

# A Draft Socio-Economic Development Plan for Gozo

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## 1. Background

In 2005, the Ministry for Gozo launched a draft socio-economic development plan covering the forthcoming five-year period for consultation amongst the Gozitan social partners. The plan, which has not as yet been adopted as official policy, is intended to provide a coherent framework of measures towards the medium and long-term development of the island region of Gozo which would enable the effective utilization of budgetary allocations from the national Government and from European Union sources.

While taking fully into account the double insularity and the other permanent handicaps of the Island, the measures proposed in the plan are derived on the basis of the needs identified for different demographic strata of the population as well as needs which cut horizontally across the entire population of Gozo. Economic and social needs identified in this manner would include, for example, the creation of productive jobs, adequate health services, and the provision of recreational facilities.

## 2. Socio-economic assessment

Gozo is the smaller inhabited island in the Maltese archipelago with an area of 67km<sup>2</sup> and a population of around 31,000 persons, which amounts to 8 per cent of the total Maltese population. The plan observes that the Gozitan population has a markedly higher dependency ratio than that of Malta, mainly due to a relatively high proportion of persons in retirement. This is in part due to the fact that younger persons take up residence in Malta, attracted by better economic opportunities. Another factor in this regard is the steady flow of return migration to Gozo. In recent years, population growth in Gozo has been sustained more by immigration than by natural increases (birth rates less death rates).

### *Per capita income*

It is estimated that per capita output in Gozo is around 70 per cent that of Malta. This is because the phenomenon of Gozitans working in Malta owing to insufficient opportunities on the smaller island, a lower rate of employment within the population in Gozo, as well as the fact that employment in Gozo tends to be in lower value-added activities. This may reflect the competitive disadvantages of the island, due mainly to its double insularity and costs of market access, leading to a situation where the jobs available would offer relatively lower wages. Moreover, there is a prevalence of low-paid jobs in the public sector in Gozo.



The potential in exploiting the contribution of agriculture involves synergies with specialised tourism and environmental management.

### *The economic structure*

The Gozitan economy depends to a larger extent than that of Malta on agriculture and fishing, construction, the public sector, and, to some extent, property income. There is a markedly lower dependence of the Gozitan economy on the manufacturing sector. At a strategic level, this indicates a number of threats and opportunities for the future development of economic activities in Gozo. For instance, the agricultural and fisheries sector is overall

declining in the Maltese islands but in Gozo there is the potential to build on the relatively strong contribution of the sector to exploit high-value market niches involving synergies with areas such as specialist tourism and environmental management.

Construction activity is reaching a saturation point in the Maltese islands but there is in Gozo the potential to combine the skills in construction with the maintenance of the architectural heritage, again offering the possibility of synergies with specialist tourism. The public sector is over-staffed in the Maltese islands and especially in Gozo, calling for re-deployment of human resources, which in Gozo may be made available to growth sectors.



In Gozo there is potential to combine the skills of construction with the maintenance of the architectural heritage.

The manufacturing sector is in decline in the Maltese islands and even more so in Gozo, calling for a re-consideration of the type of activities which are sustainable in Gozo. The services sector is, perhaps, the only area showing a significant growth in the Maltese islands, but it is still relatively underdeveloped in Gozo, calling for the creation of better-established year-round tourist-based activities, a push to drive back office and financial sector activities as well as ICT.

Gozo has to build its economic development around the sustainable exploitation of its distinctive characteristics which would not be unduly burdened by its inherent disadvantages while furthering its efforts to neutralize such disadvantages through enhanced efficiency. An economy based on distinctiveness is more likely to provide sustainable long-term economic growth than one which merely replicates what

others are doing. Likewise, it is not desirable for Gozo to enter into activities which are no longer sufficiently profitable elsewhere, as this runs the risk of accentuating economic peripherality.

### *The future*

Looking ahead into the future, the plan points out that that by 2010, almost 1,400 jobs will need to be created in Gozo to accommodate the supply of labour on the island. This compares with the national target pointing to the creation of around 11,000 jobs by 2010 as implied in the National Action Plan. Thus, around 13 per cent of the jobs to be created in the national economy are to be located in Gozo to satisfy the increase in working age population and allow for a higher participation rate. At the same time, the working age population in Gozo is around 7 per cent that in Malta. This implies that, proportionately, the rate of job creation in Gozo must be almost twice as high as that in Malta, thus requiring closer attention from the economic policy perspective.

### **3. Measures**

The plan proposes 100 measures intended to satisfy the socio-economic development needs of the island region of Gozo. The philosophy behind the derivation of the measures is that development has three essential, mutually reinforcing dimensions, namely (i) sustainable economic growth; (ii) social advancement; and (iii) effective governance. The development model involves sustainable economic growth providing the resources for social advancement and progressively effective governance. This creates a virtuous circle whereby improvements in the social and governance dimensions would further sustain economic performance.

The plan looks on the sustainable economic growth of Gozo to require the forging of an economy based on distinctiveness, the reaping of economic efficiency so as to overcome the disadvantages of smallness, peripherality and double insularity, and measures aimed at expanding labour demand while encouraging labour market participation.

## *Distinctive characteristics*

The plan strongly argues that Gozo has to build its economic development around the sustainable exploitation of its distinctive characteristics which would not be unduly burdened by its inherent disadvantages while furthering its efforts to neutralize such disadvantages through enhanced efficiency. An economy based on distinctiveness is more likely to provide sustainable long-term economic growth than one which merely replicates what others are doing, which may in turn also be done by someone else. Likewise, it is not desirable for Gozo to enter into activities which are no longer sufficiently profitable elsewhere, as this runs the risk of accentuating economic peripherality.

## *Should Gozo pursue a different path from that of Malta?*

A core concept in this regard is whether Gozo as a region should pursue a distinct path of economic development which does not necessarily replicate that of Malta. It is considered that there are sufficient differences in resource availability, mainly in terms of environmental amenities and human resources, between the two islands as to justify a development approach where Gozo would seek to optimize its development through measures and policies which are specific to the region.

Thus, economic and business development policies for Gozo should not merely aim at eliminating the disadvantages in relation to the main island, which is itself now facing a situation of lacklustre development in new investment opportunities. Rather, the business opportunities in Gozo should be exploited in the own right as a major contributor not only to regional but also to national economic growth. Such business opportunities would be such as to neutralize or render irrelevant the inherent disadvantages of Gozo.

## *Competitive advantage*

Among the main areas of activity where Gozo enjoys a distinct competitive advantage, the plan highlights agriculture (e.g. vineyards and olives),

food production, crafts including lace-making and weaving, cultural /historical/religious/medical/sport tourism, and a congenial living area for IT and financial services providers. It advocates a number of measures to promote these activities in Gozo, including the training of workers, branding and marketing, and the development of necessary facilities. In the context of the promotion of efficiency, the plan focuses on measures which improve infrastructural services, especially for transportation, and business facilities, but also for research and innovation and business finance.

The plan also presents a number of measures aimed at stimulating activity, and hence, labour demand in the Gozitan economy and at enhancing labour market supply and flexibility. Among these are the development of a golf course, a conference centre, a translation institute, and yacht marinas in Gozo together with the retraining of public sector employees and the setting up of an employment temping agency.

## *Social Development*

In the area of social development, the plan emphasizes that education and lifelong learning are key to sustaining progress. In this area, Gozo suffers especially from the problems of peripherality and double insularity, in that the supply of educational services is often limited, especially by constraints on human capital. It is also the case that for an economy of the small size of Gozo, the educational output needs to be more focused on the specific niches of economy activity which are to be undertaken on the island. The measures proposed in the plan aim at counteracting the effects of peripherality in the availability of educational services and at proving mechanisms which better align the output of the educational system with the economic needs of the island. The technological means used to counteract peripherality can also be used to develop Gozitan institutions into viable commercial activities. Health is another essential element of socio-economic development.

The arguments relating to education also apply broadly to the area of health. Gozo is in many ways subject to the pressures of peripherality and double insularity in the availability of health

services. On the other hand, there exists a potential for a better exploitation of health care provision resources available on the island, especially when viewed in terms of possible synergies with tourism. Socio-economic development depends crucially on an ever-increasing degree of social cohesion. The measures proposed in the plan focus on the main threats to poverty that exist in Gozo, emanating mainly from the lack of affordability of housing which intertwines with the sustainable use of land resources. Furthermore, the elderly and young families are viewed as important targets of measures aimed at sustaining social cohesion.



The Ministry for Gozo is responsible for the provision of a number of regional public services.

### *The environment*

A sustainable use of environmental amenities in Gozo is essential not only for the standard of living of the population but also to carry forward the niche economic activities on which Gozo is to base its future economic growth. Gozo to date maintains a reasonably pleasant environment, although there are a number of threats looming mainly from the perspectives of waste management and water quality. It is essential that an optimum balance between the economic and environmental dimensions be obtained where the two aspects would act as complements rather than as rivals in development. Selecting the proper niches for economic growth is one aspect of this. Maintaining the proper infrastructures for environmental management is another.

### *Public Governance*

Public governance in Gozo suffers from a number of disadvantages associated with smallness, peripherality, and double insularity. The Ministry for Gozo is responsible for a number of public service areas but then there are others for which agencies from Malta would operate in Gozo on a branch basis. Public governance in such a small jurisdiction also suffers from inefficiencies arising out of indivisibilities. Certain administrative functions must be undertaken irrespective of how small or large the population is, resulting in a high cost per capita in such a small jurisdiction. It is also often the case that instances of market failure are more pronounced in small jurisdictions, calling for a larger degree of public sector intervention. This explains, for instance, the relatively large number of unproductive employment, mainly in the lower grades, in Gozo, which is an attempt at addressing an insufficient demand for labour and a lack of skills. These issues call for measures aiming at better efficiency and effectiveness in the conduct of public governance in Gozo. The plan emphasizes that at the core of governance in Gozo there shall be the regional dimension, whereby priorities and measures are established and implemented for Gozo in recognition of its distinctive characteristics, capabilities, and needs.

### **4. Conclusion**

The economy of Gozo is facing a number of disadvantages owing to double insularity, small size, and peripherality. It has a lower per capita GDP than the national economy because of lower labour participation and involvement in less remunerative activities. From a social cohesion viewpoint, Gozo fares relatively well and needs to preserve its socio-cultural fabric. Demographic projections indicate the need for significant efforts aimed at job creation in Gozo over the next five years. The plan provides a framework for the socio-economic development of the island, based primarily on economic efficiency, education, and the environment, underpinned by suitable regional governance to enhance economic distinctiveness and promote social advancement. This is translated into 100 concrete, implementable measures for the island. It is expected that the plan should serve as a basis to the setting of the priorities and the formulation of a regional policy for Gozo.

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