

### PART III. NATIONAL REPORTING GUIDELINES FOR CSD-14/15 THEMATIC AREAS

#### C. INDUSTRIAL DEVELOPMENT

Government focal point(s): Mr. David Galea, Head, Strategy and Knowledge Management

Responding ministry/office(s): Malta Enterprise, Ministry for Investment, Industry and Information Technology

**Decision-Making:** Strategies, policies, programmes and plans, legislation, policy instruments and the regulatory framework; involvement of Major Groups

<i>Issues</i>	<i>Actions</i>
Major elements and targets of national industrialization strategy or plan.	<p>The Main objectives are</p> <ul style="list-style-type: none"><li>- Increase Employment;</li><li>- Increase Investment;</li><li>- Increase Value Added;</li><li>- Increase the Internationalisation Rate of Companies;</li><li>- Reduction of the vulnerability of the country on single players;</li><li>- Promote Sustainable development within the constraints of local resources;</li><li>- Develop human resource base and skill transfer;</li><li>- Promote and develop technology and innovation;</li></ul> <p>The Main Sectors are:</p> <ul style="list-style-type: none"><li>- Information and Communication Technology;</li><li>- Health Care and Pharmaceuticals;</li><li>- International Logistics;</li><li>- Oil and Gas;</li><li>- Maritime;</li><li>- Aviation;</li><li>- Back Office Operations;</li><li>- Films;</li><li>- Education and Training;</li><li>- Financial Services;</li><li>- Tourism.</li></ul>

<p>Process of development of the strategy, including multi-stakeholder participation.</p>	<ul style="list-style-type: none"> <li>- The MCESD is comprised of representative of Government, Employers and Trade Union and is tasked with reviewing areas of national importance including competitiveness. The MCESD is advisory rather than executive in Nature;</li> <li>- The Cabinet Committee on Competitiveness brings together cross-ministerial departments and entities which have a direct bearing on competitiveness including industrial development.</li> </ul>
<p>Consideration of environmental and social aspects in the design and follow-up of national industrialization plan.</p>	<ul style="list-style-type: none"> <li>- Malta Enterprise has developed a Strategic Plan which takes into account the limiting factors of the country. One key limiting factor is land. Hence benchmarks have been developed on land utilization per employee per sector and this is included as part of the consideration set when prioritizing sectors to be targeted in the process. Malta is also moving towards more service oriented industries which have a lower impact on the environment than do manufacturing activities;</li> <li>- The Malta Enterprise Strategic Plan also provides for initiatives aimed at promoting disadvantaged regions such as Gozo.</li> </ul>

Policies to promote open markets such as reduction of quantitative restrictions and tariffs on imports and promotion of exports.

- Malta has become a member of the European Union and has consequently substantially dismantled tariffs and quotas acting as barriers to trade with other EU member countries. This notwithstanding, Malta has also become party of the Common External Tariff and has to impose specific levies on countries not being part of the European Union;
- The Maltese Government is putting a lot of pressure at the EU level through active participation in working groups and through direct input in development of policies for the purpose of developing a free trade Area between the European Union and North Africa since Malta stands to benefit significantly from such an agreement.
- A key objective of the Malta Enterprise Strategy is to increase the internationalization rate of the indigenous industry. Although the country is considered to be a highly open economy with exports accounting for 55% of GDP, most of these exports are generated from Foreign Investors. For such purpose, the Enterprise Support and Innovation Division has embarked on a number of initiatives to encourage the internationalization of companies. There are three key areas in which such efforts are being directed. The first area concerns local companies which do not have the appropriate structures, processes and standards in place that are required to start exporting their products and services. Malta Enterprise assists these companies through schemes aimed at restructuring their operations in order to become export ready. The second area relates to initiatives focusing on creating linkages between indigenous industry and foreign companies through clustering. Malta Enterprise acts as a broker for these to enable the matching of demand and supply between the two entities. This is considered as being a first step for local industry to start to export their products since foreign firms would be demanding high quality products and services comparable to international standards. The third area relates to the assisting companies to export for the first time or exporting to new markets. In this respect, Malta Enterprise organizes missions to attend for trade fairs abroad and in doing so invites local companies to participate.

<p>Efforts to reduce administrative procedures and costs related to business start-up and operation. (e.g., one stop/single access registration, reduction of capital requirements, creation of industrial parks).</p>	<ul style="list-style-type: none"><li>- The issues relating to Government Induced Costs are being discussed at the Cabinet Committee on Competitiveness. Malta Enterprise has been set up for the purpose of acting a one stop shop for all enterprise. Relationship managers are allocated to each enterprise applying for some for of assistance or intending to start up operations in Malta who attends to all the administrative matters that need to be carried out by the enterprise to comply with local legislation;</li><li>- A number of initiatives are being set up to address issues of Government Induced Costs. The Management Efficiency Unit has been entrusted on a number of initiatives aimed at streamlining specific processes for the purpose of facilitating the business environment. Government is also developing a number of G2B services to assist enterprise. Malta Enterprise is working together with the Ministry for Competitiveness to develop an on-line business portal.</li><li>- The Malta Industrial Parks is responsible for developing factories in Malta that are suited for the target markets under review. Given that an increasing emphasis has been placed on the service sector, the Malta Industrial Parks is also responsible for developing premises that suits the requirements of these industries. Public Private Partnerships are being considered for the development of such parks whereby government would provided the land, whilst the private sector would be entrusted with the development of the park in general.</li></ul>
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Efforts to promote investor confidence, including protection of intellectual and other property rights, dedicated commercial courts and efforts to promote speed in the resolution of commercial disputes.

- Malta has signed a large number of international investment agreements with most EU member states and other countries in which, Investors are protected against any form of expropriation or such other measures that run counter to the investment secured in Malta.
- Financial Legislation has been revamped in 1994 to become more “investor friendly” and in compliance with directives and regulations of the European Union. The Companies Act of 1995 guarantees protection to investors and limits their liability only to the Assets and Capital invested in their company;
- The Business Promotion Act provides a range of incentive for which investors could qualify. In the past, these ranged from tax holidays, to export incentive scheme to reduced rates of tax. The Business Promotion Act is currently going through a process of radical overhaul in which new incentives will be created that are more in tune to the needs of the economy in general. The Business Promotion Act included a provision which guaranteed the incentives to prospective investors. Such a provision is expected to remain in force in the new incentive legislation.

<p>Nature of regulatory approach to environmental issues. Use of command and control as well as economic instruments to enforce legal requirements.</p> <p>Efforts to integrate environmental aspects into industrial operations such as requiring environmental impact assessments for licensing or permitting as well as other policies which might support this goal.</p>	<ul style="list-style-type: none"> <li>- The Malta Environment and Planning Authority is responsible for reviewing application for development permits and does not only ensure that these are in conformance with the structure plan but that they do not impinge negatively on the environment.</li> <li>- The environment has been high on the Government's agenda so much so that a significant proportion of the structural funds made available by the European Union have been allocated specifically to improve the general environment in Malta;</li> <li>- Major developments are subject to environmental impact assessments and have to be formally approved by MEPA;</li> </ul>
<p>Policies to promote voluntary approaches by industry including corporate social responsibility and environmental stewardship.</p>	<ul style="list-style-type: none"> <li>- A number of fiscal incentives and other measures have been announced by Government in the latest budget. Subsidies on water and electricity costs have been reduced thereby encouraging more efficient use of energy. Moreover, government has also provided tax incentives on expenditure incurred in the development of systems and equipment which are more environmentally friendly (example the use of solar energy) Government has also waived registration tax for electric vehicles that could potentially be used by enterprise in the process.</li> </ul>
<p>Policies to restructure and improve the operation of state enterprises</p>	<ul style="list-style-type: none"> <li>- State enterprises have been consolidated and allocated to a single ministry. MIMCOL has been set up specifically for the purpose of assisting state owned enterprise to restructure their operations to become more commercially driven. Moreover, Government has also embarked on an extensive privatization program in which its majority shareholders are being divested from key entities in the process.</li> </ul>

## Capacity-Building, Information and Research & Technologies

Issues	Actions
<p>Attempts to include sustainability components in planning of industrial location and infrastructure (e.g., industrial siting, wastewater and waste management in industrial zones or parks).</p>	<ul style="list-style-type: none"> <li>- Currently Factory allocation may not be optimal. A number of tenants are operating from premises which are heavily under utilized. In the respect, Malta Industrial Parks and Malta Enterprise have embarked on an extensive programme aimed redistributing premises to be more attune to the needs of the individual tenants. In some cases, eviction orders have been issued and a number of cases have been brought to the courts.</li> </ul>
<p>Policies or programmes to promote research and development (R&amp;D) on and the transfer of cleaner technologies.</p>	<ul style="list-style-type: none"> <li>- Incentives on Research and Development are being provided on all areas. These obviously include the areas of using cleaner technologies. Companies are entitled to a deductible allowance for tax purposes equivalent to 200% of the actual expense incurred.</li> </ul>
<p>Programmes to promote the concept of sustainability within industry as well as in higher education including business and engineering schools.</p>	<p>[ Please consult with University]</p>
<p>Policies to promote R&amp;D to increase productivity in key industrial sectors.</p>	<ul style="list-style-type: none"> <li>- The current incentive legislation is being revamped significantly. It is envisaged that the new framework will include a package of incentives that are aimed exclusively for the promotion of Research and Development activities in the country. These include measures aimed at encouraging the creation of Venture Capital, Support provided for start-ups through the Business Incubation Centre, IRC and the Business Angel Network.</li> <li>- A Regional Innovation Strategy will be developed for the purpose of creating a national integrated approached towards developing the innovation potential in Malta.</li> </ul>

<p>Policies to facilitate licensing and sale of technologies resulting from government programmes or funding.</p>	<ul style="list-style-type: none"> <li>- Malta Enterprise is pursuing an aggressive policies aimed to capturing funding opportunities resulting out of the FP6 programme. Moreover the Business incubation centre provides support to prospects who have develop an innovative technology to translate this technology into viable business terms as well as assistance these to acquire licensing and patenting of the technology.</li> <li>- The Intellectual Property Organisation, acts as a watch dog ensuring that intellectual property rights are not infringed and advices government on issues that need to be changed for the purpose of improving the patenting climate on the island;</li> </ul>
<p>Policies to promote cooperation between the industrial sector and the R&amp;D community.</p>	<ul style="list-style-type: none"> <li>- A Malta Council for Science and Technology is responsible for administering and awarding research funds to the business community in general on the basis of the innovative and high value added potential of ideas and proposals being submitted.</li> <li>- At the moment, it is believed that there is a missing link between research carried out by University and operations carried out by industry in general. The potential to develop an intermediary institution to engage in Blue Sky Research is currently being contemplated to bridge the gap,</li> <li>- Malta Enterprise also carried out a range of activities to help the integration process between the R&amp;D activities and industry. Malta Enterprise will be launching a call for expression of interest of PHD holders to register in a database such that the organisation could be in a position to take stock of its potential research capability and match this to the requirements of industry in general. A number of technology audits are also being carried out through the IRC to identify the nature of prevalent technologies and how these are expected to be developed in the future.</li> </ul>

- **Financing**

<b>Issues</b>	<b><i>Actions</i></b>
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<p>Measures to promote competition in domestic financial sector.</p>	<ul style="list-style-type: none"> <li>- Malta has succeeded in developing a healthy financial services sectors growing steadily over time. Today, the financial services sector contributes to about 12% of our GDP.</li> <li>- The Malta Stock Exchange has been set up specifically to facilitate the exchange of transactions in stocks and shares of companies across institutional and private investors alike. The income tax system in Malta uses the full imputation system such that no income can be brought to tax more than once. Hence dividends are distributed net of corporation tax but no further tax becomes payable. Alternatively the beneficiary of the dividend may elect to claim the dividend as part of his taxable income and recover a tax credit on tax paid on the dividend. This is a lucrative option from shareholders who have personal income which is less than threshold for which a 35% rate of tax becomes chargeable. Finally Capital Gains on the sale or disposal of shares on the Malta Stock Exchange are exempt from Income tax;</li> <li>- The Base Interest Rate in Malta has been set at a very low rate (currently equivalent to 3.25%). This provides an attractive basis for investors to acquire the necessary liquidity to invest at a very low rate of interest.</li> <li>- Government has recently introduced a repatriation of undeclared savings abroad in which locals are given the opportunity to regularize their position with the tax authorities by paying a nominal penalty. This has significantly increased financial resources available for potential investment in Malta;</li> <li>- Investment in Government Stocks has become increasingly popular amongst the population. Almost all stock issues by Government are heavily oversubscribed;</li> <li>- The most popular investment in Malta has been speculative in nature and largely related towards the acquisition of immovable property for resale in the future;</li> </ul>
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<p>Measures to facilitate access to credit by non-state industrial enterprises, notably by SMEs.</p>	<ul style="list-style-type: none"> <li>- Malta Enterprise provides soft loans and bank guarantees to targeted companies which are deemed to have a high potential for developing their business but which because of the risk involved are unlikely to secure funding from Banks. The culture in Banks in Malta is still fundamentally risk averse and in most cases ask for immovable property or personal assets as collateral against loan granted;</li> </ul>
<p>Measures to strengthen long-term financing for infrastructure and industry.</p>	<ul style="list-style-type: none"> <li>- A Venture Capital Fund has been set up for the purpose of providing the risk capital required for new risky ventures to start their operations. An entity still needs to be appointed as the manager of the fund. Three entities are presently being considered including Malta Enterprise, MCST and the University of Malta.</li> <li>- A series of Public Private Partnerships are being envisaged with the purpose of developing a selection of Parks that are more appropriate for the requirements of sectors that are being targeted for development.[]</li> </ul>
<p>Programme to promote transparency in financial markets such as credit rating systems, private and public credit registry systems.</p>	<ul style="list-style-type: none"> <li>- The Malta Financial Services Authority acts as a regulator of the financial markets in Malta. The authority sets standards of practice and screens all applicants for licences for financial intermediaries in General.</li> <li>- There is no formal Government Institution that monitors credit worthiness of local enterprise. However, it is understood that local banks carry out this service on behalf of their clients.</li> </ul>

<p>Policies to provide legal protections to creditors.</p>	<ul style="list-style-type: none"> <li>- Unless formed as a Limited Liability Company, commercial entities have full liability towards their creditors including their personal assets.</li> <li>- Hypothecs are legally recognized and hence enforceable by law;</li> <li>- The commercial code gives right to creditors to seek legal action against defaulters and to execute a warrant of seizure of personal assets in the case of further default;</li> <li>- The Companies Act limited the liability of shareholders to the Capital and Reserves prevalent in the organisation. There are however severe restriction as to withdrawal of capital and capital reserves from the company. An intention to reduce share capital has to be made public and creditors have a right of objection if they raise a case that this would prejudice their position.</li> <li>- Creditors have a right to raise a case in court for the dissolution of the company for the purpose of liquidating their debt provided that good and sufficient cause is found;</li> <li>- In the event of a dissolution amounts due to creditors have to paid after settlement of wages and salaries but before any capital distributions.</li> <li>- Moreover, although covered by limited liability, if fraudulent bankruptcy is proved, shareholder become liable even on their personal assets.</li> </ul>
<p>Programmes or policies that serve to integrate specific environmental and social concerns into lending practices.</p>	<p>- N/A</p>

- **Cooperation**

<p>Programmes to promote international cooperation in the development and diffusion of cleaner industrial technologies.</p>	<ul style="list-style-type: none"> <li>- A key area that is currently being explored for potentially developing a niche market is research in eco-innovative technologies. Given the number of hours of sunshine for which Malta is exposed as well as the type of wind currents and sea surroundings, it is believed that Malta could become a centre for research of these eco-innovative technologies. This is further strengthened by the fact that Malta is characterized by a small population hence making it an ideal test bed for subsequent industrialization. Such research however is still in its preliminary stages and no such program has been developed by Malta Enterprise till present date.</li> </ul>
<p>Programmes to facilitate contact and information sharing between domestic industrial enterprises and overseas suppliers, customers, partners.</p>	<ul style="list-style-type: none"> <li>- A key objective of Malta Enterprise is to increase the internationalization rate of local companies. In this respect, the Trade Promotion division organizes frequent trade missions abroad in which local industry is invited to participate. Malta Enterprise also offers a contact service in which clients are provided with a list of contacts relating to their specific area of operations. The Euro Information Centre also provides information on potential tendering and business opportunities that could be availed of by local enterprise.</li> </ul>