

# Budget 2017

## GRTU proposals

September 2016

## FOREWORD



GRTU welcomes the progress that the Maltese economy continues to make and this is a result of a successful partnership. The public sector and the private sector are working in tandem towards the same goals and this is resulting in a general economic well-being.

In the pre-budget document the Minister for Finance emphasised that this budget will ensure that the trend our economy has been experiencing is sustained. I must emphasise both the importance of this and take this argument further.

Our economic trend must not be taken for granted. Nothing comes automatic and if the key players relax we will immediately see the repercussions. This is not only a period not to relax; it is also a period of utilising our economic prosperity to make up for times that will be more difficult. We need to prepare for a rainy day because a rainy day will come.

Secondly, we must not be alienated by our economic success. GRTU still feels that on the ground there is disparity. We must ensure that our wealth generation reaches all sectors of society, including all enterprise sectors. This is a time when the going is good and the going should be good for everyone.

Therefore whilst recognising that in macro terms the country has achieved success, we need to keep our focus on the micro and address the gaps we have. GRTU's proposals seek to address these disparities and ensure an increase in wealth for all.

A handwritten signature in black ink, appearing to be 'PA' or similar, written over a light grey rectangular background.

Paul Abela  
President

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# 1. Making the audit of financial statements voluntary for micro- and non-trading companies

## Proposals

The removal of audit requirements on micro enterprise and non-trading companies has been a reasonable and long-standing proposal of GRTU and the EU gave a clear signal that it looks favourably at such an initiative aimed at promoting the think-small-first principle. GRTU is therefore taken aback by the fact that the Maltese Government decided to rob micro companies of this opportunity without consultation.

## Context

The EU has very clearly encouraged member states to diminish the burden related to financial statements, most recently through its Directive 2013/34/EU. The Directive specifically stipulates that 'the annual financial statements of small undertakings should not be covered by this audit obligation, as audit can be a significant administrative burden for that category of undertaking'.

According to the latest statistics published by the NSO<sup>1</sup>, Malta has 85,673 micro enterprises, out of which it is estimated that 45,708 would require an audit by law. The basic cost of an audit for a standard micro-entity is Eur 1000.

The main 'philosophical' justification of an audit is that the managers of companies have to demonstrate the stewardship of the company's to the owners of the company. This is done by the audit carried out by an external auditor. In the case of micro firms however, the distance between owners and management is practically inexistent. In many cases the owners are also the managers. The cost of an audit is therefore harder to justify.

The United Kingdom has been applying this exemption since 1993 and the country has always sought to improve on this and increase the threshold so that the number of companies that could benefit from the exemption grows. There is no reason why a system that has worked well in the UK for over 10 years cannot be applied in Malta.

## Outcome

If the audit was to be made voluntary it is estimated<sup>2</sup> that 40% of these would opt to benefit from the exemption and not audit their financial statements. Making the audit for financial statements voluntary

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<sup>1</sup> [https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_B4/Business\\_Registers/Documents/2016/News2016\\_073.pdf](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_B4/Business_Registers/Documents/2016/News2016_073.pdf)

<sup>2</sup> Studies from the UK where an exemption on audit is in place suggest that little over 60%.

for micros would in practice mean that micro companies alone will cumulatively save a minimum Eur 18 million in accountancy fees.

Having a voluntary option still gives micro companies the possibility to have their accounts audited. Studies suggest that over half of the companies exempted still decide, by choice or obligation, to have their audits. The absolute majority of micro companies are not large enough in terms of turnover and their credit rating is not a priority factor within their enterprise to necessitate an audit. Enterprises that see personal value in having their financial statements audited or are required to do so as part of the requirements established by banks or other, will still carry out audits on a voluntary manner.

## **2. Compulsory membership for all enterprises with social partners**

### **Proposals**

Whilst welcoming government's move to liberalise licensing on the basis that it constituted an additional burden and cost for businesses with no direct value, GRTU is proposing that the licensing system would be replaced by a system of compulsory membership.

GRTU is proposing a system of compulsory membership that would be beneficial for all the parties involved. The compulsory membership would be for all self-employed persons and legal entities entitled to run businesses in Malta. This would involve a nominal, regular and mandatory financial contribution to one of the cross-sectoral employer organisation that is represented on the Malta Council for Economic and Social Development.

### **Context**

The tripartite system of social dialogue is an essential element within our democratic system. GRTU believes that social partners play a very important role and it is in the interest of both the government and enterprises for this role to be better recognised and strengthened.

Enterprises used to get no value out of having a license with the trade department other than the general value of having a level of administrative control to distinguish between the licensed businesses and those that many times fell outside our fiscal radar and failed on a number of regulatory compliances.

Several EU countries have adopted the system of legally supporting the financing of employers associations directly by businesses, this includes Germany, Italy, Austria, Hungary, the Netherlands, Spain, Slovakia, France and Slovenia. The results are extremely positive.

### **Outcome**

GRTU believes that in order to be in a better position to tackle unfair competition some form of registration should remain however this should take the shape of a compulsory membership and would be combined by a number of value-added services that are provided free-of-charge to enterprises.

The social partners involved would enter into an agreement with government that would result in them being obliged to fulfill certain tasks that would be delegated by the government to the associations themselves because of their close links to the business community.

One of the potential services that the organisations would be offering following an agreement with the government is taking up the role of an outreach entity for businesses. The associations will be the one-stop-shops where the different government ministries, departments and entities direct information and the associations would have the responsibility of reaching out to businesses within their membership base. The associations should be entrusted with such a role also because they have the skills and expertise in communicating with enterprises that is heavily lacking within the public sector.

This will not only not come at a cost to government since the financing will be from the private sector but through the delegation of public tasks government will make savings and the service provided at national level will be of higher value and efficiency and government will save on such costs. In addition the government will ensure that social partners represent the full spectrum of our economy and they have the resources they need to fulfill their role and assist government with proposals and input that are backed by studies. In terms of social dialogue and consultation therefore government will be ensuring that it is reaching all operators within our economy and not just the few that take an active decision to be members of an organization.

Enterprises will benefit from reduced cost when compared to the license fee that used to be paid to the commerce department and in return they will have access to a number tailor-made services that are very important for the running of their business, including specialised representation, access to information and updates on legislation, courses, assistance to set-up, internationalise, innovate, amongst others.

### 3. Lowering electricity prices for enterprises

#### Proposals

GRTU is proposing the following alternatives in the supply of energy that will increase competition in the supply of our energy product that will result in cheaper electricity prices.

1. Introduction of a second operator in the distribution of electricity to cater for the private sector
2. Opening up possibilities for the private sector to set-up micro generation independent from Enemalta and integrated with the national distribution system
3. Opening up possibilities for new investors to buy the remaining Enemalta shares on the same terms of Shanghai Electric. Government would still keep the majority.
4. Interconnector to be operated by another private player
5. Financial engineering instrument by making available a government guarantee to GRTU in order to incentivize enterprises in investing in energy efficient systems. The guarantee will enable GRTU to take out a loan that will be utilized to finance investments and the cost will be paid back through the savings the enterprise will be making.
6. Fund dedicated to Research and Development for the development and adaptation of technologies for the Maltese context.

#### Context

Liberalisation of the electricity market must move from on-paper to in practice. Enemalta is today still a monopoly and the price for this is being paid by consumers, and impacting negatively on the competitiveness of our enterprises. The cost of utilities represents the most significant running cost for businesses and we do not afford to lump our enterprises with inefficiencies.

The picture of the country's electricity supply is a sorry one. The country ex-public corporation is both the generator and distributor of electricity and apart from the interconnector that is owned by the government and still operated by Enemalta itself, there are no other players that compete with Enemalta.

The Third Energy Package has the specific aim to address monopolistic situations in the energy market as we find in Malta. The Government has however a number of years back applied for an indefinite derogation that will be reviewed by the Commission once there is a substantial change in the electricity market and this includes in particular new entrants in the market.



Apart from the fact that GRTU feels that the sale of part of Enemalta to Shanghai Electric constitutes a substantial change in the electricity market and is a new entrant, GRTU believes that the government should not hide behind the derogation but maintain the derogation and do its utmost to liberalise the market as much as possible.

Opening up possibilities for the private sector to set-up micro generation for own use is one of the options. The private sector should be allowed to not depend on Enemalta and self-sustain through private production.

The government should encourage the setting up of distributed energy generation plants that would be independent of Enemalta but integrated with the national distribution system on the basis of micro grids that may impact power interruption of the national grid system.

The distributed energy plants should be enabled with regard to the building of large residential / tourism blocks, large education institutions, large industrial parks, or designated areas of economic sensitivity.

It is pertinent to underline, that 40% of energy is consumed by buildings – industrial, residential, tourism, etc. Buildings are more than just stand-alone units using energy supplied in various forms. The large building complexes that are now becoming a regular feature of the Maltese landscape are micro energy-hubs consuming, producing, storing and supplying energy more flexibly than before. Buildings, therefore can help balance the grid with demand management and can play a leading role in transforming the local energy market, shifting from a centralised single energy source national system towards a decentralised, renewable, interconnected and variable system

The design of such distributed energy generation plants should be private sector led (as well as potentially regulation led with regard to large development projects) and should be underpinned, where so possible, by climate change friendly technology – such as LNG, solar, etc. This would have the added benefit of enabling Malta to meet climate change targets and of achieving zero carbon footprint buildings.

In designing a policy for distributed energy generation plants the necessary regulatory measures should be introduced, if this is not the case, to render the energy infrastructure in Malta as a national infrastructure – similar to action taken by government in the liberalisation of the telecommunications sector.

In parallel, government should continue incentivizing the investment in equipment that would result in lower electricity cost for the private sector. The government has done very good work when it comes to incentivizing investments in PV equipment however this needs to be extended to cover other technologies and specifically targeting the private sector.

The biggest hurdle holding enterprises back when it comes to such investments is their cost benefit reasoning. Enterprises still do not appreciate the return on such investments because they are not familiar with these technologies and they are skeptical of the results.

Additionally GRTU believes that a fund needs to be set up in order to develop technologies that are suitable to our climate and resources. Being such a small market no large investor will utilize their research resources on Malta so the local businesses would do this themselves with some help. The funds available from MCST are both bureaucratic and having to include a Europe wide dimension diminishes the impact on Malta and complicate projects.

### **Outcome**

Opening up the market would gradually allow for new entrants that would provide businesses with more competitive options. This might be in the form of micro to larger productions that would require to use the national distribution system but would in return lower electricity prices.

The guarantee will also enable us to kick start a process that will see our businesses not only invest in renewable energy, but also use energy more cautiously. It will spearhead a process that will foster a culture of efficiency, ultimately making them more profitable and competitive. This will be done without adding extra burdens as the system will finance itself through savings, and made possible via a government backed loan.

The research fund would help Malta achieve two of the EU 2020 targets it is struggling to achieve, the one related to research and the one related to energy generated from renewable.

## 4. A partnership in favour of inclusion

### Proposals

GRTU is proposing a partnership amongst the three main stakeholders - GRTU, KNPD and Planning Authority. These entities together can make a meaningful difference for the advancement of inclusion policies in practice in Malta. The deliverables of the partnership would include the following:

- A financial incentive scheme to support enterprises in their efforts to make their commercial premises more accessible
- A fast-track, free-of-charge application process with the Planning Authority
- An education campaign targeting the private sector

### Context

The subject of inclusion has gained increased importance as our society becomes more conscious and sensitive to the needs of our more vulnerable groups. The overarching opinion amongst the general public, including enterprise owners, is that they are in principle in favour of inclusion however a number of stumbling blocks remain that limit the actual application of inclusion in practice.

The cost of carrying out structural changes to a building in order to make it accessible is prohibitive and difficult to absorb for any enterprise. Structures such as elevators and stairlifts run in the thousands of euros and this cost is usually not part of the costings at planning stage because enterprises are lacking in knowledge when it comes to accessibility. Enterprises therefore end up regarding this excessive cost as unnecessary in order to run their businesses.

Compliance is another main hurdle. Accessibility alterations should be encouraged and this should be reflected in our planning application procedures both in terms of cost and bureaucratic burden. Applications for changes in relation to accessibility is today still burdensome.

The latest annual report released by the KNPD outlines that the accessibility sector was the sector about which KNPD received the most new complaints. The complaints received by the KNPD show that the government was the highest offender and it was followed by the private sector.<sup>3</sup>

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<sup>3</sup> <http://crpd.org.mt/eoa/>

## Outcome

When it comes to accessibility GRTU believes that we must all move in one direction. This area will continue progressing and gaining advancements with one outcome of increasing accessibility. The partnership will contribute to this aim and progress will continue whilst taking into consideration the realities of enterprises and taking action to mitigate any impact.

## 5. Redefining the crafts sector in Malta

### Proposals

GRTU is putting forward the following proposals:

1. Launching of a crafts policy
2. Incentives to reduce the production costs for local crafts
3. Launching of a quality assurance system
4. Reduced VAT rate at 5% for all locally produced genuine crafts
5. Assistance for operation and internationalization
6. Stronger Malta Enterprise incentives for operators that will carry out construction works on their premises as part of the regeneration project
7. A marketing campaign to promote local crafts

### Context

GRTU welcomes Government's commitment to invest in the current Crafts Village with the aim of delivering the badly needed upgrades to the area. GRTU however is concerned that in order to finally carry out a project that has been in the pipeline for a very long number of years the emphasis has all been placed on the structural aspect while the other essential qualities that should accompany such a project have been so far unaddressed.

Without taking away from the dire need of an upgrade in which the crafts village is, the problems with Malta's crafts sector goes beyond the structural facilities of the crafts village. For years the crafts sector has been ignored and this has not yet changed today. The sector has been left to battle impossible competition of low quality imports, high production costs and the lack of a quality certification programme.

The operators that are genuine craftsman in Ta' Qali are in a precarious situation. They will go through great struggle to sustain the cost for them to upgrade their premises as part of the regeneration project and with their level of profitability getting back their investment will be an eternal journey. Stronger incentives than those already available would encourage the crafts people and help them get back on their feet quicker.

The initiation of discussions on a national crafts policy that will define crafts, outline the strengths and potential of the sector and the challenges that are hindering progression in high quality crafts is the starting point. From this strategy we can build on incentives and initiatives that the Government can take to help this sector develop. The current Crafts Council lacks the dynamic it needs in order to instigate the drastic change in approach that is necessary.

To increase the value of local produce an investment in quality testing and certification system to test and certify local produce is needed. This with the aim that only genuinely locally produced products are marketed as such and the genuine goods carry a higher value. This would help locally crafted goods being associated with higher quality. Incentives to invest in local produce with easily accessible standards and quality marks should be specific for those investing in the local produce.

Special support should also be given to help people in crafts find adequate premises, ideally the crafts village, to work and showcase their products and upgrade them for export and expose such products in foreign markets through the involvement in fairs and exhibitions abroad at the least possible cost.

The fiscal conditions are also not very positive for local crafts because imported works of art can be sold at the reduced rate of 5% while locally produced works of art must be sold at the normal VAT rate. This is an anomaly that is creating injustice and should be addressed.

### **Outcome**

Thanks to this assistance the crafts sector will be reinvigorated and strengthened, the crafts sector will once again become viable and fitting to carry the name of a locally produced good and contribute to the name of Malta.

## 6. Partnering with the Private Sector to Tangibly Address Growing Human Resource Needs

### Proposals

GRTU is proposing the use of public-private partnerships to provide a concerted effort which implements tangible actions to holistically address current and future human resource shortage.

The main themes to be addressed are:

- Re-Engineering our Education System

GRTU welcomes Minister Evarist Bartolo's call to intertwine education and employment needs. This needs to be implemented in practice with changes on the ground. Apprenticeship and internship schemes need to be valuable to both learner and employer. Vocational education needs to be embedded in our education system to equip our labour force with what is necessary from a young age. Courses and qualifications need to be tangibly designed by and with employers to equip students with what is expected of them in the world of work. Private training providers need to be integrated in the national education system by identifying ways how their niche services can be included in having a wider and better product nationally rather than still seeing them as competitors to public education.

- Overhauling Career Guidance

A fully-equipped Career Guidance Service System needs to be set in place. This needs to have direct input and training from the labour market to conduct skills forecasting and transcend a truthful picture to students, helping identify meaningful and labour-market-sensitive career paths.

- Job-Specific Training

Practical identification of hard-to-fill vacancies that can be addressed by training the unemployed, those that are willing to re-engage in the labour market, NEETs and young students that are failed by our current education system. Such a scheme would enable employers to help in course design which effectively guarantees employment.

- Integration of Foreign and Third Country Nationals as a part of our human resource pool

Setting up a system of identification of foreign or third country nationals to be tapped into when the Maltese workforce cannot respond to an employment need. This can be done through strategic partnerships with employment corporations in other countries. A pre-screening entity through private

sector support is also to be set up to support such applications and filters out potentially unsuccessful ones.

## Context

It has been widely established that Malta's key resource is its human skills and their adaptability to the needs of industry. Having invested drastically in education and training over the years, Malta has established strong public provision of higher and vocational education. Over a ten year period Malta has registered a 54%-strong increase of further and higher education participation<sup>4</sup> and despite still being higher than the EU average at 12.0%, it has reduced its early school leaving rate<sup>5</sup> from 32.8% in 2006 to 20.5% in 2013<sup>6</sup>.

Over the 2004-2012 period there has been a significant shift in increase of highly-skilled jobs or specific technically-skilled jobs<sup>7</sup> which shows how the responsiveness of our labour market in terms skills forecasting and matching is so crucial. Technical and soft skills are amongst the highest reported issues when it comes to engaging employees leading to hard-to-fill vacancies becoming wider and longer to fill. Whilst we have been driving our students to the higher echelons of education, we may have not given the value that the technical levels of education deserve in terms of the demand in the labour market. This also is in fact leading to an increase in share of foreign workers in our labour market with a 7.0% labour market share in 2012 from 1.7% in 2004.<sup>8</sup> According to the National Employee Skills Survey, employers have also reported overall satisfaction when employing foreigners to address their skills needs.

As our human resources have sustained our growing economy, our responsiveness to the present and future skills shortages become even more imminent. Our labour market needs to sustain economic growth.

## Outcome

A wide range of policy documents<sup>9</sup> have over the years included the need to address these issues but the implementation, or lack of it, has not yet met the expectations of the market. It is therefore expected that by pooling in resources with the private sector which can provide targeted solutions and bring along the expectations and understanding of business and industry would result in stronger implementation and actions.

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<sup>4</sup> NCFHE, *Further and Higher Education Statistics Report 2013-2014*, pp25

<sup>5</sup> Early School Leaving Rate is regarded as the share of 18-24 year olds with at most lower secondary education and not in further education or training

<sup>6</sup> NCFHE, *Further and Higher Education Statistics Report 2013-2014*, pp47

<sup>7</sup> Ministry for Education and Employment, *National Employment Policy*, pp35

<sup>8</sup> Based on ETC Data

<sup>9</sup> Such as the National VET Policy, the Higher Education Strategy for Malta, and the National Employment Policy



The expected outcomes is that of having an education and training system which tangibly pre-empt and responds to labour market needs. It would also give a clearer and fairer picture to students and empowers them to build their skills profile in terms of what is necessary and available in the market. It would also ease off pressure caused by lack of human resources which cannot be tackled by the current labour market.

## **7. Boosting the Retail Sector through enhancements in our education system**

### **Proposals**

1. The concept would be to conduct an analysis of the status quo and identify possible skills necessary to be targeted and enhanced for those persons operating in the retail and sales industry together with potential entrants into such industry.

2. An online training platform would be developed or adapted to be utilised for targeted training which would be set online. This would be mostly targeted at those already employed within the sector. The idea here is to shift towards a learner-centered approach which is focused on flexible learning in one's own time. The content would be developed in a way which allow one's own development of skills yet still being able to monitor progress and achievement whilst providing support where necessary. Initial feedback from employers shows that this would be very valuable and would allow staff training without necessarily affecting one's working hours.

3. Setting up of a Retail School within which we would develop a set of short and full courses on part-time and full-time basis based on the findings of the analysis as well as following pilot initiatives. The scope is to build an education and training route for existing and potential human resources for the sector with the aim of having a clear training pathway for the retail sector.

### **Context**

Retail and Sales remain important economic sectors. These are however often supported by human resources which are most commonly unqualified and untrained. Business owners and operators in this line of work are very aware that personnel is majorly made up of youths and adults who may have not furthered their studies much beyond compulsory education or elsewhere the system resorting to foreigners.

In a context of increasing online shopping and other forms of competition, the theme of the project would also add value to the shopping experience in Malta and Gozo. This would in turn increase the value of shopping and should reflect in more successful sales resulting in better generation of business.

It would be also providing more holistic customer-oriented sales experiences giving more knowledge of legal and practical aptitudes which would encourage more awareness of consumer rights and improved trader-consumer relations.

It is evident that the human resources engaged in the sector need to be further equipped and options for training are very limited and unstructured. There is clear appetite and necessity for training avenues and for formalising and professionalising the sector which would boost economic performance, develop unskilled and semi-skilled resources, as well as provide for better consumer relations and customer oriented sales across the sector.

### **Outcome**

1. Structuring a learning route for the retail sector
2. Boosting the value of sales and retail as an employment field
3. Improved retail experience and boosting sales
4. More awareness of customer-oriented sales and consumer rights
5. Introduce online training platform which can be adaptable
6. Upskilling of un/semi-skilled workers in the industry
7. Enhance labour market in terms of employability within the sector
8. Skills recognition

## 8. Pensions and Self-Employed Persons

### Proposals

GRTU proposes for government, through the Malta Financial Services Authority, to introduce an automatic enrolment scheme for self employed persons and their staff. The scheme should be designed on the basis of the following main principles:

- Mandatory enrolment with voluntary opt out on setting up as a self employed and on the engagement of staff.
- The contribution rate should range between 2% to 4% for the self employed person and his staff.
- The self employed person is not obliged to pay a contribution to the pension of staff employed but would be incentivised €1 for €5 voluntarily paid by the enterprise owner.
- An Investment Management committee with appropriate rules would be set up to set the governance of the scheme but pension fund management would be carried out by the private sector.
- The pension scheme would be based on a default investment fund – with persons investing in the pension fund having the flexibility to manage their pension investment should they wish to do so.
- A joint government – GRTU retirement education campaign directed towards self employed persons, family members and staff employed by them.

### Context

It is recognised both by the GRTU as well as work carried out by different pension reform groups that self employed persons have a tendency to under-declare their earnings so that they pay a lower contribution.

Too often this a short term business decision based on the need to reduce business costs – the perception being that the social security contribution is another tax to business. Many self employed persons do not recognise, until it is too late, that the underdeclaration of the social security contribution results in a reduced pension income to them; and subsequently to their spouses when they pass

away<sup>10</sup> (and they are likely to pass away before their spouse given that the life expectancy of males is 79 years compared to that of women which is 84 years).

Additionally, studies have proven that self-employed persons are more likely not to pay the social security contribution of members of the family employed by them because the unclear demarcation lines between the relationship of the family and work. Once again, this is often a short term business decision taken to reduce operating costs. The result is that employed family members will not accrue the appropriate level of social security contributions and on retirement may end up without a pension in their own right or will seek qualification for the means tested Old Age pension.

### **Outcome**

GRTU is foreseeing a drastic increase in the level of pension planning literacy of self-employed individuals, their family members and employees. This should in turn result in an increase in the level of declaration by self-employed businesses and their opt-in into a the pension scheme.

Eventually fewer people at risk of poverty when they reach pensionable age and avoidance of the hardship of having to become accustomed to a very different standard of living.

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<sup>10</sup> Male spouses are likely to pass away before their female spouse given that the life expectancy of males is 79 years compared to that of women which is 84 years.

## 9. Lowering the cost of accessing finance

### Proposals

1. Greater strength from the side of both the MFSA and the MCCA as regulators in addressing the concerns they had outlined over a year ago in their reports. This must result in lower interest rates and lower bank charges otherwise GRTU sees little scope of having regulators that are strong with the weak and weak with the strong.
2. Strong incentives need to be put in place by the MFSA and the government that encourage banking competitors to enter the market.
3. Changing existing legislation to accommodate Crowd-funding whilst incentivising the private sector to set up Maltese-based crowd-funding platforms to support this.
4. Access to Venture Capital should be supported and respective legislation updated to reflect facilitation rather than administrative and legal burdens. A tangible framework needs to be established to allow fast-tracking of processes. This setup needs to serve as a one-stop shop that guides potential enterprises. Tax credit incentives for venture capitalists need to be implemented and widened to promote this practice.

### Context

GRTU welcomes the establishment of the Development Bank, a proposal of GRTU itself. It will address market failures that should result in easier access to finance by providing banks with the assurance they need in order to adequately support enterprises. The options are however still limited and competition that would drive banks to revisit their strategies and pricing is inexistent.

Access to Finance remains a core concern for SMEs and more so micro-enterprises. GRTU has over the years campaigned heavily on the subject and it is now on the national agenda. We have garnered support from the Governor of the Central Bank, other social partners, the undeniable reports by the MCCA and the MFSA and very recently by the Prime Minister himself.

No tangible results have however been achieved and enterprises are footing the bill for government's inaction on the subject.

Nonbank instruments are the way forward. There is business potential which is not being reaped because tapping into alternative sources of financing is not yet made easy.

## Outcome

If we are seeking lower interest rates and charges an aggressive approach is required because talk and commitment haven't gotten us anywhere. The correct incentives will attract new players in the banking sector that will seek to take a share of the market and compete with our few household names and offer consumers real options.

The proper implementation of these concepts can bring a paradigm shift for business financing moving away from the heavy dependency on traditional means such as banks. These incentives are envisaged to allow more business ideas to be linked to the necessary financing to be developed into actual business ventures. This is key to challenging the notion of missed business opportunities due to inadequate funding means. This would also reduce unnecessary costs to business and consumers through bank interests. Good investment is set to increase and thus increase more wealth generation, business development and job opportunities.

## 10. A greater collective responsibility towards our environment

### Proposals

1. Establish the obligation of every individual to be responsible for his waste generation and clear criteria as to how waste should be disposed of. Incentives should be introduced for the general public and businesses to be encouraged to segregate their waste at source at home or at commercial establishments in line with legislation in place. This would include the legal obligation not to place glass in black back or mixed waste bag.
2. Enterprises that follow a positive environmental practice should be rewarded with lower fees and tax incentives while enterprises that refuse to carry their environmental obligations should pay a price for it such as higher landfill fees and waste disposal bags that carry excise duties.
3. Environmental Street Officers would be introduced to work at locality level. Their primary aims would be to educate and to increase compliance by the private sector through explaining that having a greater environmental conscience results in lower cost to the enterprise.
4. Introduce a different colored bag (violet or orange) for commercial catering establishments. This is a way to encourage the private sector to handle their own waste generated through their own contractor. Incentives be put in place for the private sector to collaborate and participate in a holistic collection established at locality level.
5. The repeal of the last remaining HS Codes under the Eco Contribution regime, specifically. The following should be exempted through an exemption certificate (LN 84 of 2010) HS 3303,3304, 3305, 3305 10 00, 3306, 3307, 3402, 3923, 7010, 7612, 3924.10.00, 3923.10.00.
6. Initiate discussion on the removal of the Eco Contribution obligation on Batteries and Accumulators, Mattresses and Articles of Bedding and also Oil Filters.
7. The introduction of the following regional tenders related to the following services provided to residents across localities in Malta and Gozo:
  - Collection of mixed household waste, and food waste.
  - Street sweeping and cleanliness of urban and non urban areas within Localities
  - Collection of separated recyclables by region, financed by Authorised Schemes



- The introduction of one adjudicating board for all waste management tenders with Regions being represented but not having a vote in the decision process.
8. The price of the Diesel 0.1% Sulfur should be at par with that normal diesel and yards and plants that utilize it would claim a refund.

### **Context**

When it comes to the environment the biggest challenges that we need to collectively overcome are sustainability and responsibility. The size of our country and the limited infrastructural possibilities lead to difficulties in relation to cost and time management and therefore a bigger effort is needed to maximize possibilities of economies of scale and reductions of the bureaucratic burden that would eventually result in waste increasing in sustainability.

Decisions need to be sensitive to the needs and realities of the private sector and ensure that our enterprises, being the drivers of the economy, remain competitive however GRTU recognizes that the country is in need of a stronger environmental conscience and the private sector has its part to play in this.

With regards to the Diesel 0.1% Sulfur it is widely know that this is a higher polluter than normal diesel. Unfortunately there is abuse because of the cheaper price and it is being used on our roads and not just in plants and yards. GRTU believes that a change in the modus operandi would address the incentive to abuse whilst still taking into consideration the need for its use in yards and plants.

### **Outcome**

GRTU believes that the set of comprehensive proposals we are putting forward would instigate more recycling, waste separation at source, which would include an increase of food waste collection, and curtail abuse. This would also be in line with European landfill Directive for the timeframe up to the year 2020.

Ultimately the Eco Contribution Act can be repealed in 'totum' and enterprises will be better served with the alternatives that are being proposed.