



**Implementation of Malta's Recovery and Resilience Plan and the European Semester Country Report for Malta**

Daniel Borg      Wednesday 8th November 2023

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**Daniel Borg, Gozo: Dear Daniel, you have written and spoken extensively on the economic development of Gozo, including on the challenge of double insularity.**

**From your academic and professional perspective at the Gozo Business Chamber, can you feel the positive impact of EU funding in Gozo, beyond the Citadella, school renovation and other public sector projects?**

Obviously public sector projects are more visible. Apart from the areas you mentioned for example EU Funding has been instrumental in the area of sustainable mobility such as for example the deployment of electric buses for a park and ride service servicing the port of Mgarr (ERDF Funding), the upgrading of the fisheries infrastructure in Gozo (European Maritime and Fisheries Fund), the repair of rubble walls and the rehabilitation of valleys (European Agricultural Fund for Rural Development).

But apart from these public sector projects one can mention for example the funds dedicated to accelerate the shift to electric mobility, under the RRF. In the case of Gozo for example, apart from the motorcycle category, if a vehicle is registered in Gozo, the Government is paying 1,000 more euro over and above the amount paid for other vehicle categories registered on the island of Malta, when an old vehicle is scrapped.

One must also say that for many funds targeted for businesses in Gozo the aid intensity is 10% higher than for business located on the main island of Malta. Obviously as regards Gozo the problem of the deminimis remains a stumbling block despite all the positive incentives that provide for a higher threshold for Gozitan-based enterprises. Given the current de minimis framework the positive impact of such incentives may eventually be lost.

**Can you think of a few success stories where EU funding has helped businesses to implement projects which would have otherwise fallen through?**

An important project which I think benefited a particular category of businesses which is difficult to reach, is the artisans. Through the Interreg Europe Destination SMEs which saw the establishment of the 'Gozo Artisan Network' where Gozo based artisans joined forces to collaborate together. This also saw the creation of a quality label for artisanal products manufactured in Gozo.

Another important project was Resindustry done through Interreg funds which saw as its outcome a study for the improvement of energy efficiency and integration of renewable energy sources in local industries, and the identification and dissemination of the best practices of energy efficient policies.

Other important projects and initiatives in this regard include also the funds administered through the Leader Programme under the European Agricultural Fund for Rural Development (EAFRD). In the case of Gozo this has not only seen the development of a local strategy, but also the implementation of a number of successful projects in collaboration between the public, the private sector and also civil society through the Gozo Action Group Foundation. An important project which was recently launched is the Tuta Agrotourism in Kerċem Gozo. Despite various efforts this is the first agro tourism project with accommodation launched in the island of Gozo. It is also important to highlight that this project is also offering animal assisted therapy, educational talks related to farming and agriculture, culinary experiences, and hands on farming.

**Do you have a sense of what percentage of Gozo's businesses have applied for and/or obtained EU funding?**

I do not have access to such type of data. Nonetheless, I think this would be an interesting study which would shed light on the absorption of EU funds by the private sector, and also identify challenges faced by businesses in Gozo as a region. On the other hand such an analysis would also help in the policy formulation side as it would help tweak specific funds, so that they could be absorbed more easily by Gozitan businesses. In think in this case the funds administered under the Leader Programme can provide important lessons to date.

**Gozo has been named among 100 European cities aiming to become climate neutral by 2030. Are the RRF and Cohesion Policy funds (ESF+/ERDF) practically helping the SMEs in Gozo to succeed in the green transition, something that we discussed in the first panel today?**

First of all I think this is an important objective for the island of Gozo as it is providing also various opportunities under various funding programmes. I always believe that Gozo being smaller and greener than Malta can really set the example in this area, and when it comes to sustainable energy solutions, Gozo can provide an ideal testing ground and set the pace for the whole nation.

Under the Recovery and Resilience Facility, funds were earmarked under the RePower.eu towards accelerating the deployment of renewable energy, addressing internal energy transmission and distribution bottlenecks, supporting electricity storage and supporting zero emission transport and its infrastructure. Such a measure would obviously benefit all businesses in Gozo. This is because at present, despite the various incentives provided by the Government, the electricity infrastructure in Gozo is not good enough for businesses to shift their commercial vehicles towards electric vehicles unless they do not make a significant capital investment. This is a disincentive for them.

I also think that as an important first step businesses must understand the need to be more sustainable. Many of the businesses in Gozo are micro businesses, and they continue to operate without a clear plan or strategy to change their *status quo* which affects their energy consumption. To this end I think cohesion policy funds may prove beneficial if they would help finance an energy audit for all businesses in Gozo.

**Can EU funding in Malta and Gozo serve as leverage to crowd-in private finance by helping to reduce risk and make business projects more “bankable” for financial intermediaries?**

We have already seen such measures, and we as a Chamber have provided training opportunities to our businesses on these schemes which were being offered through the Malta Development Bank. Nonetheless the appetite in this case is still very low, and we need to help businesses move in this direction. But perhaps we should also understand the causes of why businesses in Gozo are not applying for such type of funds.

And this is why a regional analysis is very appropriate. This is a discourse also at an EU level where data is lacking for islands such as Gozo which are not island states. Regional studies and analysis would be appropriate as it can then lead to appropriate policy formulation, including also how funds are formulated in such a way as to increase their appetite also in island regions such as Gozo.

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