2021 Edition

NEXT 12

Reflections by some of
Malta's **thought-leaders** on 2021.

Seed

Strategy | Regulatory | Tax | Advisory

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Seed

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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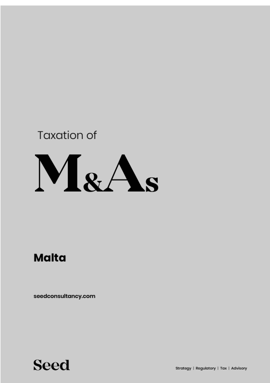
Other publications by Seed

Agile. *Perspectives on the future of Malta's economy post COVID-19.* (April, 2020)

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. The research report complemented by consultations with 18 social partners, 20 business leaders, 15 expert contributions and an economic survey with 385 participants.

(r)Evolution. *PSD2, Open Banking and the future of payment services.*

This report sheds light on the adoption by local credit and financial institutions of Europe's Second Payment Services Directive (PSD2) which introduces the concept of Open Banking within its regulatory framework. To gauge the Directive's impact and measure the level of preparedness in the financial world, we undertook a qualitative and quantitative research study of representatives from close to 20 leading credit and financial institutions. We have used the results to inform this report.



This is the first publication in the series **'Taxation of..'.**

This series aims to shed light on tax matters in various transactions and industries. This particular publication provides a detailed explanation of the tax matters in M&A transactions – it looks at the tax treatment from both the buy-side and the sell-side, on both asset and share deals. The last section of the report also delves into the issues of Change Management within a M&A, which are often overlooked and are so critical to the success of the M&A itself.

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Propose. Budget 2021. (September, 2020)

Seed launches its pre-budget recommendations with a two-pronged approach. The first set of recommendations focuses on a short-term stimulus package to continue supporting real economic activity with the main measure being the gradual reduction in corporate tax for local businesses. Second set of proposals are anchored around a long-term vision for the island.

Malta Budget 2021. (October, 2020)

This document presents a detailed review of the Malta Budget for 2021. Apart from a high-level description of the measures announced by the Government, the report also gives a detailed economic context and analysis which should serve as a backdrop to this unique budget.

Foreword

There is no doubt that 2020 will be remembered as the year that defined a new normal. A year where online replaced in-person; where homes became offices; where living rooms became classrooms and where elbows replaced handshakes.

2020 will surely be remembered as the year that was not.

With a global economy coming to grinding halt, the world entered into one of the deepest and most severe crises of modern history. The interconnectedness of the global economy displayed its fragility as the pandemic continued to inflict human and economic hardship.

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, we believe that this crisis can indeed allow us to chart a new path. Our biggest contribution to the future is to learn lessons from our recent past and to change where necessary.

As we started 2021, the next twelve months should usher in the transition to a recovery that gains momentum and speed. The uncertainties are high and mainly hinge on the effectiveness of the vaccination roll-out programmes around the world. Production and execution capacity are already strained, and this can limit the recovery. However, the coming twelve months will see the continuation of a number of trends that were accelerated due to the pandemic including digital transformation, sustainability. However, there are various other changes happening in each industry and which will impact the way we work, live, shop, socialize and do business.

Seed, a research-driven advisory firm, remains committed to its philosophy of providing research-based and insight-driven reports and content for business leaders to digest, reflect on and support them in their decision-making. Next12 brings together some of Malta’s leading thought-leaders in their respective field to share their insights on a number of areas and topics.

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 we are launching this collection of essays.

We believe, more than ever, that this is the right time to define our future.

For this to start, we must start thinking and acting over the next twelve months.

JP & Nicky

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Insights

After a Dark Year, a Brighter EU Future

European Commission

Dr. Elena Grech | Head of Representation, European Commission

Who on the eve of 3rd decade of the 21st century could have predicted that, within a year, 1.5 million people around our globe would be dead including over 300,000 from around Europe? Taken by an insidious, invisible virus that has left families bereft and some survivors still coping with debilitating long-term effects. A pathogen so miniscule, so imperceptible yet possessed of such power that it has humbled the world's economy. In Malta, there has been something of a post-apocalyptic Nevil Shute "On the Beach" feel to it, with this time a biological calamity washing up on our shores to turn our normal, cherished way of life upside down. With the European Commission's HQ located far away in Brussels, it has been at times hard to take in what the EU has been doing. Look no further than to our nearest EU neighbour. Italy was torn so brutally asunder during the early stages of the pandemic; you could well ask what has the EU been doing? What indeed has the EU being doing to ensure that we all can return in 2021 to the "new normal"?

It is, often asserted that it takes a crisis to progress the EU. After all, the EU that we know today was itself forged out of crisis. The EU rose from the ashes of the two brutal world wars that ripped our continent apart. Covid - as no other crisis in recent times - has presented such an existential threat to all our everyday lives that, in the words of President von der Leyen, we now all recognise that "*we cannot wait for the end of the pandemic to repair and prepare for the future. We [need to] build the foundations of a stronger European Health Union in which 27 countries work together to detect, prepare and respond collectively.*"

At the start of the crisis, EU Member States, who have the sole prerogative over the provision of health care, reacted instinctively and individually to preserve "their" own. Their actions were dictated by a survival instinct which led them in the opposite direction of all the European values and standards European citizens expect. In direct violation of the free movement of goods, Member States imposed intra-EU export bans and restrictions on vital medical and protective equipment. With a virulent virus that respects no boundaries, and thanks to the intervention of the European Commission, it did not take long to see closed borders, re-opened with the "Green Lanes" for goods. To see EU medical teams work across boundaries. To see Member States opening their medical facilities to those most in need, irrespective of their country of origin. The European Medical Corps itself born out of the Ebola crisis now is on standby 24/7 and has been further bolstered by the EU's Civil Protection Mechanism to operate wherever it is needed. The European Centre for Disease Control, so prominent in tracking the deadly spread of the pandemic, has been further empowered while the recently re-located European Medicines Agency has been reinforced to ensure the strategic stockpiling of pharmaceuticals. Moreover, to ensure future readiness to respond to cross-border threats and emergencies, a new agency for biomedical and advanced R&D is to be created.

A global crisis, of course, requires an overwhelming global response and is no time for isolationism. Thus in early May 2020, the EU stepped up to lead the global response. The EU alongside the G20, WHO and civil society raised over €16 billion to finance vaccine research, with the EU itself putting in €500 million to the COVAX global facility to ensure safe vaccines are available for everyone, and not just those that can afford them. At home in the 27 EU Member States, a new recovery instrument was also created: NextGenerationEU worth €750 billion now is an integral part of the EU's powerful, modern and revamped long-term budget for 2021-2027, thus ensuring that a total financial EU firepower of €1.85 trillion can be unleashed for the benefit of the EU Member States. A huge budget that has also silenced voices who opined that with the UK's departure from the EU, such ambitious resources could never be achieved. Underpinning the massive battery of funds, that is going to be as essential as our continent rebuilds is, for the first time, a Rule of Law conditionality clause that will ensure that the disbursement of the funds remains firmly anchored to the founding principles and values of the European Union. For the Rule of Law is not some abstract concept. The Rule of Law is destined to protect us, EU Citizens-from the rule of the powerful.

Now as we stand on the brink of 2021, SURE-to Support and mitigate Unemployment Risks in an Emergency will come into its own too. Already Malta has been earmarked to receive €220 million to assist in protecting jobs, incomes and companies, half of which have already been disbursed. Now thanks to the ingenious, rapidly produced vaccines such as that of Pfizer/BioNTech, we also stand on the brink of returning in 2021 to at least the "new normal."

However, with 2020 having already been recorded as the third hottest year on record, glowering ever ominously in the background remains the biggest crisis of modern times: Climate change. Covid may have knocked the globe sideways but it has not stopped the clock ticking on the loss of biodiversity, pollution and the over-exploitation of resources, although it has allowed nature to breathe whilst humans locked themselves down. Climate change has not gone away as farmers can tell you with their crops destroyed in Romania, homes evacuated due to glacier collapse around Mont Blanc and temperatures breaking records again in our neighbouring Middle East and North Africa region.

With the USA under President Biden set to re-join the Paris Climate Change Accord on "Day One" of his Presidency, 2021 is never going to be a more important year for our planet. Our world has now the

chance not only to repair our Covid shattered economies but can do so by shaping a better way of living for the world that we want tomorrow. As it is, if it was not for the EU's global stewardship in crafting the Paris Climate Accord, no agreement would have been reached on setting the target of keeping global warming below 2°C in an effort to limit the temperature increase to 1.5°C. In November 2021, Italy will partner the UK in leading COP26, when the leaders from around the world will reconvene in Scotland to explore how much further they can take our world's climate ambitions. Already the EU has proposed increasing our 2030 target for emissions reductions to at least 55% – up from the current 40%. However, the EU still recognises this is not enough. This is why by the summer of 2021, the European Commission will revise all of its climate change and energy legislation to ensure it is "fit for 55." President Von der Leyen's Green Deal provides the world with a bold blueprint with the EU having already confirmed its ambition to become the first climate-neutral continent by 2050. And Europe is proud to see that several other countries including Japan, South Korea, South Africa and even China are likewise committing to ambitious targets of carbon emission reductions or even neutrality. Yet tackling climate change is much more than just cutting emissions – it is about building a better world to live in, from buildings to cleaner transport. Changing our planet for the better also means changing our mentality for the better. Consequentially Europe's Green Deal also should not just be considered through the narrow prism of being an essential environmental and economic project. Throughout the coming decade the EU's Green Deal will not only create jobs but itself will herald a new cultural project for Europe. It is when great minds come together that culture, the lifeblood of our communities, is born. This is why President von der Leyen is determined to set up a new European Bauhaus, inspired by the art school set up a century ago to mix form and function. To provide the co-creation space for architects, designers and the creative sector to thrive alongside engineers and scientists to match style with sustainability. To redesign our future that will enhance all our lives.

In Malta, it has not just been pathogens and sea level rise that have been causing angst. Our geographic position has made us a magnet in particularly for legal and illegal migration. Already over 2,250 asylum seekers having made landfall in Malta in 2020. Though as overwhelming this may at times have felt on our small islands, it can only take a heart of stone not to be moved by what has befallen our large southern neighbour, Libya. Nobody can but be moved by the tremendous and often needless loss of life off our shores too. A tragedy that His Holiness Pope Francis has himself bleakly described as "the graveyard of the Mediterranean." Yet the one thing we all do know about migration it has always been a fact - and it always will be. It has been so since the Phoenicians first colonised our islands right until the last British forces departed our islands in 1979. The only difference being now most of their descendants return as tourists and friends.

Here in Malta and across the EU, throughout the centuries migration has defined our societies, enriched our cultures and shaped many of our lives. It will ever thus be so. Though this is not to question, especially here in Malta, just how deep the scars go. The migration crisis of 2015-left Malta, alongside Greece, Italy and Spain on the EU's frontline. Where apart from Germany and Sweden, few EU Member States seemed prepared to lend solidarity.

Resolving this complex issue is close to the heart of the President as it has divided Europe for far too long. Not even after a week of taking up office, President von der Leyen touched down in Africa on her first official visit "not to present some grand plan but foremost to listen." Just over a month later, the President took the lead at the Berlin Conference to assist Libya's citizens in their hour of need. To stabilise the country so it could again be a secure and prosperous place for all. Building on work over recent years investing in healthcare, basic services, youth and education, civil society, security and local governance. With the EU working to make sure over 1.7 million people in Libyan municipalities have better access to healthcare and education.

Less than 300 days after taking up office, the President presented the EU's pact for Migration and Asylum. Setting out improved and faster procedures throughout the asylum and migration system. A pact based on solidarity, both between Europeans and refugees and on the collective responsibility of national governments to ensure that, each Member State, without any exception, contributes in solidarity to help stabilize the overall system. This will be done by returning those migrants whose asylum claims are not well-founded, who are to date in the majority, whilst at the same time fulfilling their humanitarian obligations by accepting those who have a genuine right for protection.

In 2020, it took a virus a thousand times smaller than a grain of sand to expose how just how delicate and precious all our lives are. The world throughout 2020 was plunged into a dark place. Few will forget 2020. Now there is at last light on the horizon with vaccines ready for widespread use and deployment both at home in the 27 EU Member States and around the world. Covid presented a systemic shock to all of us but equally it has provided us with a jolt to help us rediscover the values that we share in common. As the 3rd decade of the 21st century dawns and as our Union turns the tide, we know that with the combined might of Union's budget and NextGenerationEU, the destiny of our Union is in our own hands. Confidence in the euro has never been stronger. Now we have opportunity to emerge stronger, to fight Climate Change and create new opportunities for the world that we want to live in tomorrow.

Next:

The European Parliament's **work programme for 2021**

European Parliament

Dr. Mario Sammut | Head of Office, European Parliament Liaison Office

The European Parliament's work programme for 2021

European Parliament

Dr. Mario Sammut | Head of Office,
European Parliament Liaison Office

Every year, the European Commission adopts a work programme which sets out its key initiatives for the year ahead. Since the Commission is answerable and accountable to the European Parliament, the latter being the only EU Institution that is directly elected by the European citizens, it starts the process which leads to the adoption of that programme with a speech from its President to the European Parliament, the so called 'State of the Union' address.

This year, this process kicked off on the 16th October, when Commission President Ursula Von der Leyen delivered her speech, entitled 'Building the world we want to live in: A Union of vitality in a world of fragility', setting out her political priorities for the year ahead. As always, the address was indicative of where the Commission sees the Union going in the coming year.

In order to achieve its goal, full cooperation with the Parliament and the Council is always required. Thus, the speech was followed by a Letter of Intent to the President of the European Parliament and the Council of the EU Presidency, outlining the specific measures the Commission intended to take following the President's speech. The letter kick-started a dialogue with the Parliament and Council, with formal discussions with both institutions. The Commission subsequently adopted its work programme for 2021, and presented it to the European Parliament and to the other institutional partners.

On the basis of the Commission work programme, the Commission, the European Parliament and the Council then establish a Joint Declaration on the EU's legislative priorities. The above process is therefore indicative that the European Parliament's work programme follows closely the Commission's. This is because, on the one hand, it would have been involved when the latter was being finalised, and on the other hand, because as co-legislator it has the function to adopt many of the proposals indicated in that work programme.

2020 has been a year of great challenges. The

Covid19 pandemic, needless to say, disrupted completely our way of life and it placed an enormous strain on European economies. 2020 also happened to be the year where the Multi-Financial Framework (MFF) for the years 2021 to 2027 was being negotiated. The Commission therefore took the opportunity to propose, in parallel with its seven year budget framework, an ambitious recovery plan for Europe.

The 2021 Commission work programme is naturally closely linked to that recovery plan, with the NextGenerationEU recovery instrument, alongside a reinforced EU budget for 2021-2027, being the highlight of the programme. The Recovery and Resilience Facility will channel an unprecedented €672.5 billion of grants and loans in the crucial first year of recovery. To repay the funds raised under NextGenerationEU, the Commission will put forward proposals for new own resources starting with a revised Emission Trading System, a Carbon Border Adjustment Mechanism and a digital levy.

While the MFF as a whole has now been approved by the European Parliament and by the Council, the proposals relative to the new own resources, which in some aspects are significantly controversial, will eventually need to be individually agreed by the two institutions. This is likely to present a challenge, as for example the digital tax is expected to be opposed by several Member States, including Malta.

The 2021 Commission work programme focused upon the six priority areas which had been indicated by Mrs Van der Leyen to the European Parliament prior to her election. It confirmed especially the Commission's resolve to lead the twin green and digital transition, seeing the situation as an unparalleled opportunity to move out of the fragility of the crisis and create a new vitality for the Union. On its part, Parliament will be actively involved in most of the legislative proposals which will be presented as a result of the Commission work programme, as it will be a co-legislator, together with the Council, in those areas where the Treaties give it that competence.

The 'European Green Deal' is a top priority, both for the Commission, as for the Parliament. In this respect, the Commission stated that it would focus, inter alia, on overhauling the relevant climate and energy legislation to align it with the newly proposed target to reduce emissions by at least 55% by 2030, as compared to 1990 levels, with climate and energy diplomacy remaining a priority with the EU's external partners. On its part, Parliament has raised the bar even further, when it adopted its negotiating mandate in October 2020, calling for a reduction of 60% in 2030, while adding that national targets shall be increased in a cost-efficient and fair way. It has also demanded an interim target for 2040 to be proposed by the Commission following an impact assessment, to ensure the EU is on track to reach its 2050 target.

The new law aims to transform political promises that the EU will become climate neutral by 2050 into a binding obligation and to give European citizens and businesses the legal certainty and predictability they need to plan for the transformation. Legislation is expected to cover a wide-range of policy areas, from renewables to energy efficiency, energy performance of buildings, as well as land use, energy taxation, effort sharing and emissions trading. A Carbon Border Adjustment Mechanism, on which, as stated earlier, legislation to make it an own resource will be proposed, will help reduce the risk of carbon leakage and ensure a level-playing field by encour-


CORONAVIRUS CRISI
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aging EU partners to raise their climate ambition. In addition, the Commission is expected to propose measures to implement Europe's circular economy action plan, the EU biodiversity strategy and the farm to fork strategy.

The other area which is seen as a top priority is the digital transformation. Under the 'Europe fit for the digital age' heading, the Commission is proposing a roadmap to 2030 with clearly defined goals for areas such as connectivity, skills and digital public services. Among the different initiatives included in this priority, the Commission is expected to update its recently adopted new Industrial strategy for Europe, to take into account the impacts of the Covid19 pandemic, the global competitive context, and the acceleration of the twin green and digital transitions.

There will also be a focus on the right to privacy and connectivity, freedom of speech, free flow of data and cybersecurity. Moreover, legislation is expected in areas covering safety, liability, fundamental rights and data aspects of artificial intelligence.

Another priority is the 'economy that works for people'. In that respect, the Parliament is expected to be dealing with an ambitious action plan, which the Commission will put forward, to ensure the full implementation of the European Pillar of Social Rights as this is considered to be a key instrument to contribute to socio-economic recovery. The Commission will also propose a new European child guarantee, ensuring access to basic services like health and education for all children.

On the economic level, in order to support economies and strengthen the Economic and Monetary Union, there will be a revision of the framework for handling EU bank failures and the proposal of measures to boost cross-border investment in the EU, and step up the fight against money laundering.

Within the 'promoting our European way of life' priority, the Commission has promised to work with the European Parliament and the Member States to preserve and improve a functioning Schengen area, based on a new strategy for the future of Schengen and on stronger Schengen rules.

In September 2020, the Commission proposed a new pact on migration and asylum. Presently, MEPs in Parliament's Committee on Civil Liberties are discussing proposals issued as part of that Pact, as are the Member States' representatives within the Council, at Working Party level. Work will continue in 2021, while the proposals will also be followed up by a number of proposed measures on legal migration, including a 'talent and skills' package. Efforts will also be made to strengthen the Security Union, addressing terrorism, organised crime and hybrid threats.

Beyond the expected Commission proposals where Parliament will be the co-legislator, it also has to be remarked that Parliament is constantly issuing so called Own Initiative Reports, some of which are called 'Legislative Own Initiative Reports'. With these reports, the European Parliament can request the Commission to put forward a legislative proposal on a certain issue.

While the European Parliament, unlike many national Parliaments, does not have a right of initiative as such, these Own Initiative Reports can be significant precursors to legislative procedures being initiated. Indeed if the Commission does not submit a proposal, following Parliament's request, it is obliged by the Treaties to inform Parliament of the reasons. On her part, Mrs Von der Leyen, prior to being elected Commission President, stated that she supported Parliament's right of initiative and committed herself to responding with a legislative act, when Parliament, acting by a majority of its Members, adopts Resolutions requesting the Commission to submit legislative proposals. Therefore, one can also expect a good number of these Own Initiative Reports from the European Parliament on a number of subjects in 2021.

Finally, another important area where Parliament is expected to take a central role in the coming year is the Conference on the Future of Europe. The Conference is a proposal of the European Commission and the European Parliament, which was announced in the end of 2019 and was already supposed to be launched on the 9th of May 2020, Europe Day.
The aim of the Conference, to be organized by the Parliament, the Commission and the Council, would be an analysis of the medium to long term future of the EU and what reforms should be made to its policies and institutions. The Parliament launched the debate on the Future of Europe conference already in January 2020 and outlined its position ahead of talks with the Commission and Council. Unfortunately, the Covid 19 pandemic has derailed this big project, which was expected to involve citizens, including a significant role for young people, civil society, and European institutions as equal partners and last for two years. The Conference is still expected to be launched at some point in 2021. While details remain sparse, the Parliament remains committed to the Conference and is expected to be a main driver in its organization and in the direction it will take.

Next:

2021:
A Trade Odyssey

International trade

Dr. Jan Micallef | International trade consultant

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2021:

A Trade Odyssey

International trade

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The epic film "2001: A Space Odyssey" directed by Stanley Kubrick engages in long term visionary thinking about humankind and the novel challenges it might have to overcome in the future. In the year 2021 we will have to engage in similar thinking. This year will be particular as it will be a moment where we have to pivot and adapt in view of the extraordinary developments that have occurred. This will especially be the case when it comes to international trade. During this year the following elements will have to be dealt with, amongst others:

The effects of COVID-19 on international trade and the economy;

- The outcome of Brexit which has started being implemented provisionally as from January 2021
- The transformation of US trade policy in view of a new US president taking over in January 2021; and
- The reform of EU trade policy in view of the transformation of the world's political economy and climate change.

Reflection on these four elements will need to be done at EU level as international trade is namely an EU competence. Nevertheless Malta will also have to see where it stands within the EU equation and where it wants to go in order to turn these challenges into opportunities. In this regard this article will first delve into each of these four elements and then briefly evaluate how Malta could tackle them

1. The effects of COVID-19 on international trade and the economy.

COVID-19 had an effect on international trade on two levels. It first caused damage to economies and international trade worldwide. It then changed the face of international trade and the economy in ways that we have still not totally understood.

The damage done by COVID-19 is clear. Forecasts from the European Commission show that the EU economy will contract by -7.4% in 2020 while global GDP will fall by -3.5%. In-house analysis performed by DG TRADE's Chief Economist Unit estimates a decrease of between 10%-16% in global trade for 2020. Macro and micro-economic statistics aside, most entrepreneurs and employees would be able to give a personal account of the economic damages they have sustained. Besides COVID-19 also triggered the erection of trade barriers in certain sectors.

Damage aside, these changes may nevertheless bring new opportunities to the fore that can be exploited by those who are able to see them and respond by pivoting or transforming their business accordingly. There should be reflection at European level on how to help businesses in taking this step. In this context there should be an emphasis on digital trade. In the short term this would entail helping businesses use provisions on digital trade that are already existent in trade agreements, as limited as they are. The longer term would then entail the EU focusing on having more ambitious digital trade provisions in its trade agreements and also at a multilateral level through the World Trade Organisation (WTO). At the same time there should be more emphasis on assisting businesses, especially SMEs, to use trade agreements to exploit international opportunities that till now have been untapped with businesses limiting themselves to serve local or regional markets.

These tasks can now be performed more efficiently thanks to two new instruments that the EU has launched a few weeks ago. One of them is the Access2Markets online portal. This portal makes it easier for businesses to identify their value proposition and what it entails to export it. The second instrument relates to the creation of an EU Chief Trade Enforcement Officer (CTEO) whose main tasks relate to making sure that third countries abide by the commitments they made in their trade agreements with the EU.

Overall it can be noted that focusing on new trade opportunities in the scenario of COVID-19 is of the utmost importance, as it is mostly trade that needs to make up for the damage caused to the economy by the pandemic.

2. The outcome of Brexit which is being provisionally implemented as from January 2021

The new Brexit deal (the Trade and Cooperation Agreement) was concluded between the EU and the UK on Christmas Eve 2020 and started being provisionally applied as from New Year's Day of 2021. The deal saved the two sides from falling off the cliff into a no deal vacuum.

The deal is 1246 pages long and some of its effects are still unknown. Nevertheless it is already clear that EU-UK trade will not be as smooth as before. The tariff free / quota free nature of the agreement is not as straightforward as it sounds. For example this treatment would apply only for goods that originate in the EU and / or the UK. Moreover there are also a raft of new customs formalities that need to be satisfied. At the same time, when it comes to trade in services, there are still a lot of loose ends that have to be settled, especially in key sectors like financial services.

Unlike in the case of COVID-19 businesses have been forewarned about Brexit so for those who have prepared, the risk of sustaining damages might be more limited. But very much like in the case of COVID, the changes that Brexit will bring about can open new opportunities for those who see them and are able to exploit them.

3. The transformation of US trade policy in view of a new President taking over in January 2021.

From the perspective of trade the upcoming change in the US administration is good news for the EU. The Trump administration adopted a hostile trade policy towards Europe. The drive towards a general trade agreement had ground to a halt back in 2016 as the negotiations for the Transatlantic Trade Investment Partnership (TTIP) were put into deep freeze due to problems on both sides of the Atlantic. At the same time the then new Trump administration triggered a confrontational trade policy towards the EU that continues up till this day. The US implemented steel tariffs against the EU (for which the EU responded with countermeasures), whilst maintaining constant threats to institute tariffs on motor vehicles. The US also implemented tariffs on a raft of products as a result of the Boeing-Airbus cases for which the EU is also considering countermeasures in the absence of a negotiated agreement.

Further tensions and complications have also arisen in a way that affects digital trade. The EU has been pushing for a digital tax. The US has been seeing this as an attempt to hit at US companies with unfair taxation and had planned to retaliate if the tax goes forward.

Things will not change overnight when the new US President steps into his post in January 2021, especially since the President-elect, Joe Biden, has his reservations when it comes to free trade. Nevertheless matters should improve as Biden is a multilateralist and will surely try to undo some the damage that the Trump administration has caused. In practice this might translate in removing trade barriers erected by Trump and enhancing cooperation with the EU to tackle challenges such as unfair trade practices from China. Overall this should bring more trade exchanges, thereby leading to economic growth and more confidence in the stability of the world trade system.

4. The reform of EU trade policy in view of the transformation the world's political economy and climate change.

Beyond the current events with COVID-19, Brexit and the changes in the US administration, the EU will have to engage in some longer term reflection on how to reform its trade policy in general due to changes in the world's political economy scenario and also climate change.

The international political economy has slowly but surely changed since the beginning of this century. During the 1990s Western liberal economic thinking was at its apex, being considered as the right formula with which all economies should run. Yet things had started to change. In 2001 China was admitted to the WTO and started its ascent to become a major player in the world economy and a challenger to the EU and US economic hegemony. 2008 saw the unfolding of a financial crisis that wrought destruction in many economies for the years that followed. China's rise brought many benefits as millions were lifted out of poverty, consumers all over the world got better and more competitive products and Western businesses found a huge pool of new consumers with a rising Chinese middle-class. However these changes also brought many challenges. Hopes that China would reform its economy and liberalise ended up being misguided. As a result China has been engaging in trade practices that constitute unfair competition when taken from the perspective of countries that abide by market economy rules. Beyond China, the EU was also shocked with the US's behaviour on trade from the side of the Trump administration, which behaviour was a surprising case of a like-minded ally turning hostile. To add insult to injury the COVID-19 pandemic also showed, through export restrictions of vital medical equipment, that in times of need countries tend to throw trade principles to the wind and prioritise their immediate needs whilst disregarding the rest.

In view of these experiences the EU woke up to the reality that it needs to be able to stand on its own two feet when it comes to trade. The EU is therefore going through a process of reviewing its trade and industrial policy. It is firstly working on achieving so-called "open strategic autonomy". Even though this concept is still in its infancy the idea refers to protecting key strategic industries (once they are defined). Protection might mean preventing any hostile foreign investment taking over those industries or else stockpiling of certain amounts of these strategic goods (such as medical equipment). It will probably also entail some levels of "reshoring" where value chains of key industries could be brought back to the EU. The European Parliament has been quite vocal on these issues, both from an industrial strategy perspective as well as from a trade policy perspective.

Beyond international politics in 2021 there should also be a focus on trade and environmental sustainability. COVID-19 brought the world to its senses as to how dangerous "natural calamities" can be and that if this pandemic was an unfortunate wave, climate change will be a destructive tsunami. There will therefore be calls for sustainable development to become central to the EU's trade policy. Here mainstream trade policy will need to go beyond economic considerations and start pushing notions such as sustainability, the environment and social issues. There will be an emphasis on trade agreements pushing binding sustainability standards, whereby countries that are party to them have sign up to these standards and actually implement them.

5. Where should Malta stand?

As this trade odyssey unfolds in 2021 Malta should be active on two levels. It should firstly do its utmost so that Maltese businesses can resort to international trade to make up for the economic damage caused by COVID-19. The Government and social partners should here continue helping businesses to turn the changes brought by COVID-19, Brexit and the new US administration into new opportunities. This should especially be done by raising awareness amongst businesses on the benefits that international trade agreements offer and on the tools that are available to help with international trade, such as the Access2Markets portal. At a second level Malta should also take an active role in the EU debate on where trade policy should go in the long term, thereby seeing that its interests are also protected. This will not be an easy task. Malta is rightfully an economically liberal country when it comes to international trade and the debates on issues such as strategic autonomy and sustainable development can end up being exploited by Member States that want to use them as an excuse to be more protectionist. Malta should fight against such protectionism. However it should also avoid going for a transactional approach whereby any initiative that gives provides short-term economic benefit is blindly supported whilst an initiative that entails some sacrifice in return for long-term benefits is opposed. Here Malta needs to punch above its weight as it often does, and engage in long-term thinking at an EU level, as what is in the common good of the EU is often good for Malta.

In the ending of "2001: A Space Odyssey" one of the main characters ages within mere moments, dies and is reborn as a star-child who is then sent back to Earth. Whether this is a happy ending to the odyssey or not is up for debate. However when it comes to the year 2021 and trade we are still in control. A good outcome will entail some good long-term thinking and acting to make opportunities out the challenges that will be put to us.

Next:

Rethinking Healthcare

Predictions for a post-COVID era

Public health

Steve Agius | Chief Operating Officer, Mater Dei

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Predictions for a post-COVID era

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At the time of writing this article, COVID-19 has killed more than 1.89 million people, with more than 85 million confirmed cases across 190 different countries across the globe. An eventful 2020 brought many changes in almost every aspect of our lives, from the different ways with which we interact, work and socialise, to overly disrupted economies.

Healthcare systems have probably faced the most severe test through such a virulent and deadly illness, and as the outbreak continues to spread, this pandemic will permanently alter such systems like never before. With the number of daily new cases continuing to rise, a number of health systems can be said to be on the verge of collapse. Others have demonstrated resilience and have adopted an innovative mindset since the start of the pandemic, quickly responding with outside-the-box solutions.

Thanks to strict containment measures and early triggers of hospital surge capacity plans, we have successfully managed to reduce the strain on our healthcare system. At Mater Dei Hospital, it was a year of great transformation and immense change: we have increased our bed capacity and ICU space significantly. We have installed HEPA filters in all critical areas of the hospital. Additionally, we have used more Personal Protection Equipment than we ever imagined and redefined processes at lightning speed.

As part of our surge capacity and contingency plans, we have converted non-clinical areas such as the medical library, lecture and seminar rooms and staff canteen into temporary wards. The latter underwent structural changes and after three weeks of intense work, as part of the preparedness drill, received the first patients. We have established an operational infection prevention and control programme to minimize the risk of transmission of healthcare-associated infection to patients, hospital staff and visitors. This included training to all clinical staff on the use of PPE. We have created pathways outlining clear recommendations, processes and timeframes for the management of specific medical conditions or interventions. We have created a Rapid Response Team to cater for logistics and management of supplies, including pharmaceuticals. The aim was to increase significantly the number of ventilators, monitors, ancillary equipment, PPEs and hand-sanitiser. We have also introduced telehealth in our outpatient department. Additionally, we have setup a centre dedicated towards the swabbing of patients prior to their intervention within the hospital.

Truly, this was a year of rapid adjustments. Our comprehensive strategy and multi-dimensional approach have delivered results within a relatively short timeframe and have prepared our healthcare system to deal with the coronavirus pandemic. But what does the future hold for the healthcare system post-COVID?

The Crystal Ball of Healthcare: What does the future hold?

The COVID-19 pandemic is accelerating some key emerging trends; and in the process shaping the future of healthcare with the objective of enhancing care quality and patient experience while reducing total costs.

These are some of the trends for a post-COVID healthcare era.

The emergence of this pandemic has prompted calls for a dramatic scaling up of healthcare Disaster Readiness Plans (DRPs). Most of the healthcare infrastructures were found not to be at the necessary level to meet the challenges of this pandemic and were short of key resources such as ventilators, oxygen concentrators as well as the workforce required to treat thousands of new COVID-19 cases per day. Governments need to establish robust plans that can prepare them for future outbreaks and make their hospitals more resilient and provide readiness for the 'future unknown.' Hospitals need to have the ability to switch to 'pandemic mode' in the case of a pandemic which would entail reconfiguring hospital entrances and overall layouts to distance infected and non-infected patients amidst the unavoidable flow of staff, equipment and consumables.

COVID-19 has seen a surge in acutely ill patients requiring hospitalization and close monitoring. Hospitals post the COVID era will ensure that ICU beds are reserved for patients requiring organ support such as mechanical ventilation and renal replacement therapy whilst patients who would simply need close monitoring are cared for within conventional wards while benefitting from smart and unremitting monitoring. This format will help to improve patient safety and quality of hospital-care without dramatically increase the number of ICU beds and associated costs.

Moreover, COVID-19 has taught us the importance of infection control and the prevention of cross-infection. Hospitals post the COVID era will shift from the traditional Nightingale wards to stand-alone, airborne-precaution rooms with negative pressure. Separation of ancillary services such as emergency areas and long-term care facilities, to discriminate between 'clean' and 'dirty' areas will be the norm in future hospital.

The rise of improved technologies, both in terms of inter-office communication and patient treatment will bring huge benefits to the future of healthcare. Artificial Intelligence (AI) to detect diseases, such as cancer, more accurately and in their early stages will continue to augment clinicians in delivering empa-


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thetic and respectful care. Big data analytics will offer great advantages in enhanced clinical decision-support and personalised treatment. Telemedicine, on the other hand, will enable people to get immediate care from the comfort of their homes whilst the Internet of Things (IoT) will provide better patient monitoring and care.

In the fight against COVID-19, there has been many information gaps undermining international collaboration in health research at a time when the world needed it most. In a post-COVID era, there will be the need to promote more openness in access to data, to outcomes of research and to research infrastructure to enable quick visibility of outbreaks and spread of pandemics. International collaboration in scientific research should become a normal practice in addressing global challenges.

The tremendous pressure on healthcare workers and institutions over the past few months has proven to be a game-changer. The changes described above can be challenging, but the ultimate return will be one that places healthcare systems in the optimum position to meet the challenges of the 21st century by raising the quality of care and prepare our healthcare systems to be ready for the next pandemic.

Next:

Change is
the only constant

Tax
Nicky Gouder | Partner, Seed

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the only constant

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During the last few years, we have been accustomed to major developments to tax principles and legislation, whether as a result of EU Directives, OECD proposals or updates to local legislation. 2021 will be no different as we expect a number of changes, particularly from an international tax perspective. Transparency has been, and will continue to be, the order of the day, particularly in relation to amendments of existing Directives from the European Commission.

Apart from the deadlines relating to the first submissions for the mandatory disclosure requirements in relation to the Directive on Administrative Cooperation, the main topic of discussion will definitely be the expected changes to international tax principles as a response to digitalisation.

Digital Tax

We have already seen a number of countries take unilateral action by introducing some form of digital services tax. In March 2020, the European Commission stated that in order to avoid different systems at EC and OECD level, the EC stated that it is committed to support the work of the OECD, but if no solution is found by the end of 2020, it will again make a proposal for its own digital tax.

In October 2020, the OECD issued a Cover Statement to explain what the current status of the 2020 consensus-based solution is. In its statement, the OECD announced that the members of the OECD/G20 Inclusive Framework ('IF') on BEPS have made substantial progress towards building consensus. The IF released a package consisting of the Reports on the Blueprints of Two Pillars.

Pillar One

Although no agreement has yet been reached, these pillars are meant to provide a solid foundation for future agreements. Pillar One tackles the issue that digital businesses are able to generate profits in a number of jurisdictions with or without having a physical presence. The solution, which is being presented in this pillar, would be to allocate a portion of residual profit to the market/user jurisdiction. A new multilateral convention would need to be developed to implement this solution.

Pillar Two

The Report on Pillar Two Blueprint is presented as a solution that would address remaining BEPS challenges and provides a right to jurisdictions to 'tax back' where other jurisdictions have not exercised their primary taxing right, or payment is otherwise subject to low level of taxation. One of the aims of this proposal is to ensure that all large internationally operating businesses pay at least a minimum level of tax.

Whilst the Report provides a solid foundation, there are a still a number of technical matters which would need to be agreed on, these include:

- The Income Inclusion Rule (IIR), the Undertaxed Payment Rule (UTPR), the Subject to Tax Rule (STTR), the rule order, the calculation of the effective tax rate and the allocation of the top-up tax for the IIR and UTPR, including the tax base, definition of covered taxes, mechanisms to address volatility, and the substance carve-out.

European Commission

From a European Commission perspective, we expect to see transparency maintaining its high status on the agenda. Following the implementation of DAC 6 (Directive on Administrative Cooperation), the Commission will be extending the Directive to DAC 7 and 8. DAC 7 brings digital platforms within the requirement of automatically exchanging information on revenues generated by sellers on such platforms, whilst DAC 8 will look to extend the scope of the Directive to include crypto-assets and e-money.

It will also be interesting to see what changes are implemented by the UK as a result of Brexit. We have already seen the UK effectively pulling-out of the DAC 6 requirements, and we expect further changes to come about. The UK's status as a holding company jurisdiction could also be affected as a result of losing the Parent-Subsidiary and Interest and Royalties Directives benefits. How the EU reacts to these changes will also be an important factor, given the fact that the UK will be seen as a direct competitor of the EU-bloc.

The implications of Brexit will also bring about a number of changes from an indirect tax perspective in relation to the supply of goods from, or to, the UK. Businesses that move goods from the UK to the EU could be subject to VAT, with a possible cash flow implication. Other indirect tax concepts such as 'Distance Sales' and 'Triangulation' will no longer apply.

Local perspective

From a local perspective, we hope to see headway being made in relation to a gradual reduction in

Malta's corporate tax rate, as we have been proposing for the last couple of months. We believe it is an appropriate time for Government to reconsider reducing the standard income tax rate for companies 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%**

2021 will also bring about the changes mentioned in the November 2020 budget speech, which mainly relate to the extension of reduced tax rates on transfers of immovable property and assignments of promise of sale agreements.

This year will also see the first submission of the Tax Returns for Consolidated Tax Groups, which was a welcome change to Malta's tax legislation in 2019, allowing group companies to form a fiscal unit for tax purposes with the various administrative and other benefits that this could bring.

Conclusion

What is certain is that during the next 12 months we will continue to see changes to international tax principles, and automatic exchange of information requirements. The tax challenges arising from digitalisation could result in a complete overhaul of the existing tax concepts, not to mention the disruption that this could lead to particularly with countries which have already taken unilateral action to tax such companies.

Next:

The (r)evolution
continues to deepen.

Payment service
JP Fabri | Partner, Seed

The (r)evolution

continues to deepen.

Payment service

JP Fabri | Partner, Seed

Payment systems are often taken for granted and underestimated. Current generations have seen the emergence of credit cards, debit cards, online payments, mobile phone payments, contactless payments and other innovative methods of payments. Payment services underpin main street, the wheels of industry, the operation of markets and the existence of government. No other banking activity is as important to either society or business as payments.

Technology and regulation are driving innovation in payment systems and creating new sources of value. So significant are the changes, that the future payments market will have a profound effect on the structure of today's banking sector and other sectors too.

In 2015, the European Union acted to create a 'digital single market' for payment services in Europe. This move was championed by the EU's Second Payment Services Directive (PSD2) which strengthened consumer rights, introduced new security measures, and provided the regulatory infrastructure for its own form of Open Banking ('OB'). This game-changing Directive opens up consumer bank accounts to third party providers (TPPs), unlocking banks' data-lakes and providing a level playing field with other financial services providers. As such, it represents a fundamental change in the European banking sector, and a significant step towards Open Finance. PSD2 became law for member states in January 2018, and its measures became active and enforceable in stages through to December 2020. PSD2 is seen as Europe's response to this rapidly changing domain and was aimed at defining and pioneering the future of payment services.

The future of payment services

There is no doubt that technology and consumer behaviour are continually pushing the envelope with respect to payment services. The experience of COVID has also accelerated the use of alternative payment methods and numerous analysts believe that it will be accelerating the move towards a cashless society. The following are increasingly being seen as the key drivers behind the future of such services:

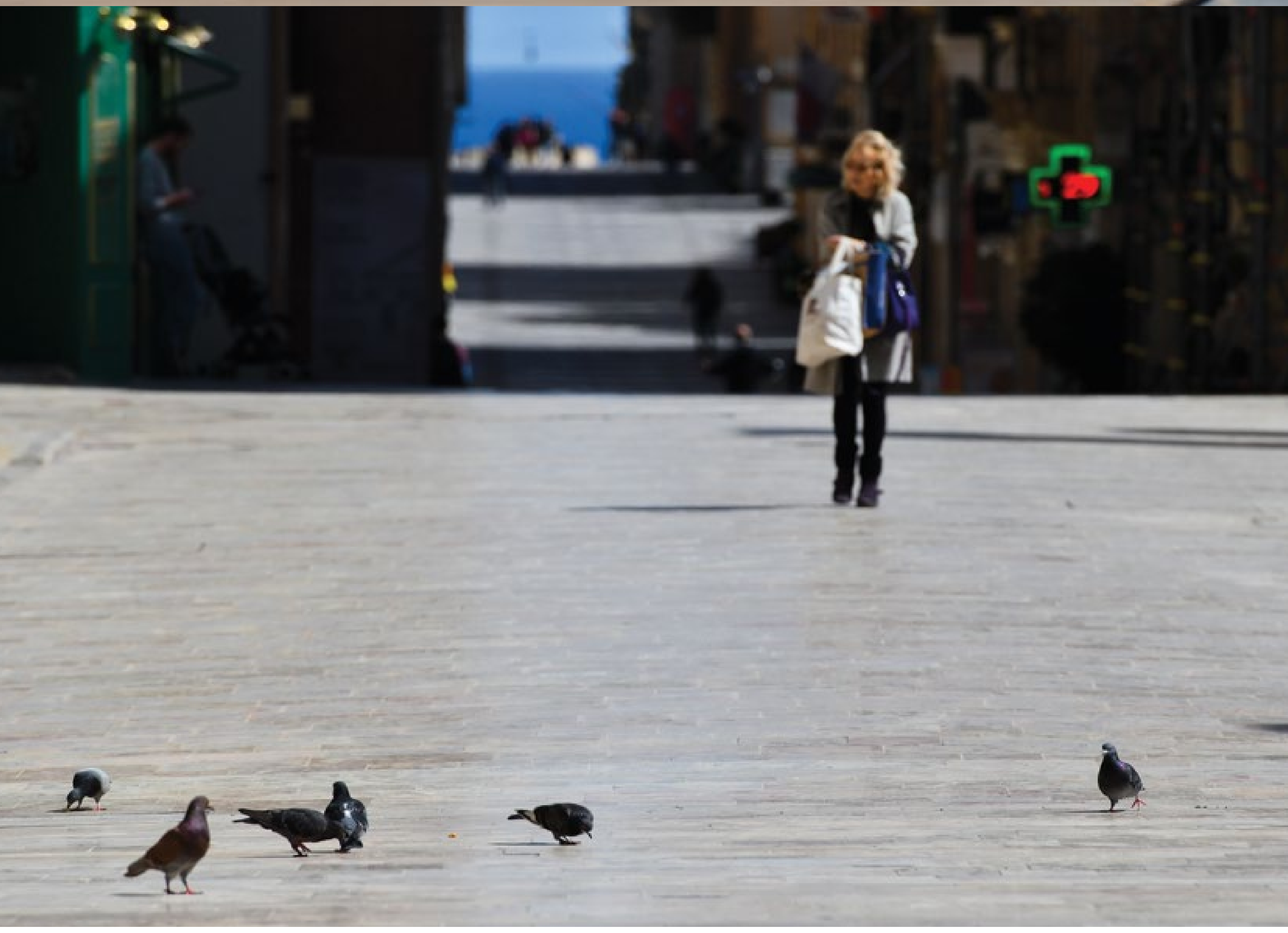
- **Cashless** - more cash will be displaced by electronic transactions as payment innovations make it beneficial for customers to use mobile and other alternative means of payments even in small denomination transactions
- **Engagement** - as payments and mobility become more integrated, the importance of payment transactions as a potential customer interaction point will increase for merchants and financial institutions alike
- **Data-driven** - with greater adoption of electronic payments, more data will be accumulated from payment transactions, allowing financial institutions, service providers and merchants to gain a greater understanding of customers and businesses
- **Increased access to loans** - as more payments are processed through electronic rails, financial institutions' visibility into individuals' and businesses' cashflow and spending patterns will increase, improving their ability to extend loans to customers previously less understood
- **Reduced costs** - since innovative solutions build on the existing infrastructure, which has very low variable costs, the cost of making electronic transactions will fall as electronic payments gain more volume.

These forces, together with regulatory and technology innovations, will usher in a new era of customer empowerment. With the appropriate permissions, customers will be able to centralize their account information and payment options into one unified mobile application, enabling them to conduct day-to-day banking on the platform of their choice, provided by their bank or an innovative fintech. The obvious threat for banks is one of disintermediation, with fintechs potentially owning the customer relationship, while traditional banks simply maintaining the infrastructural architecture. Although banks may choose to treat PSD2 as a mere compliance exercise, I strongly believe that they should actually turn the regulation into a competitive advantage by becoming the customer's trusted integrator and service provider.

PSD2: success or flop?

As we know, the intentions behind PSD2 were noble but the execution was rushed and incomplete. PSD2 is hampered on two main fronts:

- The restrictive definition of 'Payment Accounts' means that TPPs are limited in the nature and quantity of data which they can access from Banks and other ASPSPs.
- The lack of interface standardisation rules has led to the banking sector adopting differing APIs/Modified Interface frameworks, rendering TPP integration unduly cumbersome and costly.



The current framework therefore leaves a lot to be desired and is generally ill-equipped to bring about the full dissemination of Open Banking, and lesser still Open Finance, in the frictionless manner it was first intended. Consequently, prospective TPPs have been forced to explore the possibility of setting up private trust frameworks with selected banks, or otherwise connect with each bank independently according to that Bank's specific set of rules.

The European Commission is cognizant that PSD2 did not live up to its expectations and its revolutionary scope has been tamed. To this end, in September 2020, it launched a very comprehensive Digital Finance Package.

Data is king. The future is digital, open and data-driven.

The digital finance strategy sets out general lines on how Europe can support the digital transformation of finance in the coming years, while regulating its risks. The strategy sets out four main priorities: removing fragmentation in the Digital Single Market, adapting the EU regulatory framework to facilitate digital innovation, promoting a data-driven finance and addressing the challenges and risks with digital transformation, including enhancing the digital operational resilience of the financial system. Embracing digital finance would unleash European innovation and create opportunities to develop better financial products for consumers, including for people currently unable to access financial services. It unlocks new ways of channelling funding to EU businesses, in particular SMEs.

Boosting digital finance would therefore support Europe's economic recovery strategy and the broader economic transformation. It would open up new channels to mobilise funding in support of the Green Deal and the New Industrial Strategy for Europe.

As digital finance accelerates cross borders operations, it also has the potential to enhance financial market integration in the banking union and the capital markets union, and thereby to strengthen Europe's economic and monetary union.

A strong and vibrant European digital finance sector would strengthen Europe's ability to reinforce its open strategic autonomy in financial services and, by extension, its capacity to regulate and supervise the financial system to protect Europe's financial stability and shared values.

The Package launched by the Commission consists of a Digital Finance Strategy, a Retail Payments Strategy, legislative proposals for an EU regulatory framework on crypto-assets, and proposals for an EU regulatory framework on digital operational resilience. The Retail Payments Strategy aims to bring safe, fast and reliable payment services to European citizens and businesses. It will make it easier for consumers to pay in shops and execute e-commerce transactions safely and conveniently, all whilst ensuring a successful roll-out of instant payments across Europe. To this end, it seeks to achieve a fully integrated retail payments system in the EU, including instant cross-border payment solutions. This will facilitate payments in euro between the EU and other jurisdictions. It will promote the emergence of home-grown and pan–European payment solutions. Closely linked is the Digital Finance strategy which is based on a further 4 pillars, with the 'Promotion of data-driven innovation in finance through common data spaces' being one such pillar.

One of the primary commitments under this pillar is the 'Promotion of business-to-business data sharing in the EU financial sector and beyond'. This effectively outlines the EU's Open Finance Strategy for the coming years. To this end, the Commission intends to issue a proposal for such a framework by 2022 and intends to have it finalized and rolled out by 2024. The framework itself will be structured around:

- A review of PSD2 throughout 2021 – We anticipate that this will include a full review of the scope of the Directive and will seek to rectify the two main stumbling blocks discussed earlier
- The EU's Data Strategy which, amongst other high-level targets revolves around:
    - Creating frameworks which are GDPR compliant;
    - A novel EU Data Act (which is to be discussed throughout 2021); and A novel EU Digital Services Act

The EU's Data Strategy is a very ambitious undertaking which seeks to create a single market for data and build new sectors and niches around data sharing. The document is very general in nature and is meant to act as a roadmap for the future for both the private and public sectors. It tackles data-related hurdles currently faced throughout the EU and a high-level strategy of how these can be overcome. The vision goes well beyond financial services as the strategy is highly cross sectorial in nature and looks at health-care, climate change, public records, etc.

In the financial sector, EU legislation requires financial institutions to disclose a significant amount of data products, transactions and financial results. Moreover, the revised Payment Services Directive marks an important step towards open banking, where innovative payment services can be offered to consumers and businesses on the basis of the access to their bank account data. Going forward, enhancing data sharing shall become a cornerstone in stimulating innovation as well as achieving other important policy objectives at EU level.

The Commission will further facilitate access to public disclosures of financial data or supervisory reporting data, currently mandated by law, for example by promoting the use of common pro-competitive technical standards. This would facilitate more efficient processing of such publicly accessible data to the benefit of a number of other policies of public interest, such as enhancing access to finance for European businesses through more integrated capital markets, improving market transparency and supporting sustainable finance in the EU.

European payment services. Quo vadis?

The Commission recognises that payments are at the forefront of digital innovation in finance. With digitalisation and changing consumer preferences, payment service providers will increasingly abandon traditional payment instruments and develop new ways to initiate payments.

However, the EU payments market is currently highly fragmented along national borders. Other than a handful of major global players – such as worldwide payment card networks and large technology providers – there's virtually no digital payment solution that can be used across Europe to make payments in shops and in e-commerce.

Although there have been encouraging developments such as the European Payment Initiative (EPI) project and work towards common European schemes and rules to facilitate interoperability of instant payment solutions, the Commission recognises the risk of inconsistencies and further market fragmentation.

Looking to the future, the Strategy envisions achieving a fully integrated retail payments system that promotes the emergence of home-grown and pan-European payment solutions. Outwardly, the Strategy sets out the Commission's plan for the EU to make a significant contribution to cross-border payments with non-EU jurisdictions, supporting the international role of the euro and the EU's open strategic autonomy.

Despite the initial setbacks of PSD2, I remain equally convinced that the future is one of an open banking world. PSD2 laid the regulatory foundations of such a new world and the new Digital Finance Strategy and the revised PSD2 will definitely continue contributing to this open future.

The evolution in payments has the potential of kickstarting a revolution, albeit slower than first expected.

Next:

AI and the
**birth of
true autonomy**

Artificial intelligence

Dr. Gege Gatt | CEO, ebo

AI and the **birth of true autonomy**

Artificial intelligence

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AI's coming of age

As Artificial Intelligence further untethers from human supervision, we are starting to see the first significant results of true autonomy. Autonomy (which is often, incorrectly, confused with 'automation') implies that within the uncertainty and unpredictability of our world, AI technology is capable of performing well despite unintended technical failures and lack of external intervention. It is no surprise that the global AI market size is projected to reach $267bn by 2027 exhibiting an averaged CAGR of 33.2% from 2020 to 2027 [1].

It is natural that this trajectory (and its continuing acceleration) will significantly impact the functioning of our society. And because technology structures our experiences and shapes how we live, it has enormous ethical significance [2].

AI is 'intelligent' in pure, algorithmic computational sense. Yet despite the increased level of intelligence and autonomy, the claim that AI can attain capabilities such as human consciousness (although definitions of 'consciousness' vary) is presently unfounded. Consciousness on intelligence (thinking about intelligence) has subjective, first-person causal powers and consciousness is not inherently computational the way computer programs are. The human mind has a number of intrinsic characteristics, such as subjectivity, intentionality, teleology and rationality, which a computer can only simulate. Moreover machines do not have access to the metaphysical nature of reality. Mirroring reason is not the same as reasoning. And reasoning is not the same thing as consciousness.

This essay thus frames AI as a human creation developed to be an instrument for positive change in society.

AI is posed to replace tasks (and jobs)

Although global employment will invariably be affected, most of the AI deployments this year will rely on human judgement when complex cognitive tasks are at play. However, in the low-skill, linear and predictable jobs, it is likely that the automation will displace around 10%-12% of jobs according to the OECD[3].

When enterprise adopts AI to automate production, employment is affected through three main thrusts[4]. First, new technologies lead to a direct substitution of jobs and tasks currently performed by employees (known as the 'displacement effect'); second, there is a complementary increase in jobs and tasks necessary to use, run and supervise AI technology (known as the 'skill-complementarity effect'); and third, there is a demand effect both from lower prices and a general increase in disposable income in the economy due to higher productivity (known as 'the productivity effect'). Because these thrusts are not simultaneous but linear and progressive, it is likely that those countries who adapt their education and economy to AI realities will not register unmanageable unemployment surges through job displacement since the automation of tasks will occur before the automation of jobs, and even the latter will occur over a period of time. More so, multiple studies reveal that AI will roughly create the same number of jobs that it will displace[5] although this will place increased stress on the educational system to ensure that it is providing the right formative environment for the new roles to take shape.

This in turn opens a major public policy issue as it is imperative that Governments consider policies aimed at providing the necessary social security measures for affected workers while investing heavily in the rapid development of the necessary skills to take advantage of the new jobs created. Governments should support the re-training of affected individuals so that they can positively participate and contribute to the work force.

A pandemic of misinformation

While the world is still grappling with the worst pandemic in many years, we should also focus on a different AI-driven crisis relating to the erosion of trust through automated misinformation.

The role of choosing and filtering stories for us to read has moved from the hands of an editor to the algorithmic muscle of the channel we most commonly use: be it social, search, APP or voice assistant. In the case of the latter it's not only the content but also its context and detail that is determined for us. False news is a significant problem in a democratic society which is polarised through the aggregation of people and ideas with analogous interests. As Obama's former communication director, Cass Sunstein put it; 'it is precisely the people most likely to filter out opposing views who most need to hear them'.

Present online revenue models don't help either. The Internet has commoditized most services which we were previously ready to pay for. Paying for a newspaper is largely unheard of, instead content is prioritised based on how many times it is clicked and subsequently revenue flows were eyeballs go. Truth is often the casualty. The Francis Bacon maxim: 'ipsa scientia potestas est' (knowledge is power) seems less appropriate in an age where knowledge and ideas are second to the ability to game an algorithm to influence the masses.

Democracy is served through its fourth pillar: a free press, but is the press enslaved by a manipulative mechanism which rewards falsehoods and decep-


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tions that spread fast through link bait? Although democracy has been an enduring feature of European society, it can be eroded unless it is upheld and protected through a trusted system and a public policy framework which recognises the opportunities and challenges which AI brings to the table.

The informed citizen

Misinformation therefore poses a two-fold threat to democracy. It leaves citizens ill-informed, and it undermines trust and engagement with accurate content. To provide relevant experiences to our citizens, we need to invest in fact-checking services dedicated to creating content which examines the facts and claims behind content.

In turn, fact-checking services (often themselves based on AI tools) must be transparent. And next to transparency is the question of responsibility in AI. Transparent AI makes our underlying values explicit and encourages companies to take responsibility for AI-based decisions. Consequently, responsible AI is AI that has all the ethical considerations in place and is aligned with the core principles of the technology provider, the requirements of the law, societal norms and user expectations.

Indeed, the informed citizen doesn't require the trivialisation of AI, such as publishing core algorithms which won't be understood (and could create intellectual property debacles), but rather a clear and easily understood explanation on how a decision is made by an AI model. The level of detail and disclosure should naturally depend on the impact of the technology and the audience to be reached.

Human Centric Accountability

AI technology, like science, is a human endeavour that is guided by values. We develop AI to fulfil a specific objective so the view that technology is 'neutral' is dangerous as it offers a convenient escape route from responsibility. We must therefore ensure that AI, and technology platforms, have specific elements of **accountability**.

Companies that develop, deploy or use AI technology need to have a framework of accountability which they should adhere to, and which provides human accountability (and agency) for the outcomes of the technology delivered or adopted. This human-centric approach is not simply a way to direct the ethical development of this technology, but implies that human beings (whether acting as a natural person or through a body corporate) will develop, deploy and use AI systems, and that they ought to do so in a responsible, ethical and lawful manner. Accountability doesn't simply evoke legal frameworks of civil and criminal liability, or contractual tort, but more importantly highlights principles of **good governance**.

It is perhaps for this reason that Saudi Arabia's stunt to give the robot, Sophia legal personality seems absurd[6]. AI stakeholders should not be able to evade responsibility for legal or ethical faults by ascribing pseudo legal-personality to their creations, irrespective of their degree of AI autonomy. Accountability should be construed to always keep humans in a position to modify, monitor or control AI systems, and subsequently be accountable for them and their actions.

Green AI Innovation

While growth and acceleration remain the focus of most company boards, environmental sustainability is becoming a more critical political issue. AI is a significant contributor to the carbon footprint or if managed well, can help reduce it.

Developing AI mediated outcomes is highly compute intensive. AI software processes a great deal of data, increasing the need for servers and dependence on energy to cool the data centre facilities within which they are house. A study by the University of Massachusetts concluded that training AI models to do Natural Language Processing (NLP), produces the carbon dioxide equivalent of 5X the lifetime emissions of a car (or the equivalent of 300 round-trip flights between San Francisco and New York)[7].

As environmental sustainability becomes more important, we need a lot more information about the impact this technology is having on our world. We need to track and report on what is happening but also create methods of reducing the impact of harmful carbon emissions. We have witnessed ingenious attempts to address the latter. For example, Google has developed AI that teaches itself to minimize the use of energy to cool its data centres reducing its energy requirements by 35%. Microsoft has boldly committed to be carbon negative by 2030. In Africa and in Asia, AI is transforming agriculture in such a way that less energy is required to monitor and manage crops, whilst also reducing the use of water and fertiliser through smart methods (such as AI enabled computer vision) to detect plant activity in the field.

AI can and will improve the circumstances we find ourselves in but our urgency in positively demanding green AI will ensure that the technology's growth path will remain sustainable.

AI: The next Privacy trend?

As AI evolves it will magnify the ability to use persona data and in turn this could intrude on privacy interests. Most AI innovations are ushered in with haste to support competitive lead but 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.

AI-based facial recognition systems have provided a glimpse of the troubling privacy issues emerging. The multiplicity of camera devices has provided us with a huge amount of data to ingest and totalitarian regimes have used this as a method of societal control and oppression.

China has deployed drones which use AI technology to determine which citizens are not wearing a facemask and subsequently can file an automated report[8]. The success of these measures has a direct correlation to the social acceptance of surveillance in the country. It also has a bearing on algorithmic discrimination whereby algorithms produce unlawful or undesired discrimination in the decisions based on data bias or inaccuracy. This doesn't only open a discussion about absolute morality but also about the delicate balance between guaranteeing individual rights and protecting collective interests.

Therefore, it is likely that those companies who could understand citizen concerns around privacy and find ways to address these concerns through their product are likely to win user trust and affection at the same speed at which Facebook is losing it.

Regarding privacy and information rights, the poor and the marginalised are particularly threatened because of their current lack of power and agency. Thus, governments need to find ways of delivering empowerment to the poor through information and education and investment in skills enhancement.

Re-establishing trust

Trust is a construct encompassing a wide variety of relationships we establish in everyday life. We trust our friends, the scientific community and perhaps even politicians. 'Trusting' an inanimate object like AI is somewhat of a paradox as it has the effect of anthropomorphising thus human and moral sentiment. Yet 'trusting' the AI tools which are part of our world is a precursor to their use and acceptance.

In the case of AI, the features, functions and outcomes of the system make it trustworthy for achieving a goal, and thus are objective reasons to trust that system. But beyond that, citizens must have the certainty that compliance with fundamental rights is ensured and that AI systems will be used only for specifically defined tasks and that individuals remain in control of their data. In turn this allows users to create subjective reasons to trust an AI tool as it doesn't merely surpass the benchmark but provides inherent benefits such as speed or improved quality.

As we build more societal trust in AI, AI must serve good governance, including the identification, and prevention of illegal activity. However, when AI is in the hands of companies alone, the revenues from AI might not be redistributed equitably which in turn opens a new debate about social divide and the marginalisation of the poor. A new world order is already emerging: those countries who are able to leverage AI technology to accelerate societal and economic growth; and those who are unable to do so. The latter revert to outdated generalised political systems with stunted economic outcomes, whilst the rest race ahead. The countries who are left behind will be those who experience higher levels of inequality, laggard healthcare systems and economic dismay.

However, our discussion on AI trust, reliability and ethics should be grounded in the here and now rather than on imaginary future technology. It should be grounded on the technical and social developments which we can pragmatically control and influence. In turn this also creates a perspective for a moral economy which wields the power of AI for good, fairness and justice.

Next:

Manufacturing:

Redefining our competitiveness

Local manufacturing

Norman Aquilina | Group CEO, Simonds Farsons Cisk plc

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Malta primarily owes its origins of its industrial base to a number of manufacturing FDIs that set up their operations at a time when Malta was promoted as a low-cost location, with attractive tax incentives, capable of accommodating labour-intensive manufacturing.

Today's reality is very different as many of Malta's manufacturing firms have over the years transformed themselves into more technology-driven, high value-added operations. Indeed, while over the years we have witnessed the demise of a number of labour intensive manufacturing sectors, other more advanced manufacturing sectors have evolved, with manufacturing in general showing its true resilience and ability to turnaround and reinvent itself.

Nonetheless, today some still argue that services are the future, that factories should be converted into industrial heritage leisure centres, and that the decline of manufacturing is inevitable. This, I would counter argue, is certainly not the case. Manufacturing has, and continues to be, one of Malta's main economic pillars, attracting significant investment and employment.

So, what future does Malta hold for manufacturing?

Before delving into the various considerations, one must from the outset underlined that fundamentally, the debate on the future of manufacturing needs to hover around a key consideration – our competitiveness. Competitiveness which is not solely dependent on Government. Of course, Government has a critical role in influencing the extent of the country's competitive advantage, setting and promoting the appropriate vision, which in return needs to be backed with the right policies. But Government's role here is ultimately a partial one, and this can only truly be effective when also working in tandem and complementing the strategic investments and direction taken by the various manufacturing sectors and ultimately also by the individual firms themselves.

Both are important and interdependent, and therefore, both sides having a critically important contributing and complementing role as promotional guardians of our competitiveness. Here, there is ample scope for a more articulated approach which can best be achieved by means of a joint and ongoing line of communication and consultation between the key policy makers and manufacturers, the latter, after all, being the protagonists facing and dealing with the tangible realities of our competitiveness.

Redefining competitiveness

We need a new yardstick for performance and a redefinition of competitiveness. We need to somewhat extend our mindset with respect to how we interpret and gauge our competitiveness. Apart from focusing on costs and productivity considerations, we also need to give adequate consideration to our technological and qualitative competitiveness, along with our innovation capability levels. Furthermore, there are other considerations, such as the backing support available by the relevant institutions, along with their policy interventions and applicable instruments. Likewise, considerations on the national strategic ambitions and cultural attitude along with the social and ecological behavior, including any green goals.

Essentially, we need to redefine competitiveness, taking on a broader encompassing interpretation, as it has become only too apparent that competitiveness is not only about costs but also about our capabilities, along with the environment where one operates.

But beyond this, and more importantly, what else can be done to further strengthen our competitiveness?

From offshoring to reshoring

Technology is today boosting productivity which is largely offsetting rising wages. It is also reducing the cost of capital and slowing the need to offshore production towards lower-wage countries. In fact, there are emerging trends of reshoring to some advanced economies. Beyond the changing labour and capital cost dynamics, other factors such as proximity to consumers, the supply of skilled labour and ecosystem synergies are playing a role as drivers of reshoring.

Though the pace of reshoring is still slow, the nature of technological progress, rising demand for higher-skilled workers, and increasingly sophisticated consumer tastes support the potential for the pace of reshoring to accelerate. This is further accentuated by the fact that a growing number of manufacturing firms are opting to locate closer to fast growing consumer markets.

While an increasing trend in reshoring may render it somewhat more challenging for Malta to conversely convince additional FDIs to offshore, we need to always stay vigilant and ready to ride onto any opportunities which go beyond economic considerations, such as those coming about from geo-political circumstances. Two prevailing examples being Brexit and Hong Kong.

Technology-led manufacturing

Today, technology and innovation are driving growth within the sector and keeping the industry attuned with prevailing market demand. As these waves of change continue to shape the competitive landscape, manufacturers must decide how and where to invest in new technologies and identify

which ones will drive the most benefit for their companies. After all, the technological adaptation needed is an ongoing process, a process as dynamic as economic market developments dictate.

A vibrant manufacturing base leads to more research and development, innovation, productivity, exports and jobs. We therefore need to continue to invest actively in the technology, skills, and infrastructure to ensure we can continue to move ahead. The need to integrate information technology and operations technology to forge a stronger manufacturing organization – what is more widely known as Industry 4.0 is growingly becoming an important prerequisite.

There clearly is lots of scope to develop comparative advantages in the increasingly technology-led manufacturing. We need to score high on key competitiveness factors, more so given the absence of both sizeable domestic supply chains and consumer markets. We should be focusing more of our investments on more innovation-led manufacturing, utilizing more Industry 4.0 technologies, as opposed to production driven manufacturing.

The increasing adoption of industry 4.0 technologies will lead to higher productivity and at the same time is likely to put downward pressure on labour costs. Placing more emphasis on productivity, as opposed to labour costs, is all the more relevant for a country like Malta with limited human resources.

It is here pertinent to note that the prevailing emphasis on the number of jobs created, giving the impression that the level of success in attracting investment is to be gauged on the number of job opportunities, as opposed to the quality of the jobs, needs to be better understood. Here, the real emphasis needs to be placed on the competitive benefits that such investments deliver, rendering them, along with the jobs created, more resilient and sustainable.

Higher-level skills

We are living in a time of constant and rapid change with technology particularly driving the comparative advantages that drive competitiveness. Our original comparative advantage in low-skill, low-labour-cost production continues to rapidly fade away as routine low-skill tasks are increasingly automated. New technologies are demanding higher-level skills, raising the capital intensity of production and elevating the importance of innovation.

As we continue to progress, manufacturing will require even more advanced and technological skills. Without a skilled workforce, manufacturers will not only lack the talent pipeline they need to sustain and grow production, but also lack the innovative capabilities to develop new products, processes and services.

It is only too evident that the challenge over the years has changed from a somewhat inconsistent emphasis and strategic direction to the need of finding enough and adequately skilled workers to sustain the growth and strengthening of manufacturing industry. As technological change and automation reshape the demand for labour, the demand for new tasks along with different and higher-level skills will continue to grow.

There is broad consensus on the importance of reskilling and upskilling to successfully address a potentially challenging scenario, Failure to achieve this will create a consequential scenario in which the skill bias of technological progress and the increased capital intensity of production will continue to reduce demand for less skilled workers, polarize the job market and contribute to rising income inequality.

Multi-faceted issues

Having the right environment, infrastructure, skills and policy framework in place, makes it easier to navigate change and resultant progress. It is therefore important that we continue to seek ways how to better structure and coordinate ourselves to ensure we do not hamper the future competitiveness and development of manufacturing.

We need to adopt a more coordinated, yet broadly encompassing, approach in addressing the multi-faceted issues that manufacturers encounter, whether being traditional or craft in nature, or those coming from advanced and new technology driven industries.

Addressing the perception: There is a conditioning hurdle that at face value may seem trivial, however which nonetheless cannot be underestimated, and needs to be addressed. This relates to the need to improve the general public perception that manufacturing does not offer attractive job opportunities. Clearly, manufacturing needs to adopt a carefully targeted communication strategy aimed at correcting the occasionally tainted image that manufacturing may still have in certain quarters of society, (possibly owing to the somewhat shabby conditions within some of our industrial parks). This needs to be done with the ultimate objective of drawing the interest of a higher number of persons seeking a rewarding career in manufacturing.

Satisfying demand for skilled workers: Access to a highly skilled and educated workforce is the most critical element for innovation success. Increasingly, companies report they cannot find enough individuals with the skills required for today's advanced manufacturing workplaces. These skill shortages pervade all stages of manufacturing – from engineering to skilled production.

We need to take a more systematic approach to better navigate ourselves towards an Industry 4.0 future. This, leading on to those innovations which give manufacturers the performance capabilities or cost edge that are needed to compete in a highly competitive marketplace.

The key to closing this growing skills gap lies in our ability for the education system to provide adequate industry-based training, which in return must be fully supported by the private sector with the adoption of its standards and on-the-job learning and support for apprenticeship schemes. Significant progress has been made here but not necessarily at the pace and sectorial direction that industry requires.

Promoting Research & Development (R&D): There is a need to encourage further R&D to more effectively seeking ways how to validate and translate innovative ideas into economic results. In the absence of adequate local scale, using Malta as a test and innovation platform certainly has merit. Progress has been registered in this area. However, this still requires further attention in terms of the needed space and related facilities, along with supporting schemes and, of course, availability of an adequate pool of highly qualified and skilled persons. The recently announced investment in the further development of our life science park and upgrade of our business incubation centre are certainly tangible steps in the right direction.

Logistical challenges: Manufacturing industry continues to face a number of structural hurdles. Even if in today's technological, telecommunication and digitalization advancements, market proximity is not always as relevant, operating from an island offers challenges of insularity This implying additional logistical costs, which is further exacerbated by the general lack of availability of the necessary raw materials, components and resources locally. Considerations on how to mitigate these logistical challenges remain ongoing. This, not only with respect to the natural disadvantages of manufacturing within an island economy but also with the added complexities ranging from years of piecemeal progress with respect to port reforms along with certain ingrained inefficiencies within the shipping and road haulage sectors.

Support schemes: Malta Enterprise continues to play an important supporting role in stimulating the business environment by offering a number of schemes for the promotion and expansion of various business sections, including manufacturing. Likewise. in the attraction and facilitation of start-ups.

Here, it is pertinent to note that Malta's loss of the EU's objective1 status has conditioned the level of support that can be extended to manufacturing companies, apart from considerations of EU competition and state aid rules. Going forward, this situation continues to give rise to an element of anxiety amongst manufacturers. Furthermore, with a number of our established FDIs having benefited from years of accumulated tax credits, a key question lies into what future do these FDIs see in Malta once their tax credits are fully exhausted?

Industrial Parks: Adequate availability of industrial space and related facilities has been a limiting factor for some time now. Nevertheless, there are now growing expectations following the recent, and most welcomed, launch by Government of a €470 million manufacturing infrastructural investment programme. This will be managed by the newly renamed and rebranded INDIS Malta Ltd (Industrial Innovative Solutions Ltd, formerly Malta Industrial Parks Ltd,) which is responsible for the administration of government-owned industrial parks. This company will not only be addressing the present shortages but also the envisaged needs for the years to come. One would also expect that all industrial parks adopt an upkeeping which is deemed compatible with today's expected industry standards. This, with the intention of future-proofing the industrial property solutions Malta can offer both present along with prospective investors.

Environmental sensitivities: There are growing environmental considerations and sensitivities for manufacturers, which extend from increasing environmental compliance requirements to pressures to reduce carbon footprint; and from investing in cleaner and renewal sources of energy to the challenges of packaging waste.

Pertinent to note are Government pronouncements for Malta to become carbon neutral by 2050. Here, one should ask, what exactly is the plan to ensure we successfully manage the transition towards this objective whilst at the same time ensure we mitigate any repercussions on our competitiveness as a whole? One would hope that this is approached in a timely, structured and systematic manner,

With all the emphasis on the sustainability of economic growth and the very recent announcement of a newly set-up Ministry for Energy, Enterprise & Sustainable Development, one can only expect to see more developments within this area. Here, the timing would seem opportune for a more comprehensive drive towards further incentivizing green investments.

Energy policy: The debate on the uncompetitive utility costs for manufacturing industry has been ongoing for years, with Malta remaining one of the exceptions within the EU of applying higher tariffs for industry compared to domestic tariffs. Here, there is need for a broadly encompassing energy policy specifically for manufacturing which is more holistic and forward looking. One which not only encourages investment in energy efficiency and renewable sources of energy, but also a policy which mirrors and complements the support extended by Malta Enterprise, to ensure such investments are rendered viable without compromising on ones' competitiveness, whilst we also seek to attain any national sustainable development goals.

Next:

The future of work –

An HR Agenda for CEOs & HR professionals

Recruitment, HR & work

Josef Said | CEO, Konnekt

NEXT 12

The future of work –

An HR Agenda for CEOs & HR professionals

Recruitment, HR & work

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The future of work is undoubtedly on every CEO and HR professional's agenda. The impact on the way in which work is executed by organisations and its employees promises to be significant.

Several global management consultancy firms, audit firms and think tanks all have well-documented outlooks about the future of work and impact on businesses, some of which have already been activated.

Drawing from client and candidate interactions, this document aims to frame the major trends for the future of work. It will also outline the questions that should be asked by organisations to develop a robust future-focused agenda.

Global trends on the future of work

These interweaved headings outline how organisations and work will be impacted in the future:

Robotics, Automation & Digital Transformation

Globally, the discussion on what the future of work will look like is strongly oriented around robotics, automation and artificial intelligence. Even though there is general consensus that jobs will be lost, there is also a historical optimism that machines have intrinsically enriched the workplace. What is evident, in today's scenario, is that the speed of development and adoption is, and will be very high, in the future. The disruption will be more severe than the one the textile industry experienced during the 1800s; today's robotisation and automation will permeate all industries somewhat simultaneously. Legislation and the appropriate management of the rise of automation and superintelligence is vital in order to avoid upheaval in work and labour markets.[1]

The World Economic Forum[2] predicts that:

- The workforce is automating faster than expected, displacing 85 million jobs by 2025.
- The robot revolution will create 97 million new jobs, but communities most at risk from disruption will need support from businesses and governments.

This trend will certainly impact your business — radically.

Remote working

Studies[3] have long shown that people want remote working to be included in their regular work schedule. Covid has made this possible at scale. Working remotely will require a new mindset, different leadership and a sharpened set of tools to manage and harness potential. Remote working at a global level will not dissipate as new infections subside.

What about gig workers, i.e. people working as subcontractors? A recent study by the Federal Reserve Bank[4] clearly outlines that most people who rely on project work are financially vulnerable. One hopes that this phenomenon is temporary, and the legislative framework catches up.

Talent shortages & constant re-skilling

The havoc wreaked by both the 2008 financial crisis and the Covid-19 pandemic have demonstrated that jobs for the skilled elite are more resilient to shocks than lower-skilled and lower-paid jobs. Regretfully most educational systems are failing to keep up in order to rebalance the scale. Add the speed at which this transition is happening to this tragic phemonomen, and we're faced with a perfect storm.

The gap caused by the current educational system is made up of a mix of hard and soft skills. The World Economic Forum lists a number of skills that will be in demand by 2025[5]. These are:

- Analytical thinking and innovation
- Active learning and learning strategies
- Complex problem-solving
- Critical thinking and analysis
- Creativity, originality and initiative
- Leadership and social influence
- Technology use, monitoring and control
- Technology design and programming
- Resilience, stress tolerance and flexibility
- Reasoning, problem-solving and ideation

Is the current educational system developing these skills?

Diversity & inclusion

Xenophobic and nationalistic-oriented politics promoted by a handful of strongmen (yes, they are all men) are pushing the boundaries of what is acceptable. These policies often inflict unnecessary suffering on the people impacted. Promoting policies that embrace immigration would invigorate the labour supply and improve labour market agility. Not to mention the positive economic impact of migration[6].

The need for diversity and inclusion within the workforce is critical for healthy workplaces. Embracing diversity also has tangible financial benefits[7]. Furthermore, with greater access to information and more accentuated political, social, and economic imbalances between countries, migration has been on the increase both numerically and proportionally[8].

In essence, technological disruption calls for new work practices and, as a result, new skills within the marketplace. This, in turn, calls for a reskilling framework ingrained within society at large. Stringent immigration controls exacerbate the skills shortage and countries embracing controls are inherently unoriented towards diversity and inclusion. At a global level, addressing one aspect that impacts the future of work only creates an imbalanced solution.

Creating an agenda for a local context

Some of these concepts might appear to be far removed from the daily challenges faced by CEOs and HR professionals. Let's challenge your thinking and, with several questions, help you develop an agenda for you to work with as you plan for 2021 and beyond.

Aligning Company Mission, CEO focus and HR initiatives

The company's mission, the CEO's focus, and HR initiatives must be aligned. Communication should be backed by actions that have a positive, meaningful impact on the workforce and, in turn, on the business.

To be ready for the future of work, companies need to embrace change, have "transparent by default" policies[9] governing access to information, and be able to measure and clearly understand what is happening within their organisations.

Questions to help formulate the CEO's agenda:

- Do you have an obsessive focus on doing what is right?
- Are you surrounded by an unequivocally talented leadership team?
- Does your leadership team have the latitude to challenge you?
- Are the company mission and key financial objectives clear?
- Does everyone within your governance structure have organisational and role clarity?
- Are you supporting performance measurement frameworks, including information gathering, rapid feedback loops and agile work practices?
- Are you supporting 'transparent by default' initiatives to information access?
- Are you intrinsically open to change?
- Do you understand digital marketing, technology and modern work practices with the same propensity that you understand finance and operations?

Question for HR Professionals:

- Are you supporting the CEO to ensure clarity in mission, performance measurement and communication?
- Are you a strong figure within the leadership team? Do you have the confidence to disagree with the CEO?
- Does HR lead change initiatives?
- Does the HR function champion 'transparent by default' access to information?
- How are your actions supporting the achievement of the company mission and key performance indicators?
- Are people truly at the heart of your strategy?

Automation & Digital Transformation

The advent of AI and the rapid digitisation of work create unique opportunities for early adopters. Early adopters usually have tech-savvy talent and open-minded leadership that lead and champion innovative initiatives. With early adopters, automation and digitisation are often led by product or operational teams who are close to customers as opposed to finance teams who are, intrinsically, more detached. Operations and product teams often take speed into account and utilise talent in more productive tasks as well as account for non-financial benefits like error reduction.

Questions for CEOs:

- Do you have the right skills set within your organisation to lead automation and digital transformation?
- Do you have an automation and transformation roadmap?
- Is there a clear owner for automation and digital transformation projects?
- Do you have the skills needed to organise, analyse and interpret the data generated by digitisation?
- Are you tapping into funding opportunities? Would digitisation and automation make your organisation more appealing to candidates?

Question for HR Professionals:

- Are you influencing leaders of automation and digital transformation projects to account for the people component?
- Do you have a comprehensive and cohesive communication plan?
- Is the HR function leading the way in automation and digitisation?
- Do you have the right platforms to manage and engage talent?
- Is job quality high on your HR strategy?


KEEP CLEAR

Remote working

Pre covid, the key benefit people valued most were not free meals or glamorous offices, but flexibility. Covid-19 made this possible, at scale; an entire office working remotely during a pandemic has paved the way to what will now become the norm.

Questions for CEOs:

- Do you trust that your remote workers are productive? What will give you this confidence?
- Do you have systems in place to monitor performance? Are these shared company-wide?
- Are performance metrics shared 'transparent by default' or on a 'need to know' basis?
- Could remote workers ease the talent shortage within your organisation?

Questions for HR professionals:

- Have you upgraded employee wellness programmes to embrace remote working?
- Have you lobbied leaders within your organisation to embrace remote working?
- Have you upgraded your employee onboarding?
- Have you adapted your communication?
- Are the outreach efforts to remote workers organised? Is feedback recorded and actioned?

Talent shortages

Talent shortages are a reality and will remain so for the foreseeable future. Roles requiring high cognitive abilities or which take a long time to acquire will invariability attract fewer candidates, creating an imbalance between demand and supply. It is anticipated that this imbalance will remain long term.

Questions for CEOs:

- Is recruitment a bottleneck for growth?
- Do you have strategic relationships with recruitment agencies?
- Is your HR function managed strategically?
- Is retention higher on your agenda than recruitment?
- Are your talent attraction and client attraction strategies at par?

Questions for HR professionals:

- Do you have the right technology to attract, search and engage candidates?
- Is your internal referral strategy yielding results?

- Are you leveraging job boards to expose your brand to the broadest possible audience?
- Do you have clear organisational health metrics?
- Do you participate in national surveys that compare your organisational health with that of other comparable organisations?
- Do you have a clear strategic and tactical plan to close the skill gap within your organisation?

Constant re-skilling

Malta has the second-highest school leaver rate in Europe[10]. The education system is not only short-changing students, but also various economic sectors at large. Furthermore, the accelerated pace of change rapidly depletes the acquired knowledge and skills. Companies have to address this skills gap, however, many still do not utilise the very advantageous IIS scheme run by Jobsplus.

Another matter which needs to be addressed is the negative perception some leaders have of millennials' work ethic. It is clear that the issue is not millennials but their leaders, who often have outdated notions of leadership.

Questions for CEOs:

- Does the C-suite have sharpened and up-to-date leadership skills?
- Is the investment in upgrading skills high on your agenda?
- Are you fostering a culture of learning within the organisation?
- Have you harnessed the power of all people working within your organisation?

Questions for HR professionals:

- Are you vigilant at closing skill gaps within your organisation?
- Are you tapping into advantageous funding opportunities?
- How does your uptake of funding schemes compare to that of your competitors?[11]
- Do you have an active coaching programme for supervisors, managers and leaders?
- Do you have a cohesive onboarding programme?
- Are you well versed in people analytics? Does your HR Software deliver the information you need?

Gender diversity & Inclusion

There is no denying that racism is rife within Maltese society. A recent University of Malta study, reported by Times of Malta[12], found that almost half of the participants said that marriage to African migrants is 'unacceptable'. The study also reported that more than 40% of respondents considered themselves to be racist to some degree. Little is being done at a national level to address this. As a result, companies need to step in by designing and enforcing a zero-tolerance policy and providing frameworks that promote diversity[13] and assimilation.

Companies must act, as the labour market realities they face are starkly different. In 2009, Malta had just over 9,500 foreign nationals within the labour force. By 2019 that number increased to more than 67,500.[14]

Adapting work practices so that organisations are inclusive of foreign nationals joining the workforce is essential for companies to harness all the new talent joining the workforce.

On the subject of inclusion, female participation in the workforce is an important item to add to the agenda. The female participation rate in Malta increased from a low of 34.5% in 2004 to 60.2% in 2017.[15] Despite this radical transformation numerous companies are still inflexible in their outlook, often adopting a one size approach. Although admittedly, Covid-19 did positively influence some of this mindset allowing for more flexibility.

Questions for CEOs:

- Does your messaging as CEO promote gender diversity and inclusion?
- Does the organisation need gender diversity and inclusion training?
- Is the organisation supportive of minorities?
- Is there gender and cultural diversity at every level of the organisation, including your leadership team?
- Are you flexible in customising work to your talent as much as you are flexible in customising products/services to your clients?

Questions for HR professionals:

- Would your salary structures, policies and practises withstand an equality audit?
- Are you aware of your employees' sentiments on topics of gender diversity and inclusion?
- Are promotions awarded on criteria of competence and skill?
- Do you bring in considerations for gender diversity and inclusion in meetings?

Next:

Unlocking Alpha
through Alternative Strategies
via European Fund Vehicles in 2021 and beyond

Financial services
Chris Manicaro | CEO, AQA Capital

Unlocking Alpha through Alternative Strategies **via European Fund Vehicles in 2021 and beyond**

Financial services

Chris Manicaro | CEO, AQA Capital

In these exceptional times, alternative assets play an ever more important role in investors' portfolios. In particular, the demand for private assets have increased substantially as investors strive to generate alpha and incremental income and diversify their portfolio. In addition, the unprecedented impact of the COVID-19 pandemic and the associated market volatility, underlines the critical role that alternatives and specifically private markets can play in building more resilience in investment portfolios. Essentially, private assets are insulated from sentiment, less correlated to market factors and are not prone to forced selling. The consequences of the pandemic and the dislocation in the real economy shall provide alternative fund managers with better returns alternative strategies than its liquid asset equivalent.

Private equity exhibited its solidity during the Covid-19 health crisis. This is especially important in the current environment with zero or low real interest rates, which is likely to remain the case for a long time. With the new recent vaccine breakthroughs, investors are focusing on long-term opportunities in the private equity space to capture secular trends, before they make their way to listed markets. As more investors are actively seeking illiquidity, one needs to be selective in capturing illiquidity premiums by focusing on more specialised segments that hard to replicate.

Private equity exhibited its solidity during the Covid-19 health crisis. This is especially important in the current environment with zero or low real interest rates, which is likely to remain the case for a long time. With the new recent vaccine breakthroughs, investors are focusing on long-term opportunities in the private equity space to capture secular trends, before they make their way to listed markets. As more investors are actively seeking illiquidity, one needs to be selective in capturing illiquidity premiums by focusing on more specialised segments that hard to replicate.

The real estate sector has been hardly hit by the pandemic, especially in cities. There is currently uncertainty on how office demand will fare in the coming months following the development of effective vaccines. On one side of the spectrum, companies have saved money by reducing their office space and employees having more flexibility. However, as skilled individuals return to the cities and work from office three days a week on average, companies would need to retain a certain size of office space. Furthermore, there is also concern that remote working will damage productivity or results in the medium term, due to lack of communication, innovation, and collective goals. For the office rent business to recover modestly, investors must be more aligned and better understand the business of their client. The retail and hospitality sector were also hit hard especially by online shopping or orders and supply disruption. In this segment, investors need to be cautious and innovative.

One positive aspect of Covid-19 is that the pandemic has accelerated investment in digital infrastructure. Digital infrastructure has become vital, especially if the 'normal' world in a post-Covid scenario is to more regularly work and shop from home. Infrastructure will also play a significant role in new investment in renewable energy and electric mobility to ameliorate existing infrastructure and enduring networks. Having a long-term horizon, infrastructure investment is less volatile and can provide a stable stream of returns.

Finally, several alternative strategies embrace Environmental, Social, and Corporate Governance (ESG) themes by being naturally aligned with sustainable investments. With companies upping their ESG disclosure game, alternative investments are positioned to register ESG and impact-related objectives.

The European Opportunity

Europe has long held significant appeal as a fund centre, attracting capital raising opportunities for alternative investment managers. Demand for transparency and regulatory reporting has also been on the rise, given that investors have become more sophisticated and European regulatory bodies putting more emphasis on investor protection. Indeed, a European vehicle allows for greater protection and liquidity to investors, greater uniformity and transparency and less regulatory uncertainties.

Many fund managers or promoters across the globe believe that launching a fund in a Member State of the European Union is a daunting process, one which requires familiarisation with complex legal structures, operational differences, and an array of regulatory and transparency requirements. As a result, certain managers or promoters decide not to pursue the idea of launching a fund in Europe due to its complicated and difficult nature.

The reality however is quite the opposite. The European market is simpler, faster, and easier than many fund managers or promoters think. By having the right partners, a European fund vehicle is easy to set up and even fund managers and promoters with little or no experience of European fund structures can manage the process with relative ease.

Before setting up any fund structure, fund managers or promoters must address three important aspects: 1) investor needs and preferences; 2) selection of the right jurisdiction and 3) identification of reputable service providers.

The European Union offers two regulatory regimes being the Alternative Investment Fund Managers

(AIFM) Directive and the Collective Investment of Transferrable Securities (UCITS) Directive, each with distinct characteristics.

UCITS versus AIFs

UCITS can be thought of as the European-based equivalent of mutual fund products in the United States, but with greater flexibility and transparency. The UCITS regime is intended mainly for retail investors but is often used as the fund structure of choice for institutional investors such as insurance companies and pension funds. In general, the UCITS regime bodes well with investors seeking exposure to several liquid strategies in transferable securities, like equity and fixed-income instruments. The UCITS regime has built-in mandatory diversification and liquidity requirements to be applied in a manager's investment strategy. Notwithstanding this, in recent years growth has also been registered in alternative UCITS, with both long-only and other strategies being replicated within UCITS funds by alternative investment fund managers.

On the other hand, AIFs structures encompass investment strategies that fall outside of the conventional strategies such as long-only strategies. Instead, AIFs may pursue alternative strategies involving leverage, derivatives, crypto-currencies and hold illiquid assets like immovable property, infrastructure, private equity and distressed debt. Other niche strategies involving vintage cars, works of art and wine may also be set up under the AIFMD Directive. AIFs would ordinarily target professional investors. Despite being less prescriptive in terms of concentration limits than their UCITS counterpart, the

AIFM Directive imposes certain custody, management and risk management requirements.
AIFs offer more flexibility to investment managers in terms of their strategies and needs. However, the decision whether to opt for a UCITS or an AIF boils down to the typology, risk profile and needs of the investors. If investors prefer transparency or liquidity, the UCITS regime is the most adequate, while if returns or unlocking alpha are key drivers than an AIF may be more appropriate.

Service Providers

The Directives require AIFMs to obtain proper authorisation and provide transparency by making various disclosures to investors. The AIFM Directive also requires AIFs to have a depositary based in the same country as the AIF itself.

Whether under the UCITS or the AIFM Directive, the management company is a key player. The AIFM or the UCITS Management Company, as applicable, has overall responsibility for portfolio management and risk management. The management company can generally delegate the portfolio management or risk management back to an asset manager located elsewhere or retain the portfolio management function and appoint an advisor, in which case the latter would provide advice to the management company on investment opportunities.

The engagement of a depositary is mandatory under both the UCITS and AIFM Directive. Essentially, a depositary performs cash monitoring, safekeeping of assets and general fund oversight. In most cases the depositary faces strict liability for loss of assets of the UCITS Fund or the AIF. It is therefore critical that depositaries with scale and substance, resources and credibility are chosen.

Another key service provider is the fund administrator and transfer agent, whose responsibilities include NAV calculation, fund accounting and coordination of audits, regulatory reporting and recording of investors' register. A point to note is that in alternative illiquid strategies, the fund administrator is not entrusted with the valuation of illiquid assets but is rather carried out by specialised firms.

Jurisdiction for Alternative Managers

Further to choosing a regulatory regime, managers or promoters will need to consider the jurisdiction where they will domicile their fund. The jurisdiction will determine the legal requirements and the fund structure options that are accessible. The decision on which jurisdiction to opt for should be based on the reputation and the ecosystem of respective financial centres, the cultural alignment and the implications of the legal and tax aspects of a jurisdiction and the political and socio-economic stability of a jurisdiction.

Europe, continues to offer alternative investment managers attractive fundraising opportunities. Whereas before Europe was centred towards the UCITS world, the receptiveness of open-minded legislators has allowed major jurisdictions to come up with innovative structures to cater for alternative strategies. The choice of the jurisdiction will determine the country-specific operational and legal requirements and which fund structure options are accessible. The most prominent fund jurisdictions are Luxembourg, Ireland and Malta and all three jurisdictions have alternative investment funds structures which support essential characteristics: 1) speed to market; 2) accessibility and 3) flexibility. The Reserved Alternative Investment Fund (RAIF), Qualifying Investor Alternative Investment Fund (QIAIF) and the Notified Alternative Investment Fund (NAIF) in Luxembourg, Ireland and Malta respectively have been a game-changer to the structuring and launch of alternative strategies.

Luxembourg has implemented the RAIF regime, which allows for a quicker time to market for the launch of the fund. A RAIF may invest in all types of assets and is subject to few investment restrictions, mainly related to diversification rules. A RAIF qualifies as an AIF under the AIFMD and may only be managed by a full-scope AIFM. The RAIF is not subject to the Luxembourgish Regulator approval or authorisation and, for this reason, the AIFM assumes full responsibility for the scheme and the fulfilment of its obligations. Investments in a RAIF may be made by institutional investors, professional investors, or any other investor who has confirmed in writing that they are a "well-informed investor" and who either invests a minimum of Euro 125,000 or has obtained an appraisal from a credit institution, an investment enterprise, or a management company, certifying the investor's expertise, experience and knowledge in adequately appraising an investment in the RAIF. Finally, a RAIF may be freely marketed across the EU.

In Ireland, the QIAIF is a regulated product exclusively for professional investors. QIAIFs are not subject to any investment or borrowing restrictions, so they can be implemented for a wide range of investment purposes and strategies. With its flexibility, the QIAIF is a very popular structuring choice for alternatives managers. A very notable feature of the QIAIF is that managers can avail of the Central Bank's 24-hour approval process subject to certain conditions and confirmations. The QIAIF documentation is not filed for review by the Central Bank of Ireland and a self-certification regime is applied, where a certification has to be provided that the Central Bank's disclosure requirements in relation to the QIAIF documentation are met. In addition, QIAIFs may be marketed freely to professional investors across the EU and the EEA by an authorised AIFM using the AIFMD marketing passport.

Malta has applied the NAIF regime, which has also the advantage of speed to market. The MFSA has committed itself to list the NAIF on the Notified AIF List within 10 business days from the submission of a complete notification pack. NAIF's main characteristic is that the AIFM assumes full responsibility for the fund and for the fulfilment of its obligations. This entails that the "fit and proper" exercise and ongoing supervision on the relevant service providers and governance of the structure are the AIFM's responsibility. Such records are to be kept on file by the AIFM and update the MFSA accordingly in cases of any changes. The NAIF may be subscribed by professional and/or qualifying investors. In addition, the NAIF is not bound by any investment diversification rules and may invest in a single underlying asset. Since the AIFM is authorised to market through the AIFMD marketing passport, it will allow the AIFM to market its NAIF to other EU jurisdictions to professional investors.

In all three regimes, since there are no reviews or authorisation approvals by the respective national authorities, the timeframe to launch is within the control of the relevant parties based on how efficient the drafting and negotiation of the legal documentation is. All three jurisdictions offer great potential to launch alternative strategies like private equity, real estate and infrastructure. While Luxembourg and Ireland share most of the market share in the alternative space, Malta is favoured by start-up managers who wish to penetrate this market and by prominent family offices which capital raising is not of concern.

The Take Home Point

In an evolving and increasingly complex market environment, investors are actively seeking out opportunities to diversify their sources of return away from traditional equity and fixed income investments. Alternative investment strategies can be vital building blocks for a well-constructed portfolio and key elements in facilitating investors to achieve their goals.

However, because of the wide spectrum of approaches, differing objectives and varying levels of transparency and risk within each category of alternative investments, investors should carefully research their investment options and how to structure them, and understand the unique objective and strategy of each investment to ensure they achieve the outcome they are looking for. Innovative European Fund structures are the key to achieve all these goals.

Setting foot into the European market can allow overseas fund managers the opportunity to grow their reach and diversify across their client base. Structuring and operating a European fund are not as complex as it may seem. If managers or fund promoters partner with experienced service providers, they can leverage on their expertise, experience and financial strength to penetrate this lucrative market easily and effectively.

Next:

The bright spot
in the economy
Making sure agriculture continues to shine

Agriculture
Sonya Sammut | Agriculture expert

NEXT 12

The bright spot **in the economy**

Making sure agriculture continues to shine

Agriculture

Sonya Sammut | Agriculture expert

An eventful year, no doubt

Seeing that, for the past quarter of a century or so, I have been, in one way or another, connected closely to agriculture, I have always found it reassuring to think that "agriculture remains one of the few bright spots in an otherwise troubled global economy" (KPMG International, 2013). As we prepare to wrap up the remains of the year 2020, we hope we will be spared a similarly troubled experience any time soon, in which we have witnessed massive disruption to normality in all domains of life brought about by the Coronavirus disease (COVID-19) pandemic.
In agriculture, however, adversity is not news. In itself the product of technological revolution, this is a sector that is constantly struggling with the challenges of climate change, volatility, and scrutiny, among others, and where business players face harsh conditions of competition and complexities, on a daily basis.

The virus that came into the chain

In the first few months of 2020, the COVID-19 crisis had not only impacted agriculture, but disturbed the mechanics of the entire agri-food supply chain. In Malta, following the closing down of the HORECA sector, and a decrease in demand for fresh fruit and vegetables, farmers suffered financial losses as they watched certain types of produce remain unsold and waiting in warehouses.
Set against other COVID19 measures, including restrictions on the opening of the farmers' markets, and on the mobility of senior and vulnerable persons, the Maltese Government responded with the required flexibility. At the *Pitkalija* in Ta' Qali, the opening hours were staggered to limit contact. The veterinary authorities issued a number of temporary permits to livestock farmers who had the capacity to produce more, so that these would be able to match the national demand for meat products in the event of a complete lockdown. Temporary licenses were granted to farmers with a market registration to operate as street hawkers. Livestock breeders were also exempted from the obligation to stay at home and allowed to work on their farms.

It's not all bad news

The same forces that enable a novel virus to go forth and multiply in a globally connected world, are also responsible to drive change and to stimulate entrepreneurship. Similar to producers all over Europe, faced with closures and severe restrictions, farmers in Malta started to create new direct-sell and delivery systems. In addition to reports of farmers going up to the *Pitkalija* market at 2 a.m., we saw new adverts on social media of producers ready to sell direct, complete with 'contactless' home delivery, with some using rudimentary methods, and others going for more sophisticated online platforms. COVID-19 provided Maltese farmers with the opportunity to take customer service more seriously, and to grow in trust and business insight.

Further afield, thanks to the Government's donation of 500 tons of potatoes, worth US$ 195,000, to Namibia's Food Security Programme, our farmers had the chance to feel proud that their work had contributed to help 20,000 families facing the threats of drought and starvation.

As part of the efforts to alleviate the impact of the COVID-19 crisis, in October, the Government announced an aid scheme targeting 4,800 farmers with €1.5 million in compensation for the losses in the agricultural sector.

Knowing the next landscape

Looking forward to a new year in terms of the prospects it is likely to bring, is like the harvesting of grapes – much depends on the maturity of the vine, the level of care you have given to fruit and foliage, and whatever unexpected elements fate decides to throw at you.

Early in January, before the Coronavirus was declared a disease of pandemic proportions by the World Health Organisation, Malta woke up to the welcome news that Dr Anton Refalo, a long-serving Member of Parliament, had been sworn in as Minister for Agriculture, in a move that, apart from serving to elevate and distinguish the agricultural portfolio, clearly signaled leadership and reform.

As much as it is costly, the economic depression that COVID-19 activated, also provided an opportunity to reassess our goals for the sector, and to motivate new paths to recovery. A knowledge of your environment is extremely important. As announced in October this year, and similarly to 10 million farmers across the EU, Maltese breeders and producers are taking part in the Census of Agriculture 2020, to provide data that will be interpreted into detailed and statistically-valid information, that can, among other applications, be used to translate the existing National Agricultural Policy for Malta 2018 – 2028 into meaningful bites of actions.

In July, as part of a historic EU agreement on a multi-billion Coronavirus recovery package, Malta received €191 million for agriculture for the coming seven years, approximately 38% more than the previous programming period. At about the same time, the Pitkalija reforms, aimed to safeguard and advance the interests of farmers, as well as increase efficiency and transparency, were being announced. In the meantime, the public consultation of the Planning Authority's new rural policy, was underway. Still a work in progress, the new policy is leaner and more intent on permitting only truly legitimate development in areas Outside Development Zones.

This at a time when the game changer was already on the table. Positioned at the heart of the European Green Deal, the European Commission's Communi-

cation 'A Farm to Fork Strategy', revealed in May, sets an ambitious plan to address challenges in sustainable food systems. With its targets for a fair and healthier EU food system, the Strategy builds upon the importance of robust and resilient food systems that can guarantee sufficient and affordable food supply to citizens, a reality that the COVID-19 pandemic has helped underline.

And finally, a few weeks ago, came the agreement on the new post-2020 Common Agricultural Policy (CAP), that was reached by the EU Council of Ministers in the early hours of one Wednesday in October in Luxemburg. The agreement, labelled as a "good starting point for adopting solutions for the next seven years" by the EU Commissioner for Agriculture Janusz Wojciechowski, is a compromise that safeguards the interests of Member States, including Malta. It is also a reminder that as much as the new CAP is "greener, fairer, and simpler", it remains, at heart, an economic policy that supports European farming. Which is nothing but good news for the local agricultural sector.

A dominant personality

It might be logical to question whether, as a sector that has seen its contribution to the national Gross Value-Added decline from 1.7% to just 1% between 2012 and 2018, agriculture deserves all this attention.

Let's zoom in on some facts. Agriculture is the dominant land user of Malta's rural environment. In 2019, with 9,210 farms occupying 11,706 hectares of agricultural land, the sector held roughly 37% of the total land area of the Islands, supported the equivalent of 5,340 full-time jobs, and produced 39,000 tonnes of vegetables and fruit, and 68,226 units of livestock.

Described as a sector where it is difficult to achieve economies of scale and to compete in international markets, Maltese agriculture might seem small and fragmented enough to go unnoticed. Nevertheless, it doesn't take a pandemic to highlight the multi-functional character and strategic importance of a sector that provides fresh food, environmental services and plenty of social capital, and to recognise that, beyond the ageing population and the narrow-mindedness of our farmers, and the vulnerability of soils and freshwaters, sits a high-value, resourceful and resilient industry built around people who have a genuine passion for what they do.

Addressing the fundamentals

As a socio-biologist, I look at agriculture as an enterprise that solves some of humanity's oldest problems by providing valuables that are conducive to well-being. To be successful, this enterprise must be set up on fundamentals that enable the progress that makes a business profitable, expandable, and sustainable in the long run.

It doesn't take rocket science to deduce the needs of farmers as members of this enterprise. It all boils down to a very short list: access to property, markets, and finance. Expanding on these basics, we can go on to explore how to match strengths to opportunities, converting weakness and threats, to create the right business ecosystem, and to support farming as a successful enterprise.

Excitement is on its way

If there is one thing that 2021 should be able to promise, it is excitement. Malta needs to channel a lot of energy to prepare its CAP Strategic Plan, the document that will translate the key objectives of the CAP into tangible results. In this regard, the challenge is to construct a Plan that is, at once, aligned to the common policy, and attuned to the country's specific conditions.

For example, one of the problems that has accompanied previous funding programmes for agriculture and rural development is around the design and implementation of 'user-friendly' ecological schemes. Luckily, Malta has already amassed nearly three programmes' worth of experience, and can turn to lessons learnt. Rather than having technical experts engineer the perfect solution, it might be time to ask the farmers themselves for advice on how to use the land and not abuse it, and bring them in as allies in designing economically-feasible and farm-friendly measures.

Judging by the emphasis of the new CAP, on farming that is smart, innovative, and data-driven, it is a must that we put weight on information, knowledge and digitilisation. In my opinion, as a female policy scientist, this is where we have the opportunity to build on the natural talents of women, particularly their web thinking, executive social skills, and tolerance to ambiguity, and to invest in their training and skills, even if they are not the registered farm managers. In addition to improving the position of the individual farms, socially and financially, this would also bring about more widespread progress in the sector, by promoting the take up of new technology, a change in culture and mentality, and enhanced networking and collaboration.

Which leads us to the next solution, cultivating co-operation where little exists. Given that past efforts at bringing farmers and producers together on a voluntary basis have failed, and knowing how crucial collaboration is for the success of the agricultural enterprise at all times, making it happen is no longer a choice. Government will have the option to either incentivise co-operation through aid or discourage solitary effort with penalties. The truth is that, unlike hunting, farming doesn't need to be done in packs. There is also a third way, and that is to task the women who are already active in the agricultural holding, and who have been trained in business management and technology transfer, to foster this kind of cohesiveness and co-operation.

Tougher choices

For some problems with a more notable legacy, throwing money will not be enough, and heavier tools, such as institutional reforms and legislative measures, will need to be applied. With the announcement of the Pitkalija reforms, Government is reaffirming its intention to continue to deliver a much-needed public service to farmers in relation to marketing, supporting, in this way, their financial standing, mitigating against some of the market failures, and lowering the risks of the enterprise. It is hoped that, other much-awaited changes, such as the adoption of marketing standards, the introduction of more quality marks, and the investment in processes that add value to agricultural products, will proceed.

When it comes to agricultural land, it is imperative to strike the right balance. Easing the pressure on rural land, and barricading against illegitimate development, are steps in the right direction. There are also other market realities that need to be dealt with in order to guarantee equitable access to farmland, and to facilitate the entry of young farmers.

Lastly, let's not forget the power of consumers. Some of their struggles – with food prices, excess weight, confusing advertising, and ethical concerns – drive the need for food that is not only safe to eat, free-from unwanted substances, fresh, wholesome, tasty, and authentic, but that is also originating from farming systems that can be sustained in the future.

Making change happen

The good news is that by satisfying hunger and providing pleasurable experiences, agriculture solves more problems for people than it creates. In Malta, where the markets are as small and as isolated as the whole country, everyone agrees that the sensible thing to do is to go for quality rather than quantity. This means that Malta will continue to move away from self-sufficiency, rely on imports, and face issues related to food security and supply.

As much as it is turbulent and transitional, this is a truly exciting time. Having survived the hardships that COVID-19 has brought to our shores earlier this year, it is now time to let necessity be the mother of invention. This is how evolution takes place.

Looking towards the next 12 months of 2021, we cannot tie our optimism to blind hope for the agricultural sector to perform better. We need to be responsible and make the right choices that are likely to set improvements in motion.

More than 2020, the next year promises to be full of developments. As thought-leaders, we have a moral responsibility to influence business leaders and policy-makers, and to help shape a more prosperous vision for agriculture that lasts more than a few months. Let's continue to make sure that, as the bright spot in the economy, agriculture continues to shine. In the interest of all of us.

Next:

Empathy, environmentalism and enthusiasm: **three branding themes for a new year of sense and sensibility.**

Branding

Peter Grech | CEO, BRND WGN

Empathy, environmentalism and enthusiasm:

three branding themes for a new year of sense and sensibility.

Branding

Peter Grech | CEO, BRND WGN

As nations and economies start to head up the steep hill towards recovery, brand owners should take a step back, assess, audit and rewrite their strategies before pushing forward once again.

Marketing has never been as important as it is today. As a value driver for business results, it is time for brand leaders to start driving forward once again. To do that it would be sensible to engage with the new context of what surrounds our audiences. It's time to build more conscious brands.

The following three concepts have often played a vocal part in the narrative of the board room, however we truly feel that they are now more essential than ever if a brand wants to survive and thrive in the landscape we are being presented with today.

Empathy | Environmentalism | Enthusiasm

Empathy

If we really are entering the 'Great Reset', then we must remind ourselves that a customer first approach is truly what matters. The ability to sense audience emotions and act accordingly is going to be an essential focus for all business leaders as we start the new decade. As organisations, we need to be sensitive to what customer groups have been through, (and are still going through), to ensure that we meet not only the needs served through our product or services, but also to fill the emotional and psychological voids that our brands sometimes serve.

Our customers can only become true brand advocates if they experience both compassion as well as a connection with the brands they

consume. Advocacy entails that we truly act, react and serve customers in a way that not only respects, but actually embraces who they truly are. Not as a statistic or a unique line on a database but as true individuals with hopes and dreams, joys and frustrations, loves and pet hates.

The path of brand-empathy is one of sensitivity. A path that entails systematic active listening, creating a shared journey between your brand and your unique audience of one. Yes, that's right each one of your customers served individually. This means that customers lie at the centre of our business frameworks and that brand teams inspire product development, customer experience, operations, finance and tech.

Empathy-brands thrive on authenticity, pushing forward purpose-led missions that are recognised and loved by their customers. Having empathy does not mean shifting core beliefs depending on wind patterns, on the contrary being true to your principles means taking the time to share what you stand for with your customers, in a way that they are ready to hear it, when they are ready to hear it and where they are actually open to listen.

Empathy-brands depend on complex listening tools powered by well crafted technical engines. Brand roadmaps must be managed by teams who have the digital capability, marketing sensibility and more importantly the awareness of the responsibility entrusted to them by their customers to use data to the customer's own benefit. Such data can be extremely powerful in order to help craft beautiful customer experiences and user journeys that truly benefit audiences in a mood to shop and satisfy a need. Whilst data captures are sacrosanct for digital brand leaders, the data and the insights can be even more powerful if well extrapolated to shape product development, inspire creative brand campaigns as well as lead the way for crafting better customer experiences.

Data alone will not cut the mustard, as Diageo's global consumer planning director, Andrew Geoghegan put it in an article he wrote for Marketing Week way back in January 2020:

We must remind ourselves that data is an aid to judgement and meaningless without context, and that creativity is the magic which can boost our performance further.

Brands that lead with empathy should allow themselves the freedom to experiment, surprise and delight their customers with out-of-the-box, bold ideas that stand out from the crowd.

The world has changed more in the last 10 months than it has in the last 10 years, the way we shop, the way we work and the way we live will be forever affected. Brands that were leaders last Christmas might not even make it over the fence into the next year. Those who are ready to move forward with empathy, might even surpass all expectations so long as they proceed sensitively. This might actually be the time for 'The Great Reshuffle'.

Collaboration will be a key strength for those willing to go the distance. No brand is an island and the process of collaborating with other brand peers and agency leaders to compare insights and learnings (not data) will be a key determinator of brand success.


ROLEX

Environmentalism

Environmentalism has finally turned mainstream, and that is great news. Audiences are no longer strangers to the impact of global warming, mass deforestation and the importance of sustainability. They are doing something about it and they expect the brands they use, to do so too.

Customers are doubling down on their pro-planet choices by actively choosing not only sustainable brands but also whole product categories above others in the fight for better and more environmentally friendly brands. Plant-based food choices, electric or hybrid vehicles, sustainable clothing, earth friendly packaging, energy saving tech, as well as an overall reduction in consumption, are all trends that are massively on the rise.

Covid-19 has forced many of us to embrace the great outdoors and this new forced love has brought about a new appreciation of our natural and wild surroundings, inspiring new ways to enjoy them. The bicycle industry alone, has seen such a sharp growth in sales due to unprecedented pandemic-fuelled demands that many manufacturers cannot cope with sales orders. Consumers are trading stilettos for trainers and trekking boots, to avoid the crowds and finding new ways to entertain themselves. The trend of re-wilding is having its effects not only across the outdoors with more and more people spending money on outdoor sports, activities and even camper-vans but also in bringing the outdoors inside. Consumers are finally spending more on plants, pets and nature-inspired Pinterest searches than ever before.

Brands are no longer going to get away with tree planting or recycled bag initiatives to jump on the environmental bandwagon. Not that those are bad things per se, but they are definitely not enough. Consumers today expect brands to play at a much higher level.

From apprehension to activism, brands need to stand up and lead by example if they are to favour respect.

Revolutionary brands like the California-based clothing company, Patagonia have gone as far as featuring a new clothing tag that reads, "Vote the a-holes out" on their 2020 Clothes tags, in an attempt to stand up to climate deniers and encouraging its customers to hit the ballot boxes last November in the Time to Vote campaign. What's interesting however was that Patagonia's political tag actually went viral not after self-promotion but rather after a Twitter user posted a photo of the short's tag on Sept. 11. Such is the power of brand activism. Your customers will notice your efforts and will be more likely to become advocates if your values align with theirs.

The climate revolution must be fought by consumers and brands together, through the choices made, the campaigns created and the stories retold. History will not look back kindly, at those brands who are caught with their pants down on the wrong side of this protest.

Enthusiasm

It's only been a few days since Britain hailed a turning point in the fight against the pandemic, as it began the biggest vaccination programme in the country's history with a new Covid-19 jab. At the time of writing, the US Food and Drug Administration has authorised the Pfizer-BioNTech coronavirus vaccine for emergency use. Whilst the larger markets have been largely favourable of the approval of the vaccine, the industry is aware that 'vaccination-mistrust' will be the next hurdle to overcome. Despite the concerns, consumers the world over are showing great excitement towards the eminent recovery plan, and that excitement will be satiated with brand consumption at some point. Forecasts for a somewhat return to normal with minimal restrictions are expected to appear around early Spring, but confidence is already starting to set in.

Spring is the time for new beginnings, and brands must herald this wave of customer expectations with a renewed sense of excitement. Even a simple visit to the supermarket without a mask will restore feelings of enthusiasm, potentially it will also induce an increase in spending. Brands would do well to explore ways in which to elate, exhilarate and arouse customer passion and zeal. Markets which experienced the so called 'lockdown fatigue', will be seeking ways to re-inspire their lives, looking for ways to create new memories. Customers are expecting innovation to seek new and better ways of satisfying new as well as dormant needs. Audiences will be more likely to explore new brands or well known brands with updated offerings in an attempt to quickly forget '2020'. Businesses who have not reinvented themselves, invested in their brands or sought new competitive ways to be at the top-of-customer-mind, over the last 10 months, will likely fade in the background never to be seen again, as customers will see them as part of the past.

Beyond the Covid exit, 2021 will be remembered for the year of Brexit (deal or no-deal), as well as a new US Presidency. Two world changing events which are likely to bring with them a great deal of anticipation and a fresh sense of recovery. We have already started to see a beautiful wave of new entrepreneurs bringing new concepts and new ideas to the markets and I predict that this is just the start. Human nature's default settings of 'fight' or 'flight' will see many of those with their backs against the wall push forward enthusiastically to create new businesses, new brands and possibly completely new and compelling product categories. 2021 will be an exciting time to be alive. Brand owners need to decide whether to be tagalongs or drivers in this new game.

Scroll through your Instagram or Facebook feed today, the higher percentage of brands that you encounter will be brands you have never heard of in your life. At a time where the barriers to entry for any market category have been slashed, where access to complex marketing tools are at reach to all, it is the investment in brands that create love at first sight that will crown true winners.

Fun, optimism and playfulness will take centre stage as core themes of a number of campaigns yet to come, however brands will need to play their cards very carefully and avoid looking over-the-top. Many customers will still be struggling on reduced take-home remuneration for at least another 18 months.

Corporate enthusiasm is also likely to force market consolidation to cater for a shrunken markets. On a business to-business level, we are likely to see some newly formed allegiances that should add value not only to shareholders but primarily to corporate customers too. Having said that investors need to chart their course with care. Leaders must be mindful. Whilst merging balance sheets and sharing costs might lead to profitable operations, aligning cultures and values between workforces can lead to fireworks of the un-celebratory type. Newly formed C-suites of new ventures should not enforce cultural traits on newly acquired businesses but rather attempt to define entirely new principles that should serve new ventures. Novelty should be met with enthusiasm, that is marketing's job. Living up to brand promises is the responsibility of everyone involved.

Finally, New Year's day on January 2021 will herald more than just a new year, but also a time to unleash new potential, new creative thinking and a chance to realign our new strategies with our newly discovered sentiments of what truly matters to us. As businesses, as leaders but most of all as humans. 2020 has thought us many lessons, that we should never forget: to lead with purpose, to keep a pulse on the market and to learn how to pivot at the right pace.

Next:

How One Big Step Can
Fix Maltese Media And Politics

Local media

Chris Peregin | CEO, LovinMalta

How One Big Step Can

Fix Maltese Media And Politics

Local media

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It's easy to feel disheartened about the political situation in Malta.

The island is deeply divided and colonised by corruption.

Meanwhile, our hard-earned reputation that used to give us economic stability is quickly evaporating into thin air.

But if we take the time to understand what got us to this point, we might find that the solutions are less daunting than they appear.

Sometimes you just need to diagnose your illness properly and administer the right medicine for the pains all over your body to melt away.

So let's zero in on the problem and then explore the treatment.

Back in 1991, Malta's Parliament passed a law that would change the country forever.

The offending law was the Broadcasting Act of 1991.

It was authored by the Nationalist government which had been ushered to power after one of the darkest periods in Maltese history.

At the time, Malta had only one TV/radio station, Xandir Malta, which the PN argued was captured by the Labour government. Reportedly, at one point, Xandir Malta even refused to mention the Opposition leader by name, let alone give him any actual space.

In fact, the Nationalist Party retaliated by broadcasting illegally from Sicily to create a semblance of balance.

So after winning the 1987 election, PN tried to fix things.

First they attempted to reform the national broadcaster, but it was an uphill struggle. How do you just inject impartiality into a captured culture? If you populate it with your own people, you'll end up with the same problem, just reversed.

Therefore, the PN decided to liberalise the media sector completely by offering broadcasting licenses for the first time, introducing the concept of media pluralism.

However, the legislators made a key mistake. They chose to circumvent a profoundly important clause of our Constitution which demands impartiality.

Article 119 of the Constitution says that it is the function of the Broadcasting Authority "to ensure that, so far as possible, in such sound and television broadcasting services as may be provided in Malta, due impartiality is preserved in respect of matters of political or industrial controversy or relating to current public policy and that broadcasting facilities and time are fairly apportioned between persons belonging to different political parties".

Under the Labour governments of the 1980s, this aspect of the Constitution was actively breached by having one-sided broadcasting on Xandir Malta.

But when PN took over, instead of enforcing the Constitution, they made the mistake of giving up on it.

Worse still, they tried to override it by introducing a proviso in the Broadcasting Act to allow the Authority to consider "the general output of programmes provided by the various broadcasting licensees and contractors, together as a whole".

This proviso ultimately permitted the setting up of Super One and Radio 101, radio stations that belonged to the Malta Labour Party and Nationalist Party respectively.

Instead of ensuring impartial broadcasting as per the Constitution, this proviso permitted partisan broadcasting on the premise that these would cancel each other out. Effectively the proviso assumes that if two entities breach the Constitution, it's not actually a breach.

It must be said that the Labour Opposition of the time was vehemently against this proviso, even though today the party defends it with equal vigour.

Within a few years, the radio stations became TV stations, One TV and Net TV.

Suddenly, an entire generation of people grew up on a diet of three TV stations: a neutered TVM, flanked by two propaganda stations owned by Malta's two major political parties.

Instead of respecting the Constitution's vision of due impartiality in broadcasting services as much as possible, Malta was left with the complete opposite. A total dominance of propaganda disguising itself as news and perverting the fourth estate.

This led to an entire generation of people being brainwashed to think only in terms of red or blue. Two distinct echo chambers thrived over journalistic integrity.

The situation is often laughed off as a joke even today.

"Look, these guys think everything in Malta is good and these guys think everything is bad," we tell our children when they come of age and start watching the TV news.

We like to think that the transparency of this perversion makes us immune to it. But it doesn't.

We are still groomed to pick sides and start believing one station more than the other, until we see the other party as the enemy of truth.

Instead of enjoying our Constitutional right to trust in factual and impartial news, we are systematically trained to accept that there are no facts, only political narratives - and that we must choose between one or the other.

Worse still, we are only exposed to two narratives which can at any point merge into one to give an impression of complete consensus or unanimity. The parties can conspire to make us believe something, and it becomes almost impossible for us not to.

One example of this is the Broadcasting Act itself. Instead of protecting our Constitutional rights to impartial broadcasting, the parties conspired to make us believe that there can be no such thing as impartiality and that the two stations can (and should) balance each other out.

Today the parties continue to maintain that narrative. They say political party stations - which appear nowhere else in Europe and are specifically banned by a large number of EU countries - are actually good because their ownership and agenda is transparent.

Although the parties try make us believe that we are somehow immune to this onslaught of propaganda simply because we know that PN owns Net and Labour owns One, we are not. And our political discourse is a testament to this.

Thirty years later, the country is more divided than it was in the 1980s.

But division is only one consequence of this perverse situation.

The second big consequence is misinformation. And it is not only the direct misinformation (otherwise termed 'disinformation') deliberately spread by One and Net.

It is also the lack of information we get from other sources as a result of their dominance. We like to think we have a rich and thriving media sector, but due to the potency of TV, this is not really the case. Our independent media is overshadowed by political media.

One and Net have now spent decades dominating press conferences, elbowing out real journalists.

Politicians then use each other's party reporters to diminish important questions and escape having to answer them. In fact, politicians themselves have grown up to believe journalists are on one side of the fence or the other, brushing off legitimate questions as part of a political agenda.

Meanwhile, the party stations absorb a huge share of advertising budgets that would otherwise go to independent media. As a consequence, the independent media houses are less able to invest in journalism, training, specialisation and distribution of content.

Worse still, politicians go out of their way to undermine independent journalists, claiming they are just political operatives disguising themselves as journalists - ironically when the party reporters are actually political operatives explicitly posing as journalists.

The end result is that the Maltese public is unable to make a distinction between impartial news and propaganda.

It is no surprise then that the Maltese public consistently replies to Eurobarometer polls by saying they do not trust the news media.

How can you trust the news media when the vast majority of it is run by political parties who are themselves constantly sowing the seeds of mistrust against independent media?

So not only have Net and One left us completely divided from birth, but they have also ensured that we are more misinformed.

But it doesn't stop there.

Worst of all, Net and One have also corrupted our entire political system - not just in terms of our ideas and discourse, but in terms of real hard cash.

TV stations are extremely costly operations.

To give you an idea of just how costly they are, when Covid-19 hit, the government decided to give each station €90,000 per month just to make up for lost revenues.

The entire operation is likely to cost more than 10 times that amount. We cannot know for sure, because they haven't published their accounts (which they are obliged at law to do) for more than a decade (and get away with it).

However, TVM gets €6 million a year in government funding, over and above all the advertising revenue it generates.

In other words, to compete and remain relevant in the TV space, the political parties must raise millionseach year.

This is not something they had to do before owning their own TV stations.

All political parties around the world collect donations to cover their costs. But none of them have to collect millions more every year - over and above that - to cover the expenses of running a media empire.

The second they set up TV stations, our political parties became business entities. And this has corrupted our entire political system ever since.

Instead of political parties owning TV stations, what we really have today is TV stations owning political parties. The media companies are bigger than the parties: they employ more people and burn more cash.

In fact, before the parties can think about policy, they must think about paying their media employees.

The fastest way to do that is to have big donors who are ready to keep the money flowing month on month. So that's what the political parties do: they court big business owners for donations.

And so Malta has ended up in a situation where a dozen or so wealthy families and corporations are able to turn the tap on and off for our political parties in a dangerously quick way. Remember when Seabank did this to Simon Busuttil?

All it takes today to bring a political party to its knees is for its key donors to stop paying.

You might say this is the case for all political parties around the world, but there is a crucial difference.

Maltese political parties are much more exposed because they do not only need to fund normal political activities, they have to fund entire TV stations.

Effectively, politics in this country has been reduced to a choice between two badly managed media companies that, by definition, breach our Constitution. And each of them is propped up by big businesses who can pull the plug at any time.

And despite all the money they get from State funds and advertising, from big donors and from advertisers, they burn through that money at an alarming rate.

This is partly because they are mismanaged by politicians, not business people. They are guided by ego, not business intelligence.

But it's also because it's not easy to run a profitable TV enterprise and a political party. And when there's your election on the line, it's easy to justify overspending.

Today we have two party stations that try to outspend each other, bankrupting themselves in the process while making each other more dependent on big business donations.

It was perhaps difficult for our legislators to predict all of this back in 1991 when they were trying to solve the problem of Xandir Malta.

But it should not be difficult for us to understand this problem with the benefit of hindsight and fix it accordingly.

Even former Prime Minister Eddie Fenech Adami had said in 1998 that party stations were a "transitional phenomenon" and would cease "after a period of time as the management of politics matured".

Which begs the question, is this the time for the management of politics to mature?

Our starting point should be the Constitution.

If it demands impartiality in broadcast news, we should try to respect that as much as possible, not design an entire system to violate it as deliberately as possible.

Next year, Lovin Malta will file a Constitutional case demanding that the Broadcasting Act's proviso on balance is declared anti-Constitutional.

This should not be difficult for our courts to do because the Constitution is really quite clear. Even our 1991 legislators predicted that their Broadcasting Act could one day be challenged successfully in the Constitutional court.

Once this court case is decided, the political parties will have to choose whether they will agree to a mutual disarmament of their stations or whether they will persist in, now even-more-explicitly, breaching the Constitution which it is their duty to protect.

It won't be the first time they act with total hypocrisy. Just think of the fact that they have spent more than 10 years not publishing their own accounts while claiming to believe in transparency.

But no matter how long this fight takes, it is a fight that has the Constitution, the European Convention of Human Rights, basic Western democratic ideals and the wellbeing of our society on its side.

In fact, it's only a matter of time until this status quo changes. And so the real winners will be those who change first and with their credibility in tact.

This is where things become hopeful.

It's taken 30 years for this pervasive and perverse situation to be challenged.

But thanks to the donations of hundreds of people who supported the campaign launched on our online show Kaxxaturi, this is happening.

Hopefully this action will inspire other actions to take place with the same vigour and force.

The reason people supported this campaign is because they know what the country could look like if One and Net did not exist the way we know them today. Unshackled from political ownership and obliged to follow the law like everybody else.

Our political parties would go back to being political parties: groups of (mostly) volunteers who get together to think of ways to improve the country.

Independent journalists will start to find their voices again and will be more aware of their obligations towards truth, impartiality and objectiveness.

And so will the public, who will finally stop being constantly brainwashed by propagandistic news.

It may be too late for our generation, but imagine the future generations who could grow up in a country without such political blinkers?

Imagine what our country will be like when media owners will be able to compete in a fair environment. Instead of competing for advertising with companies who can also sell political influence, they will be able to compete on a level playing field, allowing for greater revenues to be invested in better journalism.

More importantly, it would remove the stronghold of corruption where it matters the most. Because big businesses will not have political parties by the balls anymore and investigative journalism will not be so undermined and underfunded.

There will, of course, be other issues that will need to be addressed.

Political advertising on Facebook is next in line to become better regulated (although we have already made some steps forward on that front).

Government advertising should also become strictly regulated to ensure it is not used as a carrot and stick against independent media. Perhaps it should be administered by an autonomous entity that seeks to maximise taxpayer money instead of government's re-election.

TV in general will need to be reformed to ensure TVM cannot ever be captured by the State and it is not the only source of TV news in the country. Private entities will need to step into the TV space - something that will be possible only once there is a level playing field.

The Broadcasting Authority will still need to be reformed. Today it is also captured by the two political parties and does not have people representing any other interests, such as civil society.

Proper media literacy will need to be taught in schools - something that cannot be done now

unless we want to teach students that party media stations are acceptable.
A law to protect the rights and integrity of journalists should also be enacted to reverse some of the damage caused to the profession in the last 30 years.

But these are all natural steps that will take place once the first step is made: the end of party stations in Malta.

This singular move has the potential to trigger a renaissance of Maltese media and politics.

For a nation that has lost its global reputation and economic edge because high-level corruption led to the murder of a journalist, change cannot come soon enough.

Here's to 2021, and the urgent positive changes it has the potential to bring about.

Next:

Competition Law finally gets teeth: **time to pay attention!**

Competition law

Dr. Gayle Kimberley | Senior Associate, GVZH

Competition Law finally gets teeth: **time to pay attention!**

Competition law

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Most businesses in Malta do not take complying with competition law seriously. This is a mistake. A conversation between two salespeople from competing firms can be a breach of existing law, as can something as simple as an exclusivity agreement with a supplier or a client.

However this apathy is also understandable for a number of reasons: 99% of Maltese businesses are micro enterprises without the resources to dig into understanding compliance with competition law nor perhaps any understanding about what it is or why it's relevant to them.

Secondly, the Competition Office in Malta has not issued a single fine to date so an appetite for compliance with competition law has understandably been rather lacking up until now.

But now is the time to start paying attention. Two new European laws - the Competition Damages Directive and the ECN+ Directive - are about to make their mark here in Malta and if you are not compliant, the stakes are about to get a lot higher.

The good news is that compliance will ultimately benefit your business in other ways: for example, employees are likely to prove more loyal and the valuation of your company is likely to be higher.

Here is a little bit more about both pieces of legislation and how they affect you:

The Damages Directive[1]

To give competition policy more teeth, the EU Commission introduced the Damages Directive to allow victims of anti-competitive practices to claim compensation for their losses in local courts.

This means that since 2016 in addition to traditional regulatory fines, private companies may face damages from individual citizens claiming compensation for breaches of law.

Thanks to this Directive, litigation has become a realistic option for smaller companies, SMEs and consumers who can sue for actual loss, and for loss of profit, as well as the payment of interest.

The construction industry has already fallen victim to this legislation in Finland, where a cartel was broken up and punished with fines.

But it didn't stop there.

A third party – a local council – successfully sued those companies for damages. This meant that the companies were ordered to pay damages to the local council, as well as the fines to the national authority.

What's more, victims have at least five years to bring damages claims, starting from the moment when they discover that they suffered harm, which of course could be way beyond the date of the actual infringement. In short, you could be sued long after you have paid your fines.

ECN+ Directive

This ECN+ Directive is quite momentous, especially for Malta. In summary, the directive supercharges the ability of Malta to apply European competition law and enforce it like never before.

This will bring much needed attention, resources, and power to our local Competition Office in Malta. This Directive is expected to be transposed into Maltese law by 4th February 2021[2] and these are the main areas of focus:

a. Independence and Resources

Our Competition Office will now have to be given sufficient resources and "full independence" in the spending of its budget for the purpose of carrying out its duties. This is critical for Malta as the lack of resources is possibly the major factor limiting our Office's proper enforcement of competition law in Malta.

B. Powers

The Office will also be able "to conduct all necessary unannounced inspections of undertakings" for the application of competition rules including the power to enter premises, to examine any documents related to the business of the company, to take or obtain copies of or extracts from information in that respect, to seal premises, books or records, etc. This power to conduct "unannounced inspections" extends to the homes of staff or management of the company under investigation to obtain any company documents kept there, with the prior approval of the Court.

The Office will now be able to access any technological device such as external servers and cloud services of the undertaking being inspected. Finally the Office will also be able to obtain information from any persons who are or were concerned in the management or control of the undertaking such as any individual which used to work for the undertaking under investigation including temporary or permanent employees, consultants, volunteers and professional advisors.

C. Fines

With the new law the Office will be able to impose fines of up to 10% of a company's worldwide turnover as opposed to the turnover generated in Malta on the affected market for infringements of Competition law.

D. Leniency

Finally, the much-anticipated leniency rules will be introduced into Maltese law, rules to encourage businesses to disclose their participation in a cartel, by offering them the possibility, for example, to reduce the amount of any fine.

All the above clearly demonstrates new opportunities for compliance and efficiency and of course, increased risks which include spot-checks, private litigation and drastically bigger fines for infringement.

Plus, as of February 2021, the local competition enforcement authorities will be considerably beefed up.

So how can businesses mitigate this risk?

Across Europe, especially in those countries with an effective competition policy, businesses are embracing competition compliance programmes. This is an easy, cost effective and pre-emptive strategy which businesses are adopting to address the risk of potential competition infringements and associated fines and litigation.

Benefits of compliance programmes

Competition law compliance policies or programmes do not need to be complicated and costly, and they go a long way to demonstrating a company's commitment to competition compliance. The programmes may also be beneficial to the company in helping to limit its exposure to fines, reputational damage, and litigation. A credible competition compliance programme demonstrates a commitment to integrity, which in turn attracts higher quality resources. It also enables a company to prevent and detect any potential issues in good time.

A competition compliance programme will educate employees, make them think about their actions especially in a small economy like Malta where salespeople of one company speak to the company's competitors or attend trade association meetings or industry conferences. It is important to note that any discussion amongst these salespeople of prices or business plans, for example, no matter how well intended, could land the company in trouble.

Other risks such as exclusivity arrangements entered into over a protracted period of time, joint selling or purchasing agreements, the sharing of sensitive confidential information, and any resale restrictions imposed on distributors, agents or customers could also be problematic so a compliance programme would help you address these issues in a way to ensure they are implemented in compliance with competition law.
A credible competition compliance programme should incorporate certain elements such as public statement about the company's commitment, identification of risks, mitigation of risks and ongoing review.

Finally, compliance programmes have been proven to enhance a company's resale value. This factor is particularly important given the tendency of consolidation in the market. OECD studies have shown that by adopting a credible compliance programme, businesses are viewed more favourably in the eyes of potential buyers which translates into a higher sales valuation. This is understandable particularly in view of the new Damages Directive above described, as no potential buyer would want to acquire a company with a risk of litigation going into several years. A compliance programme pre-emptively instils a culture of compliance in a company and its employees and mitigates the risk of infringement.

Next:

Building our own Marshall Plan:

Sowing the Seed for a Recovery in Tourism

Tourism

Andrew Arrigo | Director, Robert Arrigo & Sons

NEXT 12

Building our own Marshall Plan:

Sowing the Seed for a Recovery in Tourism

Tourism

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As the COVID-19 pandemic developed into a worldwide economic downturn, it is safe to say that one of the major victims of the pandemic has been the tourism industry. Whilst getting to grips with the challenges and inevitable repercussions it brought upon the trade, the words of Winston Churchill "Never let a good crisis go to waste" kept echoing. We cannot do anything about what COVID-19 has done to the trade, but what we can do, even more than just merely being prepared for when a recovery occurs, is to use this time to shape the future of the trade post COVID-19 and long term.

Every World crisis saw the creation of a vision for the future and the initiation of a framework to establish a recovery from the hardships of such a crisis and seek to have the proverbial phoenix rise from the ashes. In many a conversation I had during this pandemic, many have raised parallels between World War II (WWII)and COVID-19 both contributing to bringing the world to a complete standstill and people seeking refuge in their homes whilst the front liners battle the enemy. This parallel is ever so relevant in what the future is going to be: just as the world as we know it changed because of WWII so will the world, and in particular the tourism world, change because of COVID-19.

The trade (and this may sound right for all trades affected by the pandemic) needs its own "Marshall Plan" which goes beyond mere access to Government aid. Aid is a mere means of survival and resuscitation – a form of nursing back to health and avoid demise. It can never be the catalyst to recovery. A path for where one needs to go in the immediate future as well as where one wants to be in the next 5 to 10 years needs to be set both in terms of vision and what is needed to achieve such vision.

One can see the evolution of the industry and the success of destination Malta in the investment on three pillars:

- Connectivity & Competitiveness
- The Quality of the (Malta) Experience
- A re-adaption of the business model

Connectivity & Competitiveness

The development and adaption of Destination Malta within the pillars mentioned all start from the first step of maintaining and achieving connectivity. As an island we depend solely and exclusively on good connectivity. This is crucial both in maintaining the key source markets that traditionally characterised our tourist arrivals but more importantly, within the current scenario of a restart, as an opportunity to develop new routes and establish new source markets. A diverse source market base allows for a swifter recovery as well as curb dependence on certain markets. One cannot thrive with a "one size fits all" mentality where what works for one client base must work for the rest. New markets mean new demands and new expectations thus triggering the need to develop product to cater for that demand with an adequate supply whether it is in competitiveness of pricing, standards, flexibility as well as quality of experiences whilst holidaying in Malta.

To be competitive, you need to be connected and to be connected you need to be competitive. The two are interlinked. The links of the chain do not stop there as price needs to match quality and quality to price ratio is essential in analysing destination competitiveness. The Price to Quality ratio was often ignored because of increasing numbers resulting in Malta being deemed as expensive. Travellers do not choose other destinations solely on price but whether the overall product justifies the price paid and this is the question each stakeholder needs to candidly ask themselves to then determine the next steps moving forward.

Competitiveness requires the revaluation of the meaning of what the demand is and what supply is needed to cater for that demand. A case in point is family travel where Malta lags, and although it may come as a surprise to some as we do market ourselves as a family destination, it should not. The bed stock of Malta is very limited when it comes to family sized rooms meaning families need to revert to two rooms opposed to one room (and thus a higher cost) compared to more family-oriented destinations where the supply of stock for such a market is available. The analysis is beyond the room configuration and size, but it is a holistic exercise involving all stakeholders with suppliers, intermediaries, and government entities to create a family tourism-oriented infrastructure.

The Quality of the (Malta) Experience

Destination relevance can be obtained, maintained, and grown only if you have a strong product to back it up. Whilst the potential of destination Malta is second to none, there is a dire need to use this time for a revaluation of where we are and what we want to do and be as a destination. At the same time, we need to be realistic as to what can be achieved. The elephant in the room has always been the quality of client experience despite growing numbers and record years. Improved quality does not necessarily mean shifting to lesser traffic with higher spenders in 5- and 6-star hotels – we are not and will never be that type of destination. We are only as good as our weakest link and pre-pandemic; quality was not high on the agenda and was always side-lined, making us unable to cater for that type of clientele. There is the need to safeguard the existing client base and complement such with new markets to enrich the diversity in creating a more balanced and sustainable approach. Without a good quality base, one will lose the existing client base and fail to be able to venture into higher end tourism. Quality is measured in several different ways where price is not the


Check-In
Beyond this Point

deciding factor and it is these fundamentals that would build a qualitive experience.

Nurturing a customer focused mindset and development of core competencies

It starts with the simplest of things: bringing back our hospitable nature to the centre of our product identity. Good customer service goes a long way and is not something just for higher end establishments – it must be consistent and proper in every aspect of a customer experience irrespective of their spending capabilities. Whilst getting to terms with the standstill that this pandemic brought, the recurring comment was how one misses their customers and would do anything to have them back. Today customers where lost temporarily due to a pandemic, tomorrow they will be due to lack of proper service as opposed to competitors who put customer focus at the centre of their service. Let us learn from this and be appreciative of the customer and build the culture that good service brings and maintains business, after all tourism is dealing with people's emotions and is a time of happiness. No one wants to go on holiday to be serviced by an unapologetic, angry, and unhappy environment.

Proper service goes hand in hand with adequate skills and competences. Specialised training and the creation of competence within roles required and a skilled set up is crucial to be able to have a solid base of options to meet the requirements of the present and the demands of the future. Taking a parallel from team sports, a successful championship winning team is made up of members (players and non-playing members) who have developed their specific skills through training. To compete and be at the top you need to always work on your game to ensure you are better than your next challenge. As one competent of the team fails, the whole collective fails.

One can achieve competitiveness, connectivity and market diversity combined with the necessary infrastructure but if one does not have the skill sets to sustain such, then it is counterproductive and short lived. Identifying the required skill and having the tools to build said skills is crucial and can be defined in three forms: re-skilling and re-purposing of existing personnel, building a new generation of travel trade participants, and implementing IT to fill in gaps where needed.

(re)classification and standardisation of product

Current classification methodology does not provide a level playing field between properties which are perceived as being of the same standards when both in terms of quality and price, they are not. Re-classification will re-calibrate the price to quality ratios and manage client expectations better. It will also serve to fill gaps in the market, whether it is in the form of upgrading or repurposing the product. It will also trigger the downgrading of one's rating to match client expectation when comparing like with like but then overcompensating with amenities usually associated with hotels of a higher category (for example downgrading an older 4-star hotel to a 3-star hotel offering a 3-star quality product and price with 4-star amenities).

In parallel a new standards policy will emerge using a market accepted model that can create uniformity of standard and ratings. Said standards would consider market realities and the model would see its revisiting of criteria periodically to ensure relevance. Furthermore, the requirement to maintain standards would see a natural reduction in the players on the market and by consequence address over supply.

A re-adaption of the business model

Remaining stationary and not evolving is the antithesis of what tourism is. It is a nomenclature when tourism players identify dynamism as one of the attractions of the trade whilst their business model is the opposite of dynamic. There is an essential shift from a concept of "reacting to demand" to a concept of "pre-empting demand". As seasons are planned well in advance, an essential skill is reading the behavioural patterns of the tourist based on factors such as health, socioeconomic, demographic, and political. Such a study can then determine one's product development and seeking new market opportunities, whether they are from existing or new business. Apart from studying the behavioural patterns to determine product, understanding changing technologies is essential moving forward on two levels: firstly, in assisting the determination of consumer trends and preferences using technology and secondly in the means of delivery of the product itself. This means that flexibility does not begin and end by loosening one's terms of business, it is broader than that. One needs to adopt a new understanding in terms of overall strategy and planning, product, and service development (whether new, existing, or upgrading) and then marketing. As COVID-19 thought us, flexibility in response to changing environments and realities however fast or slow that change might occur is essential moving forward. If one is not ready to be flexible, adapt and change then one needs to be ready to fail. Responding to the realities and changes in the market will translate into performance and the more one can handle changing trends and invest in its adaptability to such changes then the better the chance of its long-term survival both in terms of a COVID-19 triggered re-start as well as in terms of remaining relevant within the trade and ensure business longevity.

IT is a major contributing factor to the eventual success of a tourism business and its long-term survival, not within the context of online presence from a sales point of view but within the organisation of one's business and the path it takes. Stakeholders sit on tons of data: age brackets, their movements, spending power, preferences, likes and dislikes. Data that would make one understand the current behavioural pattern of the tourist. Digitized tools allow one to process such data cache in a readable format allowing for Business Intelligence and Data Analysis in establishing competitiveness, understanding your existing market base and potentials as well as areas of strengths and weaknesses. Gap analysis cannot be a one-off occurrence but a constant within the commercial and product development environment.

The relevance of digitization by all stakeholders goes beyond the business aspect where digitized tools together with a call for closer data sharing, would see Government entities and the private tourism sector in all its sub-strata share information to first and foremost understand our customer base (and our points of success and failures) but also to address and manage over-tourism. By collating and sharing data from all segments of the trade one can take note of the consumer behaviour, the foot traffic, where and when are places visited, what is over visited and under visited and why. Informed decisions through data monitoring and analysis can lead to the implementation of dynamic pricing on attractions to incentivise and guide customers to visit more (and lesser known or visited) attractions and provide for a better overall experience of the destination offering and at the same time addressing overcrowding at sites. One would also use data analysis be to address targeted marketing, introduce innovative products and new attractions but also address over-tourism by placing a supply side limitation in smaller, more precious attractions both from an attraction level but also when it comes to natural resources. One must widen the scope of digitization to merge with other industries that inter-relate with tourism. Data sharing with the transportation sector (public and private) can establish and find ways how to manage traffic better and have smoother travel experiences to get from point A to point B or how to tackle the traffic flow of airport arrivals/departures with the traffic flows of the local population to pre-empt and solve bottlenecks rather than create them.

Flexibility in the customer booking journey (and its terms and conditions) will be the new key determining factor as to where and with whom a tourist will book their next holiday. Rigid terms in return of lower price offerings and increased discounts, such as non-refundable discounts, will not translate into the same booking conversions they experienced in the past. Rather, it would be reassurance of having terms and processes to cater for any eventual inevitable circumstances that can affect one's travel plans that would play a decisive role. This would thus bring a resurgence of traditional tour operators selling packaged holidays (supplied by locally driven destination management companies) in lieu of opting for self-booking using OTAs and price consolidators. There will be a newfound value in booking travel packages rather than buying each element in isolation: that of peace of mind when it comes to in-resort assistance, crisis management, local knowledge and more importantly protection in case of adverse circumstances, both emanating from law and from the company policies the operator would have undertaken.

Conclusion

Tourism does not afford to be an ostrich in the face of fear and adversity. Digging one's head in the sand will not resolve any of the challenges ahead. It will also render one incapable of seeing the opportunities that come. Sooner or later travel will resume but one needs to be ready more than ever to be relevant and capable. So, let us not be an ostrich.

Next:

Reputation is key

Gaming

Dr. Trevor Degiorgio | Chief Legal Officer, GreenTube Group

Reputation is key

Gaming

Dr. Trevor Degiorgio | Chief Legal Officer, GreenTube Group

2020 has been a tumultuous year for the online gaming industry on many fronts. The year that has passed has confirmed the increasing trend of regulators placing compliance and responsible gaming at the forefront of the manner in which they interact with their licensees. COVID has also present its challenges to operations, namely in how online gaming operators conduct their day to day operations with most of their staff at home. Closer to home we have seen that Anti Money Laundering enforcement has also come to the forefront, maybe a bit late in the day and possibly pushed by the threat of grey listing due to the Moneyval report, however in my eyes this is a much-needed development to start improving once again the reputation of Malta as a gaming jurisdiction of excellence, a hub from which one can conduct operations.

Reflecting on 2020, possibly the most significant international development has been the impact of regulatory action by regulators on their licensees. We have seen the United Kingdom Gambling Commission (UKGC) impose numerous fines or accept regulatory settlements to the tune of six or even seven figures – and this for operations going as far back quite a few years. Even the Spanish Regulator (DGOJ) has imposed fines on its licensees during the course of 2020.

This has led to operators investing heavily in strengthening their compliance and responsible gambling teams as well as working hand in hand with third parties in developing or optimising tools to enhance operation in these fields. There has been some considerable innovation in these areas and we are now seeing more tools which cater for the different needs of operators on these fronts with possibly the next step being M&A activity in order to increase optimisation and efficiency in this field. Nowadays one can say that in the maturity cycle of the industry we have reached the stage were compliance is king. compliance officers nowadays sit at board level in order to provide the necessary strategic oversight and analysis on the various developments taking place in this field. What's more, Regulators actually expect this.

Getting back to the fines, regulators need to take the necessary action in order to ensure the reputation of the jurisdiction for which they are responsible. However what we have also seen is that some regulators tend to close themselves within the four walls of their offices without establishing communication channels with the industry they regulate. It is here where I mention Regulators such as the Malta Gaming Authority, the Gibraltar Gambling Commission and the Alderney Gambling and Control Commission which keep effective communication channels open with their licensees. This does not mean that no enforcement action is taken by these regulators, on the contrary. But, by having an open and transparent communication channel open with the industry then it's easier to work together in order to enhance the player safety mechanisms for players and ensuring that the industry continues developing.

Having regulatory changes and developments in this area being driven by enforcement is not the ideal scenario in my view but rather we should be seeing such changes being driven by innovation.

One cannot forget that the online space is not solely occupied by operators who have licensees from the respective jurisdictions which they target. We are aware (and regulators are also) that rogue operators are out there. Said operators are unlicensed and target various jurisdictions with a product which in many cases is a copy of the product of lawfully licensed operators. This is a double whammy for legitimate operators who not only see their intellectual property (IP) being ripped off but also suffer reputational damage because these games will usually have a much lower return to player (RTP) rate than the actual originals. One hopes that more action is taken on a regulatory front by the different gaming regulators but also at a European Union level since little to nothing has been done to protect said IP.

Speaking of the European Union, one needs to note that there has been no signification action from its end since April 2018 when the European Commission adopted a decision requesting the European Committee for Standardisation to draft a European standard on reporting in support of online gambling services by the different EU Regulators. On this front we have not seen any significant action and couple this with the fact that in December 2017 all infringement procedures against Member states in the field of online gambling were closed. Such a step encouraged the fragmented and individualistic approach to regulation which EU Member States have taken. The implications of this have been to see different regulatory regimes rolled out with different licensing requirements. This means that operators need to adapt their systems to the different requirements for each jurisdictions. The impact of this is immense. It is an unfortunate reality that very few people understand the development effort required to adapt ones platform to suit the needs of every single regulator. The effort is both financial and also human. Furthermore, for certain markets, one actually questions the business reason for actually obtaining a license leading to fewer operators being present and leaving the door open to the rogue operators establishing a strong black market to the detriment of the jurisdiction and its citizens.

Is the regulator at fault in the above case? In all frankness I think that it's the fault of the legitimate operators who do not do enough to push through the immense work that is being done in the fields of compliance and responsible gambling but rather shy away and do not counter the negative press. This means that the politicians who actually enact legislation only receive one side of the story and not the entire picture. Finally we are seeing, in the UK, that the Betting and Gaming Council (BGC) is being more proactive in its communication strategy, including its fact checking of news stories on the gambling sector. This was much needed and very welcomed by the Industry. Hopefully one sees more of this not just in the UK but in other jurisdictions in the years to come.

Furthermore the above has an impact on innovation in the sector. By establishing such a fragmented approach in the European Union we are now seeing less and less start-ups entering this field. Start-ups sometimes act as disruptors to our sector and lead to innovation in the field. Not only, but some start-ups do make it and this leads to M&A activity in the sector, in particular in order to obtain growth but also innovation. The real impact of this will only be felt in a few years' time as it becomes harder and harder to obtain organic growth for existing legitimate operators.

On a local front 2020 may be classified as the year of Moneyval, i.e. the realisation that the reality of a possible grey listing of Malta as a jurisdiction finally hit home. This has led to much needed change to the manner in which the regulatory and enforcement action on Anti Money Laundering (AML) front was handled. Some might argue that we went from one extreme to another, but considering the hits on our reputation as a country this shock treatment was much needed. The continued onslaught of reputational damage due to numerous corruption cases, conflicts of interest, abuse and the murder of Daphne Caruana Galizia have taken a toll on this country and one hopes that the Government takes the necessary action to restore the reputation which as we well know takes a long time to build up but can be lost almost instantaneously.

That being said the impact on the daily operations of operators in Malta has been hampered in particular by the reluctance of local banks to continue servicing the industry and this possibly in part due to the de-risking exercise being carried out by said banks in light of the developments linked to the Moneyval report. Said reluctance is leading to an increasing level of frustration within the Industry and one sincerely hopes that concrete action is taken by the relevant authorities to alleviate the pressure on Malta based operators.

In 2021 we should expect more consolidation in the industry as operators seek more growth. The acquisition of Net Ent (which had previously acquired Red Tiger) by Evolution Gaming has led to the creation of an all round games developer and supplier which should lead to other suppliers seeking M&A activity in that particular space. The negative press seen locally due to the manner in which the employees of Net Ent had their employment terminated was handled in a professional manner by all parties concerned and this led to an amicable settlement of the matter. Hopefully in the future, should such scenarios arise, we would see proactive steps taken by the relevant players and not reactive ones.

2021 will continue to see the impact from COVID on the sector. The lockdowns in numerous countries has meant that land based operations be it casinos, betting shops or slot arcades have shut down and these players have moved, to a certain extent, online.


Caravaggio

Those operators who have managed to migrate their land based player base to their online product have been the most successful in weathering the impact of COVID on their operations, however the industry is not out of the woods. The full extent or impact of COVID on the economy is yet to be felt and hence one needs to see what effect this will have on the disposable income of players. Operators need to have contingency plans in place in order to optimise their structures moving forward and face the reality of the impact of COVID. One cannot simply state that it will be business as usual moving forward. In fact we are already seeing changes in how operators are adapting to the new reality of work from home. Truth be told many operators have managed to successfully adapt to this reality albeit with some teething problems linked in particular to the needs linked to game development and the hardware required to do so. However in the majority of cases we have seen a successful adapting to this new reality. This should therefore lead to operators questioning the office space they currently have and the overpriced costs associated with it. Hopefully in 2021 we shall see more of a normalisation in prices for office space as well as for properties given that prices in this area, both to purchase and to rent are simply too high.

The main hope moving forward however remains restoring Malta's reputation. This needs to be foremost amongst all efforts being undertaken by the authorities in the country. Should our reputation continue to take hits then it is going to be another tough year not just for the gaming sector but also for other sectors. We cannot ignore this reality as some form of partisan politics but rather, the wellbeing of our country and its reputation needs to be approached at a national level and as a united front. Let us hope that this happens in 2021 for the benefit of all, not just the gaming sector.

Next:

An Unconventional
Approach to Retail

Retail
Christina Zammit la Rosa | EO, Zammit La Rosa Footwear Ltd & Founder, ZED Consultancy

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Approach to Retail

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Overview

The last time the world saw a pandemic was in 1918, so it is safe to say that we had no masterplan on how to respond, react, and deal with the situation at hand. We were forced to step out of our comfort zone of experience and a previously applicable wealth of knowledge to step into, essentially, the unknown. We bridged new gaps, followed a path full of resistance and based our decisions on unchecked variables. We all had to learn from one another, regardless of the sectors in which we worked, and everyone has needed to forge a new forecast for growth, throwing out the plans and targets all to be made anew. Our family-owned company, currently in its third generation, operates within the retail sector with a focus on footwear and shoe related accessories.

In the local scene, Retail was not the worst affected industry, however no single industry operates in and of itself. The tourism industry and complete lack thereof for months into the pandemic had a ripple affect across different sectors within the local community, both in terms of employment and in terms of income and cash flow.
The retail sector relies heavily on tourists willing to spend, as well as locals who have a steady stream of disposable income. Once employment shifted from stable to unstable, the spending power of the general population decreased; the lack of tourists and the effects of the shutdown were felt by a decrease in sales of more than 60% in the majority of retail outlets. Every forecast drafted in 2019 needed to be re-written and re-evaluated. Mapping out a bold and uncharted business plan was necessary if a company intended to survive this pandemic.
What we felt was needed, within the parameters of my family's company, was a complete redefinition of the products we offer and how we offer them, taking our unique selling points to the next level to place ourselves ahead of our competitors.

A Client Focused Approach

It is generally a given that most companies within the retail sector, whether clothing, footwear, house-hold or otherwise, have a client focused approach. However, during the COVID-19 pandemic, business owners needed to take a step back and truly evaluate their entire approach to cater for their clients' needs. The concern is twofold, due to the restrictions in place by the government businesses were obliged to restrict the number of customers allowed in the outlet and it was in their interest to cater for clients who were housebound, and therefore, would need access to their products in some other way, be it virtual or otherwise.

What our company has done is to essentially create a mobile shop, a shop-on-wheels which allowed us to push the boundaries of conventional business operations. Offering our clients options, making their entire process from start to end seamless and easy, maximising their confidence in the brand and minimising their efforts makes it more likely for them to become repeat clients. Our focus was on speeding up deliveries, while making refunds immediate and returns exceptionally easy, at no point in their online journey do they need to leave their house or place of work. This gave clients the incentive to follow the government directive of staying home, while also allowing them to shop and sample our products. By doing so we placed ourselves above our competitors, we offered a unique service that no other shoe retailer was offering neither before nor during the pandemic, making us entirely available to anyone regardless of whether they knew how to shop online or not. Our channels were in no way restricted to either our brick-and-mortar shop or our online portal, we were also available physically, *just outside*, our customers' homes.

Moulding to an ever-changing environment and catering to the needs to the individual, as opposed to the general population, is what defines the success of a company. We felt that it was within our remit to expand the identity of the brand, one that goes to the customer as opposed to the conventional method of the customer coming to the shop. If businesses operating within the retail industry intend to survive they need to be as malleable as the market currently is, bending and complying as necessary.

Going Digital

Bridging the gap between shopping in a brick-and-mortar store and shifting sales to online is a challenge, especially locally, for a few reasons. Firstly, since the island is so small and getting around is quite easy, customers tend to prefer going to the stores and enjoying the in-store experience rather than buying online.

Secondly, should they decide to buy online, the trend is to buy from foreign companies as they benefit from volume discounts to be either cheaper, faster, or more efficient. Often, we hear customers complain that something bought locally takes weeks to get delivered, and that invariably, ordering it online from overseas would have been faster.
Third, there is an added stumbling block, that a percentage of the population do not trust online shops or regard the internet as an anomaly, although they are a minority group and generally form part of an older generation.

Fourth and last, a lot of companies saw the effort to shift online to be an expensive endeavour or one that was futile. However, due to the pandemic these past few months have seen a surge in companies shifting online and creating online portals to combat the loss of sales due to the lock down and the closure of outlets. The sudden increase in online shops locally has seen a shift in perspective; COVID-19 has helped shed light on local online shops and instilled a desire to shop and support local small-scale businesses.

Once online, defining a unique selling point should be a company's main goal. Our online shop was launched well before COVID-19 struck our island; it was always a direction the company intended to take, knowing full well that the digital realm was going to take over retail. There is no denying that the younger generation is very comfortable with purchases at the tip of their fingers. This is the generation that needs to be increasingly catered for with each passing year. In addition, it was one of the first local retail outlets to launch an online shop in the footwear market locally, and so far, we are the only retail company to offer a delivery in under 20 hours. Having a unique USP ensures client satisfaction and retention, our same day delivery caters to the same sense of instant gratification that customers feel when shopping in physical outlets. This is especially important in a lockdown situation, where there was less *need* for shoes when people were not going anywhere. The brand needed to focus on the *want* rather than the *need* for various products.

There also needs to be the understanding that solely going digital will not solve all the company's problems, it is the execution of that process and the effort attributed to that endeavour. It can no longer be the case that an item bought from a European country arrives faster than a product bought locally. Maltese business owners need to rise up to the challenge of satisfying the consumers need for instant gratification all the while offering an air tight service.

Expanding the in-store experience

The need to shift focus from targeting customer groups to targeting individual customer needs was also felt in the retail industry. Clients are no longer able to enjoy the in-store experience due to regulations and restrictions, they can no longer linger in the shops to try on and strike up a conversation with the sales staff, instead clients are rushed and often hesitate to wander around the shop. Our strengths lie in the relationship struck between the staff and the client in a short amount of time, the ability to understand the needs and wants of the consumer before they themselves know what they need. Due to the pandemic this process is interrupted with the need to be in and out of the shop as quickly as possible. Therefore, retail outlets have had to reinvent the term in-store experience to now cater for their loyal clients, eager to spend, but who are homebound.

Retail business owners constantly struggle between the retention of clients versus their acquisition, which tactic to focus on and where to divert marketing funds and resources. The retention of clients allows for repeat custom and the possibility to strengthen brand loyalty. However, in an ever-changing scene, consumers in the 21st century are no longer keen on remaining loyal to one brand, but rather focus on keeping up to date with current trends. Consumer behaviour is no longer easy to track and observe. The acquisition of clients does not necessarily translate into retention, customers ebb and flow as often as fashion trends shift.

However, during the pandemic, consumer groups became more aware on how to spend their income and where, focusing less on the short-term gain and more on a long-term perspective. Their goal became focused on which company or brand could best serve their needs in a timely, efficient, and cost-effective manner; add this to a holistic shopping experience and the probability of cementing brand loyalty increases.

Shifting Perspectives

We have also seen a shift in marketing perspectives as companies have restructured their marketing messages to resonate more with a sense of positivity, motivational adverts and boosting moods rather than heavily product focused. The original decrease in sales was due to the overall shock of a pandemic, the period of shut down and the notion of quarantine.

We saw a reduction in sales for formal wear as consumers were no longer going to the office or attending events, leisure wear was on the rise and incentives to preserve mental health by taking to the outdoors was prevalent.

Therefore, creating a marketing campaign for formal wear was automatically redundant, we in no way wanted to remind our consumers that they were essentially 'trapped' indoors.

Instead, we focused on motivational messages, such as, feeling 'empowered from the ground up', changing the perception of the brand. This shifted the conventional use of footwear and inspired our consumers to want to feel empowered, motivating the general population to go out and venture the shores of Malta all the while keeping a safe distance and enjoying open spaces. This has been observed by all industries, a shift in mentality from spending to 'look good' to spending to 'feel good' have been seen across all sectors. The pandemic shed a light on the importance of slowing down and reeling in, taking a moment to stop and re-assess. Although this was felt more on a personal level, companies also felt the need to go through the process and re-evaluate their modus operandi and the way in which they were perceived by consumers. Various campaigns were targeted to reach every one of us on an individual level, social media users turned to influencers for product referrals and relied on their personal input. There has been an increase in the number of influencers, both with a small or large following, bloggers, and critics on all social media platforms.

Locally retailers also seem to be concerned with monitoring cash flow and ensuring sales by increasing their propensity to discount their products, moving away from the norm of having a set SALE period. This tactic essentially ensures revenue in that given period, yet it might also have the ripple effect of losing customer loyalty and decreasing sales in what were once strong months. Deciding to stand your ground and maintaining normal pricing tactics ensures that consumers will not fear losing out on a bargain should they decide to purchase your products. This lack of structure locally created a level of uncertainty in the industry with consumers questioning whether the product or service they desire will be discounted tomorrow or not. During these uncertain times it is only natural that business owners use all the tools at their disposal, however it might be worth taking note that sticking to a pattern creates a sense of ease in the market and allows for proper distribution of wealth.


makaw
Archaeology

A New Normal

This statement is not new to us; every momentous shift in history has ended with a proverbial new start, a new perspective, and a new way of thinking. On an international level we have already seen companies shift to their online platforms with a strong message, one that invites consumers to shop online as it is easier, safer, and more efficient to do so.
Locally, although business owners are seeing the need to be present online and own their own e-commerce site there is still the ever-present stumbling block of pushing their clients to convert to online shoppers. The next step for local business would be to create an online shopping experience that resembles, or rather outweighs their in-store experience and that caters for the needs of their clients.

The future of retail lies not in brick-and-mortar shops and an increase in their physical footprint but rather a distribution channel that targets clients in their homes or at work. A brand that is virtually every-where, attainable through multiple channels be them modern or classic, via online channels or over the phone. The most valuable lesson we have all learnt is that no single client is too small, each sale contributes towards client retention and word-of-mouth marketing, a tool in our marketing kit that to this day remains the most viral. The key to surviving is to ensure that your message and your brand identity inspire confidence in your consumer group.

Next:

AML in 2021 -
with a reflection on 2020

Anti-Money Laundering

Dr. Rakele Cini | AML & Regulatory Advisor

NEXT 12

AML in 2021 -

with a reflection on 2020

Anti-Money Laundering

Dr. Rakele Cini | AML & Regulatory Advisor

It would be quite surprising in today's world to encounter (virtually of course) anyone who has never heard of or come across the terms 'money laundering' or 'funding of terrorism'. Locally, 2020 must have witnessed a record – our newspapers' headlines and social media have been inundated with weekly, if not daily, reports and comments on the topics. It is not just key stakeholders in the fight against money laundering and funding of terrorism ("ML/FT") whose interest has been piqued.

What happened in 2020? Is the year 2021 bringing with it a similar 'wave'?

'Money laundering' is the process of making any property gained through criminal activity, i.e. dirty money, appear clean or legal, often by obfuscating the origin of such property. 'Anti-money laundering' and 'combatting funding of terrorism' ("AML/CFT") is a global challenge involving a number of stakeholders: Financial Intelligence Units, such as Malta's Financial Intelligence Analysis Unit ("FIAU"), law enforcement agencies, and even financial and non-financial operators (such as entities licensed by the Malta Financial Services Authority ("MFSA") (banks, financial institutions, virtual financial asset service providers, amongst others) and legal professionals, notaries, accountants, gaming licensees, amongst others). All these come together to deter and detect ML/FT.

AML in Malta 2020/1

On the local front, the last few months have been busy.

The COVID-19 pandemic has not dampened the AML/CFT regulatory updates and the FIAU supervisory examinations held to review the effectiveness of the controls that financial and non-financial operators have put in place to combat ML/FT.

With the latter, news of FIAU administrative measures (including hefty pecuniary penalties) being meted out against such subject persons have been constant throughout 2020: 32 administrative measures up until November 2020 (a few of these decisions under appeal), with one leading to the imposition of a record administrative penalty amounting to €1,183,887. With a rise in the number of examinations being held by the FIAU (at times through or in conjunction with the MFSA or the Malta Gaming Authority), many of which not yet concluded in 2020, it is expected that 2021 will bring about even more enforcement actions against subject persons contravening their AML/CFT obligations.

On the other hand, throughout 2021, a number of fresh players in the field, such as real estate agents in letting, traders in works of art, the newly MFSA-licensed virtual financial asset licence holders and issuers, are having to adapt and bring themselves up to speed on their new AML/CFT regulatory obligations.

Moneyval

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism – Moneyval – in its latest Mutual Evaluation Report on Malta published in July 2019[1] concluded that out of a total of 40 recommendations, our jurisdiction was deemed to be compliant on 10, largely compliant on 21, and partially compliant on 9; 16 priority actions were outlined. As a result, Malta featuring in the Financial Action Task Force's "greylist" could have far-reaching consequences for our financial system and economy and the attractiveness of the jurisdiction. Whether the changes that have been and are still being put in place by the legislator and supervisory / competent authorities will have the desired effect is still to be seen. Albeit, this should not be seen as the be-all and end-all of Malta's AML/CFT efforts in 2021 and beyond.

AML and the EU

Changes have not been limited to the local sphere. After the birth of what is known as the 5th Anti-Money Laundering Directive[2], the EU went further and developed an Action Plan[3] on the prevention of ML/FT, with an intention to deliver on such action plan by early 2021. This Action Plan builds on six pillars:

A.

a. The effective implementation of existing rules:

Member States had until 10 January 2020 to transpose into national law the 5th AML Directive. The European Commission will continue to monitor closely the implementation by Member States of such EU AML/CFT rules and others. Furthermore, according to the Action Plan, the enhanced powers of the European Banking Authority should be made to good use to tackle ML/FT, with sole responsibility of leading, coordinating and monitoring the AML/CFT efforts of all EU financial services providers and competent authorities.

B.

b. A single EU rulebook:

As part of the EU's Action Plan for a comprehensive AML/CFT policy, in the first quarter of 2021, a single EU rulebook is expected with the aim of gathering the directives, regulations and additional legislative texts, such as EU delegated acts, regulatory and implementing technical standards, guidelines and related questions and answers. The impetus for this has been the divergence of rules and practices at Member States' level which has had a significant, adverse impact on the prevention of the use of the EU's financial system for ML/TF purposes.

c. EU-level supervision:

The EU is of the opinion that supervision at a national level alone has not been enough and that stronger supervision at EU level is required. Following a thorough assessment of all options, in the first quarter of 2021, the Commission will propose to set up an EU-level supervisor. Whether this supervisor will walk side-by-side or take over certain powers of the national supervisory authorities (including Malta's FIAU, MFSA and the like) remains to be seen.

d. A cooperation mechanism for EU Financial Intelligence Units:

The EU is of the opinion that supervision at a national level alone has not been enough and that stronger supervision at EU level is required. Following a thorough assessment of all options, in the first quarter of 2021, the Commission will propose to set up an EU-level supervisor. Whether this supervisor will walk side-by-side or take over certain powers of the national supervisory authorities (including Malta's FIAU, MFSA and the like) remains to be seen.

e. Better use of information to enforce criminal law:

The private sector can also play a role in combatting ML/FT. The Commission will issue guidance on the role of public-private partnerships to clarify and enhance data sharing. This is a crucial aspect of AML/CFT as expounded further below.

f. A stronger EU in the world:

Together with the EU Action Plan, a new methodology has been issued providing tools for the EU to adjust its approach to third countries which are deemed to be high-risk due to deficiencies in their AML/CFT regime.

AML Trends 2020/1

Comparing a snap shot of the way business was conducted a few years (if not months) back to one taken today would bring out great differences. What changed? Over the past 10 years, one may witness enormous AML compliance shifts with increasing regulatory layers. Our firms have evolved: globalisation of businesses, the building of substantial compliance operations, changes in policies and processes, new supporting IT systems, and considerable overhead. Even customers have evolved – top-notch services are demanded on the touch of a button.

In relation to supporting systems, the development strides have been great. Responding to these continuing regulatory changes, organisations have built substantial operations to simplify compliance and mitigate the risks of ML, FT and financial crime in general.

The future seems to indicate that there are a number of sectors where digitalisation can be seen to facilitate AML compliance. At the fore is the role of digitalisation in subject persons' obligations of customer onboarding and ongoing monitoring. Operators tend to find this an expensive, lengthy and disruptive process. In a 2017 report detailing the findings from a study into new technologies in AML compliance by the PA Consulting Group on behalf of the Financial Conduct Authority in the UK (FCA)[4], it resulted that the "vast majority of respondents" to the study (across all industries) were of the opinion that "customer onboarding and maintenance were two of the areas where technology offered the most promise". Furthermore, "a number of regulated firms [made it clear that] a move to truly paperless working was a priority in the short to medium term".

In Malta, one of the 2020 updates to the Prevention of Money Laundering and Funding of Terrorism Regulations enshrined in law the possibility of carrying out customer due diligence through electronic identification means issued under electronic identification schemes, or relevant trust services as set out in Regulation (EU) No 910/2014, or any other secure, remote or electronic identification process, such as e-IDs or BankIDs. The procedures for such digital customer due diligence measures are further outlined by the FIAU in its Implementing Procedures Part I. These include technological alternatives for conducting customer due diligence, for example, through the use of video conferencing tools, identity verification software and other additional measures. Such software invite customers to upload facial images, video clips and scans of their identification documents; authentication and visual checks may then be carried out on these documents to compare the uploaded individual's facial image with the image appearing on the uploaded document.

In terms of ongoing monitoring, digitalisation may also assist in improving on mapping customers' trends, the scrutiny and filtering of transactions, together with overseeing the expiry of data and documents which subject persons are legally obliged to retain.

At the same time, service providers are faced with the task of standardising and facilitating a process that ensures AML compliance together with customer delivery. There is a constant drive to deliver a more efficient and appealing customer experience with least 'disruption'. This is most evident where different service providers form part of the same group or are assisting customers in the same transaction.

This would also tie in with the reporting obligations of subject persons in AML/CFT compliance. Without the necessary tools, employees may not be in a position to be able to detect proceeds of crime, ML/FT or suspicions thereof. This may bring about a failure on a subject person's duty to report through the right channels and within the (now shorter) statutory time-period. On the other hand, technology may not be seen as the be-all and end-all solution for reporting. The role of the Money Laundering Reporting Officer remains key in this process, determining whether the internal report submitted does constitute sufficient information to merit the filing of a suspicious transaction report.

From its side, the FIAU, as the Maltese entity responsible for the collection, collation, processing, analysis and dissemination of information with a view to combating ML/FT, has also embarked on a project of investing in one common database, entitled "goAML" through which financial institutions and all subject persons are to submit their reports. It seems that the FIAU is expecting more subject persons to submit even more reports on any proceeds of crime, ML/FT, attempts or suspicions thereof that they encounter in relation to their customers. From the latest statistics available, the FIAU has already witnessed a significant increase in reports submitted (2778 reports in 2019 compared to 1679 reports in the previous year). This trend is expected even in 2021.

At least annually, all Maltese subject persons are required to given an account to the FIAU of details on their AML/CFT compliance policies and procedures. This is known as the 'Risk Evaluation Questionnaire'. Additionally, this is sustained with ad hoc data requests from various authorities. The trend seen is that the questionnaires that firms are receiving and compiling are becoming more frequent and lengthier. The automation of reports coming from strong tools used by an organisation can save it large volumes of man-hours.

Subject persons have now become largely accustomed to carrying out what is known as a 'business risk assessment': "to identify and assess the risks of money laundering and funding of terrorism that arise out of its activities or business, taking into account risk factors including those relating to customers, countries or geographical areas, products, services, transactions and delivery channels and shall furthermore take into consideration any national or supranational risk assessments relating to risks of money laundering and the funding of terrorism". There is the added responsibility of reviewing this assessment at different stages of a subject person's activities – the assessment is to remain up-to-date. This coordination of statistics, relevant to each and every subject person, requires the input of the best technologies to ensure that, on the one hand, this assessment is carried out to satisfy AML/CFT compliance, but also, on the other hand, for the firm itself to reap other different benefits from its self-assessment.

Ignoring AML compliance brings regulatory and financial risks: the latest revisions to Malta's Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta), the Regulations and the FIAU Implementing Procedures issued thereunder have enhanced the sanctioning regime with a significant increase in penalties that may be prescribed against subject persons including personal liability for key functionaries therein. These serve both as a deterrent and against actual breaches by local subject persons in their AML/CFT compliance obligations.

The AML/CFT environment encompasses a plethora of active stakeholders – for this drive to be successful, all these need to come together. Increased collaboration is key amongst the players in both the private and the public sector, keeping in mind that 'crime knows no border'. Private-public partnerships which are effective may contribute to improving the quality of AML/CFT processes, the interpretation of regulatory obligations, suspicious reporting, and, last but not least, improving data-sharing fora even amongst the private sector. Notwithstanding substantial technological developments, the putting together of minds remains crucial even in 2021 and beyond.

Next:

Walking (up) the
Yellow Brick Road

Economy
Dr. Stephanie Fabri | Economist
Lecturer at the University of Malta

Walking (up) the **Yellow Brick Road**

Economy

Dr. Stephanie Fabri | Economist
Lecturer at the University of Malta

In the *Wizard of Oz*, at the end of the story, the characters discover what is inside themselves all along and learn important lessons along the journey on the yellow brick road. This scene can be applied to the current state of affairs from an economic point of view. 2020 was the year in which we saw the global economy come to an impressive halt and as the human tragedy continues to unfold, so does the economic cost. The recession we have entered is the deepest of the century and its repercussions will be long-lasting.

As businesses and policymakers are beginning to internalize the aftertaste of the pandemic, there is also a deep-rooted feeling to rewire and future-proof our economies. Having dubbed "the great reset," it would indeed be a missed opportunity for us not to take stock of our strengths and weaknesses and to address them by forging a future-proof and resilient economy which places well-being at its core. Using the same analogy from the *Wizard of Oz*, these coming twelve months need to be a collective walk up the yellow brick road.

Taking stock

There is no doubt that the global economy, including Malta's economy, has been hard-hit. Although we have managed to diversify our economic base, we are still heavily dependent on tourism especially when considering a number of closely related sectors including wholesale and retail. Although these sectors have by-far bore the brunt of the hit, numerous other sectors have been exposed and affected. In fact, Malta's economy has contracted by a significant amount. The Government intervention package has allowed companies to survive and also cushioned the impact on the labour market. This has definitely come at a huge expense with the Government budget sliding into deficit and debt jumping up to, reverting the downward trend.

From the experience of the past twelve months, a number of key lessons can be distilled:

- *The need to further diversify our economy* – the resilience of Malta's economy depends on the ability to broaden our economic base in order to spread our risk exposure on to different sectors.

- *The importance of having fiscal bandwidth* – the efforts to put Malta's public finances on a sound footing have proved to be critical as the Government had the room to manoeu-vre.

- *Digital transformation and green investment equate to future-proofing* – the pandemic has shown the importance of having an economy which is digital to the core and the move towards further digitalization has only been accelerated. In the past months we have also learned to appreciate the importance of a greener economic activity.

- *Government needs to continue playing a key economic role* – the power of stabilizing the economy can never be underestimated. Government's need to always be ready to continue investing into the country through capital and infrastructural projects to not only improve the general environment but to also act as important stimulus measures when the need arises to.

- *Having well-functioning institutional & governance structures* – any crisis tests the well-functioning of the institutions and governance structures. It is important that Malta's preparedness continues to be assessed

Moving ahead

There is no doubt that the coming twelve months will remain challenging. The external environment is still exhibiting heightened risk as the pandemic has not yet been controlled or reigned in. Global vaccination programmes are underway though their rollouts have been uneven and production bottlenecks can derail the process even more. Additional variants of the pandemic can only make it more complicated to deal with. This means that the external environment is going to remain highly volatile, uncertain, complex and ambiguous.

Despite this, our efforts to shore up public and business confidence need to remain whilst intervening to kickstarting the economic momentum. The Government has already announced the extension of several support mechanisms and has tweaked them to make them more relevant and tailored to the type of aid needed at this point. The extension of the moratoria and the wage supplement scheme are cases in point.

Although there are a number of immediate challenges, and these are going to continue evolving on a sectoral basis as time goes by, there are also a number of national challenges that the country needs to address, and this is possibly the right time to start framing these issues. Government has just set-up a post-COVID strategy working group which will be tasked with charting the way forward to future-proofing the economy.

Focus on productivity

Productivity is commonly defined as a ratio between the output volume and the volume of inputs. In other words, it measures how efficiently production inputs, such as labour and capital, are being used in an economy to produce a given level of output. If one had to analyse Malta's productivity over the past decade has improved, though less than European averages, over most sectors however there are some sectors that warrant some attention. These include the remote gaming, real estate and financial services which have declined in terms of productivity on account of faster employment growth. The public sector too faced a worsening productivity. Going forward, productivity enhancing issues must be a focus of any recovery programme. These include a focus of training, reskilling, upskilling as well as investments in technology and innovation. The Government's decision to have a ministry focused on research and innovation is laudable, however the key is implementing measures that will enhance Malta's performance.

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 and air connectivity is going to be critical in this regard. We need to ensure that Malta retains its air connectivity it had prior to pandemic. In addition, a renewed tourism strategy should refocus the tourism sector towards further niche sectors. Finally, in terms of services, a constant review and streamlining of current legislative structures and regulatory frameworks needs to be conducted.

Improve the skill-base of the workforce

Notwithstanding the advances Malta 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 made 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. As the world continues to embrace industry 4.0 (or even 5.0, recently acknowledged by the European Commission as the way forward), new skills will be required and our attractiveness and competitiveness will depend on our ability to offer a skilled workforce prepared for the future.

Transform Malta's economic sectors

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 transformation is to keep industries competitive and generate growth by building capabilities at the industry level. Following the pandemic, Government should set out clear principles and requirements in terms of business continuity and contingency planning. Special schemes should be launched to support such incentives and the business reengineering scheme by Malta Enterprise and The Malta Chamber of Commerce and Industry embodies this thinking. Each sectoral transformation should be based on four pillars:

- *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.

Launch a green revolution

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 centricity. 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. Wasteserv's plans for the ecohive is also a concrete step in the right direction. 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. 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 including green energy. 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.

Walking the road

The current environment remains highly volatile and complex. The next twelve months will remain so too as businesses continue to adapt to the new normal. Each business will be going through its own journey with a focus on surviving and stabilization and there is no doubt that we will see consolidation across a number of sectors as exposed players will face mounting pressures.

On a national scale, it is imperative to truly internalize the lessons learnt, face the challenges the economy is facing and chart a way forward. Leveraging on European funds and ensuring their timely absorption is going to be central to sustain and direct investment in the identified sectors. However, prior to this, a concrete national vision and strategy is required. The Government through various Ministers have already indicated that there is a review of a number of visions and strategies including tourism, digital economy, employment as well as a national post-COVID strategy.

In a new normal, there are numerous opportunities for Malta to reap.

As a country, we need to collectively come together, discover our strengths, weaknesses and opportunities whilst learning the lessons from 2020 and the pandemic and start walking up the yellow brick road.

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AI and the birth of true autonomy

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Competition Law finally gets teeth: time to pay attention!

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