

# MALTA

## Malta: The powerhouse of economic innovation

Sound macroeconomic policies and an entrepreneurial mindset have resulted in a booming economy for the strategically located country and put it at the forefront of the digital world.

The Mediterranean archipelago of Malta, the smallest country in the European Union (EU), is home to the bloc's fastest-growing economy. Between 2013 and 2018, its average annual rise in gross domestic product (GDP) was 7.1% and the European Commission's estimates for 2019 and 2020 — 5.3% and 4.8% respectively — are around one percentage point higher than those for any other member state.

Things were quite different when the current government came to power in 2013, says Minister for Finance Edward Scicluna: "We started with very low growth, and high deficits and debt, so we introduced a lot of reforms as we were determined to get back to macroeconomic stability."

The government inherited a budget deficit of over 3% but, "For the last three years, we have had a surplus. We have also been the fastest in the EU to reduce our debt, which fell from 73% of GDP to under 46% in 2018," states Scicluna; "When you have sound fiscal governance and the rating agencies improve your ranking, you become attractive for investments."

This strategy is working. Since 2017, Germany's Playmobil has invested €63 million in expanding and upgrading the Maltese plant



The city of Valletta, the European Capital of Culture in 2018

that produces its toy figures, for example. Lufthansa Technik, which employs 600 people in Malta's expansive aviation sector, has also increased its investment recently.

### Strength in services

Manufacturing and engineering companies like these benefit from a strategic location with easy export-

ing access to the rest of Europe, Africa and the Middle East, and extensive infrastructure that has made Malta the region's third-largest transshipment and logistics hub.

Even so, Scicluna says, "Our strength lies in services." The nation's many attractions have made tourism an important industry for decades, while it developed a fi-

ancial services sector in the 1990s that contributes about 11% of GDP.

These traditional sectors continue to advance. However, the country has also become a pioneering leader in emerging services sectors. "Malta needs to be as diversified as possible due to its small size," he explains. In 2004, Malta became the first EU country to legislate for on-



Edward Scicluna  
Minister for Finance

line gaming, which now represents over 11% of GDP. Then in 2018, it took advantage of being small, agile and open, as well as having jurisdictional experience in finance and gaming, to implement the world's first holistic regulatory framework for cryptocurrencies and distributed ledger technologies like blockchain.

Thanks to its entrepreneurial mindset, Malta is now at the forefront of the global digital economy. "The future is bright in all the sectors that Malta is positioning itself within and we have the advantage of being able to attract companies that want to do business with ease," states Scicluna.

## Global pioneers in emerging economic sectors

Malta leads the way for new digital technologies

In 2018, the world's media heralded Malta as Blockchain Island when it introduced the first regulatory framework for distributed ledger technologies (DLTs) and cryptocurrencies. "We want to invest in new areas that are related to our service-based economy. The area of digitalisation and emerging technologies was a natural choice," explains Silvio Schembri, Minister for the Economy, Investment and Small Businesses.

One reason for this is the obvious synergies with Malta's flourishing financial services and gaming sectors, through which it has gained renown for its robust regulatory skills. As a result of these, the nation's banks that hold assets of €44 billion are all in good health, according to the International Monetary Fund. "We only want serious operators here and this is why we provide a stringent yet transparent environment," says Schembri. Mal-



Silvio Schembri  
Minister for the Economy,  
Investment and Small Businesses

tese authorities are quick to adapt regulations that are holding back industry advances, he states; "We are Europe's largest e-gaming regulator but in 2018 we overhauled our entire gaming regulation to fu-

ture proof an industry we lead."

Malta's DLT and virtual financial assets legislation is also future proof, Schembri notes, "It's technology neutral so if a new technology emerges tomorrow, the present legislation will cater for it." The framework provides legal certainty for operators in areas ranging from initial coin offerings and cryptocurrencies to blockchain and smart contracts. It also introduced a new regulator for these activities: the Malta Digital Innovation Authority.

### From blockchain to AI and beyond

Interest in the framework has been huge. Giant cryptocurrency exchange Binance has moved to Malta, while a large number of attendees at two big DLT-related events in 2018 were already operating from or had plans to relocate to Malta. "We have also started receiving applications for DLT-plat-

form certifications, something only Malta is doing currently," he says.

To further advance these technologies, they are being implemented within the public sector, with Malta being the first worldwide to issue education certificates using block-

**"We want to invest in new areas that are related to our service-based economy"**

Silvio Schembri  
Minister for the Economy,  
Investment and Small Businesses

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chain. The government is also moving services towards its next target sector for development: artificial intelligence (AI) — in future, its company registration system will incorporate blockchain plus AI technologies, for instance.

In 2018, the government created an AI taskforce to consult with all stakeholders on how to develop this niche. The result came in October 2019: a holistic strategy that will enable the country to become an international hub for AI innovations. "We have also launched a strategy for e-sports, will soon have ones for space innovation and space mining, and have future projects in big data and quantum computing. We plan to be at the forefront of all of these," states Schembri.

The government is facilitating these innovations in every way possible. It is covering the costs of some higher degrees, developing international university links and has introduced incentives to attract foreign talent. It has also opened a hub for emerging technologies that is free for students, startups and innovators. "We want Malta to be the powerhouse of economic innovation," he declares.

### HOME OF GAMING EXCELLENCE

GamingMalta ist eine unabhängige gemeinnützige Stiftung, die von der Regierung Maltas und der Malta Gaming Authority (MGA) gegründet wurde. Sie hat die Aufgabe, Malta als Exzellenzzentrum der digitalen und Remote-Gaming-Branche zu fördern und ist auch für die Zusammenarbeit mit den lokalen zuständigen Behörden verantwortlich, um die Attraktivität Maltas hinsichtlich der Zuständigkeit zu stärken und das Ökosystem rund um die Glücksspielindustrie zu verbessern.

Esports

Video Gaming

iGaming

GAMING MALTA

> [gamingmalta.org](http://gamingmalta.org)

# The perfect testbed for financial and gaming technologies

Malta's rapid adoption of technologies like blockchain and artificial intelligence is set to reinforce its position as a diverse digital innovation hub.

There is a misconception that blockchain equals cryptocurrencies, says Stephen McCarthy, CEO of Malta Digital Innovation Authority (MDIA): "In fact, cryptocurrencies are just one avenue on which distributed ledger technologies (DLTs) can be used. Blockchain is a DLT with huge potential in different industries and we haven't scratched the surface of its possibilities. Malta intends to embrace this technology in every possible way."

MDIA was established as part of Malta's new legislative framework for DLTs and virtual financial assets. It is a globally unique regulator that promotes emerging technologies, sets and enforces compliance standards for them, and certifies innovative technology arrangements. "We are not going to rush into giving out licenses without having a robust application process and so are contracting accredited systems auditors from leading international accounting firms," McCarthy notes.

The framework provides legal certainty and will allow the technologies to flourish. The same approach is being taken to developing legislation for artificial intelligence (AI), which should see the country become a leader in that area too. "It is my duty to push the agenda of these technologies further into the Maltese ecosystem and beyond," he says, adding that this process is accelerating as, "The influx of innovative businesses into Malta exposes us to cutting-edge solutions that we can benefit from and test before other jurisdictions."

An area that is particularly set to benefit is financial services. "These technologies cut across many financial sectors. An illustration would be trade finance, where blockchain

can reduce trade execution time from one week to one hour. Once you introduce AI and robotics into some services, competitiveness is gained through increasing operational efficiency and user experience," says Kenneth Farrugia, former chairman of FinanceMalta, the public-private partnership with over 300 industry members that promotes the nation as an international financial centre.

It has been pivotal in turning the country into a financial services hub, especially in relation to asset management, insurance and private wealth. Today, the industry, much of which is driven by foreign operators, accounts for about 11% of gross domestic product (GDP), which is predicted to rise to 15% within five years.

According to Farrugia, a lot of this success is down to communication; collaboration between industry,

“**Malta intends to embrace this technology in every possible way.**

Stephen McCarthy, CEO  
Malta Digital Innovation Authority

regulator and government; early recognition of market failures and gaps; and agility in creating and deploying innovative legislation to fill those gaps. "We have protected cell legislation that enables insurers to carry out various activities under a single legal entity, which is unique in Europe. In asset management, a bespoke professional investor fund regime is another example," he notes. Malta is proof that innovation is not the domain of big jurisdictions, he believes: "That



**Kenneth Farrugia**  
Former Chairman  
FinanceMalta



**Stephen McCarthy**  
CEO  
Malta Digital Innovation Authority



**Heathcliff Farrugia**  
CEO  
Malta Gaming Authority

makes us an attractive proposition as a testbed for organisations of all sizes."

## Blockchain boost for gaming

The gaming sector is also enthusiastic about DLTs. "Blockchain can serve as a platform to monetise games, add in-game purchases and even sell access. It gives Malta a unique selling point for emerging gaming sectors to build on," states Ivan Filletti, head of operations and business development at GamingMalta, a non-profit foundation that promotes the nation as the global home of gaming excellence and liaises with the country's authorities to enhance the jurisdiction and its extensive gaming ecosystem.

Having been the first in Europe to regulate for e-gaming, the industry now contributes over 11% of GDP and continues to attract new entrants and top international talent, whose easy access to the market is facilitated by GamingMalta's business services. A further boost to the sector is expected after the government launched a national vision for the development of video

gaming and e-sports in May 2019. "We are set to invest heavily to create a nucleus of top companies that can flourish," says Filletti about the strategy, which will see various incentives being rolled out so that

“**We believe operators and regulators need to innovate together.**

Heathcliff Farrugia, CEO  
Malta Gaming Authority

these embryonic sectors can generate 1% of GDP within 10 years.

GamingMalta was set up by the government and Malta Gaming Authority (MGA), the sector's regulator that is focused on innovation, says CEO Heathcliff Farrugia: "We believe operators and regulators need to innovate together. In gaming, you have no choice but to innovate because the landscape is so dynamic." MGA is also focused on ensuring companies are well regulated and compliant, he stresses.

For this reason, Malta introduced a new regulatory framework for gaming in 2018. It strengthens MGA's supervisory role and is in line with international standards for anti-money laundering and combating the funding of terrorism. "It empowers us to be more agile in our decision making by removing unnecessary regulatory burdens as well," Farrugia adds.

"The whole country is on board with looking at applications for DLTs," says the CEO, who is conscious of the need to be at the forefront of developments in these technologies. To achieve this, MGA has set up a regulatory sandbox for gaming operators to test innovative technology arrangements like DLTs and smart contracts, plus virtual financial assets. It has also established the European Gaming Institute of Malta with the Malta College of Arts, Science and Technology to develop the country's skills base. "It goes up to diploma and master's-level qualifications, and will consider international applicants. Everyone who comes to Malta with the right intentions is welcome."

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## Innovation in Maltese banking

At the forefront of Maltese banking innovation is BNF Bank, winner of International Banker magazine's 2018 Best Innovation in Retail Banking Malta award. One of the country's six domestic banks, it provides personal and business clients with services through 12 retail branches, a corporate and business banking centre, and a local trading room.

BNF started innovating in 2016, says CEO and managing director Michael Collis: "The established Banif bank was acquired by new shareholders and rebranded to reflect its history and where it wants to go — we are now much more modern and forward looking." The management team's first priorities were to maximise shareholder investment and stimulate its business model. It began by focusing on BNF's core activities in retail

and corporate banking. "Now, our focus is on developing a comprehensive and innovative product range that allows us to offer services to people from their student days through to their retirement days," states Collis.

This approach is working and BNF's total assets grew by over 35% in 2018. Going forward, the bank plans to expand into other business areas like private banking and asset management, which will also allow it to adopt a more international stance. However, BNF will continue to be committed to Malta, says Melvin Pellicano, head of business development: "As part of that, we are very active in corporate social responsibility. Most notably, we assist and sponsor the annual President's Fun Run in aid of social organisations but we also enrich local culture, heritage, education and arts. We are a community bank."

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# Positioning Malta as Europe's top FinTech jurisdiction

The Malta Financial Services Authority is investing, modernising and transforming itself in order to become a leading regulator in a rapidly changing sector.

Malta's exceptional reputation as a financial services centre of excellence is a key priority for the sector's regulator, the Malta Financial Services Authority (MFSA).

For 25 years, it has been responsible for making the country a stable and innovative place for financial companies to do business, which has attracted many world-leading industry players and endorsements from organisations like the World Economic Forum, the International Monetary Fund and ratings agencies.

However, says its CEO, Joseph Cuschieri: "The MFSA is at a crossroads — it needs to modernise the way it supervises." This is because the sector is about to go through a major transformation due to FinTech, he believes: "More companies like Revolut, a large disruptor of banking, are going to come to the MFSA with completely new business models and this is what I want to see — more competition, driving more innovation."

"There will be changes in the way people access their bank accounts, affect payments, buy insurance products, trade in shares and so on. This brings new challenges for the MFSA and we must revisit everything that we traditionally knew about the regulatory landscape."

Since taking up his position in April 2018, "I have spent a lot of



**Joseph Cuschieri**  
CEO  
Malta Financial Services Authority

time thinking about our strategy, vision and how we can further improve our reputation as a jurisdiction," says the highly experienced and well-regarded regulator.

Under his direction, the MFSA's new strategy is to consolidate Malta's position as a dynamic financial centre that fosters innovation, new technologies, and the development of products and services within a sound regulatory environment, ensuring investor protection, market integrity and financial stability. "I want the MFSA to be a professional, efficient and serious thought leader, and Europe's top jurisdiction for FinTech," he states.

#### A new regulatory landscape

As a step toward this, 2018 saw the MFSA launch the world's first



The headquarters of the Malta Financial Services Authority in Attard

holistic framework for regulating virtual financial assets. More recently, it published its Vision 2021, a blueprint for strengthening the regulator and preparing for the next generation of financial services.

"Technology and knowledge management have to become mission critical for us. We are analysing our human resources, the investment we need to make in people, the skills that we need, our technology and how we manage risk. Risk management gives us

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**Our new legislation and strategy have propelled the country into a FinTech trailblazer. It is an area where we, as a jurisdiction, have an edge.**

Joseph Cuschieri, CEO  
Malta Financial Services Authority

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the scope to roll out a risk-based approach in our supervisory activities — the higher the risk, the higher our scrutiny," he explains.

"Our new legislation and strategy have propelled the country into a FinTech trailblazer," says Cuschieri; "It is an area where we, as a jurisdiction, have an edge: we have the right ecosystem, the right technological capabilities and, along with great legislation, we have all the ingredients and components to produce and regulate a great product: Malta FinTech."

## Creating a state-of-the-art regulator by investing in technology

The Malta Financial Services Authority (MFSA)'s new strategic framework, Vision 2021, "Makes this regulatory authority stronger. It is intended to make our financial services stronger," said former Prime Minister Joseph Muscat at its launch event in January 2019.

The country's sole regulator for financial services supervises a broad range of areas including credit, financial and electronic money institutions, securities and investment services companies, trading venues, insurance firms, pension schemes, trustees, virtual financial assets and FinTech in general. Today, it regulates over 2,300 license holders in these sectors and has a growing reputation for its maintenance of fair, efficient and transparent financial markets.

The MFSA is a leading innovator in the fast-evolving FinTech and regulatory technology (RegTech) arenas. However, it is also a risk-based regulator, with an approach to regulation and supervision which is based on clear and proportionate principles. Evidence of this came in November 2018, when it became the first regulator to establish a robust legislative framework for virtual financial assets.

#### A vision for the future

The aim of Vision 2021 is to enhance the MFSA's position as a forward-thinking, proactive and trustworthy authority. "It is the start of a transformative journey supported by an ambitious change programme focused on innovation, investment in FinTech and RegTech, modernisation of supervision and technological development," says the MFSA's CEO Joseph Cuschieri.

In addition, "Our reform agenda includes an overhaul in our organisational and governance structures to enable the authority to



Malta leads Europe in the regulation of blockchain and related technologies

meet its future challenges more effectively," he adds. Safeguarding the integrity of markets and financial sector stability are vitally important issues for the authority and, for that reason, the new vision document details its approach to risk management, conduct, enforcement, and anti-money laundering and counter-financing of terrorism supervision.

#### Groundbreaking plans for technology

Investment in innovation and technology is critical for the future success of the MFSA and Malta as a jurisdiction, Cuschieri states: "It is key to unlocking our potential and improving our efficacy as a European financial services supervisor."

"The MFSA cannot talk about FinTech hubs, FinTech strategies, Malta as a centre of excellence and blockchain but, at the same time, shy away from making the necessary investment itself. Our new technology strategy will make the MFSA a European role model in the application of the latest technologies."

The authority is putting together a three-year technology plan that will see it invest around €10 million. "We need to invest in

our hardware and change our legacy systems so that our processes are technology driven," Cuschieri explains. As part of this, it will be introducing state-of-the-art supervisory technology (SupTech) that will enable the effective and efficient automation of some processes involved in the supervision of licence holders.

Data analytics — which can assist in detecting abuse, as well as the handling of complex issues, problems and investigations — is set to become increasingly important to regulators. Therefore, new business intelligence and knowledge management tools are also investment priorities for the MFSA.

To facilitate better communication with all financial sector stakeholders, another focus of Vision 2021 is replacing the authority's current website with a cutting-edge, user-centric version that includes easy access to any information a user might need.

This will include a dedicated section for prospective licence holders; interactive rulebooks in line with those used by the European Securities and Markets Authority and the European Banking Authority; and an upgraded licence-holder portal that reflects changing business needs.

"Investing in technology will give us more efficacy and efficiency in how we conduct our work," says Cuschieri; "However, as the financial services sector evolves, our staff will require different skills and more technical expertise — so, we will need to retrain our employees and reinvest in our human resources."

#### Initiatives for financial innovation

As well as boosting its own use of technologies, the MFSA is aiming to support new and existing financial services companies in Malta to harness the opportunities presented by innovation. To achieve this, it is proposing a number of new initiatives.

It wants, for example, to set up a "FinTech regulatory sandbox" — an environment where businesses can test innovative products, services, business models and delivery mechanisms. The MFSA would monitor these tests, contain the risk and gain experience in supervising emerging services.

Innovation hubs will help innovative firms understand and interpret Malta's regulations, while innovation partnerships will enable them to form associations with established companies or the public sector to accelerate their growth.

Through FinTech initiatives such as these and Vision 2021 as a whole, the MFSA is creating the future-proofed foundations of success for Maltese start-ups and service providers of all sizes to develop viable and innovative new solutions that will contribute to the continued growth of Malta's financial services sector.

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# Why the time is right for businesses to invest in Malta

An excellent investment environment includes organisations that facilitate access to numerous incentives and industrial space.

Foreign direct investment (FDI) into Malta is escalating: in 2018, inflow grew by 13.9% in comparison with 2017 to reach over €3.7 billion. “We receive investment from a wide variety of countries, although Germany is the number one origin. Malta is the long-term home of some important German investors, including Playmobil, Lufthansa Technik, ProMinent and Pilz,” says Mario Galea, Chief Advisor of Malta Enterprise, the country’s economic development agency.

The nation attracts businesses because of its many strengths, he claims: “These include the workforce’s competence and flexibility, top-class management and excellent connectivity that supports exports to diverse locations.” Other advantages noted by Galea include competitive labour costs, use of the euro, over 50 double taxation agreements, stability, and a positive business environment.

There are numerous opportunities for investors. “Our economy is based on having quality centres in diverse industries, including manufacturing, plastics, automotive components, engineering, aviation, healthcare, life sciences and maritime,” says Galea. Malta Enterprise is responsible for attracting new FDI and facilitating the growth of existing investments.

“Our remit is threefold,” he explains, “Firstly, we want to keep what we have. Secondly, we want to attract more of what we have that is successful and, thirdly, we want to explore new sectors. We have already taken strides in blockchain, medical cannabis, artificial intelligence, augmented reality, 3D printing, automation, robotics and cutting-edge medical devices.”

To meet its remit, Malta Enterprise offers investors a wide range of assistance, starting with pre-investment advice and introductions



**Karl Azzopardi**  
CEO, Malta Industrial Parks



**Mario Galea**  
Chief Advisor, Malta Enterprise

to current operators and authorities. Among many other schemes that help businesses set up, grow and internationalise, it provides access to finance through soft loans, loan interest subsidies, loan guarantees and startup funding, as well as tax credits for various types of investments.

#### Creating the space for growth

The agency also approves investor applications for space in the government’s network of well-con-

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A major challenge is creating extra space so we can accommodate the waiting list of operators who want to come to Malta.

Karl Azzopardi  
CEO, Malta Industrial Parks

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nected industrial parks and other business zones that are distributed across the main islands of Malta and Gozo. These industrial clusters, which make up the country’s largest portfolio of business property, are managed and developed by Malta Industrial Parks (MIP), a government-appointed company that allocates space to approved investors.

“We deal primarily with manufacturers and provide support across each company’s life cycle,” says Karl Azzopardi, MIP’s CEO. In order to future proof its estates, MIP has

launched a new strategy, he states: “We are shifting from being a reactive landlord to being more proactive.”

One major objective of the strategy is to go greener by promoting renewable energy and sustainable buildings that utilise automation, environmentally friendly technologies and contain improved social areas. Another relates to space availability in the small country: “Occupancy in our properties is about 90% and a major challenge is creating extra space so we can accommodate the waiting list of operators who want to come to Malta,” says Azzopardi. One way MIP is doing this is by convincing operators to extend vertically rather than horizontally. It is also expanding some estates and building new ones.

“On Gozo, we are creating two projects. One will host traditional small- and medium-sized enterprises, whilst the other is an innovation hub,” he notes. In addition, master plans are being worked on for the expansion of the world-class Malta Life Sciences Park, which contains life science and digital technology companies of all sizes, and for the optimisation and potential expansion of MIP’s estates around Malta International Airport that house a thriving aviation sector.

Azzopardi illustrates the diversity of MIP’s estates by noting that it is also regenerating an artisan village on the island of Malta: “It will promote traditional local crafts. If successful, we plan to replicate the process on Gozo. MIP aims to nurture all of the operators in its spaces.”



In the year to July 2018, 223 investors became citizens of Malta

## The gateway to Maltese citizenship

Malta offers a gold-standard citizenship programme for individual investors.

A growing number of international investors are choosing to take out Maltese citizenship through the well-respected Malta Individual Investor Programme (IIP). Designed to attract people from around the world with the highest levels of talent, business connections, experience and reputation, it is the first citizenship scheme in the European Union to be endorsed by the European Commission.

In the year to July 2018, 223 high-net-worth investors became Maltese citizens through the IIP. “Many come from places like Russia, the Middle East, China, India and the US. The typical application would be for a family, where an individual wants to ensure a stable future for their children,” says Jonathan Cardona, CEO of the Malta Individual Investor Programme Agency (MIIPA), the independent government entity that processes IIP applications, carries out due diligence and makes recommendations to the government about candidates.

“IIP is a gateway into a well-functioning, pro-business country,” states Cardona. In addition, ac-

ording to citizenship advisory firm Henley & Partners, new citizens gain the second-most powerful passport available from the world’s credible citizenship programmes, with visa-free or visa-on-arrival access to 182 places.

“The country also benefits,” Cardona says. As well as growing the economy through business activities, successful applicants contribute €650,000 to the National Development and Social Fund (NDSF); put €150,000 in government-identified investment vehicles; and rent or buy property. Between 2013 and July 2018, almost €410 million was injected into the NDSF, which is used to invest in strategic projects that benefit society. MIIPA carries out “gold-standard” due diligence on applicants, he says: “We pride ourselves on our level of scrutiny to ensure individuals are of good repute and their wealth is clean from any controversy.” This approach has made IIP a global leader in citizenship investment schemes. “Other governments now consult us when setting up similar programmes to learn how we uphold our good practice and governance,” states Cardona.

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# Malta's transformation into a year-round holiday destination is bolstered by its national airline

Air Malta's ongoing restructuring, modernisation and expansion has seen the airline return to profit for the first time in almost 20 years.

It's an exciting time for Maltese tourism, says Gavin Gulia, chairman of Malta Tourism Authority, "There has been record growth every year since 2010." 2.6 million tourists visited the islands in 2018, up nearly 14% on 2017, with 226,962 of them coming from Germany and 98% arriving by air.

There are many reasons behind the growth in what is a vital contributor to the country's economy. "Most people used to visit in summer, when sun and sea was enough for holiday goers. That has changed completely. Malta has so many diverse cultural and historical assets that we are promoting better. We are also now producing important cultural and e-sport events in the lower seasons, and have developed strong infrastructure for English language learning," he explains.

Facilitating the changes in tourism is the national airline, Air Malta, says chairman Charles Mangion: "One of our objectives is to support the economic wellbeing of the islands." It currently achieves this by connecting the country to over 35 major cities across Europe and the Mediterranean region, and offering flights to and from many more destinations further afield through code sharing agreements.

Like the sector as a whole, Air Malta is changing. Having become chairman in 2017, Mangion oversaw



**Charles Mangion**  
Chairman, Air Malta

a major review of strategy, operations and structuring. "I want this airline to be operationally sustainable whilst keeping the customer and their experience at the centre of its objectives. We have to be agile, adjust to change, implement innovation and restructure holistically. The airline must also expand, so in the first twelve months, we introduced 21 new routes and increased flights to established destinations by 30-40%. People started to understand that we are on the path to becoming "the Airline of the Mediterranean," he says.

Air Malta's ongoing transformation is bringing success: in 2018, it made its first profit in almost 20 years, operating revenue grew by 2.7% to



Air Malta's flight numbers increased by 8.5% in 2018

€197.5 million, operating costs fell by €6.7 million, the number of passengers rose 11% to 1.7 million and flights increased 8.5% to 14,126.

#### The Airline of the Mediterranean

The airline's continuing expansion plans are rigorously analysed, states Mangion: "We want to connect the islands of the Mediterranean as they lack frequent connections between them. First, we have to develop our European routes, which is why we opened Sardinia and increased frequencies to Sicily, Rome, Milan, Paris, Munich, London and the rest of Europe."

With daily flights to Munich and good connectivity to Dusseldorf, Frankfurt, Berlin, Leipzig and Hamburg, Germany is a specific focus for Air Malta, he notes, "Malta's change into an all-year cultural destination with a cosmopolitan population makes it even more attractive for the German market." The airline has also introduced a successful connection to Kiev, and will be expanding to Spain and potentially Stockholm. Outside Europe, the airline is considering broadening its current North African destinations from Casablanca, Tunisia and Tel Aviv, and is looking at Libya. Hav-

ing traditionally acted as a point-to-point carrier, Mangion would like to establish Malta as a hub for connecting traffic and take on longer-range destinations as well.

"Amidst this growth, we have invested heavily in passenger experience and in information technology as we want our systems to be premier class and integrated with artificial intelligence," he says. A further Air Malta brand enhancement came in 2018, when the airline launched an international pilot training academy for Airbus 320s. "For Air Malta, the future is definitely positive," concludes Mangion.



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# Empowering a new generation of both local and international talent

The country's main university and public employment agency are providing Malta's businesses with the skills they need to thrive.

To remain a leader in emerging industries, Malta needs talent with the right skills. Having celebrated its 250th anniversary in 2019, its oldest and main university, the University of Malta (UM), is fundamental to this, says its rector, Alfred J. Vella: "We are always looking to see which areas the local economy wants to develop. We have a centre for distributed ledger technologies, for instance, and an institute for digital games that ranks in the top 25 worldwide."

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There are so many new jobs, it has turned into an employee market

Clyde Caruana  
Former Chairman, Jobsplus

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With 14 faculties and 18 institutes covering a wide range of subjects, it educates "11,500 students, about 1,000 of whom are international, another 350 through Erasmus and our junior college has 2,300 students. First degrees are free for those from the European Union (EU). Around 10% of our 2,500 staff are international, and instruction and administration is all in English," states Vella. UM has further international con-

nections through educational and research collaborations with worldwide institutions, including German universities.

Innovation is a priority for the country's institutions and industry, and "Malta is considered to be one of the successful nations when it comes to tapping into EU Horizon 2020 research funding," says Jeffrey Pullicino Orlando, executive chairman of Malta Council for Science and Technology, the body responsible for research, innovation, space, science and technology. At over €8 million, UM leads the Maltese institutions receiving these funds. "We have about 1,340 master's and PhD students but that's not enough, so we are working with the government to increase this," states Vella.

### Matching jobs to talent

96% of UM's graduates find employment quickly. This is facilitated by Jobsplus, Malta's public employment agency that matches the needs of job seekers and employers, enables labour mobility and promotes investment in human capital.

Unemployment in Malta has fallen to around 3.3%. "We looked at the things Germany did in 2002, took its best practices and adapted them to our scenario. We enacted social benefit reforms to make finding work more attractive, and have leapt for-



The University of Malta, the country's leading tertiary institution, serving students, scholarship and society, sustainably

ward in reducing unemployment for women, young people, the disabled and minorities," says Clyde Caruana, former chairman of Jobsplus and current chief of staff within the Office of the Prime Minister.

In addition, government incentives to boost business have created employment. "There are so many new jobs, it has turned into an employee market. As a result, Malta has one

of the EU's highest labour turnover rates as people move jobs to progress," he states. To fill the vacancies, Jobsplus is looking to attract international talent, Caruana adds: "Within five years, about 30% of our labour market should be foreign. We have made it much easier for them to get work permits and have also launched an online job matching system, where potential employees can upload CVs

and employers can upload vacancies, attract instant matches and contact individuals directly. Malta has 220,000 people in full employment and 50,000 of them are on this platform." Jobsplus works more closely with employers when needed. "We contact new investors once they are settled in Malta. If they find problems accessing the necessary talent, that is where we come in," he says.

## A small island offers a big welcome to tourists and businesses

Discerning people looking to visit, live or do business in Malta are increasingly choosing its second largest island: Gozo.

Former Minister for Gozo, Justyne Caruana, gives some reasons why the beautiful island, with its idyllic beaches and great diving sites is growing in popularity: "Gozo is part of Malta but is different. What makes it distinct is its simplicity, which is truly inspiring. It is small, easy to get around, safe and accessible. Then we have many cultural sites, especially the ancient Citadella that has won international awards for its significance."

But Gozitans are not content to live in the past, she says: "We have a competitive edge, a resilient character and adapt rapidly, which enables us to move quickly into emerging industries."

Her ministry has enacted a development strategy that builds on these strengths to tap into the island's potential in areas like information and communication technologies (ICTs), FinTech and

blockchain. "We have Gozitans who are qualified in those industries. One of our most pressing priorities is to evolve and invest in these sectors to retain our young, talented people and attract foreign direct investment," she states.

### Investing for the future

The ministry's investments include providing employers with €6,000 for each job they create that exceeds three years, creating a one-stop shop for investors and, says Caruana, "We have to upgrade all the island's infrastructure. The tender process for the construction of a tunnel linking Gozo and Malta has started. This will change Gozo, so we are preparing for an influx of people."

Another tender has been issued for an e-ticketing system as part of a ferry services upgrade, and Gozo's port is being expanded and improved to provide state-of-the-art facilities for fishing vessels, yachts and cruise



Justyne Caruana  
Former Minister for Gozo

ships, with a new road being built to improve its accessibility.

For businesses, "Our ICT Hub will be ready this year and is receiving attention from big-name firms. We also want to create a business center with coworking space and business services at our small- and medium-sized business park."

To make Gozo an even more attractive place to live, work and



The ancient hilltop Citadella is visible from all parts of the island

visit, "We plan to invest in our public spaces, natural and cultural heritage, and tourist zones. Our Eco-Gozo strategy is turning Gozo into a sustainable and ecological island. This goes hand in hand with our decarbonization initiative and new community-based services, such as Barts medical school," she says.

However, Caruana adds: "We have a lot of talented people in

Gozo but not many in construction. As our tenders are released, I would be delighted to receive foreign input. We want people to discover Gozo and its potential. We are ready and available to welcome them."



MINISTRY FOR GOZO



# Creating a forward-focused transportation system through investment in infrastructure and high-quality services

Malta's holistic and innovative approach to transport is bringing sustainable benefits for citizens, local businesses and the customers of its world-class maritime and aviation services.



**Ian Borg**  
Minister of Transport,  
Infrastructure and Capital Projects



**Joseph Bugeja**  
Chairman and CEO  
Transport Malta

As a small island nation, Malta faces particular issues when it comes to managing its transportation infrastructure and systems, says Ian Borg, Minister of Transport, Infrastructure and Capital Projects: "Land is scarce, sustainable development is a challenge and we are growing in terms of numbers of people, which means we are putting more strain on our existing infrastructure."

However, he adds, "We are now in a unique position – because of Malta's very healthy economic growth – and this is why we have decided to make an unprecedented investment in our infrastructure."

The country already offers exceptional sea transportation facilities for passengers, goods and vessels, which includes many marinas in addition to the busy port of Valletta, one of the world's most beautiful fortified harbours that welcomed 310 cruise liners in 2018.

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**We have decided to make an unprecedented investment in our infrastructure.**

Ian Borg, Minister of Transport,  
Infrastructure and Capital Projects

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"Due to Malta's geographical position between the European and African continents, as well as halfway between Gibraltar and Israel, we have always been connected to the maritime sector. We continue to do very well in it but are looking to expand. Space is a concern at our grand Valletta harbour, for instance, and we are studying how to reorganise it in a more efficient way," says Borg.

The excellence of the country's air transportation infrastructure is also attracting a growing numbers of users, with Malta International Airport seeing 48,737 flight arrivals and departures in 2018, up over 13% on 2017, and Malta being increasingly recognised as a full-service aviation hub.

Instead, the infrastructure Borg's ministry is most focused on improving is Malta's road

network, he says: "We are investing €70 million in redoing our major traffic junctions, bridges and tunnels. We are also planning to link the islands of Malta and Gozo permanently through an under-seabed tunnel of around 14 kilometres – the first of its type in the Mediterranean region."

The tunnel will take three to five years to complete and a tender has been issued for the project's management. "We have also started an international tender process for its design, build and operation, which could interest some German companies," Borg states.

Another focus of the government is moving towards cleaner transportation, he says: "We have around 1,400 electric vehicles (EVs) in Malta and our 2020 target is 5,000, which I believe we will be able to achieve as Malta is implementing the most generous initiatives. Firstly, we are addressing one of the biggest inhibitors to buying an EV and had around 600 charging pillars at the end of 2019. Secondly, we have decided to create a zero-registration tax for EVs and are giving grants of up to €8,000 for people shifting from an older car to a new EV."

#### Smart leadership in transport

Of paramount importance for creating a transportation system that is fit for the future is Transport Malta, a public authority with a diverse remit covering maritime, aviation and land services that has proved "instrumental in identifying a mix of options that solves Malta's transport problems," says its chairman and CEO, Joseph Bugeja.

At the request of the government, and after consultation with all stakeholders and a detailed environmental assessment, Transport Malta was responsible for developing the country's holistic and intermodal National Transport Strategy, 2050 and Transport Master Plan, 2025. Now, it is helping to ensure that the vision of those plans is met.

Transport Malta has two directorates that operate in the maritime sector, states Bugeja: "One manages ports and yachting services. It will shortly be embarking on the master plan for maximising space at Valletta harbour." The other – which provides merchant shipping services including ship registration – is

one of the Maltese economy's leading success stories. "Today, Malta is the number one ship registry in Europe and sixth in the world, with over 82 million gross tonnes registered under the Malta flag, which is a flag of quality.

We have many international customers and it is a very dynamic sector for Transport Malta as we provide quality service and legislation. Super yachts are a particular success at the moment and we are currently aiming to attract more tonnage and high-calibre vessels," he says.

Through the authority's civil aviation directorate, which regulates, all aspects of the aviation sector "We are trying to replicate Malta's registry success in the maritime sector. It is a new challenge that offers opportunities and great potential," comments Bugeja. As well as recording over 330 business and commercial aircraft registrations to date, Transport Malta is attracting airlines to the country, including Malta Air, a Ryanair subsidiary, which in 2019 was certified by the authority as the 37th operator to fly the Maltese flag.

On land, "We are responsible for car registrations, public transport regulations, taxi services and anything that happens on the roads," he states. The biggest challenge here is to find alternatives to cars, he adds: "One

success has been our sea ferries, which mean many people no longer need to take a car to work and bus journeys are increasing by 11% a year to 55 million in 2018."

A further way the authority is reducing road traffic and keeping Malta's air clean is by launching motorbike, bicycle and electric-car

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**Malta is the number one ship registry in Europe and sixth in the world.**

Joseph Bugeja, Chairman and CEO  
Transport Malta

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sharing services, Bugeja says: "We have introduced 150 electric cars with 450 parking places around the island that you can pre-book through an app."

Going forward, he believes that "we have to continue to use new technologies to identify more efficient transport services. There are opportunities in artificial intelligence, for example. Through smart leadership and great vision, Malta is doing very well in taking a lead in these new sectors."



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MALTA SHIP REGISTRY

Transport Malta

MINISTRY FOR TRANSPORT, INFRASTRUCTURE AND CAPITAL PROJECTS

# Sustainable, balanced and enriching plans for the future development of Malta

Malta Planning Authority has introduced cutting-edge technology to ensure its planning services enhance the environment for citizens and businesses as well as being fair, timely and transparent.

As Malta's economic boom continues, the built environment needs of the country's businesses and residents are rapidly changing and growing. Charged with ensuring that the development of a nation made up of only 316km<sup>2</sup> — and which is already the most densely populated in the European Union — happens in a balanced and sustainable way that benefits all stakeholders is the Malta Planning Authority (PA).

"PA is the main agency responsible for urban planning and the scheduling of historic buildings and sites. It is made up of two boards; one is the executive council, which is responsible for policy and implementation, and the other is responsible for the permitting side," says PA former executive chairman, Johann Buttigieg.

In 2018, PA received a record 12,173 planning applications, 7.7% more than in 2017. Despite this increase, the association aims to process all submissions in a fair, efficient and timely way.

"Legislative changes were made to our services in 2016. Previously, projects could take between two and six years to be approved. Now, we are one of the institutions in Malta that is completely paperless and applications are made online. We have to make planning decisions within 100 days and, if we don't, the government can fine us and return the applicant's fee. For major projects, we are charged €500 for every day that passes over 100 days," Buttigieg stresses.

To guarantee that PA's 40-strong compliance and enforcement department also operates in a timely fashion, it has been equipped with on-site digital information devices. "That ensures all compliance-related cases are adhered to, with compliance certificates being issued within five days after someone has received a development permit," he notes.

Transparency is another vital aspect to PA's planning services today. "Our customers used to feel that they were kept in the dark about the application process after making a submission. So, over the few last years, we have introduced a system that enables applicants to



**Johann Buttigieg**  
Former Executive Chairman  
Malta Planning Authority

know the precise status and progress of their submission," he states.

**Plans for the future and the past**  
According to Buttigieg, PA approved projects worth over €1 billion in 2018. These included a 31-storey building designed by world-renowned Zaha Hadid Architects and a €70 million, 51,000m<sup>2</sup> high-rise project in Mrie-

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**We have to make planning decisions within 100 days and, if we don't, the government can fine us and return the applicant's fees**  
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**Johann Buttigieg**  
Former Executive Chairman  
Malta Planning Authority

hel where four linked towers will contain office space, retail outlets, catering establishments and other facilities. The 448,723m<sup>2</sup> Villa Rosa scheme, on the other hand, will see hotels, holiday accommodation, bungalows, commercial areas and parking being built around St. George's Bay.

There are many other illustrations of how the islands are upgrading their built environment, Buttigieg says: "Infrastructure Malta has been awarded over €100 million a year to upgrade mainly roads, transport and civil infrastructure, for instance. PA is also

using new methodologies and planning systems in certain areas as we move towards the idea of 'smart cities' that change the narrative of what it means to be efficient throughout a city ecosystem."

With so much construction happening at the same time, PA needs a firm eye on the big picture. To assist this, it has been updating Malta's overall plans and policies that guide where development can take place and what type of development, in line with the islands' needs. As part of this, it is creating a new digitalised base map of Malta using state-of-the-art scanning and surveying equipment for aerial, terrestrial and under-sea studies.

One of the authority's main responsibilities is to provide a better quality of life for the local community, states Buttigieg: "Malta faces challenges related to the space available for work, accommodation and education — these are three main things that we are working on. An issue with accommodation is affordability and we have to work hard to ensure that the price that foreign incomers will pay for housing does not cause a consequent increase for Maltese residents." Other improvements to residents' quality of life come through various funds that PA oversees, which support projects aimed at advancing urban and green spaces, transport and community properties.

Part of PA's role in the sustainable development of the nation is to have one foot in the past. "We are conscious that Malta boasts many historic buildings that are our heritage and one of our priorities is that we work towards their rehabilitation," he says. To achieve this, the application process for rehabilitating historically important buildings is free. In addition, some of the funds raised through PA's services are redirected to a grant scheme for private residential properties that need to be conserved. In 2018 alone, €10 million was spent in this way. "Maltese history enriches your experience every day as you walk through our streets," Buttigieg declares, "Whatever you want here, old or new, you can find and this is why I recommend Malta to anyone as a place to live."



Malta has ambitious plans for developing its infrastructure

## Malta looks to PPPs to maintain its advance

Projects Malta is a catalyst for economic growth and competitiveness.

Forward-focused countries are turning to public-private partnerships (PPPs) to create the infrastructure their ambitions require; Malta is no exception. "Rather than investing by themselves in projects or companies, the trend is for governments to partner with the private sector, making each venture more economically viable for both sides," says James Camenzuli, executive chairman of Projects Malta.

The government set up Projects Malta, which it fully owns, to be a catalyst for growth and competitiveness by coordinating and facilitating innovative, sustainable and responsible PPPs and concession projects. Its initiatives aim to improve the country's infrastructure and the quality of its services whilst offering value for money. "Projects Malta is the company that comes up with proposals. It then audits them for technical feasibility and economic viability, before producing an assessment on whether the project will work," explains Camenzuli.

"At the beginning, we engaged a substantial amount of outsourced know-how due to the specialised and technical nature of the projects being built, which varied from hospitals to schools, transport systems and so on. After seeing success, we invested in an in-house technical team called Projects Plus. We now have architects, engineers, project managers, project engineers and other experts in house," he states.

Projects Malta's current initiatives include the cutting-edge Barts and the London School of Medicine and Dentistry's medical school on Gozo that is part of a concession agreement on hospitals between Malta and the US's Steward Health Care. "We also have a football and rugby stadium project that will bolster sports tourism. Built on abandoned land, this state-of-the-art complex will put Malta on the map for hosting large-scale sporting events and gives our sports teams a place to hone their skills," Camenzuli says.

### Innovative ideas for tourism

To demonstrate the variety of Projects Malta's interests, it has lately rolled out an advanced surveillance system that safeguards locals and tourists. "We are rarely short of ideas for tourism," he notes. In fact, tourism-related infrastructure is its main focus for the next few years, he adds: "One project seeks to link the cities of Sliema, Valletta and Birgu. A request for proposals brought interesting ideas, such as converting under-sea World War II tunnels into a passenger boat route. This would take the load off our transport system, increase convenience and be environmentally friendly."

Camenzuli wishes to see more PPP projects to keep Malta's economy growing: "I want Projects Malta to be a key element in the positive transformation of Malta and it's the right time for investors to place their money here."



PLANNING AUTHORITY

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