

Proposals and Recommendations
for the
Annual Budget Document

- 2019 -

13th July 2018

Contents:

| | | |
|-------|---|-----------|
| 1.0 | Preamble..... | 3 |
| 2.0 | Introduction..... | 3 |
| 3.0 | Towards Sustainable Public Finances and Good Governance | 5 |
| 3.1 | Fiscal position | 5 |
| 3.2 | No new fiscal measures under Excise duty regime | 6 |
| 3.3 | Merger of Public Revenue Collecting Entities and introduction/implementation of the fiscal off-setting system | 7 |
| 3.4 | Public Sector Employment | 7 |
| 3.5 | Voluntary Second Pillar Pensions | 9 |
| 4.0 | Towards Sustainable Productivity and Enhanced Infrastructure | 10 |
| 4.1 | Social Measures affecting Productivity | 10 |
| 4.1.1 | Work Life Balance..... | 10 |
| 4.1.2 | Public Holidays | 11 |
| 4.1.3 | Parental Sick Leave..... | 12 |
| 4.2 | Transport and Infrastructure | 13 |
| 4.2.1 | Traffic and congestion..... | 13 |
| 4.2.2 | Alternative modes of Transport and long-term projects..... | 14 |
| 4.2.3 | Improved sea links to mainland Europe | 15 |
| 4.3 | Labour Market – Short vs Long Term..... | 16 |
| 4.3.1 | Active Labour Market Policies | 16 |
| 4.3.2 | Attracting and retaining Foreign Labour | 17 |
| 4.3.3 | Active Ageing..... | 20 |
| 4.4 | ‘Contaminating Education with Reality’ | 21 |
| 4.4.1 | Education Reforms | 21 |
| 4.4.2 | Industry-Academia Collaboration through the National Skills Council..... | 21 |
| 4.4.3 | Career Guidance | 22 |
| 4.4.4 | Work-based Learning | 22 |
| 4.4.5 | Stipends | 23 |
| 4.5 | A High Value-Added Economy built on Research, Technology, Development and Innovation | 23 |
| 4.6 | Better Regulation and Reduction in Administrative Burdens | 24 |
| 4.7 | Safeguarding Traditional Industries, Exploring New Opportunities..... | 25 |
| 4.7.1 | Safeguard the Traditional Industries | 25 |
| 4.7.2 | New Segments of the Economy | 26 |
| 5.0 | Concluding Remarks..... | 27 |

1.0 Preamble

Further to its preliminary public reactions at MCESD, the Malta Chamber of Commerce, Enterprise and Industry has undertaken an in-depth and fully comprehensive analysis of the economic, social and environmental situation in the country. The reactions presented in this document are the result of an internal consultation process collecting feedback from committees and individual members. In total the Malta Chamber is making 30 key recommendations which include well over 60 practical measures.

Hereunder are the Malta Chamber's detailed reactions.

2.0 Introduction

The Malta Chamber is presenting its 2019 pre-budget recommendations within a scenario of a buoyant economy experiencing unprecedented growth rates, consecutive fiscal surpluses and full employment. **The Malta Chamber once again calls for a Budget that seeks to capitalise on present economic resilience to invest in the necessary infrastructure and safeguard future sustainability.** At the same time, the Chamber calls for further competitive enhancing measures with a view to protect the recent economic achievements and ensure further sustainable growth.

These proposals are also being made in the context of a dynamic business environment characterised by numerous internal and external challenges. These include tough negotiations on the next EU Multi-Annual Financial Framework (MFF), tighter EU rules and regulations such as the CCCTB which could be seen as prelude to increased tax harmonisation at EU level, increased migration pressures, the election of populist Governments in some of our closest partners in Europe, ongoing political and economic turmoil in the neighbouring Maghreb and Middle East, ongoing trade wars between our competitors namely the US and China and the looming prospects of 'BREXIT' just to name a few.

All of the above, compounded with the need to reform traditional segments of the economy which require major restructuring and ongoing economic, social and environmental pressures exerted by an increased foreign population resident in Malta and tourist arrivals, will continue to result in major challenges for our country to retain the current growth momentum.

The level of expectation from local and foreign businesses has undoubtedly increased in the last years. While people may have grown accustomed to annual growth rates exceeding 5 percent, economic theory holds that economic cycles are made of peaks and troughs. Expectations need to be managed in a number of sectors to ensure sustainability.

The Chamber is of the belief that policy makers at a national level must be made aware that, in spite the positive economic results achieved in the last years, there are weaknesses which need to be addressed. There exist a number of long-term threats that must be properly addressed through effective action plans. At the same time, Malta remains very strong in a number of areas while notable opportunities exist for the country's taking, in order to maintain this positive momentum in the longer term.

The Malta Chamber of Commerce, Enterprise and Industry has in the last years called on the authorities to address the Budget from a multi-annual perspective. This would be closer to what happens at a European Union level where a seven-year multi annual financial framework is drawn. This would entail planning well ahead on what is required in the medium to long term rather than looking at the budget as purely an annual fiscal exercise.

The Chamber is therefore calling that in the budget the Government initiates a thorough impact assessment of the country's ongoing growth with a view to set sustainable targets for maximum carrying capacities (output levels) in the country's economic segments. The study would further recommend a way forward towards reaching the set output levels and maximising returns with the highest efficiency of resources.

Once this analysis is concluded, the Chamber further proposes that Government initiates a national debate on a new long - term economic, societal and environmental master plan for the country post 2020.

Recommendation 1: The Chamber recommends to address the Budget exercise from a multi-annual perspective.

Recommendation 2: The Chamber recommends to carry out a carrying capacity analysis (including economic, social and environmental impact assessments) of the country by the Central Bank or independent entity with involvement of the country's main stakeholders in the social and economic sphere.

Recommendation 3: The Chamber further proposes that Government initiates a national debate on a new long-term economic, societal and environmental master plan for the country post -2020.

3.0 Towards Sustainable Public Finances and Good Governance

Above all else, the Malta Chamber has consistently advocated the need to keep the country's public finances in check. The economic performances and the standings of public finances have been notably positive in recent years, however, within the next few years, the Malta Chamber feels that certain sources of public revenue will not remain reliable and sustainable revenue sources.

It is therefore a priority to invest the proceeds of existing revenue streams and positive economic performances in order to foster a more sustainable economic model for Malta – one that is not overly reliant on the constant attraction of foreign assets and resources. This is especially pertinent at a time where many uncertainties lie on the horizon. Brexit, ongoing discussions about the next European Union Multi-Annual Financial Framework, new European Union rules on VAT, the potential introduction of a common consolidated tax based and a common corporate consolidated tax base, a potential migration crisis and numerous other political and regulatory shifts.

It must also be a priority to rectify structural issues that significantly impact the state of public finances through continued consolidation and elimination of abuse, leakages and overspending such as in social benefits and state pensions, public sector employment, the myriad of undeclared economic activity and abuse in free movement of goods amongst others. Such issues can easily be curtailed through more effective monitoring and enforcement and through implementation of a number of proposals put forward by the Malta Chamber hereunder.

3.1 Fiscal position

The Chamber is cognisant of the fact that last year's was the first budget in many decades to be drafted in a situation where public finances were showing a surplus rather than a deficit. This indeed boded well for the future, but nevertheless when one analysed the finer details of the fiscal situation, the Chamber immediately noticed that the €100+ million surplus the government speaks of, is related to the extended government balance rather than the consolidated fund. The extended government balance includes income from all other authorities and agencies outside the government's departmental structures which boosted the surplus even further in part due to the increased sale of passports under the Individual Investment Programme (IIP).

According to the Ministry's estimates, the extended government balance for 2018, shows a surplus of €54 million which translates to 0.5% of Malta's GDP whilst the consolidated fund is forecasting a deficit of €135.7 million.

Indeed, the overall position of the consolidated fund will remain negative in 2017 and 2018 with marginal gains in 2019 and 2020. However, the overall deficit in the consolidated fund is expected to remain in the region of €100m over the period. This may be interpreted that government is reinjecting the additional resources raised from taxation back into the economy in the process boosting personal and company incomes.

The latest Government finance data¹ for the period January-May 2018 when compared to the corresponding period during the previous year, shows that although recurrent revenue increased by

¹ Government Finance Data: January-May 2018 -viewed on 6th July 2018
https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Documents/2018/News2018_097.pdf

€9.8 million, total expenditure went up by €85.2 million. This resulted in a negative change in the Government's Consolidated Fund by €75.4 million. It is clear that the increase of workers in the public sector over the last five years are leaving an impact on the Government's coffers with an upward trend in expenditure on personal emoluments (+€26.8m) coupled by an increase in spending on programmes and initiatives (+€47.3 m) especially social benefits.

The Chamber is of the firm opinion that having a public service which is aligned to the present needs of the economy and that of the private sector is a must. The Malta Chamber is concerned that the public sector and the civil service has grown steadily over the last months as statistics are showing. This is not only impacting Government's expenditure but could also mean that the private sector is directly competing with the public sector to recruit new employees. Admittedly in some areas, there may be scope for additional capacity but future expenditure on new recruits should be kept in check not to unnecessarily burden the public coffers. The Chamber trusts that the Fiscal Responsibility Act is acting as a catalyst to such checks and balances.

It is nevertheless positive to note that Central Government Debt stood at €5,386.2 million in May 2018, down by €209.4 million over the corresponding month last year. According to the National Statistics Office (NSO), *"this was the result of lower Malta Government Stocks and Foreign Loans which decreased by €417.6 million and €10.4 million respectively"*.

It is the Chamber's opinion that in the current positive economic climate the Maltese government should do more to set aside resources earned during these years of surplus especially in the light of future slowdowns in the economy and more so in view of potential reductions in the next EU's budget. These funds could thereafter be ringfenced towards potential stimulus packages.

Recommendation 4: The Chamber recommends that the Government sets aside resources earned during these years of surplus in view of potential future slowdowns which should be channelled towards potential stimulus packages.

3.2 No new fiscal measures under Excise duty regime

The Chamber welcomed very positively the fact that government heeded the organisation's calls not to introduce any new fiscal measures in last year's budgetary exercise.

The Chamber has gone on record in stating that this measure has exacerbated the un-level playing field situation that exists amongst reputable, tax-abiding companies and others that are not. Responsible operators that self-complied or subscribed to private waste management schemes in order to recover or recycle their waste were exempt from eco-contribution. Yet, with the introduction of excise duties in previous budgets, the same operators are paying excise duties on top of the scheme fees, hence incurring additional tax burdens and administrative costs. This reality makes abuse of the system all the more attractive while bona fide operators will see market shares eroded in favour of non-compliant operators.

At the same time, the Chamber hopes that no new products are introduced under the excise regime and that current products such as water, soft drinks, toiletries, fragrances, steel products and tyres

amongst others **do not see their excise duty increased once again** which will only as explained above exacerbate the unlevel playing field on the market.

Recommendation 5: The Chamber recommends that no new products are introduced under the Excise regime and the recent products which were introduced in the last four budgets do not see an increase in their excise duties.

3.3 Merger of Public Revenue Collecting Entities and introduction/implementation of the fiscal off-setting system

The Malta Chamber urges government to conclude its plans to merge the public revenue collecting entities namely the Inland Revenue Department, VAT Department and Customs. The Malta Chamber expects this matter to be treated with urgency as present practices are harming law abiding businesses, causing a loss in tax revenues and damaging consumers' wellbeing due to the availability of lower quality, sometimes illegal, products and services. Any further delay of this merger will only serve to hamper Malta's competitiveness.

In last year's budget speech, the Malta Chamber welcomed the long overdue announcement on the offsetting of payments between private operators and government. The Chamber has been calling for the initiative to be implemented for over a decade. Our organisation looked forward to enter discussions with the authorities on which departments, authorities and government agencies will be part of this system. Unfortunately, up to the time of writing of this document, the Chamber is still unaware of whether the initiative is being implemented and expects Government to implement without any further delay.

Recommendation 6: The Chamber urges Government to finalise its plans to merge the public revenue collecting entities whilst implement without further delay the off-setting system announced in last year's budget speech.

3.4 Public Sector Employment

As explained in section 3.1, the Chamber has voiced significant concern regarding the growth of the public sector with an unprecedented wage bill increase for the third consecutive year. Besides the harmful effect on the sustainability of public finances, this phenomenon is causing undue pressure on a private sector that is struggling to fill its vacancies in order to meet demand.

Notwithstanding the Chamber's efforts and countless proposals for government to aim for a leaner, more efficient and cost-effective public sector, it is clear that within some sections and departments there is serious over-employment, although it must be stated that this is not the case in public education and healthcare.

In the last years, a number of private sector employees have shifted towards employment opportunities offered by the public sector because of more attractive packages, benefits and stability, particularly at lower skill levels.

Despite numerous representations and widespread acknowledgement of this issue and its crippling effects on the private sector, the Chamber's concerns were exacerbated by the spike in public sector employment during the weeks before and after June's general election.

Therefore, the Chamber urgently calls on government to conduct a manpower survey in order to identify areas of over or under employment across all public entities and departments.

The forthcoming budget must also introduce fiscal incentives for public servants in areas that are found to be over-manned to shift back to the private sector so as to mitigate the serious labour shortages being faced across the board.

The Chamber has in the past also made recommendations that considerable extra savings are possible in the public sector through

- **A continued focus on productivity enhancement, by extending the recent introduction of Key Performance Indicators (KPIs), and reform that delivers more services at lower costs with reduced overtime costs;**
- **Draw up quality service agreements on the quality and timeliness of the service that is being rendered to the citizens and/or businesses;**
- **Targeted Business Process Outsourcing (BPO);**
- **Further reforms to summer hours and other special arrangements for civil servants;**
- **Reforms in pay and pension entitlements to enhance and encourage productivity.**

The Malta Chamber also notes and commends Government's efforts to raise the standards of the services offered by the public administration and public service providers through the implementation of a strategy containing clear and demanding 'quality of service' related deliverables for all public service providers. It is encouraging that the authorities have taken note of Malta's worryingly low ranks in the World Bank's 'Ease of Doing Business' classifications. It is now imperative that the initiative's intentions and aims are driven and achieved consistently and in a timely manner.

The Malta Chamber continues to hold the view that considerable extra savings are possible in the public sector through reforms in pay and pension entitlements that encourage productivity and incentivise quality and efficiency.

Recommendation 7: The Chamber urgently calls on government to conduct a manpower survey in order to identify areas of over or under employment across all public entities and departments.

Recommendation 8: This budget must introduce fiscal incentives for public servants who shift back to the private sector so as to mitigate the serious labour shortages being faced across the board.

Recommendation 9: The Chamber has in the past also made recommendations that considerable extra savings are possible in the public sector through:

- A continued focus on productivity enhancement, by extending the recent introduction of Key Performance Indicators (KPIs), and reform that delivers more services at lower costs with reduced overtime costs;
- Draw up quality service agreements on the quality and timeliness of the service that is being rendered to the citizens and/or businesses;
- Targeted Business Process Outsourcing (BPO);
- Further reforms to summer hours and other special arrangements for civil servants;
- Reforms in pay and pension entitlements to enhance and encourage productivity.

3.5 Voluntary Second Pillar Pensions

In light of the threat that the current state pension system poses to the sustainability of public finances in the long-term, the Malta Chamber has consistently declared it is in favour of optional second pillar pensions. In such schemes, employees who join would pay a percentage of their gross salary through a payroll deduction and they would be eligible to any tax incentives that would need to be made available. The employer contribution would be zero but employers may be allowed to contribute if they wish.

Despite mention of government's intention to explore this area of pensions during the last two Budget speeches, further details and clarifications have not been forthcoming.

Employers who may want to support saving solutions for their employees might presently be discouraged to do so for two main reasons; namely, uncertainty regarding the deductibility of their contribution as a relevant tax expense and anomalies that arise out of the Fringe Benefits Regulations. To this end, it is felt that clarification should be provided that employer's contributions are deductible as a business expense and that such contributions will not be taxed as income or as fringe benefits in the hands of employees.

Examples of such voluntary occupational schemes are simple and efficient to administer and come at low cost. It is of utmost importance that the pensions sector is well regulated prior to the implementation of such a measure. Participating employees will be encouraged to save from a young age in order to benefit from compounding. Such schemes contribute to financial education through the workplace, higher saving propensities and less reliance on first pillar pension systems.

Recommendation 10: Introduce without further delays voluntary occupational pension schemes with adequate fiscal incentives for employers and employees.

4.0 Towards Sustainable Productivity and Enhanced Infrastructure

At present, numerous factors are greatly affecting the productivity of the Maltese workforce. This fact is reflected in statistical data that clearly depicts the growth of the labour market notably outpacing the increase in economic growth.

Firstly, Malta's acute traffic congestion is a main contributor to falling productivity as more workers waste productive hours stuck in congested roads and overcrowded destinations. Secondly, employers have come to perceive the country's state of full-employment as a notable competitive disadvantage. This is because workers no longer feel the need to work hard and prove themselves at the workplace as they understand that an employer has no other options to turn to instead.

Thirdly, the introduction of additional vacation days to compensate workers (that already enjoy the highest number of paid days away from the workplace in the EU) for public holidays that fall on the weekend is simply a measure that reduces the productivity and competitiveness of the country, as wage bills increase both directly and indirectly without any productive returns. Fourthly, discussions leading to the potential introduction of further measures that directly impact productivity, such as paternity leave, parental sick leave and carer's leave will only serve to aggravate employers' concerns about Malta's deteriorating productivity.

4.1 Social Measures affecting Productivity

4.1.1 Work Life Balance

Through the introduction of a number of family-friendly measures as part of the European Pillar for Social Rights, the EU is promising the creation of millions of new jobs over the coming years, despite already being the global leader in social rights. Workers will have more free time to spend with their families and hence spend less time at their workplace.

The unforgiving law of the market dictates that when costs of production rise, businesses become less competitive, so the chances are that they will be out-priced by the competition, leading to re-organisations and ultimately job losses.

Already faced with spiralling labour costs resulting from the country passing through a period of full employment and labour shortage, businesses will then be driven to invest in more automation to replace labour and maintain competitiveness. Consequently, even in this scenario, jobs will be shed. Hence the promise of new jobs through the implementation of such initiatives is evidently either false or flawed.

When considering statutory vacation leave and the numerous public holidays, Malta is already the country with the highest number of paid days away from the workplace in the EU. Hence, decisions relating to leave entitlements for working parents and carers should be decided at a national level according to the respective member state's traditions and economic circumstances with full consultation with the business community.

The Chamber therefore calls on Government to approach discussions on the European Pillar for Social Rights and its directives with great caution as its potential impact on business, employment and economic growth must not be underestimated. One should also not underestimate the impact of additional leave entitlements availed by employees working in public services such as healthcare and education; crucial sectors for the economy and society.

Employers strongly believe that in a modern labour market, work-life balance measures are most effective if dealt at company level and in consultation with employees and their representatives. A one-size-fits-all solution at EU level neither responds to labour market and economic challenges in individual member states, nor to the aspirations of working parents and carers that require permanent solutions for their responsibilities, not short-term benefits.

Recommendation 11: The Chamber urges Government to approach discussions at a European level on the Work Life Balance proposal and other proposals under the European Social Pillar with caution as the negative impact on the private sector should not be underestimated.

4.1.2 Public Holidays

Once the reimbursement of public holidays falling on a weekend reaches 4 days per year, employers will face an increase of 2% in their total wage bills. This increase will rise to 3% or higher if the lost days are compensated for by overtime at a rate of 1.5 or double rate. Moreover, this measure will be extremely cumbersome to cost and implement across sectors which operate on irregular working hours such as retail, hospitality and, to a certain extent, manufacturing.

In light of the fact that this measure was an electoral promise that was proposed and is being implemented without adequate costing exercises and consultation, the Malta Chamber, together with other employer bodies, demand compensation for on behalf of the private sector that is already struggling to operate smoothly in the present labour market and now has to contend with 2% higher wage bills and even less productivity in return.

The cost of this measure on employers is double. Therefore, it is being proposed that implementation continues in a staggered manner but employers are also compensated through the following measures:

1) A tax refund for every additional day of leave per employee at a rate equal to each employee's basic salary per day

- The measure is an equitable solution to all parties involved. The Government would only issue tax credits or refunds at a rate based on the individual employees' basic salary. The discrepancy in other costs such as shift allowances, overtime etc would be absorbed by the individual companies.
- It would also allow companies to redeem the tax credits against useful measures such as training for employees or further investments in the business operations.
- Given that the aid would be cross-sectional and open to all operators, the organisations do not foresee any state aid issues.

2) Monetary compensation paid by government directly to employees at a rate equal to the daily salary instead of introduction of additional vacation leave days

- The measure would not impinge on the productivity levels and cost factors of companies.
- It is a socially fair measure as the proposed option uses the average salary as a benchmark. It is therefore felt that such a measure would be extremely beneficial for low income earners as they would be receiving a compensation based on a higher salary than the one they earn.
- This measure will increase local consumption and revenue through indirect taxation for the authorities.
- The organisations are also willing to enter into discussions to fine tune the measure further given its impact on public expenditure.

3) A 2% reduction on the Employer's National Insurance Contribution to partly compensate employers for the imposed additional labour costs as well as overtime cost and lost productivity.

- The proposal in question is largely expansionary and will undoubtedly serve to generate further employment plus a multiplier effect resulting from increased employment – namely through consumption.
- This will raise additional revenue for the public coffers through other streams such as direct and indirect taxation, VAT and private consumption.
- The measure will alleviate the rate of dependency as employers will be further incentivised to increase their labour force.
- Therefore, despite the expected short-term shortfall in National Insurance income, the country stands to gain from increased government revenue and other benefits in the medium term.

Recommendation 12: The Chamber has already made submissions to the authorities jointly with the other four Employer organisations based on the need to offer compensatory measures in view of the impact the Public Holidays measure will have on the Private sector. The 4 organisations proposed either:

- A 2% reduction on the Employer's National Insurance Contribution
- A tax refund for every additional day of leave per employee at a rate equal to each employee's basic salary per day
- Monetary compensation paid by government directly to employees at a rate equal to the daily salary instead of introduction of additional vacation leave days

4.1.3 Parental Sick Leave

As explained above, the Chamber is wholly in favour of the principle of active labour market policies. However, the continuous extensions of leave and sick leave allowances, including the introduction of leave entitlements to care for sick children and the electoral promise to compensate workers for public holidays falling on a weekend, are of grave concern to the Chamber. Such policies would serve to further erode Malta's competitiveness and potential for growth.

In regard to sick leave, **the Chamber proposes the implementation of a policy whereby the first day of sick leave becomes a ‘waiting day’ that will not be remunerated by the employer.**

Recommendation 13: The Chamber proposes the implementation of a policy whereby the first day of sick leave becomes a ‘waiting day’ that will not be remunerated by the employer.

4.2 Transport and Infrastructure

The Chamber agrees and repeats the Prime Minister’s words in saying that “infrastructure is Malta’s Achilles heel”. One cannot but agree with this statement in that for too many years our policy makers have been planning infrastructure to cater for a population of less than half a million people. Reality however, shows that the sudden increase in foreign residents and constant tourist arrivals require an infrastructural system able to cater for much higher numbers. Strategic infrastructure such as roads, utilities and waste all require renewed and urgent investments to counter their rapid deterioration.

4.2.1 Traffic and congestion

The Malta Chamber welcomed the drive to start re-investing heavily in the country’s ageing infrastructure. Besides labour shortages, possibly the single largest issue straining businesses and society at present is the inefficiency of Malta’s transportation infrastructure and the severe traffic congestion at virtually all hours of the day. This congestion is taking its toll on the cost-effectiveness of many businesses’ operations that in some way involve transportation of goods, people or other resources.

With this issue featuring daily on the national media and coupled with the 2016 launch of the National Transport Strategy and Masterplan, the Malta Chamber expects this Budget to contain more measures that aim to alleviate traffic congestion and enhance the island’s transport infrastructure. The Chamber is therefore compelled to express its disappointment and growing concerns on this issue. Despite government being armed with the necessary tools, studies and plans, the concerns of citizens and businesses have not been addressed.

The few transport related budget measures mentioned in last year’s budget speech, namely that of incentivising 16 to 20-year-old youths to make use of free public transportation and the launch of a study on a holistic free school transport system are positive but they remain deeply inadequate to solve this challenge.

The Chamber further welcomes the recent approval from Parliament of a new agency entrusted with investing €700million in our road infrastructure over the next seven years.

Without further delays, the country desperately needs a holistic and sustainable long-term strategy to permanently address the constant gridlock that cripples the country. A modern multimodal transportation infrastructure has long been recommended as the most viable option for the country to cater for the increasing number of people that need to transit across all parts of the island on a daily basis. Such a system would need to be built on a number of guiding pillars, particularly:

- An economically, environmentally and socially sustainable plan;
- A long-term outlook on the country's transport needs;
- Strong involvement of the private sector to ensure a modern and competitive system.

The present, somewhat piecemeal approach to modernising certain crucial traffic junctions such as Kappara, Marsa and now Attard, while positive, only serves to shift the inevitable traffic build up elsewhere. Traffic congestion and the many costs it leads to may only be mitigated once people are given effective, reliable and efficient alternative modes of transportation to consider, thereby reducing the number of vehicles on the roads.

The Chamber believes that The National Development and Social Fund established through the Individual Investor Programme (IIP) would be put to the best possible use if it were to finance the crucially important and well-overdue strategy to shift towards a sustainable and effective multimodal transportation system. At this point, any other potential application of the funds accumulated in the National Development and Social Fund would be considered gravely misused. Out of the 12 possibilities laid out in LN 2/2015 on how the funds may be applied, none are as pressing as the importance of major national infrastructural projects.

Recommendation 14: The Chamber believes that The National Development and Social Fund established through the Individual Investor Programme (IIP) would be put to the best possible use if it were to finance the holistic transport strategy to shift towards a sustainable and effective multimodal transportation system.

4.2.2 Alternative modes of Transport and long-term projects

The National Transport Strategy 2050 Document and the Transport Master Plan 2025, published in December 2016, delve into great detail on a number of schemes/measures to limit the use of personal vehicles.

The Malta Chamber believes that systems such as **Mass Rapid Transit (MRT) should be further studied and assessed.** With the long-term nature of such a measure, the Chamber also recommends investing in the current public transport system, **particularly through the implementation of 'busways' and potentially Bus Rapid Transits (BRTs) on certain routes such as Paola-Valletta as a pilot project.**

In relation to **cycling, the Chamber agrees that a pilot project for bike sharing should be launched in Valletta, a self-contained city with limited vehicular access. Potential for other pilots could be the three cities, the University Campus, the MCAST main campus, industrial zones, the Dingli Cliffs zone, other rural zones and potentially Gozo as a whole. Cycling infrastructure needs to be radically improved to facilitate bicycling for commuting and business.**

With regard to electro mobility, the Chamber believes that e-vehicles have significant potential but would also require significant investment to **build on the present charging-station infrastructure in order to become attractive to the general public.** The current incentives and subsidies when purchasing e-vehicles also need to improve drastically if government is to seriously promote the technology. **The Chamber therefore suggests an increase in subsidies of closer to 50% of the value**

of the car, capped at 12,000 euros per vehicle. Effective monitoring and enforcement against unauthorised parking in charging bays is also required.

Furthermore, the Chamber recognises significant potential in expanding the sea links, especially in the Grand and Marsamxett Harbours. The current service could be extended to potentially include Msida and Ta' Xbiex on one side and Marsa on the other. Sea links need to be further integrated with parking and transport facilities.

Recommendation 15: The Chamber believes that further investment in alternative modes of transport is required including:

Long term:

- Further analysis of an MRT system viability (Tram, Underground, monorail or mix)

Short to Medium term:

- Potential for segregated busways or BRTs on selected routes (Chamber proposed Paola-Valletta corridor as a pilot project)
- The Chamber agrees that a pilot project for bike sharing should be launched in Valletta, a self-contained city with limited vehicular access. Potential for other pilots could be the three cities, the University Campus, the MCAST main campus, industrial zones, the Dingli Cliffs zone, other rural zones and potentially Gozo as a whole.
- Increase and promote better the fiscal incentive for businesses which offer collective transportation to employees (which currently stands at a tax deduction of 150%, up to a maximum of €35,000. The maximum amount of assistance may be increased to €50,000 for companies)
- Increase fiscal incentives for those who invest in electric vehicles including e-bikes and pedelecs. (Malta Chamber proposes to increase a grant of up to 50% of the value of the vehicle capped at 12,000)
- Continue investment on charging stations across the island initiated in 2011.
- Expand internal harbours ferry service to Marsa on one side and Msida and Ta Xbiex in Marsamxett. Seek viability to expand network beyond the two harbours.
- Continue implementation to offer free school transport. (Initial study shows that 14,000 more children could benefit from this measure which will start in phases next September)

4.2.3 Improved sea links to mainland Europe

Malta-based businesses also suffer from a lack of permanent links to mainland Europe. The Chamber continues to request solutions to neutralise the cost disadvantages linked to this issue, which act as a discouragement to business and investment in the country. The Chamber therefore proposes:

1. In-port services (pilotage, towing, mooring and berthing services) that are no longer regulated and supported by a monopolistic regime. Port worker and cargo clearance services are also heavily regulated and restricted. Furthermore, where port workers are concerned, the current legislation imposes rates to be paid, even in those instances where such services are no longer required.

2. Malta must become eligible for compensation from the EU for its peripherality, insularity and small size. These characteristics make it extremely difficult for exporters to compete on a level playing field with their counterparts on mainland Europe, thus creating a strong basis on which to call for additional EU regional assistance.

Recommendation 16: Chamber requests to neutralise Malta based port costs linked to the lack of permanent links and shipping lines operating to and from Malta by reducing costs associated to In-port services such as pilotage, towing, mooring and berthing services.

4.3 Labour Market – Short vs Long Term

The Malta Chamber is acutely aware of the many issues resulting from the country's lacking human resource together with its falling productivity. Numerous workable recommendations have been put forward in recent years – some of which have been implemented and others which continue to be overlooked despite their proven success in other economies.

The combination of factors characterising Malta's demographics and the nature of the economy will result in employers continuing to resort foreign workers. Unless urgent and forceful policy changes occur where needed, foreign labour will remain the only solution to Malta's shortages for the foreseeable future, since the numbers in Malta alone simply do not add up to the number of new jobs being created.

However, as a small island with significantly limited resources, alarming population density and outgrown infrastructure, Malta must look beyond further inflating the size of the labour market (and the population) and must implement policies and practices to ensure that the economy can rely on a sustainably-sized workforce focused on high value-added operations that deliver stable economic growth. To do this, government must concentrate on increasing the rate of participation in the workforce and on updating and upgrading the country's education system.

4.3.1 Active Labour Market Policies

In recent years, numerous active labour market policies such as the tapering of social benefits, the In-Work Benefit and the Free Childcare schemes were successful in increasing Malta's female participation rate in the labour market. This shows that the Maltese, in general, are willing to work and enhance their quality of life when it pays to do so. However, the Malta Chamber notes that despite the aforementioned schemes, Malta's female participation rate remains below EU averages.

Government must therefore strive to increase the number of active labour market policies and other incentives aimed at cohorts wherein there still exists potential to increase employment rates, such as women and the retired. **Extending child care facilities to cater for shift workers may be very effective in attracting additional women, particularly low-skilled or unskilled women, to the labour market,**

thereby eliminating the significant dependence on costly and possibly unreliable foreign labour at these skill levels.

The success of Active Labour Market Policies does not depend solely on expenditure levels but most importantly, on effective design and implementation of the measure. An important objective of active labour market policies should be to mitigate the moral hazard resulting from generous unemployment benefits and insurances. It must not be financially beneficial for one to be unemployed. Active labour market policies have other positive factors such as increasing the degree of competition for the available jobs, making applicants more competitive thus driving the unemployed to improve their skills.

Active labour market policies are key to Malta's sustainable economic growth. Recent years have shown their applicability to the local labour market while there are numerous other areas and cohorts that can be tackled by ALMPs. These would reduce the country's present over-dependence on the successful attraction of foreign labour, thereby ensuring sustainable economic growth in the long-term.

Recommendation 17: Extend child care facilities to cater for shift workers in order to attract additional women, particularly low-skilled or unskilled women, to the labour market

4.3.2 Attracting and retaining Foreign Labour

As a result of the labour shortages being experienced, attracting foreign labour is the most effective short-term solution for employers. To this end, the Malta Chamber proposes further facilitation, simplification and acceleration of work permit processes, an international marketing campaign showing Malta as a career destination, conclusion of Jobsplus' agreements with non-EU national job agencies as well as strengthening Jobsplus to provide basic training to foreign workers.

4.3.2.1 Work Permits

Facilitation of recruitment of foreign nationals must commence with urgent simplification and acceleration of bureaucratic processes linked to the application for a work permit. The significant investment and improvements already implemented in Identity Malta's practices remain insufficient as permitting processes last many weeks more than is acceptable for an economy experiencing rapid expansion and a constant demand for additional labour. The agency requires immediate strengthening of resources, particularly in terms of personnel, to deal with the sheer volume of permitting applications in a timely manner. The private sector needs to operate with peace of mind that excessive delays in permitting processes will not continue to lead to loss of business.

Furthermore, a number of proposals advocated by the Malta Chamber aimed at simplifying work permitting processes continue to be overlooked. Firstly, the Chamber firmly believes that a fast-track processing system, similar to the Key Employment Initiative, could serve to alleviate significant commercial losses resulting from a lack of specific skills in the domestic labour market. This could be particularly effective if targeted at the technical manual skills employment segment such as technicians.

Secondly, improved timeliness can also be achieved through centralisation of all stages of the permitting process under one roof. A tracking system accessible to all applications would also alleviate significant time wastages caused by applicants that presently seek status updates through any means possible.

Recommendation 18:

- Strengthen Identity Malta with more resources to deal with increased volume of permits
- Extend Key Employment Initiative to other segments such as skilled technical labour
- Introduce a tracking system accessible to all applicants to seek the status of their permit application

4.3.2.2 International Marketing Campaign

Marketing is a fundamental pillar behind the growth of any operation. The same can be said for Malta's results in terms of tourist arrivals, with many a successful international advertising campaign contributing to year on year increases in tourist arrivals. Labour supply can also stand to benefit from similar treatment. Advertising campaigns showcasing employment opportunities and social life in Malta may prove successful if targeted effectively in countries and regions with the right skills and demographic factors such as southern Italy including Sicily, Hungary, Bulgaria and Romania – all of which are EU member states. Targeting EU member states will reduce costs of recruitment process and potentially increase. The aforementioned improvements to Identity Malta's work-permit process are a fundamental prerequisite for the eventual success of such campaigns.

Recommendation 19: Organise a marketing campaign promoting living and employment in Malta targeted at selected EU markets which have a surplus of skilled workers in view of high unemployment rates. This would also reduce the cost of recruitment as intermediary agencies would not be needed.

4.3.2.3 Agreements with National Job Agencies

The Malta Chamber strongly supports the initiatives by Jobsplus to strike agreements with international counterparts to transfer quantities of workers in certain job categories to Malta. Hence, the Chamber recommends timely conclusions to such agreements and looks forward to their urgent implementation.

Such a system may resolve significant gaps in the labour market by bringing notable quantities at a time to work in Malta. This can be particularly effective in increasing the labour supply in areas that are fundamental to business operations but in which domestic labour supply is lacking.

For such agreements to operate with maximum efficiency, prospective workers must be evaluated by Jobsplus' international partners on the ground while the necessary fast-track work-permitting process runs almost in parallel with the screening and recruitment process.

Recommendation 20: Chamber recommends to hasten the finalisation of agreements between Jobsplus and other National Job agencies to bring over a larger number of skilled workers from targeted markets in the Balkans, other Eastern European countries and southern Italian regions.

4.3.2.4 A re-dimensioned Jobsplus to provide basic training to foreign workers

For the aforementioned system to render the best results and the most productive employment, Jobsplus must also be re-dimensioned to provide workers coming to Malta with basic training to bring them up to speed and allow them to hit the ground running in their new jobs in Malta.

Once such training programmes are established, Jobsplus should also target immigrants with humanitarian status already present in Malta to provide. This cohort may prove to be a resource with significant untapped potential for skills and employment in Malta but desperately requires initial assistance to enter the labour market.

Recommendation 21: Jobsplus should offer initial basic training to the employees attracted via Recommendation 20 mentioned above. This training could be further extended to immigrants with humanitarian or refugee status already present in Malta.

4.2.3.5 Retaining Foreign Labour

The next fundamental step after successfully attracting foreign workers is to retain them in the labour market. Malta's current positive economic period is exerting unprecedented stress on numerous factors that contribute to Malta's attractiveness as a career destination. To ensure Malta does remain attractive for foreign workers to remain in employment for as many years as possible, the Malta Chamber proposes enhancing certain incentives and infrastructure that are crucial to overall attractiveness and quality of life as well as the necessary rent reforms to be discussed and implemented without further delay.

Recommendation 22: Chamber recommends to initiate national discussions on further rent reforms which are needed in order to retain the current foreign labour who is leaving Malta after one or two years in view of increased lodging costs which is also impacting the Employers potential to attract foreign workers in the first place in view of increase salary demands.

4.3.3 Active Ageing

With Malta's ageing population, a growing, yet untapped resource is its elderly cohort. Many past retirement age are willing and able to continue working and contributing to society both directly or indirectly.

Through the *National Strategic Policy for Active Ageing: Malta 2014-2020*², government committed itself to achieve a society for all ages by adopting specific measures to transform the country into an age-friendly nation. The strategy notes that advances in healthy life years improves the well-being of the elderly, extends working lives, provides incentives for economic growth, and most importantly decreases the pressure on health and social care systems. It also acknowledged the opportunity for the business community as the ageing population present both a larger recruitment pool as well as an expanded customer base.

One of the three pillars on which the strategy is built is in fact to increase the number of older workers in the labour market whilst enabling persons above statutory pension age to remain in or re-enter employment. This realisation of this increase is also critical to achieve long-term sustainable growth without over-reliance on foreign labour.

Continuous vocational training for older adults, very attractive fiscal benefits for active agers and mentoring schemes are all ways of keeping the older and ageing engaged in the workforce, which in turn has numerous benefits both on society and on the economy.

Employers are increasingly recognising the strengths, experience and contributions of their ageing employees. Fellow employees are also becoming increasingly conscious of older workers' vast experience. The development of a mentorship programme and culture will encourage co-workers to connect with the elderly both on a personal and professional level. While the younger workers, and hence the organisation, will benefit from the transfer of expertise, older workers will attain a renewed sense of purpose, develop new relationships and fulfil personal goals.

The Chamber strongly recommends the creation of a public campaign highlighting the valuable contributions that older workers provide as mentors and role models to the many younger employees that are expected to hit the ground running straight out of education. This is also an excellent way to bridge the growing skills gap between education and the real world of work in many areas. Financial assistance for enterprises implementing such mentoring structures should be made available as part of the country's National Active Ageing Strategy.

Recommendation 23: The Chamber strongly recommends the creation of a public campaign highlighting the valuable contributions that older workers provide as mentors and role models to the many younger employees that are expected to hit the ground running straight out of education.

² <https://family.gov.mt/en/Documents/Active%20Ageing%20Policy%20-%20EN.pdf> - Accessed 6th March 2018.

4.4 'Contaminating Education with Reality'

4.4.1 Education Reforms

A longer-term approach to resolving the widening labour gap is to conduct the necessary reforms to the country's education system. The system remains inflexible and too oriented towards traditional career paths. It is not producing the skills required by an economy experiencing rapid transformation and modernisation. This situation is evidently the result of a lack of the necessary foresight, planning and ability to react nimbly to the demands of the economy.

The most recent Eurostat publication on post-compulsory education exacerbates this situation as it reveals that Maltese students are the second least likely to proceed to post-compulsory education levels i.e. sixth form, higher education and university. Improvements in this regard are desperately required, particularly in the number of students enrolling in vocational education courses of a more manual nature and other fields experiencing, or expected to experience, the largest gaps.

Education reform must also introduce greater emphasis on entrepreneurship, work ethic and soft skills for the world of work from a young age. These qualities defined the generation of Maltese business people that established the strong foundations of today's economy and remain as important as ever if Malta's economy and human resource is to maintain its strong reputation.

Recommendation 24:

- Chamber recommends to hasten the education reform initiated three years ago to bring Education in line with the developments in the economy.
- Increase the promotional efforts at secondary school level to attract more students towards the vocational path especially at technical level in the manufacturing and aircraft maintenance segments.
- The reform needs to put more emphasis on the teaching of soft skills such as entrepreneurship, work ethic and communications amongst others whilst also enhance language proficiency in English, Maltese and a third foreign language.

4.4.2 Industry-Academia Collaboration through the National Skills Council

The Chamber firmly believes that the primary role of the National Skills Council should be to operate sector specific working groups wherein industry and academia experts may carry out the necessary skills forecasting, identify gaps and recommend ongoing updates to relevant education paths and courses. To this end, the Chamber reiterates its calls for such working groups to be established without further delay. Through its thematic committees and specific sectoral representative groups known as 'Business Sections', the Malta Chamber would be willing to participate in the formation of such working groups. The Chamber is well positioned to identify a number of experts in every field, given that it has always represented the majority of private sector players.

Successful sectoral working groups in other countries provide integrated industry intelligence and advice to the Ministry for Education, government agencies and enterprises/institutions engaged in

workforce development. They also actively support the development, implementation and continuous improvement of high quality and relevant education and training.

Recommendation 25: The National Skills Council should be re-dimensioned to focus solely on skills forecasting needed by Industry in the years to come. The Chamber has on innumerable occasions suggested to re-establish the entity on a sector by sector-based agency which would include experts on the various economic sectors represented in the economy. These sector-based skills councils would be able to analyse their particular segments in order of demand and supply and forecast the skills required by the particular sector.

The Chamber further feels that the Council is under-resourced and requires additional resources to operate adequately.

4.4.3 Career Guidance

Effective career guidance also has a momentous role to play. It is imperative that career guidance counsellors are provided with frequently updated information on the opportunities on offer and the skills and qualifications in demand. Government must urgently establish effective communication channels between industry, higher education, secondary education, guidance teachers and the National Skills Council. Government must also support and incentivise private-led initiatives that expose teachers and students to the real world of work.

Recommendation 26: Chamber recommends to improve on the current career guidance system in secondary schools. The Chamber believes it is well positioned to play a role in this respect by exposing these teachers and counsellors to our new and traditional economic realities

4.4.4 Work-based Learning

As advocated in numerous previous documents, the Malta Chamber is strongly in favour of all forms of work-based learning (WBL). The European Commission describes WBL as a win-win situation, confirming benefits for both the individual learners and the participating companies. The Chamber's members continually express their perceived effectiveness of apprenticeship, internship and work placement programmes as a means of improving the overall skill set of young people, especially with regards to otherwise lacking soft skills.

It is a priority that an absolute majority of Malta's students further their education to post-secondary level. In this way only can the labour market become as dynamic as required by a rapidly growing and transforming economy.

The Chamber believes that the success of WBL systems and policies in other advanced economies must incentivise all education institutions in Malta to introduce elements of work-based learning across all types and levels of post-secondary education. Students must be given the opportunity to learn in a classroom, while also applying and expanding their knowledge at the workplace.

The reform to the country's WBL framework, through the coming into force of a Work-Based Learning and Apprenticeship Act in February 2018, is fundamental to improve the success of newly qualified job-seekers, while also serving to narrow the skills gap by increasing the number of apprentices and interns in the job-market and improving the quality of WBL experiences. With the initial step of revising and upgrading the legal framework surrounding work-based learning, it is now down to effective implementation of the Act by the Ministry for Education and Employment and all relevant stakeholders in education and industry.

Recommendation 27:

- Chamber recommends to extend types of work-based learning across all the post- secondary and tertiary level educational institutes.
- Chamber further recommends the effective implementation of the WBL and apprenticeship Act which overall is welcome by the organisation.

4.4.5 Stipends

Stipends already play an important role in attracting students to post-compulsory education. However, the Chamber urges government to recognise the opportunity at hand to better utilise stipends as an instrument that guides students into following rewarding career paths in demand by the present and future economy.

Recommendation 28: Chamber recommends to better utilise the stipends system in order to attract more students to certain career paths which are needed by certain segments of the economy.

4.5 A High Value-Added Economy built on Research, Technology, Development and Innovation

The Malta Chamber reaffirms its belief that Research and Development (R&D) is one of the foremost pillars upon which the country's sustainable economic growth rests, as this can provide Malta with the much-needed competitive edge over competing neighbouring states. The availability of a proper and sustainable infrastructure in research and innovation (R&I) provides the Maltese industry with a better chance of building and retaining a more resilient and competitive position. Indeed, this is a pre-requisite for investment attractiveness in any industry or sector.

Malta's combined spending in this area remains well-below what is expected by every member state in the European Union at less than 1% of GDP.

Recommendation 29: The Malta Chamber proposes the following measures:

1. Research and Innovation deserves a dedicated Parliamentary Secretary closely linked to the industry sector instead of other unrelated areas;
2. Promotion of knowledge transfer between industry and academia through knowledge transfer partnerships (KTPs);
3. Assessment and forecasting of skills and human resources required by R&D firms and the subsequent modifications necessary to the education system;
4. Creation of incentive schemes and facilitation of visa application to allow more foreign researchers to conduct research in Malta;
5. Promotion and incentivisation of the concept of 'living labs' in Malta;
6. Establishment of appropriate funding programmes to sustain R&D and the recommended levels for an advanced economy.

4.6 Better Regulation and Reduction in Administrative Burdens

For the last decade, the Malta Chamber has argued in favour of implementing a long-term strategy for a reduction in administrative burdens, the implementation of better-regulation policies and the reform of archaic policies and further reform within the justice system.

Recommendation 30:

The Malta Chamber therefore proposes:

1. Establishment of a new national competitiveness watchdog to ensure that the economy is not hampered by new and excessive regulations, measures and taxes that negatively impact competitiveness.
2. Prior to launching any initiatives (not least the Budget measures) that directly impact business operations, there must be a) the necessary consultation with impacted or interested parties, b) a proper and holistic implementation plan and c) the necessary legislative backing of budget measures.
3. Regulatory Impact Assessments, as required by the Small Business Act, are enacted without further delay.
4. All regulations having a potential effect on business must pass a regulatory impact assessment and only be implemented on a "one in and two out" basis similar to the British regulatory system.
5. Government departments, agencies and ministries offering essential services to businesses must maintain a skeleton operation able to deal with urgent business during the afternoons in

the summer months. The delays experienced to render public services during the summer months contribute significantly to increased costs due to inefficiencies.

6. While welcoming the establishment of a new section within the courts dealing with Commercial cases, the Chamber believes that there still exists potential to increase the use of mediation and other forms of alternative dispute resolutions (ADR) prior to seeking the normal legal redress procedures. The Chamber believes that there is a need for a new impetus to extend mediation further to cover other legal fields beyond civil disputes which is currently mostly use in the sphere of family law.
7. The Chamber further believes that there is a need for a media campaign and outreach programme with business operators to promote better understanding of ADR as a viable and cost-effective option in commercial disputes.
8. The Small Claims Tribunal which currently presides over money claims which do not EUR 5,000. It is claimed that this tribunal is effective and that plaintiffs are satisfied with the results being achieved. One suggestion the Malta Chamber would like to make is that of increasing the current low threshold to EUR 10,000. The Tribunal is currently underutilised and therefore increasing the threshold could engage more clients to make use of this Tribunal. The same could be applied to the Magistrates' Court, in which case the financial claims threshold could be increased even further.

4.7 Safeguarding Traditional Industries, Exploring New Opportunities

4.7.1 Safeguard the Traditional Industries

Over-development could in the long term become a threat to the country's ability to attract the right investment and talent. The rapid urbanisation of the country is leading to dense over population in certain zones, rapid depletion of open spaces, significant stress on ageing infrastructure and an overall lower quality of life for residents.

It is pertinent to note that the demand for property driving said urbanisation is not everlasting. This is closely linked with the performances of many other economic sectors and reliant on a number of policies and reputational factors that may or may not be controlled. As the country is experiencing highly uncertain times, both domestically and internationally, the economy must avoid over reliance on the construction sector and property market. The slightest of changes to international taxation regulation frameworks will undoubtedly dent the local construction and property market and with it other sectors such as Financial services and other ancillary service-based industries.

For this reason, the Chamber urges policy makers to focus on sustainable planning and development policies with a commitment on the long term overall quality of life of citizens based on the protection of the environment. The short-sighted Strategic Plan for Environment and Development (SPED) must be revisited to curtail present haphazard development practices with policies more conducive to a sustainable environment.

The retention of our traditional sectors will also be an important factor to keep in mind. Tourism and Manufacturing are both bulwarks of our economy which could be easily threatened through external and internal factors. Factors such as increased crime, lack of general cleanliness of tourist zones, environmental degradation, lack of investment in the general upkeep of infrastructure, proximity to regions with terrorist activity and political instability threaten the continued growth of Malta's tourism industry. Energy costs, increased labour and transport costs and changes to the taxation framework for the latter pose significant threats to Malta's attractiveness to manufacturing FDIs. Manufacturing in particular needs assistance in the long term and we see opportunities in this regard but the policy makers need to be cognisant of the perils that could lead to a number of industry players relocating their operations elsewhere.

The Financial Services sector requires adequate protection from international media. The Malta Chamber contends that the country needs to continue to defend its globally competitive taxation framework. Fortunately, the reputational damage from the *Malta Files* and other international reports was contained due to prompt response and the report's lacking credibility.

However, it is safe to assume that Malta's economic success will prompt further "attacks" with implications on an international level. The Chamber therefore believes that the country must be adequately resourced and prepared to overcome such situations. For this purpose, prior to the last general election the Chamber called for the urgent establishment of a Task Force which can promote Malta's benefits as a financial centre in a proactive manner and in broader terms than currently undertaken by Finance Malta and other fragmented individual stakeholders. The Chamber further recommends that the proposed task force would also be supported by international technical experts in the field.

4.7.2 New Segments of the Economy

Given the recent positive results, the country has a bright future ahead of it should policy and decision makers take heed of the long term challenges the country will face and rectify as appropriate. The Malta Chamber believes that numerous opportunities exist for the country to do even better. Malta has a unique opportunity to differentiate itself from its direct competitors by adopting strategies to ensure the development of an entrepreneurial culture.

Future economic development efforts must continue to transition to higher value-added opportunities founded on a knowledge-based economy. This will require a stronger connection between industry, education and workforce development.

Strengthened research and development, talent attraction and entrepreneurial programmes will also go a long way in attracting innovative digital-based sectors such as blockchain infrastructure, cryptocurrencies, Internet of Things, Fintech and advanced logistics. There also exist numerous opportunities in diversifying the services industry through enhanced regulatory frameworks that allow budding service industries to properly compete with other major jurisdictions. Examples of this include aircraft leasing and the leasing and chartering of luxury yachts sectors. The foundations of these sectors already exist yet the one thing restricting further growth are the current fiscal incentives in the area and limited infrastructure. The Chamber also sees further opportunities in the green and blue industries which have so far remained untapped.

Linked to the above, the Chamber sees the UK's exit from the EU as an opportunity to tap especially in attracting mid-cap operators seeking passporting rights in the EU internal market. At the same time, we see opportunities in the health and education sectors with UK based specialised clinics and colleges opening branches in Malta.

With the growing inflow of foreign nationals presenting a number of challenges, the Chamber recognises foreign nationals as an opportunity for a multicultural workforce to embrace different ideas and notions from the world. Besides attracting foreign employees, the country needs to accelerate its efforts to attract start-ups and entrepreneurs. Such ventures and individuals could establish business eco-systems around them and contribute to transfer ideas, knowledge and technology between local and foreign operators.

All the opportunities above need to be coupled with a national sustainable development plan. The Chamber feels that before zooming in on specific zones, Malta requires a plan on a national level that includes strong elements of holistic urban and rural development. In the last two to three decades, most major developments and planning have been carried out in a piecemeal approach with very little consideration given to the surrounding areas and the impact on the infrastructure required for such developments to occur. One can specifically mention roads, telecommunications, utility infrastructure and waste management amongst others.

5.0 Concluding Remarks

In the current economic scenario, the Chamber proposes that future Budgets are approached from a holistic multi-annual perspective which incorporates a thorough impact assessment of the carrying capacity of the country in terms of economic, societal and environmental considerations. This multi-annual exercise could initiate preparations of a new medium to long economic and development plan on where the country wants to be post 2020.

The above proposal is being made in the context that the country has now managed to achieve full employment and relative price stability. In the coming years, the Chamber believes that fiscal policy should seek to finetune elements of the redistribution process whilst concentrating on the optimum allocation of resources in the public sector and ensuring the right fiscal environment for the private sector to do likewise. Consequently, the country could benefit from efficiencies that allow it to increase output and wealth sustainably with a constant level of applied resources.

In the light of the above, for the forthcoming budget, the Chamber presented 60 measures aimed at enhancing national competitiveness and ensuring sustainable growth. Of these, the ones that could have the widest and most tangible business benefit are:

Recommendation14: The Chamber believes that The National Development and Social Fund established through the Individual Investor Programme (IIP) would be put to the best possible use if it were to finance the holistic transport strategy to shift towards a sustainable and effective multimodal transportation system;

Recommendation 18-19: Strengthening Identity Malta with more resources to enable better streamlined procedures for recruiting third-country national employees and embarking on an international marketing campaign showcasing employment opportunities and quality of life in Malta;

Recommendation 27: Extending all types of work-based learning across all the post-secondary and tertiary level educational institutes and

Recommendation 30: Establishing of a new national competitiveness agency to ensure that the economy is not hampered by new and excessive regulations, measures and taxes which negatively impact competitiveness.