

Editorial: Revisiting Gozo's Special Needs

The economic development in Gozo has been the subject of many reports, where the so-called double-insularity is often mentioned as a major constraint in this regard. *The Gozo Special Needs Assessment* (2002), in which the present author was involved in its preparation, emphasised the fact that business units operating from Gozo suffer from various disadvantages when compared to their counterparts in mainland Malta, leading to increased operating costs for Gozo based firms. The main reason for this is that the major administrative centres, the direct connections with the rest of the world (airport and harbour) and most important productive units are located in mainland Malta.

As is well known, the economy of Gozo is structured differently from that of mainland Malta. In relative terms, considering that the population of Gozo is about 7% of that of mainland Malta, public administration, agriculture, construction, real estate, tourism contribute more to the Gozitan economy than is the case of the contribution of the same sectors to the economy of mainland Malta. Conversely economic activities relating to manufacturing, ICT, financial services, i-gaming, and professional/administrative services are relatively smaller in Gozo. In addition, earnings per capita are, on average, lower in Gozo when compared to mainland Malta.

The three sectors that would seem to have grown more than the others in Gozo are those relating to tourism, construction and real estate. Tourism has become the most important productive activity in Gozo so much so that it is said that it contributes, directly and indirectly to about 50% of Gozo's GDP. Many commentators are of the opinion that the dependence of Gozo on tourism is excessive. The effect of the COVID-19 pandemic on the tourism industry has in fact shown very clearly the dangers of having too many eggs in one basket.

The construction industry has also grown rapidly in Gozo in recent years, and is also considered to be excessive and highly damaging to the physical environment, often uglifying the areas where they occur, including village cores. It may cause even more damage if it remains largely unbridled, given that there are probably speculative interests in this regard. The so-called Eco-Gozo initiative was expected to result in a downsizing of this sector, but the opposite would seem to be happening

A major economic problem in Gozo, with important social repercussion, is that a large proportion of Gozitan younger workers are employed in Malta. This results in hardship for those who need to commute between Malta and Gozo, and has led many Gozitans to take up residence in Malta. This trend is also leading to a lopsided population distribution in Gozo, with a reduction

of its younger members. This problem can only be solved if well-paid employment opportunities in Gozo are increased.

In 2016, in an article by the present author carried in the *Gozo Observer*, representatives of business organisations were asked to suggest measures as to how such employment could be generated in Gozo. Various ideas were put forward. Most respondents were in favour of the government of Malta offering strong fiscal incentives to attract investment in Gozo, given the current disadvantages of locating on the island. Niche tourism as against mainstream tourism, was also mentioned as a possible source of well-paid employment. Medical tourism was identified in this regard, as this can attract the best doctors and other medical practitioners, and could generate high remuneration rates for Gozitan employees. Most respondents also called for stronger investment in IT related operations. Although a second fibre optic link was installed recently, and a 'Digital Innovation Hub' is in place in Xewkija, a framework of incentives aimed at attracting investment in this area in Gozo is needed to populate the Hub. This could attract large scale investment in IT-based services in Gozo, again with the possibility of generating well-paid employment.

Improved connectivity with Malta will, to an extent, reduce the double insularity problem, making it easier for Gozitan workers to commute between the two islands. Several proposals have been put forward in this regard, including a fixed link by means of a tunnel. This possibility is however mired in controversy, as, while facilitating travel from Gozo to Malta and vice-versa, it involves very heavy cost outlays, creates possible geological dangers, and could render Gozo as simply an extension of Malta.

An idea that could be a game changer, if applied, is the creation of a separate Gozo organisation to attract investment, working closely with, but separately from, Malta Enterprise. Some respondents in the 2016 article, stated that Malta Enterprise does not do enough to encourage investment in Gozo. This should be on the agenda of the newly set up Gozo Regional Development Authority.

Some respondents also thought that an entity based in Gozo should have a major say in matters relating to environmental affairs. Gozo needs a contextualised planning process, which takes into consideration the characteristics and needs of its towns and villages, something that would not seem to be given due importance by the "Maltese" Planning Authority.

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