

## Brincat Anna at Parlament-MT

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**From:** Peplow William at NAO  
**Sent:** Tuesday, 18 February 2025 07:29  
**To:** Brincat Anna at Parlament-MT  
**Cc:** Deguara Charles at NAO; Camilleri Noel at NAO; Azzopardi Maria at NAO; Galea Maria-Esmeralda at NAO; Bugeja Sarah at NAO; Calleja Gera George at NAO  
**Subject:** PAC request for documentation icw Sitting 11 February 2025  
**Attachments:** 17 Feb 2025 List of meetings held.docx; 20250217 Methodology.docx

Dear Ms Brincat

Attached please find documentation requested by the Public Accounts Committee in conjunction with the discussion on the Malta Film Commission held on 11 February 2025. These documents relate to:

the methodology adopted by the NAO in connection with the economic contribution emanating from the cash rebate schemes operated by the Commission.

the public officials interviewed by the NAO during the course of the audit.

Regards

William

**William Peplow**

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**List of public officers, with whom the NAO held official minuted meetings in relation to the audit fieldwork:**

***Evaluating the role of the Malta Film Commission in promoting the Maltese film industry***

- Mr Paul Zahra, Chairman, State Aid Monitoring Board.
- Mr Anthony Gatt, the then Permanent Secretary for the Ministry for Tourism and Public Cleansing.
- Mr Johann Grech, Malta Film Commissioner, CEO Malta Film Studios.
- Dr Beverly Cutajar, Chairperson, Malta Film Commission Board.
- Mr Freddie Mifsud, Administration and Operations Manager (During the course of the audit, Mr Mifsud resigned from the Malta Film Commission).
- Mr Matthias Buttigieg, Private Secretary to the Malta Film Commissioner (Mr Buttigieg started to attend the meetings with the NAO following the resignation of Mr Freddie Mifsud).
- Dr Yana Haber, Senior Case Officer, State Aid Monitoring Board.

During the conclusion of the audit, the MFC also requested that the meetings, will be attended by Mr Xavier Zammit, Consultant to the Malta Film Commission.

## **Paper on the methodology used to validate the reports presented by the MFC on the 40 per cent cash rebate scheme**

Further to Section 4.5 of the NAO Report, this Paper provides an outline of the methodology used to validate the reports presented by the MFC on the 40 per cent cash rebate scheme.

The MFC published two reports which aim to assess the economic impacts of the cash rebate scheme, namely:

- i. Economic Impact Assessment: Revised Cash Rebate Effect, December 2021, hereafter referred to as the “2021 report”, and;
- ii. Economic Impact Study on the Impact of the Film and Production Industry on Malta's Economy, September 2023, hereafter referred to as the “2023 report”.

The methodology used in the two MFC reports is broadly similar, based on the estimation of input-output multiplier effects emanating from an expenditure injection in the economy on output, value added and employment, with an additional consideration on tax revenue generated. There are however two notable differences, namely:

- whereas the 2023 report is focusing on the economic impact of expenditure by the film industry in one year (2022), the 2021 report focuses on the incremental effect on the economy from the increase in expenditure by the film industry estimated to have been engendered by the increase in grant rate in 2019;
- the 2023 report includes an estimate arising from expenditure by tourists considered to visit Malta due to its involvement in the film production industry, which was not used in 2021.

The work undertaken by the NAO consisted of a thorough review of the two reports from the perspectives of:

- the methodology used, its applicability and comprehensiveness to the economic transactions being considered within the specific sectors of interest;
- the data utilised, in terms of the suitability of the sources as well as its relevance and comprehensiveness to the specific study;
- the correctness of results obtained from the application of the methodology, involving a mixture of assessment of plausibility of assumptions and results, as well as verification of numerical outputs to the extent possible.
- the interpretation of the results as presented in the reports.

The NAO review analysed the two reports through a generic overview of the methodology used, and by proposing alternative or competing methods to assess whether changes in assumptions or approaches would have significant implications on the results reached. Moreover, the Gross Value-Added calculation draws on the Leontief demand model, which gives rise to Type I and Type II multipliers. Type I captures the direct and indirect effects on the economy while Type II multiplier extends to include also the induced effects.

Estimating the impact on the Maltese economy through the production of films, entailed the use of assumptions in accordance with established methodologies to determine:

- the sectors affected by such injection, as this would then determine the multiplier values to be used;
- the stability and suitability of the multiplier values, as these are typically published by the National Statistics Office with a 5-year time lag, following the compilation of Supply and Use Tables based on business surveys;
- the interpretation to be placed on the results obtained of a direct, indirect, and induced nature, especially in arguing whether these results:
  - i. would have been produced by the original expenditure in the linear fashion presumed by the input-output model, particularly in situations where an economy would be already close to full employment, where crowding-out effects might be relevant;
  - ii. constitute an incremental addition to economic activity (as many readers would ascribe to the word “new”) or support activity which would already have been present earlier but which would be potentially lost in the absence of the expenditure being contemplated (which could be argued to be an equally valid economic contribution as that which would be considered as “new”).