

Collaboration and Innovation: The Way Forward for Gozo

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The COVID-19 pandemic has shown the need for the diversification of the Gozitan economy. During the past months the Chamber has published two important documents: ‘**Post COVID-19 – Strategic and Policy Document**’¹, and ‘**Rethinking our Economy – GBC Budgetary Proposals**’².

These documents outline the Chamber’s vision for the diversification of the Gozitan economy, a vision based on considerations that we need to plan for the long term in order to have a sustainable economy which can benefit Gozitan society as a whole. This article is based on the considerations, and analysis outlined in these documents. The Chamber is seeing two potential areas of economic growth for Gozo, mainly the Green Economy, and Digitalisation, two areas which the Government is seeing as having substantial potential, not only for Gozo, but for the economy in its entirety. Nonetheless, there are also some underlying issues which need to be resolved in order to enable progress in these and other economic sectors which can assist in the diversification of the Gozitan economy. These issues relate principally to transport and connectivity, public infrastructure, and putting the right incentives into place in order to attract the right type of investment.

An Analysis of the Gozitan Economy

In 2018, 64.5% (7,030) of the people working in Gozo full-time were working in the private sector,

while 35.5 % (3,876) worked in the public sector. In 2019, the numbers had fluctuated as follows: 66.8 % (7,697) in the private sector, and 33.2% (3,820) in the public sector.³ 60.3% of the business units employed between 1 and 9 persons.⁴

GDP per capita in Gozo at € 15,997 is 64% of the national economy (2018). The growth in GDP in Gozo has lagged behind with the average rate of growth over the period 2014-2018, amounting to 9.8%, compared to 10.29% in Malta.⁵

Tourism plays a very important part in Gozo’s economic texture. From a study published in 2015⁶ it is estimated that tourism contributes around 50% of Gozo’s Gross Domestic Product, and around 20% in terms of both direct and indirect employment. While the main island of Malta constantly exhibited significant increases in consecutive years, fuelled principally by an increment in foreign inbound tourism, the same cannot be said for Gozo.

In 2019, the number of domestic tourists in Gozo was 215,272, a decrease of 5.2% over the previous year (227,121). On the other hand the number of foreign inbound tourists, amounted to 180,978 a decrease of 11.7% over the previous year (204,849).⁷ Same-day visitors to Gozo continued to increase between 2016 and 2019. As indicated by the 2020 regional statistics, “tourism in Gozo and Comino remained highly skewed towards same-day

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- 1 The Gozo Business Chamber (2020), *Post COVID-19 Strategic and Policy Document* (online) : <https://gozobusinesschamber.org/wp-content/uploads/2020/05/GBC-Post-COVID-19-Strategy-Documents-.pdf> [accessed 20 October 2020].
 - 2 The Gozo Business Chamber (2020), *Rethinking our Economy – GBC Budgetary Proposals* (online) : <https://gozobusinesschamber.org/wp-content/uploads/2020/09/Re-thinking-our-economy-GBC-Budgetary-Proposals-2021-1.pdf> [accessed 20 October 2020].
 - 3 National Statistics Office (2020), *Regional Labour Supply by Place of Residence and Work: 2017-2019. News Release 159/2020*, p.8. The statistics being portrayed here refers to ‘employment by place of work’.
 - 4 National Statistics Office (2020), *Overview of Social and Economic trends in Gozo* (power point presentation), delivered at the Gozo Regional Committee 28 August 2020.
 - 5 EMCS (2020), *Stakeholder Consultation Committee. Programming – European Structural and Investment Funds 2021-2027. Gozo* (Power Point Presentation).
 - 6 Ministry for Tourism (2015), *The Contribution of the Tourism Industry to the Maltese Economy. Report prepared for the Ministry for Tourism by EU-Cubed Consultants* (online) : <https://tourism.gov.mt/en/Documents/The%20Contribution%20of%20The%20Tourism%20Industry%20to%20The%20Maltese%20Economy%20-%202014.pdf> [accessed 19 August 2020].
 - 7 NSO (2020), *News Release 110/220 Regional Tourism 2017-2019* (online) : https://nso.gov.mt/en/News_Releases/Documents/2020/07/News2020_110.pdf [accessed 11 September 2020].

visitors” (p.207). In 2019 the number of same-day visitors to Gozo amounted to 1,346,550 an increase of 37.3% when compared to 2016 (980,553). While same-day visitors have a significant environmental impact, their economic impact is very limited. This means that despite Gozo’s over reliance on the tourism sector, the economic activity generated is not correlated to the environmental impact of this sector. This points out to the need to emphasise the importance of quality tourism.

Gozo’s over reliance on certain sectors is shown also by the percentage contribution of certain economic segments to its regional Gross Value Added (GVA). Thus for example while in the main island of Malta **construction** contributed 3.5% to its regional GVA in 2018, in Gozo this contribution goes up to 7.5%. The same can be said for **real estate activities**. In the main island of Malta the contribution of this sector to its regional GVA was 4.6% in 2018, while in Gozo this contribution went up to 8.9%.⁸

Gozo’s over reliance on these sectors calls for a rethinking of our economy in order to have sectors which should ensure Gozo’s long-term economic future.

The Effects of Covid-19 on Gozitan Businesses

During the pandemic the Gozo Business Chamber conducted two surveys. The first survey was conducted during March 2020, when the Government had not yet introduced important measures such as the COVID-19 Wage Supplement. When asked, on a scale from 1 to 5, how the outbreak of the COVID-19 had affected their business, from 5 being very negative to 1 having no effect, 72.5% of the respondents highlighted that it had affected them very negatively.

In the second survey, conducted between the 09th and the 14th September 2020, businesses were again asked from a scale of 1 to 5, how did the COVID-19 pandemic affect their business, with 5 being ‘very negative’, and 1 having no effect. The majority (46.7%) outlined that they were effected in a very negative way. One can note that the fact that the Government had introduced a number of measures which sought to alleviate the impact of the COVID-19 on businesses may have led to this decrease. Nonetheless this shows the urgency to act on projects and initiatives which now have become a priority.

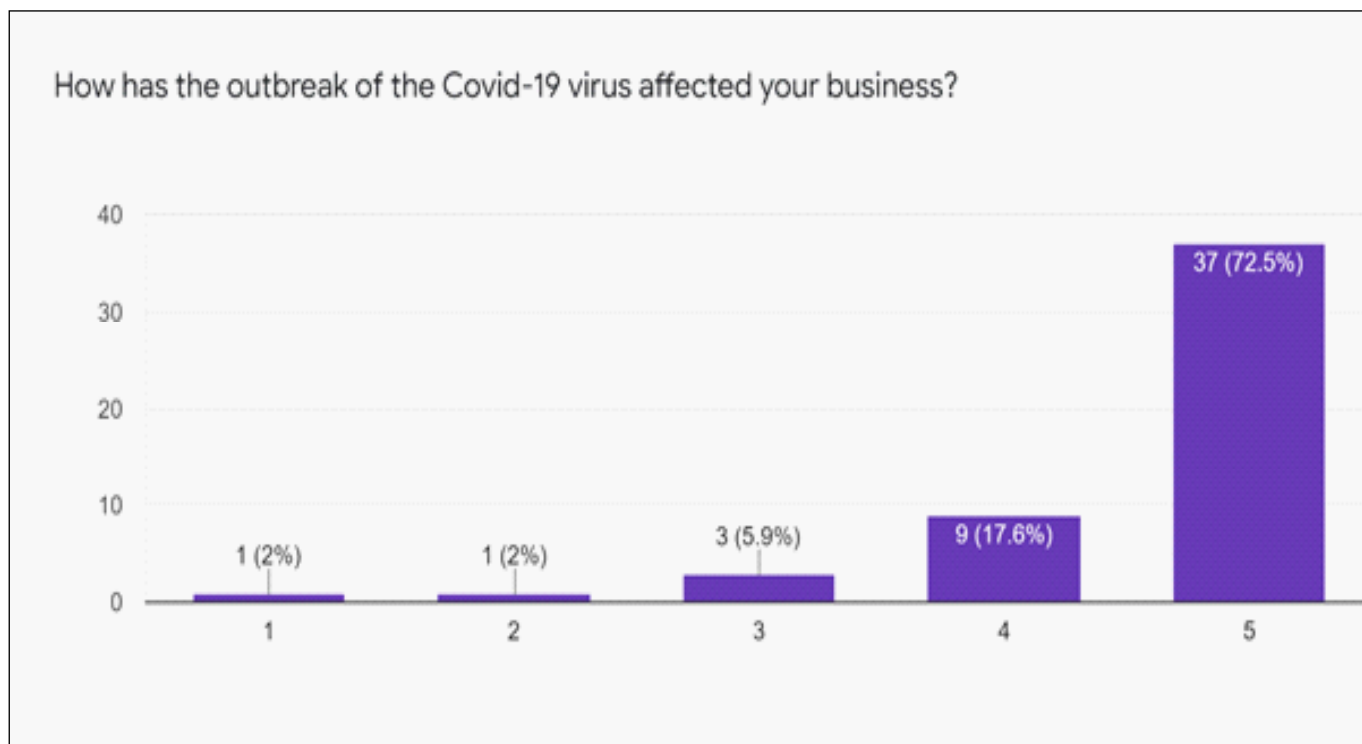


Figure 1: Outcome of Survey conducted in March 2020

⁸ National Statistics Office (2020), p. 29.

How has the outbreak of the COVID 19 affected your business?

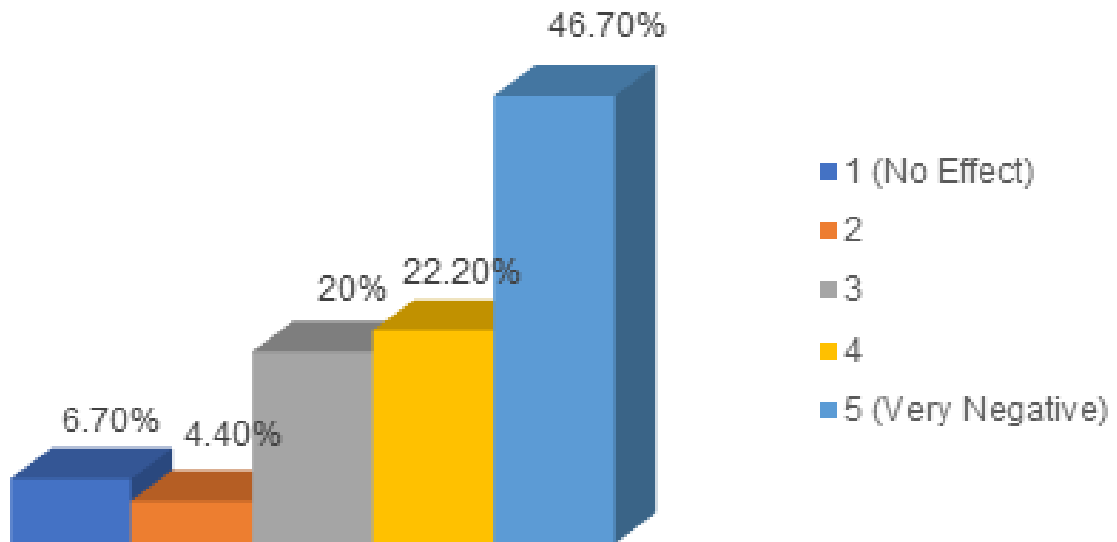


Figure 2: Results of Survey 09 - 14 September 2020

Transport and Connectivity

Gozo is presently connected to the main island of Malta via a scheduled ferry transport between the two islands. All the island is served with a public transport system through a scheduled bus service reaching all localities on the island. In the past Gozo also had a scheduled helicopter service linking Gozo to the Malta International Airport. A heliport was built for the purpose. Air Malta's subsidiary Malta Air Charter operated a helicopter service to Gozo for ten years when due to subsequent losses the service had to be stopped in 2004. Spanish company Heli Sureste took over but abandoned the route in 2006. Harbour Air Malta deployed seaplanes between Malta's Grand Harbour and Gozo between 2007 and 2012. In May 2019 a call for proposals for a helicopter service between Gozo and Malta was launched by state company Malta Air Travel Ltd.⁹ At present the service is not yet being offered.

Steward Health Care which runs the Gozo General Hospital also operates an air ambulance from the heliport in Gozo.

In the past few years plans for a **permanent link** between Gozo and Malta are under way. In June 2020 four bidders participated in the pre-qualification questionnaire for the design, building, financing, operation and maintenance of the Gozo – Malta tunnel. Transport Malta has also launched a request for proposal for a conventional ferry service linking Gozo to various other localities in the main island of Malta.

Gozo is often termed as suffering from 'double insularity'. As indicated by the current president of the Gozo Business Chamber, Joseph Borg, during a seminar discussing SME policies in remote areas of the EU, double insularity implies "being a remote area off another island".¹⁰ To this end the plans to

⁹ The Times of Malta, 2019. *Malta Gozo helicopter service plans get off the ground*, The Times of Malta, 21 May. Available at: <https://timesofmalta.com/articles/view/call-for-proposals-for-helicopter-service-between-malta-and-gozo.710588> [accessed 11 September 2020]. And CH Aviation, 2019. *Helicopter Services brands Gozo tender discriminatory* (online) : <https://www.ch-aviation.com/portal/news/79772-helicopter-services-malta-brands-gozo-tender-discriminatory> [accessed 11 September 2020].

¹⁰ Joseph Borg (2010), *Giving Gozo its Due* (online) : <https://www.eesc.europa.eu/resources/docs/borg-speech.pdf> [accessed 12 August 2020].



Gozo is presently connected to the main island of Malta via a scheduled ferry transport between the two islands. While the introduction of a fourth ferry service has helped in easing mobility between the two islands, it is still important that further accessibility both through air and maritime links should be sustained. Photo: MGOZ - George Scerri.

ensure that accessibility to Gozo is increased should continue unabated.

While the introduction of a fourth ferry service has helped in easing mobility between the two islands, it is still important that further accessibility both through air and maritime links should be sustained. Encouraging further maritime services to Gozo targeted towards specific segments such as Gozitan employees and students, working and studying in Malta would be a step in the right direction. Moreover, a helicopter service would ensure further accessibility for international travellers.

Furthermore, the Chamber believes that the permanent link between Gozo and Malta is an important project for Gozo. The initiatives taken up till this stage, including the publication of the pre-qualification questionnaire for the design, building, financing operation and maintenance of the Gozo-Malta Tunnel and the submissions made, bode well for the project to be implemented successfully. The Chamber believes that this project will solve

Gozo's accessibility issues and put Gozo on an equal footing with the main island of Malta.

As its name suggests the permanent link would provide the required assurances to the Gozitan economy if any of the above indicated services, including also the ferry service would have to stop for some reason or another. **Gozo needs multi-modal forms of accessibility.** As already reiterated various times by the Chamber, this project should not mean an increase in construction. Development policies for Gozo should be in place which would adequately cater for this situation, which is presently unsustainable. The incessant development currently taking place in Gozo, has also been pointed out by the Gozo Regional Council, who highlighted, the ruining of charming urban historic centres, and the environmental and urban degradation currently taking place.¹¹

The Chamber maintains that proper regulation should be in place in the construction sector, and that in the case of Gozo, development should never

¹¹ The Times of Malta (2020). *All Gozo Mayors unite to warn against irresponsible development*, The Times of Malta, 16 October. Available at: <https://timesofmalta.com/articles/view/all-gozo-mayors-unite-to-warn-against-irresponsible-development.825130> [accessed 20 October 2020].

come at a cost to the environment. Safeguarding Gozo's environment means that the green belts between localities are maintained, and that the urban conservation areas are protected. This was already proposed by the Gozo Business Chamber in its budget proposals for 2019¹² when it highlighted that the subsea tunnel project between Gozo and Malta:

should be accompanied by a holistic plan ensuring the sustainable development of the island of Gozo, such as for example that the green belts between localities are retained, and that the unique character of each locality is preserved. The Chamber believes that the present Outside Development Zones (ODZ) in Gozo should not be touched. Accessibility needs to be accompanied by a sustainable development approach.

Required Infrastructure

Gozo's success during the past few years has been sustained by the fact that Gozo is now being considered as an important contributor to the national economy. This has seen for example the construction of the Malta campus of the Queen Mary University of London here in Gozo. Work on important capital projects for Gozo such as the new hospital for Gozo, the new primary school in Victoria, the park and ride facility (which should see the start of a service of E-buses to the Mgarr terminal), and the Gozo Museum should start, or continue as planned. Even when this crisis is over such important public capital projects would sustain the confidence in the economy with a positive spill-over effects on other sectors. There should also be an important re-thinking on capital projects which have been on the shelf for a very long period of time. Such projects would not need to consider the uptake of any green areas but should consider the redevelopment of existing or polluted areas. An important project in this direction is a multi-storey parking in Victoria, in place of the existing parking facilities. This should be done underground so as not to impinge on Victoria's historical and authentic landscape.

The Green Economy – Sustainability is Key

The strengths and challenges being faced by Gozo with respect to sustainability are multifaceted. Islands are more exposed to the effects of climate change. On the other hand due to their small scale, and geographical boundaries they form an ideal lab to test technological innovation aimed at environmental protection.

In 2017 the number of cars per 1,000 residents aged 18 years and over in Gozo was 840, the largest share when compared to other regions on the main island of Malta.¹³ Sea transport between the two islands also increased year on year. In 2019 the number of sea trips between Gozo and Malta was 27,631 an increase of 17% over the previous year. The number of passengers and vehicles crossing between the two islands also increased. In 2019 the number of passengers who crossed between Gozo and Malta was 5,917,780, an increase of 2.7% over the previous year (5,758,318). The number of vehicles crossing between the two islands in 2019 (1,782,909) also experienced an increase of 7.4% over the previous year (1,659,902). Surely at this stage the pointers do not point towards a sustainable economic model. There needs to be a complete overhaul in the way we perceive our economy starting from the environment.

The sustainability of our economy will surely be one of the key themes of the post-COVID-19 scenario. Joseph Borg, President of INSULEUR,¹⁴ in his letter to members highlighted how sustainability is the way forward in order to ensure the sustainability of island economies:

Due to the fragile situation of islands, we were always looking ahead. In this context we always believed that it was only through sustainability that we could survive . . . we believe that islands will be the first to benefit from it ('Green Deal'), as they are also the first to experience the negative impacts of climate change. After the world emerges from this crisis there are a lot of lessons that we have to learn, and that we have to

12 The Gozo Business Chamber (2019), *The Gozo Business Chamber's Proposals for the Budget 2019* (online) : <https://gozobusinesschamber.org/wp-content/uploads/2019/10/GBC-Press-Release-081019.pdf> [accessed 20 October 2020].

13 NSO (2020), *Regional Statistics Malta 2020 Edition*, p. 148

14 The Network of the Insular Chambers of Commerce and Industry of the European Union. Joseph Borg, President of the GBC is also President of INSULEUR.



Gozo's over reliance on certain sectors is shown also by the percentage contribution of certain economic segments to its regional Gross Value Added (GVA). Thus for example while in the main island of Malta construction contributed 3.5% to its regional GVA in 2018, in Gozo this contribution went up to 7.5%.

share together. This pandemic is clearly showing that we cannot continue to plod ahead as if nothing has happened. We need to do things differently.

The Chamber has made a number of proposals in this regard, mainly targeted towards increasing the uptake of electric cars, substituting the present fourth ferry with a hybrid ferry. Moreover, Gozo can set the pace for the whole nation being the ideal test bed for innovative, new and sustainable technologies, and therefore there exists the concrete possibility of attracting industries in this area. Given the European Union's focus on the 'Green Deal'¹⁵ the potential in this area is significant.

A Clear and Focused Digital Strategy for Gozo

Gozo has registered important steps in this area. A number of projects and initiatives have been

initiated or completed. These include the second fibre optic cable between Gozo and Malta to cater for issues related to redundancy, and the setting up of the Digital Innovation Hub in Xewkija. Digital Innovation Hubs were a key priority of the 'Digitising European Industry Initiative' adopted in April 2016. The objective of Digital Innovation Hubs are to act as "one-stop shops where companies especially SMEs, start-ups and mid-caps can get access to technology-testing, financing advice, market intelligence and networking opportunities."¹⁶

At this point in time however Gozo necessitates, with reference to companies in the digital sector, a "holistic incentive package specific to Gozo . . . to really ensure the take-off of this industry on the island".¹⁷ This would ensure the development of an eco-system of companies in the digital sector in Gozo.

¹⁵ The European Green Deal is Europe's plan to make the EU's economy sustainable by turning climate and environmental challenges into opportunities, and making the transition just and inclusive for all. See: European Commission, *A European Green Deal* (online) : https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en [accessed 21 October 2020].

¹⁶ Digital Innovation Hubs (DIHs) in Europe - *Shaping Europe's digital future* - European Commission, 2020.

¹⁷ Gozo Business Chamber (2020), *Post Covid-19 – Strategic and Policy Document*, p.3 (online) : <https://gozobusinesschamber.org/wp-content/uploads/2020/05/GBC-Post-COVID-19-Strategy-Document-.pdf> [accessed 13 August 2020].

As discussed during the INSULEUR Forum held in Gozo in October 2019, the digital economy poses great potential for islands. The Conference recognised that:

Digitalisation can serve as a roadmap for small and insular islands to tackle the difficulties that are generally associated with their geographical isolation by developing stronger links with the main centres of economic activity, developing innovative products and services and diversify business activity . . . islands lend themselves well as proving grounds for new and innovative models targeted at physically bound communities.¹⁸

Conclusion

This pandemic has shown the importance of all stakeholders collaborating actively together to achieve common aims and objectives. During the prayer of the Angelus on Sunday 2 October 2020 Pope Francis highlighted how (with reference to the COVID-19 pandemic):

At the same time I hope that, with the converging commitment of all political and economic leaders, work might resume: families and society cannot continue without work . . . It is and will be a problem in the aftermath of the pandemic: poverty and lack of work. A lot of solidarity and creativity will be needed to resolve this problem.¹⁹

These are the underlying values that must sustain our recovery.

Gozo's governance structure is very peculiar. The Ministry for Gozo though being a dedicated structure for Gozo is directly responsible for a limited number of areas. To this end it is important that all the Ministries, authorities and agencies work in cooperation so that Gozo can develop not only in the short, but also in the long term. In his budgetary speech on the 19 October, Minister for Finance Edward Scicluna, highlighted that Government will be formulating various strategies in such important sectors such as the economy, digitalisation, and

tourism.²⁰ It is important that Gozo is tackled specifically in these strategies.

To this end the setting up of the Gozo Regional Development Authority is an important milestone in order to ensure that Gozo continues to be included in all the national strategic plans issued, as it will play an important part in bringing all the entities together in the present multi-level governance scenario.

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18 INSULEUR (2019), *Statement of Conclusions and Intent on Developing a Common Digitalisation Strategy for EU Islands* (online) : <https://gozobusinesschamber.org/wp-content/uploads/2019/07/Statement-of-Conclusions.pdf> [accessed 21 October 2020].

19 Pope Francis (2020), *Angelus. Saint Peter Square, Sunday 2 August 2020* (online) : https://m.vatican.va/content/francesco/en/angelus/2020/documents/papa-francesco_angelus_20200802.html [accessed 24 August 2020].

20 Hon. Edward Scicluna. Minister for Finance and Financial Services (2020), *Diskors tal-Baġit 2021* (online) : https://mfin.gov.mt/en/The-Budget/Documents/The_Budget_2021/BUDGET-2021_Diskors_Malti.pdf [accessed 20 October 2020].