations, only for its delivery fleet to get stuck in national traffic gridlock.

A.1

FUNDING SUPPORT, INVESTMENT SUPPORT & TAXATION

Funding Support:

1. Establish a **multi-year Transformation Fund** supporting the take-up and implementation of digitalisation, cyber resilience and skills development, aimed at positioning Malta as a high-value, technology-enabled and resilient jurisdiction.

2. Introduce a mechanism allowing businesses to receive an **upfront cash payment representing a percentage of the total grant for which they are eligible for new digital or automation systems/solutions that improve productivity as well as for audited cybersecurity setups**, thereby increasing digital transformation uptake while bridging the liquidity gap.

3. Publish **indicative timelines within which disbursing agencies will pay-out the funds** in respect of applications which are fully compliant whilst also ensuring that the disbursement timeline is short, thereby supporting liquidity, efficiency and competitiveness.

4. Introduce safeguards to prevent government entities absorbing a disproportionate share of EU funds, ensuring a **fair allocation between public and private applicants so that public sector projects do not crowd out private investment or delay disbursement**.

Investment Support:

5. Introduce **Venture Capital Tax credits with 100% tax offsets for Malta based investors** who provide seed capital to Maltese based startups, with the aim of attracting more venture capital investment to Malta which in turn would attract more high-potential startups locally.

6. Introduce **Retail Savings and Investments Accounts** to channel personal savings into Malta's and the international capital markets as a means to link savings with investments – a dedicated stakeholder committee should be set up to drive this proposed framework.

Taxation:

7. Reduce the **corporate tax rate from 35% to 25% for all business, down to 20% for compliant** business to reward ethical businesses, coupled with targeted incentives for high-potential sectors (both foreign and local) for exportation – this is intended to encourage and promote value-added investment, innovation and internationalisation.[15]

8. Introduce a new **system which offsets different taxes against each other, such that when businesses are owed a refund of any form of tax, it is immediately offset against other tax due** – this would help improve cashflow for businesses.

[15] At a time of intensifying international tax competition and increasing pressure on business costs, Malta's tax framework must be internationally competitive, while also supportive of value creation and business development within the domestic economy. Malta has the highest corporate income tax rate in the EU in 2026, standing at 35%. At the same time, the current corporate tax structure favours foreign companies through the 6/7ths refund mechanism. This is resulting in an uneven playing field and a competitive disadvantage for domestic companies.

9. Introduce a **lower tax and/or stamp duty attached, than the current one, to *inter vivos* transactions** rather than at *causa mortis* stage, thus incentivising family businesses to commence succession planning and transfer assets/movables/immovables during the *inter vivos* stage, incentivising family businesses towards proper and planned succession planning during the *inter vivos* stage – family businesses are recognised as being a crucial pillar of Malta's economy and therefore require a tax framework which supports both investment and intergenerational growth.

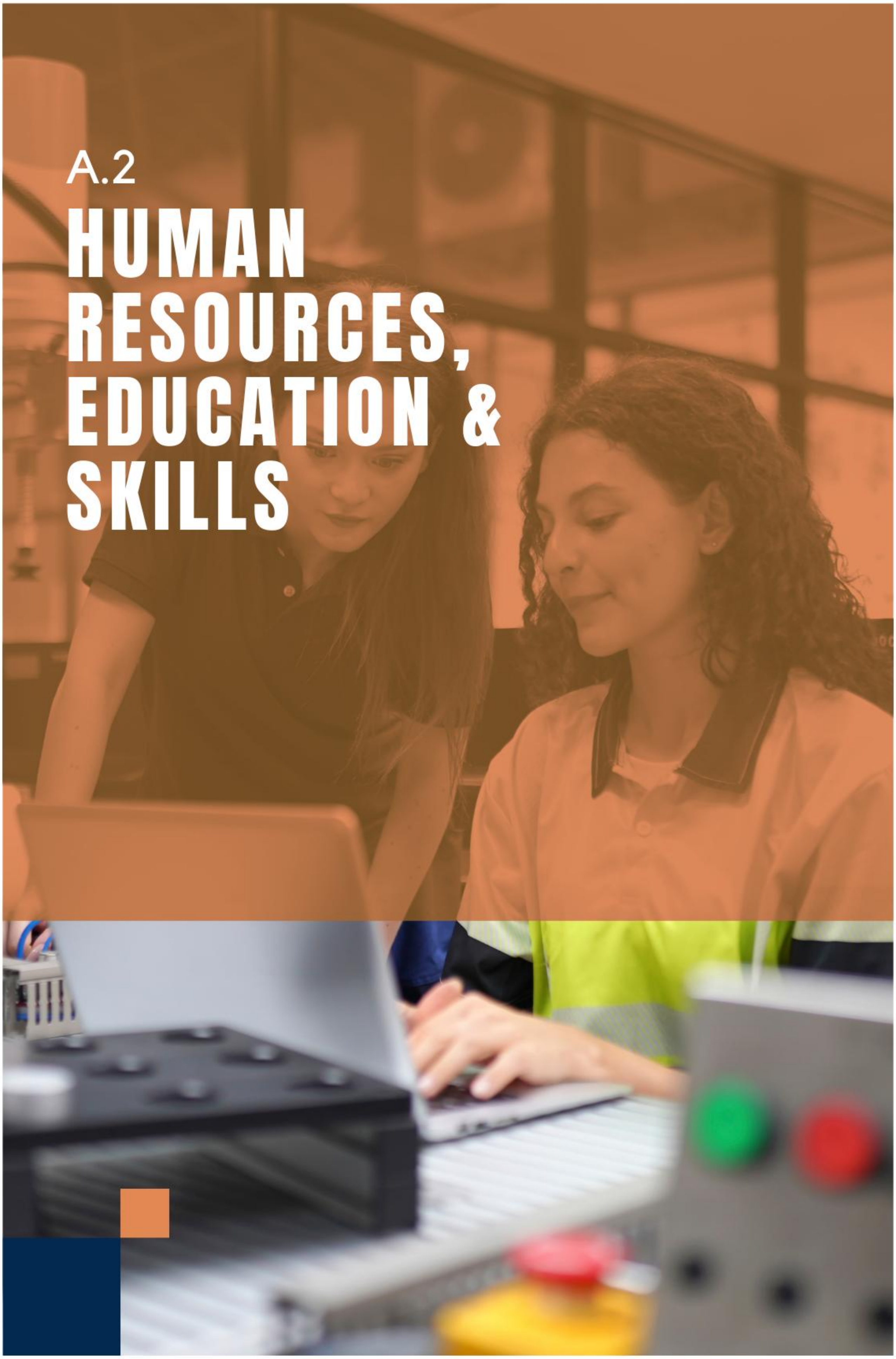
10. Refrain from increasing **excise duties** – excise duties are an added cost to industry and amplify the inflationary pricing pressures faced by manufacturers, producers and importers, ultimately resulting in unavoidable partial increases onto retail and consumers.

11. Increase Malta's tax deduction on qualifying **R&I expenditure from 175% to 200%**, thereby strengthening Malta's competitive position against comparable jurisdictions and deepening the incentive for businesses to invest in research and innovation.

12. Continue modernising **tax enforcement systems** to curb evasion and bring unethical businesses into immediate alignment, ensuring that compliant businesses are not commercially disadvantaged by parallel, non-compliant operations.

A.2

HUMAN RESOURCES, EDUCATION & SKILLS



Human Resources:

1. Accelerate the **deployment of a unified digital platform across Identità, Jobsplus, Police and Housing** to automate end-to-end work visa processing and seamless data sharing, including giving the applicant detailed visibility of (i) the application stage, (ii) which entity it is at, (iii) accurate estimated time of approval or otherwise, and (iv) additional info that may be required.

2. Review and update the **Labour Migration Policy,** particularly with respect to the elements outlined in The Malta Chamber feedback[16], to continue solidifying and building upon the positive measures successfully introduced over the past months. The proposals ensure that Malta's regulatory framework improves efficiency, addresses productivity and boosts value-added.
    - Process **applications within shorter time-frames than those at the moment** (ideally within 3 months from date of application), coupled by **clear and unambiguous application requirements from the outset**, thereby reducing administrative bottlenecks and improving business planning predictability across all industries.
    - Shorten **response times for urgent employment quota waivers tied directly to verified business growth and/or industrial expansion**, ensuring that growing enterprises are not hindered by delayed access to essential human resources.
    - Review the **current 'change of employer' framework to have a more efficient and faster process, coupled by lower fees** (currently 'change of employer' fees equate to 'first-time application fees'), specifically for skilled TCNs already working legally in Malta.
    - Extend standard work **permit renewal periods to 3-year periods** to provide TCN workers with better stability and workplace continuity whilst also reducing compliance costs for local businesses.
    - Remove the current mandatory **3-week vacancy advertising requirements** for TCN recruitment, thereby enabling domestic businesses facing acute local skill shortages in roles critical to business continuity to recruit international talent more swiftly and maintain uninterrupted commercial activity.
    - Recognise that certain industries require **sector-specific frameworks for the recruitment and deployment of highly skilled international personnel due to the particular operational environment in which they operate**, including seasonality, international mobility and the need for rapid deployment. While existing fast-track mechanisms for highly skilled third-country nationals are welcome, further sector-specific procedures should be developed to ensure that operationally critical personnel can be recruited and deployed without unnecessary administrative delays.[17]

[16] https://maltachamber.org.mt/wp-content/uploads/2025/02/20250209-TMC-feedback-on-Labour-Migration-Policy-FINAL.pdf

[17] Particular consideration should be given to the aviation, yachting, maritime and shipping sectors, where operational continuity may depend on the rapid deployment of highly specialised international personnel. In the case of yachting and shipping, for example, captains, officers, engineers and other key crew are internationally mobile and frequently rotate between vessels and jurisdictions in accordance with global fleet requirements. Appropriate expedited procedures and regulator-endorsed exemptions should therefore be available for such critical roles.

- Establish a **fast-track, point-based permanent residency scheme specifically targeting highly skilled, specialised third-country nationals** as part of the first phase of National Skills Strategy implementation.[18]
- Disseminate knowledge to ensure that employers using Recruitment Agencies are fully **aware of who is duly licenced** and whose services they can use – in parallel, enforcement should be strengthened through (i) higher fines (a tiered fining system for both the agency and the client), (ii) operational bans for repeat offenders and (iii) public naming of non-compliant entities to reinforce deterrence.

3. Introduce a **5-year income tax exemption** targeting highly qualified Maltese nationals residing abroad to effectively incentivise their return, addressing critical domestic skills gaps, along the lines of recent schemes introduced in Greece[19] and Italy[20].

4. Reduce **tax rates on overtime hours for full-time employees** with the intention of making them more advantageous to part-time rates, actively incentivising workers to accept overtime with their primary employer instead of secondary part-time jobs.

5. Formally **eliminate all income tax on the COLA** as a permanent and recurrent measure to maximise workers' purchasing power and ensure that tax brackets are adjusted **automatically every year based on the COLA increase**.

6. Commission **an independent, third-party audit of all government departments and entities to identify structural redundancies, streamline bureaucratic layers and uncover surplus capacity, with the objective of improving efficiency rather than expanding headcount** – this should include a thorough review of human resource requirements and resources within the public sector, complimented with a transition programme to support the secondment and redeployment of surplus public sector personnel into the private sector.

7. Streamline **public sector working and coverage hours to those of business** – half-day schedules within the public sector create inconveniences for business, as do non-aligned working hours.

[18] While routes to manage economic migration. Some examples:
Austria: The Red-White-Red Card scores candidates on age, qualifications, work experience, and language skills, leading to labour access and eventual long-term status. **Germany:** The Opportunity Card (*Chancenkarte*) uses a 6-point threshold based on recognised credentials, experience, age, and language proficiency to allow job-seeking before converting to permanent settlement. **Netherlands:** Evaluates self-employed talent and startup founders using points-based economic criteria, creating a legal track toward 5-year permanent settlement.
[19] https://greekreporter.com/2026/05/06/brain-regain-greece-tax-breaks-return-skilled-workers/
[20] https://parakar.eu/knowledge/italy/impatriate-tax-beneficial-regime-in-italy

Education and Skills:

8. Allocate a dedicated budget allowing employers to claim **direct tax credit on actual incurred costs for knowledge training (locally and internationally)**, against measurable business productivity gains.

9. Fund a **state-backed grant program to cover the upfront costs of hiring external training experts for businesses**, through a verified register of qualified trainers.

10. Implement a **student voucher system for post-secondary education**, fully empowering local learners or drop-outs to access market-aligned training programs, provided by independent and private accredited professional training institutions.

11. Roll-out a package of **robust fiscal incentives for tertiary education students choosing critical STEAM and healthcare disciplines**, directly aligning graduate output with Malta's crucial economic, technological, healthcare, and infrastructural developmental demands.[21]

[21] STEM and healthcare tertiary education fuel national competitiveness. This academic talent can accelerate innovation and technological breakthroughs, contribute towards improving our productivity, and support institutional resilience. It fosters high-yield entrepreneurship and attracts high-value FDI. For example, multinational tech, pharmaceutical, and engineering enterprises tend to choose countries with dense clusters of skilled engineering, data science, and medical talent. It also builds systemic resilience - highly trained medical professionals, epidemiologists, and engineers equip a nation to withstand public health crises, cyber threats, and infrastructure disruptions, thereby mitigating long-term economic damage.

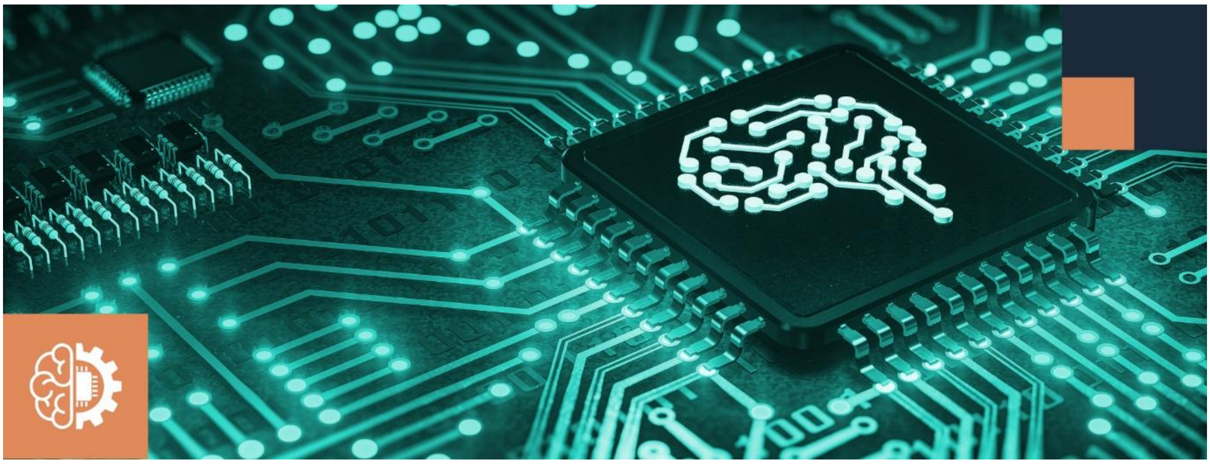
A.3
TECHNOLOGY

1. Designate **AI technology as a primary productivity driver in national economic policy on a sector-specific basis**, setting sector-specific adoption targets and reporting annually on progress – this includes addressing key structural and practical challenges encountered (i) within the public administration to adopt AI and (ii) by business.

2. Build on the **€100 million allocation to businesses investing in digitalisation in Budget 2026 and ensure a similar allocation for Budget 2027, topping it up with the unutilised funds originally allocated under Budget 2026** – it is imperative that the respective schemes are all up and running at the start of year 2027 to avoid having a repeat of what happened in 2026 where the schemes were partially launched mid-year. The support schemes should be accessible across all sectors and support investments that deliver demonstrable productivity gains. Furthermore, rather than generic multi-sector digitalisation schemes, the schemes should be **industry-specific structured around targeted NACE codes** – this would improve relevance and uptake.

3. Introduce **better training co-funding schemes focusing on employee digital literacy and AI capability**, ensuring technology acts as a true operational amplifier.

4. Publish the **digitalisation programme for the public sector and include mandatory annual public reporting on (i) its implementation status and (ii) the performance of the initiatives rolled out** – the annual public reporting should include the measures and projects committed to, those completed and the implementation statues of those in progress, expenditure incurred, and measurable outcomes achieved. Such a programme should help modernise the public sector, by eliminating excess bureaucracy and offering better service levels.



5. Establish a **one-stop compliance helpdesk for EU digital regulation to support businesses in navigating the NIS2 Directive, the EU AI Act, and the Digital Services Act**. Businesses are facing significant challenges to navigate through the EU's digital regulatory environment (often called the "*regulatory tsunami*") due to overlapping compliance regimes, aggressive enforcement timelines, and heavy penalties. The NIS2 Directive focuses mainly on cybersecurity resilience, the EU AI Act focuses on risk-based AI governance, and the Digital Services Act (DSA) focuses on online safety, platform transparency, and content moderation. Some of the areas that businesses need help with, include:
   a. Regulatory Overlap and Conflict[22]
   b. Personal C-Suite & Board Liability[23]
   c. Understanding the Financial Risk[24]
   d. Technical-to-Legal Translation[25]

6. Implement a **national cybersecurity resilience education and awareness campaign targeting businesses, employees and the wider public with practical guidance** on cyber risks, prevention measures, incident response and secure digital practices. The campaign should include sector-specific guidance, targeted training and accessible awareness material, to strengthen cyber preparedness and reduce exposure to common threats.

7. Launch a **national cybersecurity resilience programme for public institutions and the business community** addressing Malta's exposure to evolving cyber threats through the preparation and implementation of a national education and awareness campaign, stronger preventive systems and protocols, and improved incident response preparedness. At national level, establish and rehearse war-room protocols for major incidents, operationalise real-time threat intelligence sharing, strengthen coordination across critical sectors, and commission independent validation of government cybersecurity posture.

8. Increase the **CYBER+ALT and Mind the Gap funding ceilings t**o reflect Malta's cybersecurity needs by raising the CYBER+ALT ceiling from €60,000 to €100,000, increasing the scheme's total budget beyond the current €2,000,000 cap, and raising the Mind the Gap ceiling from €10,000 to €50,000. Current ceilings are insufficient to support meaningful cybersecurity uplift and send the wrong signal at a time of growing cyber risk for Maltese enterprises.

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[22] For example, a single system or incident can trigger obligations under multiple laws at once. For example, an AI-driven security breach requires a 24-hour report under NIS2, a 15-day report under the AI Act, and data protection disclosures under GDPR.

[23] For example, NIS2 explicitly introduces personal liability for senior management who fail to approve or oversee compliance and risk management measures

[24] Non-compliance carries severe global revenue fines. NIS2 carries fines up to €10 million or 2% of total worldwide turnover. The EU AI Act carries fines up to €35 million or 7% of total worldwide turnover and the DSA carried fines up to 6% of annual global turnover.

[25] Engineering, security, and data science teams struggle to translate vague legal requirements (e.g., "explainability," "state-of-the-art security," "harmful content mitigation") into executable software code and operational workflows.

Specifically Targeted Proposals:

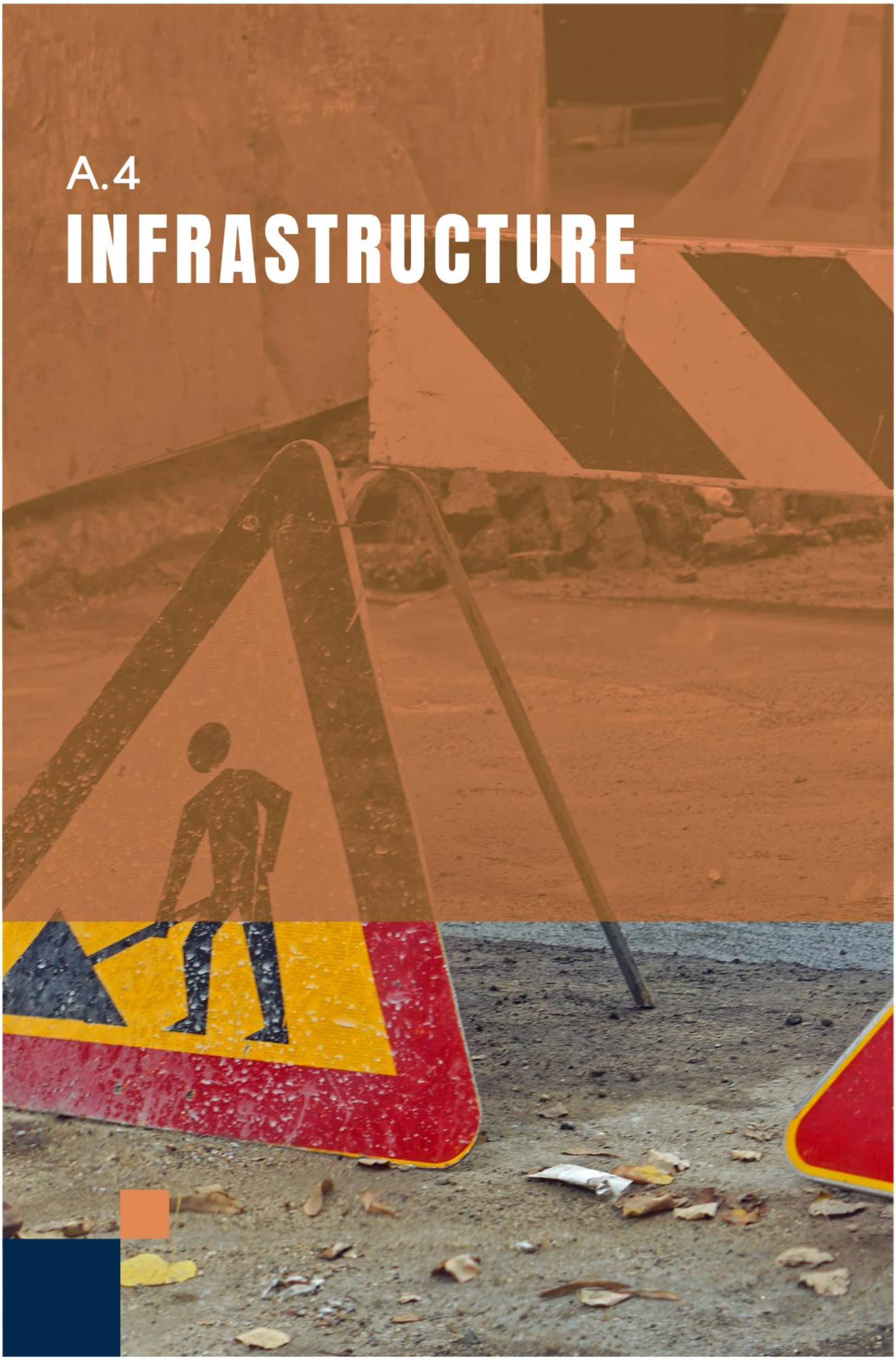
9. Transition all **clinical documentation across the National Health System, including private hospitals, clinics and care homes, to a secure, interoperable and comprehensive Electronic Medical Records (EMR) system** enabling real-time access to patient data, improving clinical decision-making, and strengthening continuity of care across the entire health and social care ecosystem.

10. Ensure that **electronic fiscal receipts (e-receipts) are recognised as a legally valid alternative to printed paper receipts, across the board** – this is a critical step in modernising tax administration and retail commerce, ultimately offering key structural benefits for tax authorities, businesses, consumers, and the environment.

11. Deploy **automated and AI-enabled monitoring systems across Government to identify and flag potential violations** taking a proactive approach towards enforcement – it will reduce human intervention, apply clear and consistent enforcement criteria, limit opportunities for selective or inconsistent enforcement, and strengthen transparency through auditable digital records, while retaining appropriate human oversight for final enforcement decisions. In tandem, government should also focus on inter-departmental coordination to maximise on the use of resources.[26]

[26] OHSA, BCA, and Planning Authority have started collaborating on a number of aspects, and a positive result was registered. This approach needs to be rolled-out further within the same aforementioned authorities as well as within other departments, entities and agencies.

A.4
INFRASTRUCTURE



1. Limit the use of **planning circulars to technical clarifications only**. Planning circulars should not be used to amend, reinterpret or bypass SPED, Local Plans, DC15 or other approved planning policies. Any instrument which affects development rights, planning interpretation or policy application should follow a transparent process, safeguarding legal certainty, consistency, accountability and public trust in the planning system.

2. Introduce a **strict no-benefit-from-illegality rule within planning and licensing frameworks**, prohibiting the retrospective approval, regularisation, sanctioning of developments or operations deliberately commenced without the required permits, save for narrowly defined minor technical discrepancies. This would close the "build first, sanction later" abuse and restore fairness for compliant operators.

3. Ensure new developments are completed within the validity period of the permit, typically five years, through the introduction of **escalating financial disincentives for unfinished projects**[27] and the establishment of a '**Derelict Redemption Act'**[28] enabling the State to repurpose persistently incomplete buildings for public use.

4. Introduce a **mandatory digital building logbook**, reflecting the structural, fabric, energy-performance and certification history of the building from construction stage through to post-commissioning, and all alteration works carried out post-commissioning. The owner would have the obligation to maintain the building in a good state of repair and to keep the logbook updated. This would strengthen accountability, improve buyer and tenant protection, support enforcement, and ensure that declared building standards are traceable beyond the permitting stage.

[27] This would address the negative impact of incomplete buildings on streetscapes, neighbourhood quality, safety and public confidence in the planning system.
[28] Government should explore the introduction of a Derelict Redemption Act, subject to due process and property-rights safeguards, enabling the State to intervene in persistently abandoned or incomplete structures and repurpose them for public, community or social use where owners fail to act.

5. Strengthen the **credibility and market value of Energy Performance Certificates by linking design-rating EPCs and Technical Document F compliance certificates to post-completion asset verification**, ensuring that declared energy-performance standards are reflected in the completed building and not merely in design documentation. This should include targeted post-construction checks, clear enforcement by BCA, and stronger public visibility of EPC ratings, so buyers, tenants and financiers can rely on EPCs as credible indicators of building quality, efficiency and long-term value.

6. Introduce a **dedicated incentive framework for high-performing new buildings and green renovation projects, based on advantageous loans, targeted fiscal incentives for green products and services, and innovative financing instruments such as Energy Performance Contracting,** thereby ensuring that Malta's construction and property market is progressively shifted towards higher quality, lower energy demand and stronger long-term value.[29]

7. Support the **regeneration of Urban Conservation Areas through dedicated interest-free or close-to-zero renovation loan schemes**, incentivising property owners to restore, upgrade and bring vacant or underused properties back into productive use. Such schemes should support structural repairs, façade restoration, energy and water efficiency upgrades, accessibility improvements and adaptive reuse, while safeguarding traditional architectural features. Funding should be tied to clear conservation outcomes, anti-speculation safeguards and simplified application procedures, ensuring that historic urban areas are revitalised as liveable, economically active and culturally valuable communities.

8. Extend **UCA-equivalent incentives to non-UCA properties which retain traditional Maltese limestone architecture and streetscape value, limiting unnecessary demolition and safeguarding Malta's built visual identity beyond formally designated conservation areas**. This should support the maintenance, restoration and adaptive reuse of traditional stone buildings, façades, balconies and architectural features, ensuring that Malta's visual identity is protected where heritage value exists, irrespective of whether the property falls within a UCA boundary or not.

9. Provide **targeted fiscal incentives and dedicated funding for the maintenance, restoration and adaptive reuse of heritage buildings** with particular focus on historic urban areas. This could also be extended to converting dormant and abandoned structures for cultural or creative use.

[29] Such support should only be granted to projects that go beyond the minimum environmental requirements established by law.

10. Introduce a **fiscally neutral mobility e-wallet ensuring that the scheme operates as a modal-shift instrument rather than as a general blanket subsidy**. The scheme could be supported through government funds as well as targeted urban parking and congestion-management revenues and ringfenced for genuinely sustainable or shared mobility options. The scheme should prioritise measurable behavioural change by shifting private car users towards alternative modes, rather than rewarding transport choices already supported through existing free public transport arrangements.

11. Prioritise **public transport service quality, capacity and journey-time competitiveness** before introducing additional user subsidies to ensure that public funding addresses the reasons why private car users do not shift modes. Immediate improvements should focus on more direct and faster routes, better peak-time capacity, regional circular routes and improved access to all industrial estates, district hubs, factories and employment centres. Particular attention should be given to night and early-morning services aligned with shift-based demand, ensuring that public transport becomes a credible mobility option for workers and businesses.

12. Reform **school transport by organising it on a geographic-zone basis and extending the iSchool Grannies initiative nationally** where appropriate thereby reducing duplicate school trips, improving route efficiency and addressing school-front congestion. School transport should be coordinated by locality and catchment area rather than solely by individual school, while supervised walking from nearby drop-off points should be supported through expanded community-based initiatives. This would improve safety around schools, reduce peak-hour congestion and provide a more practical alternative to parents driving directly to school gates. Furthermore, designated drop-off zones should be introduced for parents who opt to use private transport instead of school transport, whereas parents who book school transport and fail to use it should be subjected to a fee (similar to the system applied for childcare).

13. Amend the **Employee Transportation Deduction Act to better support carpooling and shared mobility adoption**. The Malta Chamber recommends scaling down the existing vehicle capacity threshold from 8 to 4 passengers. Restructuring these schemes or introducing broader, more flexible tax incentives will empower businesses to implement practical shared transit solutions that meaningfully reduce traffic congestion and commuter footprint.

14. Introduce **heavier and incremental fines for vehicles obstructing traffic flows, bus stops, junctions and other critical areas**. This would improve compliance, thereby reducing obstruction and enhancing road safety.

15. Introduce **designated drop-off and pick-up areas for y-plates**.

16. Identify **additional unloading/loading** slots for minibuses, coaches and distribution vehicles.

17. Prioritise tallinja Card holders for **sea transport boarding**.

18. Increase significantly the **financial allocation required to accelerate further the improvements** required to ensure stability in energy supply – this must be complimented by faster implementation of the required works.

19. Gradually **reallocate recurrent public expenditure currently directed towards broad conventional energy subsidies towards long-term investment in renewable energy infrastructure, grid reinforcement and energy resilience**, ensuring that public assistance is progressively redirected from broad conventional energy support towards productive investment in Malta's cleaner, more resilient and more independent energy future[30]. This shift must be supported by a better-performing distribution system which enables, rather than restricts, private investment in renewable energy, ensuring that businesses and households wishing to invest in renewable energy systems are not prevented from doing so due to network bottlenecks.

[30] Subsidies on conventional energy should remain available as a strategic safeguard, deployed only in cases of force majeure or exceptional external shocks, including geopolitical crises which materially disrupt energy prices.

20. Introduce an **open rolling-call renewable energy financing framework** to ensure continuous access to funding for photovoltaic systems, battery storage and related renewable energy investments, **replacing stop-start schemes with a predictable and transparent framework that gives businesses and households the confidence to invest**. Government should publish a three-to-five-year renewable energy support roadmap, with a clear national target, setting out indicative funding allocations, available support mechanisms, feed-in tariffs, eligibility criteria and planned support for storage, complemented by a public transparency dashboard showing available funds, application status and expected processing times. Funding allocations should be linked to Malta's renewable energy trajectory, with stronger front-loaded support in the initial years to accelerate uptake. The framework should provide applicants with a mix of support options, including:
    a. direct grant support for all renewable energy investments;
    b. interest-free or low-interest loans to allow the public funding allocation to reach a larger number of households and businesses;
    c. a dedicated incentive for businesses investing in combined solar PV and battery storage – this can take the form of a grant or a tax credit;
    d. a dedicated incentive for standalone batteries to allow businesses to charge their batteries from the grid during off-peak hours and use the stored electricity during peak-demand periods – this can take the form of a grant or a tax credit;
    e. additional incentives for PV and battery installations in areas identified as having greater grid constraints or outage risks;
    f. a dedicated incentive for owners of older PV systems, including those that benefited from previous Government schemes, to upgrade or repower their current installations;
    g. an attractive and predictable feed-in tariff which properly rewards investment in renewable energy generation and strengthens the business case for private investment.

21. Establish a **package of fiscal incentives** to support environmentally sustainable building, renovation and investment practices, ensuring that Malta's tax system rewards businesses who invest in higher environmental performance. This package should include:
    a. a reduced tax rate on profits reinvested by businesses into environmentally sustainable systems, including renewable energy, water efficiency, energy efficiency and low-carbon technologies;
    b. a lower tax rate for lessors renting buildings which exceed minimum energy-performance requirements;
    c. increased support and stamp duty exemptions for buyers purchasing properties which exceed minimum energy-performance requirements;
    d. a reduction in capital gains tax or final withholding tax for developers using verified sustainable construction materials and higher-performing building systems.

22. Introduce a mechanism allowing for **accelerated depreciation** on renewable investments.

23. Roll-out a **comprehensive reform of INDIS policies on renewable energy deployment within industrial estates** ensuring that industrial rooftops and underutilised spaces are treated as strategic national assets for renewable energy generation, particularly in view of Malta's obligations and trajectory under the Energy Performance of Buildings Directive in relation to the deployment of solar energy on suitable public, commercial and industrial roof spaces. This reform should maximise the use of suitable rooftop space in industrial estates by enabling the full deployment of photovoltaic systems, while providing long-term investment certainty on rental charges and administrative conditions so that companies are incentivised to invest in renewable energy rather than leave available roof space unused.

24. Introduce a **renewable energy sharing framework, allowing businesses to credit, transfer or virtually net renewable electricity generated at one premises against consumption at another premises operated by the same company or group**, subject to clear metering, billing, grid-capacity, network-use and anti-abuse safeguards. This would maximise available rooftop space and prevent mismatches between generation potential and energy demand from restricting private renewable energy investment.

25. Enable the **purchase of certified renewable electricity from the national system by introducing a regulated green electricity tariff for consumers and businesses,** allowing operators to voluntarily procure verified renewable electricity as part of their decarbonisation, green procurement and Net Zero commitments. This should be supported by a clear mass-balance calculation and certification framework, ensuring that renewable electricity consumption is properly tracked, accounted for and disclosed.

26. Replace unpredictable individual grid-upgrade charges with a **standard Grid Connection Contribution based on the size of the PV system installed in kWp**. The contribution would be transparent, standardised and shared fairly across businesses connecting renewable-energy capacity to the grid. It is equally important to **publish available grid capacity, connection requirements, indicative costs and timelines for approval, so as to provide greater certainty to renewable-energy investors.**

27. Streamline and consolidate into **one digital platform the submission, processing and approval/ rejection related to renewable energy applications,** including any queries that one may have in respect of planning approval, funding availability, grid connection etc, whilst also giving the applicant the **stage at which the application is at** as well as **an indication of the approval date** – the aim is it to make it seamless, less bureaucratic, more clear and more coherent across the board.

28. Introduce a **free national smart energy metering application**, providing households and businesses with real-time or near-real-time electricity consumption data, comparative usage trends and automated alerts for abnormal consumption, excessive demand or usage outside normal operating hours, enabling users to identify inefficiencies and the cause of those inefficiencies, ultimately leading to manage their respective energy consumption better.

29. Revisit the contribution requirements under Citizenship by Merit, Residence by Investment and other appropriate frameworks, and consider introducing or allocating a **contribution specifically ring-fenced for renewable-energy generation, energy storage and grid-resilience projects**.

A.4.4 WATER, DOMESTIC/INDUSTRIAL/STORM WASTEWATER & SEWAGE

25. Strengthen the **incentives tied to national water resilience and demand-management** to reduce pressure on Malta's water supply and promote the efficient use, storage and reuse of water across multiple sectors (public, business and domestic) thereby recognising water security as a core competitiveness, climate resilience and resource-efficiency issue for Malta. The focus should be on more incentives for practical interventions which reduce avoidable water demand, improve localised water storage, and support the reuse of alternative water sources where technically and economically feasible. Such schemes should, in particular, support:
    a. the storage and use of **rainwater harvesting systems** in industrial estates, commercial premises and domestic structures, including the use of rainwater as secondary water where appropriate;
    b. localised **greywater treatment and reuse systems** in suitable high-consumption premises, including hospitality, healthcare, care homes and other facilities where parallel internal distribution systems can be justified;
    c. investment in **irrigation-efficiency technologies** across agriculture, public landscaping and private landscaping;
    d. the deployment of **monitoring and control systems (at client level) which reduce wastage, detect abnormal consumption patterns, improve operational efficiency and support better water-demand management**.

26. Introduce a **free smart water meter application, providing households and businesses with real-time or near-real-time consumption data, automated alerts for abnormal consumption, and comparative trends**, thereby enabling users to identify wastage and the root cause of, ultimately leading to better management of this crucial and critical resource.

27. Prioritise and accelerate **further investment in Malta's sewage treatment and sewerage capacity** ensuring that infrastructure is adequately dimensioned for current and projected population growth, tourism and seasonal peak demand, whilst also ensuring sufficient capacity and redundancy to prevent sewage overflows and untreated discharges into the sea.

28. Conduct a national industrial material flow assessment and establish a digital by-product exchange platform, enabling businesses to **identify, trade and utilise reusable waste streams, secondary materials and industrial by-products**. This platform should support industrial symbiosis across sectors, reduce avoidable disposal, strengthen circular economy opportunities and create a more transparent market for materials which can be reused as inputs by other operators.

29. Introduce **targeted grant schemes, fiscal incentives and research funding to accelerate investment in construction and demolition waste recovery** – such support should ensure that circular construction is not treated only as a regulatory obligation, but as a viable economic opportunity supported by investment, quality assurance and market demand.

30. Strengthen **environmental compliance and enforcement** by transitioning from a predominantly reactive and complaint-based approach towards proactive, risk-based monitoring and inspections[31]. This can be done through the **introduction of annual sectoral inspection plans and clear risk criteria based on activity type, scale, compliance history and pollution risk, while retaining capacity to respond to urgent complaints and incidents**. Enforcement should also address environmental breaches committed by the general public incentivising stronger civic responsibility. AI can help transform environmental enforcement by expanding monitoring reach, detecting illegal activities in real time, and optimising limited regulator resources by making us of satellite and remote sensing analytics, predictive risk modelling and inspection routing, and automated pollution sensing through AI-integrated IoT sensors.

[31] Recent fires at waste, recycling and scrapyard sites, including incidents in Żejtun, Marsa and Mqabba, have highlighted the need for stronger preventive monitoring and risk-based environmental enforcement, particularly at higher-risk facilities.
Zejtun - https://www.maltatoday.com.mt/news/national/138164/massive_ejtun_scrapyard_fire_extinguished_after_16hour_operation
Marsa - https://timesofmalta.com/article/repeat-fire-marsa-scrapyard-hit-environmental-warnings-four-years-ago.1119933
Mqabba - https://www.maltatoday.com.mt/news/court_and_police/141226/civil_protection_battling_mqabba_industrial_fire_

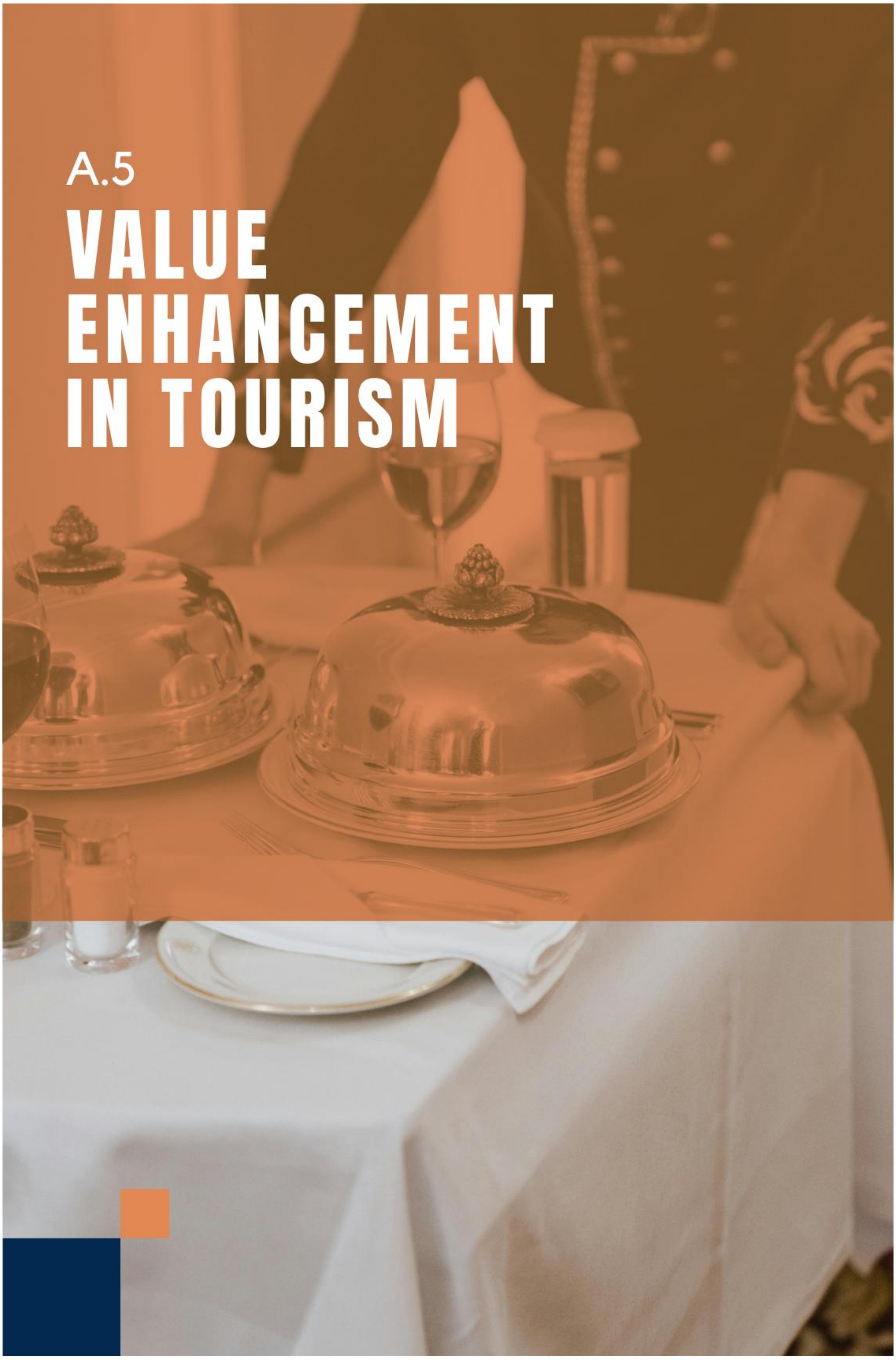
31. Require and monitor all **new multi-unit developments to provide waste collection and storage facilities proportionate to occupancy levels**, ensuring that the facility to separate waste collection is embedded in building design rather than treated as an afterthought. Planning and building requirements should mandate adequate, accessible and well-managed spaces for mixed waste, recyclables, organic waste and other relevant collection streams, reducing public-space clutter, improving collection efficiency and supporting higher recycling performance.

32. Review and reform the **battery waste management fee structures** and ensure their **proper disposal through duly licenced and maintained waste management and treatment facilities,** particularly with respect to **EV batteries, batteries used in conjunction with PV systems and other renewable energy systems, as well as other batteries used by industry** – disposal costs must be clear up-front and it must be ensured that they are proportionate and reasonable.

33. Establish **dedicated funding schemes for accredited waste management and circular economy training programmes**, thereby supporting businesses, public entities and professionals in improving compliance, material recovery and resource efficiency. The schemes should prioritise business and high-impact sectors, including construction, manufacturing, hospitality and retail, ensuring that Malta's circular economy transition is supported by practical skills, technical understanding and stronger operational capability across the economy.

A.5

VALUE ENHANCEMENT IN TOURISM



1. Perfect the journey across Malta's tourism value chain – this must become a central pillar of the country's tourism strategy.[32] In order to achieve this, one must implement **priority structural changes in Malta's tourism ecosystem**, in line with The Malta Chamber's **Rediscover to Align**[33], to support a more sustainable, resilient and value-driven tourism model. These include:
   a. Amending the Malta Travel and Tourism Services Act[34], to reflect the **evolving structure of the tourism ecosystem and the diversity of operators and accommodation models**.
   b. Developing a multi-purpose conference centre, to strengthen and sustain Malta's **MICE sector** and support year-round demand.
   c. Reinvesting a percentage of **VAT generated within each locality, directly into destination enhancement projects within that locality**, ensuring a fairer distribution of resources, prioritising areas most impacted by tourism activity.
   d. Reviewing the implementation of the **Tour Operators Margin Scheme (TOMS)** to address competitive disadvantages faced by Maltese Destination Management Companies (DMCs), particularly in relation to MICE activity, ensuring a level playing field with competing jurisdictions and safeguarding Malta's competitiveness in this high-value tourism segment.
   e. Strengthening links between tourism and local production by incentivising the **uptake of Maltese products** within hospitality and tourism establishments, enhancing authenticity while increasing value retention within the local economy.
   f. Providing targeted incentives for the **restoration, maintenance and adaptive reuse of heritage buildings in Valletta and Mdina**, including through public-private partnerships that facilitate the conversion and repurposing of dormant and historic properties into cultural, creative, community and tourism-related spaces, preserving Valletta's heritage while enhancing its tourism offering.
   g. Establishing a **Tourism Resilience and Reinvestment Reserve (TRRR)**, enabling tourism operators to retain a portion of annual profits on a tax-deferred basis for reinvestment in business development, product enhancement and sustainability initiatives, or to support business continuity during periods of crisis.
   h. Harmonising **VAT rates** across tourism-related services to reduce distortions between tourism sub-sectors, simplify the fiscal framework, and support a more level playing field, while retaining existing exemptions that are fundamental to specific sectors, such as English Language Teaching.
   i. Strengthening **enforcement of existing VAT rules governing the sale of ready-to-eat food** to address market distortions, ensure fair competition between catering establishments and other operators, and safeguard a level playing field across the food service sector.

[32] Delivering a quality experience is not the responsibility of any single operator or sector, but the result of every interaction a visitor has with the destination, from the moment of booking and arrival to accommodation, transport, attractions, hospitality services, retail experiences and departure. This requires a coordinated approach that strengthens connectivity, enhances service standards, improves the quality of public spaces, upgrades tourism infrastructure and embraces digital solutions that make travel smoother and more intuitive. By perfecting the journey, Malta can increase visitor satisfaction, drive higher spending, encourage repeat visitation and strengthen its reputation as a premium, year-round destination. A seamless and consistently high-quality experience across the entire tourism value chain will be essential if Malta is to compete on value rather than volume and achieve long-term sustainable growth.
[33] https://maltachamber.org.mt/wp-content/uploads/2026/03/Rediscover-to-Align_Malta-Chamber-Tourism-Vision-2026.pdf
[34] https://legislation.mt/eli/cap/409/eng

j. Strengthening transparency and accountability in the **allocation of public funds for large-scale entertainment and event productions** by establishing clear funding criteria, publishing funding decisions, and ensuring a level playing field for all operators.

2. Manage Malta's business mix in route development by ensuring there is a role for a strong, commercially viable national carrier free from political influence whilst also continue to encourage other niche airlines, particularly outside Europe, to connect and operate to Malta – **align route development and marketing support, by prioritising winter and long-term commitments and expanding connectivity beyond Europe, particularly the USA and Asia**.

A.6

ADDRESSING STATE-INDUCED MARKET DISTORTIONS, ENSURING A LEVEL PLAYING FIELD & LEVELLING-UP PROACTIVE ENFORCEMENT

1. Apply a market-neutrality principle targeted towards the **prevention of direct competition from government entities with private operators** across sectors for several deliverables areas including (i) services, (ii) training delivery, (iii) organisation of commercial activities, whilst safeguarding the limitation of public intervention to areas of clear market failure or new markets which require an initial impetus. We reiterate that Government should regulate and enable private enterprise and not compete with it.[35]

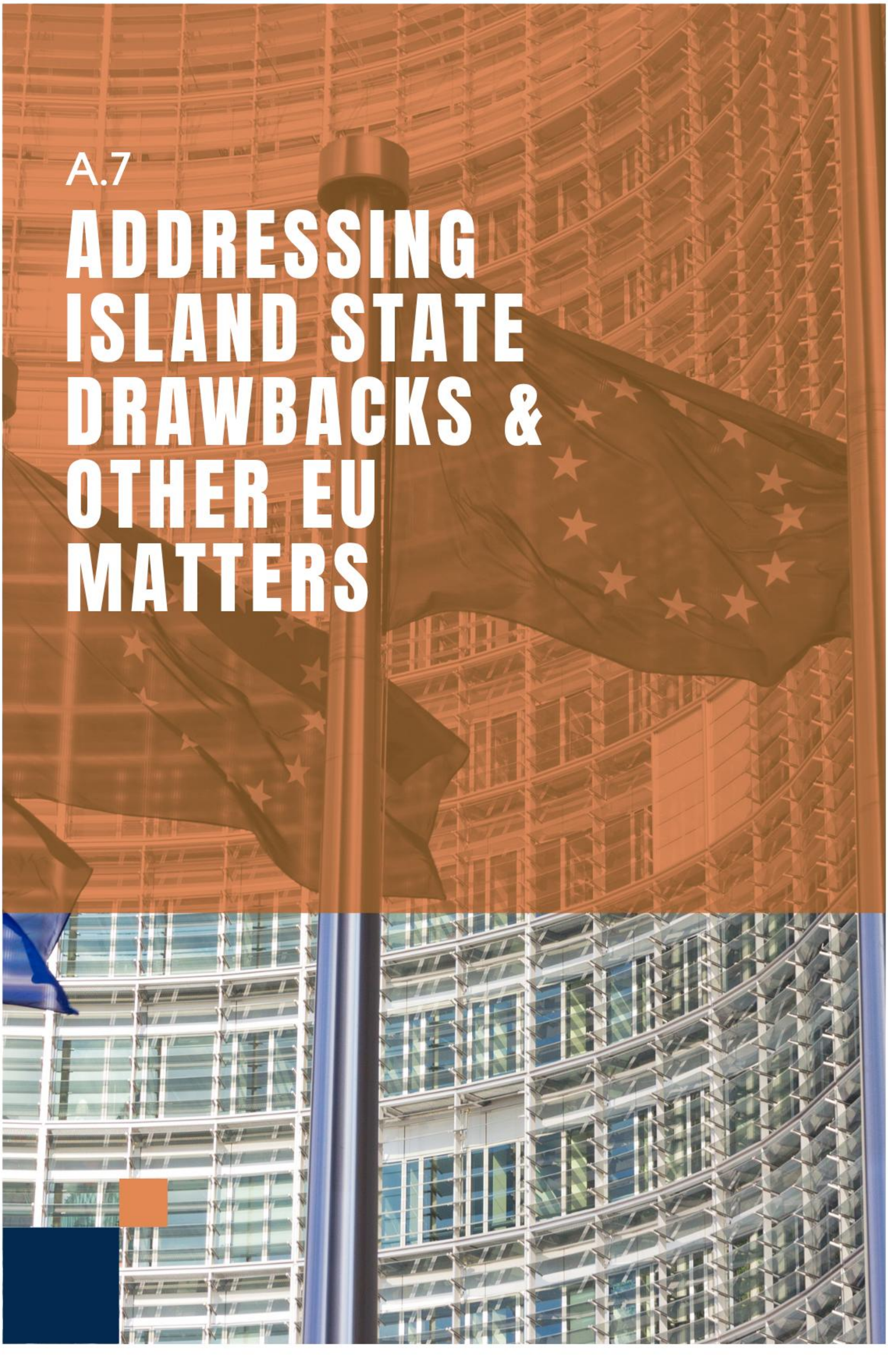
2. Protect **local economic competitiveness by enforcing strict regulatory parity between direct non-EU imports and direct EU imports/local retailers –** currently some of the non-EU imports bypass product safety certification standards required at EU level, licensing, custom duties, and EU packaging waste obligations. This creates unfair competition and an unlevel playing field for Maltese businesses.

3. Introduce **monitoring and enforcement system at Valletta Gateway Terminals in Marsa** (similar to that of the Guardia di Finanza in Italy) with space allocated for physical checks, scans and necessary enquiries before release. In view of the constraints imposed by Internal Market rules on the free movement of goods that limit the extent of physical inspection of goods transiting between member states, wider use should be made of non-intrusive selective customs surveillance systems, at point of entry, of all vessels carrying commercial vehicles (accompanied and non-accompanied) arriving from other EU ports. Furthermore, market surveillance and intelligence, are key in identifying, for example, products that are not compliant to local labelling rules and those which are completely bypassing paying the taxes due, such as in the case of excisable goods.

[35] Examples could include the waste management sector, entertainment events, and occupational health and safety training.

A.7

ADDRESSING ISLAND STATE DRAWBACKS & OTHER EU MATTERS



1. Boldly **deploy comprehensive EU State Aid notifications beyond basic block exemptions** to safeguard local industry and drive the green transition. The government should implement support mechanisms benchmarked against recent EU approvals, like the following, all published within a span of two months (between May and July 2026):
   - Slovakia's €1 billion clean manufacturing framework[36]
   - Greece's €405 million industrial levy reduction to eliminate international relocation risks[37]
   - Ireland's €300 million renewable heat production plan targeting non-domestic heating systems[38]
   - Spain's €9 billion electricity capacity security mechanism[39]
   - Germany's €5 billion decarbonisation support plan to help companies[40]
   - Cantabria's €6 million regional net-zero technology and component manufacturing plan[41]
   - Italy's €23 billion renewable energy production program spanning multiple technologies under the Clean Industrial Deal[42]
   - Hungary's €2 billion development bank model to directly finance SME competitiveness, innovation, and green or digital transitions where market gaps persist.[43]
   - France's €63 billion offshore wind scheme under the Clean Industrial Deal State Aid Framework, actively de-risking private investment in large-scale maritime and renewable energy generation.[44]

2. Establish an **Emergency Funding Mechanism to cover part of the expenses that are incurred by local importers and local exporters effected by Carbon Border Adjustment Mechanism (CBAM)** with respect to independent verification expenses on data and operational gaps – this is intended to directly eliminate unfair, higher default costs, driven by the shortage of centralised and accredited EU verifiers.

3. Introduce **temporary environmental and energy support to mitigate rising ETS, FAF and BAF expenses on bulk shipping and freight operations** for freight-forwarding companies utilising European ro-ro connections, either through a lump-sum payouts or tax credits based on verified actual cost increases incurred during the 2025 and 2026 period. This support must and needs to be reflected in the prices passed on to their end clients (manufacturers, importers, exporters, retailers). This budget should also take into consideration and anticipate the cost increases that will be incurred in 2027.

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36 https://ec.europa.eu/commission/presscorner/detail/en/ip_26_1363
37 https://www.brusselstimes.com/2138413/eu-approves-e405m-greek-state-aid-amid-green-conditions-industry-tension
38 https://www.brusselstimes.com/2138417/eu-backs-e300m-irish-aid-scheme-to-boost-renewable-heat-adoption
39 https://ec.europa.eu/commission/presscorner/detail/en/ip_26_1163
40 https://ec.europa.eu/commission/presscorner/detail/en/ip_26_997
41 https://www.brusselstimes.com/eu-affairs/2121142/spanish-region-wins-eu-nod-for-net-zero-manufacturing-boost
42 https://ec.europa.eu/commission/presscorner/detail/el/ip_26_1270
43 https://ec.europa.eu/commission/presscorner/detail/en/ip_26_1527
44 https://ec.europa.eu/commission/presscorner/detail/en/ip_26_1577

4. Provide **full transparency on the amount and use of ETS funds collected to date by Government and direct support back to ETS payers and affected operators to reinvest in technology and clean fuels to improve their operational efficiency and environmental sustainability,** as per EU obligations.[45]

5. Set up a transparent mechanism whereby it is guaranteed that **all aviation auctioning revenues generated through EU ETS ring-fencing rules (estimated at €34m in 2025) are fully reinvested into aviation decarbonisation and clean fuel infrastructure**.

6. Create and fund a **dedicated Aviation Connectivity and Sustainable Aviation Fuel Readiness Plan** for Malta, safeguarding Malta's role as a peripheral island economy while preparing the aviation sector for EU decarbonisation obligations under ReFuelEU Aviation, which requires a gradual increase in SAF supplied at EU airports. The Plan should assess runway capacity, aircraft operations, route connectivity, fuel storage, supply-chain requirements and SAF availability, while securing full use of EU mechanisms providing up to 100% price-gap coverage for eligible SAF uplifted at small islands, small airports and outermost regions.

7. Shield our island state from costly, disproportionate EU regulatory measures by **deploying immediate, aggressive diplomacy on critical dossiers impacting geographic isolation**, specifically concerning European transport networks, environmental mandates, and pharmaceutical access.[46] The focus should be on:
    a. formulating a comprehensive plan of action ahead of Malta's 2030 EU Council Presidency
    b. effectively addressing day-to-day lobbying and advocacy, particularly to:
        - ensure that obligations under Article 174 TFEU[47] and Article 175 TFEU[48] are strictly and rigorously applied on EU transport, energy, and tax rules - to safeguard Malta's unique island realities[49], couple with a bold call for data-backed, island-specific impact assessments for all upcoming legislation;
        - lobby to reinstate and revise Combined Transport Directive rules that disadvantage peripheral islands;
        - maintain Malta's dedicated shipping tonnage tax framework untouched;
        - lobby to freeze maritime and aviation ETS until global parity is achieved through IMO Net-Zero;
        - lobby to exempt island states from aviation anti-tankering regulations.
        - commit to the protection of tax autonomy by ensuring flexibility within the implementation of Pillar II and the Global Harmonised Tax regulations, whilst acknowledging the need to enhance the EU's competitiveness. TMC continues to

[45] This measure should be benchmarked against recent EU-approved State aid models, including the European Commission's approval of Spain's support scheme for road transport operators facing increased fuel costs, and designed within applicable EU State aid rules to protect medium-to-long-term supply chain contracts from unpredictable price hikes.
[46] This should be coupled with issue-specific voting coalitions and diplomatic alliances with like-minded EU Member States to amplify leverage across shared geopolitical and economic challenges.
[47] https://eur-lex.europa.eu/eli/treaty/tfeu_2012/art_174/oj/eng
[48] https://eur-lex.europa.eu/eli/treaty/tfeu_2016/art_175/oj/eng
[49] https://maltachamber.org.mt/wp-content/uploads/2026/05/20260306-TMC-position-on-EU-Islands-Strategy-FINAL.pdf

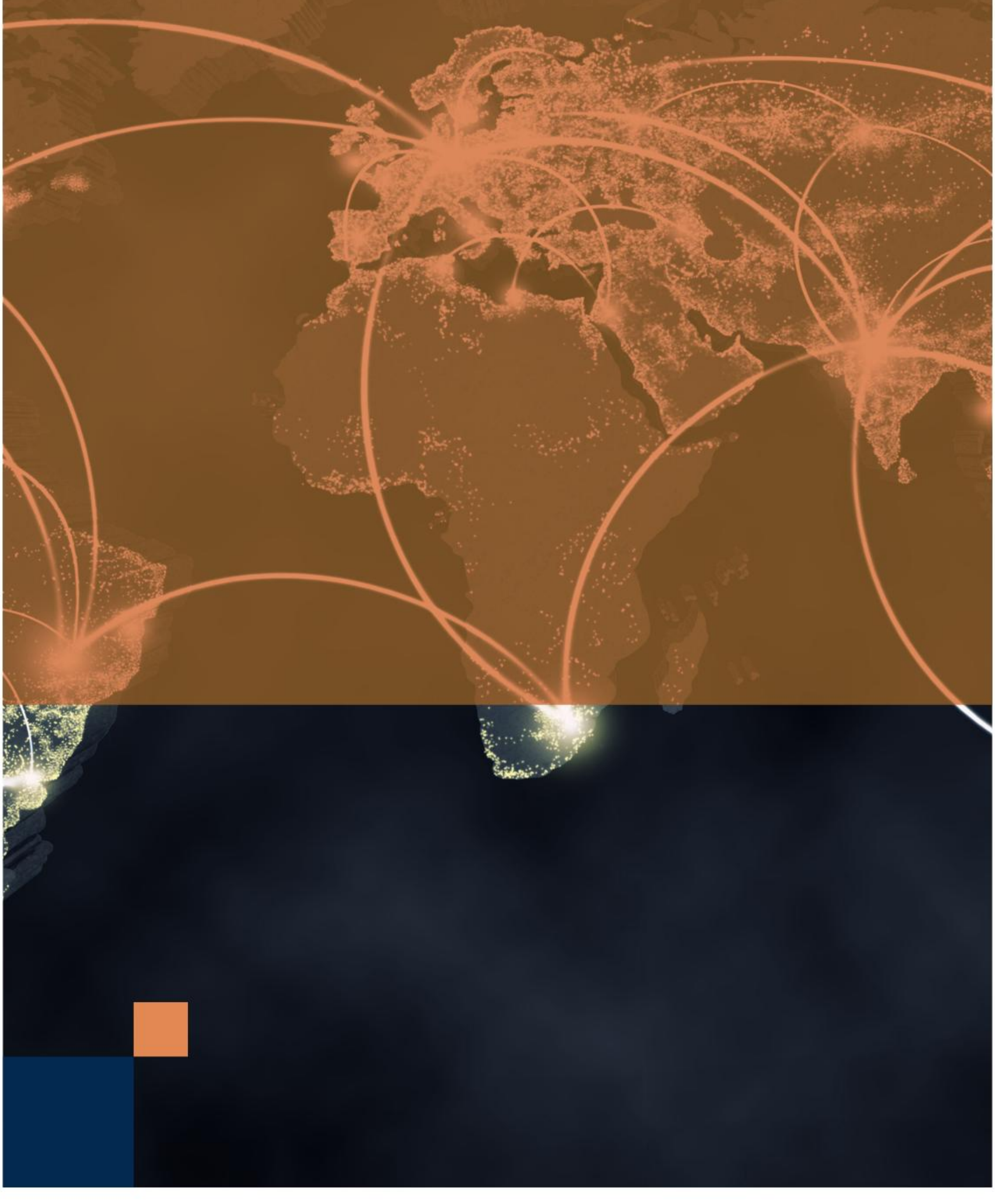
advocate for caution with regards to aggressive harmonisation and the need to secure national carveout flexibility, to safeguard our country's attractiveness and jurisdictional competitiveness. Any efforts to increase simplification and reduce burdens should not erode our national competence on taxation;

- optimise island-specific State Aid frameworks to counter Single Market failures;
- adopt a strategic system whereby EU regulatory transpositions are complete with practical, business-friendly guidance, avoiding gold-plating and streamlining implementation. This is an indispensable requirement to achieve first-mover advantage for local businesses in the European single market.

8. Allocate **funding to upskill civil service personnel and regulators with technical expertise and business acumen to strengthen lobbying efforts at negotiation stage as well as to ensure that EU legislative transposition does not have any unnecessary layers** – this empowers proactive support for industry, both at lobbying stage and during EU legislative transposition.

A.8

INTERNATIONALISATION



1. Set out a clear **Industrial Policy** for the manufacturing industry outlining the country's priorities, objectives, institutional responsibilities, targeted support instruments and policies related to trade, regulation, innovation and technology, education and skill formation, as well as sustainable supply chains (given that currently the manufacturing industry is operating in a vacuum).

2. Embark on a **concerted effort to identify markets that offer real potential** for local businesses to grow.

3. Get **the nation's branding right,** beyond the creative design, landscape, products and services featured in Government's narrative. Our economic and commercial attractiveness, as well as what the country is doing to improve the quality of life of its citizens and residents, reputation, ethics, and agility have a direct impact as well.

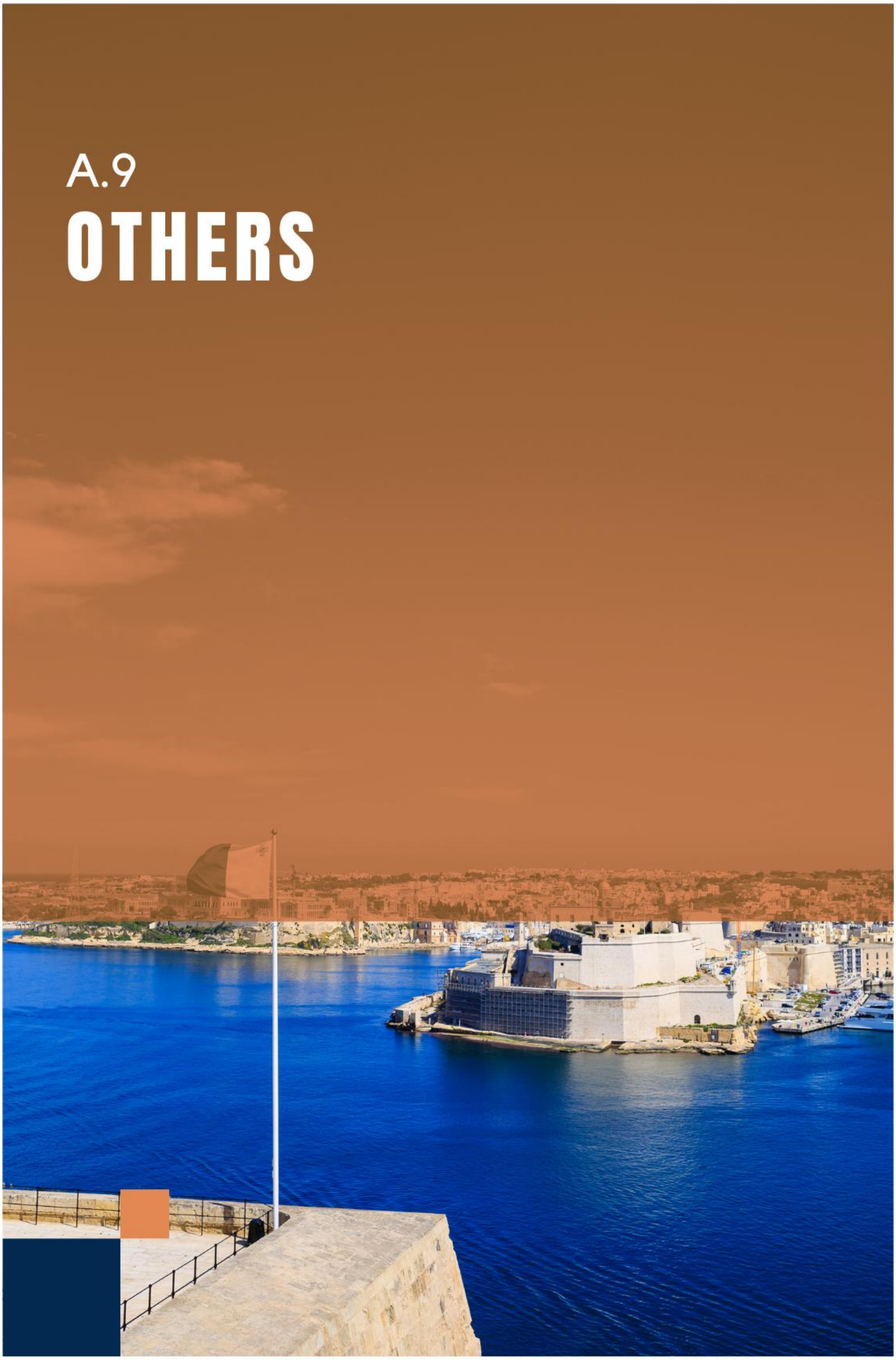
4. Extend and revisit current TradeMalta **support schemes framework to cater better for internationalisation opportunities**, particularly those linked to pre-market intelligence leading to (i) identifying markets that offer real potential for local businesses to expand internationally and (ii) establishing connections that translate into tangible business opportunities.

5. Establish an **Export Readiness Fund offering a targeted financial and technical assistance facility** designed to help domestic business transition into international markets, both *before* and *during* initial expansion abroad, through a one-stop shop initiative which goes beyond the support currently available across various entities, and offering a more comprehensive, relevant and meaningful package of assistance.[50]

[50] The support provided should extend beyond foreign trade mission travel, international trade show booth rentals, B2B matchmaking trips and digital marketing campaigns. It should also offer both financial and technical assistance for key preparatory activities, such as legal reviews of foreign trade laws, obtaining international quality certifications, safety compliance, packaging adjustments, label translations, local regulatory approvals, as well as knowledge and training on export procedures, supply chain logistics, customs documentation and foreign trade negotiations, amongst others.

A.9

OTHERS



1. Introduce systemic **embedding of high standards across all sectors (possibly through MCCAA), so that quality, safety and sustainability become integral to Malta's operating model rather than optional add-ons** – it is equally important to give tangible recognition to businesses that adhere to these high standards.

2. Implement the long-awaited consultation launched earlier this year by the Malta Competition and Consumer Affairs Authority to **update the country's outdated 2003 merger notification framework**, in response to this year's public consultation. The Malta Chamber called for targeted regulatory and fiscal measures[51], aimed at lower compliance costs and driving private sector competitiveness, namely:
   a. Increase the combined turnover notification threshold to at least 23 million euros and completely exempt companies with turnovers under 2 million euros. This change eliminates the current disproportionate, costly administrative burdens on micro and small enterprises while refocusing regulatory resources on economically meaningful local market transactions.
   b. Introduce strict monetary thresholds and clear time limits on regulatory call-in powers. Narrowly defining these rules prevents arbitrary intervention, cuts high upfront compliance costs, and removes the transaction uncertainty that forces businesses to abandon investments.
   c. Establish a more reasonable merger notification fee structure, currently paid to MCCAA. High feeds would deter essential business consolidation and corporate restructuring, apart from effecting private sector investment sentiment and economic competitiveness.

2. Ensure **proportionate and risk-based simplification within FIAU's anti-money laundering compliance requirements**, through explanatory guidelines tailored to (i) low-risk businesses and (ii) non-traditional sectorial investments, like those in aviation, tech, maritime, yachting and virtual assess, improving rationale and understanding for banks and reduce unnecessary due diligence requirements, as well as providing sufficient notice period for inspection visits.

3. Enforce **consistent supervision and standardised compliance for AML/CFT obligations** as a means to avoid a cross-sector increase of regulatory burdens especially on compliant firms and instead penalise operators performing with lower compliance standards.

4. Increase **visibility and awareness of the Malta Business Wallet** by extending its functionality between Q4 2026 and Q1 2027 to all regulatory authorities, professional bodies, corporate service providers, banking institutions, incorporating all subject persons within, thereby reducing bureaucracy, duplication, and delays, whilst also increasing efficiency, compliance across sectors, and promoting standardisation.

[51] https://maltachamber.org.mt/wp-content/uploads/2026/02/20260212-Amendments-of-the-Control-of-Concentration-Regulations.pdf

5. Implement a coordinated cross-departmental platform which is accessible across all government authorities and entities to ensure the adoption, enforcement and practice of a **"One-Time-Only" principle**. The Malta Chamber has been at the forefront in advocating for the need to address fragmentation within Government by (i) eliminating excessive waiting times, (ii) avoiding duplication of efforts, work and repeated submissions and returns of reports and surveys, (iii) diminishing bureaucracy and gold-plating, and (iv) increasing productivity and timely submissions. This may only be achieved through the simplification and streamlining of procedures and integrated systems. (faster take-up and wider deployment within gov, including NSO & Customs + within private sector).

6. Enforce and implement a **competitive, notification-based aircraft leasing framework matching Irish standards**. This guarantees total legal certainty, transforming Malta into an attractive European aviation finance hub while streamlining market entry and eliminating unnecessary administrative delays for operators.

7. Address the operational realities of implementing the **Equal Pay (Transparency and Reporting) Regulations, 2026,** such as reviewing the strict penalties (imprisonment and hefty fines) for unintentional compliance failures[52] and establishing clear, industry-specific compliance guidelines.[53]

[52] Enforcement should prioritise educational guidelines and corrective grace periods rather than punitive criminal sanctions, especially when a breach is proven to be minor or completely unintentional.
[53] This protects employers from subjective claims before the Industrial Tribunal and preserves merit-based pay. Clear operational guidance provides needed certainty, helping prevent disproportionate administrative strain on smaller firms exempt from formal pay gap reporting.

SECTION B

REFORMS FOR QUALITY, SUSTAINABILITY & PUBLIC GOOD GOVERNANCE

Budget 2027 must also look at the broader horizon and gear up to start, conclude and implement reforms that have been delayed for years, all of which are impacting negatively on the country's productivity and eroding public trust. Malta's long-term competitiveness ultimately hinges on addressing these systemic inefficiencies, as quickly as possible.

This section shifts the focus from proposals that must be executed within the 2027 budgetary year (outlined in Section A) to longer-term structural transformation that needs to be implemented during the current five-year electoral cycle to eliminate systemic inefficiencies, safeguard national competitiveness, elevate the overall quality of life for all, strengthen transparency and accountability and restore trust across society and the business community alike.

Realising these strategic objectives requires steady political determination and clear execution milestones.

Malta's continued economic viability and the country's attractiveness hinges on Government's willingness to execute these decisive reforms across the core pillars of our national ecosystem. Further resorting to short-term fixes and fragmented interventions will merely postpone difficult decisions, dilute accountability and allow systemic weaknesses to deepen.

The baseline thinking should focus on ensuring better use of public funds particularly by reallocating Malta's capital investment towards high-return infrastructure, reaching environmental targets, and social investments which enhance well-being while ensuring strict fiscal accountability; cutting red tape and excess bureaucracy by streamlining administrative procedures and accelerating digital public services to eliminate friction for local businesses and foreign investors alike; and increasing transparency and better governance by reinforcing institutional integrity and regulatory oversight to foster a fair, predictable, and reputable business environment. All of this, coupled with driving innovation and aligning workforce capabilities with high-value economic activities to ensure sustainable wage growth and business competitiveness, will enhance productivity.

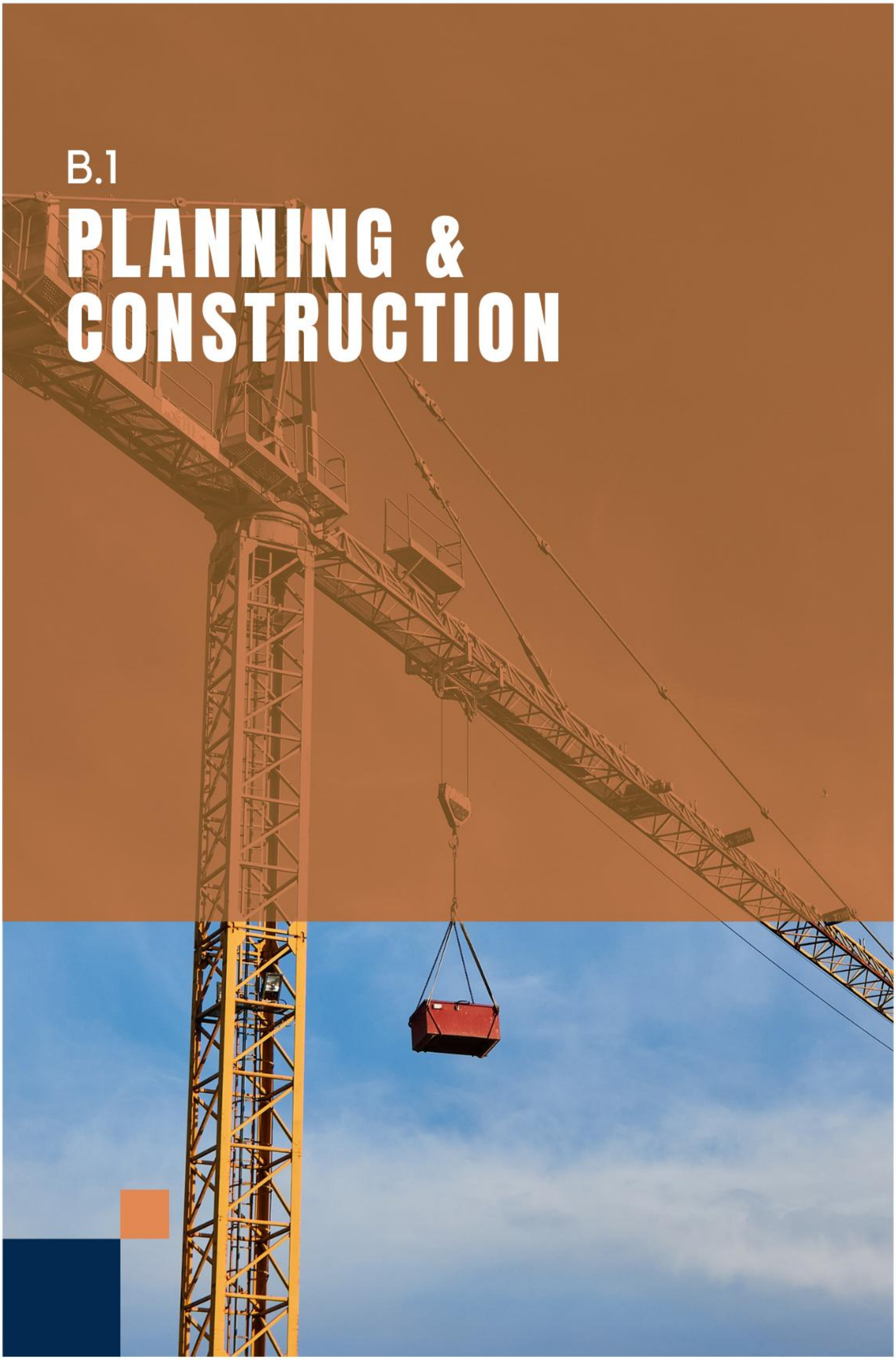
The reforms being proposed cover are the following areas:

1. **Planning & Construction:** Overhauling planning policies, enforcement mechanisms, and building standards to prioritise quality, sustainability, and long-term liveability over short-sighted development.
2. **Mobility & Transportation:** Executing high-impact transport reforms and infrastructure shifts to alleviate chronic congestion, boost logistics efficiency, and modernise national mobility.
3. **Energy:** Accelerating grid modernisation, expanding renewable capacity as well as look into the liberalisation of Malta's energy distribution and supply framework.
4. **Waste Management:** Transitioning toward a robust circular economy by incentivising waste prevention and recycling as well as by incentivising private sector resource recovery and investment.
5. **Digital Transformation:** Deepening technology integration, scaling up digital infrastructure, and deploying AI solutions to increase efficiency within both the private sector and the public administration.

6. **Education & Skill Alignment:** Modernising curricula and strengthening industry-academia partnerships to equip the future workforce with critical skills, boosting overall national productivity.
7. **Public Procurement:** Restructuring government tendering processes to guarantee absolute transparency, fair competition, value for money, and the efficient use of public funds.
8. **Sustainable Pensions:** Strengthening pension longevity and demographic resilience by incentivising occupational pension schemes, that support long-term fiscal stability.
9. **Public Good Governance & Parliamentary Reform:** Strengthening legislative checks and balances, updating parliamentary oversight, and cutting unnecessary bureaucracy to ensure lean, accountable governance.

B.1

PLANNING & CONSTRUCTION



Reforming Malta's planning and construction sector is essential to reverse the ongoing deterioration of its urban, natural, cultural and historic environment as well as to protect its long-term economic competitiveness and attractiveness. Overdevelopment and the loss of cultural and natural heritage erode the very distinctiveness that makes Malta a compelling place to live, visit, and do business.

Unchecked development, regulatory loopholes, and inadequate enforcement have generated significant negative externalities. Apart from the uglification of Malta, it contributes to traffic congestion and an infrastructure strain, which ultimately impact businesses' productivity and the quality of life of residents and visitors.

For ethical businesses, an unpredictable planning regime undermines investor confidence and disincentivises sustainable, high-value investment. Proper spatial planning is not merely a regulatory exercise in zoning – it is the strategic coordination of land, infrastructure, and human activity to create the conditions for sustainable growth. In too many instances, outdated planning frameworks have become bottlenecks, driving up costs, stifling innovation, and creating fragmented communities

A comprehensive reform is critical to shift Malta's current growth model from one based on quantity to one based on quality, thereby preserving the country's attractiveness for future generations, local businesses and foreign direct investment.

Equally important is a comprehensive reform within the construction sector to improve standards and building practices, as well as to eliminate speculative abuses. While progress has been made in some areas, the sector remains a major safety concern. In 2025, construction accounted for only around 7.2% of total employment, yet represented 14.7% of non-fatal workplace accidents and 33.3% of workplace fatalities.[54] This is despite a substantial strengthening of enforcement capacity, including the recruitment of additional enforcement officers, with OHSA recording 19,296 construction inspections in 2025, approximately 166% more than in 2024, demonstrating that increased enforcement must be complemented by deeper structural reform.[55]

<u>Planning:</u>

1. Revise and update the **Strategic Plan for Environment and Development 2015** (SPED 2015) ensuring alignment across all planning policies, clear hierarchy of rules, and removal of ambiguity that enables inconsistent application, supported by a carrying capacity assessment of Malta's built and natural environment – this has been due for review since 2020.[56] This should also include revision of the **Development Control Design Policy, Guidance and Standards 2015**. Any reform to planning legislation, policy or guidance should be undertaken through a holistic, transparent and consultative process – piecemeal amendments should be avoided as these create ambiguity, undermine rule of law and weaken long-term national interest.

[54] https://nso.gov.mt/accidents-at-work-july-december-2025/
[55] https://ohsa.mt/sites/default/files/2026-05/AR-OHSA-2025.pdf
[56] Clause 1.13 of SPED 2015 identified 2020 as the first milestone for review; however, this review has not yet been undertaken. Compounding this, the requirements set out in Clause 1.10, namely that development and land use policies should be illustrated by diagrams where necessary and accompanied by explanatory memoranda providing reasoned justification for each policy, have also not been implemented.

2. Introduce **a National Architecture, Aesthetics and Landscape Policy** to safeguard Malta's cultural, historical and natural identity, recognising ODZ land, townscapes, streetscapes, skylines, village cores, traditional façades and landscape character as strategic national assets. This policy should establish clearer design expectations, improve coherence in development decisions, and ensure that architectural quality, visual identity and contextual design are treated as core planning considerations rather than discretionary or secondary matters.

3. Reform and fully implement the **National Land Registration System** ensuring that all land and property in Malta and Gozo is registered within a single, authoritative and continuously updated title register. Government should prioritise the registration of public property and systematically resolve overlapping claims, boundary discrepancies and legacy mapping inaccuracies to strengthen legal certainty, transparency and efficiency within the property market.

4. Launch an **integrated national spatial data platform for Malta which is also public-facing**, using the latest Planning Authority base map as the core reference layer, consolidating land use, planning policy, infrastructure, environmental, ownership, utilities, heritage, transport, zoning and development-constraint data into one searchable public platform. This should improve transparency, reduce fragmentation between authorities, support evidence-based planning decisions and allow developers, businesses, residents and public entities to identify constraints and opportunities at the earliest possible stage, strengthening consistency, predictability and accountability in Malta's spatial planning system.

5. Implement a programme for the **systematic embellishment and upgrading of Malta's urban environment, particularly in commercial and high-footfall areas,** recognising that well-designed, clean, shaded, accessible and attractive public spaces strengthen community life and support local economic activity. Urban embellishment should not be limited to aesthetic upgrades, but should integrate greenery, lighting, seating, pedestrian comfort, signage, maintenance standards and climate-sensitive design. This would create more pleasant commercial areas, encourage footfall, support town centres and provide a stronger alternative to purely online consumption.

6. Give due impetus to the **Public Domain Act** (Act XXV of 2016), including auditing current concessions and use of public land as well as any other property which falls within the remit of the Act.

Construction:

7. Accelerate and complete the implementation of **Malta's National Building and Construction Codes** establishing a single, coherent framework of binding minimum standards governing both the finished building and the construction process – building on the work already initiated by BCA and industry stakeholders on seventeen Building Codes and six Construction Codes, establish clear implementation milestones and ensure that technical requirements are aligned, where applicable, with relevant European standards on structural safety, durability, fire performance and construction quality.

8. Work on as well as **better licensing requirements** to address substandard work and structural failures, ultimately raising the baseline of quality across the board.[57]

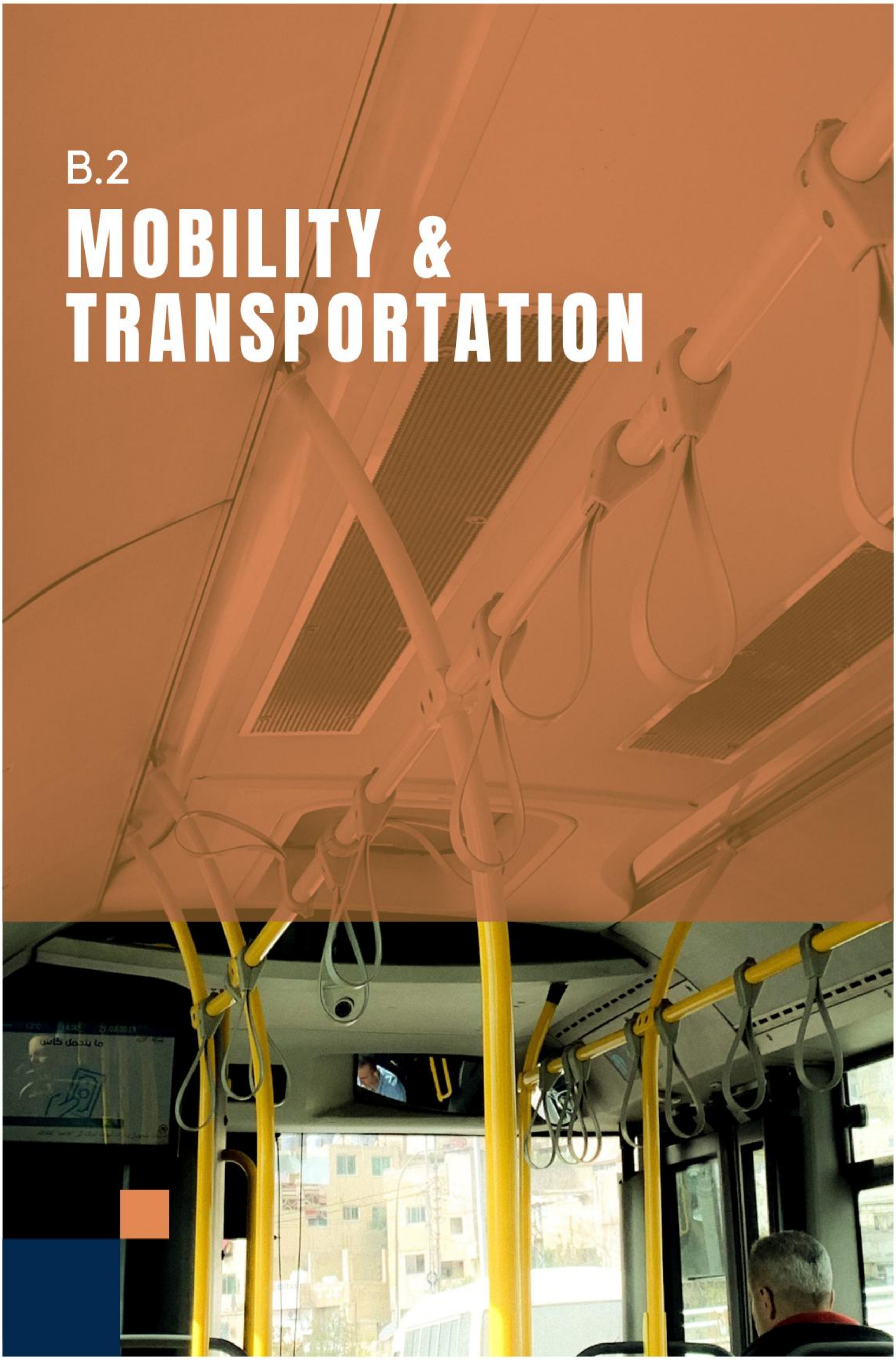
9. Introduce a **risk-tiered building control and certification framework**, applying progressively stronger technical verification, inspection and certification requirements according to the use, scale, complexity and risk profile of a development.[58]

10. Enact and implement the long-awaited **Fire Safety Act**, establishing a clear, unified and enforceable national framework governing fire-safety responsibilities, risk assessment, design and installation standards, certification, inspection, maintenance and enforcement throughout the full lifecycle of buildings.

[57] Introducing and enforcing rigorous technical standards not only protects property buyers and investors from poor workmanship, but also establishes a level playing field where ethical, compliant businesses can compete fairly without being undercut by substandard operators.
[58] The reform should assess EU Member State models such as Ireland, where designated projects require an Assigned Certifier and a Certificate of Compliance on Completion before occupation, and the Netherlands, which has introduced independent quality assurance during construction under its Building Quality Assurance Act.

B.2

MOBILITY & TRANSPORTATION



Addressing mobility and transportation in Malta is no longer just an infrastructural concern, but an urgent economic imperative that directly dictates national competitiveness, business operational costs, and the daily quality of life. When mobility is undermined by persistent congestion, the wider economy absorbs the cost through lost time, reduced efficiency and weaker productivity.

With over 450,000 licensed vehicles[59] competing for limited spatial capacity on a small island, acute road congestion acts as a persistent drag on the economy. Gridlock manifests in delayed supply chains, wasted billable hours, spiralling fuel consumption, and reduced workforce productivity – it cost €770 million in 2025 and is projected to rise to €917 million by 2030.[60] Unlocking this bottleneck requires moving toward decisive modal shifts, intelligent traffic management and smart technology, and optimised commercial logistics.

Prioritising mobility reforms in Budget 2027 should aim at reducing business delivery overheads, lower greenhouse gas emissions, and restore the lost hours of human and economic potential currently trapped in daily traffic. Traffic delays are not merely an inconvenience for commuters – they represent a direct loss of valuable working hours that could otherwise be channelled into productive, value-generating activity. Investing in resilient transport networks will make Malta more attractive to investment, talent and long-term economic activity. In this sense, effective mobility is not optional – it is a basic condition for sustainable growth.

Achieving this requires more than infrastructure investment alone. Malta must pursue measures that drive a genuine change in behaviour and lifestyle, reducing the number of vehicles on the road at any one time. Any future consideration of rapid transit or large-scale multimodal systems should be grounded in robust technical and financial feasibility studies, but it should also be conditional on a clear shift in mobility behaviour. Without that shift, major transport investments risk treating the symptoms rather than addressing the underlying causes of congestion.

On top of that one must also address sea and air connectivity.

1. Set out a plan with clear milestones and deliverables outlining how road mobility and traffic congestion will be addressed, beyond what was proposed under Section A, such as:
    a. Roll-out and **expand the existing TMROADS/Road Permit System, onboarding other government entities (some examples would include the local councils and the Police Force) and making it available to the general public to have advance visibility of planned disruptions**. This would facilitate effective planning of works, intelligent issuance of permits in a way which causes minimal disruption, and better co-ordination of road closure, particularly on a regional basis. Overall, it would help minimise productivity losses arising from poorly coordinated activities effecting traffic flow.
    b. Deploying **smart parking information systems across congestion-prone localities and commercial centres, informing drivers of the closest available parking spaces and reducing unnecessary circulation caused by vehicles searching for parking**. These systems should be integrated with parking management, park-and-ride facilities, commercial-centre delivery

[59] As of June 2026, the number of registered vehicles was 463,734 - https://nso.gov.mt/motor-vehicles-q2-2026/
[60] https://infrastructure.gov.mt/wp-content/uploads/2026/01/NATIONAL-TRANSPORT-MASTERPLAN-2030.pdf

planning and enforcement tools. Data generated through such systems should support better management of public space, reduce congestion and emissions, and allow local councils and national authorities to plan parking supply and demand on the basis of evidence rather than assumptions.

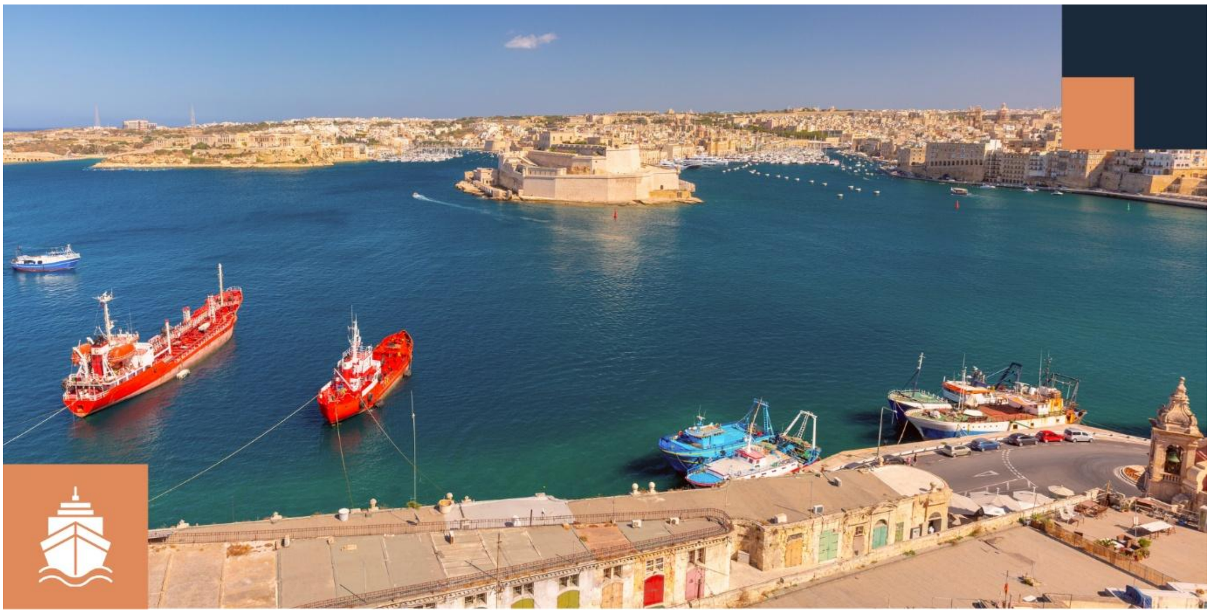
c. Using public-private partnerships to **relocate on-road parking into underground or multi-storey parking facilities equipped with EV charging infrastructure**, ensuring that such projects relocate parking rather than simply increase car dependency. Surface-level space freed up through this approach should be reallocated to uses which improve mobility efficiency and urban quality, including walking, cycling, public transport priority, loading bays, park-and-ride integration and green public spaces. This would support cleaner mobility while improving the quality, safety and functionality of Malta's streets.

d. Assessing and developing **evidence-based logistics consolidation hubs through public-private partnership models**, reducing warehousing, distribution and last-mile delivery inefficiencies while improving freight coordination across Malta. Any logistics hub proposal should be supported by modelled demand, location analysis, trip-reduction estimates, private-sector participation and clear governance arrangements. The objective should be to reduce duplicate delivery movements, improve stock consolidation, lower distribution costs and strengthen Malta's logistics competitiveness without creating additional unnecessary infrastructure or traffic pressure.

e. Deploying **smart mobility and logistics technologies to improve last-mile delivery efficiency in commercial areas**, developing a structured Sustainable Urban Logistics Plan, aligned with wider Sustainable Urban Mobility Plan principles, to reduce delivery-related congestion, improve loading-bay management and optimise the use of limited public space. This should include digitally managed loading and unloading bays, delivery-slot booking systems, sensor-based monitoring, enforcement against misuse, freight consolidation measures and clear rules ensuring that outdoor catering or other uses do not displace essential loading capacity where no adequate alternative arrangements exist. The framework should first be piloted in congestion hotspots and commercial centres, before being scaled nationally to support business operations, improve accessibility, reduce unnecessary vehicle circulation and ensure that urban space is managed in line with mobility, logistics, commercial and community needs.

2. Secure a dedicated national budget line to advance the 45,000 sqm **Hal Far International Logistics Hub proposal** into its public consultation phase. The financial appropriation must formalise Phase 1 of a multi-modal sea-land-air connectivity infrastructure, including integrated b2b/b2b and b2b/b2c e-commerce capabilities, and legally mandate risk-based, targeted Customs interventions over blanket controls to preserve operational efficiency.

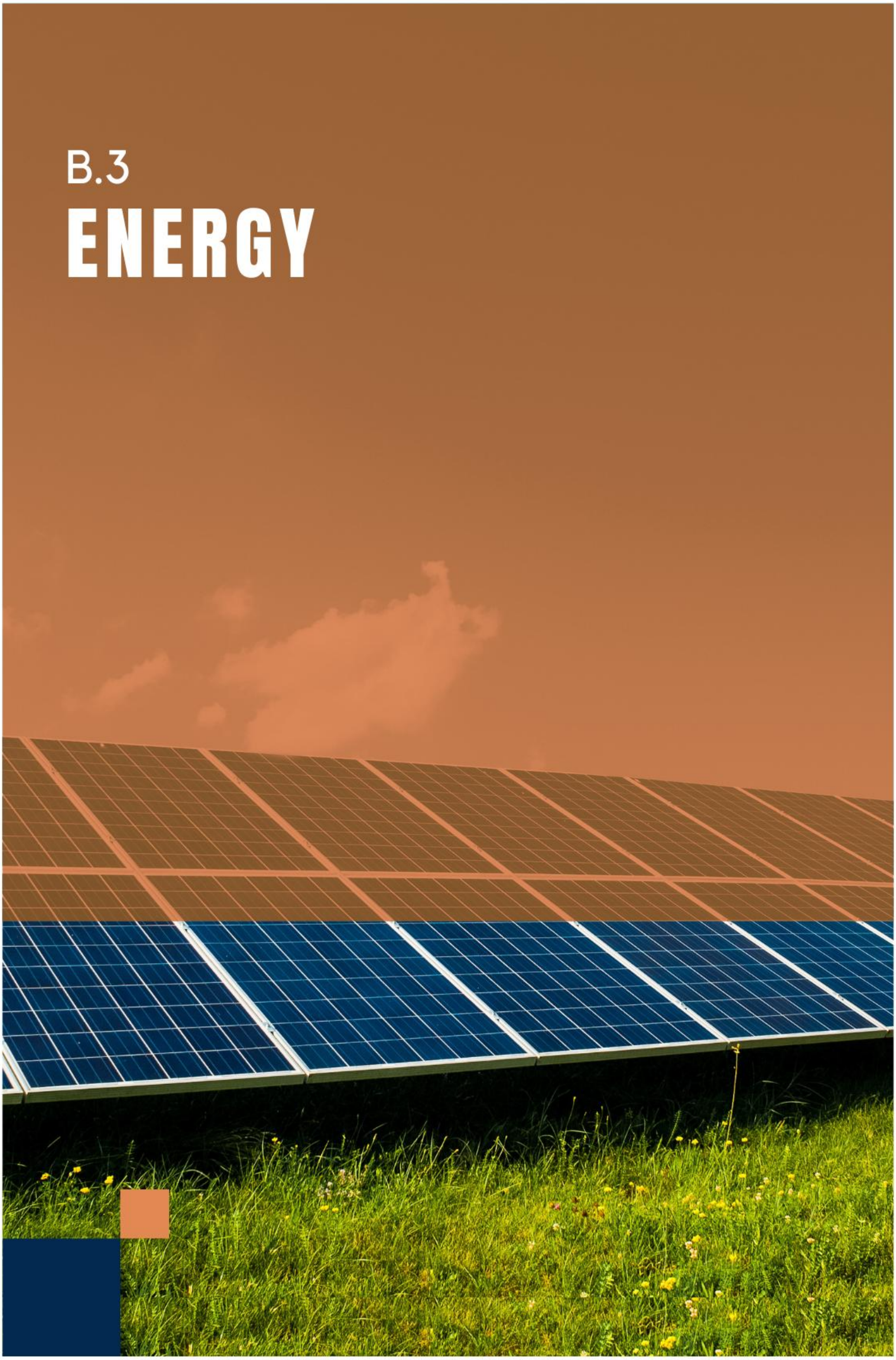
3. Formally recognise the **Grand Harbour and Malta Freeport as critical national infrastructure within a dual-gateway system essential to national supply chain continuity**, safeguarding their core maritime, logistics and industrial functions, preserving operational capacity and strengthening resilience in an island economy, in particular by implementing a structured, evidence-based framework for the regeneration and long-term safeguarding of the Grand Harbour, in line with The Malta Chamber's recommendations on the Grand Harbour Revival Plan[61], ensuring that all planning and development decisions are grounded in transparent technical and economic analysis. These include:
   - Commissioning and publishing a comprehensive Maritime Impact Assessment covering berth capacity under multiple growth scenarios, cargo and trailer throughput, traffic and congestion implications, navigational safety, emissions modelling and national trade resilience.
   - Ensuring no net loss of core commercial maritime capacity safeguarding ro-ro ramp availability, quay length, turning basin geometry, operational hinterland space and heavy vehicle access corridors, with replacement infrastructure fully operational prior to displacement.
   - Embedding operational throughput and performance as the primary metrics of port capacity ensuring that planning decisions reflect functional realities rather than purely physical dimensions.
   - Directing regeneration investment towards strengthening Malta's wider maritime gateway competitiveness - including both the Grand Harbour and Malta Freeport, through smart port systems, green bunkering readiness, shore-to-ship power and enhanced traffic management infrastructure.



[61] https://maltachamber.org.mt/wp-content/uploads/2026/03/TMC-Feedback_Grand-Harbour-Revival-Feedback.pdf

B.3

ENERGY



Ensuring a reliable, clean, and competitively priced energy supply is a foundational prerequisite for Malta's long-term economic competitiveness, investment attractiveness, and national resilience. For an island economy with a high dependence on imported energy sources and increasing pressure on its infrastructure, energy policy can no longer be treated as a standalone utility issue. It is a core economic enabler that directly affects enterprise costs, productivity, consumer confidence, and the country's ability to support future growth in high value-added sectors.

Persistent grid vulnerabilities, growing electricity demand, increasingly frequent peak-load pressures, and missed decarbonisation targets mean that half-measures and reactive maintenance are no longer viable options. Malta requires a more decisive and coordinated national response that recognises the scale of investment, planning, and regulatory alignment needed to future-proof the system. This must include immediate reinforcement of existing infrastructure, faster deployment of smart technologies and storage solutions, and a clearer framework for enabling private-sector participation in renewable energy generation and demand-side flexibility.

Only by prioritising aggressive grid modernisation, expanding renewable integration, strengthening planning capacity, and proactively preparing the regulatory landscape for future market evolution can Malta guarantee energy security, lower operating costs for enterprise, and accelerate its transition toward a sustainable, low-carbon economy. A forward-looking energy strategy must therefore combine short-term reliability measures with long-term structural reform, ensuring that businesses and households benefit from a system that is resilient, affordable, transparent, and capable of supporting Malta's broader competitiveness and climate ambitions.

1. Initiate **early-stage mapping and preparatory work for the post-2035 liberalisation of Malta's energy distribution and supply framework**, in the event that a derogation extending beyond 2027 is secured, ensuring that Malta does not use the derogation period as a reason for institutional delay, but rather as a transition period for proper regulatory, technical and market preparation. This should be supported by structured stakeholder engagement, regulatory capacity-building, consumer protection safeguards, investment planning and a clear transition roadmap to ensure that any future liberalisation strengthens resilience, affordability and competition without undermining security of supply.

2. Map out and implement **a resilient and reliable system that can sufficiently and adequately provide for the energy requirements of the country, both in the immediate term and for the future**. This should go beyond the recently published-for-consultation Malta's Energy Shift document and should aim at a **further accelerated distribution upgrade programme, cable replacement, smart grid and consumer-side BESS (battery energy storage systems) integration to smooth out peak loads, and the further unlocking of private-sector renewable investments, coupled with the necessary injection of capital investment and a clear policy direction** on value added and quality across all the various economic sectors. This should include:
   a. maximising on Malta's solar opportunity by establishing a **solar-as-a-service framework** whereby Direct Onsite Corporate Power-Purchase Agreements (PPA)[62], Offsite Physical and Virtual PPAs, Leasing, as well as Public-Private / Third-Party ESCO Models can be explored – all models are already in use in a number of EU countries.
   b. developing **virtual power plant frameworks**.
   c. identify **renewable energy zones where large scale projects can be carried out.**
   d. support, facilitate for and enable **local councils** in developing renewable-energy projects with respect to assets which form part of their portfolio.
   e. ensure that legislation, regulation, rules and policies **push toward solar/renewable-ready buildings**.

3. Strengthen and simplify **business-support schemes for electric and low-emission fleet transition, with particular emphasis on charging infrastructure and depot electrification**, building on existing Malta Enterprise and Malta Development Bank instruments. Support should be expanded, within applicable State aid rules, to businesses of all sizes, including large operators where permissible, while maximising aid for charging stations, on-site electrical upgrades, switchgear, substations and depot infrastructure. Charging infrastructure should not be treated as secondary to vehicle leasing, since grid and depot readiness are often the main barriers preventing businesses from electrifying their fleets.

4. Develop the **regulatory, technical and commercial framework required for bidirectional electric vehicle charging and vehicle-to-grid integration in Malta**, ensuring that electric vehicles can, where technically and commercially viable, function not only as transport assets but also as distributed energy storage. This should enable vehicles to draw electricity from the grid and supply stored electricity back to homes, businesses or the grid, supported by wider grid-upgrade planning, second-generation smart meters, appropriate tariff structures and flexibility-market arrangements.

[62] This model is used in the Nordics, France as well as in Southern Europe.

B.4

WASTE MANAGEMENT

Malta's rapid economic expansion, dense urbanisation, and sustained population growth have pushed national waste generation to increasingly unsustainable levels, placing visible and financial pressure on public infrastructure, local communities, and the surrounding environment. What was once primarily treated as a municipal service issue has now become a broader competitiveness, health, and sustainability challenge, with inefficient collection practices, limited source separation, and inadequate resource recovery undermining Malta's ability to move towards a modern circular economy. Addressing waste management effectively is therefore not only an environmental priority, but an economic necessity that directly affects quality of life, business operating conditions, tourism appeal, and the country's long-term capacity to grow responsibly.

Current infrastructure constraints, operational fragmentation, enforcement limitations, and inconsistent collection systems continue to create avoidable inefficiencies across the entire waste value chain. Beyond the immediate problems of uncleanliness, inconvenience, and visual degradation in public spaces, these shortcomings hinder optimal resource recovery and weaken Malta's ability to meet its national and EU sustainability commitments.

A genuine shift requires a more disciplined and integrated approach to waste governance – one that improves day-to-day municipal collection, strengthens accountability across sectors, and embeds full lifecycle responsibility into how resources are produced, consumed, recovered, and reused.

By modernising collection frameworks, introducing clear economic incentives for waste prevention, building robust secondary markets for high-volume waste streams such as construction and demolition material, and leveraging private-sector expertise where this can improve efficiency and accountability, Malta can turn a persistent national challenge into an opportunity for innovation and value creation. The objective should be to reduce municipal friction in the short term while laying the foundations for a system that rewards prevention, supports recycling and reuse, attracts investment in circular solutions, and safeguards the country's environmental viability for future generations.

1. Reform the current **waste management collection practices**.

2. Assess opportunities for increased **private-sector participation in the operation and management of the Material Recovery Facility and Ecohive**, such as exploring performance-based contracts, concessions or public-private partnerships aimed at improving operational efficiency, recovery rates, service quality and accountability.

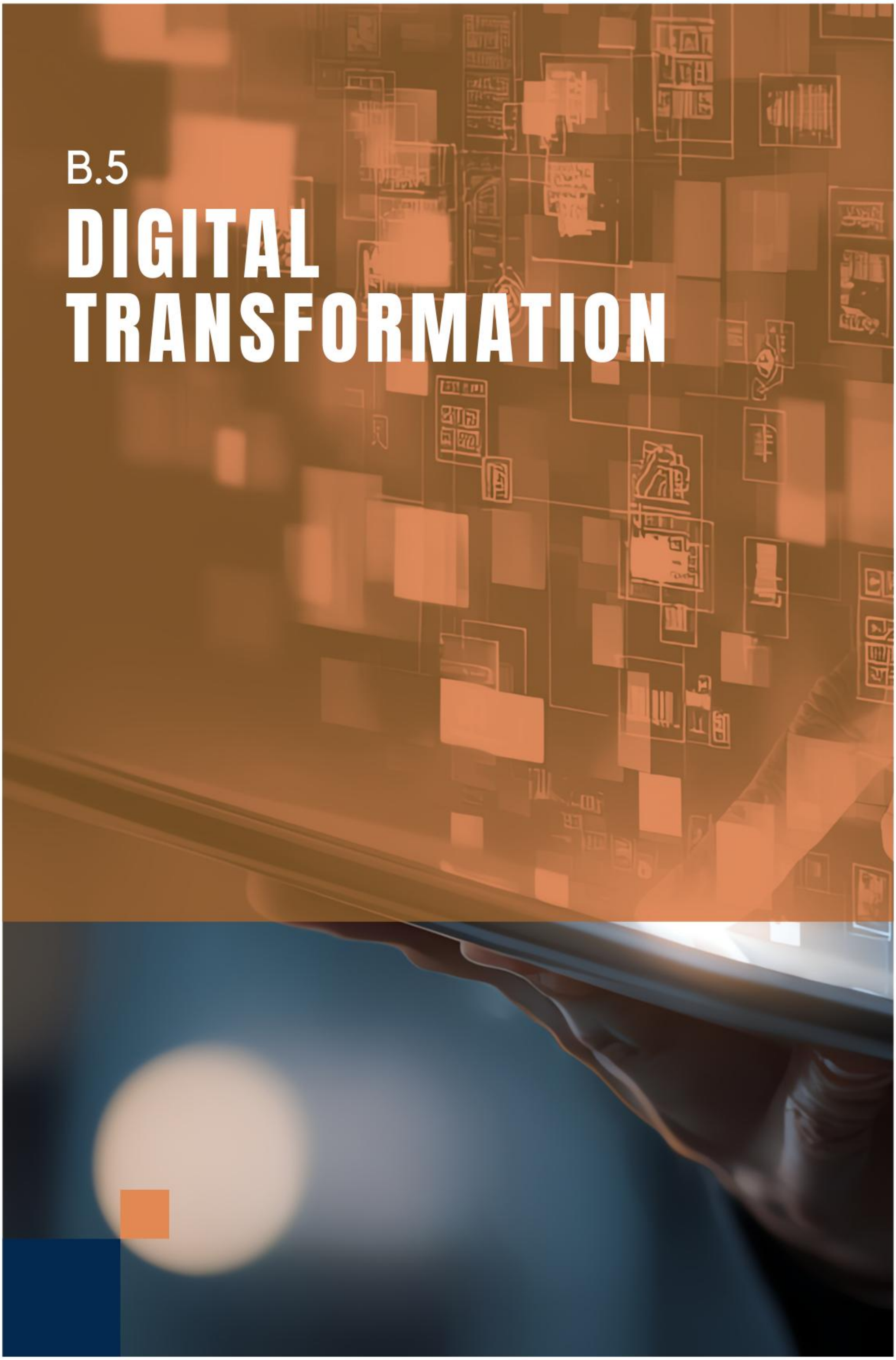
3. Introduce a **phased pay-as-you-throw system to incentivise waste prevention, recycling and better source separation** across the board.

4. Implement a **regulatory framework for construction and demolition waste to support the transition towards a circular economy, including minimum requirements for the use of reused or locally recycled materials**[63]**,** and the **development of secondary markets for end-of-life construction resources**[64] to support Malta's transition towards a circular built environment, creating the conditions for reused and locally recycled construction materials to become commercially viable, quality-assured and accepted in new development projects.
    a. Strengthen waste management practices in the construction sector by mandating and enforcing proper waste classification and source separation, and prioritising dismantling over demolition to improve the quality and recoverability of materials.
    b. Support the development of circular construction systems through targeted incentives for investment in recycling infrastructure, the use of recycled materials in new developments, and research, development, certification, and innovation in construction and demolition waste recovery.

[63] This should be supported by clear technical guidance, contractor training, digital waste tracking systems and enforceable obligations requiring demolition works to prioritise dismantling and recoverability over indiscriminate demolition.
[64] This should include clear material standards, certification pathways, procurement incentives, quality assurance mechanisms and market-enabling measures which increase confidence in secondary construction materials. Public procurement should lead this shift by introducing minimum recycled-content requirements in public projects where technically feasible.

B.5

DIGITAL TRANSFORMATION



Accelerating digital transformation is no longer a matter of competitive advantage – it is the basis of basic economic resilience and survival. While small and medium enterprises form the backbone of Malta's economy, a significant execution gap persists between basic digital presence and high-value technological adoption.

This emerges clearly from the EU Commission's 2026 Digital Decade Report with respect to Malta's performance towards the Digital Decade targets and objectives. Despite progress in business digitalisation and despite that 91% of Maltese consider digital policy as a high EU priority, Malta remains considerably below the EU's 2030 Digital Decade targets. 83.5% of SMEs reached a basic digital intensity against a 90% target. 65.1% are using cloud technologies against a 75% target. However, **only 21.5% of enterprises are adopting AI against a 75% target and only 38.9% are using data analytics against 75% target[65].**

This exposes local SMEs to significant productivity drag, rising operational costs, and an increasing risk of falling behind international competitors.

Malta needs a structured framework that shifts the local business landscape from fragmented, superficial tool adoption to meaningful, productivity-driven integration. By offering vendor-neutral guidance to resource-constrained SMEs Malta can effectively de-risk innovation, future-proof its enterprise sector, and convert technological readiness into measurable macroeconomic growth.

1. Establish a **National Digital and AI Readiness Framework for Maltese businesses over the 2027–2031 period**, supporting their progression from basic digital adoption towards integrated systems, automation, data analytics and AI-enabled operations. The framework should establish sectoral readiness baselines and progression targets, aligned with the European Commission's Digital Decade recommendations for Malta, while linking technological adoption to measurable productivity and operational gains. It should translate digital and AI readiness assessments into practical transformation roadmaps, helping businesses prioritise, sequence and implement technologies that improve productivity rather than invest in fragmented digital tools.

2. Establish and progressively expand a **National AI Lab as a public-private partnership** developing commercially deployable AI solutions to address business and national challenges in strategic sectors. The Lab should bring together industry, technology providers and research institutions to develop, test and commercialise AI applications, with projects tied to clear productivity, uptake and commercialisation outcomes.

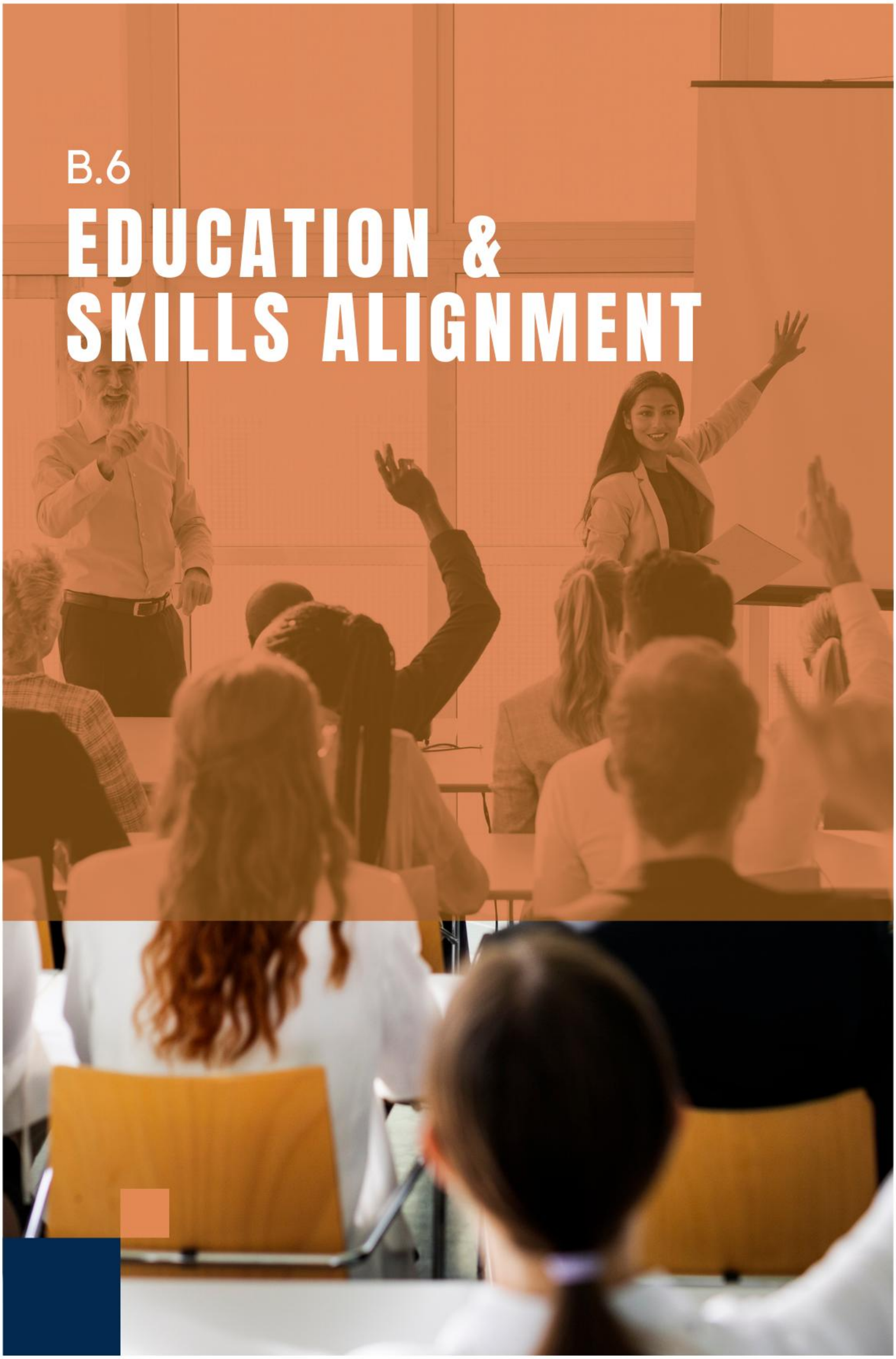
3. Update **building requirements and regulations to mandate fibre-ready infrastructure and 5G small-cell provisions at design stage for all new developments** to ensure that Malta's built environment, is prepared for the modern digital economy – Malta cannot position itself as a genuine digital economy if its built environment lacks the physical infrastructure required to support modern connectivity demands[66].

[65] European Commission's Malta 2026 Digital Decade Report - https://digital-strategy.ec.europa.eu/en/factpages/maltas-2026-digital-decade-country-report

[66] Eventually this should be complemented by a structured retrofitting programme for existing buildings.

B.6

EDUCATION & SKILLS ALIGNMENT



Comprehensive education and skill alignment across every life stage is one of the most critical lever to shift Malta's economy from volume-driven growth to sustainable, high-value productivity. A persistent structural skills mismatch, paired with high rates of early school leaving and brain drain, directly undermines local business competitiveness and dampens Malta's attractiveness to high-value foreign direct investment.

Addressing the complete learning continuum – from early childhood through post-secondary, higher education, and continuous workplace upskilling – is vital because talent development is cumulative.

Early and secondary education should build foundational critical thinking, STEAM literacy, and digital capabilities, preventing costly downstream remedial training. Tertiary and vocational institutions should align specialised qualifications with emerging industry demands and workplace lifelong learning should ensure that the existing workforce keeps pace with rapidly evolving technological disruptions, such as AI and automation. By looking at education and skills across the whole spectrum, as against applying fragmented fixes, Malta can build a resilient, future-ready domestic workforce, reduce over-reliance on low-cost labour expansion, and signal to international investors that the country possesses the dynamic human capital required for high-yield operations.

It is pertinent to note the recent Programme for International Student Assessment (PISA) about Malta.[67] Maltese 15-year old students have scored below the OECD averages across the core domains, attaining 453 points in science (OECD average: 482), 439 points in mathematics (OECD average: 463), and 415 points in reading (OECD average: 461). In computational problem solving, Maltese students reached a mean score of 463 points, trailing the OECD average of 500. The sharp downward trajectory between 2022 and 2025 is also worrying. Malta's reading performance plummeted by 31 points while mathematics fell by 27 points and science by 13 points. Over a 10-year timeline, decennial losses totalled 7 points in science, 29 points in reading, and 36 points in mathematics, with long-term reading losses driven by declines among higher achievers. Nearly three in ten Maltese students (29.4%) fell below baseline Level 2 proficiency across all three core subjects, while only 8.3% reach the top proficiency tiers (Level 5 or 6) in at least one domain. These findings present a stark structural friction for Malta's long-term economic aspirations. Raising total factor productivity in a physically constrained, resource-limited island requires an exceptionally agile, highly skilled workforce. When nearly 30% of 15-year-olds lack baseline competencies in foundational literacy, numeracy and scientific inquiry, and only 8% reach advanced proficiency tiers, the domestic talent pipeline risks becoming a severe bottleneck. Furthermore, the prevalence of superficial "hasty reading" points to difficulties in sustained critical reasoning. Unless Malta improves on deep cognitive mastery and stronger foundational skills, the divide between national economic ambitions and domestic human capital will widen, directly stalling the leap toward high-wage, innovation-led productivity.

[67] https://www.oecd.org/en/publications/pisa-2025-results-volume-i-country-notes_2d4ff9ea-en/malta_72d0211b-en.html

There are a numbers of aspects that the reform needs to address, including the need to:

1. Introduce **Individual Learning Accounts through a digital skills wallets** with simple, non-bureaucratic fiscal incentives to empower low-skilled workers to direct their own development. The implementation of these Individual Learning Accounts should avoid rigid legal training mandates that ignore sector-specific and company-level realities.

2. Launch a **unified, agile national skills-mapping framework** (thereby reducing current fragmented efforts) to swiftly address recurrent emerging tech trends and eliminate delays, ensuring workforce development aligns directly with private sector needs.

3. Overhaul the **country's educational system** to ensure market-aligned skills. Execution of this process should be completed by latest end of 2029.
    - Introduce an overhauled **National Education Curriculum** by scholastic year 2029, coupled with a revamped skills-based assessment for students and teacher professional development. The reformed curriculum should mandate STEAM, digital and financial literacy into the primary core curriculum from the start – concurrently fund classroom resources, including in private education, to practically integrate AI tools and critical thinking across all subjects.
    - Increase the financial and human resources of the **Foundation for Educational Services** to strengthen socio-educational support infrastructure, with the specific aim of reviewing existing extended-day frameworks like the Breakfast Club, Klabb 3-16, and Skolasajf, to offer high-quality academic tutoring and structured extracurricular programs.
    - Overhaul **public career guidance frameworks** to one which relies on real-time, predictive labour market data and economic trend forecasting, thereby helping students make market-aligned academic choices.
    - Integrate formal, practical **Alternative Learning Programs from Year 9** to address early school leaving by providing early access to technical training, work experience, and industry placements, reducing early education dropouts and igniting a declining workforce.

4. Strengthen the **industry-academia collaboration** to create a continuous feedback loop between theoretical research and practical application.
    - Launch an **industry outreach support scheme for Business Studies Heads of Department and Education Officers**, with tailormade incentives for employers, effectively bridging the structural gap between theoretical STEAM concepts and real-world commercial applications, targeting secondary students' outcomes – this collaboration should initially start off with the Heads of Departments and Education Officers, and extend to direct student involvement in the medium and long term.

- Improve the current system of **apprenticeships** within all vocational and technical syllabi to directly connect classroom theory to industry application, especially in traditional and specialised technical trades experiencing acute skilled-labour shortages. Employers could benefit from tailored incentives aimed at support apprenticeships where apprentices get getting actual and direct experience in their area of study (as opposed to doing unrelated tasks). This should include clear operational guidelines to support a quality learning experience.
- Establish an **industry-accredited training framework to eliminate acute talent shortages in logistics and international trade**, immediately launching an MCAST Level 4 certificate on Customs Clearance and Trade Facilitation and Operational Processes in the different International Transport Modes. Alongside this, a dedicated International Trade module at the University of Malta within the B.Com degree laying the groundwork for an eventual, standalone, graduate degree in international trade would also be beneficial.
- Launch an attractive package offering **rental subsidies, English Learning course allowances, work placements, and extended post-study visas tied to residency** for international trade students upon full completion of their accredited trades study modules – this is intended to directly mitigate the acute shortages within the local technical and industrial workforce.

5. Strengthen the **Institute for Trade at MCAST** cover more areas where current technical skills are scarce, particularly by providing specialised vocational training.

B.7

PUBLIC PROCUREMENT

Public procurement accounts for a significant share of public expenditure and, therefore, must be transformed into a strategic lever for excellence, innovation, trust and long-term value for money.

Over the next legislature, Malta must move decisively away from fragmented, short-term procurement practices towards a professional, transparent and outcomes-driven system that rewards quality, integrity, and performance. The reform should seek to strengthen transparency, accountability and value for money across the entire procurement lifecycle, reinforcing institutional capacity, and restoring public trust in the system.

The **Malta Chamber's 2021 Public Procurement Reform Recommendations**[68] remains critical to achieving this shift, providing a clear framework to rationalise public spending and strengthen transparency, accountability, governance and ethical business practices, while ensuring a level playing field for all operators. The document puts forward several proposals focusing on:

- Building a robust procurement governance framework
- Making transparency and accountability the default
- Protecting the level playing field through stronger integrity systems
- Introducing automatic price adjustment mechanisms.

Amongst others, the document lays out the need to:

1. Establish a fully reformed, **adequately resourced and technically competent central procurement authority,** with clear oversight across drafting, evaluation, award and post-award contract management.

2. Ensure procurement decisions **prioritise expertise, data and accountability over price-only considerations**, with substantive verification of health and safety, labour standards and equal-pay obligations directly impacting bid scoring.

3. Position procurement as a **core public-service profession,** supported by continuous upskilling, sectoral expertise and strong ethical safeguards.

4. Institutionalise a **six-month rolling public procurement outlook**, providing predictability for businesses and enabling more strategic planning in public spending.

5. Deliver a fully public, user-friendly **Contract Register** covering all contracts and direct orders, tracking milestones, payments, variations, disputes and performance outcomes.

6. Extend **transparency across the entire contract lifecycle**, from award to completion, strengthening public scrutiny, accountability and trust.

7. Introduce an **objective, clear and automated mechanism for price revision linked to an industry recognised index, particularly in commodities and products subject to regular fluctuation.**

[68] https://www.maltachamber.org.mt/wp-content/uploads/2023/03/9d4b053d-e51b-4470-ac09-33e3b07cd37d.pdf

8. Timely release of **retention money and the offsetting of dues** to improve cash flow.

9. Move away from the generic Design and Build tenders to **tendering which sets clear criteria and parameters, and includes support and maintenance to avoid damages and reduce long term costs** on the Contracting Authorities.

10. Introduce a robust supplier **whitelisting framework**, based on clear financial, legal and performance criteria.

11. Strengthen and enforce a **clear blacklisting regime** for defaulting contractors, safeguarding market integrity and ensuring fair competition.

12. Mandate the **National Audit Office to scrutinise and approve major public contracts before signing as this will help prevent the squandering of public funds from the outset** – as it stands, the squandering of public funds is usually detected too late in the day. Furthermore, and to protect taxpayers, the use of side letters that modify key provisions or shift financial risks onto the public sector must be outrightly prohibited.

<u>Provision of Healthcare Supplies and Medicines</u>

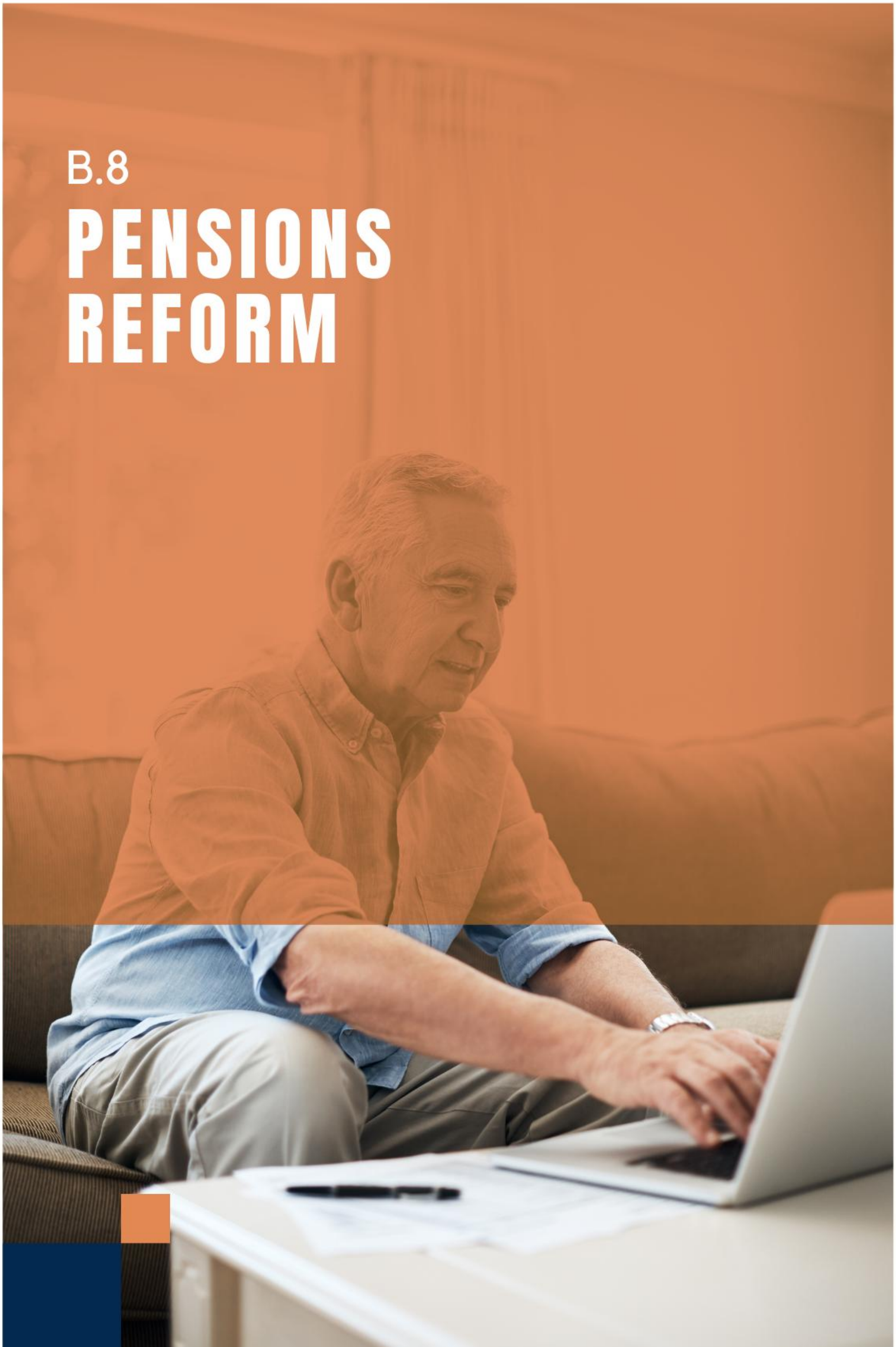
Public procurement of medical supplies and pharmaceuticals sits at the intersection of public fiscal responsibility, clinical precision, human health and survival. Unlike general commodity acquisition failures in health procurement carry a direct cost in human health and lead to the erosion of public trust in national health systems. To safeguard the healthcare ecosystem, public procurement cannot be treated as a routine administrative process. It requires an uncompromising, high-standard framework built on three interdependent pillars – robust governance structures, rigorous technical oversight and modern technological integration. For this reason, The Malta Chamber proposes additional reforms in the healthcare sector, some of which are listed below:

13. Strengthen **procurement frameworks for medicines and medical devices to reward quality, reliability of supply and real-world outcomes**, rather than lowest-price or volume-driven purchasing. Malta must place focus on improving supply security and reducing vulnerability to shortages in the short term.

14. Enhance the **CPSU inventory system across its stores and hospitals to enable forward planning, diversification and transparent clinical governance** to strengthen long-term resilience and supply chain management.

15. Facilitate the **transition of eligible medicines from the Malta Community Chest Fund Foundation (MCCFF) onto the Government Formulary List through a structured and transparent market access pathway**, improving patient access to innovative medicines, enhancing equity of treatment and reducing the overall cost burden on Government.

B.8
PENSIONS REFORM



Malta, like most EU19 countries, is facing a massive demographic challenge due to the combination of expanding cohorts of older workers quitting the labour market and significantly fewer young people joining the workforce. We must therefore encourage talented individuals who are pension-eligible to continue working and, more importantly, ensure that Malta's pension system is pragmatic, sustainable and forward-looking. The working-age population in Malta is decreasing due to declining birth rates. As a result, there are now fewer new entrants into the labour market compared to the number of individuals retiring.

Addressing the long-overdue pensions reform is essential to ensure demographic sustainability, financial adequacy and active labour market retention in Malta. Relying solely on the first-pillar state pension is becoming increasingly insufficient to guarantee a decent replacement rate, leaving future retirees vulnerable to a stark drop in disposable income. The Malta Chamber has long been advocating for the introduction of flexible auto-enrolment workplace (second-pillar) pensions, securing long-term living standards for pensioners while reducing fiscal pressure on public finances without placing unfair burdens on business competitiveness.

A carefully designed workplace pension based on the principles of opt-in on employment with the choice of opt-out for employers needs to be introduced in Malta, particularly incentivising its take-up by younger employees, supported by robust fiscal incentives for voluntary employer contributions such as adequate tax incentives (which are better than those currently offered) to invest in their employees' private pension scheme.

1. Implement the following **proposals on Auto-Enrolment Pensions**, already pushed forward by The Malta Chamber in 2025[69] to establish a fair, sustainable and transparent occupational pension framework in Malta, that improves retirement adequacy while safeguarding the private sector, primarily the following:
    a. Implement a phased rollout of the auto enrolment pension scheme over the course of the legislature, starting with large employers and gradually going down to micro enterprises.
    b. Introduce enhanced tax incentives for employers who voluntarily contribute to workplace pension schemes.
    c. Establish a robust pensions governance framework that enables a worker centric master account with full lifelong portability, allowing the seamless transfer of pension pots across personal plans and auto enrolment schemes.
    d. Mandate a unified national pension dashboard platform integrating state, auto enrolment, and voluntary records to provide real time data aggregation, common reporting standards, and simulated outcome tools.
    e. Include life insurance providers within the scheme framework by enhancing regulatory requirements for asset ringfencing thereby widening consumer choice and maintaining market continuity.
    f. Establish a statutory pension protection fund coupled with strict custodial segregation - serving as a safety net that protects workers contributions from fraud, scheme failure, or administrator insolvency.

[69] https://maltachamber.org.mt/wp-content/uploads/2025/08/20250808-Auto-Enrollment-Pensions-Scheme-final.pdf

2. Adopt proposals proposed by The Malta Chamber earlier this year on pensions[70], in reply to a public consultation questionnaire to ensure the long-term sustainability, fairness, and trust of Malta's pension system without compromising employer competitiveness. The intention is to bridge the retirement adequacy gap for middle-income earners while protecting vulnerable ones. These include the need to:
   a. Calculate pension entitlements on full income received rather than basic monthly wages alone ensuring that bonuses, allowances, and perks are included while carefully balancing the cumulative cost impact on labour intensive business sectors.
   b. Implement a flexi employment approach to active ageing that allows workers to transition into retirement gradually, maintaining the 42-year contribution requirement while providing positive actuarial incentives for deferring full retirement.
   c. Design childcare credits to help parents stay in or return to work during their careers, helping them earn a better pension rather than trying to fix low pensions after they retire.

[70] https://maltachamber.org.mt/wp-content/uploads/2026/04/20260402-TMC-feedback-on-Pensions-Adequacy-FINAL.pdf

B.9

PUBLIC GOOD GOVERNANCE & PARLIAMENTARY REFORM

Institutional integrity, rule of law, and effective parliamentary oversight are the non-negotiable bedrock of a reputable business environment and a healthy democracy. For investors, enterprises, and citizens alike, confidence in public institutions depends on the assurance that laws are applied consistently, decisions are taken transparently, public resources are managed responsibly, and accountability mechanisms operate independently and effectively.

Prolonged governance deficits, delayed judicial proceedings, weak enforcement, and outdated legislative frameworks erode public trust, create avoidable market distortions, and weaken Malta's attractiveness and international standing. These shortcomings also increase uncertainty for businesses, discourage long-term investment, and risk normalising inefficiencies that impose a direct cost on enterprise, public administration and society at large.

Restoring confidence requires moving beyond symbolic policy adjustments and committing to deep structural reforms across governance, judicial efficiency, institutional accountability and parliamentary operations. By fully implementing international rule of law recommendations, strengthening ethical oversight, embedding transparency into public decision-making, modernising court processes, and professionalising Parliament, Malta can safeguard its national reputation, ensure administrative fairness, and create a predictable, resilient ecosystem for enterprise and civil society alike. The proposals in this regard are:

1. Allocate the necessary funding and fully implement the **European Commission's Rule of Law Report 2026** recommendations establishing, in particular:
   a. Establishing a Register of Lobbyists and a Transparency Register.
   b. Ensuring the independence and impartiality of the national broadcaster.
   c. Securing media independence and ensuring that there are sufficient legal safeguards to preserve and protect the role of free press.
   d. Prohibiting government-linked second jobs for MPs.
   e. Implementing GRECO integrity frameworks for senior officials.
   f. Strengthening whistleblower follow-up.
   g. Mandating early impact assessments for public projects, and
   h. Integrating NAO and Ombudsman oversight findings directly into day-to-day governance.
   i. Reforming political party financing.

2. Introduce a **strict statutory cap on positions of trust**, restricting them to roles of high political sensitivity or security risk whereby all compensation, benefits, and packages awarded to individuals in these positions would be fully disclosed publicly and subjected to regular and independent compliance audits.

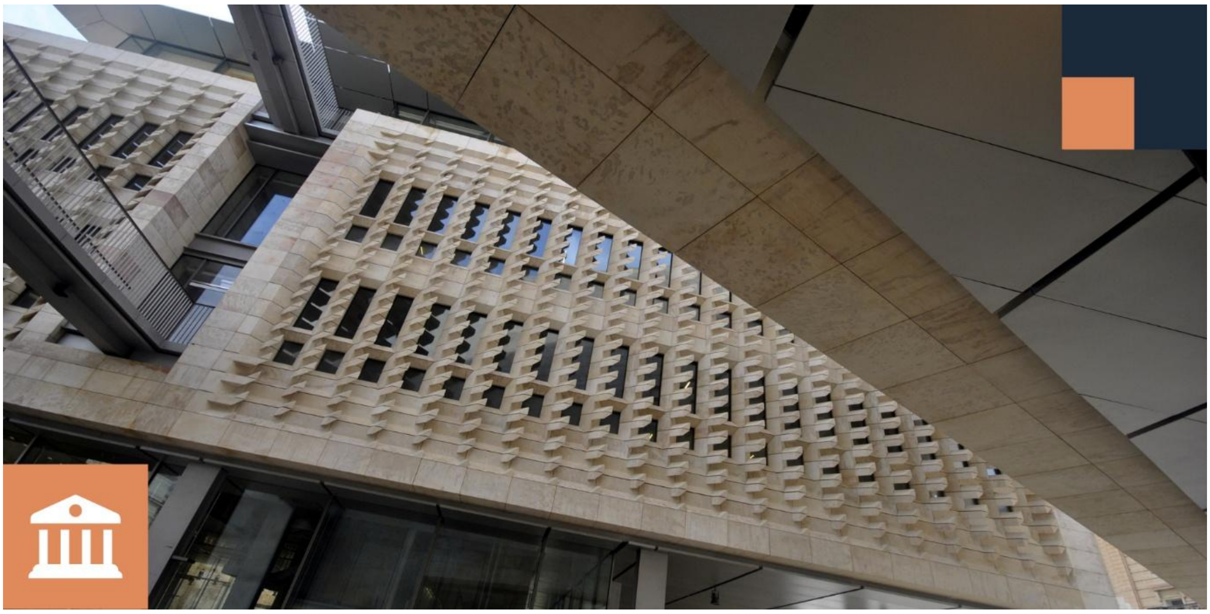
3. Ensure that the **appointment of Permanent Secretaries is fully insulated from political intervention**, recognising these posts as senior career public-service roles that are central to institutional continuity, administrative competence and the impartial execution of government policy – strengthening the independence and professionalism of Permanent Secretaries would reinforce accountability across ministries, safeguard the neutrality of the civil service, support consistent policy implementation across legislatures, and help rebuild public confidence in the integrity, stability and effectiveness of public administration.

4. Undertake a comprehensive reform of Malta's enforcement regime to ensure that **all enforcement agencies and competent authorities operate independently, consistently and free from political interference.** These entities must be adequately resourced, technically equipped and empowered to act proactively rather than reactively. The reform should place strong emphasis on the deployment of digital tools, automated monitoring systems and data-driven enforcement mechanisms to minimise unnecessary human discretion, improve transparency and strengthen consistency in decision-making. Enforcement should be applied uniformly across all sectors and operators, ensuring that compliant businesses and citizens are not disadvantaged by those who operate outside the rules. Particular focus should be placed on identifying and flagging repeat offenders, who should be subject to progressively stronger sanctions, higher fines and more deterrent penalties. This would reinforce fairness, restore trust in regulatory systems and ensure that enforcement becomes a credible instrument for upholding standards, safeguarding the public interest and maintaining a level playing field.

5. Accelerate **court digitalisation and capacity building** to systematically resolve case backlogs and modernise the judicial system by implementing an end-to-end digital transformation framework which covers the following:
   a. A **unified electronic case management and e-filing system** which transitions fully to a mandatory, paperless e-filing platform for all civil, commercial, and criminal proceedings – this would automate case registration, service of acts and scheduling, ultimately eliminating physical processing bottlenecks.[71]
   b. An **AI-assisted document processing** through the deployment of secure AI tools – this would assist court staff with automated document categorisation and research.[72]
   c. **Digital courtrooms and speech-to-text transcription** by equipping every courtroom with automated audio/video recording and real-time AI speech-to-text transcription tools, drastically reducing time spent on manual note-taking and transcript preparation.
   d. **Online dispute resolution (ODR) for minor claims** by establishing a dedicated ODR portal for minor claims to settle lower-value disputes digitally outside courtrooms, including addressing the culture change required for people to transition to ODR.[73]
   e. **Investment in ongoing and structured training** for the judicature and the supporting staff on the use of technology, complimented by better infrastructure.

[71] One could possibly look into Estonia's *e-File* and Singapore's *Integrated Electronic Litigation System (eLitigation)*.
[72] One could refer to Germany's court systems (e.g., the *OLGA* and *Frauke* AI platforms).
[73] The UK's *Online Court* and the Netherlands' e-justice platforms could provide valuable insights on how it could be implemented.

6. Establish an **Independent Commission under the auspices of the President of the Republic, by the end of 2027 to spearhead a holistic Electoral Reform[74] and review Parliament's accountability and ethical governance framework**[75]. These consensus-driven solutions, which must be agreed upon by both the Government and the Opposition, aim to restore efficiency and public trust ahead of the next General Election. Amongst the most urgent, the following should be considered:
   a. **Reduce the current 13 districts to 5 and downsize Parliamentary seats to 45 MPs**, while also shifting the role of MPs to full-time.
   b. Revisit **MPs remuneration** to a competitive salary model pegged to executive scales, including that of the Prime Minister and cabinet members.
   c. Enhance MPs support by supporting them with **Research Assistants and Secretarial Support**.
   d. Preclude **MPs** from having second jobs/consultancies with/within government which could potentially weaken transparency, integrity and impartiality.
   e. Redesign of the current **declaration of assets** to allow for structured, consistent, coherent and comprehensive submission of asset information**.**
   f. Introduce a **5% national threshold** in respect of 3rd parties, instead of the current 16.7% minimum votes required in one district.



[74] https://maltachamber.org.mt/wp-content/uploads/2025/01/2025-01-30-Strengthening-Parliament-and-Increasing-Public-Trust-A-Call-for-Parliamentary-Reform.pdf
[75] https://maltachamber.org.mt/wp-content/uploads/2023/03/6f97cbac-8f6c-424f-a884-7976c631affd.pdf

Conclusion

Malta stands at a critical juncture where economic growth can no longer be measured solely by volume, population expansion, or short-term gains. The proposals presented by **The Malta Chamber** throughout this Pre-Budget Document outline a clear, principled road map designed to pivot our national economy toward high-value generation, environmental sustainability, and long-term competitiveness.

To secure Malta's economic future, policymakers must focus on four core strategic imperatives:

- **Value Over Volume:** Shift economic policy from population-driven expansion to productivity-driven growth that incentivises high-skilled jobs, innovation, and value-added industries.
- **Human Capital & Talent Retention:** Overhaul education and upskilling frameworks to align local talent with future market needs while ensuring Malta remains an attractive destination for high-calibre international professionals.
- **Environmental & Infrastructure Resilience:** Accelerate the green transition with targeted investments in renewable energy, modernised grid infrastructure, and sustainable urban planning to alleviate capacity pressures.
- **Good Governance & Transparency:** Rebuild public trust and institutional integrity through strict fiscal discipline, fair procurement practices, and streamlined administrative processes.

Budgetary decisions must reflect courage, vision, and fiscal responsibility. Short-term relief measures must yield to structural reforms that strengthen our economic fundamentals against global headwinds.

The Malta Chamber of Commerce, Enterprise and Industry takes pride in serving as the leading representative of Malta's business community and remains fully committed to collaborating with Government, social partners, and industry stakeholders to translate these recommendations into actionable policies that safeguard the well-being and prosperity of Maltese society.

THE MALTA CHAMBER