

Memorandum for Cabinet by
Hon. Prime Minister

Malta Development Corporation

Hon. Ministers will recall the discussions which took place earlier this year when the terms of the Draft Bill relating to the setting up of the Corporation were being considered in Cabinet. One of the issues extensively debated at the time was whether the vesting of certain Government industrial property in the Corporation should be mandatory or left optional. The consensus of opinion was that the law should permit but not require the Corporation to take over the assets in question. Another issue was whether the Corporation should be required to tie up with the Colonial Development Corporation as Consultants. It was appreciated that the services of Consultants would be necessary, but it was felt that the specific identification of the C.D.C. by the British Government, and its insistence that the Consultancy tie up should be with C.D.C., amounted to an imposition which should be resisted. Ministers were of opinion that the choice of Consultants should be a matter for direct discussion and agreement between the Corporation, when set up, and Government.

2. These are of course just two of the "problems" which have to be sorted out with the Corporation, as soon as it is formally established and before it actually launches out into business. Other issues have to be settled: three in particular -

(a) PRE-DEMAND FACTORIES. Ministers are aware that one of the inducements laid on by Government hitherto, in the industrialisation context, has been the provision of ready made factories which are let out on heavily subsidised rental terms. It will be a matter for consideration whether this service should henceforth be deemed to be a Corporation responsibility, and if so whether the Corporation can reasonably be expected to put up the outlays involved without being allowed to recoup a proper market return on these outlays. The Corporation, it will be recalled, is being required by law to operate on what may broadly be termed a break-even basis. One solution would be to delegate the task to the Corporation on an agency basis, with Government putting up the funds, determining rental policy and collecting the rental proceeds. The matter is tied up, in a way, with the whole "vesting" issue and will presumably have to be discussed with the Corporation in that context.

(b) AGENCY AGREEMENT. The terms of the law at Clause 8(1)(f) empower the Corporation "to act by agreement with Government as agent for implementing the policy of Government in respect of grants and loans on special terms to industrial enterprises". The Corporation here will be taking over the administrative functions performed on Government account up to now by the Aids to Industries, London and Tourist Boards. Obviously this is a complicated matter which will have to be carefully worked out in detail with the Corporation, and the terms of the mandate will have to spell out in precise language the scope and limits of the Corporation's competence in the agency role. It is not the purpose of this memo to suggest a particular line of agency policy for determination by Ministers now, though it may be pertinent to advert to the fact that there are actually two schools of thought on the subject: one postulating that the new system will amount to a mere translation from the present Board consideration method with the Corporation simply making recommendations to Ministers in particular cases; the other postulating that the agency arrangement should vest the Corporation with executive powers so as to enable it to "manage" the grant and loan funds placed under its administration - without Ministerial intervention except possibly in the very "largest" applications for aid. The matter is under active study and in due course specific recommendations will be put to Ministers for adoption. For the present the point one would wish to make is that, whatever the terms of agency, the Corporation will certainly and inevitably have to be brought into the picture in the formulation stage, and not simply presented with a fait accompli: firstly because this is something they will have to work, and they will therefore have to be satisfied that any mandate we give them is workable; secondly because the proposed agreement implies by definition a consensus between the two parties concerned.

(c) POLICY DIRECTIVES. In terms of Clause 9(1) of the draft Bill now before Parliament the Minister is empowered to issue to the Corporation policy directives of a general character, and the Corporation is obliged to abide by such directives. Finnes had drawn up the terms of a draft policy paper which he put in as an Appendix to his Report when submitting his recommendations to Government. This paper, he had suggested, might serve as a basis for the first and basic policy "charter" which would determine

the main guide lines of Corporation activity in its role as a Development Bank. The Finance draft, amended in parts, is substantially acceptable to Government. Ministers will have an opportunity to express themselves on it at a later date. This will be after the Corporation has seen it and given an intimation of its reaction, since the terms of the above quoted sub-clause of the Bill require the Minister to consult with the Corporation before actually issuing directives as contemplated.

3. It will be clear to ministers, from what has been said so far, that enactment of the law by Parliament is just one stage in the process of getting the Corporation started and functional; and that in fact even when the Corporation is formally established it will not get into its stride as an effective, working, organism until the several issues referred to are dealt with. One way of gaining time, and of enabling discussions and consultations to get started right away, would be to anticipate the Parliamentary time table and proceed with the appointment, on a "designate" basis, of the Board of Directors of the Corporation; in much the same way as we have anticipated events by arranging for the United Nations to provide the Corporation with the services of a General Manager Designate. The law specifies that there should be not less than five persons on the Board, including the Chairman and the two Official nominees. Of course this is a minimum: Finance had suggested nine Directors, and official thinking has in fact been geared to a Board of this size all along, since it would be difficult in practice to accommodate all the "interests" involved in a Board of lesser size. The appointment now of the full proposed complement (five, nine or any other intermediate figure) to the Board has its obvious advantages; but if for any reason this should be deemed inexpedient at this juncture then perhaps ministers may wish to consider the alternative of setting up a Board "nucleus" - which could consist of the Chairman Designate and the two Official nominees. The desirability of having the Board (or nucleus) in being at the earliest opportunity is underscored by the fact that the General Manager Designate is due to arrive in a few days time to take up his duties. Without a Board to work with, the General Manager would in effect be left in a sort of vacuum during the crucial initial stages: which would prejudice the chances of his getting really useful preparatory work done ahead of the formal activation of the Corporation.

4. Ministers are therefore -

(a) invited to take note of the matters rehearsed in the first and second paragraphs of this memo, matters which will be brought up for fuller discussion and consideration later on;

(b) requested to agree, on principle, to the appointment of the Corporation Board right away, on a designate basis, either as a full complement or, as suggested, in nucleus form.

If in full complement the Board to consist of nine persons, including the Chairman and the two Officials.²

²NOTES: The part of the draft law dealing with the setting up of the Board of Directors says that the Board "shall consist of such number of Directors, being not less than five, of whom one should be appointed to be Chairman, as the Minister may from time to time appoint". The Minister is defined as being the Prime Minister. The law goes on to say that "The Chairman and all except two of the other Directors shall be appointed by the Minister from amongst persons, not being public officers, appearing to him to have had experience of and shown capacity in matters relating to industry, trade, finance, science, the professions, or organisations of employers or of workers; the other two Directors shall be appointed by the Minister from amongst public officers".

26th June, 1967.

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