Council of the European Union

Brussels, 16 September 2021
(OR. en)

11938/21

Interinstitutional File:
2021/0298 (NLE)

ECOFIN 854
CADREFIN 411
UEM 263
FIN 700

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	16 September 2021
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2021) 584 final
Subject:	Proposal for a COUNCIL IMPLEMENTING DECISION on the approval of the assessment of the recovery and resilience plan for Malta

Delegations will find attached document COM(2021) 584 final.

Encl.: COM(2021) 584 final

EUROPEAN
COMMISSION

Brussels, 16.9.2021
COM(2021) 584 final

2021/0298 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Malta

{SWD(2021) 269 final}

2021/0298 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Malta

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility[1] and in particular Article 20 thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) The COVID-19 outbreak has had a disruptive impact on the economy of Malta. In 2019, the gross domestic product per capita (GDP per capita) of Malta was 86 % of the Union average. According to the Commission's interim Summer 2021 forecast, the real GDP of Malta declined by 7,8 % in 2020 and is expected to decline by 2,6 % cumulatively in 2020 and 2021. Long-standing aspects with an impact on medium-term economic performance include in particular shortage of skilled labour, challenges related to ageing population, and weaknesses in regulatory and supervisory framework, which prevents businesses from taking full advantage of the opportunities offered by the green and digital transitions.

(2) On 9 July 2019 and on 20 July 2020, the Council addressed recommendations to Malta in the context of the European Semester. In particular, the Council recommended to take measures to support economic recovery; ensure the fiscal sustainability of the healthcare and pension systems; strengthen the resilience of the health system; consolidate short-time work arrangements and ensure the adequacy of unemployment protection for all workers; strengthen the quality and inclusiveness of education and skills development; ensure effective implementation of liquidity support to affected businesses and the self-employed; invest in the green and digital transition, in particular in clean and efficient production and use of energy, sustainable transport, waste management, research and innovation. In addition, Malta was recommended to strengthen its institutional framework by strengthening the independence of the judiciary, continuing efforts to detect and prosecute corruption, mitigating money-laundering risks mainly by ensuring effective enforcement, and adjusting the taxation system to curb aggressive tax planning practices by individuals and multi-nationals. Having assessed progress in the implementation of those country-specific

[1] OJ L 57, 18.2.2021, p. 17-75.

recommendations at the time of submission of the recovery and resilience plan ('RRP'), the Commission finds that the recommendation on taking measures to address the COVID-19 pandemic has been fully implemented. Substantial progress has been achieved with respect to the recommendation on liquidity support to businesses affected by pandemic.

(3) The Council Recommendation on the economic policy of the euro area recommended to euro area Member States to take action, including through their RRPs, to, *inter alia*, ensure a policy stance which supports the recovery and to further improve convergence, resilience and sustainable and inclusive growth. The Council Recommendation also recommended euro area Member States to strengthen national institutional frameworks, to ensure macro-financial stability, to complete the economic and monetary union and to strengthen the international role of the euro.

(4) On 13 July 2021, Malta submitted its national RRP to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. That submission followed a consultation process, conducted in accordance with the national legal framework, involving local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. National ownership of the RRPs underpins their successful implementation and lasting impact at national level and credibility at European level. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission has assessed the relevance, effectiveness, efficiency and coherence of the RRP, in accordance with the assessment guidelines set out in Annex V to that Regulation.

(5) The RRPs should pursue the general objectives of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 (the 'Facility') and of the European Union Recovery Instrument set up by Council Regulation (EU) 2020/2094 in order to support the recovery in the aftermath of the COVID-19 crisis. They should promote the Union's economic, social and territorial cohesion by contributing to the six pillars referred to in Article 3 of Regulation (EU) 2021/241.

(6) The implementation of the Member States' RRPs will constitute a coordinated effort involving reforms and investments across the Union. Through coordinated and simultaneous implementation and the implementation of cross-border and multi-country projects, such reforms and investments will mutually reinforce each other and generate positive spillovers across the Union. Therefore, about one third of the impact of the Facility on Member States' growth and job creation will come from spillovers from other Member States.

Balanced response contributing to the six pillars

(7) In accordance with Article 19(3), point (a), of and Annex V, criterion 2.1, to Regulation (EU) 2021/241, the RRP represents to a large extent (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all of the six pillars referred to in Article 3 of that Regulation, taking the specific challenges faced by and the financial allocation for the Member State concerned into account.

(8) The RRP includes measures that contribute towards all of the six pillars, with a significant number of components of the RRP addressing multiple pillars. Such an approach contributes to ensuring that each pillar is comprehensively addressed in a coherent manner. Furthermore, given the specific challenges of Malta, the particular

focus on smart, sustainable and inclusive growth, along with the overall weighting across pillars, is considered adequately balanced. The first three out of the six components in the Maltese RRP are directly related to the first two pillars, that is the green and digital transition. The green transition is expected to be addressed through various reform and investment measures aiming to decarbonise road transport, to achieve sustainable mobility, to improve the energy efficiency of buildings, to improve the waste management system, and to promote renewable energy. Investments and reforms in the public administration, health sector and the justice system support the digital transition.

(9) The remaining four policy pillars are addressed adequately throughout the different components. Measures to prevent early school leaving and improve the quality and inclusiveness of the education and training system are expected to increase supply of necessary skills and contribute to smart, sustainable and inclusive growth, and also promote policies for the next generation, children and the youth. Health, economic, social and institutional resilience is covered by measures such as reforms and investments to strengthen and increase the resilience of the health care system, increase efficiency of the public administration, including the justice system, through digitalisation, and address institutional bottlenecks through consistent governance reforms. Furthermore, the measures in the areas of education, skills, health and public administration are expected to contribute to greater social and territorial cohesion.

Addressing all or a significant subset of challenges identified in Country Specific Recommendations

(10) In accordance with Article 19(3), point (b), of and Annex V, criterion 2.2 to Regulation (EU) 2021/241, the RRP is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations addressed to Malta, including fiscal aspects thereof or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester. The recommendations related to the immediate fiscal policy response to the pandemic can be considered to fall outside the scope of Malta's RRP, notwithstanding the fact that Malta has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the general escape clause of the Stability and Growth Pact.

(11) The RRP includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Malta by the Council in the European Semester in 2019 and in 2020, notably in the areas of (i) governance, including in relation to the independence and effectiveness of the justice system as well as the fight against corruption and money laundering, (ii) health, (iii) education and training and (iv) digital and green economic transformation, including in relation to the circular economy, energy efficiency and renewable energy. Investments and reforms in the areas of pensions, aggressive tax planning and research and innovation partly address the challenges identified by the country specific recommendations.

(12) The RRP aims at strengthening the independence and effectiveness of the judiciary through several measures, including changes to the appointment procedures of the Chief Justice and members of the judiciary, an increase in the members of the

judiciary and investment in the digitalisation of the courts system. Regarding prosecution, Malta plans to separate the dual role of the Attorney General as both prosecutor and legal advisor to the government and envisages to transfer the prosecution of cases from the police to the Attorney General. The institutional framework capacity to fight corruption is expected to be reinforced through the implementation of the National Anti-Fraud and Corruption Strategy, the reform of the Asset Recovery Bureau and of the Permanent Commission Against Corruption.

(13) Risks of money laundering and terrorist financing are expected to be further reduced due to the implementation of the respective Strategy and Action Plan for 2021-2023. Moreover, Malta commits to adopt necessary actions to rectify shortcomings found in the June assessment of the Financial Action Task Force. Malta also plans some measures to curb aggressive tax planning practices, including the introduction of transfer pricing legislation and a study followed up by legislative amendments on measures relating to inbound and outbound dividends, interest and royalty payments.

(14) The planned establishment of a Blood, Tissue and Cell Centre for Malta is expected to make Malta self-sufficient for related innovative treatments, which is expected to contribute to the resilience of the health system. Investments are planned to further digitalise operational processes, including for care service delivery and outpatient facilities. Reforms are also expected to strengthen the prevention of health problems in children and improve the management of the workforce and facilitate the hiring and integration of foreign workers.

(15) The RRP envisages the implementation of the measures of the newly adopted Employment Strategy at least for older workers (aged 55-64), low skilled adults and to reduce the gender employment gap. Social protection in Malta should benefit from a periodical review of unemployment benefits and pensions. The long-standing issue of early school leaving is expected to be alleviated through intervention and prevention measures. Accessibility of upskilling and reskilling programmes should be facilitated by setting up an e-college. Development of skills is set to be supported by a targeted investment in a new campus for the Institute for Tourism Studies, which is complemented by updated training programmes. Inclusiveness of education is set to be enhanced through the roll out of multi-sensory learning rooms for students with special needs in colleges and the setting up of two autism units in middle schools facilitating integration of pupils with special needs. Reforms addressing business R&I and encouraging stronger public-private cooperation are also included.

(16) The majority of the planned investment is expected to focus on supporting the digital and green transitions. The digital transformation is expected to be reinforced through an investment in the government's digital services, including to strengthen the resilience, security and efficiency of its digital backbone. Further digitisation is planned within the justice and health systems. The green transition should be advanced by investments in the renovation of private sector and public buildings, schools and hospitals and in renewable energy generation and use in buildings, roads and public spaces. Those investments are complemented by reforms aiming to strengthen the regulatory framework in the building sector and to ensure a sufficient and diversified pool of staff with appropriate expertise. Several reforms aim at waste management and prevention, thus improving circularity of the economy.

Contribution to growth potential, job creation and economic, social and institutional resilience

(17) In accordance with Article 19(3), point (c), of and Annex V, criterion 2.3 to Regulation (EU) 2021/241, the RRP is expected to have a high impact (Rating A) on strengthening the growth potential, job creation, and economic, social and institutional resilience of Malta, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.

(18) Simulations by the Commission services show that the RRP, together with the rest of measures of the European Union Recovery Instrument, has the potential to increase the GDP of Malta by 0,7 % to 1,1 % by 2026, not including the possible positive impact of structural reforms, which are substantial. The investments are expected to provide a short-term demand boost, thus contributing to the recovery of the economy. The strengthening of the institutional framework, the reforms of the education and training system and the digitalisation efforts are expected to boost growth potential in the long-term. Further benefits for growth and jobs are expected from the investments and reforms to boost energy efficiency, decarbonise transport, improve the health system, support business R&I and encourage stronger public-private cooperation.

(19) The RRP includes measures to improve the inclusiveness of education, enhance access to training and update the social security system in line with the principles of the European Pillar of Social Rights. The reform initiatives related to quality and inclusiveness of education are expected to contribute to better access to education and tackling the challenge of early school leaving. The reforms and investments addressing the high share of low-skilled adults are expected to provide the population, in particular the most vulnerable, with skills needed for the digital and green transitions, and to improve their employability. The implementation of the updated Employment Strategy is expected to increase the resilience of the Maltese labour market. Better educational and labour market outcomes are expected to contribute to mitigating pre-existing risks of poverty and social exclusion.

(20) The improvements in and increased accessibility of public services through new technologies have the potential to ensure broader access to all, including for those that are more difficult to reach. The RRP contains measures that are expected to contribute to gender equality and equal opportunities for all, such as the provision of childcare facilities, and the promotion of remote working solutions for public administration enabling a better work life balance. Measures to promote better employability, better health and longer working lives should contribute to decreasing the future pressure on the social security system and on the sustainability of public finances, thus improving resilience and reducing the economy's vulnerability to future shocks.

Do no significant harm

(21) In accordance with Article 19(3), point (d), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the RRP is expected to ensure that no measure (Rating A) for the implementation of reforms and investments projects included in the RRP does significant harm to environmental objectives within the meaning of Article 17 of

Regulation (EU) 2020/852 of the European Parliament and of the Council[2] (the principle of 'do no significant harm').

(22) The RRP ensures for each reform and investment that no significant harm is done to any of the six environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852, namely climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Malta provided justifications in accordance with the 'do no significant harm' technical guidance of the European Commission (2021/C 58/01). Where needed, Malta has proposed the implementation of mitigating measures to avoid significant harm, which should be ensured through relevant milestones.

(23) Particular attention has been paid to measures whose impact on environmental objectives warrants close scrutiny. For the Construction and Demolition Waste Strategy for Malta and follow up implementing measures, the risk of significant harm should be avoided by ensuring that no activity in that strategy leads to a significant increase of waste disposal or disincentives to preparing for reuse or recycling and that the waste used for backfilling is suitable non-hazardous waste substituting non-waste materials and limited to the amount strictly necessary, in line with Article 3.17a of Directive 2008/98/EC[3] on waste. An investment in the construction of a ferry landing site should shift transport from road to sea, hereby encouraging multimodality and contributing to addressing congestion and air quality. As the infrastructure may be used also by combustion engine ferries, as a flanking measure Malta should install electric charging infrastructure for vessels, in line with the DNSH Technical Guidance. As the installation of the charging infrastructure is required by a milestone, no significant harm is expected. Moreover, Malta has given a binding commitment in a milestone to implement any result and condition from the environmental impact assessments needed for the measure.

Contribution to the green transition including biodiversity

(24) In accordance with Article 19(3), point (e), of and Annex V, criterion 2.5, to Regulation (EU) 2021/241, the RRP contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 53,8 % of the RRP's total allocation calculated in accordance with the methodology set out in Annex VI to that Regulation. In accordance with Article 17 of that Regulation, the RRP is consistent with the information included in the National Energy and Climate Plan 2021-2030.

(25) Reforms and investments are expected to advance the decarbonisation and energy transition objectives of Malta as set out in the National Energy and Climate Plan 2021-2030, thereby contributing to the Union's climate target and objective respectively. Additional public funding is needed to mobilise the total volume of public and private investments necessary to achieve the objectives set in the National Energy and Climate

[2] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

[3] Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives (OJ L 312, 22.11.2008, p. 3)

Plan 2021-2030. Investments to promote sustainable transport provide a large part of the RRP's climate contribution. They are complemented by reforms that aim to improve transport planning, broaden the free access to public transport, and implement the Sustainable Urban Mobility Plan of the Valletta region. Other significant climate or environmental contributions are expected by energy-efficiency interventions in private and public buildings, such as hospitals and schools, and the installation of photovoltaic systems in buildings, roads, footpaths, and other public spaces.

(26) The RRP contains measures contributing to the green transition and environmental protection. While no measure directly targets at enhancing biodiversity, several measures may have a positive indirect effect. Taking into account that pollution is one of the drivers of biodiversity loss, the energy efficiency renovations and the measures to decarbonise transport are expected to contribute to reducing greenhouse gas and pollutant emissions, thereby enhancing biodiversity. Furthermore, the RRP includes measures on waste management and specifically regarding the reorganisation of waste collection, construction and demolition waste developed in the planned Construction and Demolition Waste Strategy, single-used plastics, and extended producers responsibility. The enhancement of the waste policy framework is expected to improve waste prevention, waste separation collection, and treatment, thus also indirectly contributing positively to biodiversity protection on the islands. The implementation of those proposed measures is expected to have a lasting impact, notably by contributing to the green transition and environmental protection.

Contribution to the digital transition

(27) In accordance with Article 19(3), point (f), of and Annex V, criterion 2.6, to Regulation (EU) 2021/241, the RRP contains measures that contribute to a large extent (Rating A) to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 25,5 % of the RRP's total allocation calculated in accordance with the methodology set out in Annex VII to that Regulation.

(28) The RRP is expected to significantly contribute to the digital transformation in Malta. Three components of the RRP contain measures targeted at the digital transition in the public administration, private sector, as well as in the healthcare system and justice system.

(29) A large share of the digital investments is dedicated to the digitalisation of the public administration and public services. In particular, the RRP includes investments to strengthen the government's digital infrastructure, enhance digital public services and increase their uptake, and digitalise Malta's Merchant Shipping Directorate. Moreover, the RRP is expected to intensify the digitalisation of the private sector by establishing measures in support of companies, notably SMEs, in several economic sectors to digitalise their operations, and hence improve their efficiency, productivity and customer experience. In addition, the RRP includes investments into the digitalisation and new technologies in the healthcare system, with the aim to improve the quality of patient care, enhance patient experience by timely and transparent information provision, and reduce waiting time. Furthermore, the RRP provides for the implementation of a number of secure digital solutions and tools to support users in the justice sector through collaboration and integration, increased accessibility to justice and strengthened efficiency of the justice system. Finally, in addition to investments, the RRP contains reforms to facilitate the digital transition in a durable

manner. Notably, the plan envisages the implementation of measures set out in Malta's Digital Strategy 2021-2027 (in particular, to reduce the digital divide and increase the pool of ICT specialists) and the adoption of Malta's Smart Specialisation Strategy with a focus on promoting business R&I and strengthening public-private cooperation.

Lasting impact

(30) In accordance with Article 19(3), point (g), of and Annex V, criterion 2.7, to Regulation (EU) 2021/241, the RRP is expected to have a lasting impact on Malta to a large extent (Rating A).

(31) The RRP presents reforms to strengthen the institutional framework of Malta in a lasting manner, notably by improving the effectiveness and independence of the justice system and law enforcement entities, and reducing the risks of money laundering and aggressive tax planning. Challenges brought about by the tightening of the labour market in recent years as well as the high share of low-skilled adults are being addressed through a number of measures aimed at the upskilling and reskilling of adults, while addressing the attraction, retention and integration of foreign workers, particularly in the health sector, and making social protection more sustainable and adaptable to the economic cycle. Long-lasting benefits are also expected in the areas of education through reforms to reduce early school leaving and enhance the quality and inclusiveness of the education system. Regarding the environment, the RRP introduces reforms with the aim to reduce harmful emissions from the building and transport sectors and improve the circularity of the economy.

(32) Certain investments aim to improve the effectiveness and efficiency of the public administration through improved digital preparedness in a number of public entities, including Malta's Merchant Shipping Directorate, the law courts and the health sector. Tourism, an important sector for the Maltese economy, is also directly targeted through the creation of a high quality vocational education centre. Environmental challenges, which have become more visible with the rapid increase in population in recent years, are also being addressed through investments in public and private sector building renovations, renewable energy and alternative transport means. The lasting impact of the RRP can also be enhanced through synergies between the RRP and other programmes, including those financed by cohesion policy funds.

Monitoring and implementation

(33) In accordance with Article 19(3), point (h), of and Annex V, criterion 2.8, to Regulation (EU) 2021/241, the arrangements proposed in the RRP are adequate (Rating A) to ensure effective monitoring and implementation of the RRP, including the envisaged timetable, milestones and targets, and the related indicators.

(34) The management structure is well defined and responsibilities clearly allocated. The Ministry responsible for the management of EU Funds is empowered to perform the tasks related to coordination, management and control. Within the Ministry responsible for the management of EU funds, the Planning and Priorities Coordination Division has been designated to ensure the leadership, coordination and overall oversight, thereby extending the European cohesion funds governance framework to the RRP. The various institutions in charge of implementation are clearly indicated in the description of the six components.

(35) The milestones and targets constitute an appropriate system for monitoring the RRP's implementation. They are sufficiently clear and comprehensive to ensure that their

completion can be traced and verified. They reflect adequately the overall level of ambition of the RRP and appear realistic. The verification mechanisms, data collection and responsibilities appear sufficiently robust to verify the completion of the milestones and targets and justify in an adequate manner the disbursement requests. Milestones and targets are also relevant for measures already completed which are eligible under Article 17(2) of Regulation (EU) 2021/241. The satisfactory fulfilment of these milestones and targets over time is required to justify a disbursement request.

(36) Member States should ensure that financial support under the Facility is communicated and acknowledged in line with Article 34 of Regulation (EU) 2021/241. Technical support may be requested under the Technical Support Instrument established by Regulation (EU) 2021/240 of the European Parliament and of the Council[4] to assist Member States in the implementation of their RRPs.

Costing

(37) In accordance with Article 19(3), point (i), of and Annex V, criterion 2.9, to Regulation (EU) 2021/241, the justification provided in the RRP on the amount of the estimated total costs of the RRP is to a medium extent (Rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate to the expected national economic and social impact.

(38) Malta has provided estimated costs for each investment included in the RRP. The cost breakdown is for most measures detailed and well substantiated. The estimates are mostly based on a comparison with procurement contracts for similar services or past investments of similar nature. Nevertheless, in some cases costs are based on expert judgement of responsible government agencies or private consultants. In those cases, cost benchmarks are less clear as they are described in a relatively general manner and are based on information whose reliability is harder to verify. The methodology and calculations are clearly described and backed up by sound assumptions for the most part. In some cases the final cost estimate deviates from the underlying source data without explaining the reasons for such a deviation. In addition, in some cases there is not sufficient information to enable proper verification of the subsequent calculations. Finally, the estimated total cost of the RRP is in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact.

Protection of the financial interests of the Union

(39) In accordance with Article 19(3), point (j), of and Annex V, criterion 2.10, to Regulation (EU) 2021/241, the arrangements proposed in the RRP are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding under that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with Union law, including for preventing, detecting and correcting corruption, fraud and conflicts of interest, and for protecting

[4] Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument (OJ L 57, 18.2.2021, p. 1).

the Union budget in line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council[5].

(40) The internal control system described in the RRP is based on robust processes and structures and clearly identifies actors and their roles and responsibilities for the performance of the internal control tasks. The Ministry responsible for the management of EU funds is in charge of the coordination, management, monitoring and control of the RRP. Within the Ministry, the Planning and Priorities Coordination Division (PPCD) is entrusted with the effective implementation of the RRP, in particular the function identified in Article 22(2) and (3) of Regulation (EU) 2021/241 and should take all the appropriate measures to protect the financial interests of the Union. Reporting and monitoring should be registered through the Management Information System managed by the PPCD, which Malta has confirmed to be ready and functional for the implementation and monitoring of the RRP. The audits should be performed by the Internal Audit & Investigations Department, which is an independent body. Furthermore, the RRP includes relevant procedures to prevent, detect and correct double funding, conflict of interests, fraud and corruption, including arrangements for the collection and making available of data on final recipients. The actors responsible for controls are expected to have the legal empowerment, technical ability and strengthened administrative capacity to exercise their planned roles and tasks. A robust anti-corruption framework is indispensable in preventing, detecting and correcting irregularities like fraud, corruption, or conflict of interest when using the funds under the Recovery and Resilience Facility.

Coherence of the RRP

(41) In accordance with Article 19(3), point (k) of and Annex V, criterion 2.11, to Regulation (EU) 2021/241, the RRP includes to a high extent (Rating A) measures for the implementation of reforms and public investment projects that represent coherent actions.

(42) Malta's RRP consists of six components with a balanced combination of investments and reforms. Each component includes reforms and investments that are consistent and mutually reinforcing. For instance, reforms that strengthen the regulatory framework in the buildings sector and ensure a well-prepared workforce support the planned renovation of private sector and public buildings, public schools and hospitals. There are also important synergies between the different components. For example, skilling and upskilling is envisaged through different components, which sustain and complement each other. No measure contradicts or undermines the effectiveness of another.

Equality

(43) The RRP contains a series of measures that are expected to contribute to addressing the challenges in the area of gender equality and equal opportunities for all. Measures aim at the enhancement of early childhood education and care infrastructure contributing to equal opportunities for all children and labour market participation of persons with unpaid care responsibilities, notably women; the promotion of remote

[5] Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433 I, 22.12.2020, p. 1).

working solutions for the public administration enabling a better work-life-balance and the implementation of measures included in the forthcoming *Employment Strategy* regarding older workers (aged 55-64), low-skilled adults and the gender employment gap. Reforms and investments to reduce early school leaving and to expand upskilling und reskilling opportunities for all adults, and in particular for the low-skilled, are expected to benefit young students and people from vulnerable socio-economic backgrounds, including with migration backgrounds. It is noteworthy that Malta included in the RRP the adoption and implementation of measures of its updated *National Inclusion Policy* together with a dedicated reform measure to enhance quality inclusive education for pupils with special needs, as well as of its first *Gender Equality and Mainstreaming Strategy Action Plan*, including tackling gender stereotypes and collecting disaggregated data to further support evidence-policy making. In addition, Malta highlights that all reforms and investments will be implemented in line with its *National Disability Strategy*.

Security self-assessment

(44) In accordance with Article 18(4) point (g) of Regulation (EU) 2021/241, the RRP contains a security self-assessment for investments in digital capacities. It sets out general and specific measures which the Maltese authorities aim to apply to mitigate any cybersecurity risks, including, as appropriate, the examination of the technical designs at the procurement stage, specific clauses and security schedule in the service contracts with suppliers, data encryption, multi-factor authentication, intrusion detection system, etc.

Consultation process

(45) The Maltese authorities consulted over 145 entities to determine the main policy objectives for Union funding, including the Recovery and Resilience Facility. The outcome of the consultations provided insights of stakeholders' position about the needs and investment priorities necessary for Malta's socio-economic development. The broad parameters of the RRP were discussed with the Malta Council for Economic and Social Development, which includes representatives of the main employer bodies, trade unions and civil society. The RRP was presented to the Parliament prior to submission.

(46) Consultations on the implementation of the RRP in Malta are expected to be carried out broadly in line with the consultation framework adopted for the European Semester process. Such consultations are expected to be steered by the Ministry responsible for the management of EU funds, in close collaboration with the Ministry for Finance and Employment, and should see the involvement of social partners and civil society. To ensure ownership by the relevant actors, it is crucial to involve all local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the RRP.

Positive assessment

(47) Following the positive assessment of the Commission concerning Malta's RRP with the finding that the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of and Annex V to that Regulation, this Decision should set out the reforms and investment projects necessary for the implementation of the RRP, the relevant milestones, targets and indicators, and

the amount made available from the Union for the implementation of the RRP in the form of non-repayable financial support.

Financial contribution

(48) The estimated total cost of the RRP of Malta is EUR 344 900 000. As the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241 and, furthermore, as the amount of the estimated total costs of the RRP is higher than the maximum financial contribution available for Malta, the financial contribution allocated for Malta's RRP should be equal to the total amount of the financial contribution available for Malta.

(49) In accordance with Article 11(2) of Regulation (EU) 2021/241, the calculation of the maximum financial contribution for Malta is to be updated by 30 June 2022. As such, in accordance with Article 23(1) of that Regulation, an amount for Malta not exceeding the maximum financial contribution referred to in Article 11(1), point (a) of that Regulation should be made available now for a legal commitment by 31 December 2022. Where necessary following the update of the maximum financial contribution, the Council, on a proposal from the Commission, should amend this Decision to include the updated maximum financial contribution, calculated in accordance with Article 11(2) of that Regulation, without undue delay.

(50) The support to be provided is to be financed from the borrowing by the Commission on behalf of the Union on the basis of Article 5 of Council Decision (EU, Euratom) 2020/2053[6]. The support should be paid in instalments once Malta has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the RRP.

(51) Malta has requested pre-financing of 13 % of the financial contribution. That amount should be made available to Malta subject to the entry into force of, and in accordance with the agreement provided for in Article 23(1) of Regulation (EU) 2021/241 (the 'financing agreement').

(52) This Decision should be without prejudice to the outcome of any procedures relating to the award of Union funds under any Union programme other than the Facility or to procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty,

HAS ADOPTED THIS DECISION:

Article 1
Approval of the assessment of the RRP

The assessment of the RRP of Malta on the basis of the criteria provided for in Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the RRP, the arrangements and timetable for the monitoring and implementation of the RRP, including the relevant milestones and targets, the relevant indicators relating to the fulfilment

[6] Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom (OJ L 424, 15.12.2020, p. 1).

of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.

Article 2
Financial contribution

1. The Union shall make available to Malta a financial contribution in the form of non-repayable support amounting to EUR 316 403 496.[7] An amount of EUR 171 064 988 shall be available to be legally committed by 31 December 2022. If the update provided for in Article 11(2) of Regulation (EU) 2021/241 results in an updated maximum financial contribution for Malta that is equal to or more than EUR 316 403 496, a further amount of EUR 145 338 507 shall be available to be legally committed from 1 January 2023 until 31 December 2023. If the update provided for in Article 11(2) of Regulation (EU) 2021/241 results in an updated maximum financial contribution for Malta that is less than EUR 316 403 496, the difference between the updated maximum financial contribution and the amount of EUR 171 064 988 shall be available to be legally committed in accordance with the procedure set out in Article 20(8) of Regulation (EU) 2021/241 from 1 January 2023 until 31 December 2023.

2. The Union financial contribution shall be made available by the Commission to Malta in instalments in accordance with the Annex to this Decision. An amount of EUR 41 132 454 shall be made available as a pre-financing payment, equal to 13 % of the financial contribution. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

3. The pre-financing shall be released subject to the entry into force of, and in accordance with the financing agreement. Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.

4. The release of instalments in accordance with the financing agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Malta has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the RRP. In order to be eligible for payment, Malta shall complete the additional milestones and targets no later than 31 August 2026.

[7] This amount corresponds to the financial allocation after deduction of Malta's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

Article 3
Addressee

This Decision is addressed to the Republic of Malta.

Done at Brussels,

For the Council
The President