



# **National Strategic Policy Challenges - A Need for Cross-Party Collaboration**

## Executive Summary

The Today Public Policy Institute is in the second decade of its existence. During this period it has produced a number of reports on various public policy topics including health, the environment, broadcasting, national parks, water and the constitution to name but a few. The purpose of these reports, as indeed the *raison d'être* of the Institute, is to promote a debate on important policy issues in political, professional and business circles as well as civil society in general.

One of the priorities for TPPI is a Paper on what the Institute identifies as critical national policy priorities which have in the past proved elusive for either governing party to address satisfactorily. In an electoral system where the 'winner' takes all, courageous policy decisions, acknowledged informally by political leaders to be significant for Malta's economic and social sustainability, are seldom mentioned in party manifestos let alone ever considered for implementation. Indeed such policies are never retracted or overhauled but rather perpetuated as one party seeks to achieve an advantage over the other. The continued propagation of this practice will only serve to mire us into a deeper policy deficit with serious negative social and economic implications, some of which we are witnessing now and others which will be more manifest as time goes by. It is for these reasons that the TPPI is advancing a different process for addressing complex policy issues in a cross-party manner and will continue to press on this theme in future.

In identifying and highlighting these policy areas, the Institute is of the view that short of an undertaking of cross-party collaboration by all parties, these intractable policy issues will continue to plague the country with consequential social and economic repercussions. The early election announcement has thus prompted the Institute to hastily advance the preparation and publication of this Paper. Because of what the Institute views as the importance of this seminal document, it would have preferred to choose a more appropriate timing for its dissemination and presentation to the political parties. However, irrespective of the electoral outcome, the Institute shall continue to return to the topics of this paper in the future.

In making a compelling case for a cross-party working modality, the Institute would like to dispel the notion that in our divided polity this is something new. This is certainly not the case and there are several past examples which can be cited where it is precisely through in these instances bipartisan, collaboration that the maritime, aviation, financial services and ICT sectors have taken shape and flourished over time. Similarly there has been good progress achieved in complex policy areas such as pensions and rent regulation although there remains scope for further refinement and follow through on implementation. The financial and ICT sectors now constitute two of the major pillars of our economy with ICT being the enabler for potentially many more. The TPPI sees these as good models for the way in which complex and controversial policy issues should be tackled in future.

Thus the substantive aim of the paper is to identify national policy issues of long standing which the Institute views as candidates for cross-party resolution. These are the policy sacred cows – the Constitution and governance, health and long term care, pensions, the environment, and transport. All have been the subject of some past tinkering, much of this serving to perpetuate policies which are past their sell-by date, while others such as the Constitution and governance, the environment and traffic pose a serious existential threat. This threat is a very real one in that these issues are having a deleterious impact on the quality of lives today, with the prospect of even more serious social and economic consequences in the future. The grave decline in governance standards is contributing to poor service delivery, including the rule of law and has served to cause immeasurable reputational damage internationally. We are not destroying but have destroyed vast swathes of our environment – this is irreparable or irreversible but we can at least try to protect and conserve what we are left with. The major traffic challenge that we face carries an immeasurable economic cost, greatly contributes to our unhealthy environment and is having a severe impact on the quality of life. Failure to adequately address our pensions, health and long term care policies will have a very serious long- term economic impact. The Institute's view is that nothing short of the keenest resolve for a cross- party political effort will take us to the sunny policy uplands which the country and its people expect.

The list of candidate policy issues for cross-party resolution identified in this document is by no means exhaustive but it makes a good start. TPPI has published comprehensive reports on these and other topics in the past and it shall be stepping up its efforts for action on these and other pressing policy topics. Such cross-party policy formulation needs to be followed through with effective implementation, persistent monitoring and process review.

In putting out this paper and others to follow, the Institute hopes that it will serve to instill not only the concept, but actually the practice, a methodology and representative structure for cross-party collaboration in tackling complex policy issues with our political parties and civil society in general. Failure to do so will serve to perpetuate extant policy deficiencies with unavoidable consequential political, social and economic implications.

# National Strategic Policy Challenges - A Need for Cross-Party Collaboration

## 1. Purpose

The aim of this document is twofold.

- It is firstly intended to galvanise the political parties to declare their position on a number of critical policy issues and in turn to seek their undertaking to address these in a cross-party manner placing the national interest first before the party political ones.
- Secondly it is intended to stimulate a public debate on the priority and the urgency of agreeing on adequate and suitable sustainable policies in these sectors.

The Today Public Policy Institute would like to see the policies identified in this document being acknowledged as national strategic priorities by whichever party comes into power on June 3<sup>rd</sup> and a cross-party collaboration model adopted tasked with addressing these with urgency.

Collaboration is more than being open to work together and more than cooperation. Collaboration implies a willingness to positively work towards solutions without pride, pique or protections of one's position and even more importantly without strategic actions to undermine joint efforts. It implies a vision to place the national interest before short term or sectorial gains or positions and to take actions which might actually imply a loss of powers, rights or influence by a political party if this benefits society as a whole in the long term.

This is the quantum leap we propose.

## 2. Background

There is no doubt that the Malta of today is fundamentally different from the early post-independence years. Transformation has occurred at all levels: the economy moving from low cost manufacturing, ship repair and building, and tourism to one underpinned by knowledge services, high value added manufacturing and e-tourism. The environment, previously nowhere on the political agenda, is today mainstream discourse. Further and higher education has been extensively extended and broadened with thousands rather than hundreds of graduates entering the Maltese economy every year. There has been considerable investment in health infrastructure and care for the aged. Malta's ICT framework has won accolades from both the EU and supra-national institutions. Social welfare has been broadened and extended to provide free services and support in numerous areas.

Malta's EU membership has served to accelerate its development – whether this pertained to the overhaul of the legislative and regulatory framework, the adoption of various standards, bringing about competition, access to markets, enormous benefits in education, free movement of people, goods and services and so much more. Access to EU funding has enabled massive infrastructure projects encompassing energy, waste management, urban development, road building, restoration of our built heritage and water treatment to mention but a few.

As a nation state whose primary asset is its human capital, Malta's economic and social development has continued to grow. Malta successfully weathered the 2008 financial and economic crisis; we continue today to experience a thriving economy and an increase in the financial and social well-being of Maltese citizens. There is much that Malta's political, administrative, entrepreneurial and civil society leadership since Independence should be proud of.

Yet, behind this remarkable transformation, there remain significant challenges which need to be addressed. In a number of critical sectors, major institutional policy issues have seen some slight tinkering in the past, but a serious resolve to address these adequately and substantively has been absent. Fundamental reform in major policy areas has not been possible in the Maltese political context due to rampant political patronage and clientelism where each and every vote counts.

### **3. Strategic policy sectors requiring cross-party collaboration**

Sensitive and complex reform of public policy issues is achievable if the political parties reach agreement on the principles for collaboration in reform. Such agreement de-politicises a reform process and does away with political point scoring that prevents any administration in office from taking the bold steps required to secure sanity in policy areas which have long been known to be unsustainable.

Securing such political consensus for principles underpinning the reform of a policy issue is only one important step. The second is for both actors to work together to ensure that agreement is reached on the trade-offs that are inevitably involved, the goals which are to be achieved, the manner by which these will be achieved, and how this will be followed up by administrative systems, institutional structures, budgets, resources and systems for effective implementation and subsequent monitoring, review and correction as and when needed. Long-term visions and thinking as opposed to short-term approaches are critical.

In the policy domains set out below, the TPPI underlines that where a political party promotes a position of maintaining or further entrenching the status quo, this is both economically and socially irresponsible. Government's responsibility is not only to govern the present and manage policy issues on the basis of a short term vision in order to secure electability, it is also its responsibility to ensure that the country that is bequeathed to following generations remains economically and environmentally sustainable.

To achieve this, TPPI is of the view that the only way for these important issues to be addressed in a manner that secures long-term economic, social, and environmental sustainability is for these to be taken out of the political arena and, hence, de-politicised.

TPPI believes that despite the ideological differences that exist between political parties, when all is said and done, each of them wishes to secure a better future for present and future generations. It is therefore of utmost importance that political parties commit to adopt a bi-partisan approach to address the following important issues. What should be left to the political parties in terms of competitive positioning is their levels of commitment to high standards of administration in implementing the policies on which cross party agreement exists, to ensure they do not let the energy, focus and budgets needed to sustain the policy initiative wane and to guarantee that nothing will be done to undermine the initiatives, risk investment and commitments the private sector commits to the project in full reliance of the cross-party support for the sector in question.

This goes to the root of credibility of the Government in the eyes of those elements within the population who can implement the policies and transform into socially and economically positive experiences.

### 3.1 Constitution and Governance

In 2014 the TPPI published a report titled “A Review of the Constitution at Fifty: Ratification or Re-Design” which made both a compelling case for a revision of the Constitution as well as identified specific sections which needed updating. More importantly, it articulated a coherent set of options on the manner in which to approach this historically controversial issue.

One would expect there to be consensus on reform of the Constitution, but recent events have shown the unwillingness of the political parties to collaborate in pursuing the common interest at this level. The fact that the Labour Party launched the idea in the 2013 election campaign and did nothing about it, and that the Nationalist Party is now seeing this as part of the national institutional crisis, and hence proposes constitutional reform, shows some level of consensus.

There are few signs, however, that the common good is what the political parties seek in this proposal. For those outside the political party structures, the need for radical reform is obvious and has been for many years following the constitutional crises of the 1970s and 1980s and some we are witnessing now where the Constitution is simply being disregarded, even in recent legislation. This is quite apart from the approach taken by some not to treat the Constitution as the superior law of the land prevailing over all contrary laws.

That governance is a problem is clear to all but the political parties which seek to be free from constraints in administering the nation to achieve their own goals rather than the enduring common good through high standards of governance – efficiency (including social sensitivity, justice and innovation), accountability and transparency free from destructive bureaucracy and corruption.

To ensure that the Civil Service is not an obstacle, we now see massive abuse in the use of “positions of trust” all over the public service. To quote from a recent Times of Malta column by Martin Scicluna, founding Director General of TPPI, “*What has happened in the last 20 years as a result of the increasing interference by ministers in the appointment of officials is an object lesson of what occurs when ministers mess with the constitutional rule book on public appointments, The way appointments have been abused is only one of a string of constitutional lacunae where ministers have tampered with institutions at their peril, not least where so-called positions of trust are concerned*”.

This has brought about a crisis of confidence, competence and integrity due to the basic conflict of loyalties in these positions, the lack of meritocracy in their selection, the lack of objective competence, the evident exposure to corrupt practices as we see with massive employment at times of elections and similar negative aspects. The quiet acceptance of the political discrimination these offices imply is difficult to understand. These offices result in lack of dignity for the persons appointed and mark off everyone else as untrustworthy, which in a small country such as ours is a disastrous policy choice which undermines social cohesion. What we need are high levels of collaboration even when we have different political leanings and we have to expect loyalty from all civil servants irrespective of their political leanings. The political parties are seriously to blame when they reward political allegiance by civil servants as that encourages a breach of loyalty to the nation everytime the party in government is not the one they favour. That, as a result, there is confusion in what loyalty to nation means is evident.

For the first time in its history, Malta emerged as an independent country in 1964. Although in the twentieth century Malta experienced periods of self-government, Independence was a milestone in Malta’s nation building journey. Colonised throughout history by each and every power in the Mediterranean and beyond for millennia, Malta is now an independent sovereign state in its own right. As with most of the newly founded nations that came into being in the

post-Second World War period as the British Empire was rolled back, Malta adopted a box standard constitution which the outgoing colonial power was dishing out. The constitution set to safeguard the separation of powers between the executive, the administration of government and, the functioning of the judiciary along the principles of the Westminster model of government. Another precious legacy from its pre-independence years was Malta's first class civil service which it inherited in 1964.

The immediate post-independence period saw a process of institution building as it had to grapple with complex new challenges including economic planning, infrastructural development, fiscal and monetary policy, industrial and tourism development. New institutions were set up: the Central Bank of Malta, the Malta Development Corporation, the National Tourism Organisation of Malta amongst others. The change of government in 1971 witnessed the expansion of the state as the government introduced major welfare initiatives in health, social security and education. It was also complemented by an aggressive nationalisation programme: telecommunications, drydocks, broadcasting and energy; financial institutions were all nationalised and brought under government control. Further to this, government adopted an 'import substitution' based economic policy directed to absorb unemployment and minimise foreign exchange outflows: it also established an array of public enterprises, some of which were intended to substitute imports.

The period between 1971 and 1987, however, was followed by a collapse of governance and its institutional mechanisms. The dichotomy between the political executive arm and the Public Service was in 1974 all but removed with the introduction of the Interpretation Act, which empowered Ministers to overrule public officers – which in turn led to a radical politicisation of the Public Service. The rule of law was usurped, the Constitution suspended for long periods, gerrymandering of the 1981 election resulting in a prolonged constitutional debacle that brought Malta to the verge of a civil crisis. The Public Service itself became the puppet of party influence as opposed to an instrument of governance which is the purpose of its existence.

The reforms to government and the public service launched following the election of 1987 were primarily directed towards institution building including the inculcation of shared values within the governance of Malta throughout its political, institutional, and human resource structures. The reforms sought to win public confidence in the service, aimed at creating a culture of excellence and integrity, defining the role of the public service, developing administrative structures, management systems and the underlying information technology infrastructure.

These administrative reforms were complemented by a political reform directed at transforming governing institutions specifically intended to avoid a recurrence of the governance crisis of the recent past. These reforms saw the setting up of the Public Accounts Committee, the Office of the Ombudsman, introduction of a code of ethics for Ministers and public officers, the overhaul of the National Audit Office with its independence strengthened by having its own budget and reporting to the House of Representatives, and the introduction of elected local councils with the aim of devolving decision making to its lowest level of subsidiarity.

The process of institution building and governance strengthening continued as Malta adopted institutions and laws during the process leading to EU membership in 2004, and as a member state since. However a review of the public service commissioned by the then Nationalist administration in 2012 with the objective of getting a measure of the extent to which governance measures launched in the reform exercise of the early 90s revealed significant deficiencies in several institutional aspects including organisational capacity, human and financial resource management, procurement as well as the application, dispersion and cost benefits of the ICT investment.

The current administration placed at the heart of its 2013 manifesto 'good governance'. The Labour Party's manifesto underscored the importance of 'good governance' to an electorate exasperated by a government which it projected as being tired and showing signs of arrogance, corruption, ineptitude and centralisation of power.

One of the first measures of the new administration coming into power in March 2013 was the appointment of party faithful to head all the public institutions including Ministries, regulatory bodies, the military and the police. This was a remarkable overnight reversal of manifesto promises to the electorate on inclusion, meritocracy, transparency and accountability. In one fell swoop, the efforts of the previous two decades to introduce principles of meritocracy in appointments, establishing independent regulatory bodies and creating a coherent institutional infrastructure that was effective, efficient, transparent and accountable were obliterated. Four years on, the result of this are evident for all to see – a significant decline in the levels of effective governance and attendant international reputational damage which have been one of the major topics of debate in the last couple of years and are the cause of precipitating an early election call. Indeed the continued precarious state of our governance poses a significant threat to the nation's social and economic well being. This is not a future threat but an existential reality which needs to be addressed with urgency. At the heart of this is the critical need for political parties to work in a cross-party manner towards signing up to a fundamental set of principles on governance and institution building all of which will need to be enshrined in a revised constitution.

**Recommendation: The Constitution and the national governance modality emerging from this constitute the fundamentals of our democracy together with the expectation of effective and efficient service provision intended to ensure the social and economic well being of all. The two topics are related and the TPPI recommends a serious and urgent cross-party approach to address the shortcomings in the Constitution and governance deficiencies.**

### 3.2 Healthcare

Demand for health care provision is sizeable and growing, and its potential benefits are high. These benefits, however, come at a substantial cost. In 2013, total government expenditure on health care constituted 5.7% of GDP and 13.5% of total government expenditure.

Public expenditure on health care is driven by a series of factors that affect both demand for, and supply of, health care goods and services; demographics play a vital part in this. This includes population size and structure, its health status, which is linked to the age and gender structure and notably the share of elderly people, who require costly medical care. Prevention and technology serve to reduce the cost of healthcare whilst innovative interventions and medicines could possibly reduce the actual cost of care over the lifecycle of a patient's health journey.

Nevertheless, population ageing poses a risk for the sustainability of health care financing in two ways. First increased longevity without an improvement in health status leads to an increased demand for services over a longer lifetime, thus increasing total lifetime health care expenditures. Second, public health care is largely financed by social security contributions and taxation. Therefore in the future, far fewer people may contribute to finance public health care, while a growing share of older people may require additional health care, goods and services. This may be mitigated, as is currently being experienced in Malta, where a growing economy attracts young workers from EU member states and third country nationals. This, however, is not a long-term solution.

It is unfortunate that policy discourse on the financing of health care and health entitlement has been purged from the agenda of the main political parties since the 1996-1998 administration introduced the 50 cent levy on health medical entitlement to discourage misuse and abuse and was accused by the Opposition that it had 'no social conscience' and a 'government by calculator'.

The 2015 report of the Aging Working Group of the Economic Policy Committee under ECOFIN projects public health care expenditure due to demographic change to increase from 5.7% of GDP in 2013 to 8.2% in 2060. This constitutes a 43% increase on the 2013 baseline. The sustainability of the health sector, therefore, will be under significant pressure and the likelihood is that future generations will inherit a considerably restricted free health care service than is presently the case.

**Recommendation: Health care financing and health care entitlement should be removed from the political discourse and a cross-party approach adopted to ensure their sustainability over the long term.**

### 3.3 Long-term Care

Long-term care costs represent a non-negligible and growing share of GDP, and of public and total costs, including private health care spending. As such, public expenditure on long-term care is an important challenge for the long-term sustainability of public finances. In Malta beneficiaries of long-term care receive either direct institutional support or in-kind support such as reduced costs under the Karta Anzjan.

There are two aspects which need to be taken into account. First, population ageing, if not accompanied by a corresponding improvement in health status, leads to an increase in the number of dependent elderly and long-term care needs. Second, the availability of informal care may decline, increasing the need to resort to publicly financed formal care and thereby putting pressure on public expenditure on long-term care.

In Malta, it is pertinent to underline that a large part of long-term care is delivered informally by families and friends – mainly spouses and children. Research suggests that this burden is primarily carried by the female spouse or female relative. As the number of women who are active in the labour market increases – the number of women under 35 years of age who are active in the labour market exceeds the EU28 average – this informal, and hence cost-neutral, provision of informal care will diminish considerably. The ensuing gap between an increasingly ageing population and a shrinking informal long-term care provision would have to be somehow bridged by government.

As the share of financing of long-term care increases as a percentage of GDP, the result is that other strategic policy areas, such as pensions, health, education, etc., would have to compete for financing, unless there are countervailing reductions through efficiency, effectiveness, and economic reforms that roll back some of the services provided today.

Indicative projections based on the EUROP 2013 demographic projections suggest that the total number of institutional beds required in 2060 is expected to practically double from 4,890 in 2014 to 8,680 in 2060. The demographic scenario of public expenditure in long-term care as at 2013 as estimated by the Aging Working Group stands at 1.1% of GDP. By 2060 this is expected to increase to 2.4% - an increase of 1.3% or 113% over 2013 expenditure. The shift from informal to formal care is expected to add a further 0.3% of public expenditure as long-term care as a percentage of GDP.

**Recommendation: Long-term care should be removed from the political discourse and a cross-party approach adopted to ensure its sustainability over the long term by means of adopting a balanced institutional and community integration approach.**

### 3.4 Pensions

There was insufficient attention paid to the pension system for several years following its introduction. Attention zeroed in on the need for reform when the World Bank in 2004 informed the government that the Pay-As-You-Go system unless fundamentally reformed would collapse by 2050 – both in terms of adequacy, falling from 54% in 2004 to 16% in 2050, and the deficit as a percentage of GDP increasing exponentially.

The independent technical group appointment by the Nationalist administration in 2004 presented a report which recommended a four-pronged approach to reform: (i) a social security pension that provided dignity in retirement and protected future pensioners against poverty; (ii) a mandatory second pension that allowed a person to bridge the gap between the retirement income and income earned during employment; (iii) a voluntary third pension for those who wished to further bridge the said gap; and (iv) flanking policies to increase active employment: women, post retirement, reduce invalidity, etc.

To its credit the government adopted recommendations relating to (i) and (iv). These have resulted in meaningful reforms where the degeneration of the adequacy rate was stabilised at 46% (still below the 54% of pensioners at time) and measures directed to increase active employment. The 2013 Labour administration re-energised pension reform which had run out of political steam between 2009 and 2012 when further independent reforms presented to government were ignored.

Nevertheless, the matters of a second and third pension pillar too became untouchable ‘sacred cows’. The Nationalist government for inexplicable reasons failed to implement recommendations proposed in 2004 to introduce a voluntary third pension. This was quickly addressed by the new Labour administration, with third pension schemes appearing on the market by late 2015. However, although it is true that third pillar incentives were put in place, the size of the incentives was so small that the take up was negligible.

Nevertheless, studies of other jurisdictions in the EU as well as elsewhere show that third pillar pensions alone will not suffice to incentivise people to save.

This is the result of behavioural heuristics, wherein incentivised third pension schemes do not attract a sufficient majority of people to save and complement their social security pension by savings for retirement.

The current Opposition has now stated that it embraces second pillar pensions as a means to increase pension adequacy. The present administration has in the past rejected second pensions. It bases its position on the premise that contributions to second pensions is a ‘tax’. This is a falsity – for second pension contributions are deferred consumption – savings made today, invested to accrue interest, and which will be spent whilst in retirement. However the present government has shown a shift in its stance with a special task force recently set up to review this policy as referenced in the 2016 budget. It is understood that draft tax incentives have been drawn up and a legal notice prepared to incentivise occupational pensions, but all this has been interrupted with the election announcement,

Increasing the social security contributions will not result in increased adequacy to beneficiaries. This is for a number of reasons. First, Malta applies a Pay-As-You-Go system where contributions paid by a beneficiary are not placed in their ‘pension savings account’ but rather used to finance payments to existing pensioners. Second, contributions paid are not accumulated in a national pension pot which is invested so that beneficiaries, across generations, benefit from interest accrued. The contributions are paid into the Consolidated Fund and are used to finance government expenditure.

It is unfortunate that the discourse on second pensions has been hijacked by ideology and technicalities that are still based on the principles of reform mooted by the independent technical team in 2004. Jurisdictions overseas have introduced intelligent saving mechanisms that effectively overcome behavioural heuristics and which could become models for local reform. The introduction of new second pensions is further complicated by the fact that holders of current second pension have suffered deductions in their first pension – an injustice recognised in our parliament in 2008, but which has not been satisfactorily resolved.

Thus whilst some progress in this arena should be acknowledged, the fact remains much remains to be done to bridge the gap between income in retirement and income earned during employment

**Recommendation:.. The TPPI recommends that a cross-party approach be pursued in order to achieve the introduction of intelligent saving systems that serve to overcome behavioural heuristics so that future pensioners can complement their social security retirement pension with private savings.**

### 3.5 Transport

Transport plays a major role in the development of any country as a means for economic development and a prerequisite for the achievement of social and regional cohesion. The transport sector in Malta has been an issue of national debate for many years, with congestion on the rise, car ownership sky rocketing and the length of roads per 100 square km of land area being one of the highest in the world. While it is acknowledged that transport is key to economic well being, the flip side to this is the cost of congestion that is currently estimated at €200million annually and is likely to reach €1.3 billion by 2050 if no tough measures are taken to address private vehicle use.

Dependence on the private car has increased over the years as the public transport system in Malta has been fraught with difficulties with the demand for these services experiencing a negative trend since the 1970s that only turned positive after the reforms in public transport from 2011 onwards (which included the change from a single-hub structure to a network structure and the purchase of more modern, low floor buses). Congestion affects both the private car and public transport because both modes share common road space. The effect of congestion on air pollution is also significant with the transport sector accounting for 21% of greenhouse gas emissions. Road transport is also a source of particulate matter, nitrogen oxides, volatile organic compounds, ozone, sulphur dioxide, metallic compounds and benzene. In addition to the impacts on human health from these pollutants, over dependence on car use encourages a sedentary lifestyle contributing to the problem of overweight and obesity in the Maltese population. Other important negative consequences of road transport are injury or death from accidents, noise, lack of safe conditions for walking and cycling and, ultimately, climate change.

While the Structure Plan for the Maltese Islands (1990) was the first planning document that set out a transport planning framework, this document was never updated to reflect today's realities. Although there was a Transport White Paper in 2004 that identified the need for a modal shift from the car, reducing road accidents, healthier travel and less emissions and infrastructure accessible for all, it was only in 2016 that a National Transport Strategy was developed. The Strategy presents a vision for the sector up to 2050 and a Transport Master Plan provides short and medium term measures up to 2025. Notwithstanding, the strategies that have been employed by successive governments have been largely to build more roads and provide more parking. There have been ad hoc initiatives to try and address congestion and encourage modal shifts such as subsidizing school transport, providing cycling lanes in new roads, having dedicated bus lanes (which were immersed in a sea of controversy), Park and Ride Schemes, and ferry services, but these have been insufficient.

The burden of transport on Malta's economy, environment and our health remains very high and will continue to be so unless radical and difficult decisions are taken to significantly reduce car dependence and to provide infrastructure that supports alternative modes of transport including public transport, walking and cycling, instead of encouraging more road construction.

**Recommendation: The implementation of a long-term cross-party transport strategy with a view to significantly reduce dependence on the private car and shift to public transport, walking and cycling.**

### 3.6 The Environment

Today the Maltese Islands still boast a wealth of beautiful natural landscapes and urban areas that still reflect Malta's rich and varied historic past. However, in a country with a very high population density, our open spaces are facing competing demands from various sectors primarily the construction industry but also from demands from infrastructure, tourism, industry, and land-intensive waste disposal. While our policies and legislation acknowledge that our natural and cultural heritage, more recently addressed as "public domain" over which there are legislatively stated fiduciary obligations upon the government in favour of future generations, must be preserved, Malta's urbanisation rate, number of vacant dwellings, and recent policies allowing more rural development are leading to urban sprawl and intensification of development in both urban areas and Outside Development Zone (ODZ). In addition to creating loss in amenity and a sense of over-crowding, such over development has impacts on our quality of life through increased air pollution, lack of green open spaces, in addition to putting more pressure on infrastructure including energy generation.

Although our countryside supports biodiversity and provides important natural habitats and ecosystems, it is dwindling rapidly in size. Its biodiversity is in decline and is disappearing through habitat loss and fragmentation. The spread of building across the open countryside is a major environmental concern for the Maltese population. Safeguarding the countryside is imperative in order to ensure the health and well-being of the nation; to prevent the further loss of natural heritage and biodiversity; to safeguard the important economic role of the countryside, such as for tourism; as well as to fulfil Malta's obligations under both national and European legislation.

Malta is among the world's most water-stressed countries. Its groundwater reserves are being depleted and affected by both nitrate pollution and increasing salinity. These are consequences of largely unregulated human activities. Since the early 1980s, Malta has been increasingly dependent on energy-intensive desalination (by Reverse Osmosis). However groundwater still contributes approximately 50% of the water used in the country, especially by water-hungry agriculture during the dry seasons. Water recycling and rainwater harvesting have lagged behind inadequately regulated private groundwater extraction. The main driving force for Malta to address its water problem, especially the depletion of the aquifers, has been the European Union. Yet government efforts have been patchy and have not changed the rate of groundwater depletion, partly because Malta has not had a comprehensive integrated water policy and plan. The water policy document of 2012 was not the result of a thorough analysis. While the purpose of many of the proposed interventions is relevant, without an integrated policy framework it is likely that these measures are implemented as stand-alone ventures with inadequate consideration of priorities, options, and linkages to overall goals, as well as a lack of analysis required to project the economic and social benefits expected.

**Recommendations: A cross-party agreement should be sought on key environmental issues including the proper regulation of land use, in particular limiting Outside Development Zone development, enhancing the urban environment by addressing air pollution and creation of green open spaces, managing protected areas and addressing sustainable water management.**

## 4. Conclusion

The Today Public Policy Institute operates from a charter of values anchored in the principles of the development of sound public policies serving the interests of the many and not the few, doing so in an open minded and tolerant manner and in the course of this to maintain an impartial, non-partisan political stance intended to seek consensus rather than confrontation. In order to achieve this, the Institute has a structure composed of a Board and Fellows, all of whom are drawn from the broadest sectoral disciplines. The Institute puts a lot of emphasis on the objectivity and viability of its outputs; this is vital for these to be in any way effective as well as being very important for its credibility. Navigating the political shoals of our polarised country is a challenging task indeed.

But we are a public policy institute and thus our reflections or utterances invariably touch on sensitive political issues, because it is in the end the political party in government which is responsible for policy formulation and implementation. In all the policy sectors cited above, our narrative implies a shared attribution of blame for past inaction, and an acknowledgement of the complexity of their resolution, thus our advocacy of a cross-party approach to achieve this.

These policy challenges in Malta's case are compounded by our population size, limited policy experience and attendant capacity. It is only since Independence that we have graduated from implementors to architects when it comes to policy formulation, with the resulting policy limitations that stem from these shortcomings.

The policy areas flagged in this document as candidates for cross-party resolution are in the view of the Institute the most pressing from a long list of domestic public policies crying out for attention. And we have deliberately steered clear of developments in the EU or globally which may well have a bearing on future policy formulation. Factoring in such potential developments serves to add to the urgency for us to address these complex policy issues of long standing, thus enhancing the resilience of our national policy framework to better enable it to withstand external threats to our social and economic well being.

The TPPI has an ambitious programme for the coming months which includes initiatives having to do with specific policy areas aimed at raising awareness about shortcomings and an attempt to engage business, professional bodies and civil society in mooting options that better serve the interest of our contemporary society.

While small may be beautiful in so many things, in the case of a country it has frequently rendered governance more problematic. This is frequently due to lack of resources and economies of scale among other factors. The other side of this is that size, with good will prevailing also makes for agility. Malta faces an enormous challenge in institution building irrespective of the party which is elected to govern and it is for this reason that there have to be some ground rules all parties must subscribe to in order to realise the development of a sound and enduring institutional and policy infrastructure which is not dissipated every time there is a change of government.

To summarise, this paper is intended to make the compelling case for cross party resolution of complex policy areas and to do so in a coherent and integrated manner. The policy areas cited in this document – the constitution and governance, health and long term care, pensions, the environment and traffic -, reflect the most intractable and complex policy priorities as viewed by TPPI. It is important to emphasize, however, the list is by no means exhaustive, but will serve to make a good start. The TPPI will continue to come back to this theme in the future and could contribute to a devising a methodology for such an approach.

The TPPI recognizes that similar appeals for a bipartisan approach to crucial policy issues have been made in the past. The current economic, social and political circumstances of the country,

and the difficult geopolitical global environment, however, suggest that the necessary bold policy reforms cannot be further postponed. To quote an adage “*It is a great thing to do what is necessary before it becomes unavoidable*”. We owe our best efforts in bringing such an endeavour to fruition to future generations of Maltese, through a positive method of collaboration and the principles underpinning it.

These underlying principles governing behaviour by politicians and parties need to be adopted by in a formal manner so that they will not be breached without the very clear knowledge of the effect: that such breach will bring bi-partisan collaboration crashing down without a doubt as to whose responsibility this will be. This is critical for credibility of our political system and is important to avoid constant misbehaviour, finger pointing and manipulation of the population.

The Institute therefore calls on the political parties to commit to the formation of a cross-party commission or appropriate structure after the June elections to identify options for long-term and permanent solutions to major policy challenges, including those identified in this paper. This body should be able to draw upon the abundant technical expertise available within civil society. If called upon, the TPPI would be willing to participate in this national consensus-building process.



25<sup>th</sup> May 2017