

The black swan

Beyond the economy

The local context

The road ahead

Economic sentiment

Concluding remarks

Agile

Perspectives on Malta's economy
post **COVID-19**.

Seed

Strategy | Regulatory | Tax | Advisory

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About Seed

We set up Seed wanting to do things differently. Powered by tech, our business attracts the best people, whilst creating meaningful work. Our principles and vision define us. We care about making a difference; for our employees, for our clients and the wider community. Our clients enjoy objective advice, clearly expressed. With our help, they make better decisions and get better results. No matter what sector, size of business or scope of work, we bring together rigour, knowledge and experience.

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Foreword

Crises mark transitions and turning points. And it is exactly at these turning points that crises are productive. This is the moment when we can remove the aftertaste of catastrophe and use it as a “decisive turning point”, as per the meaning of the Greek word *krisis*.

This is our belief too. As Seed, a new advisory and research firm, we believe that this crisis can indeed allow us to chart a new path. The seriousness of the threat posed by COVID-19 demands us all to do whatever it takes to weather the storm. Yet, our biggest contribution to the future is to learn lessons from our recent past and to change where necessary. We believe that agility is going to be the name of the game. Only the employees, businesses, governments and societies who are agile will survive and thrive in the future.

We set up Seed wanting to do things differently. We care about making a difference; for our employees, for our clients and the wider community. This publication is our contribution to the current national debate.

Our focus always goes beyond the short-term. Our economic analysis is supplemented by a sentiment survey we conducted together with local data science company, Onest. We also interviewed thirty-six business leaders and social partners to get their perspectives too. In addition, our analysis goes beyond the economic domain too. We also have fourteen expert contributions spanning different sectors and themes sharing their thoughts on a post-COVID-19 world.

No doubt that the world will change. Business and trade will change. Social dynamics and our way of life will change. We need to start thinking of a new normal. It is precisely for this reason, that our recommendations go beyond the immediate and offer a long-run vision for the country.

We believe, more than ever, that this is the right time to define our future. Let us together work on charting an inclusive and sustainable economic model in the long run; where quality is valued more than quantity, where the environment is given its due importance and where the economy works for people.

For this to start, we must start thinking. We must be agile.

We hope that this publication can sow the seed of discussion and debate on a new Malta.

JP Fabri & Nicky Gouder

Seed

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Executive Summary

COVID-19 is a stark reminder on the fragility of life. As the pandemic started to gain traction globally, an invisible threat started to take away the lives of thousands; young and old; healthy and not. Health authorities launched response mechanisms with massive deployments going to the health sector to prepare for the worst. Concurrently, economies started bearing the brunt too. Companies stalled, economies coming to a standstill. It all soon became a question of survival for many firms and layoffs became an inevitable reality. There is no doubt that no economy will remain unscathed and many firms will have to adapt and transform in order to survive in the new normal. The effects of COVID-19 will be long-lasting and will span across different sectors.

This publication seeks to not only analyse the impact of COVID-19 but more importantly to present a number of research-based recommendations and perspectives of this new normal. We intentionally stayed away from quantifying the impact as there are too many unknowns for any plausible assumption to be made. Instead, we focused on a multi-disciplinary approach to understand the true impact and changes COVID-19 will bring about. We adopted a research approach and supplemented our internal analysis through data and insights. We interviewed thirty-six industry leaders and social partners. We also developed and ran an economic sentiment index to gauge expectations. To get a more holistic perspective, we asked fourteen experts and thinkers for their opinion on the long-lasting effects of COVID-19 from their area of specialization. Our analysis then turned to drawing up a number of recommendations. We believe that the following are the most salient points of the broad analysis presented in this publication.

The world responded forcefully to yet another Black Swan event.

Section One delves into the nature of the economic shock triggered by the outbreak of the epidemic and traces its impact on the real economy. Focus is given to the loss of confidence and the effect of risk on economic outcomes. It also traces the global response packages to reduce the economic impact.

Malta is well-positioned to respond, despite the challenges.

With a contained pandemic and an open-economy, Malta too is bound to be impacted adversely. The recent performance of the economy, primarily in public finance, has allowed Malta to build a fiscal buffer giving Government room for intervention. However, various sectors are going to be impacted differently. Section Two gives the economic context that Malta currently operates in and presents sectoral assessments.

Conscious of the negative impact, employees are displaying flexibility.

Section Three presents the results of a purposely built economic sentiment. The results clearly show that the pandemic is affecting the financial position of individuals and the longer it takes, the worse the expectations are. However, one can denote a sense of flexibility of employees with respect to working arrangements, including pay packages, in order to support their employers.

The long-lasting effects of COVID-19 will shape a new society.

There is no doubt that this pandemic will affect humanity and society in ways that go beyond the economy. Consumer trends will change, individual well-being will be impacted, technology will play a greater part in our life and various other domains will come to terms with a new normal. Section Four presents a collection of curated articles from some of Malta's leading academics and thinkers in their respective field giving their thoughts on a new post-pandemic society.

As this is transitory, the time is right to focus on a long-term national vision.

The right response to this crisis requires a multi-stakeholder and intertemporal approach. Our recommendations are broad and varied and are presented in Section Five. We believe that everyone, including employees, firms, social partners and government have to be agile in dealing with the crisis. We present a framework for firms to navigate the COVID-19 challenges as well as additional measures. Government should drive in the immediate term with a focus on tax and legal revisions. However, our main recommendation on the basis of the wide consultation with business leaders and social partners, is the need to rally behind a long-term vision for Malta. We present a set of foundational elements, key enablers and strategic pillars based on the analysis and conclusions of the preceding sections.

We are living in uncharted territory. As we are currently in a crisis and survival mode, it would be a

waste not to take this opportunity to focus on the long term. We believe that we have an opportunity for us to take stock of the past, learn our lessons and shape a new future.

This publication aims to contribute to the national debate and to stimulate business and policy leaders to embrace the future and to start working towards a much-needed recovery plan that is anchored around a long run vision for Malta.

Agility is key. It will determine the winners in a post COVID-19 world.

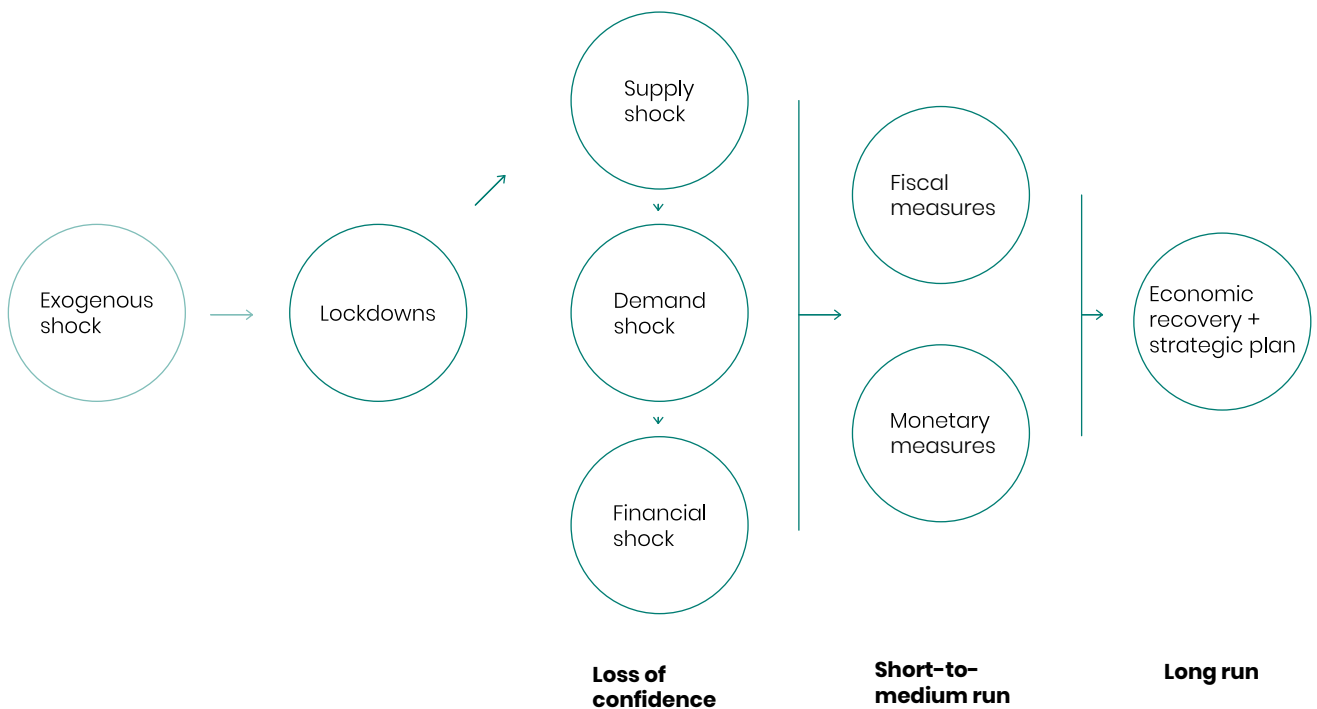
The 'black swan'

Unpacking the economic impact of COVID-19

A modern globalised economy is a complex web of interconnected parties: employees, firms, suppliers, consumers, banks and financial intermediaries. Everyone is someone else's employee, customer and lender. It is also a web that is nested within an external environment and any changes in this environment will have an impact on the rest of the system. This is what is defined as an economic shock.

Although there is no absolute consensus between academics, an economic shock is best defined as an unexpected event which will impact the economy. Economists distinguish between two types of shocks; exogenous and endogenous. Whereas the latter is a result of developments within the economic system, like the financial or banking system, an exogenous shock is a result of an outside event such as a natural disaster or pandemic in this case.

What is important to understand is the transmission mechanism once a shock occurs and how this will impact the real economy. The schematic below illustrates the possible transmission mechanism of the shock and possible policy responses to it.



The greatest economic concern when it comes to COVID-19 is the uncertainty involved, given that it is still ongoing with no vaccine or drug therapy yet available. Lockdowns of one country are obviously affecting global supply chains and therefore the impact of the crisis is expected to be prolonged and multi-faceted. COVID-19 is also expected to lead to significant changes in societies and economies and therefore the response by policy-makers needs to be multi-layered too; with stop-gap solutions to avoid the recession turning into a protracted depression and more importantly, having a long-term recovery plan for the economy that will operate in a new normal.

As the flow diagram above illustrates, the coronavirus outbreak is an exogenous shock that — because of the need to engage in self-distancing and remote working — is causing the current supply shock. This will disrupt supply chains and lead to a loss in output which is resulting in loss of employment too in a number of sectors. This will obviously lead to a loss in incomes which is transforming the supply shock into a demand shock. Also, as the lock-down continues, people are spending less and a fall in consumer spending within an economy that is based on services and non-essential spending has the potential to drag the entire economy into a long recessionary period.

The interplay between loss of output and demand can easily lead to a financial shock, as exposed firms will not be in a position to service existing mortgages, and defaults start to materialize. In addition, the loss of confidence and lack of risk-taking by firms and individuals will also increase pressure on the financial system. Should this happen, the long-term economic cost will be significant.

Perhaps more important for the recovery phase and for long-term growth is to understand and shore up the willingness of borrowers and lenders to invest. Investment decisions are now faced with increased uncertainty regarding the potential for another attack on the global supply chain, a loss of confidence in the economy to withstand another attack, and a loss of confidence regarding the infrastructure for dealing with this and future crises. Given its importance, the following section gives more depth and insight into the role of risk.



A spotlight on **risk** and **uncertainty**

It is clearly undebatable that the world is going through unprecedented times, and what started as an infectious disease in China has become a global pandemic in a few months. COVID-19 has hit hard to the extent that it has impacted in the most dramatic of manners the lifestyle of millions of people, bringing to a nearly complete halt all those activities that, up to a few weeks ago, shaped modern society.

This current world scenario is unprecedented in more ways than one. First, COVID-19 is a relatively unknown virus and therefore the situation has been accentuated by the very fact that we are not only experiencing uncertainty but also having to deal with the unknown. Second, the issue is global and has impacted many countries within a short period of time. Third, while scientists are working around the clock to find a suitable vaccine, nobody knows when the world will actually be out of this tunnel. Indeed, we are experiencing the proverbial Black Swan (Taleb, 2010) which is best captured by the notion that we don't know what we don't know, making predictions less likely to be at best intelligent guesses and at worst erroneous conclusions. As Posner (2010) rightly emphasises:

“Conventional wisdom places a premium on the long-term outlook. But during periods of extreme volatility, such an outlook may be unrealistic because the long term could be swamped by near-term uncertainty”.

All this means that forecasting and rationalising by adopting a clear understanding of the facts (Kahneman, 2011) is possibly dangerous right now, simply because we do not have the facts, or at least all of the facts that would permit us to generate more precise predictions. Gigerenzer and Brighton (2011) argue in this regard for more ecological rationality, and that trusting our heuristics may be better than any other prescriptive predictions. We are indeed in a zone of managing the unexpected (Weick and Sutcliffe, 2007) by weighing things in the short term and taking one step at a time, building new understanding as we move along.

Coupled with this scenario is the element of risk. Again, because we are surrounded by uncertainty and the unknown, the incoming signals fuel a substantial degree of amplification of risk (which is expected) as the pandemic impacts a number of subsystems in the world order as we are used to and dents the same sense of anticipation we all have. Sending off ripple effects creates the right ambience for the spread of the impact and leads to unwanted and undesirable consequences (Slavic, 2000). In this state of affairs, the world gasps for air as it tries hard to attain control.

This scenario presents a number of challenges, amongst them whether the will to trust and to build

Section. 1

a sense of confidence in our future endeavours will bounce back once this is over. It represents an instance where we cannot be over-confident in our decisions, but need to take stock of where we are and do it in small and frequent doses to enable us to contain the spread of the unknown and uncertainties over and above those created by COVID-19. People may not operate mechanically as some may wish to, and their response will be dependent on a strong sense of conviction that the worst is really over.

These behavioural realities must be taken into account when discussing potential alleviatory measures intended to soften the economic blow of the current crisis, as well as the road towards eventual recovery in a post-COVID-19 world. In the short term, losses in income loom large over people, both in real and psychological terms, which in turn may colour their perception of reality, even as the crisis subsides and economic activity picks up (Lee & Veld-Merkoulova, 2016). Furthermore, the random nature of the current crisis contributes to a heightened sense of helplessness and lack of control, dampening the natural sense of confidence and optimism that drive entrepreneurial spirit and risk taking. As a result, it may take significantly longer to re-attain economic normality due to sluggish investment and consumption behaviour as people, reeling from the losses of the crisis, hedge their bets and reduce their risk appetite. Given the herd-like behaviour of investors, the need for timely intervention is even more pronounced in order to prevent the rot from truly setting in and quickening the pace of economy recovery.



It is for all of these reasons that COVID-19 presents itself as an unprecedented shock to global and national economies. Governments need to, and have all started to, implement wide-ranging and significant policy response packages.

Fiscal measures are needed as a stop-gap solution to ensure that income continues to reach households and to support enterprises as they face supply and demand side shocks. Governments, including Malta's, have launched direct cash payments, tax deferrals and loan guarantee packages as part of extraordinary budgets to support the initial economic shock. It is expected that as the effect of the pandemic expands, more responses will be announced. In tandem, monetary authorities too reacted with the European Central Bank issuing a mix of quantitative easing and bond buy-back programmes. Given that the world was already in an unprecedented low-interest rate environment already, the tools available to monetary authorities remain limited.

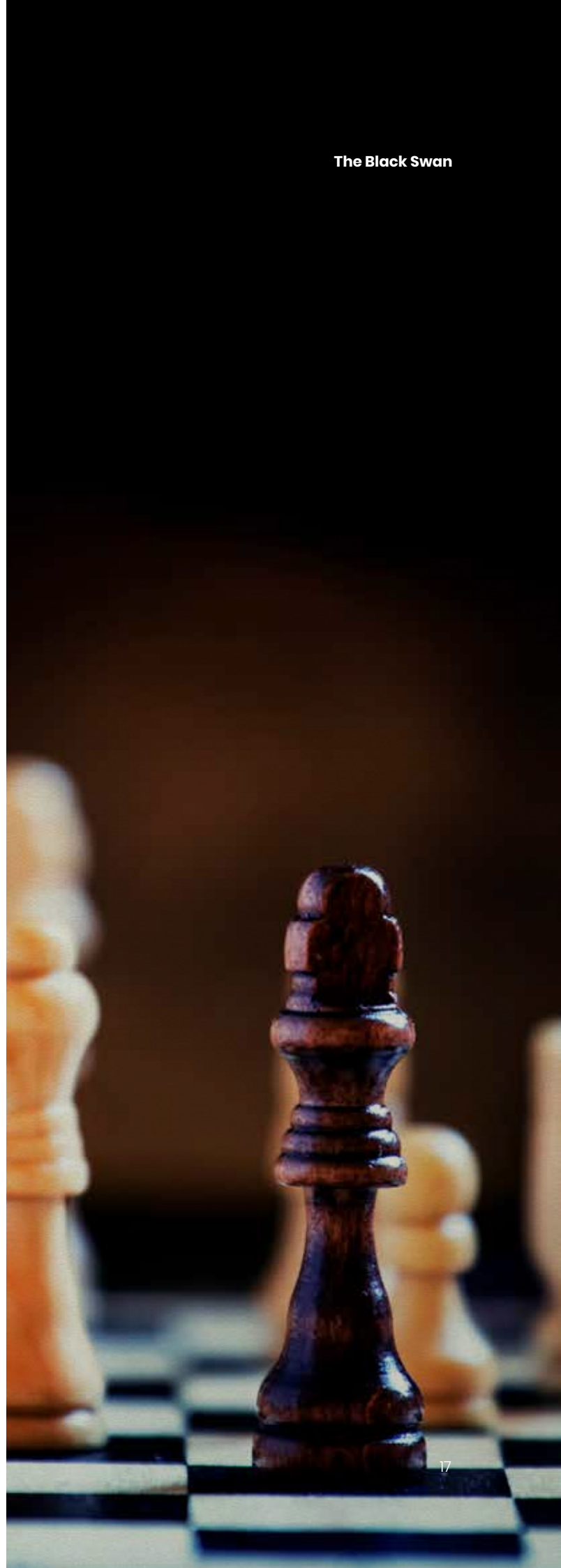
However, it is becoming obvious that the world post-COVID needs to adjust to a new normal. Social distancing and the fear of an invisible enemy such as a pandemic is bound to change practices, work-places, consumer behaviour and trends. Global supply chains will also change and also the economic structure of many industries and countries will be altered. The economy will be different. Therefore, for the recovery to be meaningful and sustainable, countries and firms need to embark on a long-term recovery and strategy. Nationally, the Government needs to embark on an exercise that

will deliver a long-term economic vision and strategy to not only recover from the current challenges but more importantly to position itself in a new normal. Opportunities will abound too. However, we must not lose sight of the long-term, and a cohesive vision for the country.

This document aims to provide a window to generate insights and debate on what the future may hold for us. While it looks at the local scenario, it recognises the need to look at the bigger picture because the issue is simply bigger than us. Moreover, it acknowledges the fact that many issues are interconnected and contain ripple effects, which would mean approaching our local challenges from a holistic perspective. The document does not offer answers as much as it provides a platform to provoke ourselves by asking the difficult and bold questions about tomorrow. Because the pandemic is a Black Swan, we should shy away from stating what the future holds; rather, we should try and take stock of what the current scenario looks like to guide us on how to take the next steps. In this sense, this document is a work-in-progress that requires fine tuning and adjustment from time to time as we adjust to this new social and economic reality.

The **Global** response

The outbreak of COVID-19 has been rapid and widespread, with virtually no country left untouched by the pandemic and subsequent economic fallout. Given that Malta's economy is extremely dependent on international trade with foreign partners, both in terms of merchandise and services, coupled with the relative importance of foreign direct investment (FDI), it is imperative to analyse what the state of play is with regards to the COVID-19 situation in Malta's key trading partners, since domestic economic recovery, will to a great extent, depend on the economic situation within these countries. This analysis will consider the various fiscal measures proposed and undertaken within each country, in order to facilitate comparisons with what has been done locally, while keeping in mind the relative costs of such interventions and their potential impact on public debt. In addition, we also take a look at the main suite of measures proposed by key European institutions like the European Central Bank (ECB) and the European Commission (EC) to tackle the economic fallout at the supranational level. In each case, please note that the cut-off point for fiscal measures announced, is 31 st March 2020.



USA

To combat this crisis, on the 28 th of March 2020 the President of the United States signed into law the largest-ever fiscal stimulus package in American history, worth US\$2.2 trillion, equivalent to 9% of the country's total annual Gross Domestic Product (GDP) (BBC, 2020). The stimulus package includes various support measures to businesses and workers, including a payment of US\$1,200 to every citizen earning below US\$75,000 annually, an extension to unemployment benefits to cover freelancers and others not typically covered by such benefits, as well as tax breaks and loans to businesses facing insolvency. This unprecedented stimulus package has invariably raised questions regarding the state of public finances, given that national debt was already at 105.46% of GDP by Q3 2019 (FRED, 2020), coupled with the fact that, combined with lower tax revenues, the crisis is expected to increase public debt by a further US\$4trillion. On the monetary front, on the 16 th of March 2020 the Federal Reserve slashed interest rates to near 0%, while announcing a \$700 billion purchase of Treasury bonds and mortgage-backed securities, all intended to stimulate the economy as a result of the current crisis (Federal Reserve, 2020).

UK

On the 17 th of March 2020 a comprehensive support package was announced in order to support individuals and businesses impacted by the pandemic. This includes an initial £330 billion package of government-backed loans and guarantees for businesses, together with another £30 billion in support to public services, individuals and businesses, including additional measures to support the self-employed (HM Treasury, 2020). Perhaps the most eye-catching measure announced was the commitment by the UK government to finance up to 80% of the wages of any private sector workers who are kept on the firms' payroll (rather than laid off) during the crisis. Although it is difficult to ascertain the total cost of these measures, the Institute for Fiscal Studies estimates that the cost of direct fiscal measures alone will result in an increase in government spending of around £60 billion over the next 3 months alone, or 2.8% of GDP, more than the fiscal stimulus injected during the financial crisis over the period 2008-2010 (Emmerson & Stockton, 2020). In addition, public borrowing is expected to rise by £120 billion, taking total borrowing for the year close to £180 billion, or 8% of GDP, which would result in a national debt of close to 93% of GDP. To further support this response, the Bank of England reduced interest rates to a historic low of 0.1% on the 19 th of March 2020, while also announcing a further round of quantitative easing with £200 billion earmarked for UK government and corporate bond purchases (Bank of England, 2020).

China

The initial outbreak of the COVID-19 virus was recorded in China back in December 2019, with the first cases reported in the Hubei province. Since then, a total of 81,554 cases have been recorded, with 3,312 deaths reported officially, translating to a mortality rate of 4.1% (Roser et al, 2020).

Despite all this, the central Chinese government has so far resisted calls to implement any widespread fiscal stimulus measures, in contrast with the response during the 2008/09 financial crisis. Several local governments have issued vouchers to citizens in order to stimulate consumer spending, and the central government has actively encouraged banks to extend business loan terms and a reduction in rent, but so far this has constituted the bulk of China's fiscal response. Nonetheless, recent indications suggest that the Chinese government is preparing a significant stimulus package, including a reported US\$394 billion in local government special bonds to invest in infrastructural projects (Reuters, 2020). At the same time, the People's Bank of China (PBOC) has implemented various expansionary measures, including an increase in refinancing operations for Chinese banks to the tune of US\$245 billion, a cut in its bank lending rate by 0.1% and a reduction in reserve requirements which freed up around US\$79 billion in lending (PBOC, 2020).

Germany

The German government has announced a raft of fiscal measures designed to cushion the blow from the crisis. This includes €156 billion (4.5% of GDP) in various direct support initiatives, including the short-term Kurzarbeit subsidy for workers' wages, increased childcare benefits, around €50 billion in grants to small businesses and the self-employed and tax deferrals (IMF, 2020). In addition, the government will provide loan guarantees for businesses through the newly established economic stabilisation fund, via the public development bank, to the tune of €822 billion, or 24% of GDP. Germany has also signalled its intention to ramp up spending as required, suspending its famed debt break rule prohibiting structural deficits, with national debt expected to increase significantly above its current level of 59.8% of GDP (Eurostat, 2020).

France

In response to the crisis, the French government announced a €45 billion aid package, equivalent to 2% of GDP (Ministry of the Economy and Finance, 2020). This includes deferment of tax and social security payments for businesses, support for workers' wages, direct support for self-employed and SMEs, as well as deferment of rent and utility bill payments for vulnerable SMEs, among other initiatives. In addition, the government has also pledged €300 billion (13% of GDP) in bank loan guarantees to companies. As with other countries, the French government has also indicated its openness to further fiscal measures, which are expected to significantly raise national debt beyond current levels, which as at December 2019 stood at 98.1% of GDP (Eurostat, 2020).

Italy

On the 11 th of March 2020 the Italian government announced a €25 billion emergency stimulus package, equal to approximately 1.4% of Italy's GDP (IMF, 2020). These measures include direct assistance to workers facing layoffs, and to businesses to maintain employment, tax and utility bill deferrals for businesses in the hardest-hit parts of the country, and around €5.1 billion earmarked for loan guarantees, aimed at supporting the suspension of loan and mortgage repayments for both businesses and households. As the scope of the crisis has continued to spread unabated, the Italian government is already preparing a second stimulus package worth at least another €25 billion in order to prop up an already-vulnerable economy, despite the questionable nature of public finances, with national debt at 134.8% of GDP in December 2019 (Eurostat, 2020).

European Central Bank

The European Central Bank (ECB) has also weighed in with its own set of monetary measures to alleviate the economic impact of the crisis within the Eurozone. On the 18th of March 2020, the Governing Council of the ECB announced a new temporary asset purchasing programme for private and public sector securities, namely the Pandemic Emergency Purchasing Programme (PEPP), which will run until December 2020 (ECB, 2020). The PEPP, which has been funded to the tune of €750 billion, covers all asset categories defined under the existing asset purchase programme (APP), which incidentally has also been topped up by an additional €120 billion

until the end of 2020, together with new waivers on exemptions (for example the purchase of Greek government securities is allowed under the PEPP). In addition, the ECB has expanded the class of assets eligible for purchase under the corporate sector purchase programme (CSPP) to include non-financial commercial paper, while also easing collateral standards and expanding the scope of additional credit claims (ACC) to include claims by the corporate sector.

European Commission

The European Commission (EC) has announced a raft of measures designed to soften the economic blow from the crisis for member states. These include the Corona Response Investment Initiative, as part of the EU budget, for government-led investments in hospitals, support for SMEs and labour market initiatives, together with specific support for vulnerable regions. The EC has also sought to incorporate public health crises like the COVID-19 outbreak within the remit of the EU Solidarity Fund, so that it may be utilised by those countries that have been hit hard by the pandemic, with around €800 million available this year alone. In

addition, a total of €1 billion has been redirected from the EU budget as a guarantee to the European Investment Fund, with the sole purpose of encouraging banks to provide liquidity to SMEs as required during these times. Overall, these measures are expected to cost around €37 billion (0.3% of the EU27's aggregate GDP). Furthermore, the EC has suspended its requirement for countries to pursue fiscal corrections if they have not achieved their medium-term targets, while allowing countries to run fiscal deficits above 3% of GDP.

European Investment Bank

On the 16 th of March 2020, the European Investment Bank (EIB) announced a €40 billion package of financing to assist in dealing with the crisis (EIB, 2020). Half of the money (€20 billion) is earmarked for guarantee schemes for banks, with another €10 billion targeted at providing working capital assistance for SMEs and midcaps via direct liquidity lines for banks, and another €10 billion allocated towards the purchase of asset-backed securities, thus allowing banks to transfer their risk on SME loan portfolios. The EIB also currently has €5 billion dedicated towards the financing of projects within the health sector, with the focus now on

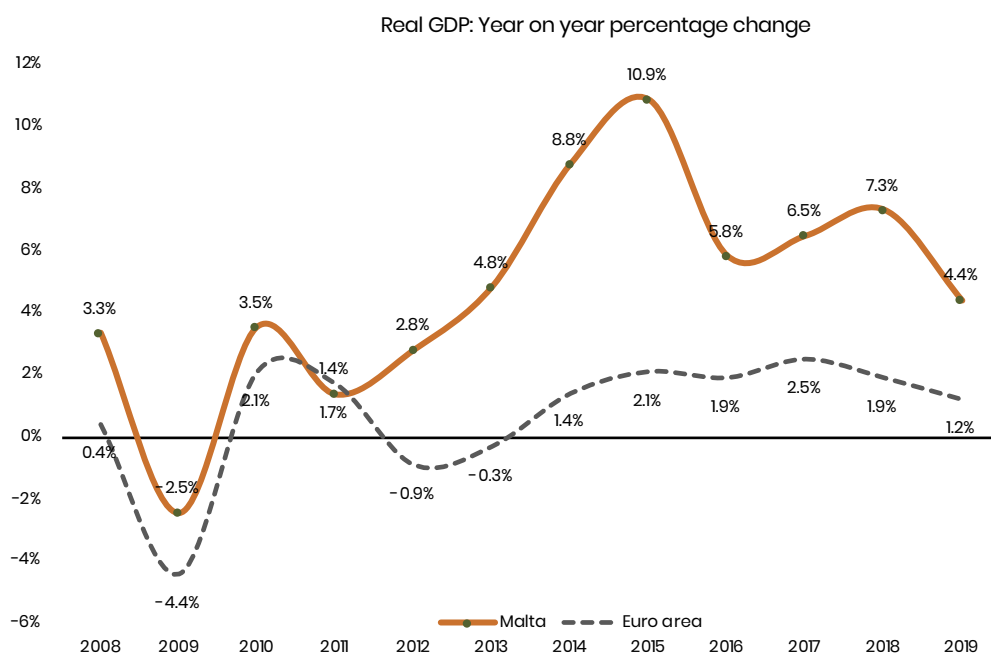
rapidly expanding this scope towards higher-risk research related to the development of vaccines and treatments for COVID-19. In addition, on the 24 th of March the EIB proposed to set up a new €200 billion fund to guarantee loans to businesses hit hard by the pandemic, which would require member states within the EU to collectively inject around €25 billion into the programme. This proposal is, as at time of writing, still under consideration by finance ministers across the EU.

The local context

Economic snapshot

Over the past few years, Malta's economy has grown at a relentless yet sustained pace, giving rise to long-term sustainability concerns. Rebounding after a period of sluggish growth, which was further dampened due to the 2008 global crisis and a restructuring process, the Maltese economy was characterised by fast GDP and employment growth,

propelled by a strong services sector. This positively impacted public finances as the deficit and rising debt were reversed, with fiscal surplus and declining debt ratios being registered. However, recent data started to indicate that the economy was reaching its peak, with heightened concerns on the long-term sustainability of the current growth trajectory.



Source: National Statistics Office, Eurostat

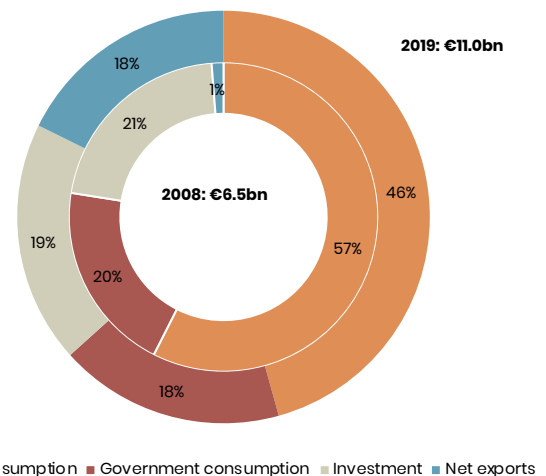
Strong though moderating economic activity...

Real GDP growth in 2019 was 4.4%, moderating from the 6.9% average reported in the previous two years. While net exports continued to grow, domestic demand is becoming a critically important growth contributor. Private consumption has increased on the back of high employment growth and higher disposable income. This is also due to the increasing workforce and population, particularly third country nationals who in turn increased the size of the domestic market.

The economy remains strongly oriented towards the export of services. The tourism industry continues to be one of the main pillars of the economy and over the past few years it has experienced an unprecedented boom, both in terms of tourist arrivals and expenditure levels. However, the sector is also undergoing a transformation.

New planning regulations allowed hotels to increase their building height generating increased capacity of beds. At the same time, the increase in incoming tourists has been more skewed towards private accommodation rather than collective accommodation. This transformation might present a challenge to the local hotel industry as the market

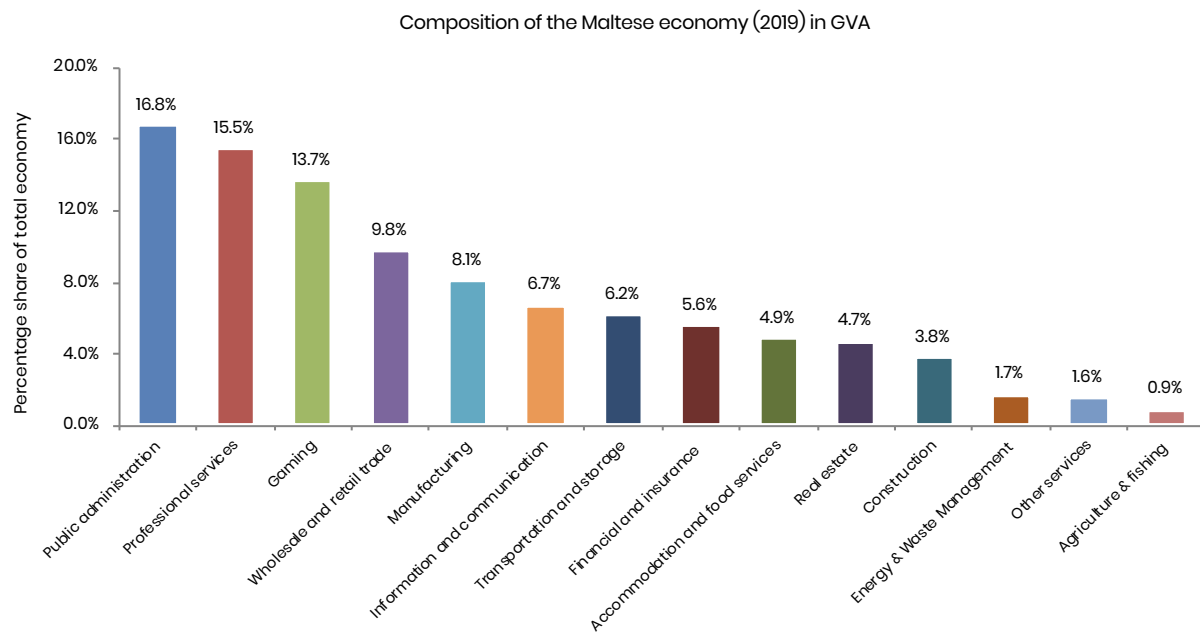
GDP composition: expenditure side



Source: National Statistics Office, Eurostat

might be characterised by excess supply. Due to the global halt in tourism, COVID-19 is expected to highlight this as a pressing challenge for the industry with various ramifications across the economy. The tourism sector has also been an important contributor to employment growth.

Gaming is another sector which has steadily increased its contribution to economic activity over the past years and today directly accounts for around 13.7% of the total gross value added (GVA) generated in the local economy. Moreover, the gaming industry contributes to the economic performance of other major sectors, including professional services, ICT (information and communication technology), financial activities and real estate. In fact, the improvement and increased contribution of the gaming sector also led to the very fast growth in the professional services sector and improved performance in financial services. In addition, these sectors have also contributed to the increase in employment levels and increased foreign participation in the labour market

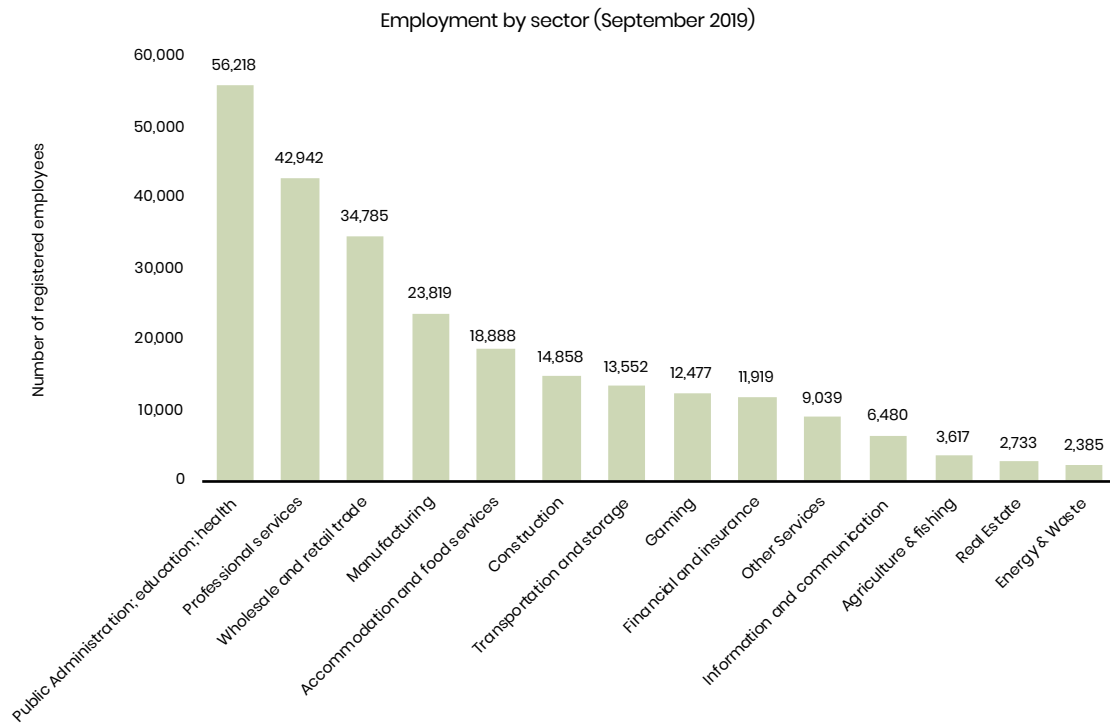


Source: National Statistics Office, Eurostat

...continued to **tighten** the labour market...

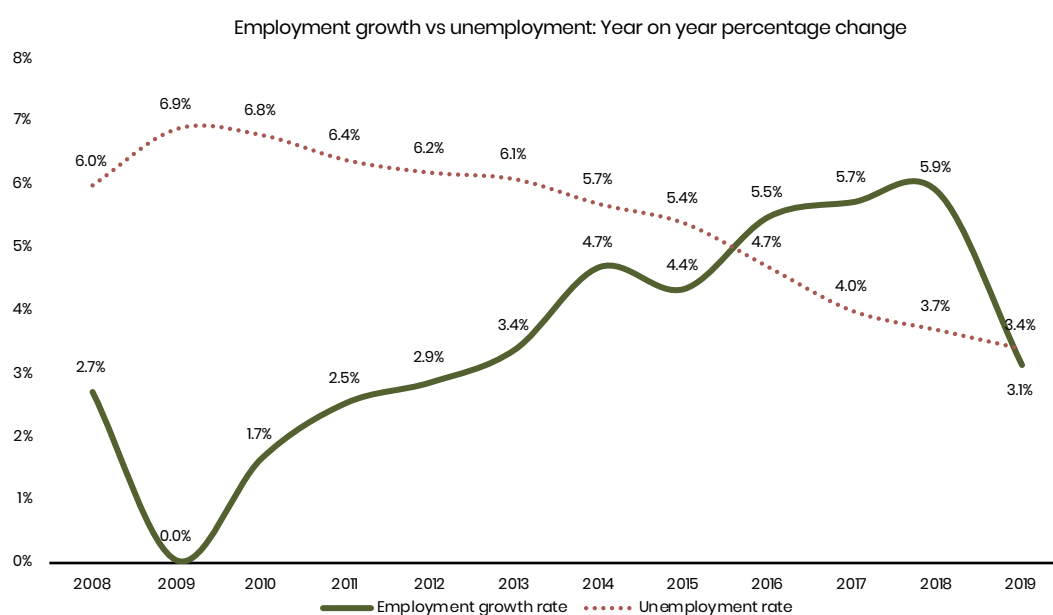
On the back of strong and sustained economic growth, the labour market continued to be buoyant. According to Jobsplus the total number of registered employed by the end of September last year was 253,712. Those employed within the public sector account for 22% of total employment. The second highest number (at 17% of total employment) are employed by the professional services sector and closely followed by the wholesale and retail trade sectors. The gaming sector which directly contributes 13.7% towards the Maltese economy employs 12,477 people or 5% of the total registered employed.

In reality, however the gaming sector is an important user of services provided by other sectors of the Maltese economy such as professional services and the ICT sector. The effect of the gaming sector on employment is therefore higher than what is directly reported. The same applies for tourism which affects the livelihood of a significant number of employees working across different sectors, not just accommodation and food services.



Source: Jobsplus

The strong performance of the domestic labour market, coupled with skill shortages, started to lead to heightened wage pressures. However, wage growth was, to a certain degree, contained due to the inflow of foreign workers.

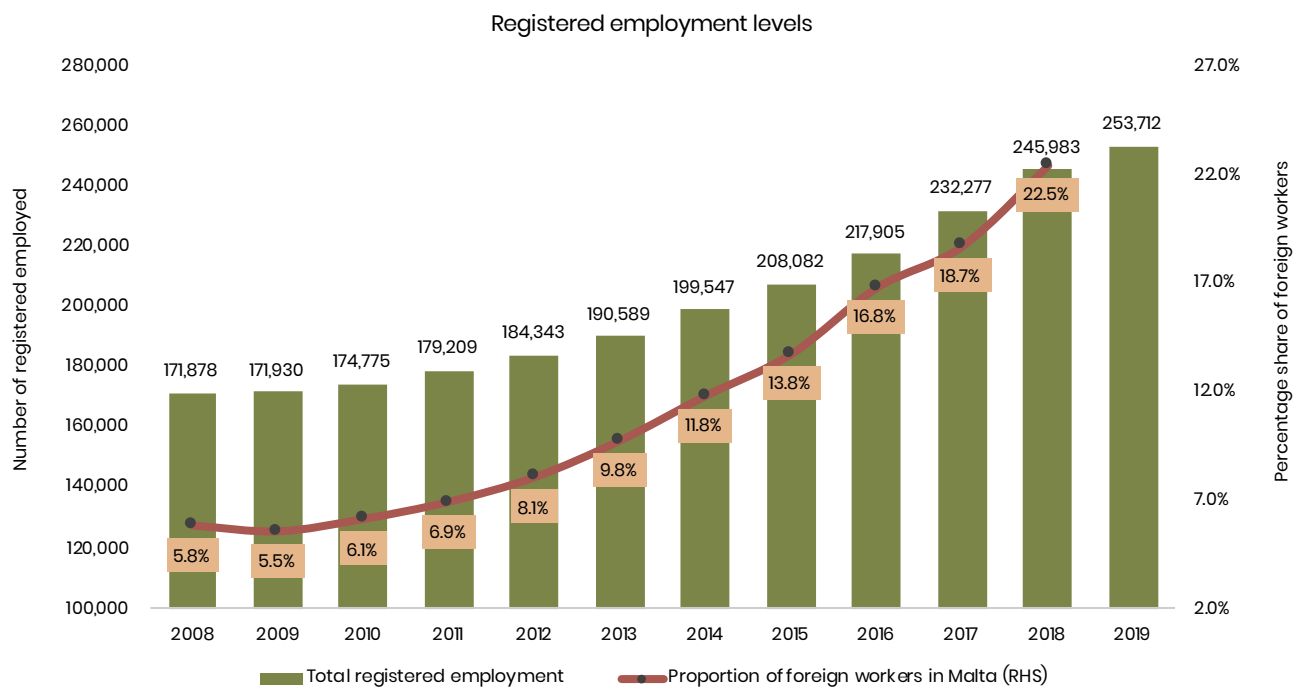


Source: Jobsplus, Labour Force Survey

...attracting a **larger share** of **foreign workers**...

As Malta reached practically full employment with an unemployment rate of around 3.4% in 2019 (Labour Force Survey), 39% of jobs created during this period were taken up by EU nationals while 24% were filled by third country nationals. The share of foreign

workers in Malta (as a % of total registered employed) as a result increased from 6.1% in 2010 to 22.5% by the end of 2018, and today includes roughly 55,000 foreigners.



Source: Jobsplus

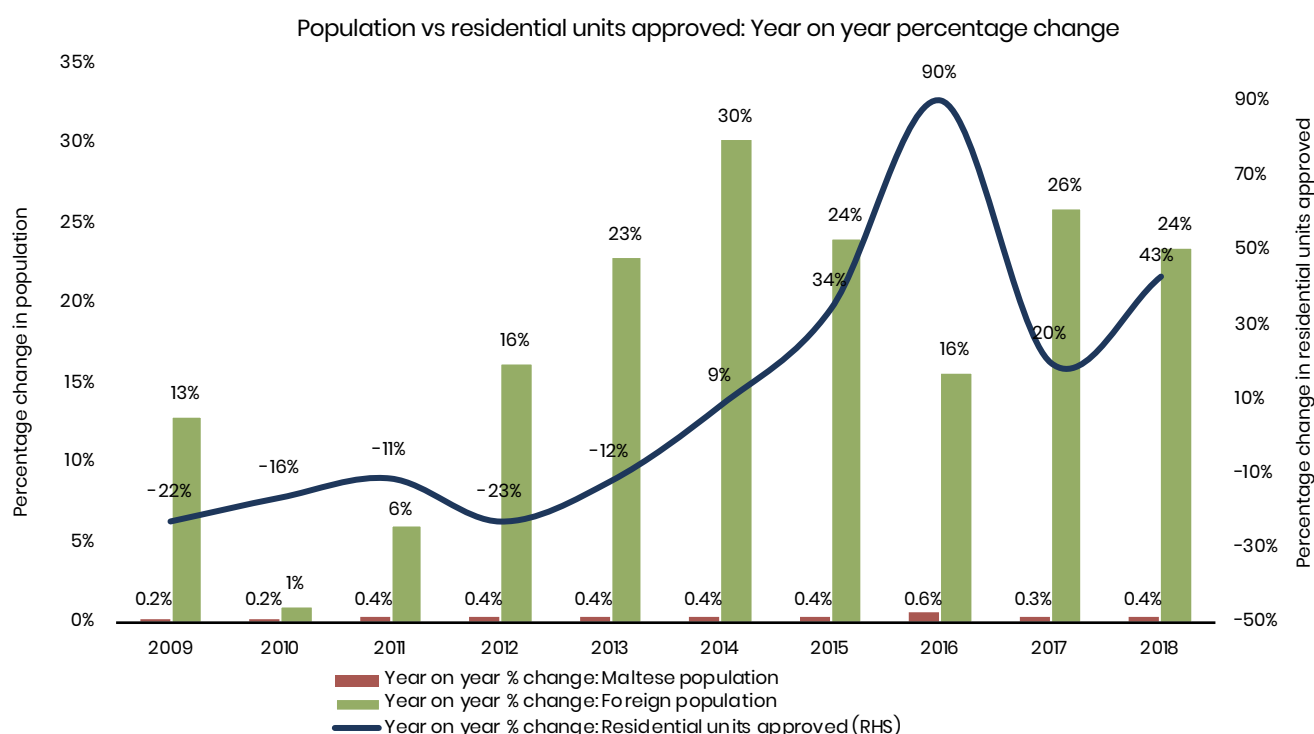
This influx of foreign workers has played a key role in the transformation of Malta's economy and in sustaining the level of economic growth registered in recent years. Foreign workers are not just filling job vacancies, but they are also fueling economic activity:

- A good number of foreign workers are employed in sectors where higher than average salaries are paid. This provides for stronger spending powers which boosts private consumption at household level.
- Expats are seen to be an important source of economic activity for the retail, restaurant and entertainment sectors.
- Some expats settle in Malta with their whole family. In this case the spillover to economic activity, particularly by way of consumption, is higher.
- Expats also attract a significant number of visits from family and friends which in turn contribute to the tourism sector. In 2019, it is estimated that at least 329,000 or 12% of all tourist arrivals in Malta were related to such visits.

...leading to a **buoyant housing market.**

As more foreigners came to Malta to work, coupled by a laxer approach to permit approvals, the Maltese construction industry responded. New permits for developments increased across all sectors, including housing, commercial, office and tourism related.

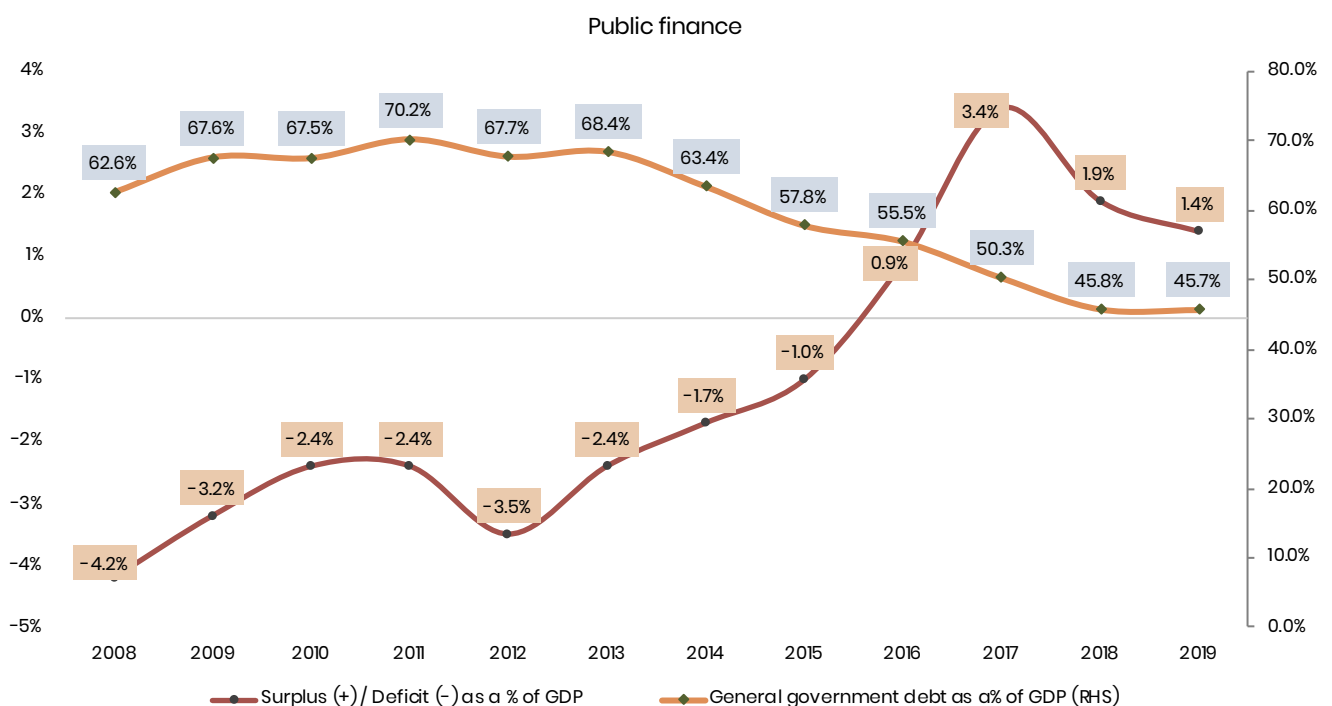
This increase in development projects has raised concerns of excess supply with the possibility of an eventual correction in market prices. Between 2013 and 2018 the number of residential units approved by the planning authority increased substantially year on year. This has been very much mirroring growth in the number of foreign workers who have been increasing by an average of more than 22% since 2012. Natural population growth, on the other hand, has been rather flat for the past years, thus suggesting that the supply of housing will outpace changes in the Maltese population and being driven primarily by the inflow of foreign workers. This can present excess supply concerns should the rate of growth in the foreign population abate.



Source: National Statistics Office, Planning Authority data published by the Central Bank of Malta, Seed estimates

Against this backdrop, **public finances** **remain strong.**

Malta's public finances have gone through a significant change with a sustained deficit turning into a surplus over the past couple of years. The increasing debt ratio was also reversed as GDP grew at a much faster rate than new debt, giving Government much more room and comfort to maneuver.



Source: National Statistics Office

For a number of years, government had been running deficits to support the building of Malta's supply capacity and spearhead the country's economic transformation towards a higher value-based service offering which required heavy investments in education and other infrastructure. Also, the global financial crisis in 2008 required government to step up and support sectors and sustain jobs. During this time, government also experienced loss of revenue as a result of slow economic activity triggered by the crisis. Following

2013, government moved to consolidate its fiscal position resulting in lower deficit levels year on year and eventually turning the tide into a surplus from 2016 onwards. General government debt in absolute terms continued to increase at a much slower rate of 3% annually and plateaued in 2016 to the tune of €5.7 billion. Complemented by strong GDP growth levels, the debt to GDP ratio fell from 68.4% in 2013 to 45.7% in 2019, which is significantly lower than the 60% Maastricht criteria benchmark.

As a result of the current crisis, GDP is expected to be negatively impacted and therefore the debt-to-GDP ratio is expected to increase even without the expected increase in debt levels. In fact, due to the measures that were announced and others that will be taken, it is expected that the ratio will increase even further. Notwithstanding, government is in a very strong fiscal position to maneuver and support the economy in this time of crisis.

87% of total government debt is local with an average cost of debt of 3.3% as at the end of 2018.

Furthermore, average remaining maturity of total debt in 2018 was 8 years which provides government with sufficient time to raise additional finance in this crisis and go for longer-term maturity of debt.

Besides, the National Development and Social Fund has net assets worth €462 million, of which only €56 million have so far been committed to specific projects and €265 million are held in cash and cash equivalents.

The **financial sector** remains robust but faces **challenges** too.

The assets of core domestic banks, which have strong links with Malta's economy and are thus economically most relevant, stand at €41.3 billion as at February 2020. Overall loan growth to domestic clients is in line with economic growth. The increase in domestic banks' assets is mainly driven by higher lending, primarily mortgages to households. Banks have continued to engage in mortgage contracts

and now almost half of resident loans are household property related. On the liabilities side, domestic banks are highly liquid. Domestic banks fully rely on retail deposits, most of which are from domestic residents. The growth of deposits from domestic residents has continued apace and stand at €20.4 billion as at February 2020.

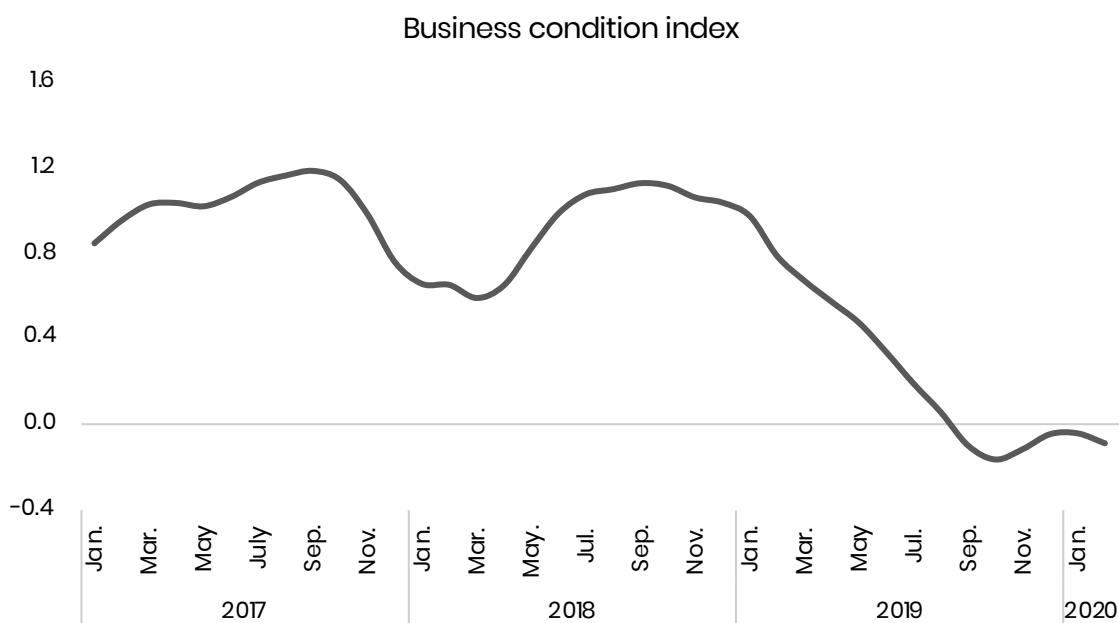
Malta Stock Exchange (MSE) data also show that large companies are increasingly making public issuances of corporate bonds and equity. As at 3rd April 2020, €1.7 billion in corporate debt was listed on the MSE. The amount of equity listed on the MSE has also increased in the past years, and stands at almost €3.6 billion, further confirming the liquidity of Maltese households.

Various international reports and agencies have highlighted that the supervisory capacity is not fully in line with the size and international dimension of the financial sector. An effective supervisory framework is crucial to safeguard financial stability and protect Malta's attractiveness as an international financial centre. This has led to a tightening of relationships between the banking sector and corporates with long-onboarding and processing procedures.

Economic sentiment was already down and will be **exacerbated by the pandemic.**

The Business Climate Index, as compiled by the Central Bank of Malta, continued to decline over the past few months. In fact, it was being felt that Malta's performance had reached its peak and was now going to stabilize. The political instability towards the end of last year further reduced confidence. The negative sentiment captured by the economic

sentiment indicator outweighed the positive economic performance that was registered. Given this already subdued sentiment, it is expected that the pandemic will only exacerbate the decline in confidence.



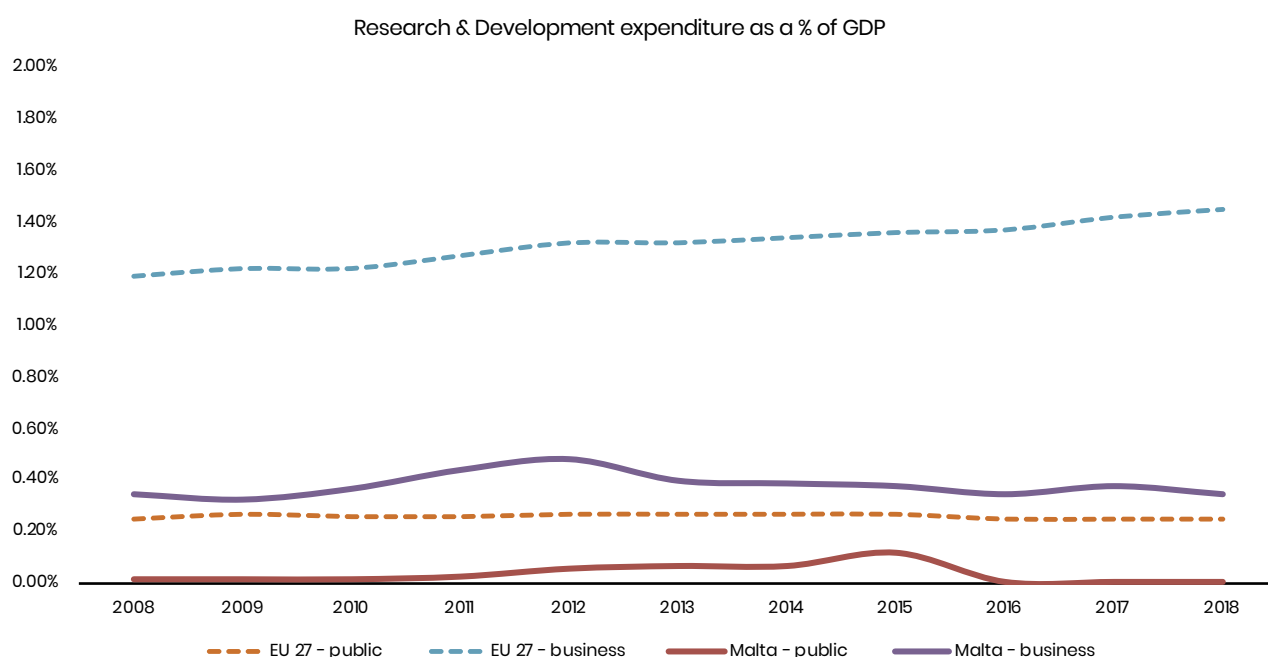
Source: Central Bank business condition index

Despite the **performance**, structural **challenges remain**

Notwithstanding the advances made, various structural challenges remain including infrastructure, access to finance, innovation, human resources and judicial reforms. To this end, Government is embarking on a broad and wide infrastructure investment programme particularly focused on improving the

road network. This investment programme is set to continue supporting private sector investment and job creation in the coming years.

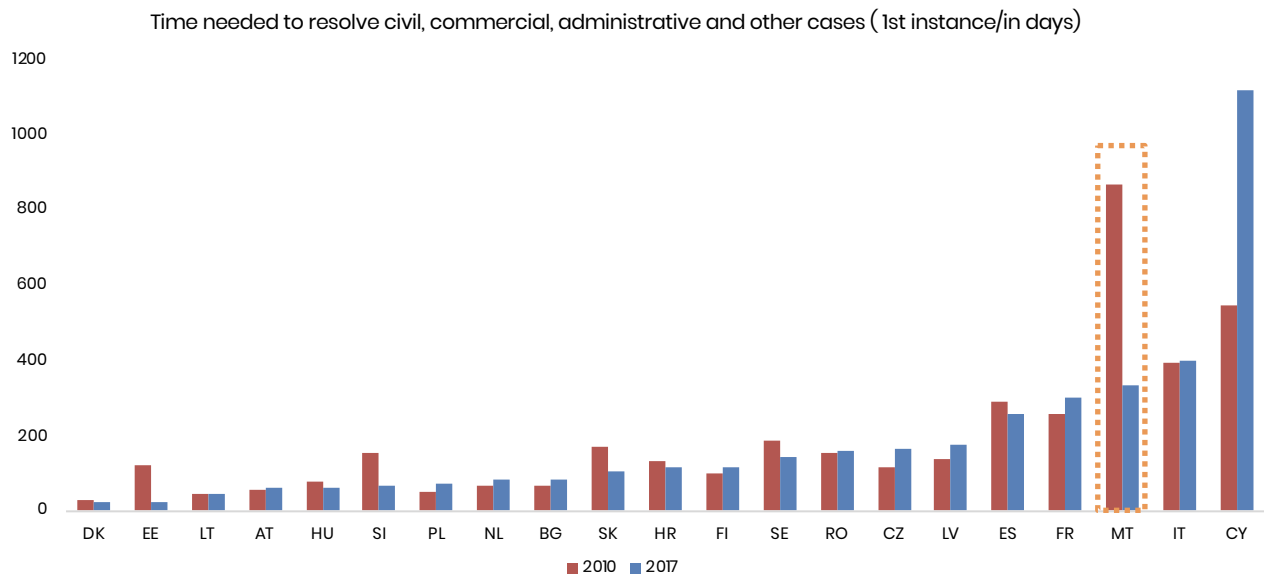
Access to credit by SMEs remains challenging in Malta with higher than average interest rates. This led to the creation of new financing mechanisms including the new markets on the Malta Stock Exchange. The Malta Development Bank was also set-up to support this area and to roll-out financing schemes for SMEs. This, in addition to a low public spending on R&D, has affected Malta's innovation performance and remains one of the weakest amongst EU member states; 0.5% of GDP as opposed to the EU average of 2.2%. These areas become even more critical once the crisis passes and Malta seeks to chart out its recovery post the COVID-19 crisis.



Source: Eurostat

Justice reforms are also required to support the private sector primarily in key areas such as insolvency. This becomes even more critical at this juncture as several companies will face insolvency.

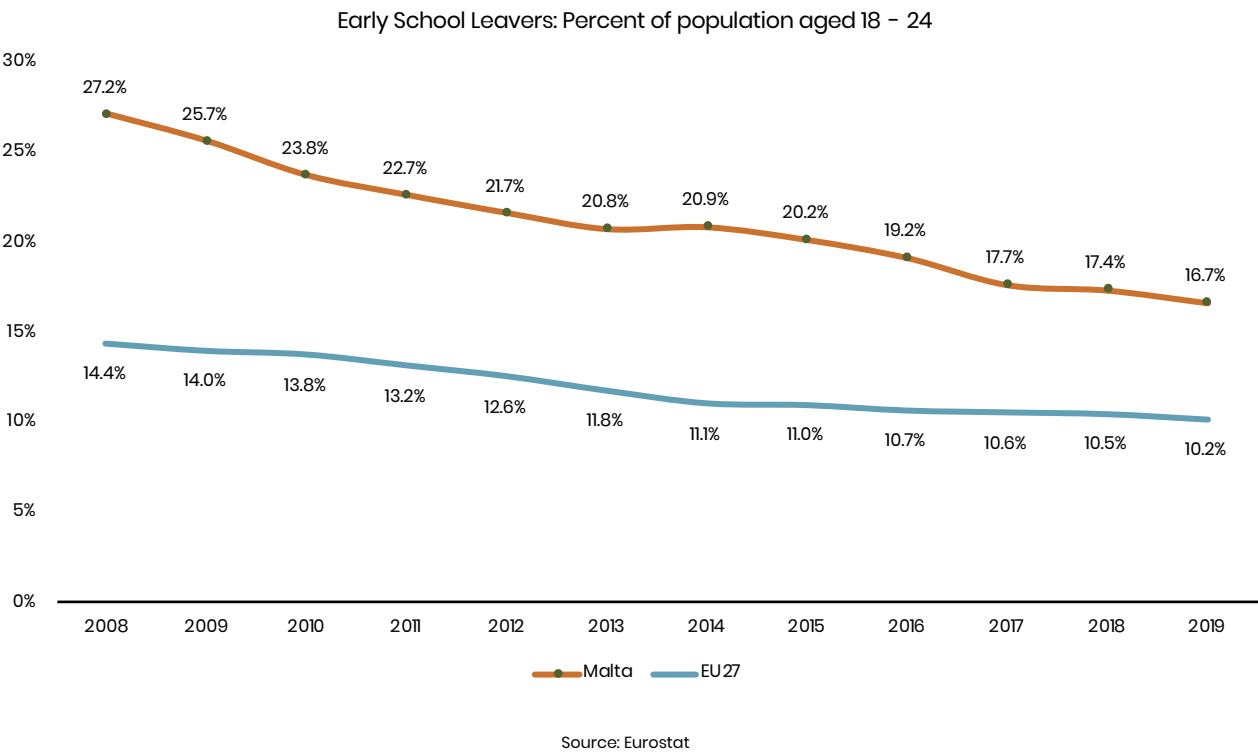
Despite recent progress, the time needed to resolve civil, commercial, administrative and other cases in Malta is still among the highest in the EU.



Source: EU Justice Scoreboard (2019)

Although advances have been made in education, Malta still has a high early-school leaver rate compared to the EU average. Also, the basic skills attainment among young people is still weak and strongly influenced by socio-economic status. In addition, large gaps remain in tertiary educational

attainment. These weaknesses underpin widespread skills shortages, which have become a barrier to investment according to survey evidence, as well as the increasing dependence on higher-skilled foreign workers.



Weaknesses have also been identified in Malta’s financial and AML/CFT supervisory frameworks with a deadline for implementation of reforms by MoneyVal later this year. These reforms are necessary to safeguard Malta’s reputation and standing as an international centre for professional and financial

services. Failure to pass the review by MoneyVal will present new economic challenges for Malta and will primarily affect the sectors which have contributed significantly to Malta’s strong recent positive performance.

Sectoral impact analysis

Agriculture and fisheries



0.9%

Share of total economy (2019)



1.4%

Share of total employment (2019)



+1.1%

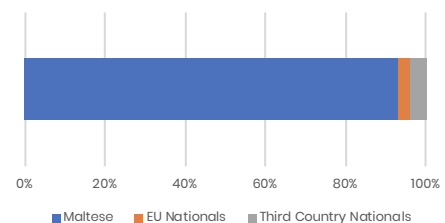
Annual growth rate
(2019/10)

+2.3%

Annual employment growth rate
(2019/10)

Sources: NSO, JobsPlus.

Employment by nationality (Sept 2019)



Employment structure (Sept 2019)



The agriculture and fisheries sector represents just 0.9% of the total Maltese economy and more often than not is overlooked in the statistical analysis of sectors. However, agriculture and fisheries continue to play an important function in our society, and it is exactly in situations like the one we face today that we appreciate each and every link in the supply chain of an economy, as well as the importance of food security to social and economic wellbeing.

Agriculture and fisheries remain a volatile and highly seasonal sector growing on average by 1% annually, driven mainly by the increased fish farming activities

rather than the agricultural sector. These developments contrast sharply to the significant population growth we experienced over these past ten years.

Similarly, employment levels in the sector have remained relatively flat during this period and largely mirror sectoral performance. In fact, the sector continues to be very much characterised by family run productions and part timers. In 2019, the sector employed 3,617 people of which 38% were self-employed and 28% were part-timers with farming being their primary job. An additional 1,682 part timers had another full time job elsewhere.

Immediate to short run

Although a declining local sector, COVID-19 has actually highlighted the strategic importance and relevance of local agriculture. The impact has been varied across producers due to shifts in demand and buyer groups. Certain produce which was highly demanded by restaurants and hotels such as strawberries and salads have been negatively impacted whilst a higher demand for potatoes has been recorded. In general, with people cooking more and changing shopping habits, the sector has experienced a positive impact, with increased demand for local produce. Due to social distancing, more people have in fact turned to the local vegetable hawker. However, other sectors have been negatively impacted, particularly fishermen who have been hard-hit by the restaurant closures.

Medium to long term

Lessons must be learnt from this crisis vis-à-vis the agricultural sector. As highlighted, the sector is of strategic importance and Government needs to ensure that it is given priority in policy making. Internal supply chains need to be addressed together with a strategic approach towards reducing dependence on food imports. In addition, support must be given towards digitising parts of the supply chain. Malta cannot afford to lose its food security and sovereignty and this is why a strategic vision for the whole sector needs to be designed and implemented. Moving forward, it is important that farmers and fishermen are protected against such shocks in order to give them security should the sector be negatively impacted as this will support

the long-term sustainability of the sector. The sector needs an improved governance structure which will allow farmers, herdsman and fishermen to secure their jobs. The whole ecosystem needs support including water availability and quality. Our dependency on the sector has been highlighted and it would be irresponsible for this sector not to be given its due importance.



“We are realizing how vulnerable we are to the most essential item that we produce. Moving forward, we need to ensure and protect Malta’s food security and sovereignty by having a proper vision in place. We need to work together to make the Agricultural sector more resilient.”

Malcolm Borg
Coordinator Għaqda Bdiewa Attivi

Construction



Share of total economy (2019)

3.8%



Share of total employment (2019)

5.9%



Annual growth rate (2019/10)

+5.8%

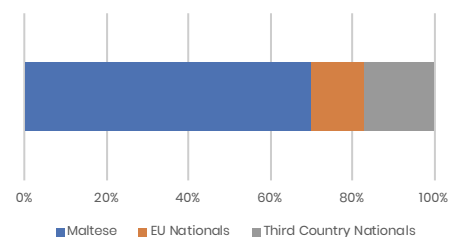


Annual employment growth rate (2019/10)

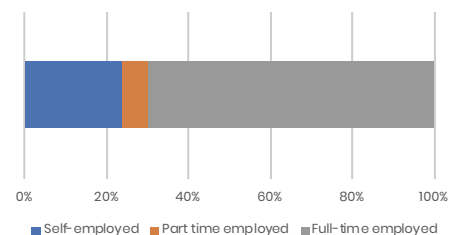
+1.3%

Sources: NSO, JobsPlus.

Employment by nationality (Sept 2019)



Employment structure (Sept 2019)



In comparison to other key sectors, construction only accounts for 3.8% of the total economy. However, the sector is an important user of services provided by other sectors, namely real estate and professional services such as architects, notaries, tax advisors and financial planners. The sector has had a number of good years in recent times and was growing on average by 5.8% annually.

In terms of direct employment, growth has been rather flat, at a rate of 1.3% annually. Between 2010 and 2018, the number of registered Maltese employees working in the construction sector fell significantly, by around 3,000. Foreigners have

compensated for this shortfall, namely third country nationals who today account for roughly 17% of total registered employed in the sector.

Beyond the numbers, the sector has long been seen as an important economic driver. Over the past few years, the sector has experienced an unprecedented boom with an increase in construction sites, following a laxer approach to the issuance of planning permits. This has fuelled an increase in supply of dwellings, with growing concerns regarding oversaturation in the market.

Immediate to short run

The construction sector is currently still largely in operation. The current lockdown did not affect the sector, although work did slow down due to increased health and safety measures that are being implemented on sites. In addition, there is a proportion of the workforce that is on voluntary isolation due to increased health concerns. However, although construction is still ongoing, the sales and rental part of the funnel has halted. This is expected to cause liquidity issues in the sector and may result in the postponement of some projects. The linked industries are mainly suffering the brunt of the crisis; these being mainly professional services and also real estate agents. Unless the lockdown directly affects construction sites, it is expected that the sector will experience a limited direct short-term impact.

Medium to long run

On the other hand, the longer the pandemic continues to have a bearing on economic activity, the bigger the impact on the sector will be. Primarily, the sector will be impacted due to broken economic links within the transaction cycle leading to liquidity problems. In addition, as people's propensity to save increases and sales or rental agreements stop, the tighter liquidity will be. This will impact industry players differently. The more experienced and larger companies might be in a better financial position to withstand the effects. On the other hand, a number of players will be relatively exposed to the prolonged effects and can face serious challenging conditions. Given the heavy dependency on financing, this sector and its potential impacts needs to be analysed closely given the macroeconomic effect it will create. On the other hand, intra-sectoral consolidation is expected to happen between operators, with larger players crowding out smaller firms. This further points to the need for the sector to reinvent and transform itself. There needs to be a

greater emphasis on quality rather than quantity, together with a greater commitment towards sustainability and championing the environmental sector. Here the focus should be turned much more towards regeneration rather than new developments, as well as the importance of circular economy concepts for the construction industry. From a macro perspective, the issue of planning and spatial planning, including estimation through demand and supply models, will be critical to ensure the long-run sustainability of the sector and broader economy.



"The businessmen in this industry are ready to adapt to this economic change. They are ready to invest in making sure we build in a more sustainable and environmental-friendly way. However, for this to take place we need to work hand in hand with the government to ensure that planning is done in a holistic manner. This will depend on the vision that government intends to take."

Sandro Chetcuti
President, Malta Developers Association

Real estate



Share of total economy (2019)

4.7%



Share of total employment (2019)

1.1%



Annual growth rate (2019/10)

+5.3%

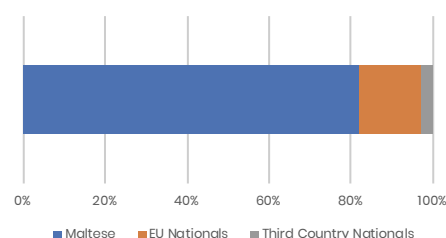


Annual employment growth rate (2019/10)

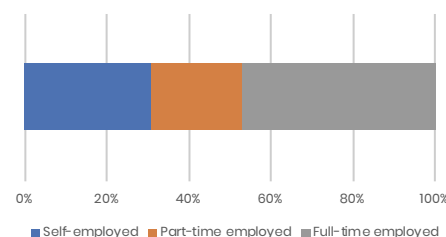
+9.4%

Sources: NSO, JobsPlus.

Employment by nationality (Sept 2019)



Employment structure (Sept 2019)



In line with improved economic performance over the past few years and on the back of larger numbers of foreigners working in Malta, this sector experienced an unprecedented boom. With stronger demand for properties to rent and an increasing supply of units and new developments to sell, the real estate market went through a renaissance. The sector grew considerably in terms of GVA with an average annual growth rate of just over 5%. Today, it accounts for close to 5% of the total economy. Employment grew at a faster rate at 9.4% however the composition is peculiar to the industry with a high percentage of self-employed and part-time workers.

Immediate to short run

This sector has been hit particularly hard. Due to health concerns, agents are no longer meeting clients, while demand for new properties has plummeted. The rental market has suffered with landlords being asked to reduce rental rates, thereby starting a broader correction. Sales of new properties have also stalled. As a result, this has brought the sector, characterised by self-employment, to a standstill. This has also affected other professions especially notaries; they too are heavily characterised by self-employment. Incomes have been highly impacted and as yet, the sector is not eligible for Government support.

Medium to long term

The impact on the sector is expected to be far reaching. Demand is expected to weaken over the foreseeable horizon. The ensuing economic recession will reduce the demand for workers, especially foreigners, which in turn will reduce the demand for new properties. The heightened lack of confidence will also impact consumer spending with a larger propensity going to precautionary savings rather than investments in illiquid assets. The correction that will happen in the market, rental and possibly sales, will also impinge on the sector, and consolidation and retrenching are expected. This sector is expected to feel the squeeze of the current crisis well into the medium-to-long term.



"The notarial profession is highly exposed to the property market and this

phase has severely impacted related work. The writing is on the wall...Sustainability is key for the country going forward."

Dr Clinton Bellizzi

President, Kunsill Nutarili ta' Malta



"We need to work to change the perception of contractors, developers, and real estate agents.

This can only happen if we work together on a vision that is aimed at building sustainable, green projects. Projects that promote aspects such as green facades and green roofs. It is now time that government and industry come together to devise a plan in this regard and build a better Malta and Gozo."

Steve Mercieca

CEO Quicklets and Zanzi Homes

Manufacturing



Share of total economy (2019)

8.1%



Share of total employment (2019)

9.4%



Annual growth rate (2019/10)

+2.6%

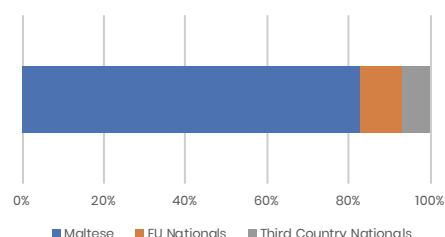


Annual employment growth rate (2019/10)

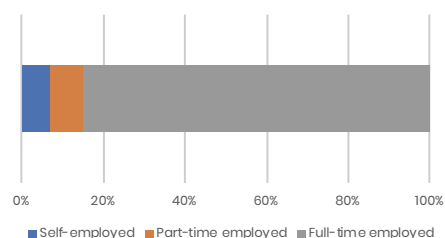
+0.9%

Sources: NSO, JobsPlus.

Employment by nationality (Sept 2019)



Employment structure (Sept 2019)



As Malta's transformation into a services-based economy continues, the manufacturing sector's share of total output generated by the Maltese economy fell from 12.9% in 2010 to 8.1% last year. This said, manufacturing still grew by close to €200 million during this period and employs more than 23,000 employees. This sector has also been an important source of increased female participation over the past few years as more female workers joined the labour force. The sector continues to be an important source of foreign direct investment into Malta, increasing by around €185 million in 2018 to reach a total stock value of more than €1 billion during the same year. The government continued to diversify the manufacturing industry primarily

through higher value-added activities, however Malta's insularity remains a challenge.

Immediate to short run

The industry is diverse, targeting a number of sectors and jurisdictions. Domestically focused manufacturing operations, especially catering for the food and beverage market, are expected to be impacted negatively due to lower demand from hotels and restaurants. On the other hand, Maltese manufacturing exporters are exposed to the economic conditions in external markets. The most immediate concern is the disruption in supply chains stemming from factory closures abroad. Also, in view of the

uncertainty, expansion plans and additional capital investments are being postponed so that firms will be able to maintain liquidity. Firms are also focused on retaining their employees due to the training they have invested in them. It appears that manufacturing concerns are more prepared to deal with crises following the 2008 global financial crisis and they have built-up their internal resilience and contingency plans.

Medium to long run

The manufacturing sector will largely be impacted by a general slowdown in the global economy. In addition, as consumer and business confidence are expected to worsen the longer it takes to resume normality, the ripple effects on demand for final goods as well as for investment plans will inevitably grow. Globally, a number of companies are shifting production lines to deal with required medical goods and this is going to affect global supply chains. In addition, the global recession that could result is also expected to reduce manufacturing activity across several sectors, many of whom are important consumers of Maltese re-exports. However, it being transitory, firms are looking at opportunities to retrain and reskill workers.



“The most pertinent challenge that we will have when this is all over is rebuilding confidence, both business and consumer confidence. We are in this all together, and in order to succeed we need to urgently have all stakeholders around the table discussing proposals for the aftermath of Covid. We will all come out hurt but we all need to come out with a stronger positive spirit, and willingness and energy, to own the situation and realize that each one of us has a duty to work hard to rebuild the confidence required for a renewed flourishing economy.”

Maria Micallef

Chief Executive Officer – The General Soft Drinks Co. Ltd. & The Waterfront Hotel
Executive Director – IELS

Wholesale and retail



Share of total economy (2019)

9.9%



Share of total employment (2019)

13.7%



Annual growth rate (2019/10)

+7.1%

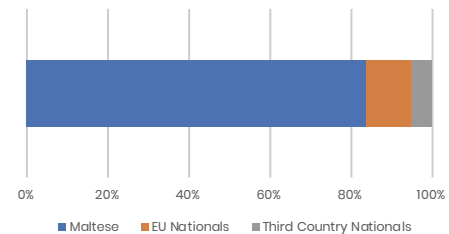


Annual employment growth rate (2019/10)

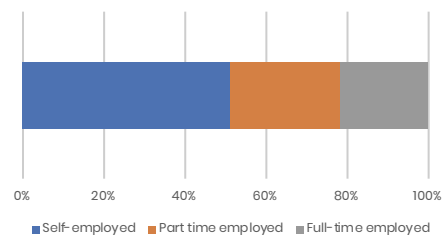
+2.4%

Sources: NSO, JobsPlus.

Employment by nationality (Sept 2019)



Employment structure (Sept 2019)



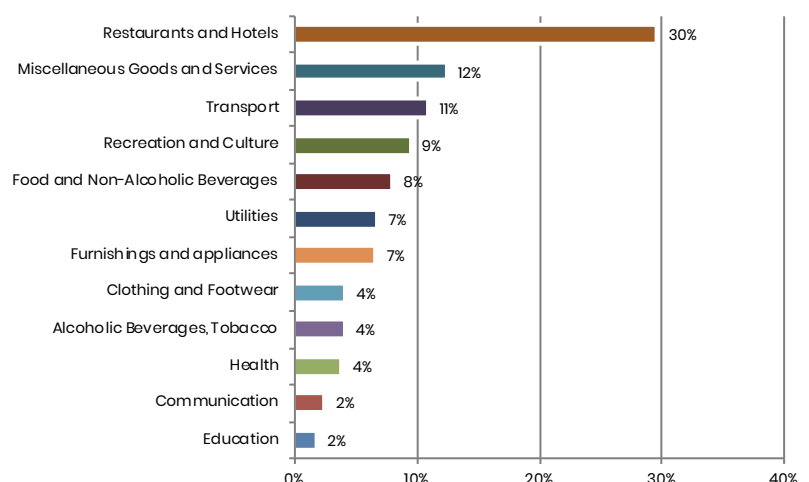
The wholesale and retail sector remains an important pillar of the Maltese economy, accounting for 9.8% of total gross value added and 13.7% of total registered employed. The sector is also an important source of income for a significant number of self-employed which make up 16% of the total market.

Between 2010 and 2019 the sector grew by 7.1% annually on the strength of a growing population driven mainly by the increase in the number of foreign workers, as well as strong tourism performance. Private household consumption also grew annually by 5%, or the equivalent of €2.4 billion during this period, boosting demand for retail trade including food and beverages, furnishings and appliances and clothing and footwear.

Immediate & short run

This sector has been one of the hardest-hit due to the restrictions that were imposed for health reasons. With social distancing in place, imposed closures for non-essential

Distribution of household consumption growth (2019 vs 2010)



Source: National Statistics Office

goods and no incoming tourists, retail outlets have borne the brunt, with demand plummeting fast. With no revenues, outlets and retail groups have been faced with the burden of carrying all the costs including wage bills and overheads. Despite the assistance put forward by Government, the retail sector is facing a crisis of liquidity bordering on insolvency due to sunk costs coupled with fixed recurring expenditures, including rental of premises. It is here that the retail sector actively requires support to deal with rent. It also appears, by and large, that most of the landlords are being flexible in supporting them. However, this is very dependent on the duration of the current crisis and the lifting of social distancing measures. Therefore, it is imperative for support measures to start looking at other overheads including rental arrangements. Also, the volume of stock is also expected to be an issue and further impinges on the liquidity of said sector. A number of outlets have scrambled to digitally transform their business and launch their online stores with the direct effect of strengthening the logistics and delivery sector. It is currently a question of survival and retail groups are using past savings to plug the haemorrhage.

Medium to long run

The retail sector is cognizant that the impact of COVID-19 on their sector is going to be of a longer-term and structural nature. Primarily, they believe that consumer habits will be changed on a number of levels. Expectations are that following the lockdown and the general level of uncertainty, the propensity to consume luxury items will decline, with more individuals increasing their propensity to save. This will mean that the domestic demand levels seen in 2018 and 2019 will not be seen anytime soon. Retailers are speaking of a return to a lower normal moving away from the possible overheating that was experienced in last couple of years. Also, consumer purchasing habits will change with a stronger shift towards e-commerce. They believe that the percentage of people who buy online will increase and also cover wider age groups. Internet users who engaged in e-commerce activities during the reference year amounted to 67.3%. The majority of e-commerce users were between 25 and 34 years. The most common items or services acquired online were clothes and sports goods, holiday accommodation and other travel arrangements. It is expected that more retail efforts will be directed

towards improving the digital experience and to strengthen the delivery offerings to clients. Some retailers believe that even the concept of retail stores will change with them becoming more of an experience-driven destination whereby the actual transaction will happen online. This will also have a long-term impact on brick-and-mortar stores. This is also in view of the large number of commercial projects that came on stream in the past few years. Market players are expecting that there will be an adjustment in this sector with a correction in terms of number of outlets and possible sectoral consolidation happening with increased merger and acquisition activity expected to happen in the longer-term horizon. All these factors will lead to an adjustment in the labour market with a number of players hinting that redundancies will happen. This is also going to be driven by a smaller market size. Players said that a lot of the growth over the past few years came from an expanded tourism market and an increased expat and third country national population. These too face uncertainties in the future as tourism is expected to pick up gradually and more in the medium-term, and the population might stabilise or even decrease due to a contracting economy. This sector is expected to undergo some particular adjustment and transformation in view of the operating environment but also because of changed consumer habits.



“As a Group, we have been investing in the future and for growth. Our aim at the moment is to manage costs and stop the bleeding, broader support would be useful in this regard. This is needed for companies like us to get through this challenging time and be in a position to restart once this phase passes.”

Kevin Grech

Territory Commercial Director – Hudson

Accommodation and restaurants



Share of total economy (2019)

4.9%



Share of total employment (2019)

8.6%



Annual growth rate (2019/10)

+7.4%

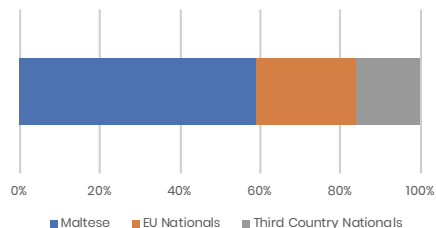


Annual employment growth rate (2019/10)

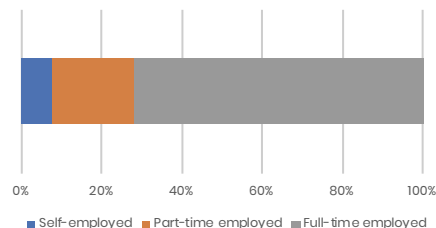
+2.6%

Sources: NSO, JobsPlus.

Employment by nationality (Sept 2019)



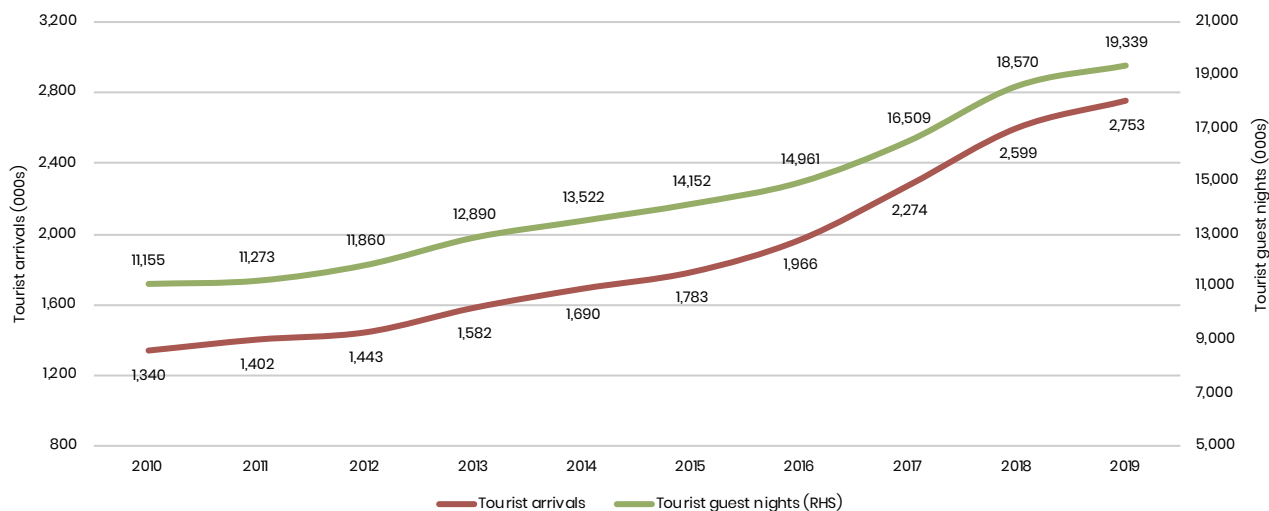
Employment structure (Sept 2019)



Tourism in Malta has been growing at unprecedented levels with all key players in this sector reporting strong performance which has also been reflected in the country's overall economic development. The number of tourist arrivals during the period between 2010 and 2019 increased by 1.4 million to reach a record number of 2.7 million

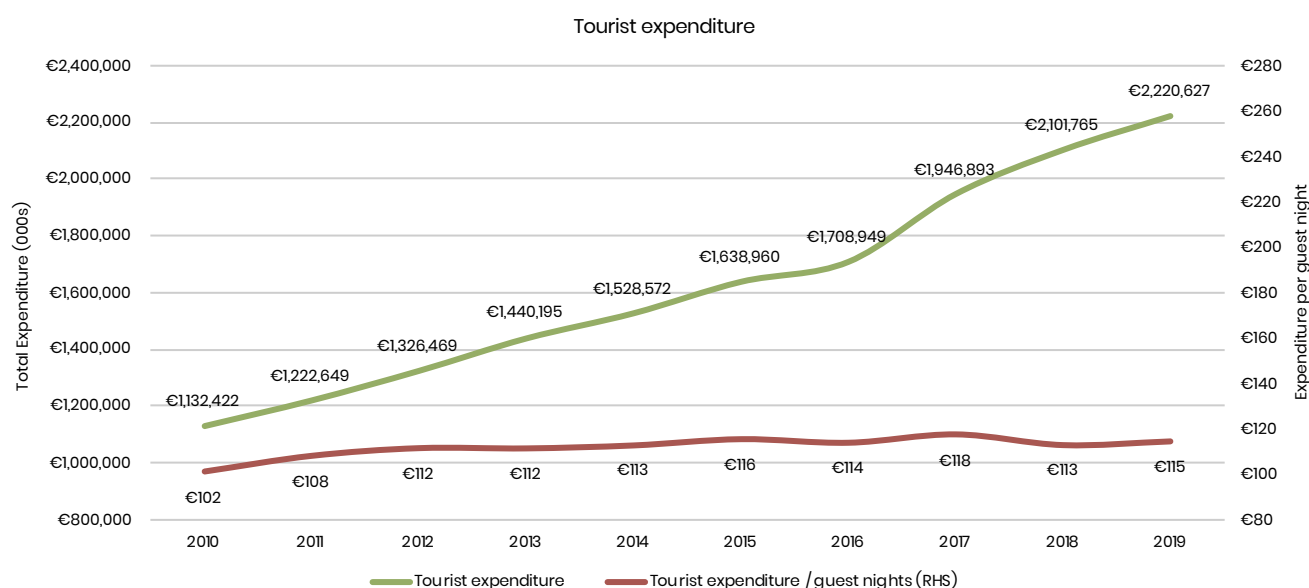
tourists by the end of last year. Similarly, bed nights increased by more than 8 million during this period. The key underlying drivers behind this success include increased connectivity, diversification of tourist offering, significant investment in the sector and development of niche markets such as English language travel and diving.

Tourism trends



In view of these results, tourist expenditure grew by €1.1 billion over the past ten years to reach €2.2 billion by end of last year. However, the increase in expenditure has been primarily driven by volume rather than spend, with tourist expenditure per guest night remaining rather flat for the past years. This

said, travel costs have been on the decline as a result of low-cost carriers and more out of tourist expenditure was being directed to other expenditure items, including accommodation and restaurants.



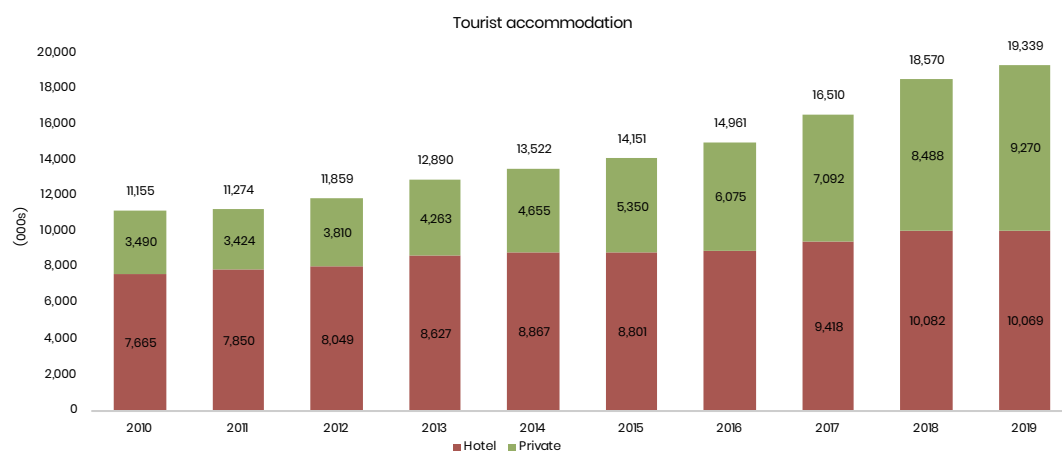
To this effect the accommodation and restaurant sector has been growing on average by 8.6% annually during this reference period and today accounts for close to 5% of the total economy. To meet this increased demand, registered employment within the accommodation and restaurant sector also increased substantially by more than 3,800 employees. Most of these new jobs in the sector were however taken up by EU and third country nationals as the number of Maltese

employed within this sector fell by around 1,862 during the period between 2010 and 2018. As a result, only 58% of the sector's workforce today is Maltese. Whilst tourism is estimated to directly account for around 5% of the economy the industry feeds into multiple other sectors. Retail trade, for example is a major recipient of tourism activity. So is transport and the entertainment sector. Taking into account these indirect effects results in an overall contribution towards the economy of around 12%.

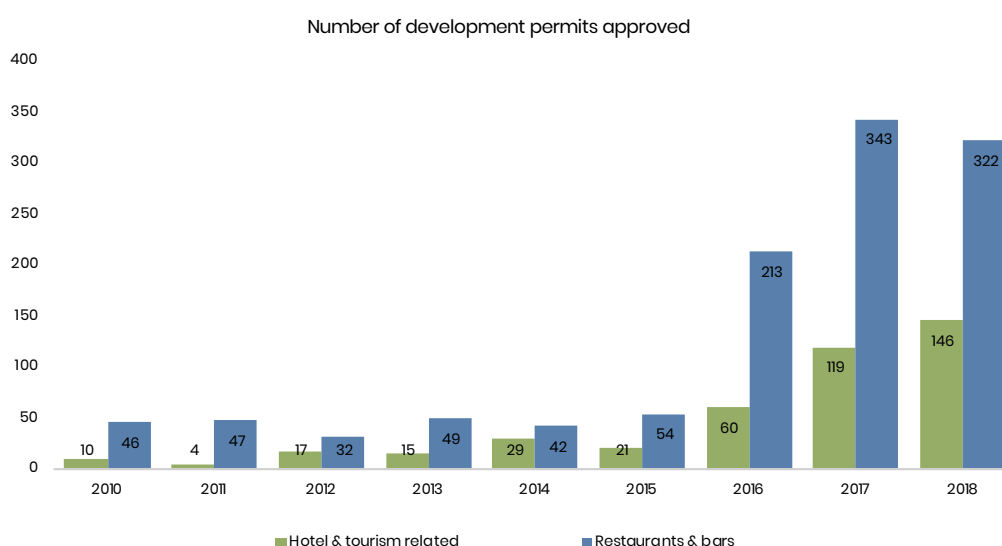
Immediate to short run

After experiencing sustained annual growth, tourism has arguably been the worst-hit sector, taking the full brunt of the crisis. With an airport lockdown and the closure of all entertainment outlets including restaurants, operators in the accommodation and restaurant industry have seen revenues plummet. They are now in survival mode. Hotel profitability had already plateaued in 2018, as a result of the ever-growing shift towards non-hotel

accommodation and compounded further by the increase in hotel bed stock supply. Non-hotel accommodation increased by 166% over the past ten years and now accounts for close to 46% of total guest nights. Guest nights in hotels increased by a far more conservative 31% over the period. At the same time, the number of hotel beds increased by more than 7,000 over the period between 2013 and 2018, with the number set to continue increasing as more hotel development permits were approved in 2017 and 2018.



Source: National Statistics Office



Source: Planning Authority data published by the Central Bank of Malta

The exposure of hoteliers and restaurateurs to capital investment will be further exacerbated in view of the illiquidity. The measures announced cater for survival however the sector is diverse and includes many other businesses that are dependent on tourism. Event organisers, English language schools, transportation companies and others are also facing the strain.

Medium to long run

The extent of the crisis is still unknown, however there is no doubt that the impact on the sector will be significant. The resurgence of the tourism sector is dependent on a number of factors. Apart from Malta reopening its own airport, the tourism industry is dependent on other airports opening up and also on the willingness of people to fly and go on holidays. The fear element, especially if a second wave of COVID-19 starts, will have a lasting impact on the propensity to travel. With no revenues, companies operating in this sector will be stretched to the limit especially those that are already highly leveraged and exposed following investments in growth and capital. From a human perspective, this sector will prove to be challenging as it is expected to be the last sector to come out of the crisis. There might be intra-sectoral consolidation however there needs to be a focused strategy on recalibrating the tourism sector especially in light of excess supply concerns, with potentially a greater focus on internal tourism until the aftershocks of the crisis begin to calm down.



"Agility is going to be the determining factor in order to succeed. This pandemic will result in a new normal and will significantly alter the tourism and entertainment industries. Our business plans and strategies need to reflect this as well as our operations. We need to be ready to think outside of the box and transform ourselves as firms, as a sector and as a country."

Claire Zammit Xuereb
Director, AX Hotels



"The post Covid world will be a different world to the one we know today and we have to be ready to adjust our economy and product in line with this new world. As a small country we need to concentrate more on quality than quantity"

Tony Zahra
President, Malta Hotels and Restaurants Association

Financial services and insurance



Share of total economy (2019)

5.6%



Share of total employment (2019)

4.7%



Annual growth rate (2019/10)

+4.3%

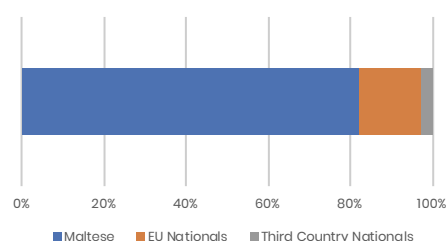


Annual employment growth rate (2019/10)

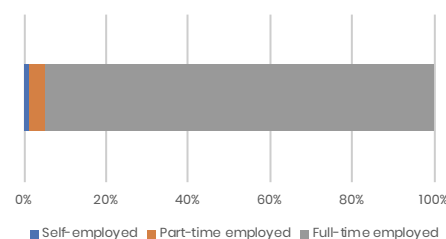
+5.5%

Sources: NSO, JobsPlus.

Employment by nationality (Sept 2019)



Employment structure (Sept 2019)



The financial services and insurance sector has been growing on average by 4.3% annually over the past ten years, reaching a gross value added of €657 million or 5.6% of the total economy in 2019. Over the years, the sector developed beyond the traditional banking services and today includes a strong capital market and the offering of a number of digital financial instruments. This sector also has important and strong linkages with other sectors including professional services.

In line with these developments, the sector continued to generate new jobs and attract talent. Employment levels during the period between 2010

to 2019 increased by more than 4,000 at an average annual rate of 5.5%. Like most other knowledge-based sectors, financial services in Malta also attracted a number of foreign workers namely from EU countries, which today account for around 15% of the total workforce in this sector.

Financial services and insurance activities are also the main drivers behind inward foreign direct investment. The stock position of foreign direct investment by the sector as at the end of 2018 stood at €175 billion.

Immediate to short run

The financial services sector is built around dealing with volatility and the sector has an in-built resilience to exogenous shocks. Companies working in the sector have been very quick to pivot towards remote working. The local market, as yet, has not been directly hit. With a sector that was always at the forefront of digitalisation, a number of services are being provided through digital channels. However, advisory projects related to growth and supporting companies have been postponed as the focus of companies is now on preserving liquidity. The banking and capital markets are exposed to the possible effects of the crisis via clients and companies that are highly exposed to impacted sectors. In terms of employment, companies are focused on retaining workers given the knowledge required in these roles. This sector is going to be crucial to support the general economy, especially the banking sector which will need to enhance its processing capacity to be able to handle the requests and on-boarding of clients, while at the same time dealing with potential loan repayment delays by individuals and businesses alike.

Medium to long run

Uncertainty abounds. Then again, this sector will play a key role in supporting the general economy and players need to ensure that they can access funding instruments which are available in order to support local companies. The current crisis is having a tangible impact on consumer and investor confidence and this is bound to impact the sector going forward. Here, the global recession and its expected duration will be critical, especially if there is contagion from the real economy to the financial sector. Malta's sector might also be impacted as a result. This general decline in services as a result of COVID-19 might add to the additional challenges that the Maltese sector faces including reputational issues and also the requirements for additional

reforms to take place. It is important that these reforms take place and the jurisdiction does not fall behind. At the same time, monetary authorities must keep a close eye on the banking sector's exposure to vulnerable sectors, notably tourism and the construction sector, particularly as liquidity and potential solvency issues arise in the aftermath of the economic fallout, which may have a significant impact on the balance sheets of private banks.



Looking ahead, the country needs a revitalised focus on financial services.

We need to continue implementing the necessary reforms to make our sector attractive again, however a concerted push by all stakeholders is required to re-establish Malta as an international regional finance hub."

Nick Calamatta
Co-CEO, Calamatta Cuschieri

Digital economy



Share of total economy (2019)

20.4%



Share of total employment (2019)

8.5%



Annual growth rate (2019/10)

+12.9%

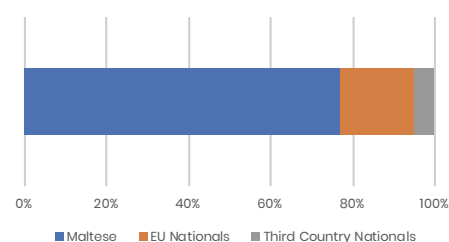


Annual employment growth rate (2019/10)

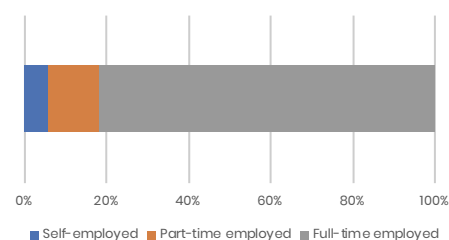
+9.4%

Sources: NSO, JobsPlus.

Employment by nationality (Sept 2019)



Employment structure (Sept 2019)



The so-called digital economy, which comprises the gaming and ICT sectors, is a relatively new industry, which has picked up significantly since Malta joined the EU. Over the past ten years, the digital sector in Malta has grown by more than €1.5 billion at an annual average rate of 13%. This has been one of the main drivers of Malta's strong performance in exports. Today, this sector accounts for more than 20% of the total output generated by the economy. Malta's economic transformation and diversification of sectors over the past years will give the economy some much needed resilience in the wake of the current crisis. An important element of this sector is

that it has translated into high value employment with annual growth rate standing at 9.4%. With 18% of the more than 20,000 employed in the sector being EU nationals, this sector has supported other important industries including the rental market, property, entertainment and hospitality. In addition, professional services also largely benefitted from the growth of the sector.

Immediate to short run

The pandemic and the related social distancing restrictions have brought to the fore the role of digital transformation. This has had a positive impact on the sector, with a surge in demand to support companies in a makeshift and emergency digital transformation. Numerous companies require solutions for employees to work remotely and a number of client-facing businesses have sought to transform their brick-and-mortar shops into ecommerce platforms. However, some large-scale projects have been postponed by clients due to the uncertainty. On the other hand, the gaming sector is seeing a shift in traffic from sports betting which has stopped due to the cancellation of all sporting events to other forms of betting including casinos and poker. Firms that were heavily focused on sports betting have been hard-hit, with their revenues tumbling.

Medium to long run

The sector is seeing that more companies are focusing on digital transformation as the reality of the working world and office is changing. The sector is expected to see an increase in demand for cloud services and services relating to remote working. Also, retail outlets are focusing much more on their online presence by not only improving their social media presence but also the customer experience on their online platforms. However, given the extent of the pandemic and the uncertainty involved, local companies are seeing that the large-scale investments that were being planned might be postponed or halted. On the other hand, the gaming sector is

set to be affected in the long-term as incomes of players continue to be threatened. In the long-run, with declining incomes it is expected that the gaming sector will also feel the effects of the economic crisis.



"Our vision needs to remain focused on the future. Companies that are able to understand and act on changing market trends always survive in the long-run. As a sector, now more than ever, we focus our efforts on securing a responsible gaming environment which protects our customers by ensuring that our services are consumed in an adequate and responsible way. Having such a customer-centric approach will determine the sustainability of the businesses and one's survival within the industry."

Robert Galea
CEO, Mango Gaming

Professional services



Share of total economy (2019)

15.5%



Share of total employment (2019)

16.9%



Annual growth rate (2019/10)

+14.5%

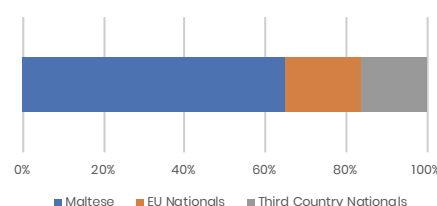


Annual employment growth rate (2019/10)

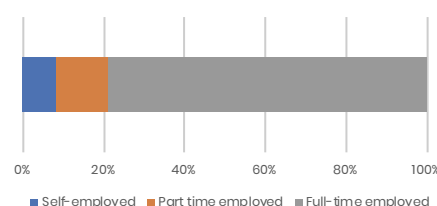
+10.4%

Sources: NSQ, JobsPlus.

Employment by nationality (Sept 2019)



Employment structure (Sept 2019)



The professional services sector has been the top contributor to GDP growth over the past ten years, growing by €1.3 billion during this period or an average of 14.5% each year. Today the sector accounts for 15.5% of the total Maltese economy.

Sectoral growth has directly translated into more jobs which increased by just over 25,000 since 2010 to reach 42,942 employees by September 2019. At 16.9% of total registered employment, the sector is today the biggest employer in Malta after the public sector, which for the record employs 48,521 people or 19% of the total workforce. The sector also employs a good number of foreigners, again an important source of revenue for other critical sectors of the Maltese economy.

Immediate & short run

The professional sector may not have been directly impacted by COVID-19 but it is surely feeling the shockwaves of a stalled economy. Despite being very agile and responsive to shift to remote working, professional services have been affected on various fronts. Primarily, from the demand side, new work from clients has been heavily impacted, while advisory projects have been placed on the back-burner or mothballed since they are seen as a non-necessity in the current climate. This is part of the knock-on effect that the pandemic is having on the broader economy. Liquidity remains a key concern as even though clients will require services from the professional sector, they are entering into delayed payment arrangements so as to protect their cash flow, depriving such needed cashflows to

the professional sector which in turn still has its own obligations. The sector has heavily invested in its human resources throughout the years and redundancies will be delayed as much as possible. What is being required from employees is greater adaptability and flexibility in terms of working hours. From the professional services sector there are also specific cohorts that are being impacted more negatively than others and these include the professions that require physical contact such as private doctors, dentists and notaries. These are facing significant drops in revenues due to the health restrictions imposed, coupled with a general drop in business. The professional sector also has a wide variety of structural differences within it, encompassing sole practitioners to well-established firms. The realities of the structures differ and so does the buffer that each one has to weather the crisis. Timing is also of the essence and the uncertainty of the period involved will have a bearing on the sector.

Medium to long run

The sector is aware that the after-effects of COVID-19 will have long-lasting impacts on the economic development of the country and hence on their sector too. Being largely dependent on other sectors for business, the professional sector faces an added level of uncertainty as the economic recovery for the sector will depend on the particular developments of their clients. Looking ahead, professional sectors further believe in the importance of re-skilling and the adaptability of the workforce in order to be ready for the new specialisations and focus areas that will be required. Digital transformation is also going to be key in order for companies to ensure business continuity but also because their expectation is that a larger number of workers will want to have an increased element of home working. Also, they believe that from a national institutional level, the digital transformation needs to become a priority to ensure minor disruptions going forward. There is also a growing belief within the sector that the Maltese economy will stabilise post-COVID on a more sustainable growth trajectory. It is believed that the structural changes to the

economy, especially from a dampened construction sector, will also impinge on the growth of various professional cohorts including architects and notaries. Looking ahead, professionals believe that the concept of quality is going to become central to the new Malta. Both the quality of life and of service are going to be key elements for an increasingly discerning client. Professionals believe that COVID's impact on the value of money and security will force people and businesses to up their game in terms of quality delivery and therefore the country requires a refocusing on quality across sectors but also in terms of education. With a high knowledge-based workforce required, the professional sector further emphasized the importance of continuous training and reskilling of our human resources.



“This crisis will pass but it must force us to rethink our national strategy with a focus on sustainable growth and a greater appreciation for the environment. In the interim we need to ensure that professionals are supported to weather the storm, to ensure that they can retain their staff despite the cash flow problems they are facing and to be in a position to hit the ground running when the crisis is over.”

Perit Simone Vella Lenicker

President, Kamra tal-Periti

Economic sentiment

In collaboration with Onest, a local data science company, we ran a survey based on a sample of 385 responses. The survey was aimed at capturing the sentiment towards a number of economic dimensions including the general economic climate, employment, savings and consumption.

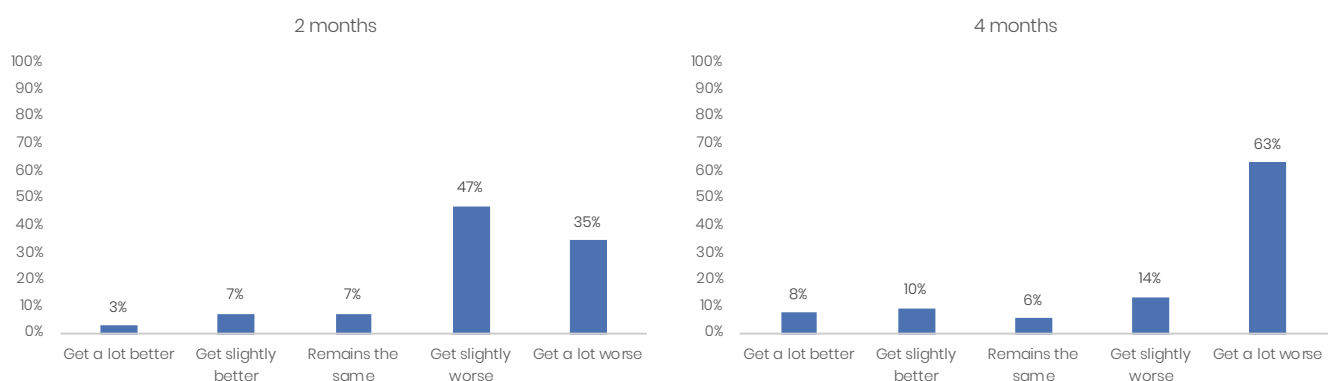
The survey was conducted during the first week of April and 51% of respondents were between the ages of 30 and 49. The majority were full time employed whilst 10% and 16% were part-time and self-employed. 55% of respondents were female.

General economic sentiment

As expected, the majority of respondents believe that the economic situation is likely to get worse over time. In fact, while almost half of the respondents feel that the economic situation will get slightly

worse if the COVID persists for the next 2 months, 63% believe it will get a lot worse if the COVID situation lasts 4 months.

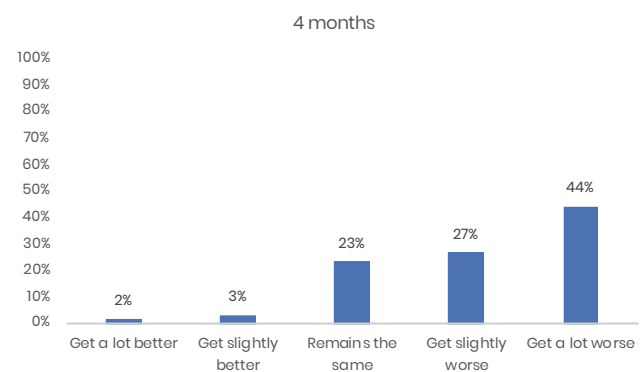
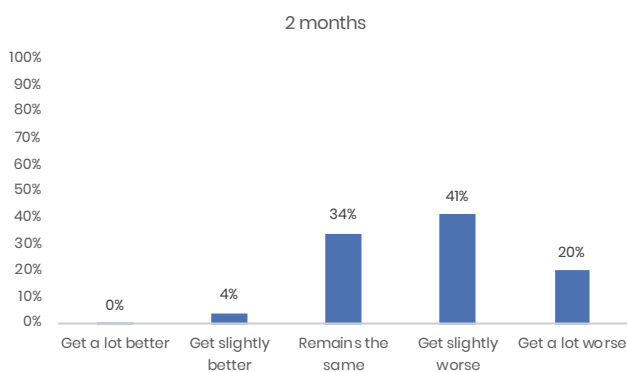
How do you expect the general economic situation in this country to develop given that the COVID pandemic will last another?



This is in line with the sentiment on unemployment levels. From all respondents, 40% believe unemployment levels to increase sharply if the COVID-19 pandemic were to drag on for 2 months. This goes up to 68% if the situation persists for at least another 4 months. The portrait is negative enough, but the trend is relatively stable implying that the coming two months may influence the behavioural sentiment for the following two months.

The results of the economic situation corroborate with how people rate their personal financial position. While 52% of the total respondents state that they have been already negatively impacted by the COVID-19 crisis over the past month, 41% think that their financial standing will get slightly worse over the next 2 months while 44% think it will get a lot worse if COVID-19 persists for the next 4 months.

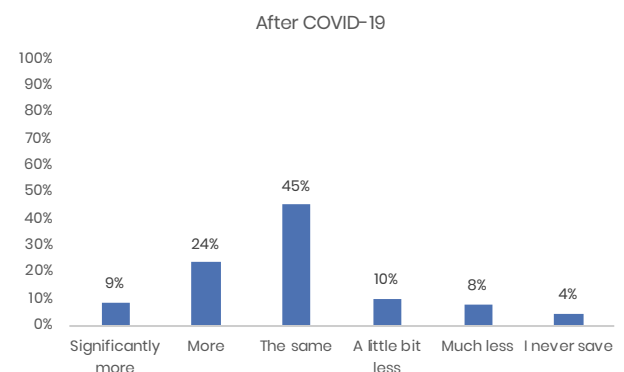
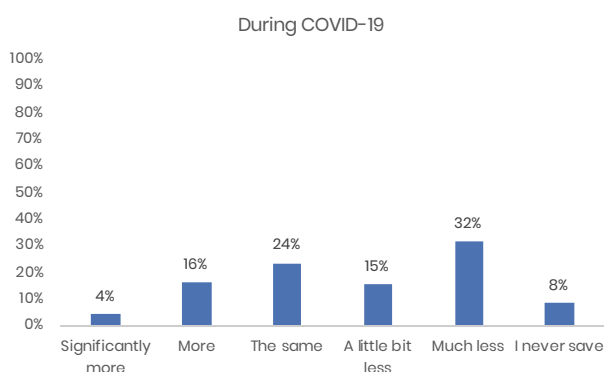
How do you expect the financial position of your household to change given that the COVID pandemic will last another...?



This uncertainty and negativity towards the general economic sentiment is also expected to affect saving intentions. In fact, it is expected that the propensity to save will increase after COVID-19. This is

expected to happen after a period of uncertainty and heightened risk and will imply lower consumption levels.

What are your saving intentions during and after COVID-19?



This analysis shows that people's view of the 'economy' may be strongly tied to their personal situation. This also indicates that people's perception and judgement of their external reality and confidence in external happenings is dependent on what they tend to feel about themselves which in turn come from external observations. Perceptions

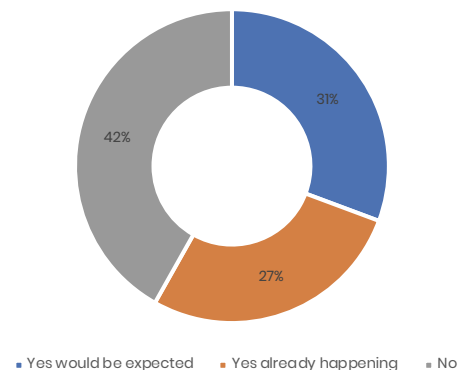
take time to be construed and are often also heavily dependant on the social environment people are exposed to including news, social media, etc. A sense of shock will obviously take its time to be reversed and re-build confidence which implies that visible and influential measures need to be seen and felt.

Employment sentiment

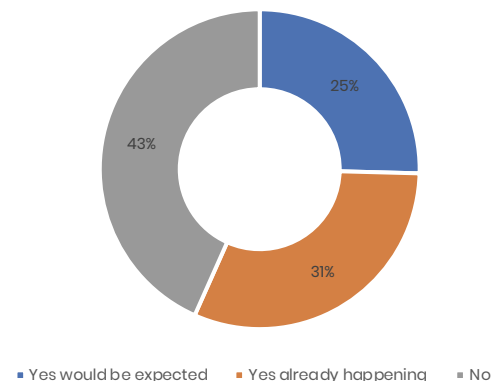
In addition, many of the respondents are well aware of the implications of this situation. There is therefore an element of preparedness. The majority of the respondents believe that their salary is already affected or is bound to be affected (58%).

In addition, people are also expecting other hard decisions to be taken such as reduction in working days. From all respondents, 56% stated that a reduction in the number of working days has already happened or is bound to happen.

If you are currently employed, would you expect your salary to decrease should COVID 19 persist for more than two months?

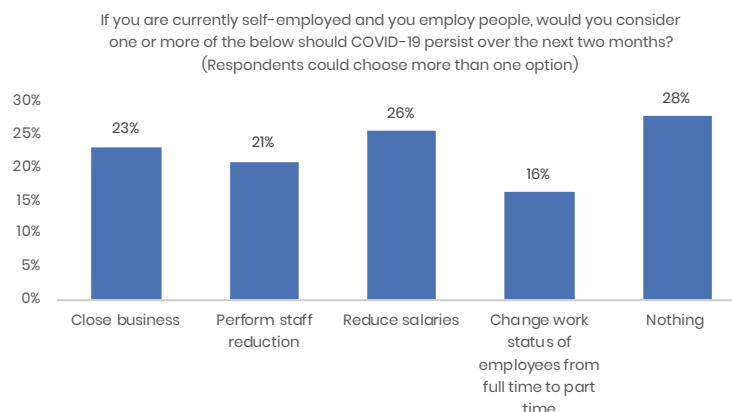
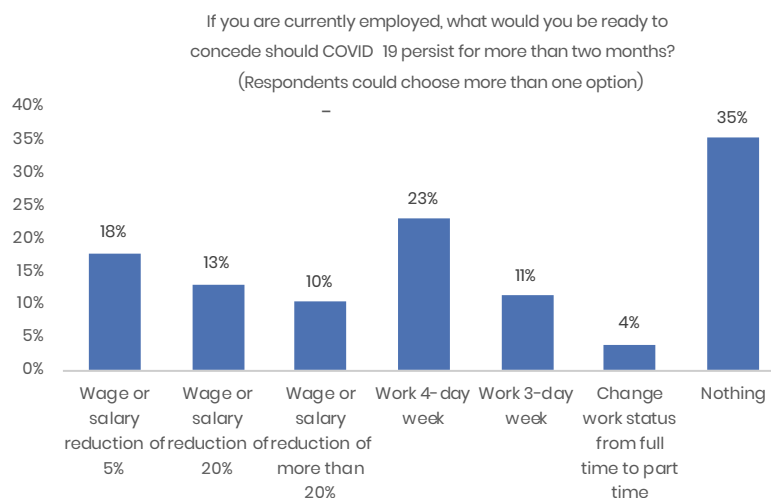


If you are currently employed, would you expect a reduction in the number of days you work per week should COVID-19 persist for more than two months?



However, as expected, people are likely to accept the least pain possible. Hence while the majority would concede to a 5% salary reduction, the least preferred state of affair is change of work status to part time or equally a reduction in salary by more than 20%. Having said this, the majority of respondents who are employed (65%) are ready to concede one or more of their current working conditions during this time of crisis. This strongly

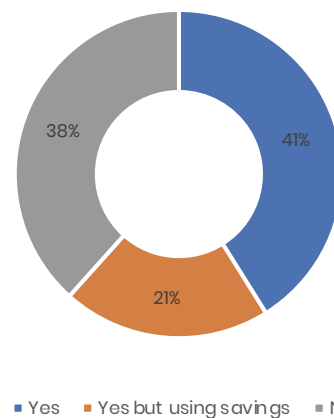
suggest that employees are considerate of the situation and augurs well for the establishment of a recovery plan among stakeholders. Decision makers need to tread with huge caution given the uncertainties and unknowns associated to the pandemic. Constant communication between employers and employees will maintain a degree of trust in these difficult times.



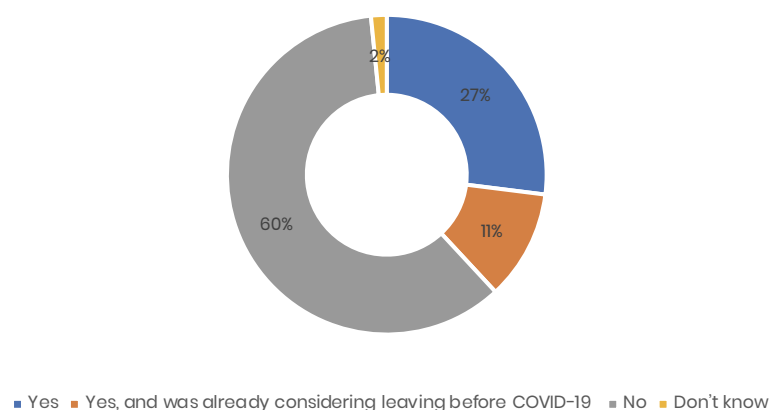
Sentiment of **foreign workers** in Malta

As expected, foreign workers are struggling to maintain their monthly rents and one fifth of the foreigners living and working here claim that they are using their savings to survive.

If you are a foreign employee, are you struggling to pay your rent at the moment?



If you are a foreign employee, do you think you would have to leave Malta as a result of the economic impact caused by Covid-19?

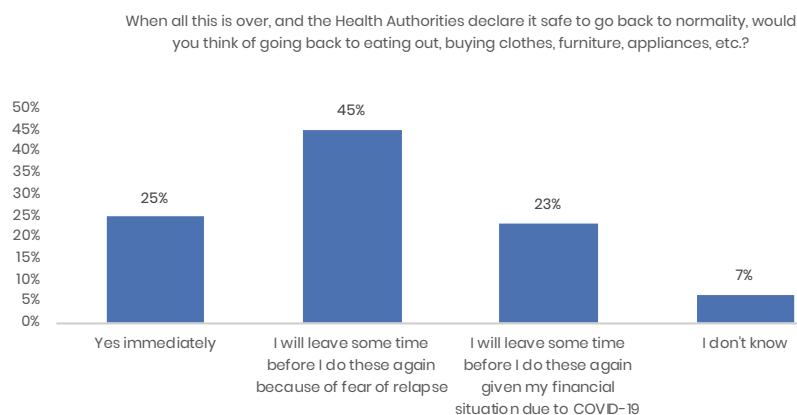
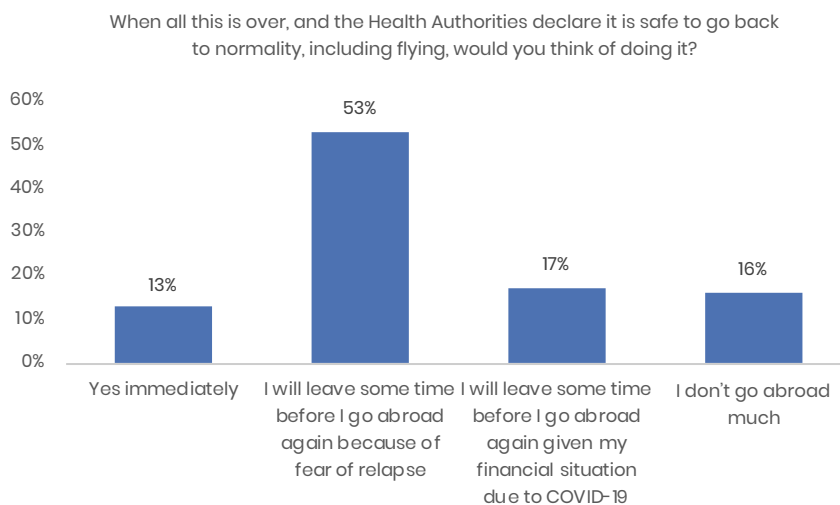


The fact that rents were going up is not a COVID-19 phenomenon but certainly will be exacerbated by this instance. Some of these foreign workers (and a few had already decided to leave prior to COVID-19 – 11% in our survey) are among the knowledge worker category in Malta and therefore it implies that Malta must secure their conditions especially for post COVID. Authority direction may be needed in this regard.

Market confidence

Fear is certainly a big factor in the pandemic. The fear generated by the unknown and the negative news so far of the danger imposed by the virus means that people will be wary to trust again immediately. This implies that the kick start to pushing the economy forward will not be immediate but will require time for people to build trust and

confidence. This also depends on a number of factors such as the discovery of a vaccine or any increases in the death toll. Government and health authority assurances will be important at this stage just as much as they are during the pandemic.



Concluding remarks

This sentiment shows clearly that fear and uncertainty are going to be the new normal in the current situation. The longer the pandemic will take, the more difficult the economic situation is expected to be. However, it is important to note that employees are in general understanding the gravity

of the situation and are ready to be flexible in their arrangements with employers. This corroborates with the feedback we derived from various interviews conducted with industry leaders. There is a willingness across all stakeholders to find a solution to this current crisis.

Beyond the economy

Introduction

James Carville was a strategist in the 1992 Bill Clinton's campaign against George Bush. Carville coined the phrase "The economy, stupid" to highlight the need to direct attention to the sole focus of political leadership especially in times of possible recession. However, this is not that simple. As Albert Einstein once said "Everything should be made as simple as possible, but not simpler". Extrapolating this thought to our case and in view of the critical pieces provided, this translates that we need to see the pandemic and its aftermath within a wider scheme of things and link these together in an elegant manner beyond simple profits-and-loss-calculations and make them look workable...but not simple.

We believe that it is not just about the economy. It is for this reason that we asked fourteen experts to share their thoughts on the impact COVID-19 will have on society at large.

As Dr Marie Briguglio correctly notes in her introductory passage to these short essays, there is the increasing need to rethink the wider dimensions of 'the economy' and provide modes of thinking that harbor other aspects often seen to be consequential or even alien to mainstream economics in the neoliberal regime: the role of society, wellbeing, education and environment are some of these. Her piece provided the canvas for the fourteen short critical pieces from varying perspectives: law, philosophy, science, education, management, culture, media and technology. My concluding piece tries, hopefully successfully, to draw together the main highlights and thematic implications which should serve as sounding boards for further discussion, debate and eventually action plans that are, indeed, simple but not so unilaterally simple.

It seems that three broad themes underlie the pieces written here and that transcend economics as popularly defined: The first is **'solidarity and the sense of community'**. Professor Andrew Azzopardi reminds us that the need to belong and support each other is ever more important while Professor Claude Mangion suggests that we rediscover our underlying values that go beyond the mere profit motive. On the other hand, Professor Josann Cutajar presents a pessimistic but simultaneously realistic piece on women and provides food for our thought on whether this pandemic will leave women more disadvantaged or start early discussions to avoid further social gender differences. Dr George Vital Zammit asks metaphorically whether governments have become immune to the cries of more humane needs and calls for institutions to rediscover what really unites us and what living is all about. The second theme that seems to resonate is the issue of **'sustainability and justice'**. Professor Alan Deidun emphasizes that the COVID-19 experience has reopened an opportunity to enable us to think how to safeguard our environment and not simply see it as antagonistic to our 'economic' end goals while Dr Antoine Grima reminds us that consumers are also part of the economic life chain. He insists that providing a sense of fairness in competition has sustainable mutual benefits both for those who produce and those who consume. In addition, Dr Sandro Debono makes an interesting point and argues for alleviating the domain of culture as a vehicle for reminding future generations of the past and therefore a means to minimize future errors committed by past generations. Marisa Xeuereb discusses the future of education and shows how adaptable people are to new modes of learning suggesting that the future in education is now. Steve

Agius highlights the need to embrace data because of its humanitarian benefits and calls for revolutionizing medicine through telemedicine thus making it accessible to many more people in less time. Herman Grech points, correctly, on the need for the media to be a stronger protagonist as a fourth pillar of democracy in the voyage towards more justice and urges authorities to heed attention to this evolution. Lastly, Dott. Edward Curmi's piece ends on a high note suggesting that this experience should have taught us to hope in a collateral beauty which will eventually, if taken seriously, help us rediscover new scenarios of existentialism. The last, but certainly not least, theme is **'planning'**. Dr Gege Gatt insists on the need to view technology as a lever to help us reformulate growth strategies but warns us of the possibility that technology can be divisive between making nations poorer or richer and hence the need to plan is critical. Similarly, is the call by Professor Frank Bezzina and Professor Marcus Schultz who argue that organizing organizations will mean not always assuming anything as prescriptive and given but planning for the improbable will need to become a mindset.

Finally, COVID-19 will not cease to exist. This means we need to find new harmonious balances that make us re-adapt to new changes. These pieces and their underlying themes should serve as a foundation to steer our thinking to consider what is really important to eventually lead us to new prosperities and a better world for us and future generations.



Dr. Marie Briguglio

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Beyond the **economy**

Beyond its impacts on market-based economic activity, within a few months the COVID19 pandemic will have had wide-ranging effects on other phenomena which are profoundly relevant to

*“The quest is therefore to **mitigate** and reverse the negative consequences as quickly as possible, to encourage **adaptation** through substitution and innovation, and where evidence shows that such adaptation has positive spill-over effects, to help ensure that it becomes embedded in industrial practices, consumer habits and **good governance**.”*

socio-economic wellbeing. These become readily visible once one widens the lens of analysis beyond consumption and production. From lifestyle changes to the quality of the environment, from education to technology, from culture to governance and from media to social relations. Some of these effects will have created deeper negative pressures on consumers and industry, over and above those experienced from the suppression of market activity. Other impacts however, may actually have been positive.

While the most negative impacts, like the loss of income and jobs has been well-documented in monetary terms, it is worth noting the impact of such losses goes beyond the material towards long lasting and effects on psychological wellbeing. Becoming unemployed, in particular, is known to create clear, causal significant and negative impacts on life satisfaction. Such scarring effects will require intervention that goes beyond financial aid. Similarly, physical illness, the trauma of losing loved ones, the loss of access to regular social interactions and nature are all phenomena known to have implications on wellbeing and mental health. This suggests a need for careful strategies to assist people to adapt in the short-term and to facilitate recovery in the medium and long term. Above the roll out of public health strategies to contain the virus and beyond reducing the incidence of job losses, intervention also needs to focus on other adaptation and compensatory mechanisms. These can include the encouragement of adult learning, volunteering, improved emotional self-awareness and the promotion of physical exercise. Such activities are known to be positive determinants of wellbeing, capable of off-setting some of the negative shocks being experienced.

Indeed, even in the absence of a coordinated governmental strategy, the pandemic seems to have organically stimulated a host of non-market voluntary and cooperative initiatives, ranging from corporate donations of goods and services and individual initiatives to help others. Positive effects have also been noted in the media, where one sees a stronger-than-usual attempt to weed out fake news. Most notably, the reduction of socio-economic activity has served to suppress spill-over effects and

pressures on most environmental domains. One of the more salient examples is the reduction of private vehicles on the roads, which has already recorded lower pollution such as particulate matter, greenhouse gas emissions and congestion. Other positive effects are bound to be documented and evaluated as ongoing environmental monitoring starts to emerge. In turn, this will have positive effects on health and wellbeing.

In other areas, the effect of the pandemic is more ambivalent. In education, a diverse range of methods of remote teaching and assessment has been unfurled in what is now virtually a nation-wide experiment. It is worth assessing what worked, what did not and what can be retained. Certainly, one issue to consider is the prospect that increased reliance on home schooling may well have deepened inequalities in education. The surge in access to cultural material across the globe, previously protected by copyright will also likely have both positive and negative effects. The command-and-control style of intervention by several governments, may well have been justified in the pandemic, but may have negative consequences on democracy beyond the crisis.

The fundamental question in economics is to how to maximise societal welfare. While income, consumption and industrial production are an important source of welfare, they are far from being its sole determinants. Physical and mental health, education and employment, social interaction and volunteering, freedom and access to good quality environment, culture and democracy are all known to have direct and causal effects on wellbeing (1). None of these determinants have been spared from

impact in the Covid19 pandemic (2). The quest is therefore to mitigate and reverse the negative consequences as quickly as possible, to encourage adaptation through substitution and innovation, and where evidence shows that such adaptation has positive spill-over effects, to help ensure that it becomes embedded in industrial practices, consumer habits and good governance.



Professor Claude Mangion

Department of Philosophy
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The post pandemic world – A shaking of foundations

The post pandemic world should reflect the end of certain values inherent to what has, since the 1980s, been called the postmodern condition: these are the values of globalisation and difference. The diffusion of the former across the globe has intensified with

*“If there is any lesson to be learnt from these times it should be that our **priorities** need to be reassessed: in this respect, the pandemic can serve as a **wakeup call** highlighting the mistake of placing profit before people.”*

the accelerated development of various technologies of communication, while the latter drew upon the philosophical critique of universalism.

There are serious problems with both: the critique of universals meant that humans all over the world did not have anything in common; as a result, the notion that there is such a thing as human nature was debunked. Instead of universals, differences became the source of celebration. However, this also led to a different way of thinking about others: some considered their differences to be ‘better’ or ‘superior’ to others on the basis of race, wealth, culture, etc. The spectre this raised was that others were identified as a problem, unworthy of solidarity and support. The pandemic – as a global contagion – should put an end to this way of thinking; it has demonstrated that all humans, all over the world are vulnerable to the same health crises. The social values that should be strengthened in the post pandemic world must include, but should not be limited to, solidarity, cooperation, and fairness. Too many nations have been left to deal with the pandemic on their own, each struggling to acquire the resources it needs.

The problem with globalisation concerns the economic practices of the free market in tandem with financial institutions, multinational conglomerations and the world of high finance. In a globalised world the free market has become a synonym for the freedom to exploit others across the globe with the circulation of capital overriding the nation state in its drive to secure ever increasing profits. The effects of the global drive for profit impacted negatively the everyday world in which people lived their lives: the overreliance on the free market as the motor for economic growth, coupled with a politics of minimalist state intervention in the regulation of basic goods and services abandoned the citizen to the dictates of the free market in the acquisition of these goods and services. The market set the standard of value with everyone and everything transformed into a commodity.

The post pandemic world calls for a major re-configuration of values. For a start, the discourse of economics should also include values that impact all humanity: health, the environment, and poverty being perhaps the most pressing. In other words, it is time to move away from economics as a discourse solely concerned with the generation of profit and wealth to a concept of economics that will better prepare states for the future. In this respect, it will be the role of the state to ensure that the profits generated through the circulation of capital contributes significantly in the re-defined economic practices of the state.

In addition, it might also be time to consider strategies of co-operation that promote solidarity at an international level. The pandemic has shown that

states working to overcome it on their own have been severely hampered by the lack of material resources. To counter this scenario from repeating itself in the future, it will be necessary to assess the specific resources available to each state so that what is lacking in one state can be supplemented by another; by co-operating together no state would work in isolation to tackle crises of such magnitude.

If there is any lesson to be learnt from these times it should be that our priorities need to be reassessed: in this respect, the pandemic can serve as a wakeup call highlighting the mistake of placing profit before people.

**Dott. Edward Curmi**

Registered Clinical Psychologist and Psychotherapist

The silent war

Most professionals in the field of mental health are tackling the covid-19 by dishing out a list of psychological tools that can support them in the here and now. However, we need to start looking at the bigger picture and understand the possible long-term effects that such a pandemic may have on the world's mental state of mind.

Here are a few possible scenarios that I envisage might occur in the long term:

*“The fact that this pandemic has touched every part of the world will allow us to share it as an experience and **feel united** as one common front.”*

Mass Grieving

If there is one thing that is for certain it definitely is the fact that the world will grieve. Apart from the loss of loved ones which will be extremely hard, society as a whole, will have to grieve their past lives. Indications are that we will have a global recession and the economic and psychological affects will be felt all around the world. Some will grieve their family members, others their jobs, freedom, luxuries or the way they used to take life for granted.

I do believe that human beings will do their best to adapt and accept what has happened to them. However, this will not be easy and will require time and five stages (Kubler-Ross, 2014). Most of us, at the beginning, will refuse to accept how covid-19 has changed our course of life. We might try to bargain our way with the hope of going back to the lives we once had. At some point a strong sense of injustice could kick in leaving us angry about the fact that life has been unfair to us. Also, feelings of guilt and blame might prevail for a while. At some point in time, we are most likely to feel overwhelmed by sadness. We will be able to restart our lives and find ourselves once again. This process might take days or even years depending on how quickly we choose to accept change in our lives.

Collective Moral injury

According to Silver (2011), 'moral injury' is 'a deep soul wound that pierces a person's identity, sense of morality and relationship to society.' 'Collective moral injury' was coined by mental health experts to describe the emotional and spiritual impact on society when one participates or witnesses certain actions or behaviours which violate society's moral and behavioural norms.

Unfortunately, Covid-19 has impacted our perception of the world. It might scar our families in a manner that could affect us negatively for generations to come. Typical examples of collective moral injury are the holocaust, world wars and natural disasters; just to mention a few.

The only way to heal such scars is to give people the chance to process all this change and support them accordingly. Psychologists have talked about the importance of processing 'unfinished business'. If such traumatic experiences are not acknowledged and people go back to normal life, we might live to regret it as it will haunt us. The end result will be a dysfunctional society.

Lock down and social distance

We are yet to see the psychological implications of lock down and social distance. If we look at studies conducted on prolonged isolation and confinement, the results aren't very encouraging. The bad news is that it may have devastating effects on our body and mind. My concern is that social distancing and lock down are very similar in nature to prolonged isolation and confinement.

The good news is that thanks to advances in technology and the creation of social media, today, as a population, we might be more prepared than ever to cope with such social restrictions. Time will tell but my gut feeling is that if we use technology sensibly, we might find creative ways to stay well informed and connected with others possibly reducing the chances of the negative effects of isolation and confinement.

Mental illness

Apart from poverty and social problems, Covid-19 is likely to increase global mental health problems as it is being described as the 'silent world war III'.

Thanks to economic turmoil, job loss, job security and lack of work will be the order of the day and have a negative impact on people's mental state (Dooley, Prause and Ham-Rowbottom, 2000). Also, becoming unemployed can result in a drop in status in society and amongst family and friends. This can lead to a lower self-esteem (Bjorklund, 1985).

Similarly, we are bound to see an increase in post-traumatic stress disorder cases. Typical symptoms of such a condition are 'flash backs' and severe mood swings which are often accompanied with a strong feeling of perceiving the world as dangerous.

Research studies have shown us that our brains can adapt and adjust to stressful situations in a number of ways. However, prolonged stress may trigger mental illness especially in individuals who are

predisposed to it. Severe anxiety, depression and possibly suicidal tendencies could be on the rise.

The state needs to address such matters by nipping this problem in the bud. They need to be ready to provide support to society not only during the covid-19 but especially once it's all over as the demand for such services will definitely be on the increase.

Resilience

Last but not least, on a more positive note, I am a firm believer in the saying 'what doesn't kill you makes you stronger'. We all know that as much as none of us enjoy suffering, it has the power to bring out the best in us. Today's experts in the field of trauma are talking not only about collateral damage but also about collateral beauty, which is the better side of something bad that has happened to us (blessing in disguise). Nations will develop hope together and share this solidarity with one another. Society will embrace a stronger sense of community. The fact that this pandemic has touched every part of the world will allow us to share it as an experience and to help us feel united as one common front. Our scars will heal, and together as one we will learn to reboot our own identities, just like our ancestors did when they faced their own demons.



Steve Agius

Chief Operating Officer, Mater Dei Hospital
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The **rise** of **healthtech** post COVID-19

At the time of writing this article, we have conducted more than 12,000 swabs, increased our bed capacity and ITU space significantly, used more PPEs than ever imagined and redefined processes at lightning speed. For many of us right now, the scale of this pandemic calls to mind 9/11, the Gulf war or the global recession of 2009. There is no doubt that this event will reshape society in lasting ways, from the

*“This pandemic’s sudden appearance has **unveiled weaknesses** in healthcare systems due to increased demands and changing behaviour of patients and clinicians alike and accelerated the need of adoption of **new digital healthcare methods**.”*

ways we interact, work and socialise to a redefined consumer behaviour and an overly disrupted education and health service.

As the outbreak continues to spread, this pandemic will permanently change healthcare systems like never before. This pandemic’s sudden appearance has unveiled weaknesses in healthcare systems due to increased demands and changing behaviour of patients and clinicians alike and accelerated the need of adoption of new digital healthcare methods.

One of the areas that is undergoing fast transformation is the use of data for the creation of dashboards for real-time monitoring and predictive analytics. High-quality data collection and analysis play a critical role in discovering new insights about the pandemic spread, contact tracing and modelling allowing clinicians to make critical decisions confidently and quickly. The different activities related to the pandemic and the harvesting of different data sources such as social

and news media, medical research, and hospital records leads to the creation of enormous amounts of data known as big-data. Technologies such as artificial intelligence (AI) and machine learning (ML) can be paramount to unveil important insights hidden in these big-data sets and can be paramount in the monitoring, understanding and mitigation of this pandemic in real-time.

The pandemic will permanently shift the standard of where our healthcare delivery takes place. Telemedicine was supposed to be the next big thing but since its inception take-up has been relatively low due to a number of reasons mainly lack of awareness and the fact that sick people still prefer in-person physical exams. However, since the pandemic started, the number of people going to the emergency department has dropped dramatically, prompting concerns that the seriously ill may be staying away because of the coronavirus. This pandemic expanded telemedicine measures very rapidly and we are already seeing healthcare institutions scaling up and effectively facilitating telemedicine for evaluation, diagnosis, and treatment. The COVID19 pandemic coupled with the proliferation of mobile phones and mobile health-related applications is accelerating telemedicine at a rate never seen before.

We are still at day 32 of the COVID19 outbreak in Malta and hospital beds will run short if cases increase on the same scale as Italy and UK. Hospital-at-Home models can play a critical role and can help boost hospital capacity when demand for hospital beds increases beyond capacity. Well-implemented, hospital-at-home systems can be safer, cheaper, treat a wider spectrum of patients and offer more effective care than traditional

hospital care, especially for patients who are vulnerable to complications of inpatient care. Technology plays a very important role in ensuring an effective hospital-at-home environment. Such technologies include wearables that collect biometric information to track and manage existing health conditions and administer medicine to alleviate pain; and treatment of patients using video conferencing.

At Mater Dei Hospital, we are taking the leap into the new digitally enabled healthcare era from reactive healthcare to proactive wellness. We have created dynamic data-dashboards and sophisticated bedside patient electronic files and concluded trials with robotic assisted minimally invasive surgery and robots to help distribute medicines to patients. We cannot wait for COVID19 to be over to continue revolutionising the health sector.



Prof. Alan Deidun,

Resident University of Malta academic,
IOI Malta Training Centre Director and
Malta's Ocean Ambassador.

Post COVID-19 environmental scenarios

The ongoing COVID-19 pandemic can be defined as the archetypal litmus test or crucible, given the fundamental changes in collective behaviour and trends that it has imposed on human societies. So much so, that time will be tracked, for a long time, in two major eras: the pre- and the post-pandemic ones. Nowhere is this more evident than in the environmental domain, where the pandemic has

*“The pandemic has managed to achieve what countless multilateral agreements, foremost amongst these the 2015 UNFCCC Paris agreement, have been signed to curb **greenhouse gas emissions**.”*

managed to achieve what countless multilateral agreements, foremost amongst these the 2015 UNFCCC Paris agreement, have been signed to curb greenhouse gas emissions.

Putative post-COVID scenarios will be explored for the following five environmental thematic, generally considered to be amongst the most pressing of priorities on a national scale:

- (i) Greenhouse emissions
- (ii) Air quality standards
- (iii) Land-use and biodiversity conservation
- (iv) Waste management
- (v) Water resources

Approximately one-fifth of national greenhouse emissions is attributable to traffic, which is also responsible for the generation of considerable volumes of nitrogen oxides, particulate matter and ozone. The near-stalling of air traffic has also slashed greenhouse emissions from this sector, responsible for a whopping 2% of all global greenhouse

emissions. The urge to rebound economically in the short-term once the pandemic is behind us will invariably result in a restoration of pre-pandemic seasonal traffic flows, even though a predicted gradual relaxation of lockdown measures will probably not result in an abrupt surge in greenhouse and traffic-associated emissions. The unexpected amelioration of urban air quality and the slump in greenhouse emissions has spurred come to call for the establishment of a new 'normal', to pre-empt the reinstatement of the 'business-as-usual' scenario once the pandemic is over. This new 'normal' would involve a greater investment in sustainable travel modes and in more efficient public transport, and will eventually materialise, albeit not in the short-term given the quantum leap in infrastructure and in collective behaviour that these represent.

The outbreak of the COVID-19 pandemic came in the midst of a number of air quality threshold exceedances registered through local air quality monitoring stations, which in turn has triggered the mechanism leading to a national air quality programme and an air quality management zone. One probable future scenario contemplates the continuation of such efforts, whilst another less probable scenario foresees a slow-down in such efforts given the improved air quality prescribed by the pandemic.

An inherent hallmark of all forecasting exercises is uncertainty. Coupled with this is the variance in uncertainty levels expected for different sectoral forecasting exercises. For instance, whilst the COVID-19 impacts on emissions and air quality standards are somewhat predictable given the direct cause-effect between vehicular flows and emissions, future trends in the land-use and waste management domains are more elusive to predict. The most likely related impacts of the current

economic slowdown are Janus-faced in nature: on the one hand, a lower degree of liquidity, if sustained long enough, will result in lower land-use pressures given that the property market is generally depicted as a judicious investment opportunity. This might result even at the hands of more pragmatic considerations: social distancing has also slowed down the planning and development decision-making infrastructure. On the other hand, the urge to bounce back economically might suppress the general presumption against further development in Outside Development Zones (ODZs), with major government-mandated construction and infrastructural works seen as a panacea to tease up economic growth. Dampened government revenue might translate in a smaller cornucopia to be dedicated to the burgeoning costs associated with environmental management, including the running of the Environment and Resources Authority (ERA) and Wasteserv.

The extirpation of all but any tourist flow to our islands as a result of the pandemic has mellowed our national freshwater consumption rates, which also translates into lower greenhouse emissions (as a result of the energy-guzzling desalination process). If the current lockdown extends into and beyond the peak summer tourist season, then the positive environmental impact will also extend to the overall status of the marine environment given the subdued cruise liner and recreational vessel traffic flows as well as discharged treated sewage flows. The current pandemic has had another, unexpected impact – that of enhancing the status of subsistence farming in Malta, as the reality of our dependence on daily food shipments from abroad dawned on many. Such a rise in status might result in an agricultural renewal on the islands.



Prof. Andrew Azzopardi

Dean, Faculty for Social Wellbeing
University of Malta

‘Social distancing’: This **pain** has existed forever

Building Blocks

We are all cognizant that social life is construed of building blocks that when combined form a social structure (Azzopardi, 2011). That people are closely engaged with each other is indeed fundamental and necessary. We can take the current epidemic paradigm as a case in point and the consequential reactive strategies as a rejoinder. It shows immediately that the need to be together is evident in the

*“It is fascinating that even though the **neo-liberal economic model**, we embrace, has endeavoured to distance us, we have maintained an entrenched **need to hang on dearly to one another** as if our lives depended on it.”*

recurring appeals from the Health Authorities and politicians ‘to stay away’ from each other. Some resist and some persist because being together is sine qua non to human nature. In fact, Government had to resort to coercive action and invoke the Police Force to disperse groups of 3 or more people. This is evidence of the need for people to be with each other, which at times outweighs the fear of this noxious virus.

Covid-19 (closing in on 1.5 million affected persons globally at the time of writing) has killed so many people around the World and almost everything and everywhere has grinded to a halt. Notwithstanding, it is interesting to note that it has not taken away our desire to be with each other – it has in fact worked the other way round!

Social distancing and Physical distancing

‘Social distancing’ has been prompted to safeguard the health of society. But social and physical distancing are also being used to discount subgroups within our society that do not subscribe to the ‘norm’, a clear attempt to get them away from us. In fact, if I had to transpose this argument to the current Covid-19 phenomenon, whilst social distanc-

ing is applied on the principle of safeguarding common good, we need to admit that our communities have employed this notion of 'distancing' for ever, but for the wrong reasons. Our community is flooded with countless populations excluded because they are perceived as diverse and hence slow-pedalled. History is witness to this as one generation after another, countries and cultures have continually side-lined social groups (Vella, Falzon & Azzopardi, 2019).

What is 'different' we choose to mutilate from our social psyche.

I find myself reflecting about endless populations that are struggling 'as we speak', and who have had social distancing levied on them. I want to believe what Oscar Wilde (1891) claims in *The Soul of Man under Socialism*, when he said; 'The State is to make what is useful. The individual is to make what is beautiful.' But this is not what is happening. True community does not fit into a prescribed model but the basic elements that govern it are real: humanity, inclusion, and sensibleness. But is this the case? Many who have been experiencing this imposed 'distancing' have really and truly been snubbed from our communities (Azzopardi, A., & Grech, S., 2012).

Finally

People are essentially designed to be with each other. It is fascinating that even though the neo-liberal economic model, we embrace, has endeavoured to distance us, we have maintained an entrenched need to hang on dearly to one another as if our lives depended on it. Emile Durkheim's 'collective consciousness' as a building block in promoting the fundamental notion of solidarity is key. This notion creates an oath between individuals

leading eventually to edict and steadiness. In the absence of a moral consensus the opposite would happen; skirmish and disarray, we now call social distancing.

But who knows? Maybe Covid-19 is an excellent opportunity to think about all those we've decided to plonk in the socially induced Bermuda Triangle and maybe undo this physical and social distancing we forced on them. Perhaps now we have a teeny-weeny bit of understanding on how these persons are feeling. It's up to us at this point to reach out – Covid-19 has provided us with a golden opportunity.



Marisa Xuereb

Managing Director, Raesch Quarz Malta
Vice President, Malta Chamber of Commerce & Industry

Education and opportunity: the COVID-19 **impact** and post-COVID-19 **scenario**

COVID-19 has certainly accelerated the process of uptake of online education technologies by conventional schools and higher education institutions. It has exposed the lack of preparedness of many institutions, in terms of both infrastructure as well as human resources, with teaching professionals

*“The post COVID-19 world of **education** is certainly full of **opportunities** for both teaching and learning that will map the future of the education profession, alter the budgets of educational institutions and **re-dimension education** at all levels and for all learners.”*

finding it challenging to absorb the technology overnight and adapt both content and delivery to an online environment. The situation has also exposed the lack of accessibility to online education of a significant portion of students in terms of both hardware and an adequate Internet connection. It has also verified the extent to which national projects such as the ‘tablet for every child’ in upper primary school years contributed to enhancing teaching and learning. Unavoidably, it has tested the reliability of other supporting online platforms used by various schools and educational institutions.

All in all, COVID-19 has shown that the take up of supporting technologies in education was generally inadequate to ensure continuity in the sector, but it has also proved that when educational institutions are committed to delivering, a lot can be achieved in a short span of time as some schools actually managed to make substantial progress in going online with their teaching and learning in a matter of

days. The COVID-19 response of several schools and educational institutions has also exposed many teaching professionals and learners of all ages to new technologies, and necessitated the accelerated development of skills sets that were previously underused and potentially undervalued in an educational setting. All those who had the opportunity to explore online education technologies during the crisis, even if in some cases reluctantly, are more prepared for the future thanks to the experiences lived under COVID-19.

It will be interesting to see how education will develop in the aftermath of this experience. It has certainly provided all key stakeholders with an opportunity to carry out a SWOT analysis of the use of technology in education. It remains to be seen whether the various educational institutions will undertake sustained efforts to build on the strengths of and opportunities presented by online education while addressing the weaknesses and threats that have emerged. It will also be interesting to see whether an adequate infrastructure for such scenarios will become a requirement for all schools and higher education institutions, and whether this infrastructure will be used regularly to integrate more technological forms of teaching and learning into curricula, including the national curriculum. This will have significant implications for training of teaching professionals and methods of assessment that could support recent reforms promoting continuous assessment and more interactive learning, as well as vocational education which is certainly more accessible using technology than traditional teaching and learning methods.

The biggest implementation challenges are clearly

in larger school and college setups, where differences in the readiness of teaching professionals and in the levels of accessibility within the homes of students from various socio-economic backgrounds can be very wide. It is a fact that online delivery presents substantial challenges for the teaching professional that cannot be underestimated, but the long-term benefits of the use of technology in education cannot be overlooked anymore, especially now that the pandemic scenario is a reality and one that we have to contend with; and indeed we may need to contend with again in future, at short notice.

In an adult education context, online technologies offer some obvious advantages such as the possibility for resources to be shared among a much larger number of students than in a classroom of any size, and the flexibility of being able to follow classes at any time even if without the possibility of real-time interaction afforded by live online learning. These features render online education more accessible to people who are already in employment and hence provide ample opportunities for life-long learning.

The post COVID-19 world of education is certainly full of opportunities for both teaching and learning that will map the future of the education profession, alter the budgets of educational institutions and re-dimension education at all levels and for all learners. It does require though active preparation.



Dr Sandro Debono

National Representative – European Museum Academy
Advisory board member – We Are Museums

Culture, cultural heritage and the **creative sectors**

The initial impact of COVID19 on culture and the creative sectors has been assessed in two research initiatives, carried out by ARC Consulting and CultureVenture respectively, which jointly present a relatively clear picture of the situation in late March. Both surveys indicate that a high percentage of creatives (between 55% and 65% for both surveys

*“a greater role for **culture and museums as net contributors** to the social well-being of a community, be it interna-tional, national, regional or local would be a most welcome development.”*

combined) had their events or activities either cancelled or postponed with the majority also sustaining financial losses. This impact may well be increasing heavier in the days to come as more events get cancelled or postponed. The crisis has also underpinned recurring flaws or needs within the sector. These include late payments and the need of funding mechanisms in support of artists out of work.

The situation has been successfully, albeit partly, mitigated through Government support schemes and additional institutional support targeting specific sectors. Teatru Malta is supporting projects for which a 50% deposit is paid in advance and a special call for funding with a € 75,000 budget allocation has been issued by Arts Council Malta. Other initiatives include one-off purchases from local publishing houses by National Book Council. Lobby groups such as CultureAction Europe and NEMO (The Network of European Museums Organisations) are lobbying to assign part of the € 25 billion emergency package allocated to the European economy specifically for the cultural and creative sectors.

Closure has also drastically impacted on museum revenue streams. In general terms, the local reaction is in line with the bigger picture as museums across the globe were forced to push for a stronger online presence practically overnight. For most of these, google arts and culture project proved to be the linchpin on which to improve by adding digital content that was readily available. In general terms, the need to stay relevant on social media was felt across all cultural institutions but locally these unexpected circumstances laid bare the digital divide between public institutions on one hand, and much less prepared private and non-governmental run museums and cultural spaces on the other.

The need for bespoke post-COVID19 audience development strategies shall become a pressing need for the culture and heritage sector, the more so when considering that cultural attractions may not be a priority for local publics let alone tourists in the immediate to medium term post-COVID 19 scenario. A necessary culture change, built on a more focused audience classification going by emotive needs or bespoke, purposely developed classification models, and innovation in the ways and means how the virtual and the physical can complement and interact shall be one of the strengths of a resilient post-COVID19 culture institution.

A stronger online presence shall certainly be a reality for post-COVID19 cultural institutions. This presence shall vary extensively given that a limited choice of productions and services can be transferred online. This shall be difficult to monetise, at least in the initial stages, but much depends on the needs of the new culture netizen that will emerge from the COVID-19

pandemic. In general terms, diversification of services and cultural programming to reach out to new audience categories, increased investment in online retail and services such as museum shops and an organisation agility built on flexibility and adaptability are some of the possibilities ahead.

A positive outcome of the COVID-19 debacle is a manifest willingness by creatives to come together and create long-term bonds and frameworks. Museums and culture in general are also being perceived much more as spaces or expressions of solace and comfort. Indeed, a greater role for culture and museums as net contributors to the social well-being of a community, be it international, national, regional or local would be a most welcome development.



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Women and the coronavirus pandemic

In 2018 Malta recorded the highest increase in female employment in the EU (European Commission, 2019). Access to free childcare and other facilitating measures made this possible.

COVID-19 might undo all this. Women's Day came and went by with hardly a mention after the two consecutive incidents that shook Malta – the collapse of the house which killed Gauci, followed by the corona pandemic. While the collapse killed a

*“the pandemic has **killed women’s independence.** Women’s independence became the **“silent victim of the pandemic”**”*

woman, the pandemic has killed women's independence. Women's independence became the “silent victim of the pandemic” (Lewis, 2020).

The pandemic has different health and economic repercussions on women and men. Women are as likely as men to get the virus, but less likely to die from it (Barnett, 2020). Some blame this on the fact that men smoke more. What people forget is that as primary carers and frontline service providers, women are exposed to all kinds of viruses which might end up by boosting their immunity system.

With the closure of schools and childcare facilities, parents had to decide who had to stay at home to look after the children and vulnerable relatives. Caring fell on the parent who earned the least, could work from home, worked part-time, had flexible hours and/or were point parents. Women's jobs tend to be given lower priorities by governments and households – they are more likely to work part-time, and earn lower incomes for doing the same job in spite of the fact that they have higher educational qualifications than men in Malta (NSO, 2020). Female white collar workers have the facility to work from home during the pandemic. They ended up trying to juggle with home schooling, caring, household chores, shopping, working and taking care of elderly relatives. Those who had previously relied on nannies, domestic assistants, or relatives to take care of their children, found they had to make do without this input (Simon, 2020).

Single parents (not-married, separated, divorced and widowed), the majority of which tend to be female, ended up in a worse predicament because they did not have a partner with whom they could share some of these responsibilities. Their predicament was made worse when they had to work outside the home leaving young children to fend for themselves. These children more often than not have to do their homework on their own, if they understand what is expected of them.

Gordon (2020) underlined that during the pandemic the children of professional parents will not lose out, but those from lower income households will be affected for life. Studies of previous pandemics show that girls were more likely to drop out of education (Lewis 2020). They also noted a rise in teenage pregnancies. A potential coronavirus baby boom might also occur now with men and women being holed up at home, while access to contraception and family planning clinics is curtailed (Barnett, 2020).

EIGE (2020) notes that during the pandemic the economy and education continue running thanks to the unnoticed and unpaid caring labour that is taking place at home. Women are shouldering the majority of care work – formally and informally (Simon 2020). The majority of healthcare workers, the frontliners in this epidemic, are female. While people are applauding their courage, it is the most undervalued and under paid jobs in the EU, EIGE (2020) observes.

Women-dominated professions have experienced severe job losses during this pandemic. Businesses which have suffered closure include the retail and hospitality industries. Migrant women, especially non-EU ones tend to find employment in these sectors. These types of jobs do not offer them the possibility of taking paid leave or sick leave. Those working in the informal economy are forced to

continue working in spite of the risks they are putting themselves in since they are not protected by social policy measures (AFP, 2020). They are also less likely to be in a position to resort to family members or friends who can step in to make up for the shortfall.

Evidence from previous pandemic studies demonstrates the high risk of domestic violence rates caused by lockdown. Vulnerable family members are imprisoned in their own home at the mercy of violent relatives with their routes to safety and support closed.

Policy makers adopt a gender neutral approach to pandemics (Gordon, 2020). They are under the impression that caring responsibilities will be 'soaked up' by private citizens. This unpaid work falls heavily on women. Men take important decisions without consulting with women since these are under-represented at decision-making levels. Women's and men's needs during and after the pandemic are and will be different. The frontliners of a health crises tend to be women – as healthcare workers, home carers and domestic workers (EIGE, 2020). The fear is that after the pandemic they will be sidelined as governments in cahoot with the social partners will put pressure on women to withdraw from the labour market to keep the remaining jobs for men. And once again, women forced to withdraw from the labour market will be castigated for the unpaid work they involuntarily had to carry out at home. National insurance contributions are credited to those who go on volunteer work abroad, so why not credit contributions to all those forced to leave their employment to look after their loved ones during this pandemic?



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Veni, vidi, didici: COVID-19 and multi-lateral organizations

This article gathers some of the insights gained on the way multi-lateral global organizations responded to the pandemic. After a lacklustre initial reaction, these institutions, faced an existential threat and bounced back offering hope and solutions to a global community, that otherwise, had started to lose faith in them.

*“there might not be a universal understanding of the **common good**, but despite the severity of economic disruption, state and **multilateral financial aid**, have placed a renewed premium on the **value of human dignity, and compassion**”*

On 3 February 2014, Christine Lagarde, then Director at the International Monetary Fund (IMF), gave the Richard Dimpleby lecture on “A New Multilateralism for the 21st Century”. In discussing the challenges after the global recession, Lagarde predicated that “we will be defined by how we respond to these changes”. Fast forward six years and in response to Italy, the first European state to bear the unforgiving brunt of the Corona Virus, Lagarde (now President at the European Central Bank) rebuts that the ECB “is not there to close spreads” between the borrowing costs of member states.

For the record, Lagarde apologized two days later. But these comments, not only had Italy in fumes, but raised the eyebrows of many. The ECB’s refusal to lower its main interest rate in response to the coronavirus pandemic, sent shockwaves. This cold shower was perhaps symptomatic of a larger malaise contracted by multilateral organizations, where the impression is that they initially failed to absorb and react to the magnitude of the shock. For example, till the end of February, the EU was refusing to close the border in the bloc’s Schengen zone. Timely action could have changed the course of history.

And we were not without warning, and multilateral organizations had been at the forefront in providing some signals. In an attempt to fix perceived shortcomings after the SARS outbreak in 2003, the World Health Organization (WHO) had revised and upgraded the response framework. In 2016, the World Bank devised a *Pandemic Emergency Financing Facility* to provide an additional source of financing to help the world's poorest countries respond to cross-border, large-scale outbreaks. Yet, the speed and scale of the outbreak, unmasked the fragility of nations in dealing and containing the biggest health crises in a century. Pride (China), dismissiveness (USA, UK) and rigidity (EU) were the first major hurdles to immediate response. But the avalanche that ensued, left no room for complacency or denial.

As things took a downward spiral, a heavy daily death toll took Europe and the United States by a storm. As I write, the spread in other Continents is in its infancy. The estimated numbers of global unemployment caused by the COVID-19 pandemic are unprecedentedly gigantic; almost 25 million. It is evident that the cascading crises created by the pandemic, necessitates global solutions. This pandemic is attacking societies at their core, robbing people of their material and physical security. Whilst all and sundry wait with trepidation and apprehension for their leaders to reassure them, European leaders clashed over how to pull their economies through the crisis. Eventually the European Commission launched the temporary *Support mitigating Unemployment Risks in Emergency* (SURE) initiative, a €100 billion package to protect jobs and workers affected by COVID-19 outbreak. This adds to the creation of the *COVID-19 Solidarity Response Fund* by the World Health Organization (WHO) in partnership with the UN Foundation, with donations from multinational companies.

The economic paralysis is not the only object of concern. Overwhelmed health services operating beyond capacity, and the disruption of life as we know it, such as schooling, added to the anguish. Add to this Victor Orban's power grab (albeit democratically) which will allow him to rule by decree (with no expiration date) and you have a political landscape that becomes ever more complex, and problematic.

Multilateral organizations required time to come to terms with this pandemic, but the painful reckoning triggered the realization that the time lost on reticence and discord, will not only tarnish their legacy, but will come at a huge human cost. We are reviewing a chronology of history that has evolved in a matter of a few weeks. But several lessons can be learned here. First, social solidarity is not an elusive goal, but it should not have to take extraordinary circumstances for it to be triggered. Second, countries will pursue 'go-it-alone' initiatives if left to fend on their own. Bilateral initiatives (for e.g. repatriations, and donation of masks, protective suits and ventilators) build on existing diplomatic relations, but can also build new ones (Russia sent medical supplies to the USA). Third, in times of chaos and emergency, people might prefer a stronger central government, even at the cost of curtailing personal freedoms. Fourth, there might not be a universal understanding of the common good, but despite the severity of economic disruption, state and multilateral financial aid, have placed a renewed premium on the value of human dignity and compassion. And that's more than a ray of hope for a post-Corona world.

**Dr Gege Gatt**

Founder & CEO, ebo.ai

Technology: the pandemic's great leveller

The paradox of digital activity is that it is not about technology, but about people. If people lack the appropriate mindset to change work practices, digital arrangements will simply magnify the existing flaws. This has never been more evident than in the present pandemic.

*“The **paradox** of digital activity is that it is not about technology, but about people. If people **lack the appropriate mindset** to change work practices, digital arrangements will simply magnify the existing flaws.”*

Digital Connectivity in Social Isolation

With sports events cancelled globally, television may have taken its most significant revenue blow since YouTube. In parallel, it is reported that the present pandemic may cost the global film industry \$5bn in losses .

As people retreat into self-isolation the only channel to grow consistently is digital. The average weekly download of apps in February 2020 increased by 40%, and game downloads by 80% . However, the boom is in social media, wherein some countries reported a fifty-fold increase in digital activity . Malta's own affinity to social media channels is well documented . We revel in telling the world what we're eating, seeing, and wearing (or not wearing), at all times. This has developed the idea that everything personal is shareable; but should it be?

This leads to the development of a self-centred world-view which can radicalise us into an echo-chamber culture in which we rarely listen to anyone that disagrees with us, or rarely listen at all. Pariser argues that we're speaking (and listening) to less people than we were before the Internet. This begs the question; is social connectivity really social during a pandemic?

The real role of technology in the crisis

Despite all its misgivings, technology remains our best hope for fighting this and future pandemics. Our global connectivity provides a knowledge-transfer method never available to humanity beforehand.

Symptom-checking apps are the most common form of primary diagnosis (rather than doctors) and Artificial Intelligence (AI) models are being used to calculate how patients are likely to spread the disease – and to whom. An app developed by King's College is aiding in the identification of disease hotspots and prods Government to adjust local preparedness. This big-data helps nations understand the ebb and flow of the epidemic and its trajectory.

Geo-tracking on smartphones is helping authorities determine clusters of citizens which need to be dispersed, and subsequently makes contact tracing more effective (and controversial). The location data is often blended with other inputs such as credit-card usage, CCTV data and social media posts. This 'live data' is extremely effective in limiting spread and minimizing peak, but also introduces new concerns around privacy.

AI is also being used in advanced hospitals to study data of infected patients on thousands of variables (from medical conditions to socio-economic characteristics) and then determine the best recovery path for each. In labs, AI is assisting researchers to find a vaccine for the virus and predict (even before human clinical trials start) what likely success or risk the prototype may present. A subsidiary of Google has published an AI-based prediction on how the coronavirus's RNA progresses, helping epidemiologists better manage biomedical responses.

Outside healthcare, the role of technology is also key. Robot-delivery services were considered experimental before the pandemic, but are now an important part of the supply-chain. This trend will accelerate as will the present take-up of remote work.

The debate on privacy

Many innovations are being ushered in with haste to aid containment but also have the unfortunate (and often intended) consequence of exerting social and political control. Subsequently this erodes basic norms (such as citizen consent) which challenge the privacy models we have espoused so far. China has deployed drones which use AI technology to determine which citizens are not wearing a facemask and subsequently can file an automated report. The success of these measures has a direct correlation to the social acceptance of surveillance in the country. This doesn't only open a discussion about absolute morality but also about the delicate balance between guaranteeing individual rights and protecting collective interests.

Technology: The next big leveller

A new world order will emerge after the virus: those countries who are able to leverage new technologies to fight the virus and enable economic growth; and those who are unable to do so. The latter revert to quasi-medieval generalised closures reminiscent of the Spanish flu pandemic a century ago with grave political, economic and social outcomes. The countries who are left behind will be those who experience higher levels of inequality, laggard healthcare systems and economic dismay.

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Retooling break: **Operational excellence in Malta** **Turning lemons into lemonade** in a time of crisis

Over the last decade, Malta has seen a strong economic growth. This led to a boost of investment and revenues while operational capabilities in some fields kept scrambling and barely keeping up with the speed of development. The slow down due to the local and global mitigation measure to curb the Covid-19 pandemic may be taken as a chance to catch up on an operational level, or even overtake competitors into a leading position.

Leaps in operational excellence are often born during a crisis or from the need to overcome constraints. For example, the development of Japanese automotive manufacturing systems was triggered by US anti-competition measures. Even the origins of the Silicon Valley go back to the need for radio and radar technologies during the Cold War which then started an unprecedented cascade of innovations lasting over many technological eras. In

many cases like this, at the beginning of the solution stood the change of long-standing rules and replacing them with different ways of thinking and doing. And this change was often triggered by forced discontinuation of the status quo. It is worth noting that the second mentioned author of this article conducted the turn-around initiative of Shanghai Volkswagen after SARS 2003 until 2006. Out of this experience and in combination with intensive research and advisory work, we compile our views on how companies and institutions in Malta can come stronger out of this crisis.

How can Malta use the COVID-19 crisis to get to the next level of operational excellence?

While of course businesses are struggling to maintain revenues, fulfil liabilities, safeguard employment where possible and pushing the envelope to generate short term cash, there also comes the point where it is sometimes healthy to accept a break. Now, is a valuable time to clear the desk to mind and level the field for the next steps forward. Not just to improve over the status quo, but also because those competitors who survive will return with advanced strategies and operational models. There is no fixed checklist as the spectrum of companies and institutions is too wide at this level. But specifically for Malta at this moment in time, there are actionable fields which will improve operational management.

1. **Have robust strategies, as operations need time and capital commitments to become excellent.** It is not enough to capitalize on opportunities, as this does not deliver the timeframes and financial investments necessary to have competitive operations.
2. **Find new ways instead of cutting corners.** Operations need thoughtful design, continuous

improvement and substantial investment in technology and people. Especially in times of fast organic growth, the cutting of corners may quickly bring the system to collapse when the complexity cannot be handled anymore. Furthermore, every necessary quick fix needs to be followed up in order to implement a durable solution.

3. **Solve problems deeply.** Quick fixes are the death of operations because they have exponential effects on failure rates, let reliability and response times drop, they lead to loss of control quickly and allow maintenance to skyrocket. In times of rapid growth managers are sometimes tempted to take a short term view.
4. **Eliminate "waste".** Malta's competitive advantage often comes from cost leadership. If cost-leadership does not come from exceptional methods, scale or product features, then it usually means that one or more cost drivers are undervalued. Inevitably this leads to a waste of this resource. In low labour cost environments, this may lead to an inefficient work culture. Together with little accountability, this may cascade into low quality and reliability problems which ultimately lead to uncompetitiveness.
5. **Put competence first.** Operations management adopts a socio-technical framework and needs leadership on different levels and technical expertise at the same time. Otherwise, continuous improvement processes in operations won't work, and innovation is stifled.
6. **Move up in value creation capabilities.** For small places with very limited resources, the ability to have a vital role in the creation process is critical. This can be started by a labour cost advantage, but ultimately needs the acquisition or build-up of operations management capabilities.

7. **Continuously improving is a principle of every operation management system.** Again for this, the right frameworks and processes have to be put in place together. In this regard, correct identification of indicators, incentivization of creativity and seamless cooperation between the shop floor and decision making are key.

8. **Education and training are essential.** In times of increasing automation and digitalization, knowledge of the workforce and management become, even more, a critical success factor. This includes formal education, the development of character traits, leadership skills, but also the ability to observe and implement best practices.

The effects of COVID-19 are structural and the world will have to face a new normal. Global supply chain disruption, social distancing and the quest for economic survival will bring fundamental changes to the way companies operate. A new reality requires a new mindset, one that is focused on being innovative and creating value. Crisis such as these can be important moments for humankind and for businesses and business leaders need to fully embrace operational excellence to truly survive this crisis and thrive in the new normal.

*“Now, is a valuable time to clear the desk to mind and **level the field for the next steps forward**. Not just to improve over the status quo, but also because those competitors who survive will return with advanced strategies and operational models.”*

**Herman Grech**

Editor in chief, Times of Malta

Here's the **bad news**

I recall one morning towards the end of February when I turned to the online editor and suggested we start regularly uploading a live blog about the coronavirus outbreak.

We pondered for a minute with that knowing look that we were about to unleash a monster, which

*“Sadly, the COVID-19 outbreak has now put **all independent media houses on a rickety bridge** where only the fittest could survive. The minute news houses start shuttering down will be a dark day for Malta’s democracy.”*

would need to operate on a constant diet of fact-checking, reporting and patience....

The coronavirus outbreak has redirected the public gaze to their computer screens, triggering unprecedented traffic to our website (an average of 1.1 million views daily).

As we tried to cope with the onslaught of information, we decided to transfer all staff laptops and work stations home. Should one reporter have contracted COVID-19 then, we would be forced to put the entire news organisation in quarantine, not the ideal scenario when journalists are meant to be reporting from places others are fleeing from.

For the first time in 85 years, the newspaper and website are being conceived and produced via teleworking. And to be honest, we have been forced to fast forward and implement work practices we were contemplating of introducing in a year or two. Most editorial staff members embraced this new reality.

The work systems might have changed but we needed to retain the moral obligation of remaining the 'go to' news service, especially as dozens of fake COVID-19 reports and claims started clogging social media platforms. With the odd blip or two, I believe most independent news organizations have managed it well.

An informal agreement between the media and the health authorities also made sure everyone did their utmost to steer away from jumping the gun.

But while our editors and reporters continue working around the clock to keep a curious, increasingly-concerned public informed, we also fear we are typing away a prelude to the potential death of the independent media.

For the last decade or so, media houses have been plagued by dwindling advertising, which was rerouted to tech giants Facebook and Google. Since COVID-19 became part of our vocabulary, advertising to the media has been decimated. Several businesses and organizations, which have religiously used news platforms to sell their products and services, decided to pull the plug to deal with the uncertainty. Meanwhile, as we continue producing a daily newspaper most other newsagents have been ordered shut!

Incidentally, the chaotic situation was sparked off in the same week Times of Malta launched its donation scheme, soliciting support from its readers. But while top international news organizations like The

Guardian can rely on millions of loyal readers, Malta's economies of scale mean the donations we receive are just a drop in the ocean.

Until now, Malta has not adopted the funding model of hundreds of news organizations across the democratic world which receive some form of State funding in order to thrive. The initiative is conceived when the State acknowledges that the press acts as the fourth pillar of democracy and thus needs to be sustained for the good of society.

While some are understandably reluctant to venture down this road, fearing it could risk influencing editorial decisions, it is easy to ensure that such funding is administered by an independent body to avoid government interference.

This is why independent news organizations have sought some form of State help during these difficult times. The assistance given so far will help, but no way can it sustain Malta's biggest news organization.

Sadly, the COVID-19 outbreak has now put all independent media houses on a rickety bridge where only the fittest could survive. The minute news houses start shuttering down will be a dark day for Malta's democracy.

Just imagine a world where you can only get your 'news' from the State broadcaster, political party media and questionable social media sites. Just think about it.

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Consumer protection law amid a pandemic.

At the time of writing, hurricane COVID-19 continues with its trail of human destruction as it slowly and painfully moves across the globe. In the meantime, populations remain under lock down to stop the spread as States try to flatten the curve and laboratories race to find a suitable vaccine to discover the key of “normality”. At the first signs that it was recognized that this pandemic became uncontrollable, several flocked supermarket and

“Protecting consumers at this juncture is crucial if a country aspires to set once again the wheels in motion to restart the economy as soon as possible.”

pharmacies to purchase essential commodities, facial and hand protective gear and medicine. The market was shocked following the sudden demand of certain items. In instances, consumers reported outrageous price increases.

Locally it was alleged that face masks spiked from 0.60c to €3.80 each and the cost of disinfectants rose by 300%. The Prime Minister himself was concerned and criticized businesses who increased prices unreasonably. The Consumer Authority, specifically tasked by law to suppress malpractices taking place in the market, confirmed that it was monitoring the situation to ensure compliance with Competition law. Up to now, the Authority was only in a position to ascertain that paracetamol is widely available and had not increased in price. Until the time of writing, concerns in relation to price increases of face masks and hand sanitizers remain unaddressed. It is curious that the Authority does not seem to be assessing whether malpractices also breach the Consumers’ Affairs Act.

Other States have predicted that the pandemic would lead to a surge in demand of certain items and consumer authorities in other States took preventive action. In early March, the UK Competition and Markets Authority reminded retailers to behave responsibly, and it was ready to take all necessary measures if there is evidence which indicates that they might have broken consumer or competition law. In the meantime, the Authority

established a taskforce to examine market developments particularly sales, pricing practices, and excessive pricing of specific items such as hand sanitizer. Furthermore, it could advise Government on emergency legislation if there are negative impacts for consumers which cannot be addressed through existing legislation. In New Zealand, the Prime Minister informed the public that any suspicion of price gouging may be reported by sending an email and encouraged people to send photos and receipts for further investigations. Reports about price gouging were also made in the United States particularly in Texas and Florida but enforcement agencies were quick to address these issues.

Consumer law regulates other practices as it also empowers authorities to ensure that products placed on the market are safe and meet specific standards. In this regard, the experience of the Netherlands may be referred to where around 600,000 face masks imported from China were recalled following an inspection which revealed that they did not meet the required quality standards. Tests showed that even though the masks were provided a KN95 certification they were still found to be defective. A similar situation also arose in Spain where it resulted that around 640,000 testing kits purchased from a Chinese company were found that they had a 30% detection rate. It was claimed that the kits were CE certified which meant that they were in conformity with European standards. A similar case also arose in Turkey.

A number of jurisdictions allow for the collective action by consumers to seek damages. In this respect, of interest is the class action initiated by around 2,500 tourists against Austrian authorities concerning their handling of the COVID-19 outbreak in an Austrian sport resort in Tyrol. Consumers allege that authorities reacted too late to curtail the coronavirus outbreak and consequently contributed towards the spread of the virus. The Austrian Consumer Association argues that authorities knew, or should have known, that by keeping the resort open, there was a threat of mass infection. It is believed that this enough basis to lodge a claim for

damages. Another class action has been triggered in the United States against Purell accusing it of making false and misleading claims that its hand sanitizer could kill "99.99% of illness causing germs." The legal action was instituted in the light of ongoing concerns over profiteering from hand sanitizer shortages and the COVID-19 pandemic.

Protecting consumers at this juncture is crucial if a country aspires to set once again the wheels in motion to restart the economy as soon as possible. This for several reasons. Consumers have spent a significant amount of money on items to seem them survive the pandemic. In the main these purchases have been made blindly as uncertainty prevails on all fronts. For example, if there will be a resurgence of the pandemic in autumn, the length of the war and security of food supplies will be a major concern. Consumers were unable to take rational decisions, and many might have paid excessive prices for items which in normal situations might have been much less. The situation may arise where the economy might not restart as planned as one of its wheels might not be fully aligned and unable to act in tandem with the rest. COVID-19 might have left several consumers unemployed. The safety net provided by government might have been substantially eaten away if the competent authorities were unable to suppress malpractices in the market. Finally, the case may be that the realities for consumers "post COVID-19" might be completely different and a change in their consumption behavior in certain markets is not excluded as they would be unable to meet market conditions, such as prices, which would have been established in a "pre COVID-19" scenario. In this regard opting out from certain services such as those provided in the communications sector is not excluded. The situation of those consumers having home loans may likewise be problematic.

Predicting the future has its perils. This is even more so where uncertainty prevails on a number of fronts. However, it is not too premature to look ahead as this gives hope and an opportunity to forge a better future for the common good.

The road ahead

The road ahead

The economic threat of COVID-19 is real and wide-ranging. As can be seen from the sectoral analysis and also from the numerous contributions covering different sectors and themes, the world will have to adjust to a new normal. The economic shock, though still of an uncertain magnitude, will inevitably lead to a deep recession.

The challenge we face is how to act with sufficient strength and speed to prevent the recession from morphing into a prolonged depression, made deeper by a plethora of defaults leaving irreversible damage. It is also clear that the intervention must be two-pronged; survival and stabilisation but also coupled with a preparedness for the new economy that will arise post-COVID-19.

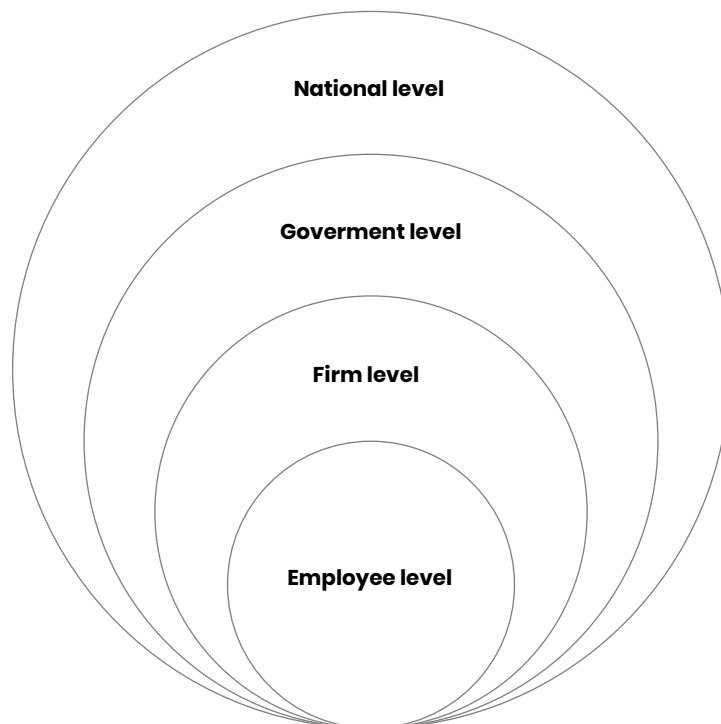
Given the scope of the crisis, and particularly the ripple effects from social distancing and global airport closures, the Maltese government has announced a series of measures aimed at softening the economic blow. On the 24th of March 2020 the Maltese Prime Minister announced a new aid package worth an estimated €44 million a month, building upon a €1.8 billion package announced a week earlier, which already amounted to almost 14% of annual GDP. These measures include wage support of up to €800 a month for full-time employees (and €500 a month for part-timers) working within sectors that have been hit hardest by the crisis, including accommodation, food and beverage services, retail and entertainment activities. Other sectors, including the self-employed, are also eligible for wage support equivalent to one day's salary per week, based on a monthly wage of €800, with businesses based in Gozo benefitting from two days' coverage per month. In addition, the government has also announced widespread income tax, VAT, national insurance and maternity

fund contributions deferrals for businesses, to the tune of €700 million, and €900 million in soft loans and bank guarantees to businesses. Other measures include higher unemployment benefits of €800 per month, additional benefits of €800 per month to workers with disabilities who self-isolate due to COVID-19 fears, as well as to any parent who is forced to stay at home to care for their children (provided that both parents work in the private sector). The extent of these measures, coupled with the government's commitment to further expenditures as required, inevitably raise questions regarding the impact of such interventions on government finances. Fortunately, recent years have seen considerable fiscal consolidation, with surpluses recorded and debt falling by €41 million in 2018, reaching 45.8% of GDP. Given the surge in expenditure and public borrowing, coupled with decreases in tax revenues and economic activity, it is expected that this downward trend will be reversed at least for the foreseeable future.

This section will focus on a number of recommendations. As Seed, we believe that this is a national issue in which everyone should pitch in. It is our time as a country to show and live the value of solidarity and that is why we are recommending that everyone has a role to play in limiting the economic cost of the crisis. All of us, employees and companies alike, can make a solid contribution together with Government.

In this section we will present our ideas with the aim of stimulating a discussion. In our recommendations we not only focus on additional short-term measures, but we take a much longer-term

approach. We believe that it is time for Malta to have a long-term vision which defines not only who we are as a nation but more importantly on where we aspire to get to as a country and how. This need for a vision was also felt by all industry leaders we spoke to and we do hope that COVID-19 presents us a check-point to reflect, imagine and chart a way forward for the country. We are also taking a multi-layered and stakeholder approach as illustrated below as we believe that the crisis requires a collective effort and it is only by coming together as a nation from employee to Government will we manage to rebound and emerge stronger.



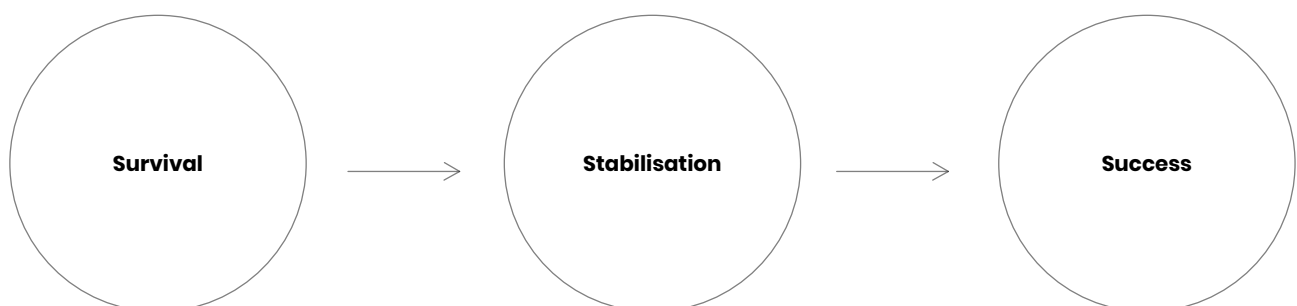
Employee-level recommendations

We believe that even employees have a contribution to make, especially for the long-term. It is true that in the immediate and short run they are likely to be negatively impacted through lower incomes, reduced working hours or redundancies. Flexibility is going to be important for employees to adapt especially when knowing that special arrangements between them and employers are of a temporary nature. From the sentiment analysis we carried out and presented earlier on in the report, it is evident that employees understand that such arrangements are necessary, and they are willing to accept them. Employees should also use this time wisely to improve their skillset. It is being recommended that employees adopt a proactive and flexible approach in order to improve their skills and possibly acquire new knowledge. Additionally, work ethic, especially for those employees working remotely from home, becomes critical to ensure that their employers will be able to see through the crisis.

Firm-level recommendations

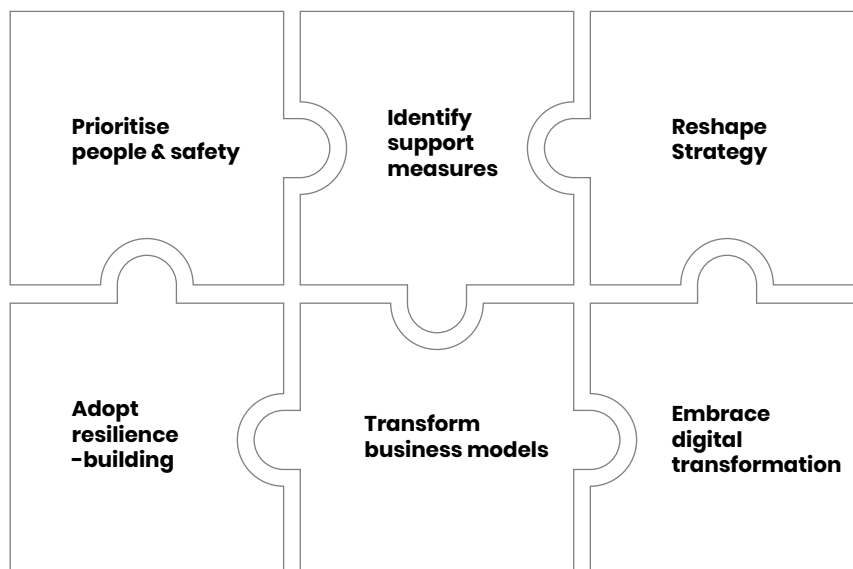
As companies navigate the ongoing COVID-19 crisis, there are a number of key issues corporate leaders should be thinking about, as well as steps they can take to not only react to severe business shocks now but also reshape their business and plan for recovery.

Over the coming weeks and months, companies will have to integrate three different phases in their strategic decision-making. Each phase will require different foci, analyses, data and mind-sets. However, it is important for companies to keep them as one integrated process. The three phases are identified below.



Currently business leaders are focusing on surviving the economic shock and on ensuring liquidity and business continuity. Right after, the business will require a period of stabilisation to recover from the initial shock, restructure and transform its present business models in preparation of the new normal. It is therefore critical that for the business to succeed in the longer-term, it needs to take the right decisions during the previous two phases.

In order to navigate this process, Seed has identified six mutually reinforcing priorities that leaders should consider and should use as a framework for overcoming these challenges. The priorities are shown and explained below.



1. Prioritise people & safety

Ensuring the safety and wellbeing of the employees in the workplace is essential. One of the adjustments companies have to make is to initiate or expand flexible work arrangements and other policies that allow people to work remotely and safely. Therefore, investment in digital equipment is critical. Depending on the sector, companies will want to re-organise teams and re-allocate resources and establish employee wellbeing programs and policies that support a safe working environment. For those industries that cannot work remotely and are still in operation, employers need to ensure that the health and safety of employees is protected and respected. It is crucial for business leaders to consult with health professionals and authorities.

2. Identify support measures & grants

Currently a number of support measures and initiatives are being launched to support companies in this phase. There are also a number of other schemes that Government had launched in the past including grants and support measures that if used wisely can support the business to undertake the required changes. It is therefore critical for businesses to identify such measures and grants both by banks and also Government.



"Workers have been impacted differently, depending on the sector. In certain sectors workers are suffering from economic issues, in others, workers are suffering from burnout. This crisis is taking its toll on everyone. I would urge

employers to communicate with employees and understand their concerns and also explain to them the impact of the current situation on the respective business. Communication can ease a lot of issues and enhance cooperation during these difficult times. This is a time for businesses to regroup and work hand in hand with their employees to be prepared for the economy post-COVID-19."

Josef Vella

Chief Executive Officer – UHM Voice of the Workers



"There are a number of grants and initiatives together with support measures for companies. I strongly believe that such schemes can support companies to not only survive this delicate

phase but more importantly allow them to further invest and develop their business going forward."

Matthew Sammut

Executive Director, NIU

3. Reshape strategy

Looking ahead, businesses need to adapt to a new reality. Several companies have faced significant disruptions and also depend on the opening up of external markets too. In addition, consumer habits and behaviours are likely to change. As a result, business leaders need to reshape their strategy and pivot where necessary by identifying new service lines, product lines and even markets. It is also critical for business leaders to communicate changes in strategy to staff and to involve them in the process. Strategic thinking will determine the long-run winners.

4. Adopt resilience-building

This experience has shown the importance of contingency planning, risk management and building inherent business resilience. Disruptions are normal in business and economies, meaning that companies need to build a level of preparedness in dealing with such events. Capacity needs to be built around crisis management and not management by crisis and these elements of building resilience within organisations should be a leadership priority.



"Business leadership and management styles will change dramatically post COVID-19. Companies and management teams will become leaner focusing on achieving efficiency gains on the basis of data and strategic decisions. We need to adopt creative thinking to deal with the present challenges and new opportunities. Our collective ability to seize them both as firms and as a country, depends largely on our agility and future-focus."

Abraham Portelli
Senior Financial Controller, Arkadia Marketing



"COVID-19 is bringing two particular concepts to the fore; resilience and adaptation. It is clear that businesses need to build resilience and fortify their balance-sheets throughout their lifecycle, especially when the going is good. Secondly, this crisis reminds us that we need to be always ready to adapt and to be introspective and continuously look at improving efficiencies and operations. Going back to how we used to do things before is not an option."

Marcel Cassar
CEO, APS Bank plc & Chairperson
Malta Bankers Association

5. Transform business models

The structural changes that will happen both in the economy and also in firms, will require companies to be agile and transform business models. Leadership needs the foresight to understand how to transform businesses that will deliver sustainable value and growth in a changed world.

6. Embrace digital transformation

The crisis has shown the importance of digital transformation. Social distancing has evidenced the need for being connected digitally across the supply and value chain of service or product delivery. Businesses that had not started to invest in their digital transformation programmes scrambled to do so. However, going forward, companies need to fully embrace digital transformation including shoring up against cybersecurity threats and more importantly delivering value through digital tools, particularly via e-commerce.

The COVID-19 crisis was impossible to predict. However, there are many lessons companies can learn and carry forward. In the meantime, business leaders should be making decisions and taking actions during crisis with recovery in mind. When the crisis is over, it will be clear which companies have the resilience and agility to reshape their business strategy to thrive in the future.



"Business model transformation is going to be key during this period. We need to support businesses to transform and adapt themselves to the new business as usual scenario, which is likely to be significantly different from our experience to date. Uncertainty is high given that there are still many unknowns, however the ability to transform business models will determine who will survive or who will not."

Fabio Axisa
President, Malta Institute of Accountants



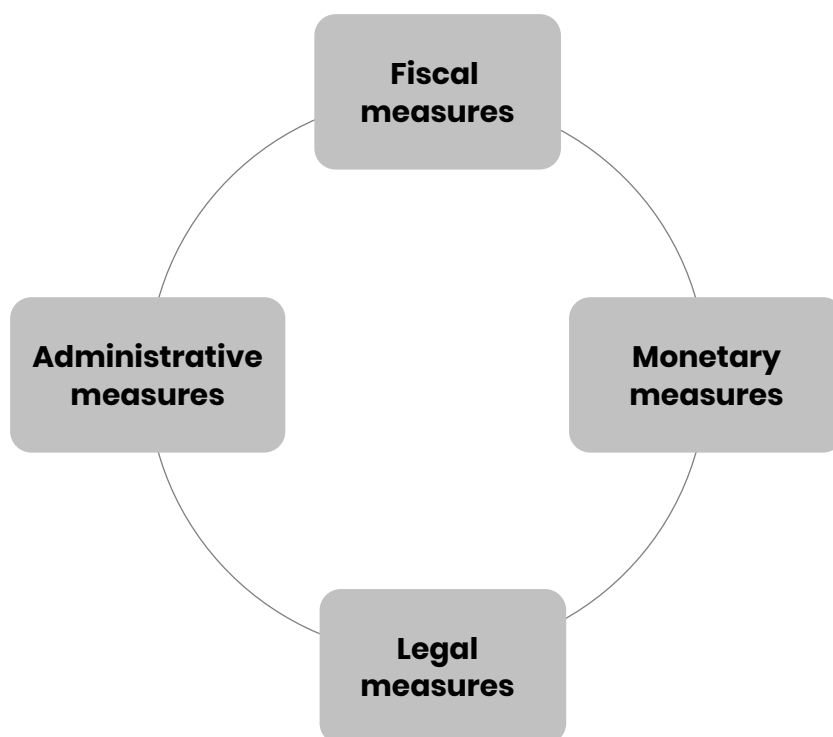
"The healthcare sector is not immune from the effects of post COVID-19. The way healthcare is delivered will start changing and we will experience the rise of telemedicine. The country needs to be agile to identify these new opportunities and develop them both internally but more importantly to continue developing Malta as a regional hub. We have always managed to turn-around challenges into opportunities. This should not be an exception."

Maria Bugeja
CEO, St James Hospital Group

Government-level recommendations

In any crisis, citizens and businesses turn to their government for support. As the world witnessed, all governments set forth in launching substantial aid and support packages to not only protect citizens from the health threat but also to flatten the economic recession. Government has a number of policy tools at its disposition to support companies survive as shown below.

The Maltese Government has already issued a number of support packages and incentives. However, after interviewing and speaking to more than thirty business leaders and social partners, we are compiling a number of additional measures we believe can further support Malta's economy.



Fiscal measures

- **Additional taxation measures** – apart from public expenditure, taxation is another instrument that Government can leverage as a tool to stimulate the economy and to support businesses. Government has already launched a number of tax initiatives. In a focused box, we are recommending some additional taxation measures that not only have the potential of supporting businesses in this time but will also help re-direct the economy in the longer-term.
- **Increase eligibility of aid** – it is becoming apparent that there is an increasing number of firms that are being impacted and need support. It is therefore being recommended that the aid measures being currently given out by Government are extended to all sectors of the economy and focused more on dealing with the drop in revenues. This is in line with what The Malta Chamber of Commerce and Industry are requesting.
- **Government licenses & rent** – there are a number of tourism-related licenses that businesses pay to Government, and we are recommending a waiver of MTA licenses for the duration of the pandemic, waiver of Lands Department charges for chairs in public areas such as on pavements, and a waiver of ground rent also payable to Lands Department.
- **Start-up assistance** – the Government was actively pushing for start-ups to open in Malta and it has been pretty successful on this front. Start-ups who were still ramping up and had already attracted employees to their fold, need specific measures to support their wages and overheads.
- **Support on rents** – Government needs to ensure that as much as possible, income chains across different economic sectors and actors are maintained. Rents have become a key overhead for companies and although these are private arrangements, the Government may wish to consider supporting companies in the payments of rents due.
- **Conditionality** – it is being recommended that Government attaches conditions to the aid that it is giving companies. To this effect, Government should make sure that such support is structured in ways that transform companies in preparation for the new economy whilst also investing in workers and making sure they can adapt to new technologies and learn new skills.

Taxation measures to support **economic revival**



Nicky Gouder
Partner, Seed



Luana Farrugia
Senior Consultant, Seed

Income Tax – Company specific

○ **Postponement of the payment of settlement tax for basis year 2019 for all companies to allow the utilisation of trading losses** – the

postponement of taxes for the basis year 2019 to 30 April 2021 would allow companies to assess their financial performance for the basis year 2020 and set off any trading losses incurred in the basis year 2020 against their chargeable income for the basis year 2019.

○ **Waiver of provisional tax for the basis year 2020** – since the provisional tax payable for a given year is based on a benchmark year of assessment, many companies and self-employed individuals will have to pay tax on the basis of a

benchmark that is unrealistic as the profitability of the current year is likely to be significantly different from that registered in the benchmark year. Our proposal is for the three instalments of provisional tax payable during the basis year 2020 to be waived completely since it may be difficult for businesses to estimate by how much their profitability will be affected in the context of a pandemic.

○ **Postponement of the payment of tax on rental income for 2019** – businesses and individuals holding properties for rent have been adversely hit by Covid-19. Our proposal is for the payment of the 15% tax on rental income for basis year 2019, to be shifted to a system of payments in instalments starting from July 2020 until December 2020 in the following manner:

Payment made in:	For rental income relating to:
July 2020	January – February 2019
August 2020	March – April 2019
September 2020	May – June 2019
October 2020	July – August 2019
November 2020	September – October 2019
December 2020	November – December 2019

○ **A reduction in tax on rental income earned in 2020** – following on the previous proposal, in view of the significant impact the pandemic is expected to have on the property sector, our proposal is that the final tax on rental income is decreased to 10%, instead of 15%, for any rental income earned in 2020. This measure would partially counteract the reduction in rental income to accommodate tenants.

○ **An eventual reduction in the corporate tax rate** – in the spirit of the effects of Covid-19 on businesses and the economy, we believe it is also an appropriate time for Government to reconsider reducing the standard income tax rate for compa-

nies especially in view of the fact that Malta's tax rate is significantly higher than that chargeable in other countries, with the EU's average corporate tax rate being 21.3%. Furthermore, whilst the effective rate in Malta for the shareholder could be reduced by virtue of the full imputation system and the tax refund system, where applicable, this would only apply when a company distributes profits – in the coming months and years, we would expect companies to re-invest such profits in the company and not distribute them, also due to the current economic situation. Our proposal is for the corporate tax rate to be reduced to 25% over a period of 5 years with the first reduction as follows:

2020	35%
2021	33%
2022	31%
2023	29%
2024	27%
2025	25%

Measure specific to start-ups

○ **Waiver of employers' share of social security contribution for start-ups** – in order to incentivise start-ups to employ more persons, we are proposing that businesses which are in the first three years of operation would not be required to pay the employer's share of social security contribution on behalf of their employees for the first three years.

Income Tax – People specific

○ **Postponement of the payment of tax for basis year 2019 for all individuals under the 'Self-Assessment' system** – individuals who are due to pay their personal income tax under 'Self-Assessment' by 30 June 2020 will have the right to defer such payment until 30 April 2021 and to have the right to utilise losses incurred in 2020 against their chargeable income for 2019.

○ **Tax break for healthcare workers** – in recognition of the honourable work being carried out by healthcare workers on the frontline of Covid-19, our proposal is for these workers not to pay any income tax on their salaries for the duration of the pandemic.

○ **Tax credits to companies which avoid employee lay-offs** – our proposal is in respect of companies which can prove that their financial results in 2020 could have led them to lay off a certain number of employees. Such companies would need to prove that their 2020 turnover has decreased by 25%, when compared to 2019, and that they managed to keep employees who were no longer required as a result of the decrease in business, on their payrolls. Our proposal is that this tax credit would be calculated by reference to 50% of the respective employees' salaries, capped at €20,000 per company.

Malta Enterprise related

○ **Extension of the term for a MicroInvest tax credit** – our proposal is to extend the term in which a MicroInvest tax credit can be used to 5 years instead of 3 years.

○ **Tax credits for having a business continuity plan in place** – this pandemic has certainly raised awareness on the importance of having a business continuity plan to revert to in exceptional circumstances. We are proposing the introduction of tax credits for businesses which invest in transforming their businesses digitally in order to have a contingency plan in place for uncertain times.

Other taxes

○ **Deferment of payment of VAT & FSS** – in line with the measure already introduced to defer VAT and FSS payments due in March and April to the following two quarters, we are proposing that all the VAT and FSS payments due until the end of 2020 would be postponed in a similar manner.

Other proposals

This pandemic surely has one upside to it – the dramatic reduction in pollution in a matter of a month following guidelines by the Health Department for people to work from home and to practice social distancing. Taking this into account, we believe the Government should start to focus on shifting a portion of its tax revenues away from traditional income and consumption taxes to taxes aimed at protecting the environment or at other social measures, such as to tackle the obesity problem, particularly amongst youths. The introduction of the following taxes may be considered:

○ **Tax on plastic packaging** – this would be a tax payable by businesses that produce or import plastic packaging that uses insufficient recycled content. This could be in the form of broadening the existing eco-tax on plastic bags to all single-use plastic.

○ **Landfill tax** – a landfill tax would be chargeable on material disposed of at a landfill site or an authorised waste site. This would encourage efforts to minimise the amount of material produced and the use of non-landfill waste management options, which may include recycling, composting and recovery. One would need to ensure that there are restrictive measures on dumping in alternative sites which are not authorised waste sites.

○ **Excise tax on sweetened products** – this tax would put a fixed charge on products containing a certain amount of sugar and would be directly payable by manufacturers.

○ **Increased registration tax on the importation of vehicles which are not electric** – we believe that the measures already introduced by Government in relation to the vehicles should be enhanced through an increase in the registration tax applicable on cars with a traditional internal combustion engine, coupled up with a timeline within which all vehicle importations would need to be electric.

Monetary policy tools

Although Malta's monetary policy is set by the European Central Bank, the Government is availing itself of such instruments made available and leveraging on state guarantees to allow the Malta Development Bank (MDB) to support the local banking sector in offering state-guaranteed credit. To this end, we are suggesting a couple of measures that are aimed at improving the implementation of these schemes and initiatives.

- **Transparent pricing** – the cost of these guarantees should not be based on the credit risk of the company that receives them but should be zero, regardless of the cost of funding of the government that issues them.

- **Separate schemes for start-ups** – the Government has successfully developed the start-up sector in Malta. Changes in the law should be considered to allow the MDB to on-board such start-ups directly for working capital financing in order to be in a position to absorb the risk as these might fall outside the risk appetite of local banks.

- **Support digitalisation** – the Government may wish to consider supporting local banks in adopting common processes and procedures to administer such schemes.

Administrative & Governance measures

- **Facilitate applications** – Government needs to ensure that applications for aid are kept simple so that businesses can apply swiftly.

- **Redeployment of resources** – Government needs to ensure that there are adequate resources in the departments that will be processing assistance to firms. A redeployment of human resources within the public sector is thus encouraged. It is therefore being recommended that employees are redeployed to entities such as Malta Enterprise and JobsPlus to support the back-office processing and also enable such entities to be proactive and reach out to affected enterprises.

- **Remove bottlenecks** – the swift processing of applications and the actual disbursement of funds will be critical. It is therefore important that Government reduces any bottlenecks or inefficiencies. A business reengineering task force should be constituted to ensure that this process is as swift as possible and redeploy any resources accordingly.

- **Supply-side concerns** – especially where planning is concerned, care must be given to the existing stock of buildings. Tourism is a case in point whereby the recent increase in bed capacity is not translating into higher occupancy. A moratorium on new permits for collective accommodation needs to be considered to avoid creating further additional excess supply concerns.

Local measures

○ **Review taskforce** – an ad-hoc taskforce should be constituted within the Ministry for Justice, Equality and Governance with the participation of The Chamber of Advocates to propose changes to Malta's commercial and civil code that ensures that the law supports this crisis and not creates additional hurdles. A number of recommendations are being put forward in a dedicated box.

○ **Financial crime review** – it is important that the work that was started to ensure compliance with MoneyVal's recommendations is continued to ensure that Malta's financial services remain intact and not threatened by another setback.



"This crisis has brought out even more strongly some limitations in our legal framework. Let us protect and support our clients to face these challenging times and address key areas of concern such as the insolvency regime. Let us ensure that we get out of this phase even stronger."

Dr Louis Degabriele
President, Chamber of Advocates



"Malta's continued attractiveness as an investment location and financial services jurisdiction critically hinges on our adherence to strong AML/CFT frameworks and standards. It is for this reason that we need to continue strengthening our policies and procedures in this regard, adjusting to the current business climate. All stakeholders including service providers have a role to play. Compliance to the highest standards means that we are a quality jurisdiction."

Dr Rakele Cini
Independent Legal Consultant

Fine-tuning of certain aspects of the local legal framework in response to COVID-19



Dr Luca Vella
Partner, GVZH Advocates



Dr Gianluca Falzon
Associate, GVZH Advocates

Capital Markets

The effects of the novel coronavirus, COVID-19, have so far proved to be far-reaching on multiple levels on a global scale and, accordingly, it comes as no surprise that the local capital markets have not been spared from the effects of the outbreak.

The novel coronavirus has exposed the vulnerabilities of certain issuers on the capital markets and, therefore, to an extent of the capital markets themselves, with the prospect of a possible default by any of said issuers carrying with it concerns of devastating effects on investors in Maltese listed securities. In an effort to counter this state of affairs, the Malta Financial Services Authority ("MFSA") has been responsive in providing respite to local issuers, initially via a Circular issued on 21 March 2020 aimed at alleviating financial reporting

requirements by granting extensions for the publication of the annual audited financial statements of guarantors of listed companies and the reporting requirements of the financial analysis summary. In terms of this circular, the MFSA stated, specifically with respect to guarantors of listed companies, that *"the MFSA will consider granting an extension for next publications which are due four (4) months after the end of each financial year following an official request received by the MFSA explaining the exceptional circumstances and on a case-by-case basis"*. Furthermore, in terms of the same Circular, the MFSA committed to grant an extension of two (2) months for the next publications of financial analysis summaries which are due by two months after the publication of the audited financial statements.

Following the issue of the aforementioned Circular, on 27 March 2020 the European Securities and Markets Authority ("ESMA") issued a public statement to promote coordinated action by National Competent Authorities ("NCAs"), which therefore, includes the MFSA. This statement's main focus relates to issuers' obligations to publish periodic information for reporting periods ending on 31 December 2019, and naturally in the context of the COVID-19 outbreak.

In terms of the local Listing Rules issued by the MFSA, issuers whose securities are admitted to trading on a regulated market are required to publish an annual financial report at the latest 4 months after the end of each financial year in question. In its aforesaid statement, ESMA highlighted that although issuers are still expected to prepare and publish their financial reports within the aforementioned time limits, it has been acknowledged that the current situation caused by the covid-19 outbreak may result in issuers encountering difficulties in meeting these deadlines. Accordingly, ESMA informed NCAs (including the MFSA) that during this specific period it expects them not to prioritise supervisory actions against issuers in respect of the upcoming deadlines set out in the Transparency Directive (and the Listing Rules) regarding:

a

Annual financial reports referring to a year-end occurring on or after 31 December 2019 but before 1 April 2020 for a period of 2 months following the deadline; and

b

Half-yearly financial reports referring to a reporting period ending on or after 31 December 2019 but before 1 April 2020 for a period of one month following the deadline.

Companies Act – liquidation and insolvency

As currently drafted, the Companies Act provides that in the event that an insolvent limited liability company is placed into liquidation, the appointed liquidator may institute an action for fraudulent or wrongful trading against a director who would have failed to act with the due care and skill required. A form of relief which may be considered to be granted to companies in response to the Covid-19 crises could take the form of a temporary suspension of the wrongful trading provisions set out in the Companies Act applicable to directors. Such a measure would allow directors some breathing space in the ordinary course of business which will, in turn, further allow *inter alia*, company directors to keep trading during the current emergency without the threat of personal liability if the company ultimately arrives at a point in which it can no longer cover its liabilities. Such proposed temporary suspension would notionally apply limitedly in respect of the provisions regulating wrongful trading to the specific exclusion of similar provisions relating to fraudulent trading.

In the context of insolvencies, a welcome development in the current economic environment would be enabling easier access to company recovery procedures, including via amendments to the Companies Act aimed at allowing directors to remain in office during the company recovery procedure, together with the special controller who would be appointed by the local courts, on a fast-track basis, to administer the company. One may also consider that the special controller be given a casting vote in the event of a decision-making deadlock.

Due to the fact that the COVID-19 outbreak also saw the temporary closure of the local courts, in an effort to facilitate the access to a company recovery

procedure as aforesaid, consideration would also need to be had to a special temporary tribunal being established with a view to hearing and determining company recovery procedure applications and appointments of special controllers.

Employment

One of the pillars of Maltese society and a fundamental human right is the right to work. Based on this premise, employers and the Government are taking as many measures as possible to avert redundancy.

In terms of our employment laws, the current COVID-19 crisis does not give rise to an automatic suspension of the employment obligations and, therefore, the prevailing rights and obligations remain in force. The actuality of various containment and social distancing measures introduced by the Government, including the closure of establishments, has resulted in a situation where many businesses are not generating any revenues and struggling with liquidity. This notwithstanding, amidst the investment made over the years in training their staff and in hope of being in the position to resume their business activity once the effects of the pandemic are over, businesses wish to avoid the painful decision to lay off any employees.

An option in this respect is that of forced leave. In terms of law, it is possible for the employer to decide to resort to “forcing” the employees to utilise their leave entitlement as long as the employer furnishes the employee/s with a written justification explaining why such measure is being taken. The written statement has to be given to the employee before the forced leave starts to run. The utilisation of forced leave does not give rise to a civil debt in

favour of an employer should the leave taken exceed the annual leave entitlement of the employee. Therefore, an employer cannot make any wage deductions in this regard.

In addition to the foregoing, Maltese law provides that in exceptional cases (the current crisis most definitely being one of them), an employer, in agreement with the employee or union representatives (where there is a recognised trade union for collective bargaining purposes), may agree on conditions of employment which differ from those in existence as long as such agreement is a temporary measure to avoid redundancies and as long as it is approved by the Director of Industrial and Employment Relations (DIER). However, the law is rather vague in this respect, in that it does not specify what measures may be agreed to and/or applied for. These may range from unpaid leave, working a reduced week, or possibly even a reduction in wages. These effectively shall be considered on a case by case basis and may even need to be reviewed in conjunction with any financial aid measures which the Government has introduced.

Due to the fact that the said measures are intended to be temporary, any approval by the DIER shall be limited for a period of 4 weeks, following which one is to apply for a renewal or possibly even request new measures to be considered.

Many local employers have put into action contingency plans to allow for remote working in an effort to abide by the recommendations of the public health authority aimed at safeguarding the health of employees. The Maltese government issued a scheme to assist employers who invested in technology to provide a teleworking arrangement for employees to be able to carry out work from

home. In a nutshell, this scheme is open to all undertakings, irrespective of size and sector, which have employees who did not have an active teleworking agreement prior to 15 February 2020 and who are engaged in a role which may be carried out via telework.

Bearing in mind the unpredictability of the COVID-19 outbreak, Maltese law stipulates that in cases where there is no specific reference to teleworking within the employment contract and telework is undertaken during the course of the employment relationship, an agreement regulating the terms and conditions of teleworking must be entered into. The same law states that if an employer makes an offer of telework during the course of the employment relationship, the employee is free to accept or refuse. In the event that both the employer and employee agree to enter into a teleworking arrangement, each party is granted the right to terminate the teleworking agreement by giving notice following which the employee will revert to the pre-teleworking post.

As is the case in the workplace, employees have a reasonable expectation to privacy even when working from home. The implementation of monitoring systems naturally involves the processing of personal data and, therefore, it is naturally recommended that employers ensure that caution in this respect is exercised. Accordingly, monitoring may only take place if it is truly necessary and should be carried out in a manner that is proportionate and transparent. Employers may only put in place a monitoring system if this is specifically mentioned in a teleworking agreement and the monitoring system is proportionate to the regulations on the safety and health requirements for work with display screen equipment.

In conclusion, and in general terms beyond the considerations set out above, the unprecedented and extensive impact occasioned by the outbreak of the COVID-19 pandemic has exposed the need for the implementation of direct measures, many of which of a temporary nature, intended to introduce certain flexibilities across the local legal framework in support of the local business community, taken in its widest terms, at a time when priority has become

survival beyond the crisis. It would be fitting in such dire circumstances if such measures to be suggested to the Government were to come across on the strength of a collective effort by the legal community as a whole, together with the contributions of all other professionals and stakeholders who in one form or another are habitually involved in supporting local enterprises.

National level recommendations a vision for Malta

As was highlighted throughout this analysis and by expert contributions, the pandemic is going to create a new world and economic order. The social distancing, the fear surrounding contagion, the entrenched remote working habits, the changed consumer habits and much more will all lead to a structural shift in the economy and not just a deep recession. The cost involved in saving the economy will definitely impinge on the long-term with public debt expected to increase significantly.



"The main issue in all of this is the factor of the unknown. We do not know when the economy is going to start recovering, and many assumptions are being made while sailing through this difficult time. During this time of economic

crisis, companies should be acknowledging that there is a new norm in the economy, that this will stay with us post-COVID and hence all should invest in developing intelligent business by digging deep into the values of their market and think outside the box. The foundation of the "new" economy post COVID should be to aim at market sensitivity centred on Value and supported by digital transformation whilst ensuring sustainability"

David Xuereb

President, Malta Chamber of Commerce and Industry

Section. 5

The road ahead

However, this crisis should make us rethink our economic strategy and more importantly ask fundamental questions on Malta's future not only pertaining to the economy but also those related to the society that we would like to build and live in.

From our research interviews with 36 industry leaders and social partners, a number of key guiding principles emerge:

- **Need for a vision** – Malta requires a mission-oriented vision to not only support existing businesses but to build new economic sectors and achieve a collective single vision for the country which will bring all stakeholders together.
- **Quality and not quantity** – following a period of unprecedented fast growth, industry players want to redirect Malta's economy to focus much more on quality rather than mere quantity.
- **Environmental focus** – the environment needs to be seen as a key pillar of our future, co-existing with economic growth and not trailing behind it. In reality, this break in growth should allow us to reposition our economy to harness the green revolution.
- **Institutional quality** – before the outbreak of the pandemic, Malta was focused on restoring its institutions and enhancing governance and rule of law structures. It is critical that this current juncture does not derail any efforts.
- **Digital transformation** – this crisis highlighted how many companies or entities had not been transformed digitally and this needs to be a national priority with Government driving this as a national effort.



"Business is going to be different and so is the labour market. Competition is going to be crippling and the impact on revenues will be huge. This is a time where businesses must work on reinventing themselves, and where employees invest in themselves. Despite the negative impact, we have to see this as an opportunity to reposition Malta. Let's take the opportunity and rethink our vision and strategy as a nation. In business we do that every few years."

Michael Warrington
CEO, AX Group

- **Education & skills** – despite the accomplishments attained over the past years, a lot still has to be done as Malta faces a number of challenges in this regard including high early school leaving rates and low tertiary education rates.

Our main recommendation is for the Government to develop a future-focused vision for the country, one which seeks to rebuild post-COVID-19 and to prepare ourselves for the economy of tomorrow and what is expected to be a new normal.

Section. 5



"This pandemic should serve as a wake-up call for us to re-align and re-focus on quality rather than quantity. Culture is the soul of a country. There needs to be a national drive to support all forms of culture and local talent, even the cottage

industries and self-employed that might seem insignificant to the national GDP but definitely contribute towards offering something unique. We need to come together as a country - this energy will help us all to improve our service offering and delivery."

Stephanie Borg

Self-Employed Artist & Designer



"The present situation has pushed the limits of various businesses and employees. Where possible, businesses had to make sure that they have the right infrastructure in place for teleworking, and employees had to adapt to

teleworking. We have learnt to keep the economic system going through digitalization, where it is possible of course. Digitalization could be an opportunity for us to encourage more people to enter the labour market. It is important to start discussions on where we want to take the economy after this experience, we need an exit strategy, we need to start planning things for post-COVID-19."

Victor Carachi

President, General Workers Union



"This is not a crisis that affected just Malta, it affected the whole world. As an economy that highly depends on the international scenario, the impact is expected to be substantial, even on the construction industry. However,

there is still light at the end of the tunnel. As a matter of fact I feel that this has allowed us to stop and think. We need to use this time to identify where we want to go in terms of planning. It is a time to go for real innovation, it is a time to think outside the box for a better and environmentally sustainable Malta."

Dr Marthese Portelli

Director General, Malta Developers Association



"The banking system has emerged highly resilient and efficient as a result of detailed contingency plans that were already in place, such as detailed plans with regards to remote working.

Digitalization has shown to be key in mitigating part of the effects of COVID-19. For the sector to continue operating effectively, we need to ensure a strong governance system, which will help us in rebuilding our reputation with the international community. As a sector, values need to be reinstated in the way we work, trade and operate."

William Portelli

President, Malta Union of Bank Employees

Building the vision

1. **Convene think-tank on the future of the economy** – we recommend the setting-up of a high-level think-tank which would be tasked with drawing up and charting a national vision for the country that looks beyond economic well-being and focuses more on the holistic vision of growth, development and societal well-being. The think-tank should report directly to the Prime Minister and be composed of a number of specialised working-groups and subcommittees. Its members should be drawn from diverse backgrounds, including the public sector, private sector, educational institutions and social partners that goes beyond MCESD representation.

2. **Clustered working groups** – for too many years, Malta has taken a siloed approach to policy making. It is critical that a clustered approach is taken so as to explore as many synergies as possible and to deliver holistic policies going forward. To this end, following our discussions we recommend that the following sub-committees are set up as part of the think-tank. It is important that apart from broad inclusion, the sub-committees are also inter-ministerial in nature to ensure consistency and integration. We also believe that Gozo should not be seen as a separate element but as an integral part of the national vision and therefore Gozo will be represented in each of the identified clusters.



"This may well be the biggest story in our lifetime and a trying period for all of us. A life-changing event exposing fascinating trends on media consumption, media literacy and how social media is shaping the way we will remember this pandemic in years to come. Beyond the nostalgia and uncertainty, we now need to look ahead with positivity and hope in order to build a brighter and kinder future. I believe that Malta will be able to weather this unprecedented storm, strengthen the culture of preparedness and bounce back stronger. We all need to use this newfound time to give consideration to how we can better apply our collective skills in creating a more competitive and innovative mindset of 'we can do it better'. The idea of shaping and carving a collective future together should be the light enabling us to defeat all the darkness."

Keith Demicoli

Journalist & TV news anchor



"Gozo's double insularity presents added challenges for us. Looking ahead, Government needs to commit to its investment programme whilst also focusing much more on a green investment package. This is particularly true for Gozo. Moreover, further investments in a specific financial incentive package to accompany the current investment in Gozo's digital infrastructure will allow us to continue attracting new investments to the island."

Daniel BORG

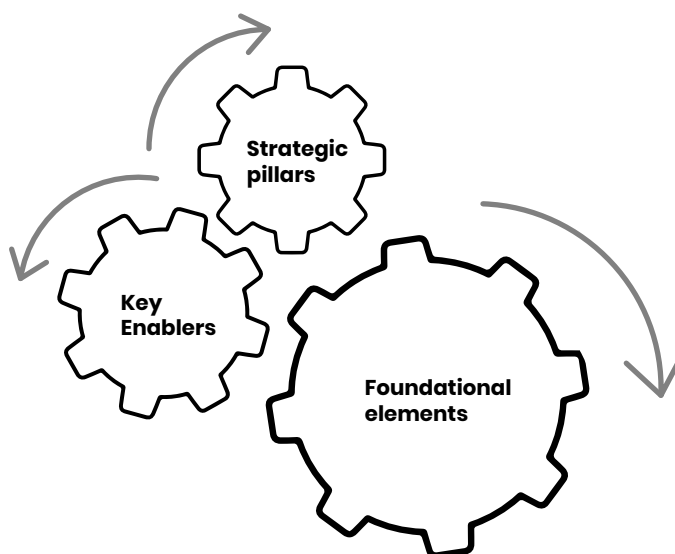
CEO, Gozo Business Chamber

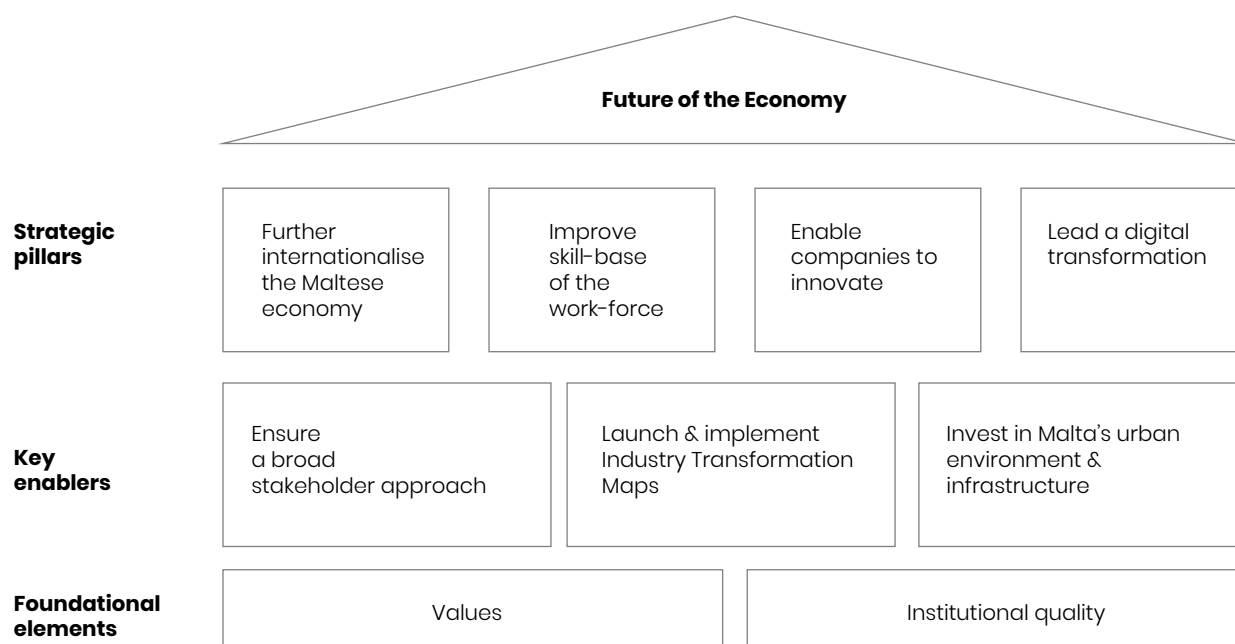
Cluster	Sectors
Manufacturing	Pharmaceuticals Precision engineering Aerospace Medical & life sciences Electronics
Built Environment	Construction Real estate Waste management Environment & planning
Trade & Logistics	Air transport Sea transport Land transport Wholesale trade Distribution & logistics
Fundamental services	Education & research Healthcare
Professional services	Financial services ICT & media Remote gaming Blockchain, AI & IoT
Lifestyle	Retail Hotels & accommodation Food services Agriculture & fisheries Culture & arts

Framing the vision

In formulating the vision, broad and wide-ranging consultation is needed. However, following our research, fieldwork with more than thirty business leaders and social partners together with fourteen expert contributions; we believe that the vision for Malta should be holistic and based on three main elements as shown below.

In this section, Seed is proposing a framework for Malta's long-term vision covering all three elements above. A schematic of this vision is presented below and the salient points for each element are given below.





The strategic pillars

Although we have identified four distinct pillars, these are not mutually exclusive; rather, each pillar is mutually reinforcing.

1. **Further internationalize the Maltese economy** – Malta's economy is inherently open and our vocation as an international trading hub goes back to time immemorial. It is for this reason that Malta needs to continue focusing on niche markets for its goods and services. The use of direct EU funds to internationalize markets is strongly recommended together with building the capacity to tap into new emerging markets. In attracting companies to export goods it becomes critical to have a well-functioning ecosystem including an inclusive banking sector. Therefore, for the rebound there needs to be a key policy focus of having banks that are able to process and

open corporate accounts in an efficient manner and have enough correspondent banking facilities to give comfort to investors. Also, the establishment of an export credit agency should be considered to address a market failure that Maltese firms have faced. In terms of services, tourism continues to remain a key export. Therefore, a strong national carrier is needed post-pandemic but also a concerted effort to have a coordinated approach to attract quality tourists between all stakeholders. Finally, in terms of services, a constant review and streamlining of current legislative structures and regulatory frameworks needs to be conducted. In terms of financial services, it is crucial for Malta to regain its reputation by strengthening its AML/CFT institutional framework.

2. **Improve the skill-base of the workforce** – notwithstanding the advances Malta has made in the educational sector, much more needs to be achieved. A closer link between acquisition and utilization of skills in industry needs to be achieved; however focus must be placed on the basics too. The early school leaving rate remains high when compared to European averages and Government needs to drive this through a broad-ranging reform in the educational sector. In addition, building on the success of past schemes, Government needs to further incentivize training and skill acquisition. In this process of saving companies through direct aid, Government should use the concept of conditionality to retrain workers who are receiving direct financial support.



"The digital transformation in education is critical for the country. As a country, we need to continue investing in our students with the required tools and equipment to fully embrace digital transformation and

support families that are missing out on this due to social conditions. Going forward, educational institutions need to respond to the changing world of work and adapt accordingly. The close cooperation between education and industry will be imperative for our long-run competitiveness."

Marco Bonnici
President, Malta Union of Teachers



The deterrents we faced in Malta, are still relevant for the long-term success of Malta's financial services economy, alas they are being tested without notice.

The economy requires a long-term vision, that is sustainable, and that goes beyond short term statistics. Technology has always been at the forefront of what we do, but remote working in investment services presents a number of operational issues, from household connectivity and the risk of power shortages, as we usually experience. The promise of a digital economy falls short of expectations, when 'basic' digital signature technology is not rooted in the way we do business, inefficient before, now critical. The aim of support measures should go beyond minimising the hit. We need the right incentive mechanisms to make sure that we have the adequate private investment and resources to kick-start the economy when this is over. With our size and nimbleness, we have the opportunity, though not the guarantee, to establish new competitive advantages that recreate the foundations of how we do business in Malta.

Ramon Bondin
CEO, Dolfin Asset Services

3. **Enable companies to innovate** – in the coming years, innovation is going to be central for economies to survive and thrive. Government has been trying to advance innovation. However, results have not been encouraging. A review of the innovation ecosystem is required, and it is the Malta Development Bank that should take a key role to provide the financing such firms require. Also, the benefit of direct EU funds needs to be further entrenched and Government needs to create an agency with the sole purpose of supporting companies apply for such funds. Focus needs to be given on creating the right ecosystem for companies to innovate. It is critical that research institutions foster greater collaboration with industry, and we believe that Gozo can position itself as a live-lab for companies to test products and services especially related to the move of smart technologies. A lot of research technologies are being developed in the area of smart technologies such as smart buildings, smart health, smart transport mobility and more. Gozo should position itself as a right location for these technologies or concepts to be tested. Incentives around this can be designed.



"The impact of COVID-19 is going to be quite profound, irrespective of economic sector. In most sectors the impact will be negative in the short to medium term, but new business niches will arise and certain lines of business will grow. Every start up is going to be impacted the way every business in its sector is impacted, but the impact will be more accentuated as startups tend to be more vulnerable. This said, COVID-19 has exposed us to new ways of doing business, and new ways of working, teaching, and learning. We will see more start-ups and new lines-of-business emerge related to e-commerce and contactless transactions, retail automation, eLearning, eHealth and telemedicine amongst others. Every business has to reposition itself and see how to turn bitter lemons into sweet lemonade."

Prof Juanito Camilleri

Chairman, Centre for Entrepreneurship and Business Incubation, University of Malta

Section. 5

4. **Lead a digital transformation** – COVID-19 has shown the importance and urgency to have a radical and complete digital transformation in the country across all different industries. Although Government launched an ambitious transformation programme, more progress needs to be made to ensure that the whole country is part of this digital transformation. More services need to be available online, not just from a front-end perspective but even more so from a processing capacity. To this end, the use of blockchain technology should be promoted. This crisis has also shown the importance that businesses fully embrace digital transformation to be able to work remotely and also launch digital platforms as well as consider new services such as telemedicine. Following the success of numerous schemes, the Government needs to ensure that digital transformation is entrenched in our society including the relevant infrastructure. In line with this, it is critical for the country to enhance its cybersecurity awareness and implementation across industries and firms.

The key enablers

1. **Ensure a broad stakeholder approach** – the vision is ambitious. However, for it to be implemented in its entirety it requires broad support. It is therefore being recommended that a social pact is drawn up to ensure that all stakeholders come together to implement the agreed vision. There needs to be a greater role for business chambers and trade unions and the recent pandemic has highlighted their important contribution to policy making. This vision should also tie in with other initiatives that are currently being undertaken including the constitutional convention to ensure that maximum synergies are exploited even between institutional structures.

Seed

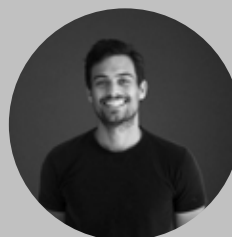
The road ahead



"The future of the workplace has radically changed throughout this crisis with remote working fast becoming part of organisational culture. Companies are now seeing the benefits of letting employees work remotely and also the possibility of this arrangement being seamless. However, the big challenge remains cybersecurity and as a country we need to not only be aware but be proactive in shoring up our cyber-resilience. This is going to be a central element for the future economy"

John Ellul

Co-founder and Sales Director, VeraCloud



"Malta has a lot of homegrown talent. It is time that we all work together to start offering solutions to our clients and not just services. We need to maximise our collective energies to start making a dent in the map. We need to believe in our potential and work towards it."

Benji Borg

Co-Founder Anchovy Inc

2. Launch & implement Industry

Transformation Maps – the idea of Industry Transformation Maps has been pioneered by Singapore whereby industry-specific plans were introduced by lead Ministries in collaboration with industry stakeholders. This is also a critical element of what should be Malta's industrial policy. Although as a country we should always look out for new niche sectors, it is even more important to further diversify the present sectors by increasing the value-added as well as intra and inter-sectoral linkages. The objective of the transformation maps is to keep industries competitive and generate growth by building capabilities at the industry level. Following the pandemic, the transformation maps should set out clear principles and requirements in terms of business continuity and contingency planning. Special schemes should be launched to support such incentives. Each transformation map should be based on four pillars which are, in turn, tailored to the needs of every industry.

The pillars are:

- Productivity
- Jobs and skills
- Innovation, technology & digital transformation
- Trade & internationalization

The idea is to use a cluster approach between industries in order to maximise and exploit synergies. The maps are also intended to serve as collaborative platforms between stakeholders with a direct interest in that particular industry.



"COVID-19 will change our economy, it will change the scenario we operate in. We are going to find a different world, trade will change. It is therefore important that we also focus on enhancing our resilience to protect ourselves as much as possible from any potential future shocks. This will involve creating linkages between different economic spheres and boosting sectors such as agriculture and manufacturing to ensure that diversification is more evenly distributed."

Paul Abela
President, Malta Chamber of SMEs



"It is in the interest of each and every business person in the construction industry to ensure that there is sustainable growth. For this to happen, we need to see that the foundations are strong. To this effect it is important that architects, contractors, developers, government and all stakeholders work together to make sure that the right policies to regulate, and incentives are in place. This requires clear communication among all relevant parties to reach an agreement not only on the present but also on the future of the industry."

Denise Micallef Xuereb
Construction & Development Director, AX Group

3. **Invest in Malta's urban & natural environment and infrastructure** – as an island state, Malta's natural and urban environment are critical for its sustainability. Respondents have all felt that a better balance needs to be found with the environment regaining its centrality. In addition to better planning through demand & supply modelling, an improved focus on regeneration efforts needs to be made. Critical to this is a holistic waste management strategy that will support Malta's efforts in achieving a circular economy. Malta's carrying capacity has been also strained over the past few years and further improvements need to be conducted. Here, a holistic mobility plan including mass transit systems need to be considered and pursued. We believe that Malta has the potential to leverage a green revolution which the Government needs to be the lead promoter by actively encouraging green investments in Malta. Finally, the pandemic has shown the importance of food security and it is therefore being recommended that a special focus on agriculture through innovative methods is actively pursued.

The Foundational elements

1. **Values** – This vision must be rooted to our national identity which draws strength from values that have been passed to us from generation to generation; a nation of proud people who hold dear hard work, enterprise, a love for life and a strong sense of community that cares for the most vulnerable of society. The economic success registered over the most recent years may have shifted our priorities away from these core values leading towards a more individualistic, at times indifferent society. As we struggle to make sense of this pandemic and the suffering that it inflicts, now might be the right time to rediscover our national identity and continue building our economy and society on what truly makes us Maltese; our values. Therefore, this vision needs to be anchored around the values of solidarity, sustainability, integrity, accountability and subsidiarity amongst others. This stage definitely calls for a debate on our contemporary national identity.

Seed



"We should see this as an opportunity for public investment to be directed towards the environment and ushering in a green revolution. Government needs to, more than ever, think long run and look at projects that deliver quality to our standard of living and contribute to improving our overall sustainability. Let's stimulate the economy through quality and sustainable investments."

Jonathan Buttigieg
CEO, Vassallo Builders



"The crisis is an opportunity for learning and for us to go beyond the economic aspect. As a society we need to revisit our values and embark on an institutional and governance review."

Joe Farrugia
Director General, Malta Employers Association

Section. 5

2. **Institutional quality** – Prior to COVID-19, Malta was focused and engaged in a national debate to strengthen its institutional quality and rule of law. Several institutional weaknesses have emerged, and the reform process was underway. A debate on the broader sense of governance needs to be held in parallel to the Constitutional Convention being spearheaded by the President. This discussion should also look into reforming the political system and main governance institutions in Malta. Malta's reputation hinges heavily on our institutional quality which in turn is a key attractiveness element. Achieving long-run sustainability and attain a long-run vision depends heavily on having the right institutional set-up and respect for the rule of law. To this end, the reforms that have started need to continue including the strengthening of our financial services sector.

COVID-19 has caught us unprepared. However, it presents a unique opportunity for us to re-examine ourselves, our current practices and our outlook and vision on the future. The scale of the crisis means that each and every one of us has a role and contribution to make. In this Section, we presented our thinking as to what a holistic response can be. By building on employee and firm level toolkits, we put forward a number of initiatives Government can implement to further support our

The road ahead



"This challenge has brought to the fore the strategic importance of the medical profession in conjunction with the country's public health organization. Malta always needs to ensure that its

systems and structures are in place to support the country in situations such as the one we are currently facing and to be able to hit the ground running when faced with such an extreme scenario".

Dr David Vella

President, Malta Dental Association

economy. Yet, our biggest responsibility lies in charting a long-term vision and strategy for our country. One that is future-looking and which challenges us even more to achieve a sustainable path of well-being as a nation whereby the economy, the environment and our society co-exist for the benefit of all, present and future.

The black swan

Beyond the economy

The local context

The road ahead

Economic sentiment

Concluding remarks

Concluding remarks

The trail of damage being caused by COVID-19 is still in progress. As the pandemic spreads, more companies are coming down to their knees. Governments are responding with significant rescue packages. Public debt will soar to new levels. Concurrently, deep and structural challenges are being faced. Customer habits are changing, work and social interactions too, the concept of the office has also changed and so will other realms where technology can play a big part. The challenges are many; for workers, firms, governments and nations. As the short-term impact continues to be the main item on the agenda, and rightly so, it should still not detract us from thinking in the longer term.

Humanity is at a crossroads. We now have the unique opportunity to chart a new way forward.

As companies are striving to navigate through these challenges, it is our responsibility to come together and discuss our collective future as a business community and as a country. More than ever, we need to aspire to achieving a growth model that is inclusive, sustainable and ecological. None are mutually exclusive but in reality, mutually reinforcing.

Agility in collective action is going to be critical in ensuring that the recovery happens.

The future is ours to shape. Now is the time to start shaping it.

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