THE MALTA CHAMBER OF COMMERCE, ENTERPRISE AND INDUSTRY

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PRESS RELEASE

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Can Malta leverage more EU Funds?

The Malta Chamber of Commerce, Enterprise and Industry in collaboration with BOV p.l.c. and with the support of the European Commission Representation in Malta and Enterprise Europe Network Malta organised a half-day event titled "Leveraging EU Funds: A Development Bank Perspective".

A large and mixed audience of both businesses and institutions gained insight into the expected updates to the business-financing landscape in Malta by way of the new Multi-Annual Financial Framework for the period 2020-2027, the European Fund for Strategic Investments and most notably as a result of the newly established Malta Development Bank.

In his opening address, Malta Chamber Vice President Mr Andrew Mamo noted how EU Budget discussions "generate significant interest and serve to mobilise all stakeholders to play a part in leveraging EU funds, even more so now that as a small but growing island economy, Malta really does recognise the direct and indirect benefits of the millions of euros derived from European Union funding in recent years."

He warned that it would be unwise of Malta to simply expect similar or higher levels of European funds allocated to the island and stressed the importance of a carefully designed portfolio of blended financing streams that allows the country and its business community to invest in projects and initiatives.

The Honourable Parliamentary Secretary Dr. Aaron Farrugia stated that leverage will be crucial and that "across the EU, it is likely that the traditional mix of ESIF and government own funds to finance projects will not be enough to sustain the growth momentum, especially as most governments remain fiscally constrained. Even though Malta's government believes that financial instruments must complement grants, it recognises that the use of financial instruments will assume greater importance in the next EU budget."

Dr Farrugia noted that the Government is "working to address the funding gap through the establishment of the Malta Development Bank" which will function to "leverage scarce resources through better blending of financing instruments for the benefit of the private sector and to maintain Malta's growth momentum".

Ms Estelle Göger, representing the European Commission's DG ECFIN, provided a detailed overview of the European Fund for Strategic Investment and the funding possibilities that the instrument provides. She noted that Malta ranks last in terms of EIB funding for projects and stressed that the Commission urges and welcomes more projects from Malta.

Ms Göger explained that a main pillar in last year's reflection paper on the future of EU finances was the simplification of eligibility and reporting criteria for applicants and beneficiaries of EU funding mechanisms and hoped this factor would help to improve the number of Maltese beneficiary projects.

Mr Mark Mawhinney, from the European Investment Advisory Hub, stressed the importance of the role played by the hub and its partners as translators of the policy and regulation tied to funding. "A local presence and partnership is very important for the success of the project applications that we advise; and this is why we welcome the establishment of the Malta Development Bank" Mr Mawhinney said.

Malta Development Bank Chairman Prof. Josef Bonnici explained how the Bank will serve to complement and supplement the products and services that local commercial banks offer on the market, with an aim to close the significant gap in financing by blending funds from various streams such as EU funds, private investor funds, public funds and others. The bank is expected to be fully operational by the end of the year.

Mr Csaba Harsanyi, from the Brussels Representative Office of the Hungarian Development Bank provided invaluable insight into the structure and inner working of a successful development bank, explaining how through numerous best practices the Hungarian Development Bank adds up to 1.5% GDP to the national economy every year.

In his intervention, Mr Albert Frendo highlighted BOV's pivotal role in ensuring that risk sharing financial instruments reach their ultimate objective, which is to ease access to finance for SMEs. "It gives us great satisfaction to note that through the BOV JEREMIE Financing package, and subsequently, the BOV JAMIE Financing package, we have so far assisted over 1,000 SMEs in broadening their horizons. This has been achieved by providing them with credit facilities at favourable interest rates and low collateral requirements. 80% of the beneficiaries were micro-SMEs and a substantial number of start-ups. This resulted in aggregate investments in excess of EUR180 million in the local economy."

Mr Frendo spoke about market gaps that are dynamic realities which need to be addressed to ensure higher economic and research and development activities that will contribute towards sustainable growth. "Financial instruments are an effective way to address such gaps and BOV is proud to take a leading role in making these instruments available to the business community," he concluded.

In her closing address, Dr Elena Grech stressed that "in a European context of shrinking financial resources and in view of the significant investment needed to tackle society's current and future challenges, the case for 'doing more with less' becomes even more compelling", noting that "blending of grants with financial instruments like guarantees, loans and equities has the potential of increasing the leverage effect of EU funds."

Dr Grech said that "the local institutional set-up was until recently lacking an important piece of the puzzle" and that the setting up and operationalisation of the Malta Development Bank addressed this gap and introduces a "crucial partner in leveraging the impact of the Juncker Plan on investment, growth and employment in Malta."

Dr Grech also noted the proposed "establishment of an 'InvestEU' Fund which will bring centrally-managed financial instruments supporting strategic investment throughout the EU together under a single programme." InvestEU is expected to reduce overlaps administrative burdens thereby simplifying access to funding.

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