

# Update

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## A Call for Fiscal Responsibility, Oversight, Accountability, Prioritization, and Long-Term Planning in the Use of Public Funds



From left to right: Mr Joseph Farrugia (Consultant), Ms Joanne Bondin (President) and Mr Kevin J Borg (Director General) at a Press Conference held today, the 17<sup>th</sup> September 2024.

The following Media Release was issued today, the 17<sup>th</sup> September 2024.

### Media Release

#### Preamble:

In anticipation of the forthcoming Budget, the Malta Employers' Association (MEA) believes it is crucial to reflect on the core purpose of this financial exercise: to ensure the judicious

use of public funds contributed by the honest taxpayer for the benefit of the entire nation.

Regrettably, reports have abounded on numerous scandals that have reached the Courts of Justice, eroding public trust in the country's Institutions, in the rule of law and in fiscal

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*Pre Budget Consultation meeting with Hon. Prime Minister Robert Abela held on 16<sup>th</sup> September 2024 at Castille.*

integrity, particularly concerning the misuse of taxpayers' money.

The misuse and mismanagement of public funds has had severe repercussions on government public recurrent and capital expenditure across several areas not least, healthcare, electricity infrastructure, sewage systems, research and innovation (R&I) projects at the University, and social benefits.

Ironically, private employers are expected to carry the cost of certain social measures which by definition should fall under the responsibility of the State. These include, maternity leave entitlement which is financed through private contributions to a fund. Other examples include the first three days of sick leave for every episode of employee sick leave; penalties in lieu of employing persons with disabilities; and plans to fund family friendly measures in the coming years.

## **MEA Proposals for the 2025 Budget:**

### **1. An Economic and Social Model Shift**

Malta's current trajectory of maximizing numbers coupled with the inadequate planning process for this approach has led to a deterioration in the quality of life on citizens in general, a dampening of workers' motivation, and exacerbated talent shortages as people resorted to leave the country. The economy is at risk of collapsing under the weight of this unsustainable approach.

Consequently, the MEA believes that Malta must gradually but immediately alter its economic course. The country has reached a saturation point in many sectors, where further investment is no longer logical. The forthcoming Budget must provide direction towards a reconfiguration of priorities, focusing on quality and

innovation rather than sheer quantity.

### **2. Focus on Economic Transformation**

In line with the above, the MEA emphasizes the need for a serious and responsible discussion among social partners to climb up the value chain while considering the carrying capacity of our islands. Malta's future economic prosperity must align with its physical and demographic characteristics to safeguard the well-being of its people.

The country must prioritize export-led growth that is sustainable both economically and environmentally. Incentives should be directed towards sectors that contribute to this goal, encouraging businesses to innovate and create high-value products and services.

### **3. Rationalizing the Labour Force**

Malta needs a comprehensive plan to maximize the value of its human resources. This can be achieved through the adoption of new technologies, such as AI and automation in new and traditional sectors, as well as by strengthening career guidance structures and adapting to an aging workforce. In terms of the latter, measures should include removing fiscal anomalies, providing incentives to adapt work environments, and enhancing education and training opportunities.

#### **4. Strategic Focus on Capital Expenditure**

Long-term capital expenditure should be focused on essential infrastructure, including energy supply and distribution, water resource management, intelligent traffic-management systems, and upgrading drainage systems. Construction activities should be redirected towards strengthening Malta's infrastructure rather than building for speculation purposes.

#### **5. Taxation**

While the MEA acknowledges the benefits of reducing tax burdens on middle-income workers, it also highlights potential risks. Higher disposable incomes may fuel further consumer spending in an already overheated economy, leading to a short-lived fiscal measure through inflation. Moreover, reduced tax revenues could force the government to curtail future expenditure, aggravating Malta's excessive deficit procedure with the European Commission.

The MEA recommends conducting a scenario-based study of projected tax revenues from adjusted tax bands and publishing the reasoning and objectives behind these tax revisions.

#### **6. Tourism and Catering Industry**

Malta's tourism industry is in dire need of strategic direction. Inadequate long-term planning has led to a general deterioration

of Malta's attractiveness as a tourist destination. The MEA proposes considering a lower VAT rate on catering services to improve competitiveness and compliance.

#### **7. Maritime and Agricultural Sectors**

The MEA calls for a National Maritime Transport Strategy to give the country the direction and tools it requires to harness the full potential of the blue economy. An integral part of this strategy should be the re-establishment of a national authority solely responsible for maritime affairs. Further expansion of the Maltese maritime industry is dependent on the support of a focused and dedicated entity with more efficient internal structures and motivated workforce which is adequately paid and trained to take timely decisions within a complex environment.

Additionally, increased resources should be allocated to boost agricultural output and improve Malta's food security, addressing the shrinkage of agricultural land due to overdevelopment.

#### **8. Enhancing Governance and Transparency**

To restore public trust, the MEA advocates for better governance and full disclosure of government contracts. This includes publishing a list of all individuals holding positions of trust and their remuneration packages. The financing of political parties also needs

urgent reform to mitigate risk of corruption.

#### **9. Capacity Building for Social Partners**

The role of social dialogue and the engagement of social partners in national and international forums require government support. Investing in capacity building will enable these organizations to achieve their objectives more effectively and contribute to Malta's socio-economic development.

#### **10. Assistance to Private Schools**

The collective agreement for state-school teachers will significantly raise operating costs for private schools, which constitute a critical part of Malta's national education infrastructure. The MEA proposes increasing assistance to families who send their children to private schools, helping them afford the consequent increase in fees.

#### **Conclusion:**

Like the rest of society, MEA deplors all instances of mismanagement and fraud which have been brought to light and referred to above. It is unacceptable that public funds, which are meant to be wisely and fairly redistributed to enhance national competitiveness and improve the citizens' lives are allowed to be unscrupulously wasted, or misappropriated. This situation has exposed gross deficiencies in our national structures,

standards and capacities for oversight, enforcement, accountability and long-term planning.

As we look towards the 2025 Budget, the MEA therefore calls for

- a) a reversal of the above deficiencies in planning and enforcement mechanisms;

- b) a renewed sense of economic direction that of priorities smart and environmentally feasible export-led growth which focuses on quality and innovation rather than quantity;
- c) urgent reforms to ensure greater transparency in the management of

public funds and the prioritization of infrastructure and competitiveness-enhancing investments that directly benefit the country.

The judicious use of taxpayer money is not just a fiscal responsibility; it is a moral imperative.