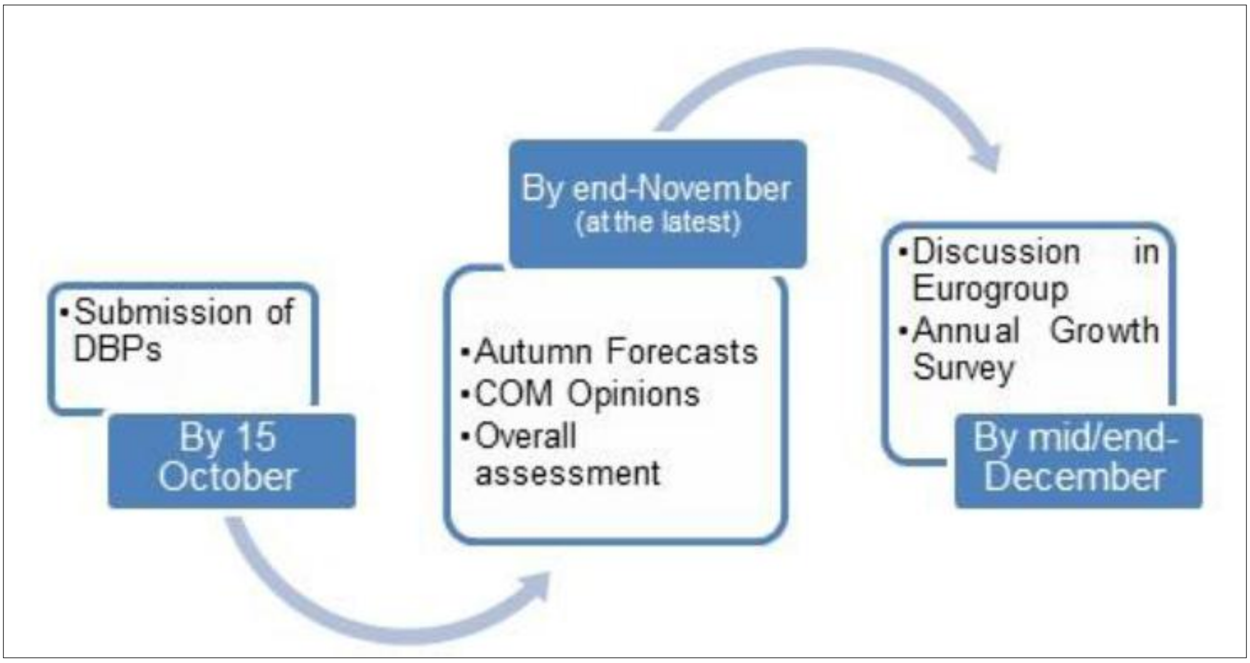
Diagram 1: Timeline for the autumn assessment of the fiscal stance[7]



Source: European Commission

Box 1: Country-specific recommendations

Country-specific recommendations (CSRs) provide tailored advice by the European Council following a proposal by the COM to Member States on how to boost jobs and growth, while maintaining sound public finances. The Commission publishes them every spring, as part of the European Semester, the EU's calendar for economic policy coordination. They focus on what can realistically be achieved in the next 12-18 months to promote economic growth which is more sustainable and more inclusive, in line with the EU's long-term jobs and growth plan, the Europe 2020 strategy.[8] These are later approved by the European Council, under agreed voting modalities, sometimes with amendments under a ‘comply or explain’ procedure.

The COM subsequently monitors the progress made in terms of meeting the CSRs and judges the progress according to the following benchmarks.

- *No progress*: The Member State has neither announced nor adopted any measures to address the relevant CSR.
- *Limited progress*: The Member State has announced some measures to address the relevant CSR, but these measures appear insufficient and/or their adoption/implementation is at risk.
- *Some progress*: The Member State has announced or adopted measures to address the relevant CSR. These measures are promising, but not all of them have been implemented yet and implementation is not certain in all cases.
- *Substantial progress*: The Member State has adopted measures, most of which have been implemented. These measures address to a significant extent the relevant CSR.

[7] The diagram is reproduced from “2013 Report on Public Finances in EMU” by the European Commission, available on http://ec.europa.eu/economy_finance/publications/european_economy/public_finances_emu_en.htm
[8] Source: http://europa.eu/rapid/press-release_MEMO-15-4968_en.htm

- *Fully addressed*: The Member State has adopted and implemented measures that address the relevant CSR appropriately.

In the case of Malta, the latest CSRs by the COM, published on 13 May 2015, were:

- Following correction of the excessive deficit, achieve a fiscal adjustment of 0.6% of GDP towards the Medium-Term Budgetary Objective in 2015 and 2016;
- Take measures to improve basic skills and further reduce early school-leaving by promoting the continuous professional development of teachers;
- To ensure the long-term sustainability of public finances continue ongoing pension reform, such as by accelerating the already enacted increase in the statutory retirement age and by consecutively linking it to changes in life expectancy; and
- Improve small and micro-enterprises' access to finance, in particular through non-bank instruments.

Two of the CSRs addressed to Malta relate directly to public finances, one of which of a short term nature and one of a longer term nature. Following the submission of Malta's DBP, which includes a section indicating the measures intended to address the CSRs, the COM has judged the country as having made *some progress* in addressing the CSRs. However, the COM was of the opinion, that no concrete measures have been announced towards ensuring long-term sustainability of public finances, particularly in terms of adjusting the statutory retirement age to developments in life expectancy. The COM has therefore recommended that further effort is required to address fully the CSRs.

In this respect, the MFAC takes note of the progress made in addressing the CSRs particularly in relation to pension reform and invites the authorities to advance further in the announced reforms. In the Budget Speech 2016, it was stated that the Government "believes there should be a fair and just balance between the number of years one spends paying contributions and the number of years one is expected to be on a pension, which principle should help in guaranteeing the sustainability of the pensions system."[9] To this effect, the number of years of required valid contributions was raised from 40 to 41 years for persons born after 1968. Other initiatives include the introduction of a regulatory framework for private pensions (Third Pillar) and of a tax credit in respect of contributions paid into personal retirement schemes; the setting up of a working group to estimate what are the fiscal benefits for employers who voluntarily take on private pension schemes for their employees; the increase in the minimum amount payable for pensioners with sufficient contributions to €7,280 per annum; National Insurance contributions 'lost' are to be credited for those who left work to take care for their offspring or for study reasons; and with respect to the private sector, those who choose to continue to work and do not apply for a pension even though they are entitled to it, would gain from a percentage increase in their rate of pension for every additional year in employment.

[9] In its report, "Strengthening the Pension System" (2015), the Pensions Strategy Group suggested the setting up of a special body which every 5 years would establish the parameters of the pension system architecture with a view of announcing changes necessary to maintain balance between contributions and benefits across generations.