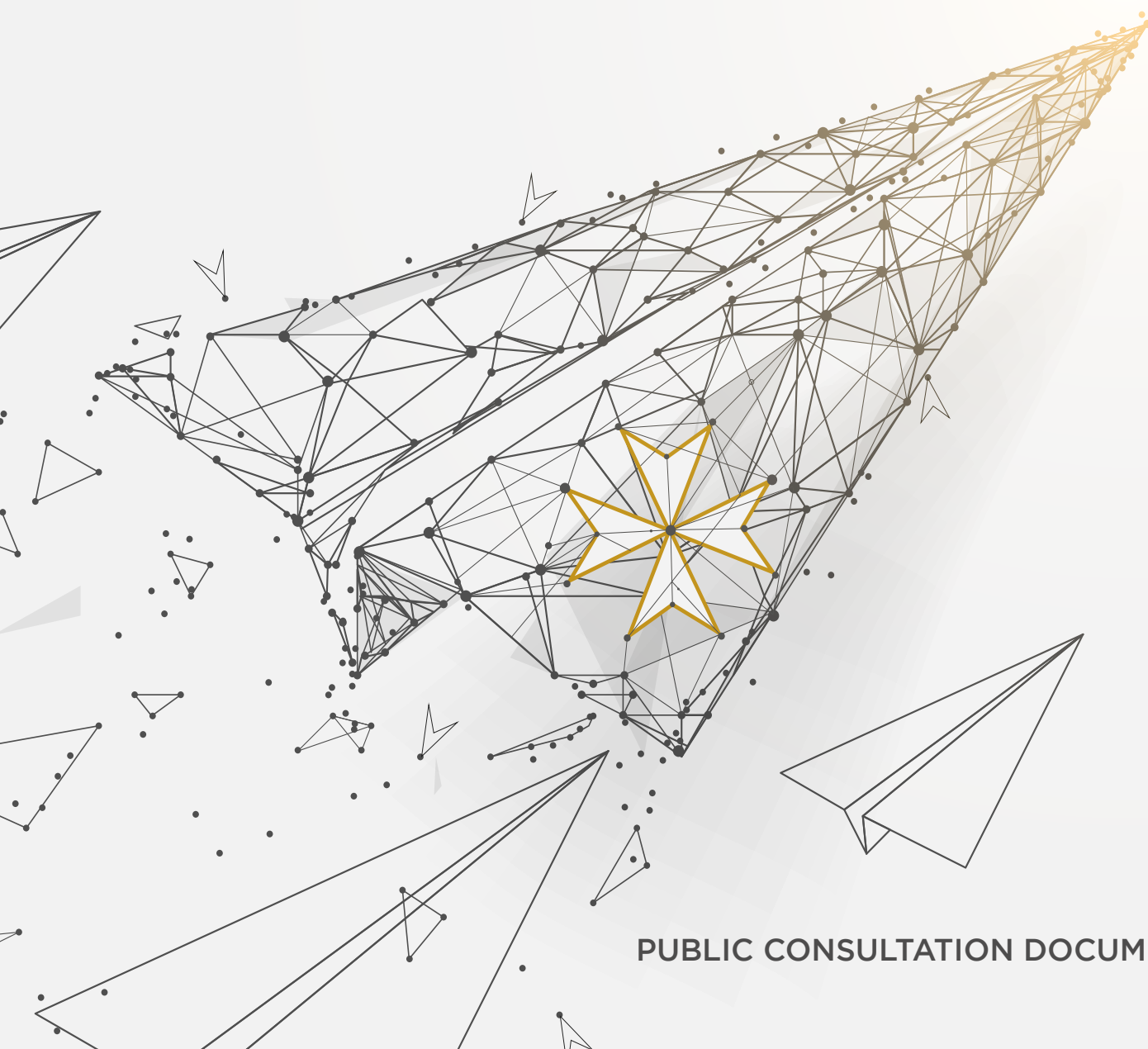


A FUTURE-PROOF MALTA

A nation of courage,
compassion
and achievement.



FOREWORD BY THE
PRIME MINISTER
HON. ROBERT ABELA





The seven years that preceded the pandemic saw Malta transform into a robust and resilient economy. A focused administration, committed to taking advantage of and capitalising on the opportunities brought about by our EU partnership, enacted reform after reform to boost our nation's competitiveness.

During these years our economy not only nearly doubled in size but consistently topped the EU league table, with the highest percentage growth in employment and fiscal surpluses. This turnaround enabled us to withstand the existential challenge of COVID-19 and secure our economic prosperity for post-pandemic years.

Our pro-activeness and strong assistance packages did not just protect our labour market in the face of devastating drops in external demand. They also allowed the further growth of sectors such as remote gaming, financial services and information technology. Our

unemployment rate remained stable, dependence on social assistance continued to fall and the female employment rate exceeded the EU average for the first time.

Building on these solid foundations, we now have a duty to set out an economic vision for the future that befits a nation of courage, compassion and achievement. It is a vision set around five pillars – quality of life, infrastructure, education, environment, and governance. They are the essential building blocks of our new prosperity, which will transform Malta into a just, digital, carbon-neutral economy with world-class infrastructure, education, and governance. Together we can realise this aspirational vision and make it our society's new normal.

FOREWORD BY THE
MINISTER FOR THE
ECONOMY AND INDUSTRY
HON. SILVIO SCHEMBRI





The point of departure for Malta's Economic Vision is a robust, resilient and diversified economy which has performed remarkably well over recent years. Yet the country cannot rest on its laurels, and must be ready to evolve in an international environment that is rapidly changing, as it resets and moves forward beyond the COVID-19 pandemic.

The pandemic has highlighted the significant interconnection between the world's economies and has shown the speed at which businesses and society are able to adapt, transform and re-invent themselves. While we expect key segments such as tourism and hospitality to fully recover, the permanence of certain changes such as near and re-shored supply chains, remote working and reduced business travel will change forever the way our economy functions. The vaccine rollout has created hope and optimism, while the post-pandemic rebuilding ef-

forts present a unique opportunity to do things differently. This opportunity not only necessitates further stimulus to help companies hit hard by the pandemic recover and get back on their feet, but also amplifies the need for reform. It requires businesses to adapt their business models to changing realities, prioritise investments in technology and upskill their workers. It also requires them to adopt more sustainable business practices and production methods and drive more value creation for a broader group of stakeholders such as employees, customers, partners, suppliers and the local community, alongside their bottom line.

It also means shifting economic priorities at a national level beyond GDP to a wider set of metrics, in alignment with work accomplished in local and international fora. These actions are needed to drive a successful recovery, which not only regenerates the economy and helps businesses bounce back but also stimulates long-term improvements across various aspects that contribute to the enhancement of the quality of life for Malta's citizens.

The Malta Economic Vision 2031 aims to drive new thinking around investment decisions and policymaking, placing innovation and outcomes at the centre of how we think about economic growth, framed around big challenges (and solutions) that are co-created with society and business, an alternative to the traditional top-down approach. The goal is to create future-focused, outcome-oriented solutions that are purpose-driven and transformational rather than quick fixes for the next couple of years.

This path-breaking vision exercise will align our priorities and promote coherence and coordinated action at a national level. In doing so, it aims to orientate policymaking in a unified direction, not only for the now but also the more distant future. It does this by mapping out the pillars that collectively shape the economy and the way it impacts society, quality of life, environment and Malta's natural heritage. The goal is to seek out synergies, balance trade-offs and counteract risks so that the sum of all parts works in harmony and unison.

This includes developing an overarching plan for the island which considers population and tourism trajectory, built and green spaces, aesthetics, zoning, smart and green infrastructure, multi-modal transportation and better connectivity with Gozo.

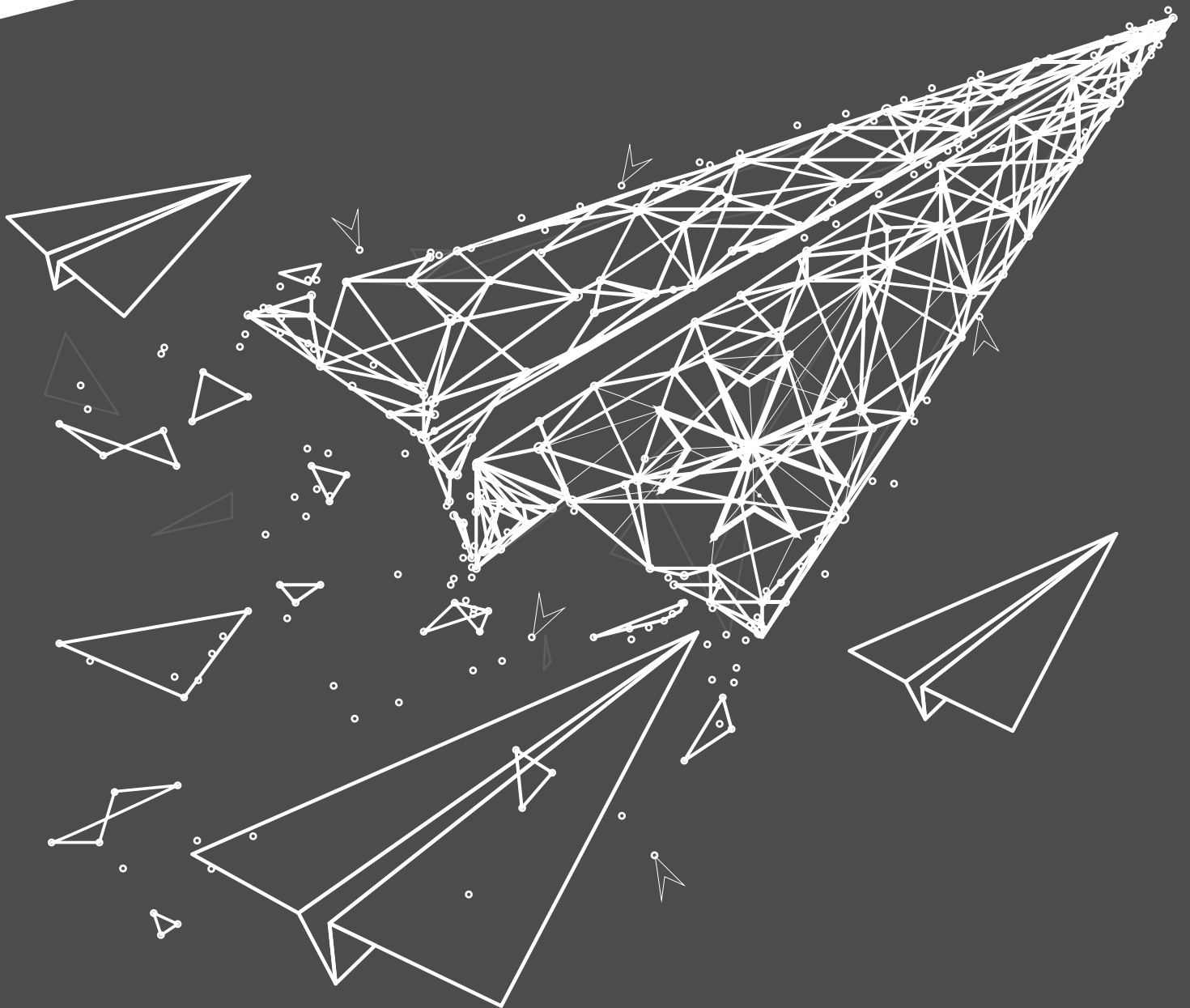
It necessitates fully leveraging digital to drive productivity and competitiveness, facilitate the way we do business and enhance our quality of life. It means maximising the opportunities brought about by Malta's size and resources such as our seas, strategic location and continued investment in digital and telecommunication infrastructure, to become a pilot site for new technologies.

It requires aligning education and skills development to the sectors and jobs we have and aspire to have on the islands. It means understanding the implications of externalities and future trends such as borderless opportunities and the shift to remote working for the Maltese workforce and local businesses, when our own talent pool will always have limitations in terms of numbers.

It necessitates placing environmental considerations at the core of everything we do to pave the way for a more sustainable, responsible, modern, resource-efficient economy, one that lays strong foundations which we are proud to leave behind for future generations, with new ways of living, working and moving that enhance physical and societal wellbeing, the protection of our natural built heritage and our unbuilt landscapes and seas.

This requires us to maintain the momentum of institutional reform that we have kickstarted on issues relating to good governance, accountability, transparency and rule of law which underpin the way our economy functions and our country is governed. We will achieve this through the continued strengthening of our supervisory authorities and enforcement and compliance while enhancing the efficiency of Malta's legal systems, to drive the highest standards of protection for investors, consumers and society.

BACKGROUND & CONTEXT



ECONOMIC BACKGROUND

Throughout the last decade, Malta's economy has experienced unprecedented growth at levels that outpace the rest of the EU, averaging 6.4% real GDP growth each year since 2013. The peak was 2015, when real GDP growth reached 9.6%. By 2019 this stabilised at 5.3%¹, still significantly above EU average growth levels before the onset of the COVID-19 crisis in early 2020. During this period, the Maltese economy continued to undergo significant transformation, having developed a thriving service-based economy driven mainly by gaming, financial services and ICT, while still underpinned by strong performances in more traditional sectors such as tourism, construction, wholesale and retail trade and manufacturing. Inbound tourism grew by over 74% from 1.6 million tourists in 2013 to 2.8 million tourists in 2019².

Private consumption grew by almost 30% in real terms between 2013 and 2019, while gross fixed capital formation (reflecting investment) increased by over 107%³. These figures demonstrate the strength of investors' confidence in the Maltese economy and their belief in its potential to drive further improvements in living standards.



Figure 1 - Real GDP Annual Growth Rate. Source: Eurostat

1 Eurostat (2021), Real GDP Growth Rate – volume

2 NSO (2020), Inbound Tourism

3 NSO (2020), Gross Domestic Product

4 NSO (2020), Unemployment Rate

5 Eurostat (2021), Unemployment statistics

6 NSO (2020), Key Indicators on the Labour Market

7 National Productivity Board (2021), Malta Competitiveness Report 2020

8 NSO (2020), Direct Investment in Malta and Abroad

9 Eurostat (2021), Government finance statistics

The positive economic performance throughout this period was also reflected in the growth in employment, averaging 3.9% year-on-year, coupled with record lows in unemployment. In December 2019, before the COVID-19 crisis, the unemployment rate stood at 3.3%⁴ compared with an EU average above 6%⁵. As a result of new fiscal and non-fiscal incentives introduced to attract the long-term unemployed back to the labour market, Malta also registered notable improvements in participation rates, driven mainly by growing numbers of women participating in the labour market. The proportion of working-age women who were active increased from 52% in 2013 to 66% in 2019⁶.

Malta's productivity rates also experienced significant growth throughout this period. By 2019, Total Factor Productivity (related mainly to productivity from technological advances) surpassed the Euro Area average and converged towards the EU average, closing a gap of 10pp over an eight-year period⁷. Labour productivity also improved strongly, so that by 2019 it was well above the EU average.

Malta's economy has continued to rely on Foreign Direct Investment (FDI) as one of the main drivers of growth. Between 2014 and 2018, Malta registered 15x growth in FDI stock in the ICT and gaming sectors, together with strong growth in other sectors including 83% in transport, accommodation and real estate, 25% in financial and insurance activities and 8% in manufacturing. Total FDI stock increased by 27% over this period⁸.

In recent years Malta's public finances has also experienced unprecedented improvement. Following several years of general government balance deficits, a surplus was registered in 2016, driven mainly by increased revenue and economic growth. Since 2015 the Malta government debt-to-GDP ratio has been within the 60% margin established by the Maastricht criteria, and in 2019 this ratio fell to 42.6%, compared with a Euro Area average above 80%⁹.

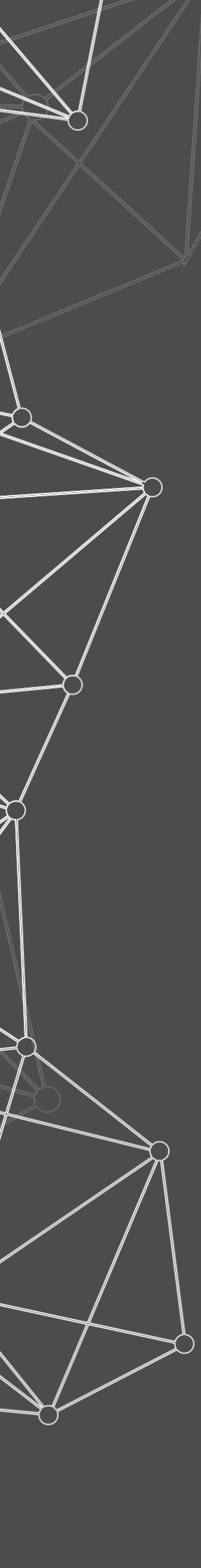
This significant improvement in the health of Malta's public finances allowed the country to accumulate considerable resources to sustain the country's growth and development and strengthen the resilience of our economy to inevitable downturns. The importance of doing this was demonstrated suddenly and unexpectedly by the COVID-19 crisis in early 2020



COVID-19 IMPACT

The onset of the **COVID-19** crisis brought the global economy to a standstill and inevitably put the brakes on Malta's period of significant economic growth. The pandemic will continue to reshape our lives in an unprecedented manner for years to come as the world establishes and adapts to the 'new normal'. We remain focussed on ensuring a safe and rapid recovery, particularly in the sectors that have been hit hardest – travel and tourism, arts, culture and entertainment, hospitality (hotels, bars, restaurants) and traditional retail – while ensuring equally rapid adaptation and continued resilience in the sectors less impacted by the crisis.

In the period January-September 2020 inbound tourists decreased by 72.7% compared with 2019, and tourism spending fell by 77.6%. This unprecedented shock to economic sectors directly and indirectly dependent on tourism represents a loss of almost €1.4 billion to the Maltese economy. To curtail the spread of the pandemic, non-essential retail was forced to close for an extended period, while various hospitality establishments have had to either close or restrict their operations. This has led to significant loss of revenues for these sectors and their supply chains.



Numerous government measures were, and continue to be, introduced to mitigate the impact of the crisis, including:

- Increased public health care expenditure
- €780 million in loan guarantees for businesses
- €400 million earmarked for infrastructural investment to boost productivity
- €20 million financial package and tax credits
- Significant wage supplement for businesses and self-employed workers to sustain employment
- Cash grants for business that sustained prolonged forced closure
- Professional business advisory services to struggling businesses
- Deferrals for VAT, income tax and social security payments
- Financial assistance for employers investing in teleworking systems
- Subsidised bank loans for businesses
- Subsidised electricity and rent bills for businesses
- Various other funds, grant and support schemes for businesses
- €100 in vouchers issued to every resident aged 16 and over to spend in the local retail and hospitality sectors, with a second round of €100 vouchers due to be issued, totalling €95 million
- Temporary reduction in stamp duty on property sales
- Rent subsidies for the unemployed
- Support measures for parents who could not carry out their functions through teleworking or were required to stay home to care for school-aged children
- Support measures for working disabled and vulnerable people who could not carry out their work functions due to being ordered to stay home for medical reasons

These measures have proved successful in mitigating the negative impacts of COVID-19 on employment, as shown by an unemployment rate of 4.5% in November 2020¹⁰ compared with 7.5% in the EU¹¹, and an increase in total employment for the period July to September 2020 compared with the same period in 2019¹². However, government remains aware of the pain continuing to be felt by many people and vulnerable sectors and is committed to continuing to sustain the economy.

At the same time, the sudden shift in how consumers bought goods and services while limiting social interaction resulted in many businesses rapidly pivoting to run their operations and service their customers virtually, through digital tools and platforms, while implementing safety procedures to limit the spread of the virus in physical environments.

Therefore, as the world is presently racing to vaccinate large sections of the population and enter the so-called post-COVID-19 'new normal', Malta has an unmissable opportunity to reflect, envision and plan its path towards sustainable future growth and development.

Such a vision must be constructed within the context of the 'new normal', the overarching priorities identified by the numerous funding frameworks established by the European Union, new and emerging trends, as well as generational shifts and demographic changes.





FUNDING OPPORTUNITIES

The European Commission has put in place programmes to boost jobs, growth and investment across the EU, with additional funding made available for COVID-19 recovery. This Vision for Malta seeks to align with these European priorities, to ensure national, sectoral and thematic strategies emanating from this Vision document can tap into available funding. Programmes that are crucial to the realisation of these initiatives include:

Malta's €2.25 billion in EU¹³ funding through the Multi-Annual Financial Framework (MFF) for the period 2021-2027, which will provide:

- €934 million for Cohesion Policy
- €327 million for COVID-19 stimulus
- €276 million for Migration, Borders, Security, Education & Fisheries
- €242 million for Recovery & Resilience, Single Market and European Values
- €191 million for Agriculture
- €162 million for Strategic Investment, Research & Innovation and the Environment

The European Green Deal, announced by the European Commission in 2020, is a set of policy initiatives aimed at improving the wellbeing of people and the planet by steering Europe towards becoming the first climate-neutral bloc by 2050. The related Investment Plan creates an enabling framework to facilitate and

stimulate the public and private investments needed for the transition to a climate-neutral, green, competitive and inclusive economy, through direct financing, enabling tools and practical support. This comprehensive plan and its ambitious targets will have significant impacts on several sectors of the Maltese economy.

The Just Transition Mechanism (JTM) is a key tool to ensure the transition towards a climate-neutral economy is fair and inclusive. While all regions will require funding (and the European Green Deal Investment Plan caters for that), the JTM provides targeted support through grants and financial instruments to mobilise over €100 billion over the period 2021-2027 in the most affected regions, to alleviate the socio-economic impact of the transition

The EU's Recovery and Resilience Facility (RRF) will provide €672.5 billion in loans and grants to support reforms and investments by Member States aimed at mitigating the economic and social impact of the COVID-19 crisis and make the European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities for green and digital transitions. By offering large-scale financial support for investment and reforms, the RRF will better prepare Member States for a sustainable recovery, addressing


dimensions related to environmental sustainability, productivity, fairness and macroeconomic stability. Flagship areas within the RRF could include investments in areas such as:

- Clean technologies and renewables
- Energy efficiency of buildings
- Sustainable transport and charging stations
- Rollout of rapid broadband services
- Digitalisation of public administration
- Data cloud capacities
- Education and training in digital skills

Malta's access to these substantial levels of funding and investment support, which are double those of the previous budget cycle, are a fundamental enabler of our economic vision.

Besides these external resources, Malta also has access to its own national sovereign fund – the National Development and Social Fund. Additionally, economic growth can also be promoted through the newly established Malta Development Bank, which, through its authorised share capital, has the potential to generate significant value in additional finance.





FUTURE TRENDS

A major strategic risk, particularly for a relatively small economy such as Malta's, is to assume key aspects of the economy such as market structure and competition will persist beyond a five-year horizon. When planning for the long-term it is essential to consider emerging trends that will shape the future. Being a first-mover or an early adopter may prove to be a visionary move that establishes the country as the global leader in a particular niche, thereby attracting and creating new investment and employment.

THE FOURTH INDUSTRIAL REVOLUTION

We stand on the brink of a technological revolution that will fundamentally alter the way we live, work, and relate to one another. In its scale, scope and complexity, the transformation will be unlike anything humankind has experienced¹⁴. Technology has already transformed every industry, yet many of the most significant innovations are only just starting to emerge, driven by a proliferation of new technologies that will augment human capabilities and current production levels to drive increased levels of automation and machine-to-machine interactions. Malta has an unrivalled opportunity to establish itself as a pioneer in industry 4.0 and new niches for the application of emerging technologies, by

leveraging numerous complementary factors including our robust pharmaceuticals, medical devices and electronic manufacturing sectors, the strong IT sector, leading telecommunications infrastructure, the country's attractiveness to FDI and the various funding opportunities for digital and sustainable technology investments.

REMOTE WORKING & LEARNING

The rapid adoption of remote working practices catalysed by COVID-19 provides an opportunity to expand Malta's service-based economy across the globe. This could also have positive implications for land use, since less land would be required to satisfy employment demand. There could also be a benefits from less air pollution from commuting traffic and enhanced employee wellbeing from an increase in personal time for non-work related activities.

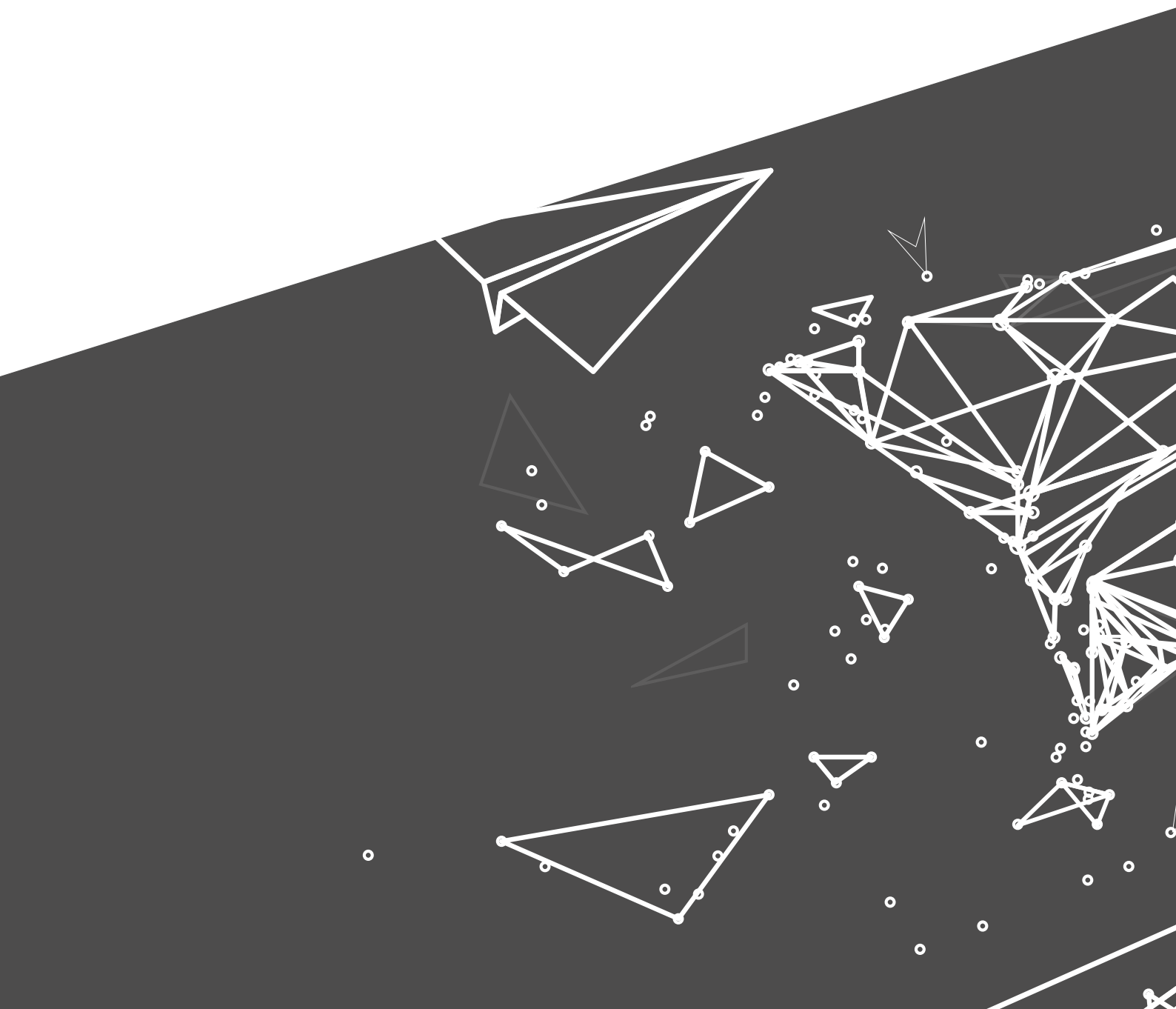
COVID-19 has also shown Malta's ability to transfer its higher education learning online. We will capitalise on this by targeting individuals wishing to pursue their academic studies with Malta's higher education institutions.

¹⁴ World Economic Forum (2016), The Fourth Industrial Revolution: what it means, how to respond

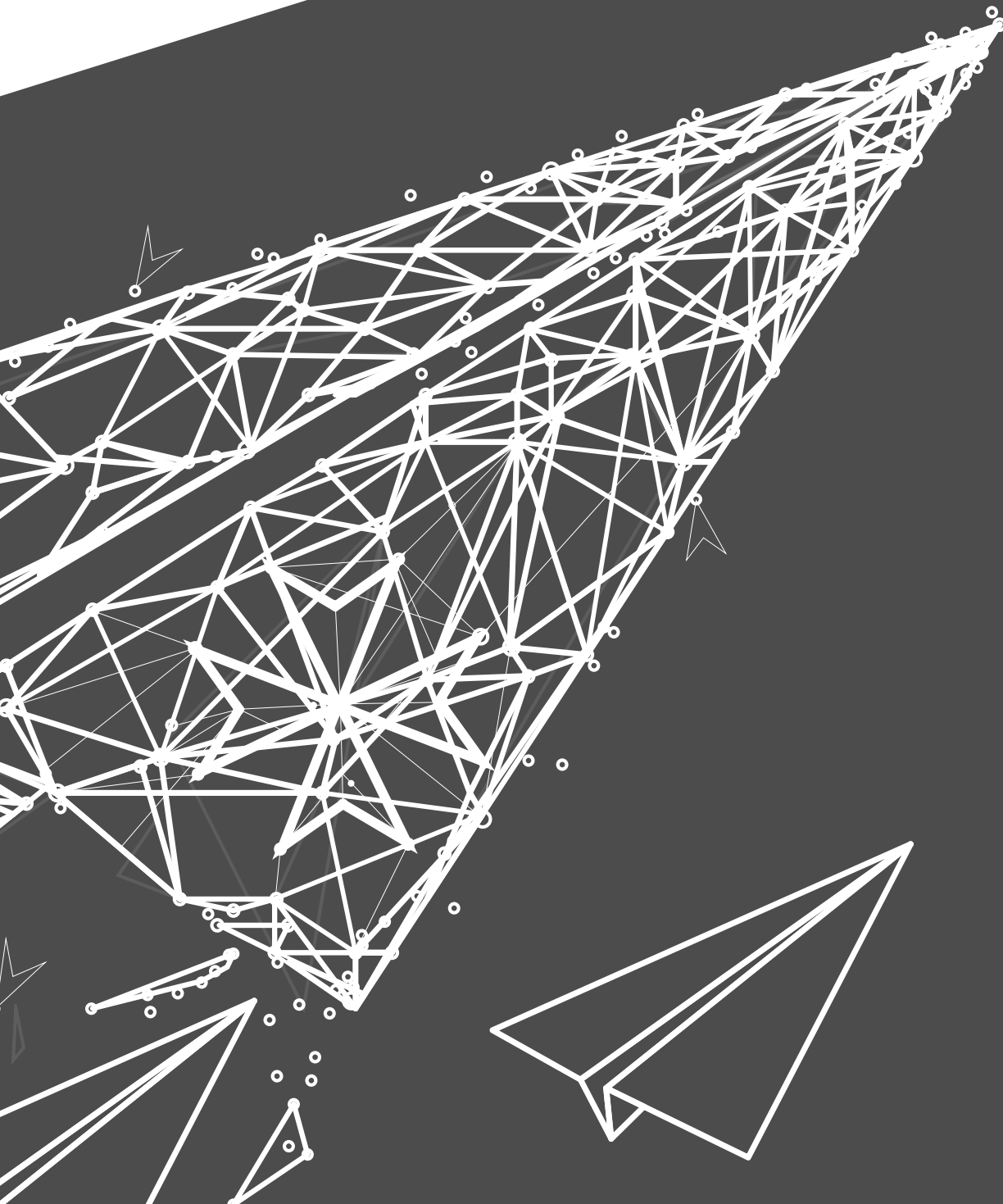
DEMOGRAPHIC CHANGES

Changing demographics will reshape Malta's social fabric. Today's younger generations are digitally-savvy, better educated and more connected than ever to the world around us. As more of them move into management roles over the next decade it is likely that we will see a big shift in work culture, with the COVID-19 pandemic expected to strongly influence their thinking around flexible working hours and remote working, digital business transformation, economic ecosystems and the concept of stakeholder capitalism. The structure of work is also likely to change, with more people looking to set up their own businesses or work on a freelance (or gig-based) model.

The younger generation will also need to face the realities of an ageing population. One likely trend is greater participation of pensioners across the workforce as gig type working becomes more mainstream, enabling them to provide valuable contributions to businesses and earn income part-time. Digital technologies will become ever more critical for both business and everyday life, so it is important that Malta equips older members of society with the digital skills they need for the future.



VISION STATEMENT & THE 5 PILLARS



VISION

“To be a fair and highly prosperous nation that cultivates, supports and promotes ongoing investment in research, innovation, creativity, human resource development and our natural and urban environment so as to ameliorate the standard of living for all the citizens of Malta and Gozo.”

MISSION

“To ensure Malta’s future success by placing emphasis on community vitality, virtualisation and innovative solutions to position the country as a flourishing ‘digital island of the future’ and amongst the best global economies with national competitiveness as its core value. This will be achieved through harnessing a quality-seeking mentality, high value-driven industries, a strong infrastructure, technological prowess and robust government policies aimed at fostering creativity, courage and compassion.”

OVERARCHING CONSIDERATIONS:

- **A future-proof economy:** a vibrant economy ambitious for prosperity and an improved quality of life and societal wellbeing for all, achieved through the embodiment of sustainability, led by value-driven industries and nurtured by digitalisation, innovation and creativity.
- **Building back better:** faced with the challenges of climate change and protecting our biodiversity, rebuilding along traditional models is not an option. Taking into account the impact that the pandemic has had on social wellbeing, and learning from environmental gains such as lower pollution from less traffic, economic growth will be pursued in the context of maximising social wellbeing and decoupling it from environmental degradation, fully respecting the principle of Do-No-Harm.
- **Coordinated action:** government aims to promote coordinated national action, looking at how key industries fit together to identify synergies, reduce risk and better manage the trade-offs that actions in one area have in others. This approach aims to create better cohesion between industry and the banking sector and a more holistic approach to benefits assessment which considers the impact on society, wellbeing and the environment alongside GDP.
- **Strategic sector plans:** government will work in partnership with industry to define the future vision and strategic priorities for each of Malta’s key sectors and co-develop sector roadmaps and action plans to steer the country towards them. This work will build on sector or domain focused strategies developed by government over the last few years, such as Malta’s tourism, digital, and artificial intelligence strategies, and will seek

to add value to these sectors through, inter alia, increased investment in local research and innovation. All strategic sector plans will factor in green and digital transitions.

- **Ecosystems and clusters:** much of Malta's success has been built around strong clusters of activity – gaming, manufacturing, logistics and financial services being four clear examples. Malta will intensify its efforts to strengthen these ecosystems, underpinned by value-adding expansion activities attracting highly skilled talent (such as tech roles) coupled with the creation of new economy activities in adjacent areas such as videogame development, 3D printing (manufacturing), esports (tourism), green finance and green energy exchanges (financial services), and other green activities such as renewable energy (with concomitant green jobs), as well as digital logistics (logistics), and international arbitration.
- **Valorising the environment:** all forms of development contribute to our ultimate goal and therefore need to be cast in respect of natural processes and ecosystem services. Care will be taken to use the space which has already been committed for development to accommodate such activities, either through relocation or redevelopment.

PILLARS OF GROWTH

Addressing a special session of Cabinet held at the Malta Chamber premises, Hon Prime Minister Robert Abela insisted that quality of life was the ultimate benchmark for any administration, and highlighted the 5 pillars that will drive Malta's economic and social prosperity from 2021-2031.

These pillars will sustain the achievement of our vision for Malta and underpin the success of our nation in the years to come.

This vision-setting consultation is designed to elicit a nationwide consultation process for Government to obtain a bottom up information flow in the process of design of the following key pillars:

- Sustainable Economic Growth geared towards quality-of-life improvements and increased resilience
- High Quality Infrastructure and Investment
- Education and Employment
- Environment
- High Standards of Accountability, Governance and Rule of Law

Each pillar is supported by a mission statement and a set of questions to encourage discussion and elicit feedback from across Maltese society.



QUESTIONS FOR CONSULTATION

"VISION STATEMENT AND THE 5 PILLARS"

1. *Does the vision need to give additional emphasis to any particular areas?*
2. *What frameworks and governance mechanisms would you like to see introduced to drive better cohesion and alignment of economic policy at a national level?*
3. *Do you agree with taking an industry partnership approach to define the future vision and co-develop the strategic priorities and roadmap/action plan for key sectors? What role do you expect different stakeholders to play?*

PILLAR 1

SUSTAINABLE ECONOMIC GROWTH GEARED TOWARDS QUALITY-OF-LIFE IMPROVEMENTS

MALTA WILL SAFEGUARD THE RETENTION OF CURRENT GROWTH INDUSTRIES WHILE CULTIVATING AND CREATING A CULTURE OF INNOVATION FOR NEW NICHEs AND ENGINES OF GROWTH WHICH LEAD TO SUBSTANTIAL QUALITY-OF-LIFE IMPROVEMENTS

Malta's economic growth between 2013-2019 was remarkable. GDP increased from €7.9bn to €13.6bn¹⁵, creating wealth, employment and opportunities for current and future generations. By the end of November 2020, total expenditure stood at €5,066 million, 15.6% higher than in 2019, enabling government to drastically upgrade Malta's infrastructure, increase pensions, children's allowances and social expenditure, provide free childcare, and, crucially, provide extensive support to Malta's workers and businesses to help them counter the impact of the pandemic.

But as well as a strong GDP, sustainable economic growth will also be achieved by placing a strong emphasis on improving psychological health, living standards, community vitality and environmental and cultural assets. This is how we will make Malta more resilient, and better able to withstand future economic, social or environmental shocks.

The Malta Economic Vision 2031 thus sets out the framework for how all public and private players will contribute to reshaping the country's economic model to achieve inclusive and sustainable growth for the long-term by:

- Redefining the measures of success
- Sustaining and supporting investment as a key driver
- Safeguarding and enhancing competitiveness
- Improving productivity by leveraging digital
- Strengthening economic sectors and developing new clusters and niches

REDEFINING THE MEASURES OF SUCCESS

Looking ahead, the country's economic model needs to be adjusted towards more inclusive and sustainable growth, with an emphasis on wellbeing and quality of life. The Malta Economic Vision 2031 therefore aims to redefine the measures of success to something more holistic, with other metrics alongside financial ones, such as physical and social wellbeing, the environment and the quality of work. Financial indicators will not be overlooked, and the government will focus on policy measures aimed at raising income levels for all segments of Maltese society. This includes ensuring that wealth, job creation and prosperity are shared between Malta and Gozo, with specific policy and investment measures to enhance economic activity in Gozo, particularly focusing on connectivity, eco-tourism and sustainable tourism, relocation of talent to avoid brain drain, and carbon tech solutions.

In developing niche economic segments and sectors, Malta will ensure that the economic and regulatory dimensions are synchronised. One example is CBD (cannabidiol) deregulation, whereby Malta is developing a new industry for CBD and needs to have clear regulations in place to ensure it is not deemed to be a prohibited substance for commercial activity.

SAFEGUARDING AND ENHANCING COMPETITIVENESS

Malta's competitiveness has improved considerably over the last decade, as attested by the World Economic Forum's Global Competitiveness Report. Our ability to compete in an increasingly globalised and interconnected world is key to sustaining economic growth, particularly given the country's status as a small, open economy. This status enables Malta to strive beyond the inherent limitations of the domestic market and expand its economic horizons by tapping into new niches. This will be seen in our determination to be first movers and first adapters at the forefront of upcoming disruptive technologies.





While Malta's market size (120th globally¹⁶) will always present a challenge, there are other areas where Malta can and must improve. Malta needs to be seen not as simply a business location but as a business platform. In our pursuit of competitiveness, it is essential to foster strong collaborations with other countries which build our capacity and knowledge from foreign counterparts.

The Malta Economic Vision 2031 therefore aims to chart how our success can be strengthened through cohesive, future-focussed policymaking, while continuing the drive for better governance and sustaining government's commitment to upgrade Malta's infrastructure. Government also wants to strengthen competitiveness by helping businesses become more dynamic and productive through the use of technology and elevating the focus on innovation, research and development.

SUSTAINING AND SUPPORTING INVESTMENT AS A KEY DRIVER

Public and private sector investment has a critical role to play in driving a sustainable and resilient economy for a post-COVID world. Such investments strengthen confidence in recovery, boost GDP and create and sustain employment.

From the public sector side, government is embarking on an ambitious multi-billion investment programme over the next decade to develop world-class, sustainable infrastructure across the Maltese islands around digitisation/virtualisation, transport, waste management, energy and industrial spaces. It is anticipated that this plan will create thousands of jobs and a huge multiplier effect across the economy. Government also aims to drive private sector investment across Malta's economic sectors, and will shortly be announcing a set of fiscal enablers that reward businesses for such investments.

IMPROVING PRODUCTIVITY BY LEVERAGING DIGITAL

Productivity is the cornerstone of competitiveness. Between 2010-2019, Malta recorded a productivity growth rate of almost 15%, one of the highest in the EU and significantly higher than the EU average of just over 6%. This was mainly driven by investment in technological improvements and higher educational attainment.

Digitisation will be a key driver of future productivity, so government policy will help Malta's industries fully harness technological innovation. Funding schemes will be reoriented to provide comprehensive support for businesses to analyse and re-engineer their business models around technology, with eligibility criteria adapted to ensure funding is available for 'as-a-service' type business models. Government also wants to support investment in digital and telecommunications infrastructure, data centres, high-performance computing clusters and open data to provide strong foundations for Maltese businesses to optimise production and create new products, services and business models brought about by technologies such as the Internet of Things (IoT), big data, cloud computing, robotics and artificial intelligence. These opportunities should alleviate demand for an enlarged built environment footprint.

Micro and small businesses are the beating heart of the Maltese economy. They have a critical role not only in driving employment and economic value but also in the social fabric of our communities. Government will therefore dedicate significant efforts to seeing these businesses thrive and support them to increase their productivity. This will include providing assistance to SMEs to build new skills, invest in technology, innovation and research to open up new sales channels, boost competitiveness, enhance operational processes, giving them more access to data and help them leverage ecosystems of partners through digital platforms and marketplaces.

STRENGTHENING ECONOMIC SECTORS AND DEVELOPING NEW CLUSTERS AND NICHES

Malta's recent economic success has been built on the competitiveness and drive of sectors such as tourism and hospitality, manufacturing, digital gaming, ICT, real estate and sustainable construction, professional activities and financial services, aviation and marine servicing and logistics and Artificial Intelligence. This is a strong base on which to build our future prosperity.

Foreign direct investment (FDI) has been a key driver for growth across many industries, capitalising on an attractive fiscal regime, a high-skilled workforce, strong physical and digital infrastructure, our strategic location and EU membership, alongside the rich natural beauty and quality of life that Malta offers. It is equally important to improve the quality of our physical environment to complement our strategic assets and make the country even more attractive to high-value FDI as well as ultra-high net-worth individuals.

Many of the anchor companies within various sectors are large international firms with complex value chains spread international locations. Government will strive to partner with them to bring more of their value to Malta and focus on expanding value-adding functions such as product and software design and research and development, alongside many of the back-, middle-of-office and production functions already present on the island.

Diversification into new niches of economic activity will be essential. Malta must identify its strengths and unique characteristics to create a compelling value proposition to establish operations here over other international locations. Malta must use its size, EU membership and location to position itself as a leading global test bed to pilot new solutions. Focal areas include health and wellbeing, digital educational technology and services (EdTech), technology driven regulatory solutions (RegTech), autonomous marine vessels, public sector blockchain solutions, green solutions such as carbontech, and international arbitration. Our planning framework must be flexible and quick enough to enable this diversification, while ensure sustainability by taking into account social and environmental impacts.

A primary ambition is to establish Malta as a global leader in niche areas of research, development and innovation. The government aims to double spending on research and development, mainly through increased private sector investment, supported by more investment by government, academia and policy levers involving both supply-side and demand-side measures.

In 2019, Malta introduced a Patent Box (Deduction) Regime enabling qualifying beneficiaries to benefit from a deduction against taxable income or gains of up to 95% of the gross revenue from its qualifying intellectual property (IP) assets. The draft Research and Innovation Smart Specialisation Strategy (RIS3) 2021 – 2027 identifies priority areas for R&I policy and investment over the next seven years as: health and wellbeing (AI-driven cancer diagnostics, cellular therapy, medical cannabis related drug development, digital/AI driven e-health and bioinformatics applications and biomedical engineering); sustainable resource use (zero carbon buildings, renewable energy generation and storage); smart manufacturing (sustainable manufacturing and flexible automation); and marine and maritime technologies (marine biotech and aquaculture, marine renewable energy, maritime engineering, smart maritime transportation and logistics).

Malta is rapidly emerging as a dynamic European start-up hub. To strengthen this development, the government will establish a co-investment fund in 2021 to provide equity-based risk capital to Maltese start-ups and scale-ups. It will also seek to partner with an internationally renowned start-up accelerator to run a programme in Malta over the coming years and invest in cutting-edge space for start-up related activities. Alongside this, the government plans to design fiscal incentives aimed at stimulating investment in innovation, creativity and job creation.

In encouraging start-ups and scale-ups, an important objective is to continue driving the transformation of the Gozitan economy. In recent years the island's activities have diversified successfully, with a reduction in the reliance on agriculture, public administration and tourism. Safeguarding agricultural land remains a priority, to maintain the strategy of eco-Gozo. Agriculture is an important economic sector and helps safeguard the character of our rural areas, which supports the wellbeing of the local communities. However, with its highly educated workforce, Gozo has considerable potential that is not currently being exploited. Despite significant progress the island's GDP per capita continues to lag the EU average. Gozo presents an excellent opportunity to test new incentives and policies that are at the heart of the Economic Vision and contribute to European goals. Rather than seeing Gozo as separate and different, we must be dynamic enough to turn challenges into opportunities, find synergies and make it a showcase for the transformation of the Maltese economy.



QUESTIONS FOR CONSULTATION

"PILLAR 1 – SUSTAINABLE ECONOMIC GROWTH GEARED TOWARDS QUALITY-OF-LIFE IMPROVEMENTS "

1. *How can government better integrate the environment and non-financial aspects such as quality of life, quality of work, wellbeing and the protection of our natural heritage into economic policy looking forward?*
2. *Digital transformation remains a significant challenge Maltese businesses face. What additional policy levers or incentives could address these and other digitally-related hurdles?*
3. *How can Malta drive greater focus and investment in research and innovation activities? What areas shall we strengthen to create an even stronger start-up ecosystem?*
4. *Which sectors or niche areas of activity do you think offer the most potential for Malta and why? What economic opportunities/initiatives can Malta explore further? How can Malta further encourage international companies present here to expand the value-adding / IP generating activities they undertake on the island?*
5. *Gozo has seen higher levels of accelerated and diversified economic growth over the past few years. How can we sustain the strength and diversity of this economic activity?*

PILLAR 2

HIGH QUALITY INFRASTRUCTURE & INVESTMENT

IN AN INCREASINGLY GLOBALISED ECONOMY, MALTA STRIVES TO DEVELOP A WORLD-CLASS, SUSTAINABLE INFRASTRUCTURE ACROSS ROAD, AIR AND SEA TRANSPORTATION, WHILE CREATING A VIBRANT INVESTMENT ENVIRONMENT FOR DOMESTIC AND FOREIGN ENTREPRENEURS AND BECOMING A REGIONAL HUB FOR START-UPS

Infrastructure facilitates trade, powers businesses, connects citizens, enables jobs and creates opportunities. The economy needs reliable and sustainable transport infrastructure to connect supply chains and efficiently move goods, services and people. Sustainable (green) infrastructure is essential for a good quality of life such as secure and affordable housing, adequate and resilient healthcare, access to high quality education, and green and open spaces. While this holds true for all economies, high quality, well-planned infrastructure is particularly important in Malta, where the geographic area is small while the population is growing and demand is increasing.

The vision for high quality infrastructure and investment thus aspires to:

- Catalyse quality investment in infrastructure built around a national overarching plan
- Transition to safe and secure multi-modal mobility
- Secure a reliable, clean and efficient energy mix
- Enhance digital connectivity and security
- Strengthen logistics connectivity
- Enshrine protection of existing green and open spaces and provide new ones while maintaining a healthy environment

CATALYSE QUALITY INVESTMENT IN INFRASTRUCTURE BUILT AROUND A NATIONAL OVERARCHING PLAN

The Maltese Government has embarked on an ambitious multi-billion investment programme to develop world-class infrastructure for a strong, resilient and vibrant economy and well-functioning society. Projects underway or in the pipeline include €700m of investments to upgrade Malta's road network, a €470m upgrade and expansion of Malta's industrial spaces, a €400m waste to energy plant, and the €50m Grand Harbour Clean Air project, while studies are underway for projects including the development of a tunnel to Gozo, continuous investment in green energy infrastructure, the regeneration of the Grand Harbour area including industrial zones related to the maritime sector, the possible conversion of St Anne Street in Floriana and the tunnels in Santa Venera into urban green spaces, the regeneration of Marsa and the regeneration and conservation of Fort Ricasoli, and the potential development of a light-rail underground mass transit system should studies support its viability.

The scale of economic growth over the last seven years, which has been coupled with rapid growth in population, tourists, buildings and cars, creates a need for more coherent national planning, harmonising different areas of policy into one vision which appropriately balances economic, environmental and societal priorities to make Malta a better place to live and do business. Aspects of such plans have already started, with the designation of a number of high-rise areas which aim to concentrate office-based activities within specially designated areas, as we have already done with manufacturing in our industrial zones.

The Malta Economic Vision 2031 will seek to move the country beyond immediate economic and social priorities to focus on the future vision for Malta for the coming decade. It will consider how Malta will align infrastructure investment and climate and environmental policy, and how it can enhance health and social wellbeing through more parks, open spaces, green infrastructure for pedestrians and cyclists, changes to planning and building laws to focus on aesthetics, safety and environmentally sustainable construction practices.

This strategic process will not happen overnight. It requires a fully transparent and bipartisan collaborative approach to take it forward, working in partnership with society, professional bodies, environmental and non-government organisations and the business community. Given the time it will take to complete, work must progress in parallel with projects that are already underway, to ensure the country can successfully move towards its aspirations both today and tomorrow.

TRANSITIONING TO MULTI-MODAL MOBILITY

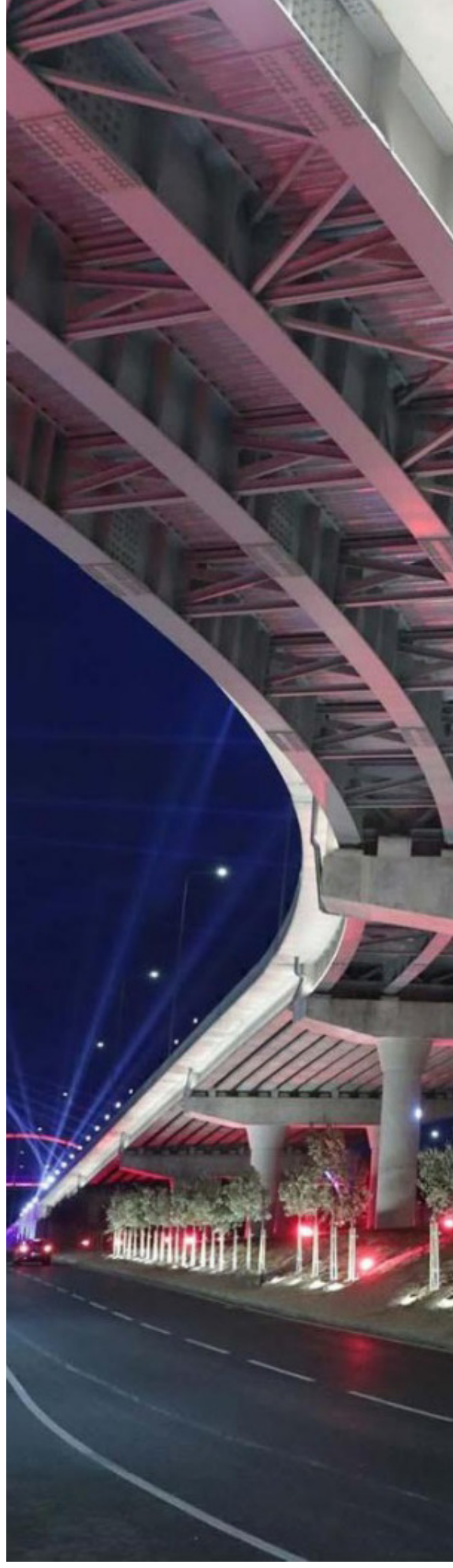
Multi-modal mobility is a cornerstone of Malta's Economic Vision and the infrastructural strategic process. Currently, Malta is heavily reliant on the quality and integrity of its road infrastructure for daily commuting and transportation of goods, with public transport confined to a bus

system, and limited infrastructure for walking, cycling and new forms of transportation such as e-scooters.

Congestion is a key challenge that Malta needs to address, as it impacts health, quality of life and the economy. The Malta National Transport Strategy published in 2016 estimated that without changes to the existing transport policy and no additional transport measures already being implemented, congestion would cost the economy over €1.28 billion per year in 2050, equating to a loss of 8.2% of Malta's GDP. This was modelled on 2014 data and projections for population and tourist numbers up until 2050. Malta surpassed both these projections by 2019, with the population reaching 514,564¹⁷ (39,805 - 61,469 above 2050 population estimate) and the country receiving 2.8 million tourists¹⁸ (+0.1m above 2050 tourist estimate).

Investments to upgrade and overhaul Malta's road network have therefore become even more pressing, and in 2019 Infrastructure Malta launched a €700 million, seven-year plan to upgrade roads and construct new flyovers and routes. The mission is to optimise the road network and other public infrastructure in the Maltese Islands to ensure they can sustainably and dynamically support the country's economic, environmental and social development.

This is only the starting point. The Vision aspires to drive the development of cutting-edge multi-modal infrastructure to enhance the economy, quality of life and environment over the coming decade. It foresees the need for less travel, as one positive brought about by the pandemic has been the reduction in car usage as a large percentage of Malta's office staff work from home. Government is therefore looking at various policy initiatives to sustain flexible work practices beyond the pandemic, including the potential development of co-working office spaces in different communities. The plan for next-generation multi-modal mobility foresees better and safer infrastructure for walking, cycling, e-scooters and e-bikes, enhanced maritime connectivity with new ferry services and routes, and support for further car-sharing and ride-sharing services. An ambitious plan to build charging infrastructure for electric vehicles is already underway.





SECURING A RELIABLE, CLEAN AND EFFICIENT ENERGY MIX

In 2013 Malta initiated a drive to provide cleaner, cheaper energy to its households and businesses, diversify energy security beyond the reliance on the interconnector, and ensure that energy infrastructure could meet future demand as vehicles transition to electric energy. The National Energy and Climate Plan (published in December 2019) and the Low Carbon Development Strategy for Malta and Long-Term Renovation Strategy (published in 2017) are about to be finalised, while a Waste Management Plan is being drawn up. Energy policy is deeply linked with these initiatives and Malta's path towards decarbonisation and planned carbon neutrality by 2050.

Key initiatives include further investment in hydrogen-ready gas pipeline, which will initially transport LNG for Malta's power stations once it is readily available within the EU, but will also be capable of delivering green hydrogen to the country as Europe adapts its energy mix to cleaner renewable sources over the coming decade. Another project which is being considered is the transformation of Gozo into a carbon neutral island. In the meantime, procurement procedures are already at an advanced stage for a €400m waste-to-energy plant, which will convert non-recyclable waste into energy, satisfying 4.5% of the nation's energy demands. It is part of a holistic project which will include the development of a new recycling plant and an organic processing plant as part of our drive to make Malta more sustainable. Government is also looking at how more energy can be generated from renewable sources and the available onshore and offshore footprint that will be required to accommodate them. These energy projects will generate large-scale investment for the Maltese economy and will create a multiplier effect, from both an economic and social perspective, while improving Malta's environment.

ENHANCING DIGITAL CONNECTIVITY

Digital industries have been a critical driver of economic growth over the last decade, and Malta continues to emphasise the key role of digital policies in shaping its competitiveness. Looking ahead, the rapid advance and convergence of technologies in the fields of AI, 5G and IoT will revolutionise the way we use data, underpinned by a network of connected devices with embedded intelligence and learning capabilities which will transform the way everyone lives and works.

Malta aspires to be a digital powerhouse within Europe by 2031. A number of building blocks will contribute towards this vision, including further investment across digital sectors, the ambition for Malta to be in an international launchpad for cutting-edge AI solutions and public sector blockchain applications, investments in modern hybrid-cloud infrastructure for government services combined with next generation customer and business portals for seamless digital end-to-end digital government services, and, critically, sustained and extensive public and private sector investment across Malta's digital infrastructure and connectivity.

Key Initiatives include the development of a new internet submarine cable linking Malta to Marseille and Egypt by one of Malta's telecommunications companies, to complement the four submarine cables connecting Malta to Italy. Malta's telecommunication companies are actively investing in trialling emerging technologies such as 5G and narrowband IoT applications. Concurrently, the Government is investing in the development of Malta digital language tools to support AI-driven understanding and generation of Maltese text and speech to catalyse the deployment of AI solutions by industry as part of the ambitious national strategy for Artificial Intelligence launched in 2019.

STRENGTHENING LOGISTICS CONNECTIVITY

The Economic Vision includes an ambition to transform Malta into a leading Mediterranean multi-modal logistics hub, further capitalising on Malta's strategic location in the middle of the Mediterranean on the main international shipping lanes, and strong air connectivity. As part of the drive towards becoming an international centre of excellence for logistics, continued investment in local port infrastructure will help lower the cost of transferring cargo to manufacturing plants, improving operational efficiency and competitiveness. A surge in online shopping has established a flourishing eCommerce sector in the global economy which has brought with it a new type of logistics chain that caters for the transportation of products to both private households as well as distribution points. In this context, Malta could become a key hub for Asian suppliers who could store products in Malta that they seek to sell and distribute to end-consumers and businesses all over Europe and North Africa¹⁹. In addition, the vicinity of the airport to the ports means that multimode distribution is within easy access. Goods can be shipped in by sea, possibly finished, and then forwarded on to the final destination by air. However, making such a process efficient requires investment in the digitisation of logistics and services.

ENSHRINE PROTECTION OF EXISTING GREEN AND OPEN SPACES AND PROVIDE NEW ONES WHILE MAINTAINING A HEALTHY ENVIRONMENT.

Regeneration of wasteland, parks, playgrounds and urban open spaces for better quality of life is the heartbeat of Malta's Economic Vision. Malta's recent urban development has seen an increase in the construction of buildings and roads to support recent economic growth. The Malta Economic Vision 2031 now seeks to drive more investment into parks, open spaces and playgrounds in urban areas and to complement these with green infrastructure to mitigate urban heat island effects, improve air quality and promote wellbeing through recreational spaces close to one's home or workplace. Untouched areas of natural beauty and agricultural land will be safeguarded to create better cohesion between the built and rural environments through greater emphasis and investment in nature-based solutions such as green walls and roofs as a standard fabric of our urban environment.

The Economic Vision for Malta envisages that green and open spaces become a central component of our urban and commercial environment. Green infrastructure increases our adaptive resilience to the impacts of climate change. Such spaces are a necessity in each locality, and in many instances they could act as the green lung which connects town A to town B. These must be car free zones, where people can walk, cycle or move safely using new forms of transport such as electric scooters, playing a critical role in Malta's plan for multi-modal mobility. In addition, such areas should be planned or retrofitted with green infrastructure which strengthens ecosystem services and promotes a local microclimate which contributes to enhanced wellbeing.

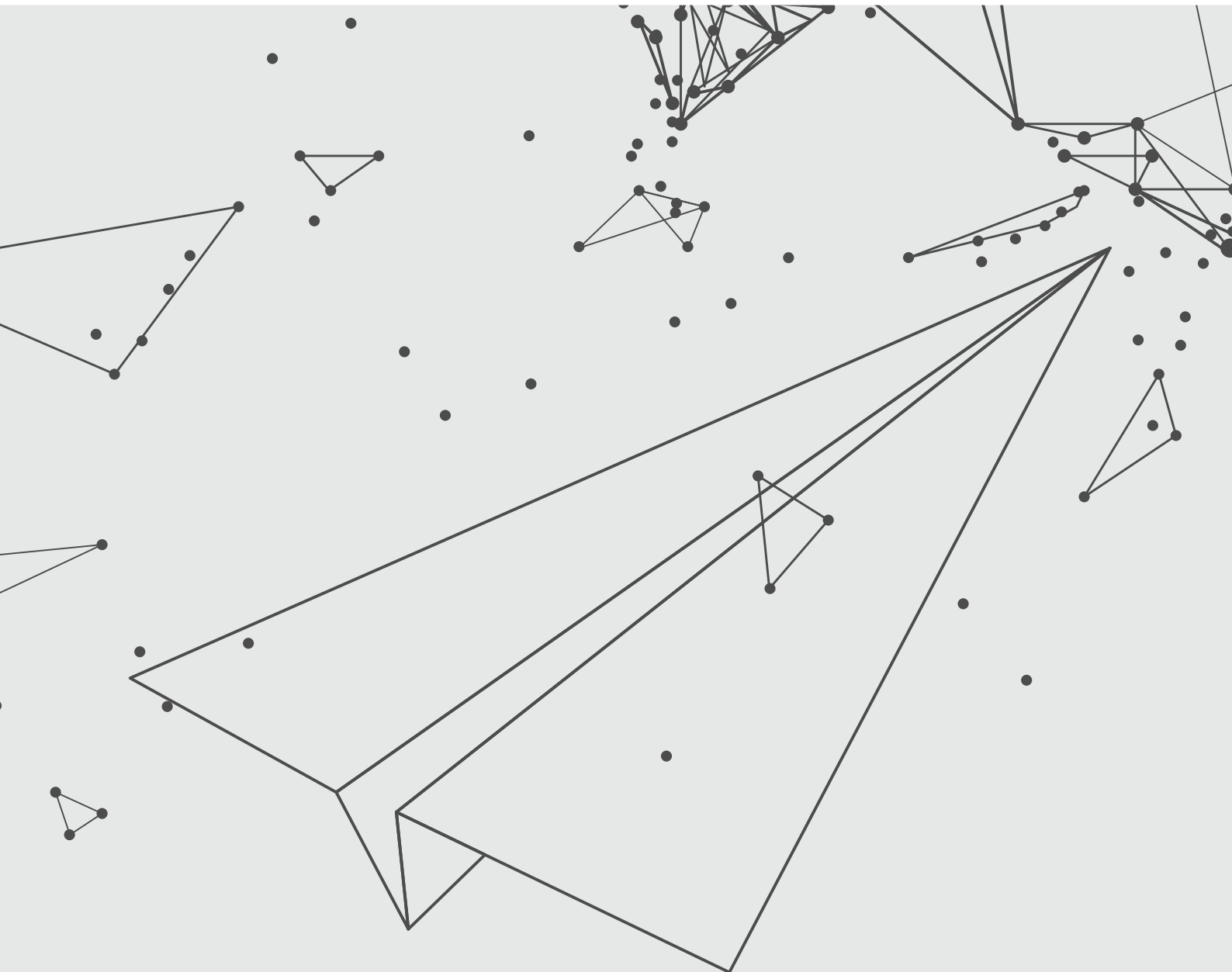
There are numerous health benefits associated with parks, open spaces and playgrounds that will not be overlooked, such as increasing levels of physical activity, reducing stress and depression and enhancing mental wellbeing. These spaces are also of crucial importance in commercial areas. Ultimately, these areas will lead to happier citizens and workers which in turn will make Malta a better place to work, live, visit and invest, and as such have been identified as a priority area for investment in Malta's Economic Vision.



QUESTIONS FOR CONSULTATION

"PILLAR 2 - HIGH QUALITY INFRASTRUCTURE AND INVESTMENT"

1. *How can Malta enhance its digital infrastructure going forward?*
2. *How can Malta unlock new investment in green energy infrastructure?*
3. *What other opportunities and incentives can Malta implement to speed up the cultural shift towards alternative methods of mobility?*
4. *What would you rather prioritise in terms of infrastructural spending on green projects (eg. large-scale parks; 'green lungs' connecting towns and villages) and what should be the role of the private sector?*
5. *What would you consider to be the biggest infrastructural priorities for the country. What role should the private sector have in setting out the infrastructure overarching strategic process?*



PILLAR 3

EDUCATION & EMPLOYMENT

MALTA WILL PROVIDE THE NECESSARY CONDITIONS WITHIN WHICH HUMAN CAPITAL CAN ACQUIRE THE NECESSARY KNOWLEDGE AND SKILLS TODAY TO BUILD THE ECONOMY OF THE FUTURE, WHILE CREATING HIGH-QUALITY AND WELL-PAYING JOBS AND ENSURING THAT MALTA IS A NATURAL HOME THAT ATTRACTS AND RETAINS A POOL OF GLOBAL TALENT

A key economic pillar rests on stimulating education and employment to further elevate the labour force to a level that competes with the most advanced and attractive economies. To achieve this Malta must:

- Frame the future skills landscape and prioritise the closing of skills gaps
- Align education curricula with the skills required for tomorrow's economy
- Establish Malta as an International Education Hub of Excellence
- Reskill and upskill the workforce with the skills required for tomorrow's economy
- Attract and retain diverse talent while curbing brain drain of the best talent

FRAME THE FUTURE SKILLS LANDSCAPE AND PRIORITISE THE CLOSING OF SKILLS GAPS

The starting point for stimulating education and employment is to understand the trends and opportunities that will reshape the world and then analyse the types and quantities of skills that will be required in the labour market to ensure the Maltese economy flourishes in this changing global landscape.

ALIGN EDUCATION CURRICULA WITH THE SKILLS REQUIRED FOR TOMORROW'S ECONOMY

Malta's education system will need to evolve to ensure it is future-proof and nimble enough to adapt to the ever-changing economic and skills landscape. There remains a misplaced focus on traditional blue collar career paths which, while always required, leads to a mismatch between the supply of skills and the demands of the economy. This situation will only exacerbate without action leading to significant inefficiencies and lost productivity as businesses must take it upon themselves to re-skill and up-skill personnel.

Besides demand and supply dynamics within the labour market stemming from internal and external factors, the role of regulatory pressures, mainly those pertaining to the environmental side, have been on the rise. The EU's decision to accelerate its trajectory towards carbon neutrality by 2050 is stimulating the emergence of green markets guided by principles such as sustainability, circularity and resource efficiency. As a result of this environmentally conscious led approach, the national education system will need to respond to the evolution of green markets internationally and in Malta, retraining and reskilling the workforce to meet this demand.

Industry can play a pivotal role in the design of educational programmes to ensure a consistent supply of the right skills. The willingness of visionary industry leaders to contribute to education reform must be leveraged by the institutions when designing forward-looking curricula at all levels. The introduction of sector-specific working groups combining the insight and foresight of industry leaders with the expertise of academics and researchers will be essential in providing holistic strategic recommendations on how the education system should be modernised.

Malta's people and their talent are its only significant resource, so improvements to education are arguably one of the most effective ways to drive Malta's Economic Vision forward. Education reform must also enhance the level of basic skills required by all, irrespective of one's career path, including IT skills, literacy, numeracy, analytical and problem-solving skills, entrepreneurship, ethics and communication skills.

Informational campaigns are needed to guide students (and their parents) on future job prospects, including current and future demand and supply, required learning paths and income

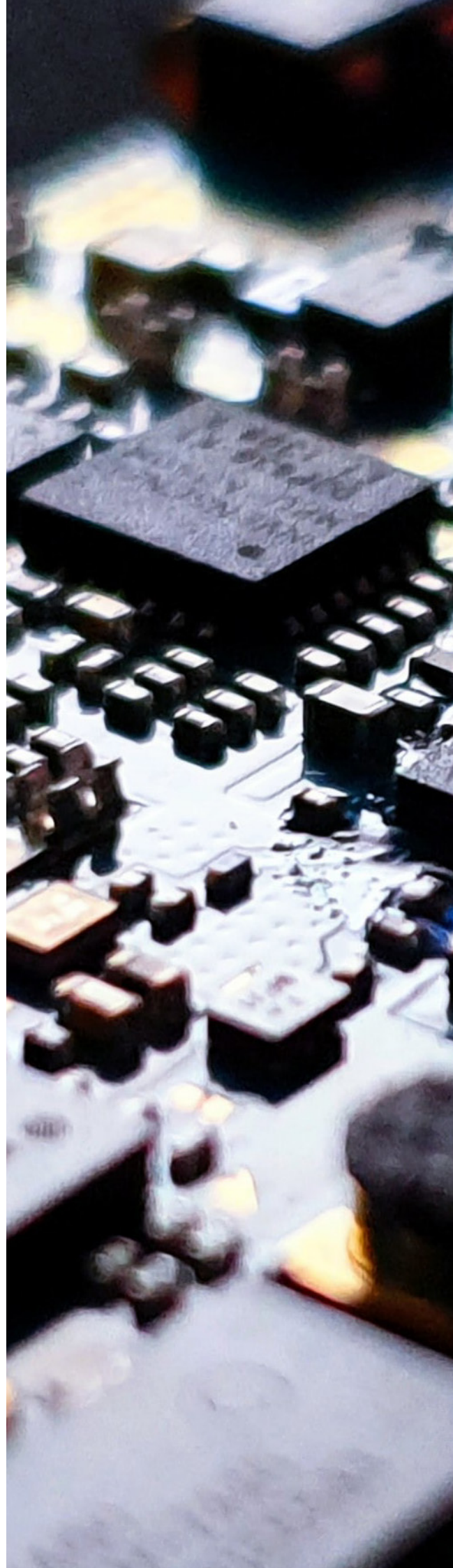
prospects. Policy measures will also be developed to increase the number of STEM related graduates, given the increasing importance of digital across all areas of Malta's economy.

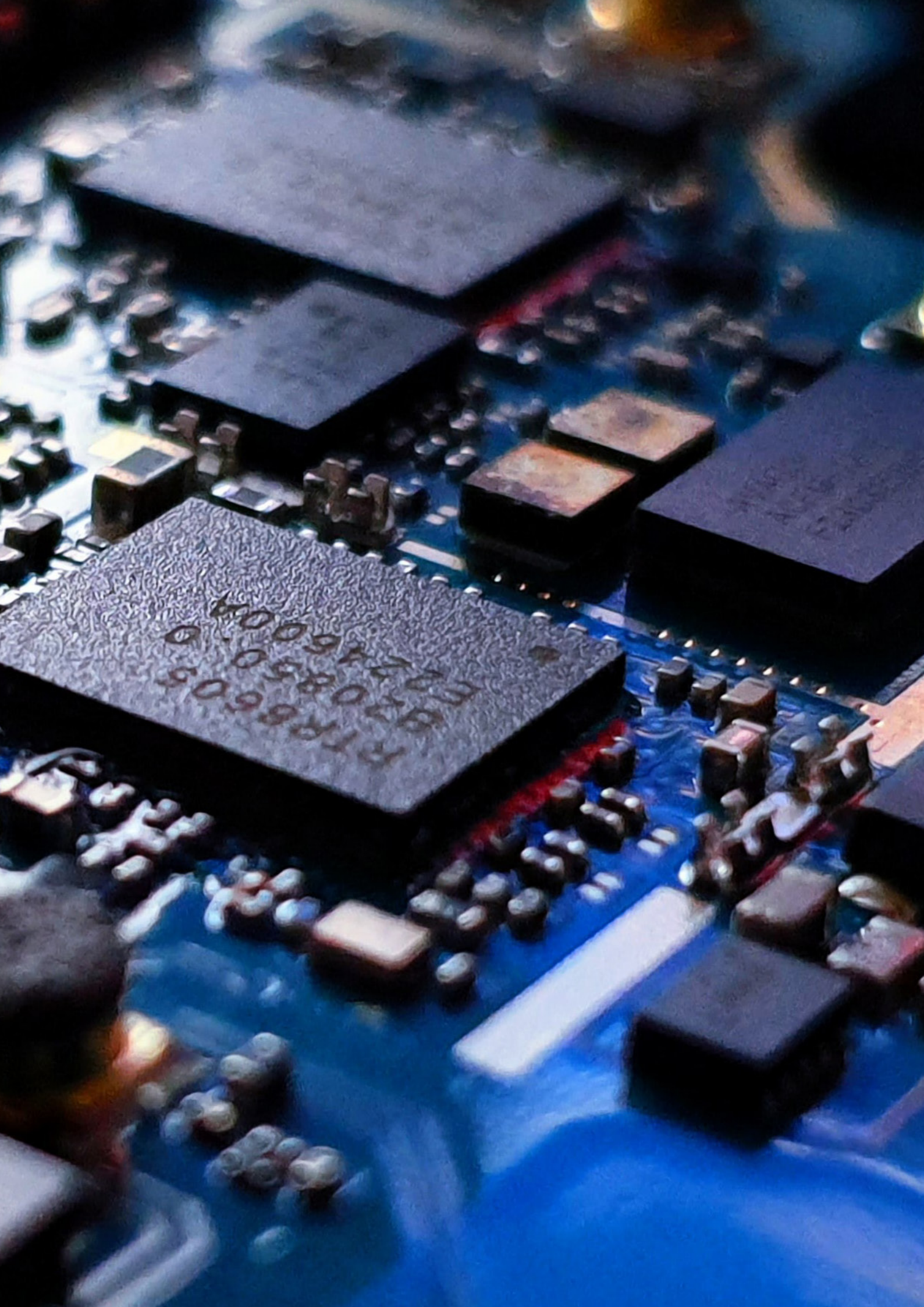
ESTABLISH MALTA AS AN INTERNATIONAL EDUCATION HUB OF EXCELLENCE

To reinforce Malta's ambitions as a centre of excellence in education, Malta needs to attract globally renowned educational institutions that are relevant to the country's main economic sectors to set up locally, with a particular focus on the green and digital sectors. The opening of the Bart's Medical School in Gozo was the first step in this direction. Government is seeking to build out this model in other areas through affiliations with high-ranking international universities, with Malta's quality of life, climate, EU membership and English language contributing to its appeal.

The Vision also sees closer collaboration with industry across education. Some local economic sectors, such as aircraft maintenance and printing, have already implemented such a model, with leading global firms that have been attracted to Malta establishing educational programmes to ensure a consistent supply of the right talent and skills to sustain their growth plans. There is a significant opportunity to replicate this for sectors vital to the present and future economy such as the green and clean energy sectors, financial services, IT and high-end hospitality. Malta's Economic Vision also foresees a drive towards work-based learning, in line with countries such as Germany.

Malta's potential for its higher education institutions to offer distance learning, with online degree courses for overseas students from developing and developed countries, will also be pursued.





RESKILL AND UPSKILL THE WORKFORCE WITH THE SKILLS REQUIRED FOR TOMORROW'S ECONOMY

Upskilling and reskilling of Malta's current workforce, especially in basic digital skills, is a priority. By 2025, the time spent on current work tasks by humans and machines is expected to be equal²⁰. Like many other countries, Malta has a large percentage of its workforce employed in jobs where demand is forecast to decline, while it has a shortage of professionals in the roles where many new jobs will be created. Malta also has a relatively high percentage of employed adults (aged 25-64) with a low level of digital skills (47.6% compared with an EU average of 43%). Percentages by age group vary from 26.5% (aged 25-34) to 37.1% (aged 35-54) and 59.1% (aged 55-64), highlighting that the problem is more acute among older workers. Policy measures will therefore be introduced to assist and reward the Maltese workforce in developing new skills in areas of national importance. Malta will also support the internationalisation of Maltese R&I talent to increase access to knowhow, networks and resources.

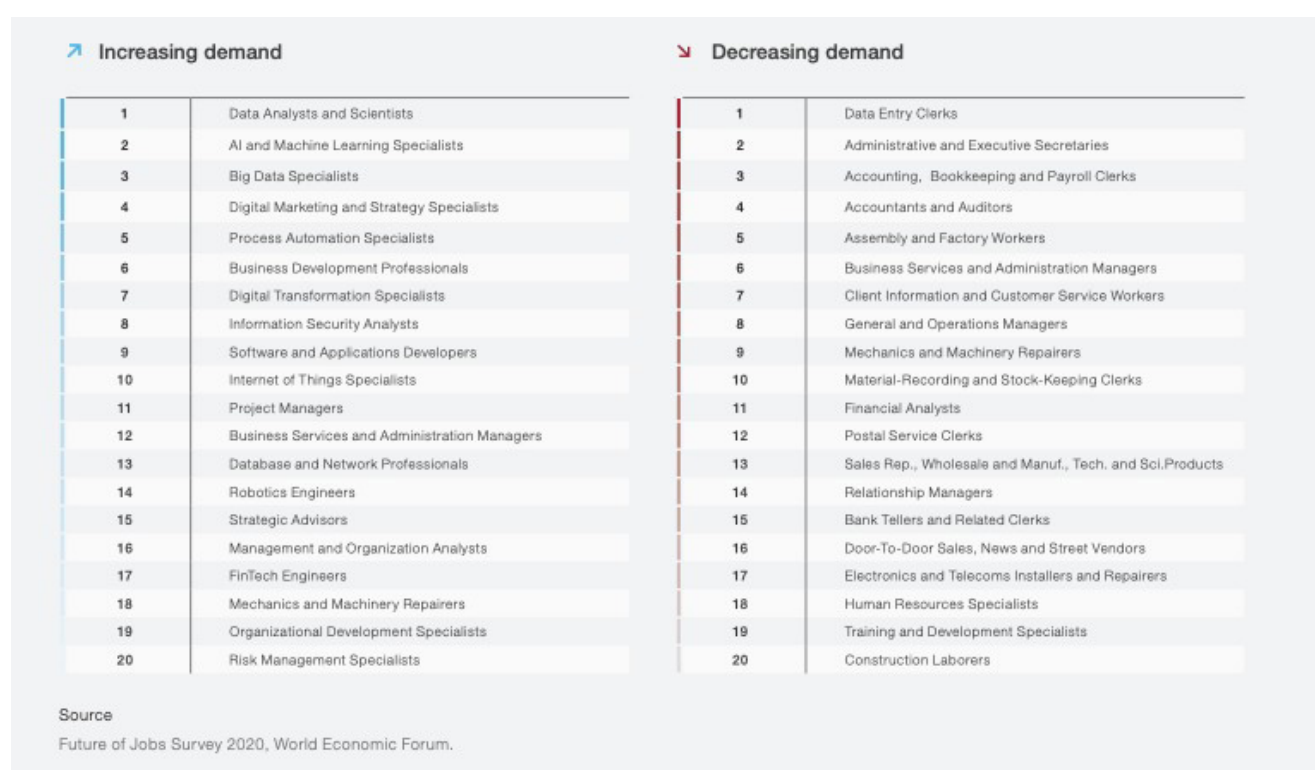


Figure 2: Top 20 job roles in increasing and decreasing demand across industries

ATTRACT AND RETAIN DIVERSE TALENT TO CURB BRAIN DRAIN

Besides increasing the quality and quantity of skills, it is essential to implement reforms to retain both homegrown and foreign talent. Around 30% of foreign workers leave Malta within their first year of employment, 70% leave by their third year and 90% leave by their sixth year (Jobsplus, 2018). Factors that contribute to this issue include the cost of living and accommodation, quality of life and long-term opportunities.

As part of the Malta Economic Vision 2031, the labour market strategy for the New Employment Policy 2021²¹ Malta's Employment Strategy, which is currently being developed, the country will address skills and employment challenges aimed at strengthening the country's attraction and retention of foreign workers and keeping the best local talent in the country by fostering an inclusive environment of success and a culture that recognises and rewards innovation, creativity and entrepreneurship. As in other partnering countries, Malta has recently launched the 'Nomad Visa' that will continue to facilitate remote working and further investment in our local economy. We Malta will continue to facilitate these processes that will continue to attract and retain foreign talent.

QUESTIONS FOR CONSULTATION

"PILLAR 3 - EDUCATION & EMPLOYMENT"

1. *What changes do you foresee in education to support the development of a stronger skills base? What do you consider to be the main challenges that would need to be overcome in the next 10 years?*
2. *How can Malta encourage more people to reskill or upskill, especially in industries which are changing or declining? What is the role of the private sector in this area?*
3. *How can Malta upskill members of society (including the elderly) who lack basic digital skills?*
4. *What incentives can be offered to attract and retain diverse talent from overseas and the best local talent on the island?*
5. *How can Malta better anticipate the necessary skill sets and education requirements to match tomorrow's employment needs?*



PILLAR 4

THE ENVIRONMENT

IN SAFEGUARDING MALTA'S FUTURE GENERATIONS, WE WILL FACILITATE AND ENABLE A SMOOTH TRANSITION TOWARDS A CIRCULAR AND SUSTAINABLE ECONOMY ACROSS ALL SECTORS OF ECONOMIC ACTIVITY, WHILE EMBRACING NEW ALTERNATIVE ENERGY PRACTICES TO ACHIEVE CARBON NEUTRALITY BY 2050

A healthy living environment is key to achieving prosperity and better wellbeing for society. To sustain strong economic performance and improve quality of life, we must start looking at a new modus operandi in which economic growth and the safeguarding of the environment are seen as integrated, rather than opposing, forces. Today, environmental standards are among those which exert a pull-factor on FDI. Systems for ensuring the cleanliness of public areas, better waste management and recycling as well as the transition towards circular, decarbonised and greener economies should be seen as a competitive advantage to enhance socio-economic development.

The Economic Vision for Malta sees that environmental degradation is no longer 'sine qua non' to economic success. The increased likelihood of a climate/environmental crisis means we need to be prepared and ensure resilience. Activities which protect the environment will not only ensure a better quality of life and the safeguarding of natural resources, but also lead to the development of new economic niches, investment and a better tourism offering. This will be achieved through:

- Efficient use of resources, including land, and better waste management
- Combatting emissions and pollution
- Achieving carbon neutrality
- Providing green finance
- Protecting Malta's seas and harnessing the blue economy
- Preservation and restoration of nature habitats

EFFICIENT USE OF RESOURCES AND BETTER WASTE MANAGEMENT

As a small island, Malta lacks natural resources, so it is imperative that any resources are used wisely and efficiently. Using land for landfills and dumping is unproductive and unsightly. The disposal of 'waste' is a grave underuse of resources, because goods can be repurposed for new economic activities. Simultaneously, more emphasis needs to be placed on generating energy from our landfills in order to make better use of our immediate resources.

For all these reasons, it is imperative that a new economy is based on circularity, as opposed to a more linear model focused on a 'make – use – dispose' approach. A circular economy will make sure that waste resources are reused maximising resource usage. This falls in line with the Long-term waste management plan for 2021-2031. Initiatives such as the recently announced 'reuse centres' by WasteServ, whereby items such as used books, toys and furniture are given a second life, will help to embrace such a circular approach, whilst extending the life of items which would otherwise be thrown away and enter the waste stream. A circular economy not only supports waste management, but creates new economic opportunities, research and innovation prospects and jobs.

Apart from ensuring a cyclical economic model, the Malta Economic Vision first and foremost prioritises the prevention of waste. This will make it possible to dedicate resources currently used to manage waste to other value-adding activities. Systems that deter waste production and consumption should be supported, along with new technologies to recycle materials, such as plastic, to make sure that new business ideas are responsive to this pressing local issue.

The trend in the construction industry and the increased investments in road infrastructures have inevitably led to greater usage of our limited land. Now efficient land use is being enshrined in the Vision, to ensure this precious resource is maintained for future generations. Development will need to ensure it is complemented by interventions that offset its negative impact. This will include greening urban areas, better use of stormwater and the creation of biodiversity corridors and open spaces to promote wellbeing and strengthen ecosystem services. New buildings should be designed to maximise reuse and recycling when they reach the end of life and should undergo a Life Cycle Assessment, where the method of construction and materials used should be allocated specific waste flows.

The Malta Economic Vision also foresees better and more efficient water usage. This is in line with the national water saving campaign that the Energy and Water Agency (EWA) embarked on in 2019. The Vision thus aims to tackle the efficient supply of water, making sure that proper conservation of stormwater is pursued through a variety of initiatives such as sustainable urban drainage and green infrastructure, and that technologies are in place for the use of secondary water and new water in lieu of groundwater. This will mitigate the scarcity of this natural resource in Malta.

In addition, the Vision will address the safeguarding of our water resources whilst increasing the recycling rate of available waste to develop a secondary market of re-cycles.

COMBATTING EMISSIONS AND POLLUTION

Despite a drop in greenhouse gas emissions in the past few years, mainly attributed to the closure of the heavy fuel oil power station in Marsa and the move towards the use of LNG, further action is required to combat climate change. This goes hand in hand with addressing air pollution, which remains a significant environmental pain point for the Maltese islands.

The Vision will promote new, cleaner modes of transport, such as cycling, more efficient public transport, vehicle sharing and electrical vehicles. Citizens will be incentivised to make the shift to more efficient modes of transport. While mobility is a must, the Vision will establish ways to do so with the least possible impact on the environment, with a shift towards greener forms of transport.

As Malta has moved from heavy fuel oil power stations to the use of LNG and the electricity interconnector, emissions from energy generation have fallen. Nevertheless, the government recognises that further economic opportunities lie in the adopting new ways of generating energy through renewable sources, such as by investing in solar and wind energy. As well as making energy cleaner, renewable sources will make it cheaper in the long term, once the capital investments are recouped. In addition, energy efficient technologies, including smart lighting, smart green design for buildings and more efficient heating and cooling systems will reduce energy demand. Both the cleaner sources of energy, as well as technologies leading to lower demand, will provide opportunities for investment, innovation, and new economic sectors in which both local and foreign investors can venture.

ACHIEVING CARBON NEUTRALITY

Reducing greenhouse gas emissions is an obligation emanating from international and EU commitments, the latest being that of achieving a climate neutral EU by 2050. It is imperative that this is done in the most





cost-effective manner and in a way that stimulates green growth to remain competitive and generate value-added. In line with this, government is finalising a Low Carbon Development Strategy for 2050 to identify the most cost-effective pathways to decarbonise our economy by 2050.

It is worth noting that with Malta being one of the lowest emitters per capita in the EU, the potential to reduce further emissions is limited. Nevertheless, Malta continues to be committed to do its utmost in this regard. Indeed, Malta and Gozo can act as global testbeds for new decarbonising technologies. The small size of our islands lends itself to the testing and adoption of clean air technologies, in terms of both energy production and transportation, which if successful could be adopted globally. Such a decarbonisation opportunity also presents an economic opportunity, attracting R&D and FDI to Malta.

This transition will need to be conducted in a socially inclusive way, “leaving no-one behind”. Policies should be designed so they do not disproportionately impact those on low incomes, who are less able to afford cleaner technologies.

PROVIDING GREEN FINANCE

The Economic Vision must ensure that funding and financial instruments are designed in line with environmental protection and that any investment funded does not undermine it. This Vision therefore includes a component of green finance, working with banks and other financial intermediaries in its provision. Specific green financial instruments will be encouraged and strengthened, given their infancy. Green finance can also be generated from planning gains related to development projects which due to physical constraints cannot provide the required measures to become carbon neutral. The Climate Action Act also provides for a Climate Action Fund which will be replenished from revenues accruing to the government from its implementation of market-based measures relating to climate action adopted pursuant to international treaties or EU legislation, including the auctioning of allowances pursuant to Directive 2003/87/EC and from revenues generated by the government through the implementation of national measures relating to the reduction or limitation of greenhouse gas emissions.

Direct financial assistance in grants and subsidies, such as the ones already being provided to support investment in solar panels, double glazing, water heaters, insulation, heat pumps, green roofs/facades and EVs, will be incorporated in the Vision. Further assistance through EU funding will also help to ensure that anyone interested in investing in green technologies is supported. More financing mechanisms must be made available for the built environment, as this contributes a huge portion of the overall emissions.

The development of green bonds is also envisaged. These are investment instruments solely related to green projects. Such instruments ensure that companies seeking funds to undertake environmental projects find the adequate financial resources, while also giving environmentally conscious investors opportunities to invest in green projects. Having such products on the

financial market will be a clear indication that 'greening the economy' is in line with economic development and growth, as it would be supporting the development of new economic activity. This will send a strong signal to private operators and pave the way for future green financing of national infrastructural projects.

PROTECTING MALTA'S SEAS AND HARNESSING THE BLUE ECONOMY

Malta's seas are the one of our few natural resources. They are a key driver for tourism and central to the happiness of Malta's citizens. Malta's Economic Vision therefore identifies marine conservation as an area where more focus is required. The Environment and Resources Authority (ERA) started a broad consultation exercise with all relevant marine stakeholders in 2017, with a view to balancing conservation with economic and recreational activities. The aims of the proposed measures include the protection and restoration of seminal marine habitats, reefs and marine caves and the mitigation of existing pressures.

Balancing opposing pressures is not easy. It is therefore vital that Malta assesses how economic activities such as aquaculture impact on other areas of the economy and citizen wellbeing. Malta's Integrated Maritime Policy highlighted Blue Biotechnology as a potential area that can attract talent, research and investment in areas that leverage Malta's natural assets.

Stakeholders responding to the draft Malta Smart Specialisation Strategy 2021-2027 (MCST, 2020) identified strong innovation potential at the interface between aquaculture research and marine biotechnology. The Malta Economic Vision will therefore seek to harness opportunities such as using fish waste as a resource for commercial products. Apart from the innovation potential in this area, this approach seeks to drive a reduction in the volume of fish waste dumped at sea, putting into practice the principles of the circular economy. Growth in marine-derived enzymes for cosmetics in Europe has been particularly large, fuelled by investment and EU-funded research projects, and this is another area the country is looking into.

PRESERVATION AND RESTORATION OF NATURAL HABITATS

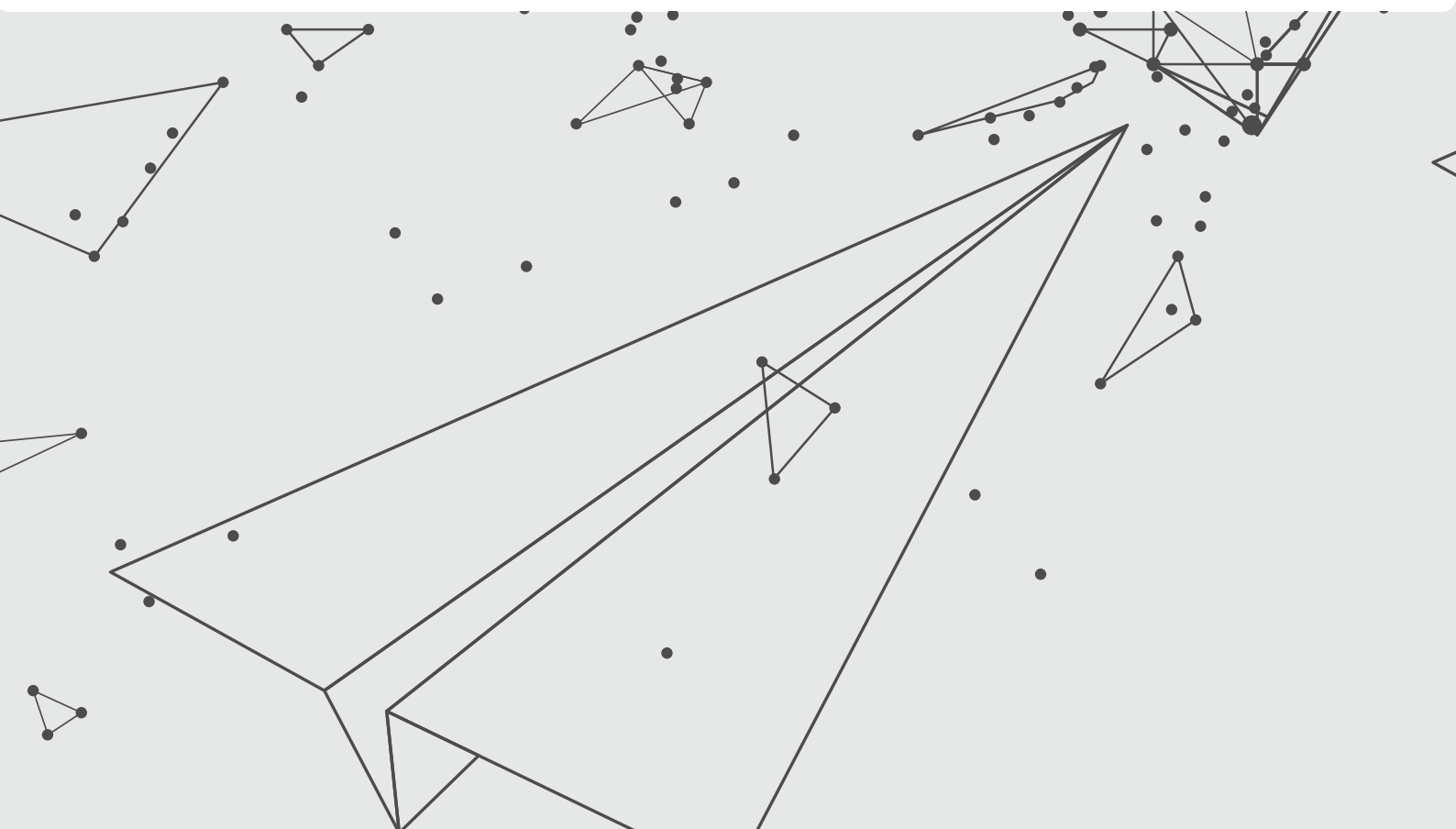
Given the size of our islands, habitats preservation, both those still in 'natural' form and those which were created through human interventions, are pivotal in ensuring economic success. These habitats, which support societal wellbeing, are often in competition with other external pressures for the same space.

Through the revision of the management plans for Natura 2000 sites – a network of core breeding and resting sites for rare and threatened species across the EU – the Malta Economic Vision will identify opportunities to preserve and restore habitats to increase economic engagement and balance as much as possible external pressures.

QUESTIONS FOR CONSULTATION

"PILLAR 4 - THE ENVIRONMENT"

1. *Do you agree that the environment can be a key driver for economic investment?*
2. *What green investment projects do you think would create the largest social and economic (including tourism) benefits for Malta and Gozo?*
3. *How can Malta best harness the blue economy in an environmentally sustainable way?*
4. *How do you think the shift towards carbon neutrality will impact Malta's economic activities?*
5. *How can we best harness Malta's inherent environmental limitations to attract further FDI?*



PILLAR 5

HIGH STANDARDS OF ACCOUNTABILITY, GOVERNANCE AND RULE OF LAW

MALTA WILL CONTINUE TO ENHANCE AND PROMOTE GOOD GOVERNANCE ACROSS EVERY SPHERE OF PUBLIC LIFE AND ACROSS ITS KEY INSTITUTIONS AND DECISION-MAKING AUTHORITIES, AFFIRMING ITSELF AS A TRUSTWORTHY, TRANSPARENT AND EFFICIENT ECONOMIC PARTNER ON THE GLOBAL SPHERE

Good governance is at the heart of any well-functioning economy and society, underpinning the activities of all stakeholders, creating long-term trust in regulatory bodies and, by extension, the country. Good governance is essential for Malta to ensure a stable business environment and to safeguard citizens' quality of life. Ensuring accountability and transparency are key, together with providing citizens with an effective, efficient and inclusive system. Good governance is a matter of improving democracy and ensuring that the expectations of citizens are met. It is a cross-sector approach that must apply to all – from the judicial, to the financial, to the environmental and social aspects.

International organisations including the International Monetary Fund (IMF) and the World Bank have placed good governance at the centre of their pro-growth mandate, actively encouraging policies such as public codes of good practice and standards to strengthen institutions. Malta must strive for continued improvement in the integrity and transparency of its public institutions to further promote good governance, stronger governance across the economy, and deep respect for the rule of law as an integral part of the Malta Economic Vision 2031. This can be achieved by:

- Enshrining rule of law, strengthening governance and transparency and ensuring accountability
- Strengthening the regulatory environment to ensure and enforce compliance with the highest international standards
- Implementing the necessary reforms for a faster and fairer justice system
- Prioritising data protection and privacy as fundamental prerequisites for a digital economy.

ENSHRINING RULE OF LAW, STRENGTHENING GOVERNANCE AND TRANSPARENCY AND ENSURING ACCOUNTABILITY

The single most vital component required to enshrine rule of law, strengthen governance, implement transparency and ensure accountability is political will. Based on a concerted effort, Malta ranked among the top 20% of countries around the world for rule of law in the 2019 Global Competitiveness Report²², reflecting the government's drive to make good governance a foundation of this administration. In other governance indicators, Malta ranked in the top 10% for political stability and safety²³, underscoring Malta's reputation as a secure jurisdiction that adds to our attractiveness as a place to live, work and invest. To reinforce this reputation, Malta must continue to strengthen all regulatory bodies across all business sectors as well as the police force and the judiciary to properly and effectively enforce the rule of law.

Significant progress on enhancing good governance has been achieved in recent months, with numerous reforms such as the strengthening of the Office of the Ombudsman and the Permanent Commission Against Corruption (PCAC), reforms to the system of judicial appointment, the separation of the Office of Attorney General and the Office of the State Advocate, and constitutional reforms in the processes to appoint the President of the Republic and the Police Commissioner²⁴. Such reforms have also been formally recognised by the European Commission in the 2020 Rule of Law Report as positive steps as well as through the Venice Commission, which notes this significant progress, but there remain areas where the country can improve.

A higher level of accountability in all facets of public and private life is crucial if Malta is to elevate and strengthen good and ethical governance. Full disclosure through public sector transparency and accountability drives integrity and trust across society and businesses alike. To this end, over the past seven years, Malta has embarked on reforms designed to address transparency and ac-





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countability, such as the removal of prescription on acts of political corruption and the press law revamp that abolished criminal libel, among others. Malta currently ranks 46th out of 141 countries²⁵ worldwide when it comes to transparency. The Vision is therefore committed to preserving and enhancing Malta's international reputation with regards to rule of law and public accountability.

STRENGTHENING THE REGULATORY ENVIRONMENT TO ENSURE AND ENFORCE COMPLIANCE WITH THE HIGHEST INTERNATIONAL STANDARDS

A prerequisite for a stable, thriving business environment is a credible and fair regulatory environment, helping to create a trustworthy jurisdiction based on a level playing field and a robust framework for economic transactions to flourish.

Following the kickstart in institutional reforms by this government, the Malta Economic Vision 2031 commits to further investment to develop a dynamic regulatory framework that minimises administrative burdens while ensuring compliance with the highest international standards. Such a regulatory framework is crucial to continue to lead the local business environment through emerging global regulatory challenges and developments.

As financial services continue to play an active role in economic growth while generating significant FDI, it is crucial to protect the integrity and reputation of the industry by having world class regulatory oversight. Significant reforms have been undertaken through the unremitting strengthening of the various regulatory and oversight bodies such as the Malta Financial Services Authority (MFSA), the Financial Intelligence and Analysis Unit (FIAU) and other industry-specific regulators such as Malta Gaming Authority (MGA), particularly in the sphere of anti-money laundering and combatting funding of terrorism (AML/CFT) as well as Fintech and Regtech through the proposed introduction of a Regulatory Sandbox and Innovation Hub.

In the pursuit of excellence, further areas of improvement must be targeted as part of the wider vision such as streamlining the registration of property, facilitating access to credit and improving efficiency in the resolution of insolvency. The fiscal engines of growth will be at the forefront of this enhanced business environment in the creation of competitive advantage for Malta.

Besides continuous investment in the strengthening of the regulatory bodies, Malta will continue to invest in best in class digital and cybersecurity infrastructure to sustain a thriving, secure business environment. Malta's Economic Vision also relies on structured and fair enforcement of regulations and the rule of law in all facets of business, be it public or private. The recently launched Malta Police Force Transformation Strategy 2025 is a strong signal that improved enforcement of the rule of law is fundamental and that concrete steps are being taken to achieve this. From an external perspective, the strategy aims to garner increased trust and legitimacy in the eyes of the community, while improving confidence and responsiveness in the eyes of its internal players. The strategy aims to transform the force into a flexible, efficient, data-driven

and outcome-focused organisation built on innovation and continuous improvement resulting from effective and efficient leadership and management.

IMPLEMENTING THE NECESSARY REFORMS FOR A FASTER AND FAIRER JUSTICE SYSTEM

While there have been noteworthy improvements in recent years, the quality and efficiency of Malta's judicial systems still requires attention and investment to elevate it to the level demanded by the country's Economic Vision.

The right steps have been taken with regards to reforms to the system for appointing judges and magistrates and the procedures for dismissal them, both of which have strengthened the perceived level of judicial independence in Malta. Moreover, implementation of digital tools such as (i) the extension of e-filing and the electronic payment of fees beyond the civil courts; (ii) free online access granted to citizens and legal professionals in order to view the acts related to their cases; and (iii) the e-Courts platform that offers various justice-related services to the general public and legal professionals, have contributed to efficiency and transparency improvements. Significant further investments to build on these initiatives and ensure further application of digital technologies in the justice system are underway. Similar to the large investment required in Malta's physical infrastructure, the expansion in Malta's population and business activity now requires a substantial investment in its judicial infrastructure and workforce. While the increase in the retirement age of the judiciary may have helped address this need temporarily, government will ensure that the size of the judiciary keeps growing in line with the demand for its services, as demonstrated by this year's record complement.

PRIORITISING DATA PROTECTION AND PRIVACY AS FUNDAMENTAL PREREQUISITES FOR A DIGITAL ECONOMY

Based on the ubiquitous presence of technology and the digital economy in all areas and pillars laid out in this economic vision, it will be equally fundamental to prioritise the implementation of gold standards in data protection and privacy for all participants in Malta's society and economy. This is fundamental to securing the buy-in of all market participants to willingly participate in, and leverage, the various opportunities presented by technology and data.

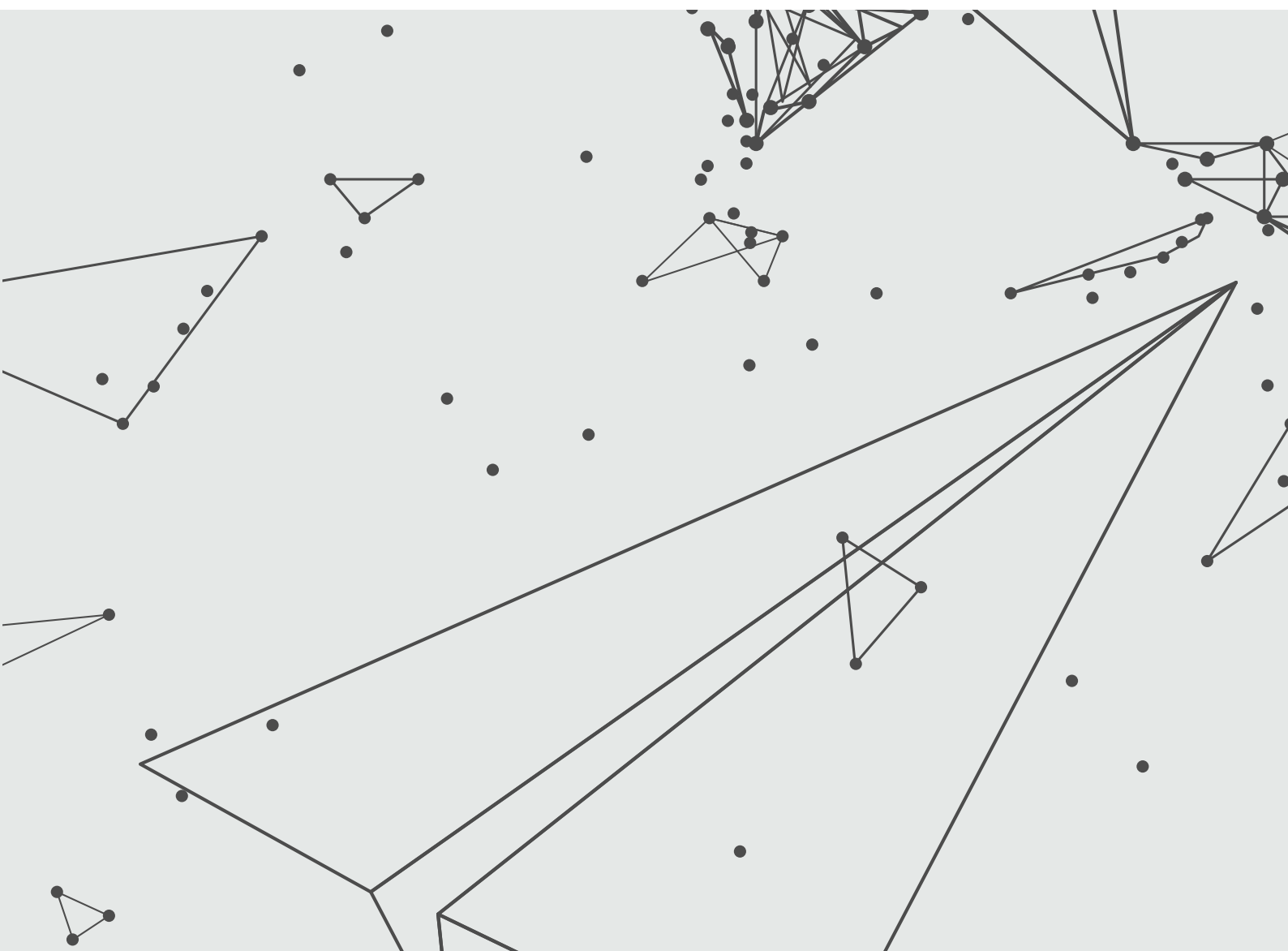
Data is the currency of the digital economy, but its value is not just on account of its economic significance. Every individual values their personal data precisely because it is personal. Giving individuals more control over their personal data will strengthen consumer trust in the digital economy. Stronger trust will, in turn, allow business to seize the opportunities of the digital economy.

Malta aims to establish an accountable and accessible e-service environment by implementing clear and established legal parameters for personal information privacy. As part of the vision, we will seek to empower citizens to take control and ownership of their information through cutting-edge digital platforms supported by robust regulatory frameworks.

QUESTIONS FOR CONSULTATION

"PILLAR5 - HIGH STANDARDS OF ACCOUNTABILITY, GOVERNANCE AND RULE OF LAW"

1. *In which areas could technology be introduced to enhance the efficiency and robustness of Malta's regulatory frameworks?*
2. *In an ever-increasingly digital world, how can Malta further instill cybersecurity practices to ensure user-protection and business continuity?*
3. *The balance between regulation and innovation remains a key economic priority. How can Malta further maintain the highest regulatory standard without stifling innovation?*
4. *During recent years, several reforms have been implemented to enhance transparency and accountability within the judicial system through the establishment of a commercial court. What practices can we implement to better dispute-resolution mechanisms?*
5. *Complimentary to Malta's flourishing business environment is the need to have a relevant and updated body of laws. Which laws, if any, should be given priority to be reviewed to ensure validity and competitiveness within an economic context?*



CONCLUDING REMARKS

This exercise is designed to set an economic vision for the country in line with the policy of the Government of Malta to take bold steps to secure a high standard of living and an equitable distribution of wealth derived from investment in innovation and the safeguarding of our natural and urban environment. Malta's long-term economic vision of prosperity will be rooted in sustainability, climate action and environmental enhancement.

For this vision to be truly owned by everyone, we are launching this consultation to elicit feedback from all interested parties. We believe in the ideas and opinions of all, including citizens, stakeholders and social partners.

We believe that, by co-designing a national economic vision, we are embarking together on a ground-breaking journey. This marks our transition to a dynamic and economically strong, socially inclusive, and environmentally conscious nation that will stand out as a winner and leader in innovation and creativity in the Mediterranean region, Europe and beyond. The Government of Malta encourages you to participate and to send your comments, ideas and suggestions to make this a national vision of the future.

Following this consultation, the Government of Malta will review and consider all the feedback received to combine it with its vision for the period ending 2031, with a projected launch of the Vision Document in Q2/Q3 2021.

RESPONDING TO THIS CONSULTATION DOCUMENT

The purpose of this document is to elicit feedback on the Malta Economic Vision 2031 as part of a wide-ranging consultation. Anyone with an interest should respond and provide comments to the questions they feel comfortable addressing. There is no expectation for respondents to address them all.

Feedback should be submitted no later than 31st July 2021 using the online consultation form at economicvision.mimcol.com.mt or alternatively via email on vision@mimcol.com or in writing to: MIMCOL, TP01, Clock Tower, Level 1, Tigné Point, Sliema. Kindly specify which question you are responding to if you do not use the online feedback form.

QUESTIONS

1. Does the vision need to give additional emphasis to any particular areas?
2. What frameworks and governance mechanisms would you like to see introduced to drive better cohesion and alignment of economic policy at a national level?
3. Do you agree with taking an industry partnership approach to define the future vision and co-develop the strategic priorities and roadmap/action plan for key sectors? What role do you expect different stakeholders to play?
4. How can Government better integrate the environment and non-financial aspects such as quality of life, quality of work, wellbeing and the protection of our natural heritage into economic policy looking forward?
5. Digital transformation remains a significant challenge maltese businesses face. What additional policy levers or incentives could address these and other digitally-related hurdles?
6. How can Malta drive greater focus and investment in research and innovation activities?
7. What areas shall we strengthen to create an even stronger start-up ecosystem? Which sectors or niche areas of activity do you think offer the most potential for Malta and why? What economic opportunities/initiatives can Malta explore further? How can Malta further encourage international companies present here to expand the value-adding / IP generating activities it undertakes on the island?
8. Gozo has seen higher levels of accelerated and diversified economic growth over the past few years. How can we sustain the strength and diversity of this economic activity?
9. How can Malta enhance its digital infrastructure going forward?
10. How can Malta unlock new investment in green energy infrastructure?
11. What other opportunities and incentives can Malta implement to speed up the cultural shift towards alternative methods of mobility?
12. What would you rather prioritise in terms of infrastructural spending on green projects (eg. large-scale parks; 'green lungs' connecting towns and villages) and what should be the role of the private sector?
13. What would you consider to be the biggest infrastructural priorities for the country. What role should the private sector have in setting out the infrastructure overarching strategic process?
14. What changes do you foresee in education to support the development of a stronger skills base? What would you consider to be the main challenges that would need to be overcome in the next 10 years?

15. How can Malta encourage more people to reskill or upskill, especially in industries which are changing or declining? What is the role of the private sector in this area?
16. How can Malta upskill members of society (including the elderly) who lack basic digital skills?
17. What incentives can be offered to attract and retain diverse talent from overseas and the best local talent on the island?
18. How can Malta better anticipate the necessary skill sets and education requirements to match tomorrow's employment needs?
19. Do you agree that the environment can be a key driver for economic investment?
20. What green investment projects do you think would create the largest social and economic (including tourism) benefits for Malta and Gozo?
21. How can Malta best harness the blue economy in an environmentally sustainable way?
22. How do you think the shift towards carbon neutrality will impact Malta's economic activities?
23. How can we best harness Malta's inherent environmental limitations to attract further FDI?
24. In which areas could technology be introduced to enhance the efficiency and robustness of Malta's regulatory frameworks?
25. In an ever-increasingly digital world, how can Malta further instill cybersecurity practices to ensure user-protection and business continuity?
26. The balance between regulation and innovation remains a key economic priority. How can Malta further maintain the highest regulatory standard without stifling innovation?
27. During recent years, several reforms have been implemented to enhance transparency and accountability within the judicial system through the establishment of a commercial court. What practices can we implement to better dispute-resolution mechanisms?
28. Complimentary to Malta's flourishing business environment is the need to have a relevant and updated body of laws. Which laws, if any, should be given priority to be reviewed to ensure validity and competitiveness within an economic context?



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