

**Ministry of Finance,
the Economy and Investment**



Department of Contracts

HUMAN RESOURCES

During 2009 the procedure for the appointment of a number of Procurement Managers, who are intended to strengthen the administrative capabilities of the department, resulted in four new recruits being posted in the EU Unit. This measure is being implemented in view of the increased administrative challenges brought about by the new allocated EU budget obtained by Malta under the Structural Funds 2007-2013.

Training on the Department's human resources was sustained as in previous years. A number of officials were afforded the opportunity of training abroad in public procurement. Two officials attended a course on the procurement procedure known as the *Competitive Dialogue* in the UK. Another two employees were detailed to represent the Department at the EU Public Procurement Learning Laboratory and obtained first-hand experience on various facets of public procurement practices in Europe. The Director Compliance obtained specialist training in Sweden on the introduction of *Green Procurement* in government tendering. Other officials were constantly afforded local training through courses organised by the Staff Development Organisation.

REFURBISHMENT WORKS

The Department has continued in its efforts to utilise all the possible office space available within the existing building premises. A store in Floriana, previously owned by the ex-Lotto Department, was converted into a modern archive. It includes a mobile shelving system in order to make maximum use of the space available.

Another building, also close to Notre Dame Ravelin, has been acquired and it is envisaged to cater for badly needed administrative office space at the Department. The refurbishment tender has been awarded and works on-site have commenced.

TRAINING FOR CONTRACTING AUTHORITIES, BENEFICIARIES AND ECONOMIC OPERATORS

Training, in collaboration with the Staff Development Organisation, on local legislation i.e. Legal Notices 177 and 178 of 2005 relating to Public Contracts Regulations, and Public Procurement of Entities operating in the Water, Energy, Transport and Postal Services Sectors Regulations, was carried out by means of an intensive six module seminar during November 2009. The training consisted of theoretical tutorials on the use of the regulations, the evaluation process, the appeal procedures available to economic operators and the correct use of specifications and terms of reference. Practical interactive sessions were organised during the seminar on the use of the specifically designed Department of Contracts tender documentation templates for works, services and supplies.

Similar training seminars were also carried out with the collaboration of the Planning and Priorities Coordination Division during August 2009. These seminars were specifically targeted for stakeholder recruits entrusted with the management of the new allocated EU budget obtained by Malta under the Structural Funds 2007-2013.

The Department also delivered a presentation during a seminar on the management and implementation of projects under the Solidarity and Management of Migration Flows programme organised in October as

well as during a seminar aimed at induction training for New Beneficiaries (NGOs) held in September 2009.

A new initiative was aimed at economic operators wherein, during December, the Department organised an information session for prospective bidders in which an overview of the tendering procedure was undertaken.

PUBLIC CONTRACTS REGULATIONS

Public procurement policy and practice are continually developing within the national as well as in the international sphere. In order to keep public procurement progressing on the same lines, the Department has drafted a number of amendments to the current legislation which are currently under review by ministry senior management.

In fact, in order to be in a position to advise the Government, senior officials actively participate in meetings organised by the Commission of the Advisory Committee on Public Contracts, the Working Group on e-Procurement and the Working Group on Public Procurement Statistics. In this way, as well as advising Government on proposed new legislation, the Department contributes to the development of public procurement methodologies adopted in the EU.

EUROPEAN UNION MATTERS

The EU Unit is responsible for the administration of all tenders which are fully or partially funded through EU funds, EEA Funds, EQUAL Community Programmes, EAGGF, External Borders Funds, Norwegian Funds, European Refugee Funds and other projects that are partly or fully funded through Community Funds. These operations, which include the vetting of tender documentation and publication thereof, are related to the procurement of supplies, services or works. Such tenders owe their origin to the Single Programming Document for the years 2007-2013.

The Structural Funds Programmes for Malta for 2004-2006 have been concluded. The Structural Funds Programmes for Malta 2007-2013 are currently progressing at a very fast rate with a large amount of tenders relating to projects funded under these funds being processed by the EU Unit.

A recent audit carried out by the firm Moore Stephens was carried out on behalf of the Commission, and the conclusions made by the auditors were overall quite favourable.

GENERAL CONTRACTS COMMITTEE

The General Contracts Committee held 96 sittings during which 1,213 contractual issues were considered. These issues ranged from pre-contractual matters, such as approval of clarifications to prospective bidders, to post-contractual ones involving approval of extra works/variations. Amongst these cases, the Committee evaluated reports and recommendations submitted by Contracting Authorities resulting in the issue of 164 Letters of Acceptance valued at €44.75 million and 22 Contracts signed valued at €46.65 million. The Committee deliberated on 29 objections emanating from appeals lodged against recommendations of award of contracts pertaining to departmental tenders.

PUBLIC CONTRACTS APPEALS BOARD

The Public Contracts Appeals Board is appointed by the Prime Minister to decide on objections lodged against the recommendations of the General Contracts Committee on the award of public contracts. During 2009, the Public Contracts Appeals Board held various sittings that dealt with 40 objections.

THE DEPARTMENT'S E-SERVICES

Following the introduction of a new Procurement Management System (PMS), the new website of the Department (<http://www.contracts.gov.mt>) was officially launched in January. A project funded through the EU Transition Funds (2005) Programme, this endeavour provides a more effective way with which tenders are administered and managed by the Department, and offers enhanced functionalities for economic operators. The website provides unrestricted access to procurement-related matters, such as information on the individual tenders (including a free preview version, the summary of tenders received, and the award), and the recommendations issued by the General Contracts Committee. Free registration further allows for the setting up of new tender alerts (dispatched via e-mail and/or SMS), provides access to purchase tender documents online, faster notification of new clarification notes, and for the receipt of alerts advising of changes in tender status.

Website usage statistics indicate that the new website was positively met. Figures from November 2008 (when the website was 'soft-launched') till December 2009 show a dramatic increase in total session held, hits, sessions, and page views. In October 2009, almost 849,000 hits were registered, and more than 7,500 pages per day were viewed on average.

During the year, 259 Maltese e-ID users and 185 foreign users were actively registered with the Department's e-services. Some 162 foreign users originated from the EU (the UK, Italy and Germany being the most common country of provenance), whilst another 23 came from outside the EU. The website has attracted registrations from countries such as Malaysia, South Korea, the United States and Australia.

Three hundred and thirty-six tenders were purchased from the website, for an aggregate value of €25,270. Over a period of 12 months, these figures account for 13.39% of the monetary value of sales affected and for 19.3% of the number of tender documents sold. The low usage of the e-services during the first quarter of the year mitigates these figures. Usage peaked considerably following the decision taken that, as of June 2009, tenders were only to be made available in digital format, doing away with the printing and distribution of hard copies from the Department's Sales Office.

The website also serves as a single point of reference for public procurers, who are able to view and download procurement-related circulars, guidance notes, tender templates and forms, as well as being directed to EU explanatory notes and policies amongst other matters.

The degree of the Department's new e-services can perhaps be gauged by perusing the European Commission's Benchmarking Report on eGovernment Services for 2009. A new indicator, eProcurement Availability Benchmark, has been measured for the first time on a comparable sample of 746 contracting authorities. Malta (with the Department's website being its main representation) performed strongly in this measurement, with the report stating "the top performers for the Availability Benchmark are a group of 4 countries: Estonia, Ireland, Malta and Luxemburg. In these countries, a strong proactive policy for eProcurement has succeeded in aligning availability and visibility for most contracting authorities."

GREEN PUBLIC PROCUREMENT

In July 2009, on the initiative of the Ministry of Finance, the Economy and Investment (MFEI) following the appointment of MFEI's focal point on GPP, a cross departmental task force which includes representatives from the MFEI, the Department of Contracts, Malta Enterprise Ltd, Malta Standards Authority, the Ministry for Resources and Rural affairs, Office of the Prime Minister, the Malta Environmental and Planning Authority and the Malta Council for Science and Technology was set up.

The main objective of this task force is to assist in the compilation of a National Action Plan (NAP) on Green Public Procurement (GPP). The NAP will seek to adopt an incremental approach wherein public procurement actively contributes towards sustainable development in Malta whilst ensuring the least

possible adverse effects on our local supply market. It also aims to pave the way for local businesses to recognise the economic opportunities that environmental challenges bring about not only in our local market but also in the EU common market. In addition, the NAP will also determine how Malta will reflect the 50% GPP target set forth in the Communication that was also endorsed in the European Council on Public Procurement for a better environment (COM(2008)400 of 16 July 2008).

FRANCIS ATTARD

Director General (Contracts)

Value Added Tax Department

AIM

The principal aim of the Department is to ensure that the VAT revenue target set out in the annual Budget is attained, in line with the Government's policy of ensuring sound public finance and with the minimum cost and burden to registered persons.

REVENUE AND EXPENDITURE

Revenue

During 2009, gross revenue collected under the VAT Act 1998, the CET Act 1997 and the VAT Act 1994 was €539,821,467 compared to €554,023,468 in the previous year. Refund of excess credit paid out of revenue amounted to €85,815,880, resulting in a net revenue of €454,005,587 compared to €455,292,595 in the previous year. The relevant information is shown in the following table:

	VAT Act 1998 €	CET Act 1997 €	VAT Act 1994 €	Total €
Total Gross	539,217,558	235,592	368,317	539,821,467
Less Refunds	85,808,646	0	7,234	85,815,880
Total Net	453,408,912	235,592	361,083	454,005,587

ECO Contribution

The VAT Department is the competent authority for the administration and collection of ECO Contribution. During 2009 the amount collected from this contribution was €12,871,231.

e-Services

The Department collected €187,612 during 2009 from e-Services.

Outstanding Credits and Debits

As at the end of 2009, the Department had a net debit book balance on VAT (1998) of €334,864,427, after deducting outstanding taxpayers' credit. The realistic net balance is €28,285,695.

	VAT (1998) €	CET (1997) €	VAT (1994) €	Total €
Debit Balance	367,247,182	2,880,499	6,473,191	376,600,872
Outstanding credits	32,382,755	19,903	63,109	32,465,767
Net Balance	334,864,427	2,860,596	6,410,082	344,135,105
Outstanding Accounts				
Accounts with a balance as at end December 2009	25,537	1,063	1,416	28,016
Accounts with a balance as at end December 2008	23,319	1,096	1,448	25,863

Cost-Effectiveness

Total recurrent expenditure during 2009, excluding the contribution to the Tax Compliance Unit and the Fiscal Receipt Lottery, amounted to €4,645,408. Net revenue from VAT 1994, CET 1997 and VAT 1998 amounted to €454,005,587. Revenue from ECO Contribution was €12,871,231. Net total revenue collected amounted to €466,876,818. The cost effectiveness rate for 2009 was therefore 1c per euro of revenue compared to 1c in 2008.

Analysis and Control

An Analysis and Control Unit was set up in July in order to monitor the effectiveness of the operations at the Department. Its duties are to evaluate data submitted by registered persons, analyse credit control claims and results of investigations to upgrade parameters for the risk analysis system. The Unit would assist in the identification of cases for investigation by the TCU and the VAT Department and monitor and evaluate work performed. The Unit has to date reviewed 48 investigations carried out during the previous months and referred 28 for further or corrective action. The Unit has also filtered 10,101 credit claims for refunds by registered persons.

COLLECTION OF TAX ARREARS

Civil Procedures

A total of 91 cases were settled through Civil Court action, resulting in the collection of €9,204,420 of tax in arrears, as shown below:

	Demand Notices	Judicial Letters	Garnishee Orders/ Warrants of Seizure	Civil Cases Settled	Tax Collected €
Total	3,178	265	54	91	9,204,420

Operations and Enforcement

Audit Investigations

The number of audit investigations carried out by the Department during 2009 was 109, resulting in 72 provisional assessments of €2,284,707. There were 19 cases referred to the Tax Compliance Unit resulting in provisional assessments amounting to €435,937 and final assessments of €876,415. The Department also carried out 27 ECO contribution investigation cases and identified 10 defaulters resulting in assessments of €208,308.

Credit Controls

The Department concluded 393 credit controls. During 2009, the Department raised assessments totalling €9,723,630 from Audit Investigations and Credit Controls.

Validation of VAT Returns, Correction and others

The VAT returns are regularly validated for erroneous tax declarations. The following is a breakdown of the cases:

Type	Cases Concluded No	Final Assessments €
Validations	107	0
Corrections	711	133,306
Audit trail	334	-6241
Agreements	1	6118
Total	1,153	133,183

Compliance Rate

VAT returns continued to be issued regularly each month. The following table shows the returns issued and received during 2009. The overall compliance rate as on due date, expressed as the percentage of returns received over the number of returns issued, was 67.71%, increasing to 87.13% by end year.

	Returns Issued	Returns Received as on Due Date	Compliance Rate as on Due Date	Returns Received up to End of Year	Compliance Rate as at End of Year
Total	127,206	86,132	67.71%	110,838	87.13

Inspections

During the year, the inspectors of the VAT Department carried out a number of field inspections consisting of spot-check inspections and surveillance visits. A number of cases were referred for court action.

Throughout the same year, the majority of inspectors were assigned work connected with administrative tax enforcement and review of tax assessments. Six inspectors were regularly assigned duties to carry out inspection visits, supported by four Revenue Security Corps members carrying out limited inspection duties.

A task force consisting of members from the VAT Department, Customs Department and the Police has been set up to curb illicit trading in Malta. Persons have been arraigned in court as a result of this measure.

Objections

During 2009, a total of 1,300 objection letters concerning VAT issues and 138 objection letters concerning ECO Contribution were dealt with completely. As a result, the number of outstanding objections as at the end of the year was 205 and 41 respectively.

LEGAL ACTION

VAT Legislation

During 2009, there was only one amending Act – Act II of 2009 – An ACT to implement Budget measures for the financial year 2009 and other administrative measures. Its relevant part is PART X Articles 36 to 56. The following legal notices were published under the VAT Act 1998:

- LN 34/09 VAT (Second Schedule Amendment) Regulations, 2009;
- LN 86/09 VAT (Tenth Schedule Amendment) Regulations, 2009;
- LN 132/09 VAT (Fourteenth Schedule)(Amendment) Regulations, 2009;
- LN 133/09 VAT (Third Schedule)(Amendment) Regulations, 2009;
- LN 137/09 VAT (Sixth Schedule)(Part Three Amendment) Regulations, 2009;
- LN 234/09 VAT (Amendment of Fifth Schedule) Regulations, 2009;
- LN 235/09 VAT (Amendment of Eighth Schedule) Regulations, 2009;
- LN 357/09 VAT (Refund of VAT to Taxable Persons not Established in Malta), Regulations, 2009;
- LN 363/09 VAT (Recapitulative Statement of Intra-Community Transactions), Regulations, 2009;
- LN 364/09 VAT (Forms) Regulations, 2009.

Court Cases

Legal action was taken against taxpayers wherever it resulted that the VAT legislation was being abused. As a result, 268 cases involving failure to issue fiscal receipts were brought before the Court, of which 183 were decided on and 159 cases were found guilty. The latter were together fined a total of €137,501, whilst 24 cases were acquitted.

Another 2,494 new cases involved failure to submit tax returns. As a result, 513 cases were together fined €1,056,636 whilst 1,481 cases were withdrawn once the returns were duly submitted prior to the Court hearing. The relevant information is shown below:

	Involving Fiscal Receipts				Involving Tax Returns			
	Appointed	Fined		Acquitted	Appointed	Fined		Withdrawn
		No	€			No	€	
Total	268	159	137,501	24	2,494	513	1,056,636	1,481

Appeals

During 2009 the number of new appeals lodged with the VAT and CET Appeals Boards was 79. The Boards decided a total of 115 cases.

TAXPAYERS' REGISTRY

Registration and De-registration

During the year, 4,584 taxpayers were registered with the Department, bringing the total number of registered persons to 95,959. The current active registered taxpayers are 54,045, of which 33,820 are in Register A, 19,798 are in Register B and 427 are in Register C. The number of outstanding applications as at the end of the year was nil. During the same year, 3,089 new applications were received for de-registration. A total of 3,430 applications were processed completely.

OTHER MATTERS

Manual Fiscal Receipt Booklets

The number of fiscal receipt booklets distributed during 2009 was 64,093, resulting in a decrease of 1.19% over 2008.

Printed Booklets	65,630
Distributed Booklets	68,867
Returned Booklets	42,179

Fiscal Receipts Lottery

The Fiscal Receipts Lottery has continued to be run by the Public Lotteries Department. During 2009, an amount of €778,669 was paid as prize money.

Customer Service

Customer Service was also improved. The Department has improved communication with registered persons by upgrading its website and publishing information leaflets for registered persons informing them of changes in legislation. The Department has enhanced training to staff and upgraded its intranet, and is also analysing comments made by customers in order to improve the service.

e-Government

During the year, the Department continued to enhance its online services as part of the e-Government project.

Updating of Internet Website

Throughout 2009, the VAT Department has continually updated its website at www.vat.gov.mt. The website provides useful information on VAT for the general public, for traders and for tax professionals as well as online application for VAT registration and submission of VAT returns. The intranet site was also updated for the benefit of the VAT Department officials.

Legal Committee

The Legal Committee set up during 2005 continued to discuss the various changes proposed by the European Commission and the EU Council to the VAT Directive and which should be included in the Maltese VAT legislation. The committee also makes recommendations to the Inter-Ministerial Committee regarding these changes and also deals with certain cases of VAT interpretation. The legal committee is presided by the Commissioner of VAT.

Participation in EU Commission and Council Working Party meetings

The VAT Department participated actively in meetings held in Brussels. These meetings regarded the Working Party No 1, VAT Committee, SCAC Committee, Recovery Committee amongst others.

The Commissioner of VAT also participated in the Council Working Party on Tax Questions which discussed the technicalities of the proposed VAT Directives for approval by COREPER and ECOFIN.

Own Resources

The VAT Department completed the compilation of the VAT Statement on Own Resources in due time.

EU-related Matters

During 2009, the Department continued to compile questionnaires related to EU matters. Notwithstanding the fact that these commitments are increasing from year to year, the Department complies with such obligations in the prescribed time.

Fiscalis Programme

The VAT Department continued to participate in the Fiscalis Programme which is targeted to update officials from all member states on VAT issues. 21 officials from the Department participated in seminars, workshops, work visits and multilateral controls.

Six officials from the tax administrations of various Member States participated in a number of work visits in Malta.

Training

Training of staff was held both in-house and outside the Department.

JOSEPH SAMMUT
Director General (VAT)

Inland Revenue Department

Mission Statement

To collect taxes and social security contributions effectively and efficiently in order to ensure that all taxpayers and social security contributors pay their fair share, in accordance with relevant legislation; to provide the Ministry responsible for finance with guidance in enacting such legislation and to provide taxpayers and social security contributors with quality and timely service and to simplify procedures while minimising the cost of collection and the burden to taxpayers, in order to encourage compliance.

GENERAL

The projected targets for the Inland Revenue for 2009 were largely reached. Throughout the year, the Inland Revenue Department (IRD) sought to consolidate its function as administrator of the Income Tax Acts and the Capital Transfer Duty Acts, and also effectively enforce the collection of Social Security Contributions under the direction of the Ministry of Finance, the Economy and Investment.

Further to the consolidation of existing functions and responsibilities, the gradual integration process of the Inland Revenue Department and the Tax Compliance Unit (TCU) continues at a steady rate. The TCU will move to Floriana into one of the IRD's office blocks together with the Tax Audit Section, once the necessary refurbishment works underway are completed in early 2010.

In September the Government announced a scheme whereby individual taxpayers and companies were offered the opportunity to avail themselves of lower interests and penalties on the settlement of unpaid tax balances for years up to the year of assessment. The closing date of this scheme is 22 February 2010.

INCOME TAX

Technical Section

Legislation

Amendments to the Income Tax Acts and amendments/new enactments of subsidiary legislation under the Acts were made during the year to introduce various measures, including those mentioned in the Budget Speech for the year. The more noteworthy of these changes were effected to implement the following:

- introduction of amendments relating to transfers of immovable property and shares through the Budget Measures Implementation Act (Act II of 2009). Most of these amendments were targeted at reducing the opportunity to avoid tax through the loose interpretation of the provisions regulating roll-over relief, intra-group exemptions, restructuring exemptions and incorporation relief. These amendments also provide for the taxation of the transfer of shares, where the underlying intention is the transfer of immovable property represented by such shares. A new concept was also introduced, that is, the de-grouping charge, which brings to charge previously exempt transfers of immovable property between members of a group of companies when one of the parties in the transaction leaves the group through a transfer of shares;
- widening of the tax bands, thereby reducing the impact of tax on individuals;
- introduction of a new tax credit to encourage women who have had children to return to employment or to continue in employment;
- review and substantial lowering of the additional taxes regime (penalties and interest);

- double tax treaties with Ireland, Montenegro and the United Arab Emirates;
- introduction of a deduction to encourage persons studying in sectors needed by industry, namely through the 'My Potential' Scheme;
- launch of an initiative to offer taxpayers the opportunity to pay their tax balances due while being exempted from 90% of their additional taxes accrued.

The full list of Acts and Legal Notices concerning income tax issued during the year is as follows:

03/03/2009	LN 57/2009	Hosting of Students (Income Tax) (Amendment) Rules <i>residence-sharing deduction increased to €3500</i>
04/03/2009	Act II of 2009	Budget Measures Implementation Act 2009 <i>amendments to ITA and ITMA: including widening tax bands, reduction of interest, anti-abuse provisions to art 5 and 5A, etc</i>
10/03/2009	LN 62/2009	Double Taxation Relief (Taxes on Income) (Ireland) Order <i>provides for double tax relief with Ireland</i>
30/03/2009	LN 98/2009	Additional Tax Rules <i>substitutes the additional Tax schedule in the ITA, reducing all penalties</i>
30/03/2009	LN 99/2009	Double Taxation Relief (Taxes on Income) (UAE) Order <i>provides for double tax relief with the UAE</i>
07/04/2009	LN 104/2009	Tax Credit (Women Returning to Employment) (Amendment) Rules <i>implementation of budget 2009 measures re women returning to work after childbirth</i>
15/05/2009	GN378/2009	Second Board of Special Commissioners <i>appointment of BSC (board no 2) chairman and members</i>
16/06/2009	LN193/2009	Tax Credit (Women Returning to Employment) (Amendment) (No 2) Rules <i>amendment to allow an option for a full year's exemption</i>
04/09/2009	Exemption O	Exemption Order re Reduction of Penalties and Interest <i>reduces penalties and interest by 90% (subject to conditions)</i>
10/09/2009	LN243/2009	Deductions and Tax Credits (Relevant Qualifications for Industry) Rules <i>implementation of the My Potential scheme</i>
23/10/2009	LN301/2009	Donations (Sports and Culture) (Amendment) Rules <i>clarifies definition of sports organisation</i>
06/11/2009	Act XVII/2009	Various Financial Laws (Amendment) Act <i>includes amendment to 12(1)(d) of the ITA [exemption of pension funds income]</i>
13/11/2009	LN338/2009	Income Tax Exemption (Philanthropic Work) Notice <i>exempts 7 philanthropic organisations</i>
24/11/2009	LN343/2009	Double Taxation Relief (Taxes on Income) (Montenegro) Order <i>provides for double tax relief with Montenegro</i>
24/12/2009	LN368/2009	Finance Leasing (Amendment) Rules <i>minor amendment to exclude capping on cars</i>
24/12/2009	LN369/2009	Income Tax (Deductions) (Amendment) Rules <i>car capping increased to 14,000 euro</i>

Other Work

Throughout 2009, the Technical Section worked on two publications in its series on tax cases, namely, the Court of Appeal Cases Volume 6 and the Board of Special Commissioners Cases Volume 3. Furthermore, significant contributions were made with regard to the publication of a leaflet explaining the Reduction in Additional Tax Scheme, internally circulated memos and uploads onto the Department's website.

The Technical Section replied to a large number of technical queries received from other sections of the Department and the Ministry, as well as from tax practitioners, auditors, lawyers and the general public. It also served as a liaison for the Department with the Commonwealth Association of Tax Administrators. In addition, the Section actively participated in numerous meetings, consultations and departmental committees regarding a variety of initiatives, as well as in the training of staff.

Finally, ten complaints were received from the Ombudsman during the year, of which five have been successfully concluded so far. Four requests were received in connection with tax at source on payments to non-resident companies and these have been cleared. Twenty-one requests for exemption were received and examined.

Final Settlement System Tax

During 2009, employers submitted 8,532 Annual Reconciliation Statements (FS7s) and 39,516 Payee Statements (FS3s) in relation to years 1999 to 2009. From the above submissions, 91% related to 2009. All of this data was vetted, captured and reconciled by the Final Settlement System (FSS) Section. In addition, the FSS Section registered 383 resident taxpayers during the finalisation process, whilst a total of 4,010 non-residents were also registered in the same period.

The Section also processed 954 electronic lodgements, 1,196 (FS7s) web submissions and 247,796 electronic FS3s. Total electronic errors solved amounted to 220,945. A total of 5,920 adjustment forms were processed between June and December.

Enforcement

The FSS Section continued on an intensive enforcement programme. As of 31 December 2009, the number of defaulters stands at 1,115, whilst the compliance rate is 91.56%.

Enforcement exercises performed at the Computer Section

	Count	Value (€)
15-day Notice (Individuals/Corporate)	4,447	39,801,718
FSS/SSC Notices (Current Year - FS5's defaulters)	4,852	-
Year-by-Year (Default Tax Returns)	6,650	-
FS7 Defaulters Notice (Current Year)	9,684	-
FS7 Defaulters Notice (All Years Included)	1,408	-
FS7 Defaulters Notice (Claiming of Penalties)	2,022	-
FSS/SSC Employers Notices (All Balance claimed)	1,105	32,436,576
Legal Employers Default Notices (FSS/SSC)	3,787	104,532,824
FSS/SSC Notices (Balances due & missing FS7's)	1,049	17,532,823
Provisional Tax Enforcement	2,347	10,461,451
Legal Demand Notices (FSS/SSC)	472	8,471,669
Permanent Resident Annual Declarations	757	-
Reductions in Interest & Penalties Scheme	635	13,484,051
- Notifications to Return Defaulters	37,509	-
- Agreements Issued	46,884	-

These include the extraction of data models for the selection of cases and the actual issuing of relative letters.

Tax Returns and Non-filers

In 2009, the number of tax statements issued without the need for taxpayers to fill in and submit their annual tax return (known as 'non-filers') was 175,530. On the other hand, the number of tax returns generated was of 72,864.

Audits and Investigations

Throughout 2009, the tax audits and investigations performed by the Tax Audits Section and the Tax Compliance Unit resulted in assessments and adjustments that produced an increase in tax (income tax, VAT, duty) of €13,404,294.

e-Business Usage Statistics

Corporate Tax Return

	Y/A 2008	Ratio	Y/A 2009	Ratio
Returns filed electronically	16,327	82%	11,828	93%
Returns filed manually	3,558	18%	805	7%

*Values for year of assessment 2008 are for comparison and evaluation purposes only.

Individual Tax Return

	Y/A 2008	Ratio	Y/A 2009	Ratio
Returns filed electronically	456	0.75%	443	0.75%
Returns filed manually	61,665	99.25%	60,597	99.25%

Values for year of assessment 2008 are for comparison and evaluation purposes only.

FSS Services for Employers

	Basis 2007	Ratio	Basis 2008	Ratio
FS7's filed on web	1,381	12.1%	1,478	12.9%
FS7's filed through CD	706	6.2%	985	8.6%
FS7's filed manually	9,274	81.7%	8,980	78.5%

Electronic Payments

Year	e-PG (payments through IRD website)		Internet Banking		Total value
	Count	€	Count	€	€
2008	6,604	2,724,986	14,595	63,169,229	65,894,215
2009	6,291	2,939,064	16,465	79,068,961	82,008,025

Workflow Management System

The Workflow Management System manages and controls the workflow devolving on the various units of the Department. 84,647 work items were received and forwarded for processing of which 80,526 have been closed.

Companies

During 2009, the Companies Section cleared 1,806 years of assessment from the pre-Y/A 1999 objection backlog. New objections were filed against 212 years, leaving a balance of 1,542 years of assessment under contestation. The Companies Section also processes applications for changes in accounting dates and issues various certificates, mainly tax clearances with regard to the winding up of companies and residence certificates. Public relations relative to corporate taxpayers are carried out by this Section.

All manual, post-year of assessment 1999 tax returns are received and processed manually by the Data Processing Unit. This year electronic filing of company tax returns is expected to exceed the 83% mark of all filers. The exact take-up will be known at a later date as more returns are expected to be received by the extended deadline that closes in February 2010.

Objections

The number of pending objections with respect to individual taxpayers against one or more assessments at the start of 2009 stood at 3,836. Throughout 2009, the number of objections settled was of 2,833, leaving a pending balance of 1,003. As regards to staffware cases, the opening caseload for 2009 was of 322 cases,

and therefore, with 257 new cases being registered and 474 cases being settled, this left an overall end-of-year balance of 105 pending cases.

Board of Special Commissioners

The Board, which was appointed on 15 May 2009, held a total of 30 sittings. The number of cases pending before the Board at the end of 2009 stood at 110 of which 44 were filed during the year. From its appointment to year-end, the Board decided upon 14 cases and had 25 ceded.

Court of Appeal, Constitutional and Civil Court

The number of Court of Appeal cases concluded during 2009 was nine, and the balance at end of year was of two cases. One new case was presented before the Constitutional Court, which remained unresolved as at year-end. Two Civil Court cases were concluded during 2009 and there were no cases pending at the end of the year.

Revenue

Revenue from Income Tax during 2009 amounted to €719.2 million. Furthermore, the Department also collected €739.4 million in Social Security Contributions. The following table gives a breakdown of the revenue collected in 2009 under the various sources:

	Settlement Tax €	Final Settlement €	Provisional Tax €	Self-assessment €	Total €
Employees	6,434,717	214,095,711	13,180,166	8,816,924	242,527,517
Expatriates	382,627	0	5,286,709	3,201,777	8,871,113
Trade, Business, etc.	2,120,785	0	16,788,616	5,528,713	24,438,114
Companies	5,071,911	0	288,860,594	45,741,157	339,673,662
Capital Gains	0	0	66,844,460	0	66,844,460
15% Withholding tax	0	0	47,280,853	0	47,280,853
Others	3,739,063	0	4,104,592	1,963,958	9,807,614
Total	17,749,103	214,095,711	442,345,990	65,252,529	739,443,333

Cash Office Receipts

The number of receipts issued by the Cash Office (Floriana only) in respect of Income Tax and Social Security Contributions for 2009 was:

	No. of receipts	Value in €
Income Tax	246,305	525,203,201
Social Security Contributions	150,223	252,691,966

Enforcement

The Collection Section carried out judicial action on a number of individuals and companies to secure revenue. Defaulting taxpayers and/or employers were served with demand notices requesting settlement of outstanding tax. Various cases were concluded, while others were offered repayment plans, as shown below:

Enforcement Type	Count
Default Notices	13,471
Demand Notices	22,729
Judicial Letters	628
Garnishee Orders	4
Agreements	788
Total	37,620

During 2009, there were 95 court cases, 31 of which were concluded, whilst 64 are still pending. In total, 299 court sittings were attended. Besides the ordinary issuing of receipt adjustments, the Collection Section processed 3,376 requests for the renewals of work permits for expatriates.

Mutual Recovery of Tax

The collection section continued to take enforcement action and precautionary measures for the recovery of claims from EU member states as per directives 76/308 EEC and 2001/44/EC. Out of the 44 cases raised during the year, 16 were finalised.

Clearance Certificates

The Department issued 101 clearance certificates to companies (42), employers (44) and individuals (15) who bid for a tender in an EU country.

Outdoor Inspections

The services of the Revenue Security Corps (RSC) were regularly availed of to help the Department in its drive against tax evasion and for tax collection purposes. Outdoor inspections were carried out mainly to (a) identify cases of persons who failed to register as taxpayers; (b) ensure remittance by employers of FSS tax/SSC deducted from salaries; and (c) trace taxpayers who fail to claim assessments sent by Registered Mail. The duties carried out by the RSC during 2009 were 580 cash escorts, 838 FSS/SSC, and 186 enquiries for the Capital Transfer Duty Division.

Taxpayer Service

During 2009 the Department's Taxpayer Service Office (Help Desk):

- dealt with 31,980 personal encounters;
- registered 1,074 new taxpayers;
- reached 325 direct agreements for programmed tax payments;
- reached 502 agreements with employers for programmed payments of tax;
- amended 1,823 addresses;
- issued 22,595 Income Tax Returns.

IRD Call Centre

The Call Centre's main objective is to answer all incoming telephone and e-mail queries relating to taxation and social security contributions. Queries are made by all categories of taxpayers, that is, individuals, companies, employers and expatriates. The IRD Call Centre also receives general correspondence regarding changes to be made to the Taxpayers' Personal Index. During 2009, the IRD Call Centre replied to 114,863 telephone calls as against 90,561 in 2008; 9,779 e-mails (6,744 in 2008) and processed 3,208 letters of correspondence (3,168 in 2008).

Expenditure

The total recurrent expenditure, including emoluments and other operating expenses, was €5.5 million. The cost per €1 of income tax collected during 2009 stands at €0.008. When considering also the revenue collected from social security contributions, the cost per €1 of revenue collected from both sources goes down to €0.004.

Refunds

By the end of 2009, the total number of refunds issued was 35,073 amounting to €53,759,942.

Capital Gains Tax

The Capital Gains Tax Section deals with queries from professionals and taxpayers with regard to Capital Gains Tax. During the year, 772 requests for a permit in terms of rules 10(2) and 10(4) of LN 5/2005 were received. In total, 770 permits were issued, 21 were refused or cancelled, and there were an additional 114 permits which were reissued.

As regards permits in terms of Article 43(3), a total of 281 requests were received. Of these, 185 were authorised for a reduced rate while 60 applications were refused and six were cancelled or referred to another section. With regard to the correction of DDT1 forms referred to the Capital Gains Tax Section from the Cash Office, a total of 85 cases were received, of which 83 were resolved.

INTERNATIONAL TAX UNIT

Double Taxation Agreements

During 2009, the International Taxation Unit performed the following work related to double taxation agreements:

- publication of legal notices in connection with the double taxation agreements with Ireland, Montenegro and the United Arab Emirates;
- conclusion and signing of double taxation agreements with Georgia, Isle of Man, Jordan, Qatar and Serbia and a Protocol amending the double taxation agreement with Italy;
- negotiating and initialling of double taxation agreements with Georgia, India (new treaty), Jersey, Oman, Qatar and Saudi Arabia.

Other Work

During 2009 the International Tax Unit processed:

- 565 self-assessments;
- four new applications for Advance Revenue Rulings;
- six applications for renewals of Advance Revenue Rulings;
- 808 claims for refunds;
- 1,034 requests for certification of exemption from duty under the provisions of the Duty on Documents and Transfers Act;
- 89 exchanges of information with foreign tax authorities;
- 784 requests for registration of shareholders under the New Tax Regime.

Revenue

During the year, €131,000,000 were transferred to revenue from tax paid by companies dealt with at the International Tax Unit.

Other ITU Affairs

Members of the International Tax Unit attended 37 meetings in connection with the EU, one with the OECD and two in connection with the Peer Review Group of the Global Forum on Transparency and Exchange of Information on Tax Matters. Furthermore, members of the International Tax Unit took part in work related to new legislation on fine-tuning the New Tax Regime and on tax amendments concerning foundations. Finally, members of the ITU were involved in further work related to the computerisation of the process of the New Tax Regime, in particular on the registration of shareholders and of the refund claim form.

CAPITAL TRANSFER DUTY

Duty on Documents

During 2009, the Capital Transfer Duty Department examined 11,741 notarial deeds, out of which 4,518 cases were inspected by the Department's engineers. As a result, 3,853 original assessments were raised. During this same period 1,516 objections were filed and 387 revised claims were issued. Besides duty on the transfer of immovable property, revenue under this source included also the duty collected in respect of share transfers, insurance policies, bank credit cards and other duties payable on various documents. Total revenue collected from this source amounted to €78,220,861 (Duty on Documents). This included revenue in respect of *causa mortis* transmissions.

During the year, 2,716 *causa mortis* declarations were filed, out of which 367 declarations filed by notaries were referred to the Department's technical experts to verify the valuation of immovable properties declared therein. The number of *causa mortis* declarations processed during 2009 was of 3,162.

The Department receives and investigates a number of deficient returns. In fact, during the period, 2,091 claims were issued and 62 revised assessments were raised. During the same period, 95 objections were filed by transferees against the *causa mortis* claims, while 73 objections have been concluded.

Death and Donation Duty

The number of returns of chargeable transmissions filed during the period was 63, all of which were processed and no outstanding returns remain unassessed. Revenue collected, including prepayments on account and from arrears, totalled €36,266.

Acquisition of Immovable Property by Non-Residents

During 2009 the Department received 245 applications, of which 217 were issued.

Revenue

Total revenue collected by the Capital Transfer Duty branch was:

	€
Death and Donation Duty	36,266
Duty on Documents and Transfers	78,220,861
Fines & Late Fees	16,503
Fees on AIP Permits	56,906
Total	78,330,536

Preliminary Agreements

Promises of Sale are to be registered within 21 days from their completion whereby the transferee is obliged to pay in advance 20% of the amount chargeable under the Duty on Documents and Transfers Act. By the end of 2009 the Department registered a total of 7,938 Promise of Sale Agreements out of which 580 were registered in Gozo.

Monte di Pietà

The Monte di Pietà advances money on pledges of precious metals. Figures for 2009 are as follows:

Pledges accepted	1,731
Pledges redeemed	2,032

Money loaned	€184,417
Money repaid back	€216,522
Interest received	€21,979

The number of pledges remaining on hand as at end December 2009 was of 7,063 against which €695,414 had been advanced. Besides advancing money on pledges, the Monte di Pietà also holds regular Court deposits lodged for safe keeping. On 31 December, 2009 a total of 693 deposits were still held.

Assay and Valuations Office (Office of the Consul)

This Office regulates the marketing and distribution of precious metal articles and conducts also direct market surveillance by means of shop inspections. The price of gold and silver was regularly published in the Government Gazette. The number of articles assayed, weighed and valued as well as the number of inspections during the period is shown hereunder.

	Gold	Silver	Total
Articles received	226	5,701	5,927
Assays	407	212	619
Articles weighed and valued	593	0	593
Articles broken or of an inferior standard	0	1,608	1,608
Articles marked at lower standard than declared	0	0	0
Number of inspections			53

CARMEL CONTI
Commissioner of Inland Revenue

Customs Division

MANAGEMENT

Like its counterparts in the EU, during 2009 the Maltese Customs administration has faced new challenges to ensure the smooth flow of trade whilst applying the necessary controls to safeguard the health and safety of citizens and the financial interests of the Community. The achievement of these objectives required the striking of a correct balance between facilitation and enforcement. The main priority thrusts were: to improve delivery of services to clients, particularly the traders and manufacturers; to enhance control on inward and outward movement of goods, people and means of transport; to enforce legislation more effectively; to improve collection of revenue and the prevention of fraud; and to prevent the importation of illicit drugs and other prohibited goods. Customs functions continued to be streamlined in line with Government's commitment to the revised Lisbon agenda.

Through its considerable revenue generation capacity, the Customs Division has contributed in a significant manner to the national economy and also met its financial obligations to the European Community. This, notwithstanding the global economic recession during the year under review, which to a certain extent has also affected negatively the trade and economic activities of our country, and which consequently had a bearing on the financial results of the Division. On its part, according to its core values and sense of service, the Division undertook various initiatives to try to improve its efficiency and effectiveness and in other ways support the local and EU economy in facing up to the difficulties brought about by the recession. To this effect, a primary challenge for Customs now continues to be the upgrading of existing and introduction of new ICT systems that abet its processing and control functions.

CUSTOMS EU SPECIALIST

The Customs EU Specialist supported the senior management of the Division in all areas of operation where Community legislation or relations with EU institutions were significant. This function had three major aspects: coordination within the Division, liaison with outside entities and the production of substantive EU-related input. Issues requiring the intervention of the Customs EU Specialist ranged from routine tasks such as the compilation of regular returns required by the Commission, to policy-related work and applications for funding. Other work coordinated by the EU Specialist included the vetting of Maltese translations produced by EU institutions, the drafting of instruction notes (particularly for the Customs Union Working Party on Legislation and Policy), monitoring of issues brought before the General Rules Section of the Customs Code Committee, and the processing of ad hoc requests for information received from traders and traders' associations. EU Specialist has also been a member of the committee set up by the Division to administer the issue of AEO certificates, represented the Division on the Sanctions Monitoring Board and acted as the Division's Data Protection Officer and Freedom of Information Desk Officer.

ADMINISTRATION

Finance Branch

Total revenue generated by Customs activities in 2009 was €175,424,749 which, although constituting a €3,458,116 (or 1.9%) decrease as compared to the previous year, is considered to be quite satisfactory

considering the global recession climate that abounded. At €11,685,100, income from Import Duties (Traditional Own Resources) registered a €3,458,116 (or 22.8%) decrease compared to 2008. It should be noted that, according to set obligations, 75% of these import duties income were transferred to the EU, and the remaining 25% retained by Malta as administration fee. On the other hand, at €162,685,907, income from excise remained stable compared to the previous year, if anything, showing a slight increase of €54,233. Other Customs incomes, from licences, fines, fees, rent, service refunds, sale of items, and such like, totalled €1,053,732, which is a reduction of €153,605 (or 12.7%) on the previous year. A further €53,240,123 as VAT was collected by Customs on behalf of the VAT Department.

Accounts Section

During the year, resources were focused on improving the methods of revenue collection. Other primary roles undertaken included: the regular financial reporting to the Ministry as well as the Treasury; the expenditure control of the budget allocated to the Division; routine daily activities associated with money transfers and transactions, and the general accounting function. Discussions were also continued with Treasury about the proposed implementation of the SEPA.

Customs Debt Unit and Cash Office

The Customs Debt Unit continued to chase dues outstanding to Customs and to effect refunds due to traders, besides monitoring the deferred payment facilities granted to certain importing companies and managing bank guarantees. The main Cashier's office collected a total of €234,174,397 by way of taxes (import and excise duties and VAT) as well as fees, fines, store rent, proceeds from sales and other miscellaneous receipts.

Procurement and Stores Unit

A total of 1,259 Local Purchases Orders were committed during 2009. Six departmental tenders and numerous calls for quotations were issued, adjudicated and awarded. Several items, including office equipment and furniture, were repaired or replaced as necessary. Amongst others, counterfeit-money detectors were procured for the various money-receiving areas of Customs. Uniform items were procured and distributed to entitled staff members including, for the first time, special uniforms and winter jackets for truck-scanning and boat-crew personnel. Personal protective equipment and other health-and-safety related items were also procured whilst risk assessments and other health-and-safety initiatives were undertaken, especially with respect to the AH1N1 influenza pandemic. A Board of Survey was instigated for the disposal of obsolete and unserviceable inventory items.

Common Agricultural Policy Unit

This Unit has been in charge of approving import declarations subject to an agricultural licence (AGRIM) at the processing stage. The movement of certain agricultural goods was controlled under the transit procedure upon request of other member states for these to benefit from the export refund system. Records relating to the importation of wine as stipulated in EU regulations were also endorsed and maintained. Unit staff participated in various meetings with other local entities, including the MRRA Paying Agency and the Malta National Laboratory, and in various meetings on the CAP in Brussels. Regular liaison was kept with Customs laboratories of other Member States, especially Italy and Holland, in connection with the analysis of various commodities for their classification and application of the relative taxes.

Tariff Quota System Unit

A new computerised Quota System was introduced successfully at the start of 2009. A variety of quotas were requested, such as those regarding lamb from New Zealand, wine from South Africa, and oranges from Egypt. Regarding the latter, a few quota applications were given partial allocations while some others were refused because there was no balance at the time of application. During the year, the Tuna

quotas from Thailand were not opened, thus Maltese importers could not avail of this particular benefit. Manifest and Import System enquiries were solved to the satisfaction of traders and the general public. Anti-Dumping reports were regularly sent to the European Commission.

EU Programmes Unit

During 2009, a total of 360 participants attended 267 Customs-related events abroad. A Customs & Fiscalis conference on information sharing, a workshop on the harmonisation of Customs penalties, a Project Group meeting on valuation guidelines regarding transport costs, and a Working Group meeting on cash controls, were all held in Malta and attended by delegates from many EU Customs administrations. The 6th quadrilateral meeting between the Customs Heads of Malta, Italy, Greece and Cyprus, as well as the Annual European Conference of a major container-scanner manufacturer, were also held in Malta. Information received via the CIRCA system was disseminated, whilst financial records, now also including those Fiscalis events attended by Customs officials, were inputted into the ART system for real time monitoring by the Commission.

Secretariat Section

Rent and electricity bills were collected from 31 Bond Operators using the Customs Groupage Terminal at Hal Far and the Temporary Storage Bonds at Luqa. 192 new cases of incorrect declarations were dealt with, 175 current cases were settled and 10 were referred to the Ministry of Finance, the Economy and Investment. 12 applications were received and processed regarding the issue of Customs certificates and other misplaced documents. There were also 22 new post entries of which 15 were settled. 54 instances of garnishee orders or information requests by Law Courts were processed. Another 27 legal cases regarding arrears of revenue to Customs were in progress, of which three were concluded during the year. The Section's activities contributed to the collection of €410,519 in taxes and fines.

Human Resources Branch

Personnel Section

In 2009, two internal working groups, namely the Customs Website Auditing Board and the Customs New Web Portal Working Group, were set up to review and update the information available on the current website and complete the related business analysis and technical requirements respectively. The first phase of the new electronic attendance verification system was introduced, and preliminary preparations started on the new salaries program based on the DAKAR system. One employee died in service, two resigned, while another 17 employees retired on attaining pensionable age. New appointments of the Director (Enforcement), and Assistant Director (Processing) and five other positions were effected while promotions and progressions were processed in respect of 18 other officers. Family Friendly measures were availed of by 31 Customs employees during 2009 as follows: responsibility leave (1), career break (1), maternity (1) leave, parental leave (2), reduced hours (21) and telework (5). Disciplinary action was taken against two employees in terms of Regulation 19 of the PSC Disciplinary Regulations. Eight employees became newly entitled to a qualification allowance on attaining a University diploma or degree.

Health and Safety Unit

Customs undertook several initiatives and implemented measures regarding health and safety. Inspections were made and risk assessments prepared for various sections and their operations. H&S fact sheets, medical first-aid kits and personal protective equipment were widely distributed. A fire extinguishers and smoke detectors inventory exercise was performed. Several H&S related training courses were organised and delivered to Customs personnel, including on the handling of dangerous goods, addressing H&S risk perceptions, and H&S workers representatives. Various tasks were discussed and organised during meetings with the H&S officers and Workers Reps Testing, and engineer's certification and servicing of lifts and hoists at Customs premises were performed as required by law. Existing fire escape ladders were

also serviced. Several architect inspections were commissioned and building repairs undertaken, including regarding the concrete external columns of bonds at the Hal Far Groupage Terminal, the Annexe building part-roof replacement, and the Custom House boardroom balcony. Customs also moved out its administrative operations from the old Polverista building at Laboratory Wharf mainly due to safety concerns. Apart from organising the annual ordinary influenza immunisation to all Customs staff, the outbreak of the AH1N1 pandemic necessitated particular address by Customs. In this regard, close liaison was kept with the local and foreign health authorities, disinfectants and hand washing detergents were distributed to staff, detailed contingency plans were prepared, and briefing sessions held with all Section Heads and their deputies, H&S and trade union representatives, and minor staff. Customs also made good progress on a procedure to commission eye and eye sight tests for eligible staff in terms of LN 43/2002.

Green Initiatives

Monitoring reports were prepared regarding the performance of the PV system installed on the roof of the Administration Block of the Hal Far Groupage Terminal. An inventory of all water taps, lighting points and electrical appliances in all Customs building was prepared, the latter as part of an energy audit. The water meters and plumbing systems of all Customs premises were systematically checked for leaks and if necessary repaired or replaced. Low power consumption lights were procured and installed in some of the premises. A hazardous-waste collection policy in offices regarding batteries, toners and ink-cartridges, as well as the re-use of envelopes and one-side printed paper, was encouraged and implemented. Replaced batteries and engine oil of Customs cars services at the Customs garage were sent for recycling.

Maintenance Unit

Normal physical embellishment and improvements were carried out at the various Customs premises. The entry gate stone-pillars and supporting walls at the Hal Far Groupage Terminal were redone. Customs fire-alarm and security-alarm systems were serviced, in-house periodic maintenance has been undertaken with regard to certain mechanical and electrical equipment at Hal Far Groupage Terminal and Freeport Warehouse, and specialised tests and repairs by third parties were organised and monitored. The ground-floor area of the Airfreight building was renovated, and the electrical switchboards of the Customs area at Deep Water Quay and of Custom House rehauled. The operational condition of the Customs fleet of some 50 vehicles and of the Customs motorboat was also seen to. Several roof-membrane maintenance jobs were also effected.

Training Unit

The Training Unit organised 41 training courses totalling 99 sessions (mostly half-days). A total of 327 lecturing hours were delivered, 278 hours of which on courses to Customs staff and 49 hours on courses to Customs clients, e.g. traders, shipping agents and *burdnara*. Total training time received by participants was 3,158 hours. Of the 616 persons invited, a total of 520 (84%) actually attended. Ten in-house facilitators/trainers and 11 external trainers (of whom four were from local and seven from foreign organisations) conducted or were involved in these in-house courses. Induction courses were also held for new members by the staff at Customs to introduce them to their roles and responsibilities within this specialised work environment. Newly eligible senior clerks were trained and given experience in customs weighing duties. Cooperation was received from several external training entities and Customs benefited from their tailor-made programmes adapted for Customs specific needs. These external training entities were: Intracom, Blueprint Management System/CSM, Pfizer, British American Tobacco, Market Surveillance Directorate, OHSA, and the Civil Protection Department. 74 Customs employees attended a total of 94 SDO-organised courses, and a further 22 employees attended other external courses. All e-learning modules available to Customs from the EC and WCO were placed on the Customs Intranet where they are accessible to all employees. An e-learning training policy is being drawn up whilst an eLearning Portal was constructed and launched to promote and facilitate overall accessibility of all eLearning courses to all staff, by making them available through one single webpage linked through both the respective Intranet and Customs Electronic System (CES) Portals. Furthermore, Customs organised blended-learning

training in the classroom to all staff directly involved in the areas that are addressed by the corresponding e-modules. An internal evaluation exercise on the use of the EU eLearning courses was also undertaken.

Legal Section

This section compiled and issued 40 Letters to prosecute and 114 Seizure Notes. The former were all sent to the Commissioner of Police for further necessary action, whilst the latter were all sent to the offenders. Customs was involved in 873 court sittings, relating to 309 Civil and 464 Criminal. The latter include 14 sittings regarding Evasion of Duties involving 270 cases. Customs personnel were regularly required to assist Prosecution through the Attorney General's Office as well as to testify in practically all the cases. 24 Criminal and 10 Civil cases were decided during the year, and fines in favour of Government amounted to €91,876. Those decided have included seven cases, in the Magistrates' Court, where the offender was found guilty and given a suspended sentence. There were also 93 cases which were settled administratively out-of-court, in full or in part, as well as another two civil debt cases settled after court sentences. Total fines from all these cases amounted to €138,362, including taxes.

EXCISE AND SYSTEM CONTROLS

Local Producers, Traders and Service Providers

This Section controls authorised tax warehouse keepers who produce alcohol or tobacco products, excise warehouse keepers who sell duty-free goods, and traders that are not tax warehouse keepers. It is also responsible for the issue of excise control stamps to importers and manufacturers, as well as for payments of excise duty on mobile telephony services. All excise movements under duty suspension were monitored via the Administrative Accompanying Document (AAD) or the Internal Administrative Accompanying Document (IAAD). All traders were required to submit regular stock reports to Customs. During 2009 the section processed 34 applications for the status of Excise Registered Trader (ERT), of which seven are still being processed. There were also eight new applications from traders to act as tax warehouse keepers of which three are still under processing. Two of these applicants have requested to be authorised to produce alcoholic beverages and the other to import duty-free cigarettes. At present there were eight registered local producers of alcoholic beverages and wine, besides importers of wines and spirits. Three of these producers were situated in Gozo. With regard to importation of pure alcohol, a number of tax warehouse keepers are manufacturers of medicines which use a large amount of ethanol for end-products that are not subject to excise duty. Other importers sell the alcohol either to be used in hospitals or for analysis and research. As to breweries, only one company is producing local beer besides importing beer in bulk. During the year there were four producers of pipe tobacco and cigars, all of whom were also importers of roll-your-own tobacco for cigarettes, pipe tobacco and cigars. Another five tax warehouse keepers were importing and distributing cigarettes under duty suspension.

Tax Warehouses

This Unit controlled the tax warehouses of the Barriera Tax Warehouse Ltd (BTW) based at Barriera Stores, and of others located on private premises. Stock controls were performed, and statements were regularly checked on a monthly basis. There were 37 tax warehouses at BTW and 31 on private premises during 2009. One new tax warehouse keeper started operations from BWT, one ceased to operate, and another applied for the closure of the private warehouse. Two private tax warehouses merged with another existing private tax warehouse which now is operating under a new name. New applicants for tax warehouse keepers have been encouraged to operate from BTW.

Fuel Section

This Section monitored all fuel moved under duty suspension and ensured the proper payment of taxes and duty due on fuel released for consumption. The monitoring involved physical checks, satellite tracking as

well as recording of the quantities of fuels imported, blended or moved. Data was submitted to the Malta Resources Authority on all imports and exports and on all the internal transfers and movements carried out between tax warehouses. All importations were physically controlled while internal movements between tax warehouses were controlled via the IAAD and entry into the electronic database. Frequent inspections of tax warehouses and bunkering barges were made and fuel analysed to deter and detect illicit traffic. Liberalisation of the local fuel sector started to be implemented during the year and this Section therefore adopted the initial changes required to be able to manage efficiently within this new scenario.

Heating Gas Oil (Diesel) Rebates Unit

Since its creation in December 2008, this Unit has primarily been involved in monitoring this particular commodity, which is being distributed solely for heating purposes. The green-marked heating gas oil must have a sulphur content not exceeding 0.1% sulphur. Currently it is being distributed by 15 jobbers or hawkers. Besides its use for catering establishments, bakers, garages (for spraying purposes), industries and farms, it also has domestic uses. The Unit monitored all uplifts from Enemalta and another authorised supplier, and performed regular on-site inspections to various end users, using risk awareness principles. During 2009, several such inspections were performed and the Unit was quite successful in detecting a substantial number of abusers, leading to legal procedures against them.

Excise Liaison Office

This office dealt with maintaining and updating the Community's System for Exchange of Excise Data (SEED) database, covering all the excise registered traders, tax warehouse keepers and tax warehouses. It was also responsible for monitoring four mailboxes regarding: SEED, Early Warning System for Excise (EWSE), Movement Verification System (MVS), as well as about the Excise Liaison Office (ELO). The Excise Movement Control System (EMCS) has also been envisaged to be eventually fully monitored and maintained by this office. The Excise Liaison Office liaised with its counterparts in all Member States and took an active part during the Excise Committee Working Party meetings. It has also been responsible for the related National Project Plan as well as the monthly development plans.

Computer Section

During 2009, the following IT projects, all forming part of the EU Multi-Annual Strategic Programme (MASP) were discussed, developed, upgraded and in some cases implemented in full or in part: Economic Operator System (EOS), Export Control System (ECS) Phase 2, Import Control System (ICS) Phase 1, New Risk Management Module (CRMS), New Computerised Transit System (NCTS) Phase 4, Excise Movement Control System (EMCS), Single Administrative Document (SAD) reform, TARIC 3, Automated Import System (AIS), Automated Export System (AES), European Customs Information Portal (ECIP), Single Electronic Access Point (SEAP), Single Window (SW), Registered Exporters Exchange (REX) and the new Customs Website. Many of those projects not already deployed shall be thus rendered operational in 2010. Necessary upgrading was also effected to Malta Customs international gateway through the EU Common Customs Network (CCN) and Common Software Interface (CSI) which provide the necessary EU-wide interoperability between customs systems. Besides the responsibility for the administration of the Customs Electronic System (CES), other specialised IT demands on this Section emanated from various EU acts such as the Modernised Customs Code (Regulation 450/2008) and Decision 70/2008 on a paperless environment for both customs and trade.

IT Section

This Section dealt with all hardware issues as well as networks, PC-related software and customs

user support and services. It also updated and uploaded the information on the Customs website. Besides routine operations, the major tasks undertaken during 2009 were the introduction of 190 new computers in

the Division under the government leasing agreement, provision of support regarding the relocation of certain Customs sections, and the repair of several PCs.

Transit and Free Zones

The New Computerised Transit System (NCTS) underwent a major upgrade that incorporated additional functionalities related to the transit enquiry and recovery procedures. The upgrade required extensive conformance testing of the new installation in line with the technical parameters set by the European Commission. Besides technical support from MITA, further support was provided by an overseas contractor through a collaborative contract shared with three other national administrations for the future development and implementation of NCTS. Malta has made effective use of the contract through its participation in a Change Management Board that decided on common change requests and the sharing of system development costs. Overall performance of the NCTS system remained sufficiently stable, with overall system availability staying within Community targets. 81 transit movements were opened by Malta as country of departure, whereas 1,603 movements were handled by Malta as destination country. A liaison visit by European Commission officials reported positively about the establishment and motivation of the Maltese project teams on electronic customs and their response to technical challenges. Control of stocks at the free warehouses was carried out on the basis of documented records.

Customs Warehousing

This Unit is responsible for the monitoring of non-EU warehoused goods subject to import duty and/or VAT, and their eventual release or export from approved customs public and private warehouses. 223 containers were warehoused during 2009. Four new customs warehouses were approved whilst two ceased to operate. A total of 1,887 new non-EU vehicles were warehoused, 1,840 units were released for home use, whilst 114 units were shipped to other EU member states after payment of the relative duty. Revenue from new vehicles amounted to €1,347,598 import duty and €2,464,072 VAT. 92 second-hand vehicles were released for home use on which € 74,162 import duty and €115,174 VAT were collected. €443,505 import duty and €88,195 VAT were collected from other goods released from customs warehouses. With regard to the Newport Bonded Stores operating under this Unit, rent collected from goods released from these stores and from transfer in bonds amounted to €2,165 and €3,483 respectively, whilst import duty, excise duty and VAT collected together totalled €15,265. There were two lots received for safe custody whilst one lot was released from safe custody. Two auction sales were held in 2009, the total income derived from which amounted to €45,268.

COMPLIANCE

The Compliance Directorate has continued to adopt procedures and working methods that allow it to apply effective controls without hampering the movement of goods. The greater application of risk management principles was critical for effective targeting of controls to be applied. Risk profiles were continuously monitored and updated throughout the year. Information continued to be exchanged with internal and external sources that provide guidance on the levels of risk. Dialogue with all stakeholders involved in the supply chain was another factor that enabled achievement of the right balance between trade facilitation and controls. Regular meetings were held with regulatory bodies and Government agencies to ensure that goods which did not comply with their requirements were not released for free circulation. An Memorandum of Understanding was signed with the Plant Health Department, and training seminars for customs employees were held by MSA (Malta Standards Authority) on a new Regulation (EC) 765/08 on product safety and market surveillance. The implementation of the AEO (Authorised Economic Operator) programme continued throughout 2009 and, so far, four traders have been granted this AEO status, which signifies that the holder is a reliable trading partner for Customs and is recognised as such by the customs administrations of all 27 EU Member States. An information seminar on the AEO programme was organised at the Chamber of Commerce, Enterprise and Industry in collaboration with the Malta Business Bureau. The Directorate also took part in the European SME week held in May 2009. Information leaflets

on specific customs procedures were prepared, both for those who were already in commercial activities as well as for those interested in starting a new business. A presentation was also given during the Malta Standards Authority annual General Conference on Customs Cooperation in Market Surveillance held in December 2009.

Processing Services

A marked improvement was registered in risk management, export facilitation and enhanced pre-physical control documentary checks. The introduction of more thorough, pre-physical check documentary controls enabled traders to comply fully with import regulations prior to the actual physical control of goods, thus reducing the risk of delayed release from Customs. Queuing time was reduced for approved traders and clearing agents presenting status documents in respect of intra community goods. Through this trade facilitation measure, status documents (T2Ls and certified invoices) are presented at the Verification Unit where a Gate Pass is immediately issued and submitted documents processed at a later stage. There was also a marked improvement in cooperation with Risk Management as well as the operational stations and the Post Clearance Audit Unit. The appointment of a new Customs Analyst strengthened the Department's classification competence.

Verification Unit

The year 2009 saw two significant changes in procedures that were introduced for this Unit, intended to improve efficiency both to customs and traders. One related to the procedure for the processing of T2L documents for EU goods and the method used to collect non-EU documents retained for post-clearance documentary checks. Copies of supporting documents in respect of full-load containers at Hal Far Groupage released not selected for control are now being submitted prior to the actual release of the goods. As a result, 8368 declarations of non-EU imports were scrutinised for fiscal and non-fiscal offences or irregularities, resulting in the recovery of €40,619 in post entries. The other procedural change indicated related to the verification of Intra Community documents for shipments despatched from Malta Freeport. Whereas in previous years these documents were checked before the issue of the gate pass, now the gate pass is being issued against a copy of the documents which are submitted for the post clearance documentary check. 13,000 such T2L documents were thus presented and checked.

Valuation Section

This Section advised Customs management, other Customs sections, the business community and private individuals about the value of commodities, based primarily on WTO agreements to this effect. Items were especially referred to this Section by the Enforcement Section, mainly relating to contraband cigarettes, spirits and fuel. Valuation staff also represented Customs in court cases relating to such instances.

Binding Tariff Information Unit (BTI)

During 2009, 19 Binding Tariff Information applications were received. All were published in the EU EBTI-3 database, 10 of them were processed and the relative BTIs issued accordingly. Various communications concerning regulations and notices on the uniform application of the Combined Nomenclature and classification decisions on various products were circulated among Customs staff, following their publication in the EU Official Journal. During the year, the operations of this Unit were audited by Commission officials during a two-day monitoring visit. This audit enabled the Commission and other Member States to obtain first-hand information from Unit officials using the EBTI-3 system and other compatible local systems, and enabled the Commission to take note of difficulties and suggest improvements which may be adopted for improvements. Officials from the Unit participated in a number of meetings in Brussels covering different related sectors of the Customs Code Committee, such as the BTI, Textile, Combined Nomenclature, HS/WCO Coordination and Mechanical/Miscellaneous Sectors.

Customs Analyst

Some 160 samples were referred by various Customs processing sections for the determination of the HS classification regarding chemical or pharmaceutical imports. Advice was imparted to other governmental entities (e.g. VAT) as well as to third parties. Analytical work was carried out on nine samples for alcohol content and six for decitex. Other samples were sent for analysis to Italian and Dutch Customs laboratories.

Customs Economic Procedures Unit (CEPU)

The Unit assessed and authorised requests for special procedures from traders and manufacturing concerns. During the year under review, it authorised 397 requests for various Preferential Customs Procedure Codes and activated them in the Business Registry. In order to follow up and monitor these authorised traders, CEPU officials regularly visited traders' premises and held meetings whenever it was felt that modification or clarification of the procedures was warranted. 2,982 T2L Status Documents and 79 claims for refund of import duty paid under the Drawback System and 90 transit documents were processed. 81 T1 transit documents were created and 73 movements written off and settled. 31 newly created Temporary Importation declarations were registered and 17 settled. 379 EUR1, 9 EUR-MED, 125 ATR and 95 GSP-Form A certificates were also issued. 18,435 export declarations were submitted to Customs, of which 15,936 (86%) were directly inputted electronically by authorised traders and clearing agents from their own premises, with the rest submitted manually on the Single Administrative Document to be inputted by Customs data operators. As a result of enhancements to the electronic Export Control System, data can now be transferred automatically through an interface without having to be re-entered into the system.

Binding Origin Information Unit (BOI)

This Unit classified goods at the request of traders, customs clearance agents and releasing officers at time of release or documentary checks. Queries were sometimes received directly from other EU Member States, which is a widespread practice employed by practically all Member States so as to rapidly obtain a second opinion, thus eliminating the need to pursue the matter further with the Commission. In 2009, 27 requests for verification were submitted to third countries regarding trade-related certificates provided to Malta Customs, nine of which turned out to be incorrect or false. In the case of another two, although the certificates of origin were correct and authentic, the invoice presented to Customs at time of importation was undervalued. One referral by Malta Customs was then included in SMS database of the Commission. Some EUR1 certificates issued in two particular non-EU countries resulted to be technically incorrect and were thus rejected.

Customer Services

This Section dealt directly with the general public and processed import declarations benefiting from suspension of import duties as provided for under EC Regulation 918/83. In this regard, for example, there were 161 new applications for importation of personal effects. A total of 3,331 transshipment and shipping bills were processed (registration, checking, vetting, authorising and settling after export) and several EU TARIC Database queries dealt with. The Section also handled 167 claims for the refund of overpaid duties and processed 470 Garnishee Orders and Counter Warrants. It also compiled the daily booking list for containers selected for control. 5,147 import declarations submitted by the traders were entered manually by staff into the Customs Electronic System (CES), apart from also inputting statistical data contained in 25,201 'intrastat' forms presented by traders. This Section also saw to the registration of new importers, administering CES user accounts, issuing printouts of declarations upon request, and monitoring the status of yachts and pleasure seacraft.

Archives/Records Office

During the year, this office stored 3,195 and retrieved 751 archived files, besides making document insertions, as referred and requested by the Registry Office at Customs. It also sorted out 4,200 export documents and 1,700 TSB documents referred to it from a number of other Customs sections.

Risk Management Unit

This Unit was mainly responsible for the drafting and updating of profiles in the Risk Analysis System, created mainly on information obtained from the European Anti-Fraud agency (OLAF) and the Risk Management Unit of the Commission's DG TAXUD, as well as from alerts issued by local or foreign Intelligence Services. Specifically in 2009, risk evaluation was made on 863 risk information forms (RIFs), 53 mutual assistance alerts, 317 intelligence reports and 34 foreign Customs Authorities alerts. There were 657 newly created specific risk profiles, while 258 others were updated and 83 obsolete ones were deactivated. The Unit disseminated 31 risk alerts internally to other Customs sections. Also this year, a B-Learning training programme on Container Examination was organised for all releasing officers, and four seminars were also held in which 35 officials were trained with the latest techniques on specialised container inspection controls and documentary checks. A comprehensive guidelines manual was also published in these regards. Being involved in the Customs Control Strategy, the workings of this Section were also audited by the Commission during this year.

Landing and Releasing

The Landing & Releasing Branch of the Customs Division comprises the following Outstations: Deep Water Quay, Examination Shed, Courier Office, Airfreight Section, Malta Freeport, Hal Far Groupage Complex, Laboratory Wharf, Parcel Post Office, Malta Shipyards and the Weighers Office.

Deep Water Quay (DWQ)

During 2009, a total of 186 vessels discharged and/or loaded cargo at the DWQ. Discharges included 6,569 full load container or trailer units, 63,020 tonnes of conventional cargo and 7,804 cars. A new ferry, the *Silver Coral* introduced by Ocean and Sky Logistics and operating to/from Pozzallo, came into service at the start of the year, but only thus kept until July. Regular stocktaking exercises were carried out at Shed 1 which houses a customs warehouse for the storage of oil drilling equipment in transit.

Examination Shed

During the year, 3,387 container or trailer units from non-EU countries were selected for control, examined and released, including 1,403 units examined at importers' premises and 527 units examined at General Examination Shed, the latter now located at the Hal Far Customs Groupage premises. 429 units were scanned by the Customs truck-mounted scanner and 1,457 were 'quick released'. Additional revenue collected on the basis of discrepancies noted amounted to €162,308.

Parcel Post Office

The workload of the Customs Parcel Post Office has increased considerably through e-commerce, and this was positively reflected in the revenue collected. In fact, revenue collected at the PPO totalled €720,733 which translates into one of the biggest percentage increases of revenue collected by Customs from all its operating stations. A new fixed x-ray scanner was commissioned and is now fully operational. Particular attention was given to purchases over the Internet of medicinal products which were referred for clearance by Environmental Health authorities.

Courier Office

As with Parcel Post, this Office also experienced increased activity as a result of e-commerce. In 2009, a new courier service was operated by trailer. What started as a once-a-week service was soon increased threefold to three times a week. In the course of inspections, various parcels were referred for clearance from other governmental entities, namely: the Port Health Office (188), Consul for Gold and Silver (38), CITES (19), Veterinary Services (51), Police Weapons Office (4), Police Anti-Drug Squad (1), Immigration Police (8), Malta Standards Authority (24), and Plant Health Department (11). 21,894 TDIDs were released in 2009, of which more than half were selected for control. 202,436 cartons and bags passed through the Courier Office, of which 43,569 (22%) were non-EU. 353 consignments were referred for censorship. TSBs raised at this Office totalled 540, while another 541 were dispatched under escort. 1,312 import manifests were received. The total revenue collected by this Office was €2,598,880.

Airfreight

A total of 6,356 manifests were handled by this Section, and 7,986 import declarations were received, of which 2,308 were selected for control. Total revenue collected by this Office amounted to €7,947,936, including VAT. Visits from Customs Enforcement officials were very regular and useful, and suspected IPR consignments were withheld and checked with their assistance. Occasional inspections were also carried out on goods in transit, especially those with potentially dual-use purposes.

Malta Freeport

The main role of this Section was to ensure that all units exiting the Free-Zone area were accounted for and covered by the necessary Customs documentation. A total of 2,675 *pratiques* were carried out, of which 1,677 regarded vessels coming from non-EU countries. 31,898 containers were despatched for local consumption, of which 11,421 were of a non-EU status and released for free circulation.

Hal Far Groupage Complex

A total of 5,700 units entered the complex located at Hal Far, of which 1,466 were non-EU. Random tallying was carried out on 220 non-EU and 59 EU units. There were also 1,489 spot checks carried out by an official at the gate. 31 groupage operators made use of this temporary storage facility in 2009. In an effort for greater trade facilitation and to promote the one-stop-shop concept, an agreement was reached with the Environmental Health Department to post an official at Hal Far complex for the clearance of food products. An office within the administration block was also made available for visiting health officials. In this way, unnecessary customs physical controls were done away with. During the summer half-days, traders were able to collect goods in free circulation up to 15.30 without any extra charge. Revenue collected at this section in 2009 totalled €6,918,899. Maintenance was carried out this year on the columns that support the external roofs of bonds, as well as on the walls and pillars of the main entrance to the complex.

Laboratory Wharf

This Section was responsible for the supervision of goods landed at Laboratory Wharf, Coal Wharf and the Grain Silo. A total of 501 vessels landed goods at this station. 248 containers were transferred from Malta Freeport to these sites, there were 909 gate searches, 516 ECNs/MRNs were processed, and 309 manifest amendments made. Discharged from here amongst others were: 10,515 container or trailer units of which 997 were from non-EU, 3,754 vehicles, 16 boats, 189 horses, 9,990 poultry, 376,418 tonnes of cement, and 153,093 tonnes of cereals. Loaded from here amongst others were: 3,305 container or trailer units of which 1,624 were to non-EU, 574 cars, 34,622 tonnes of maize, 31,377 tonnes of wheat and 5,689 tonnes of scrap glass. The Customs Office here was transferred to a new mobile office within the same area.

Malta Shipyards

Revenue collected from the Malta Shipyards Section amounted to €27,551, of which €5,560 were raised as deposit on T1 documents. 62 containers or trailers were examined and released. Also during 2009, Boiler Wharf, which formed part of Malta Shipyards, was taken over by the Malta Maritime Authority for use by cruise liners. The area was cleared under customs supervision, and VAT collected on scrap metal which was sold to third parties. The proposed privatisation of the yard was also being closely monitored.

ENFORCEMENT

Investigation and Intelligence Branch

The Head Office of this Branch coordinated the local, EU and international administrative and operational activities in anti-fraud matters. Meetings abroad regarding the EU Customs Cooperation Working Party (CCWP) and Mutual Assistance Committee (MAC) were regularly attended and contributed to. The CCWP is the coordinating group within the Council's structure with responsibility for progressing initiatives in the field of Customs cooperation, and it planned several joint operations for the year focusing on specific issues such as methods of drug smuggling and illegal trade in other goods. Two of these operations were tailored to include participation also by third countries: Operation Diablo II was coordinated with the ASEM countries, while the other operation which is still at an early stage, involves Euromed partners. The MAC has been engaged in significant amendments to Reg EC 515/97 concerning mutual assistance between the Customs authorities of the EU Member States, and cooperation between them and the Commission to ensure the correct application of the law on customs and agricultural matters. The year 2009 also saw the launching of the AFIS (Anti Fraud Information System) web portal, which is now the basic platform for all IT applications provided by the European anti-fraud agency OLAF. Obligations under the above mentioned regulation and other EU and international conventions regarding spontaneous dissemination of information were fulfilled through EU, OLAF and WCO databases and communication networks. These actions enhanced and consolidated the Malta Customs links with EU and international partners in the fight against criminal activities. Several initiatives were coordinated with local agencies such as the Police and the VAT Department. Input by this Directorate was also crucial for the favourable response obtained from the EC regarding the application for co-funding of the lease for a container scanner, and for the finance received by Malta Customs as a result of the agreement between Japan Tobacco International, the EC and its Member States. A similar agreement also exists with Philip Morris International, whereas participation in high level discussions in 2009 was achieved with representatives of Imperial Tobacco in a bid to reach yet another similar agreement.

Non-Proliferation Unit (NPU)

During 2009, this Unit performed 94 documentary checks; 83 on maritime consignments in transshipment and 11 on local exports. 62 of these consignments were inspected and 12 were withheld, since items concerned required export clearance prior to shipping to their destination. 11 of these were released once the export authorisation was issued. The other consignment, which was shipped in two containers, is still being withheld pending the completion of the verification process. Following a general alert on possible contaminated steel being exported from a particular country, the NPU also monitored several imports of steel from this country. The Unit also participated in a Joint Customs Operation (JCO) focusing on export control on airfreight consignments, as well as in various other meetings mostly related to security.

Post Clearance Audit (PCA) and Economic Procedures Enforcement Unit (EPEU)

PCA and EPEU staff carried out 364 visits to traders premises. These led to the raising of 13 post-entries and €48,799 collected in duties and other taxes. Unit officials were also involved in the screening process leading to the granting of the AEO (Authorised Economic Operator) status to certain traders and shipping agencies. Also during the year, an official from this Unit was tasked with the setting up of a Customs Databases Unit.

Container Monitoring Unit (CMU)

A total of 1,707 manifests of vessels were reviewed, leading to the scanning of 7,523 transshipment containers. 776 of these containers were furthermore physically examined, resulting into the seizure of the contents of 46 of them. 7,721 domestic containers were also scanned. Staff from this Unit participated in various meetings abroad, mostly related to Commission Regulation (EC) 1875/2006 regarding security and safety provisions.

Special Investigation and Action Team (SIAT)

This Unit tallied 59 containers and carried out over 1,500 searches targeting IPR infringements, CE markings and Excise controls, on vehicles leaving the Customs Hal Far Groupage complex. It also performed daily counter checking and verification of container and trailer units dispatched from other Customs stations such as Deep Water Quay, Laboratory Wharf and Malta Freeport Terminal.

Enforcement Unit

This Unit conducted 20 drugs seizures, of which 18 were concerned with passengers arriving by air via an EU airport. Another seizure resulted from a vehicle arriving by sea, and the other at the Courier's office. Drugs seized included: 6.7kgs heroin, 8kgs cocaine, 0.9kgs heroin & cocaine mixture, 24,357 ecstasy pills, 0.5gms herbal cannabis and two suitcases filled with khat. Concealment methods included: eight cases of swallowers or stuffers, eight cases of luggage with false bottoms, two cases of shoes with hollow soles, one case of hiding in a vehicle's door and one case involving a courier parcel. Controls at the airport also resulted in the seizure of 116,640 cigarettes, 1,049 pairs of fake sport shoes, 203 packets of fake medicine and five bird-skins (CITES). Cash control checks yielded four positive results, totalling €353,797 being withheld. Enforcement staff also responded to 41 alerts raised by the radiation portals at the Airfreight sheds.

Various surveillance duties and searches at open-air markets or commercial outlets for illegal excise goods gave 43 positive hits, leading to the seizure of a further 13,013,760 cigarettes and 323 alcohol bottles.

Searches on vessels and yachts also yielded two positive results, one for illegal importation of fuel and the other for contraband cigarettes. One speedboat and 11 vehicles were also withheld pending investigations. The fight against the illegal importation of fuel was intensified and 106 samples of fuel were elevated from various service stations, tanks or reservoirs in private yards, and vehicles or heavy equipment, of which 63 samples gave a positive result. One bowser and one box-truck both found loaded with contraband fuel were withheld. Other surprise inspections at private residences, garages and commercial outlets were carried out in connection with the use of light heating oil for heating purposes. Even here, several abuses were detected and further action taken.

In collaboration with the CMU, various containers in transit were seized as their contents were inconsistent with manifest declaration. Seizures included 67,383,054 genuine cigarettes, 15,747kgs. of tobacco, 31,680 cigars and eight container loads of medicine.

The Unit also supervised the destruction of 42 duty-free vehicles, whereas 13 other vehicles were surrendered to Government. €48,835 dues were collected from various importers following personal visits to by Unit officials, while an organised sale by tender of gold and silver items seized netted €6,079.

Inspections of merchandise in conjunction with VAT officials were carried out on 31 occasions. 31 transshipment containers loaded with counterfeit goods were withheld by the IPR Unit. 78 IPR cases were registered with 31 leading to legal action, and another 22 cases settled out of court. 26 other consignments were also withheld at the Airfreight, Parcel Post and Courier Offices. 44,729,300 counterfeit cigarettes, 8,023,836 other counterfeit items in transit and 3,675 counterfeit goods intended for the domestic market were also detained. Such items detained included: hair dye, mobile phones and accessories, moisturising

cream, shampoos, shower gels, sport shoes, other footwear, shoe polish, soap bars, wrist watches, outerwear, toothpaste and Viagra.

The Unit participated in various Joint Customs Operations (JCOs) organised by the European Commission and the World Customs Organisation. The focus of these operations included firearms, CITES, hazardous waste, cash, and counterfeit or contraband cigarettes.

Customs Intelligence Services (CIS)

During 2009, CIS continued with its primary task of vetting sea and air manifests for passengers and cargo in connection with the evasion of Customs, Excise, Anti-Dumping duties and VAT. Fraud, contraband, illegal export and import of cash, counterfeits, rejected goods and particularly the interdiction of narcotic drugs and fake medicine were also tackled by this Section. From all alerts issued from here, 17 'passenger' and 40 'cargo' ones resulted positive. Of note amongst these results was the significant number of seizures of narcotic drugs.

Cooperation with other enforcement agencies, both local and foreign, was intensified. This Service was also very active in the dissemination and exchange of comprehensive or specific risk related crucial information, and supported other Customs units during several EU-wide Joint Customs Operations. CIS staff participated and contributed to various meetings both locally and abroad particularly in areas related to general customs legislation, cash controls, AEO and Commission Regulation (EC) 1875/2006. Emerging threats and new modus operandi were also continuously monitored in order to formulate counter-measures against them, thus sustaining the high performance of this Section.

FRONTIER CONTROL

The main duties of this Branch included: the clearance of incoming and outgoing vessels, pleasure crafts, aircrafts and passengers to and from Malta; censorship of video tapes, DVDs and software; watching over and escorting uncustomed goods; patrolling on land and sea in Customs areas; supervising the landing and loading of all cargo imported or exported by air; releasing of accompanied commercial goods; collecting of the appropriate taxes (Import & Excise Duties and VAT); and effecting vigilance to curb importations of restricted and prohibited goods. Since EU Accession by Malta, Frontier Control roles have both increased and become more complex, particularly because Malta is situated at the southernmost border of the EU. This Branch also had to maintain close liaison with all its stakeholders, and coordinate its resources accordingly to address particular issues which arise from time to time, recently such as the avian and AH1N1 influenzas.

Yacht Marinas

The main Yacht Marina Offices of Customs are situated at Marsamxett Harbour, Grand Harbour and Gozo. The one at Marsamxett was reopened during the year under review, now located within new premises at the Torpedo Depot garden in Pieta'. In 2009, there were 609 arrivals and 461 departures of pleasure crafts from/to EU Member States, which crafts had requested Customs services. Arrivals and departures from/to non-EU Member States were 108 and 138 respectively. Marsamxett was responsible for 37% of all departures, the Grand Harbour for 36% and Gozo for 27%.

Customs Baggage Room (Seaport)

This Section operated on a 24x7 basis and thus shouldered also all the additional responsibilities of the Yacht Marina offices after normal working hours. During the year 5,952 commercial vessels arrived in Malta, 3,399 of which from non-EU countries, while 5,942 vessels were cleared outwards. These figures relate to all harbours, including those at Marsamxett, Marsaxlokk and Mgarr Gozo. 105 rummages were conducted on incoming vessels and, on one occasion, a shipping agent was fined for failing to notify

Customs upon the arrival of a vessel. Via seaports, there were 103,776 arriving and 99,015 departing passengers, apart from 415,095 others from cruise liners. 12,946 accompanied vehicles arrived in Malta and 10,516 departed. This Section processed 1,786 Transhipment Shipping Bills (TSBs), 2,268 duty-free deliveries and 4,980 fuel stores authorisations. Currency spot checks on incoming/outgoing passengers totalled 1,098 and a further 1,340 searches were carried out at the various customs areas entry and exit gates. On one occasion, a vessel crew member was caught attempting to smuggle cartons of cigarettes into Malta.

Airport

A total of 2,531 aircrafts arriving from non-EU countries landed in Malta. Freight landed at the airport amounted to 5,632,099kgs whilst 5,716,141kgs were exported. Arrivals from non-EU countries amounted to 161,714 passengers, of which 1,062 were in transit. 161,762 passengers, of which 862 were in transit departed from Malta. 578 currency control checks were carried out on incoming or outgoing passengers. 16 seizures of meat or meat products and one seizure of milk products were carried out, amounting to just over 88kgs, which goods were confiscated and destroyed by incineration. Other tasks undertaken by Customs here related to: safety and security; protection of the environment and flora/fauna species; safeguarding against illegal importations, such as by being vigilant on IPR infringing goods and evasion of anti dumping restrictions. Import & Excise Duties and VAT taxes collected amounted to €28,502 in total, and a further €689 collected as fines on dutiable goods undeclared by passengers passing through the Green Channel. This Section operated on a 24x7 basis.

Prohibitions and Restrictions

Taxes collected amounted to €105,272. Out of a total of 29,514 pieces of recorded media submitted for vetting, 1,083 were viewed and assessed, of which nine were withheld. Two of these were referred by the importer to the Printed Matter Appeals Board.

IRO GALEA

Director General (Customs)

Treasury Division

BACKGROUND

During 2009, the Treasury Division continued to focus on its operational goals, these being to:

- Monitor and control the financial activities of Government;
- Ensure that Government is in a position to meet its financial obligations at the least possible cost;
- Assist government departments by providing them with comprehensive information and accurate financial and management reports;
- Make use of the most appropriate IT systems to enable it to operate as a seamless organisation;
- Improve communications and relationships with other organisations and stakeholders; and
- Provide advice for good governance and maintain and develop a talented workforce with broad expertise and experience as the essential asset base of the organisation.

During the year under review, the Division also proceeded with the re-alignment of its operations to reflect its core business. In this regard, with effect from 6 November 2009 and in terms of Legal Notice 327 of 2009, the payment and maintenance of salaries of government employees fell under the responsibility of the Office of the Prime Minister.

In order to attain its strategic and operational objectives, the Treasury Division is split into two main Directorates namely, the Government Accounts Directorate and the Debt Management Directorate.

GOVERNMENT ACCOUNTS DIRECTORATE

The aim of the Government Accounts Directorate is to maintain an effective accounting methodology and accounting systems across Government; exercise a monitoring role on the disbursements of public funds and report fairly and truthfully the financial position of Government.

ACCOUNTING OPERATIONS

Accounts Section

The Consolidated Accounts Section of the Directorate is considered to be the executive arm of the Accountant General. The main functions of this Section are to ensure that ministries and departments adopt and maintain uniformity in the accounting system. The Section is guided in this exercise by the Financial Regulations 1966 and the Financial Administration and Audit Act 1962 as well as by circulars issued from time to time to help in the interpretation of financial policy and legislation.

With the publication of Legal Notice 185/2007 on 13 July 2007, the responsibility of the Accounting Officer, as defined in the amended Financial Legislation, was further strengthened. The processing and Vote accounting of transactions effected by ministries and departments continued to be the main function of the Section. These transactions involved accounts belonging to the Consolidated Fund, the Treasury Clearance Fund and other funds and accounts held by Government.

During the year under review, the Accounts Section processed local payments which were made up as follows:

Batches	Cheques	Value
12,885	137,763	€306,494,923.21

Reports

Apart from its day-to-day business, the Section also carried out additional assignments during the year including the issue of ad hoc reports requested by the Ministry of Finance, the Economy and Investment, the National Statistics Office and the Central Bank of Malta. Other reporting as required by legislation was also carried out by this Section within the established time-frames. Of particular relevance were the Section 65 Statements, the Annual Financial Report, the monthly Comparative Return of Expenditure and Revenue, and the publication on a quarterly basis of the Consolidated Fund Account.

The Section also carried out other duties relating to Public Credit, Government Loans and Investments, Investments through MGI, Trust Funds and their related Investments, Warrants and Advances, collection of returns from departments on their respective Arrears of Revenue, collection and verification of returns on Stores Written off/Cash Losses, and monitoring of Other Deposit Accounts.

Cash Office

As in previous years, bank reconciliation was undertaken by the Cash Office and the manual process for outstanding transactions from 2002 to 2008 is practically complete. Manual reconciliation for 2009 is 70% complete. Liaison and coordination with MITA and departments was maintained to ensure that the process progressed smoothly. Moreover, testing on new developments in the bank reconciliation system is being carried out.

A new database program was created in-house to facilitate the collection of ministerial/departmental bank accounts held at the Central Bank of Malta and local commercial banks. Briefing sessions to officers-in-charge from all ministries/departments will be conducted at the beginning of January 2010, during which the database program will be distributed.

A total of 661 stop payments and 520 Garnishee Orders were handled.

Bank Transactions Unit

The Bank Transactions Unit is responsible for effecting overseas and local payments. The following table illustrates the number of transactions by category effected by the Unit:

Transaction Type	Number	Value (€)
Credit Advice	4	-425,765
Debit Advice (Local)*	2,478	1,371,174,863
Debit advice (Foreign)	140	11,176,494
Funds transfers	2,939	94,521,529
Draft	648	3,171,841
Letter of Credit	7	724,407
Travel	5,036	3,027,964

*Debit advices issued by salaries and public debt are not included

Verifications Unit

The Verifications Unit was set up in 2008. The main objective of this Unit is to carry out the verification of payments being processed and other payments already processed and paid by government departments, as defined in Legal Notice 185 of 2007, amending the General Financial Regulations. The aim of this process is to ensure proper spending of public funds and that all payments are effected according to

standing financial regulations. During the year under review, authorised officers within this section carried out verifications on batches containing payment vouchers which were processed for payment during 2008 and 2009.

Travel

Verifications of post travel documentation on visits abroad are undertaken by the Verifications Unit.

During 2009, checking of pre travel documentation was carried out more rigidly and departments instructed, wherever omissions were noted, to abide by established procedures. Furthermore, the Direct Credit Settlement of travel allowance was introduced, having delegates who travel abroad being credited with the funds directly into their personal bank accounts. This system was initially launched as a pilot scheme with chosen ministries identified by the Treasury Division and consequently rolled out throughout all government departments. A system of close coordination between Treasury and the Ministry of Finance, the Economy and Investment was strengthened, ensuring that departments strictly followed official regulations and policies.

During the year, the Unit continued with the maintenance of the 2005-2008 travel databases and enhanced the 2009 database. 4,118 visits abroad have been recorded for 2009.

EU Funds Management

The role of the EU Funds Management Unit is to ensure the efficient management and control of the EU Funds allocations. In 2009, the EU Funds falling under the direct responsibility of the Unit comprised the:

- Transition Facility;
- Structural Funds and Cohesion Fund 2004-2006 (Including Cohesion Fund 2004 – 2006 and EQUAL);
- ERDF, ESF and Cohesion Fund falling under Cohesion Policy 2007-2013;
- External Borders, European Refugee and Return Fund falling under EU Migration Policy 2007-2013;
- European Globalisation Adjustment Fund (EGF);
- EEA and Norwegian Financial Mechanism;
- Migration Flow Funds.

During the year, the Unit transferred payments amounting to €62,442,512, an average of payments amounting to €5,203,542 per month. The table below summarises the payments made throughout the year by their respective fund. The total figure indicated refers to bank payments processed.

Fund	Total Value (€)
Transition Facility	2,373,169
Structural Funds 2004-2006	6,258,653
Cohesion Policy 2007-2013	37,903,019
EGF	636,081
External Borders Fund	14,618,238
European Refugee Fund	78,754
Return Fund	574,598
Total	62,442,512

Migration Flow Funds

During 2009 a Financial Information System for the management of Migration Policy 2007-2013 payments was successfully internally developed and adopted. A number of meetings with the Ministry of Justice and Home Affairs (who have the Role of Responsible Authority) were carried out on a regular basis, whilst various ad hoc meetings with beneficiaries were also held so as to facilitate the execution of payments from the said funds.

European Globalisation Funds

All the payments that were received by the Unit were successfully processed and paid on time, albeit the fact that most were received at the last possible moment.

ACCOUNTING METHODOLOGY AND CONTROL

Accounting Methodology and Compliance Unit

The Accounting Methodology and Compliance Unit is primarily responsible for collecting and checking accrual accounting returns submitted by government departments on a quarterly basis. This Unit has been strengthened with the appointment of qualified staff in order to increase the level of accuracy of the information submitted and ensure adherence to the Malta Government Accounting Standards. The primary objective is to obtain an accurate picture of the financial situation of each department when compiling the yearly financial statements under the accrual accounting methodology, which are currently being produced for internal consumption only.

The Unit has expanded its functions in preparation for the introduction of a new corporate financial solution across Government that offers adequate solutions able to address current requirements. A Project Board has been appointed for this purpose which has formulated a vision for a new Corporate Financial System. The way forward has been officially approved and up to the time of writing this report the Project Board was at an advanced stage in concluding the tender specifications.

Another initiative concerns the updating of the Malta Government Accounting Standards. These standards, which are based on the International Accounting Standards, provide guidance on financial reporting and address the specific requirements of the ministries/departments of the Government of Malta.

Treasury has been meeting with all Directors Corporate Services responsible for ministries/departments to scrutinise the accrual based information submitted during the year. For this reason, an Accrual Accounting Work Group (AAWG) has been established consisting of members from Treasury, MITA, and the Internal Audit & Investigations Division. At this forum, Directors Corporate Services/Directors Financial Management and other representatives from the respective ministries/departments are called to discuss and scrutinise their accrual based financial statements. Up to the time of writing this report, meetings have been held with two ministries and their respective departments, which are the Ministry of Education, Culture, Youth and Sport, and the Ministry for Social Policy. Meetings are currently taking place with the Ministry for Justice and Home Affairs.

The ultimate objective of the AAWG is to facilitate the way towards business process re-engineering and the implementation process of the new financial corporate solution, by identifying key resources from each ministry and department to ensure that these officers are groomed to become leaders and promoters of change within their respective departments.

DEBT MANAGEMENT DIRECTORATE

The Directorate was set up in December 2006 to carry out the key objectives in debt management activity, focused primarily on ensuring that:

- the funding requirements for the Central Government borrowing programme (short and long term) can be financed prudently and cost effectively;
- the annual debt servicing costs are met at the lowest possible cost; and
- the development of the domestic financial markets is given the necessary support.

The integration of Malta into the euro area on 1 January 2008 posed new challenges and opportunities in achieving the above stated objectives. To date, in order to meet the borrowing requirements, the

Government's policy has been that of relying, almost exclusively, on issuing euro-denominated stocks in the domestic market, rather than raising funds on the international markets.

Furthermore, as part of its cash management activity to cover any short-term revenue shortfalls, the Government conducts weekly auctions for the issue of Treasury bills. These serve as *temporary borrowing* tools and usually carry a tenor of: 28 days; 91 days; 182 days; 273 days; and 364 days.

The Government's debt portfolio also includes foreign loans, set up as bilateral agreements with foreign governments and international institutions. To date, the Directorate does not borrow for lending activities.

In the course of 2009, the Directorate continued to implement the recruitment programme initiated during 2008 with a view to building a strong analytical capability with the appropriate technical staff over a medium to long term process. The engagement of two Economics Officers marked the first steps towards creating a functional middle office environment within the Directorate. Eventually, a fully functional middle office will enable the Directorate to embark upon initiatives that have been entrusted to its remit.

International Institutions

As in previous years, the Debt Management Office contributed to meetings with representatives from credit rating agencies such as Standard & Poor's, Moody's and Fitch. As the credit ratings assigned to Malta bear a direct influence on the interest rate charged on loans raised from international markets, the Directorate assigns significant importance to its interaction with these agencies.

In addition, during 2009, the Debt Management Office participated in discussions held with representatives from the International Monetary Fund who visited Malta in June and November for the Article IV consultation.

Economic and Financial Committee (EFC)

During the year, the Directorate attended three meetings of the Economic and Financial Committee (EFC) Sub-committee on EU Government Bills and Bonds Markets whose main objectives are to promote further the integration and achieve a better functioning of the EU government bond markets. The Sub-committee deals also with other important issues of public debt management, holds discussions that promote the sharing of experiences among the 27 EU Member States related to debt management and also supports Member States in identifying and implementing best practice in government debt management.

DEBT MANAGEMENT OPERATIONS

Treasury Bills

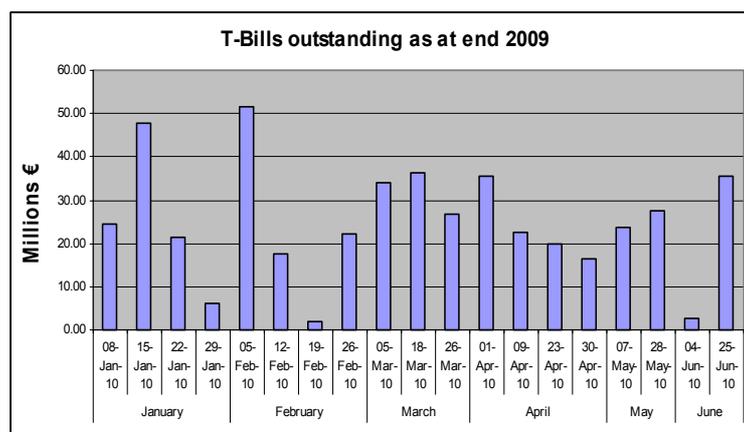
The issuance of Treasury bills serves a dual role: primarily to cover for temporary revenue shortfalls incurred by the Government and secondly, to maintain liquidity in the domestic Treasury bill market.

Treasury bills are offered by public auction on a weekly basis, normally on Tuesday and are issued in denominations of €1,000 with tenors ranging from 28 days, 91 days, 182 days, 273 days and 364 days. A mix of different tenors can be offered in any auction.

As of 1 April 2007, Treasury bills were dematerialised and were admitted to listing and trading on the Malta Stock Exchange. Yields on Treasury bills started to be computed on an *Actual/360 days* basis.

The maximum amount of outstanding Treasury bills is established by Parliamentary Resolution. In 2002 the maximum amount was set at Lm300 million, equivalent to €698.80 million.

The chart below illustrates the maturity profile of the outstanding balance of Treasury bills, which reached €474.14 million at end 2009, an increase of €108.33 million over the amount outstanding at end 2008.



Level of T-bill stocks in market hands as at end 2009

Treasury Bills Issuance Programme

The issuances focused mainly on the 91-day, followed by the 182-day tenor (representing 66.4% and 25.7% of the total volume issued respectively). Yields for the 91-day T-bill fluctuated between 2.659% (on 9 January 2009) and 1.403% (on 4 December 2009). The yield of the 182-day T-bill peaked at 2.653% (on 5 January 2009) and was lowest at 1.516% (on 4 December 2009). Such interest rates for temporary borrowing are determined by the money market which in turn is influenced by the repo market rates.

Total offers accepted by the Treasury throughout 2009 amounted to €1,624.88 million, categorised by tenor and volume as shown below:

Gross Issuance of Treasury Bills 2009			
Tenor	% Share of Total Volume	Nominal Amount (€ 000)	Weighted Average Yield (%)
28 days	0.98	16,000	1.424
91 days	66.40	1,078,896	1.910
182 days	25.72	417,885	1.865
273 days	6.90	112,096	1.676
364 days	-	-	-

The cost of borrowing in 2009 amounted to €10.50 million, equal to a weighted average yield of 1.787%.

Redemptions on Maturity

Throughout 2009, the Treasury redeemed €1,516.54 million worth of Treasury bills, carrying a cost of borrowing equal to €13.80 million equivalent to a weighted average yield of 2.547%.

Malta Government Stocks

The Budget Measures Implementation Act (Act No II of 2009), which establishes the issuance target of Malta Government Stock for financial year 2009 was capped at €500 million. The issuance programme was applied for the purpose of:

- financing the Central Government borrowing requirements for 2009;
- redeeming Malta Government Stocks (MGSs) maturing during the year; and
- effecting changes in Central Government debt portfolio as and when required in line with Government's debt management policies.

Issuance of MGS

The Directorate continued to issue a combined prospectus which regulates the entire sum on issue when it is offered under two or more different stocks without the respective amount for each stock being specified. The offer price for each issuance is usually announced three days in advance of the opening of the applications and the results of the bids by auction are announced within two hours from closing time of auction.

The total sum raised through the MGS issuance programme during 2009 reached €459.31 million. There were five MGS issues during 2009, having a medium to long term maturity horizon as shown below:

MGS Issuances in 2009					
Issuance	Issuance Strategy (€ Millions)				Bid-to-cover ratio
	4-year	11-year	12-year	5-year FRN (Euribor +80bp)	
March	59.02		35.99		3.47
April	63.05				1.17
June	82.82	25.55			1.29
August	56.64		33.15		1.01
November	25.50	44.70		29.80	2.1

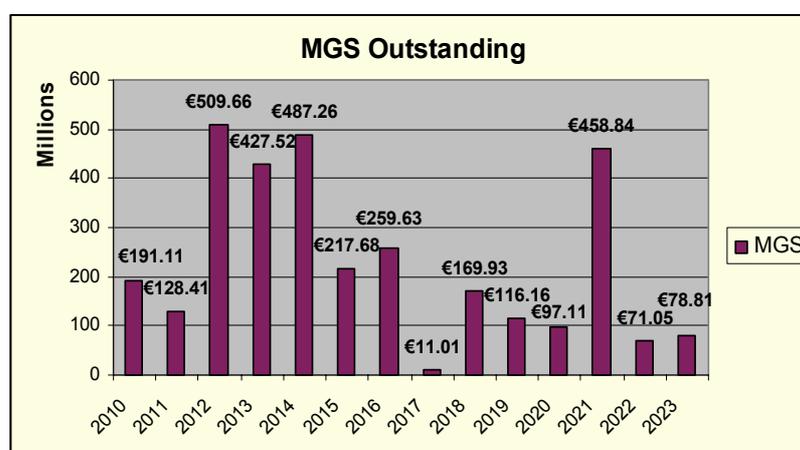
In addition to the above issuances, a placement of one MGS amounting to €13.670 million towards the partial settlement of ex-Church property was issued in June 2009.

In line with Government's debt management strategy, the Directorate has systematically issued fungible MGS with the aim to contribute to a further deepening in the liquidity of current benchmark issues.

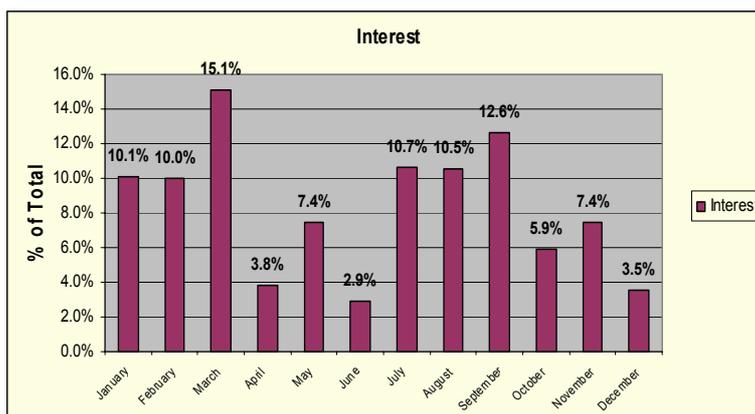
In November 2009, after consultations with financial institutions, the Treasury offered for the first time a structured financial debt security in the form of a medium-term Floating Rate MGS (FRN) linked to the six-month Euribor. The FRN had an embedded collar which guaranteed a floor of 1.78% per annum and established a cap of 5.22% per annum. Its first coupon payment was set at 1.787% and is to be paid on 25 April 2010. The FRN was positively received by institutional investors.

Debt Servicing

Three MGS matured in 2009, totalling €208.18 million. The outstanding nominal value of MGS as at year end reached € 3,224.18 million. The following chart indicates that a concentration of maturities lies in the 2012-2014 area (with 44.18% of outstanding debt maturing in the three-year period ending 2014):



The Directorate services the half-yearly interest payments to existing stockholders which during 2009 amounted to €172.78 million. Payments of interest throughout the year were spread as illustrated below:



Foreign Loans

Bilateral loans with foreign entities are specifically undertaken to finance large capital projects. A total of €13.43 million was repaid throughout the year according to the repayment schedule, resulting in an end-of-year balance of €100.56 million.

Interest paid on these loans amounted to €5.04 million. During 2009, the loan agreed to with the Republic of Italy (1986) was paid in full, leaving the Government of Malta with nine foreign loans pending.

Staff Training and Development

The Directorate continued to invest in the training of its human resources, both through in-house programmes and through external courses organised by local and foreign institutions. During the year, a number of training initiatives were undertaken and various opportunities were offered to staff to attend training courses, seminars and annual conferences organised by institutions both locally and abroad. These included: Risk Management in Government Departments; Training Seminar on Prevention of Money Laundering and the Financing of Terrorism; Training for Effective Treasury Management; EPDA's 4th Annual European Government Bond Conference; and Finance Malta 2nd Annual Conference.

Support Services

As in previous years, the Directorate continued to offer guidance and provide the necessary service to the heirs of deceased stockholders so that the heirs can have any inherited stocks transferred in their name by a procedure initiated through the heirs' own legal adviser.

Other Initiatives

With a view to maximising the potential benefits of Malta's membership of the euro area, the Treasury set up a working group comprising officials from the Treasury, the Economic Planning Division, the Central Bank and the Stock Exchange. The role of this working group is to assess the various strategic options available and determine how best to achieve the key objectives of debt management, particularly in the light of the current international economic situation. In this regard, ongoing meetings and teleconferences are held with a number of foreign financial institutions.

Moreover, a Legal Team was set up in October 2008 to review existing legislation on government borrowing and to prepare draft legislation on debt management in line with best practice.

NOEL CAMILLERI

Director General (Treasury)

Economic Policy Division

BACKGROUND

The Economic Policy Division provides Government with expert advice and assistance in the formulation of economic policy and the management of economic activity, with the aim of attaining Government's overall objectives of economic growth and development, high employment and low inflation. Attention is devoted towards the achievement of a stable macroeconomic framework, also by attaining an appropriate fiscal policy. Furthermore, efforts are being made to improve the incentive to work and to continue to attract foreign direct investment, to develop the tourism industry, to improve the educational system and the environment, to improve the competitiveness of the domestic economy, to support small and medium sized enterprises, to reduce excess bureaucracy and to support creativity and innovation. Within this context, the EPD provides Government with the relevant technical input, so that the implementation of policy measures is done within the framework of Malta's economic developmental goals.

The Division also provides technical advice and assistance to Government on international economic/trade issues. Through its participation in Commission Working Parties and Article 133 formations, the Division monitors and advises on the economic/financial impact of issues and strategies concerning the EU's *common commercial policy*.

Furthermore, the Division assists Government by providing economic analysis of policy issues emanating from Malta's participation in a host of international, regional, bilateral and multilateral institutions. The Division also provides support to other government entities whose area of activity may be affected by EU initiatives with third countries in the area of international trade and investment.

ECONOMIC STRATEGY DIRECTORATE

Budgetary Process

The EPD participates in the budgetary process, which is an essential tool in the implementation of Government's economic strategy. As in previous years, the Division provided information on the domestic and international economic situation as well as on the macroeconomic outlook. This information is important in order to ensure that the appropriate economic policy measures are formulated.

Furthermore, during 2009, the Division had a key role in the preparation of the Pre-Budget Document 2010 *Growth, Jobs and Social Cohesion*. This study comprised detailed studies on the labour market, competitiveness, as well as an analysis of public finances and of Gozo's economic development.

Throughout the year, the Division also provided an important input to the analysis of the fiscal situation and projections within the context of the EU's fiscal surveillance mechanism and the obligations of the Stability and Growth Pact.

EU Economic Policy Coordination

The Division continued to participate actively in the EU economic policy coordination processes. In particular, the Division participated in the Economic and Financial Committee (alternates) and the

Economic Policy Committee, including in Eurogroup composition. In addition, the Division also provided support for the preparations for the Economic and Financial Committee meetings. The Division also participated in a number of working groups attached to the EPC. In particular, the Division is actively involved in the Working Group on Ageing Populations (AWG) which examines the economic and budgetary consequences of ageing. Moreover, it also participates in other working groups of the EPC, namely the Output Gaps Working Group, the Joint EFC-EPC Working Group on the Economic and Financial Aspects of Climate Change and the Lisbon Methodology Working Group. It also monitors closely developments in the Labour Market Working Group and the Quality of Public Finances Working Group.

The EPD is also engaged in the preparation of briefings for the ECOFIN and Eurogroup meetings as well as for meetings of other Council formations and for the European Council meetings, as requested.

Towards the end of the year, the Division initiated work regarding the preparation of Malta's *Update of Stability Programme 2009-2012*. This Stability Programme constitutes an update of the first Stability Programme submitted in December 2007 and the first Update of this Document in December 2008. This Programme is an important document within the framework of the EU's multilateral surveillance of budgetary positions and the surveillance and coordination of economic policies. The Division provides an important input in this document, with important contributions, namely from the Budget Affairs Division, the Treasury Division and the National Statistics Office. The document is expected to be finalised and sent to the European Commission in the first months of 2010.

Earlier in 2009, the Division participated in the discussions on the application of the excessive deficit procedure (EDP) on Malta and the assessment of Malta's Update of Stability Programme 2008-2011. In particular, it presented Malta's position in the Economic and Financial Committee (alternates) and contributed towards the preparation for the relevant Economic and Financial Committee and ECOFIN meetings. The Division is continuing to monitor closely the developments regarding Malta's EDP.

During 2009, the Division continued to provide information on the domestic economic situation and on the economic policies and measures that are being pursued by Government to the EC and other relevant parties. In particular, the Division coordinates closely with Commission officials from DG ECFIN and provides the requested information in connection with the EU's fiscal surveillance process. Bilateral meetings were held both in Malta as well as in Brussels with Commission officials from DG ECFIN.

In February 2009, the Division participated in the country examinations meeting held by the EPC. The aim of this meeting was primarily to draft the updated country-specific conclusions, following the submission by Member States of their National Reform Programmes (NRP) in October 2008. During the year, the Division participated in meetings with officials from the European Commission on the Implementation of the Growth and Jobs Agenda. The Division provided input to the drafting of the NRP Annual Progress Report which was submitted to the European Commission in October 2009.

In May, the Division participated in the OECD's EU Economy Review held in Paris. This review was carried out by the OECD's Economic and Development Review Committee. The meeting involved a peer review mechanism whereby the EU's economy, macroeconomic developments and policies as well as structural policies were examined. Previously the Division had also participated in the OECD's EU Economy Review held in 2007 as well as the Economic Review of the Euro Area held in 2008.

Representation on the Malta Council for Economic and Social Development

The Division is represented in the Malta Council for Economic and Social Development and during 2009 it continued to participate actively in its proceedings. Furthermore, as in previous years, the Economic Policy Division computed and presented the relevant cost-of-living adjustment for 2010 as stipulated in the Incomes Policy Agreement of 1990.

National Econometric Modelling

The Division has two econometric models of the domestic economy. One model is used to produce short-term forecasts for the main macroeconomic indicators. The purpose of the second model is to undertake economic policy simulation exercises and to provide a framework for medium-term forecasts. During 2009, the Division pursued work related to strengthening its econometric modelling capability.

The short-term model (STEMM) was used to produce economic forecasts for Spring and Autumn, which were presented during the Economic Forecasts Meetings held between the Commission and the EU Member States. Discussions on these forecasts were held with Malta's desk officer in DG ECFIN. Such forecasts were also used for the preparations for the Budget. In conjunction with STEMM, an econometric model of Malta's balance of payments was developed in order to produce tentative forecasts of financial capital flows as well as income receipts and payments on the international market. Some of these forecasts are used in the Update of the Stability Programme and are also a useful indicator of the sustainability of growth forecasts.

The second disaggregated model (SAMM) was used on a number of occasions for the preparation of scenario analysis, including sensitivity analysis assignments as well as policy simulation exercises. This model is being further fine-tuned in order to reflect better the realities of the Maltese economy and to modify the way in which a number of important relationships within the model are calibrated. During 2009, in view of a number of assignments requiring the use of SAMM, the Division was required to undertake various technical updates, particularly in endogenising certain variables and making some changes to input data used by the model.

During 2009, the second model was used extensively in connection with two important studies carried out by the Division. The first was an internal study for the Ministry on the impact of COLA for 2010. The econometric model was used to estimate the impact of COLA on various economic indicators. In this study, a sectoral impact of COLA was also carried out. The second report was a technical study on the economic and financial impact of the proposal for a reduced VAT rate on restaurants. The study was commissioned to the Division by the Ministry in agreement with the Malta Hotels and Restaurants Association. By means of the econometric model, the impact of the proposal on the tourism industry and on the Maltese economy was analysed, together with the fiscal impact. Various scenarios were also carried out in order to analyse in a comprehensive way this proposal.

International Institutions

The Economic Policy Division provides information on the performance of the Maltese economy as well as on Government's economic strategy to representatives of international organisations.

As in previous years, the Division contributed in meetings with representatives from credit rating agencies such as Standard and Poor's, Moody's and Fitch. As the credit ratings assigned to Malta bear a direct influence on the interest rate charged on loans raised from international markets, the Division assigns significant importance to its interaction with these agencies. During these meetings, the performance of the domestic economy and the policies and measures pursued by Government to address the economic challenges faced by the Maltese economy were discussed.

In addition, during 2009, the Economic Policy Division was an important focal point in the extensive discussions held with representatives from the International Monetary Fund (IMF) who visited Malta in June for the Article IV consultation. Such visits are followed by published reports on the local economic scenario. As part of the preparations for the mission, the Division prepared a series of analysis covering various aspects of the domestic economy.

Pension Modelling

The EPD is represented in the Pensions Working Group set up by the Ministry for Social Policy and has actively participated in the discussions on the role of second and third pillar pensions. In this context, the Division contributed to the work of this working group through the modelling of alternative scenarios of systemic reform models, using the World Bank's PROST (Pensions Reform Simulation Toolkit) model.

The Economic Policy Division also provided technical assistance in relation to the estimation of the updates of the Theoretical Pension Replacement Rates 2006-2046 for Malta in an exercise coordinated by the Indicators Sub-Group of the Social Protection Committee.

Financial Perspectives 2007-2013

During 2009, the Division continued to provide support and input for the monitoring of developments regarding the Financial Perspectives 2007-2013. This included estimates for the Preliminary Draft Budget for 2010 with respect to Malta's net budgetary position. Furthermore, the Division provided technical input for the formulation of a Malta position on the EU Budget Review.

The Division is also involved in the Task Force on Own Resources which carries out work related to the Advisory Committee on Own Resources (ACOR). It provides technical input in line with its expertise related to the financial perspectives. In addition, the Division also participated in ACOR forecast meeting held in Brussels and was involved in the GNI and VAT base estimates for 2009 and forecasts for 2010.

Economic Implications of EU's Climate Change Package

During 2009, there was intensive work on various aspects of climate change at EU level in preparation for the Conference of the Parties to the UNFCCC which took place in Copenhagen in December. The Division monitored closely these discussions and provided technical input where necessary, particularly as regards the international financing of climate change. The Division is also participating in the 'Friends of the Presidency Working Group on Climate Financing', which was set up following the October 2009 European Council, to deal with the issue of EU internal burden sharing.

Financial Stability Issues

During 2009, in view of the international financial crisis and the need for Malta to monitor closely international financial developments as well as domestic financial developments, an internal group within the Division was set up in order to monitor financial stability issues. Through the work undertaken by this group, the Division analysed the various initiatives which were contemplated to bolster the financial regulatory framework at an international, EU and domestic level. In particular, the Division monitored closely the EU discussion on proposals for the regulatory overhaul of the financial system, particularly those related to macro prudential supervision. The Division examined in detail the relevant proposals and provided input in the formulation of a Malta position on the creation of a European Systemic Risk Board and issues related to macro prudential regulation.

Research and Publications

The professional staff at the Division carries out research work on various economic, fiscal and financial topics.

The Division published the Economic Survey in November 2009. This document, which was presented to the House of Representatives at the beginning of discussions on Government's budgetary estimates, provides a comprehensive analysis of Malta's recent economic performance and emerging economic trends, as well as an overview of international economic developments.

During the year, the Division worked on an internal study on the national minimum wage. This study comprised a comprehensive analysis on this issue, including the impact of the national minimum wage on the labour market and on household income distribution.

The Division also worked on a study on the online gaming sector. The Division carried out a study on the impact of this sector on the Maltese economy. The impact of the online gaming sector on the GDP, GNI and employment was analysed, together with an analysis of the sectoral and fiscal impacts.

The EPD, together with the Ministry for Social Policy, is involved in work undertaken in collaboration with the European Centre for Social Welfare Policy and Research in Vienna (ECV) as part of the Improving the Capacity and Usability of EUROMOD (I-CUE) project. This project is meant to assess the feasibility of extending Euromod (which is a micro-simulation model of the tax/benefit structure) to the new Member States. Planning for the second stage of this project, which will involve the actual modelling of tax/benefit systems, started early in 2009. The Economic Policy Division is expected to take a leading role in the modelling stage and during the year was responsible for coordinating all the efforts required in the preparation of this stage, including data related issues. The Division also attended the EUROMOD update project meeting in June. In view of data issues, it was eventually agreed that Malta would be included among the second group of new Member States for the initiation of the modelling of the tax/benefit system.

The Division also provided relevant economic input when requested. In particular, it contributed to the preparation of a report on national economy and on economic development in Gozo in preparation for the Conference of Ministers responsible for spatial planning and to the drafting of Malta's Strategic Report 2009, which provided an update of the information provided in the National Strategic Reference Framework 2007-2013.

During 2009, the Economic Policy Division continued to hold active discussions with the Central Bank of Malta, on the coordination of economic policies with a view to ascertain an optimal macro environment for further economic growth. It regularly collaborates with the Central Bank of Malta in areas of mutual interest, as well as to discuss local economic developments and prospects. The Division also continued to sustain contacts with similar organisations abroad.

INTERNATIONAL ECONOMIC RELATIONS DIRECTORATE

Common Commercial Policy

The Economic Policy Division, in liaison with the Permanent Representation in Brussels, has throughout 2009, constantly monitored and analysed the developments taking place within the Trade Policy Committees in order to ensure that Malta's views and interests are taken into account in the formulation of the EU's common commercial policy.

Multilateral Trade

The Division, in consultation with the Ministry of Foreign Affairs and the Permanent Representations in Brussels and Geneva, monitored developments and provided feedback on Malta's position with respect to various issues pertaining to the WTO Doha Development Agenda (DDA) negotiations. In particular, the Division monitored the developments with respect to the mini-Ministerial that took place in India in September 2009, together with the discussions at senior officials level including the Ministerial meeting of the World Trade Organisation that took place from 30 November to 2 December 2009 in Geneva. The Division participated in the Ministerial meeting, which amongst others, discussed the financial crisis and the role of the World Trade Organisation in providing support to overcome this crisis.

Bilateral and Regional Trade Relations

The Division consulted and coordinated with the competent authorities across Government to formulate a policy on a number of trade agreements that the EU is negotiating with third countries. Some of the most important include: FTA Agreements with ASEAN (Association of Southeast Asian Nations) and the Andean Community as well as with Ukraine.

Negotiations with South Korea were concluded during 2009. The initialling of these negotiations brought into being the most comprehensive Free Trade Agreement that the EU has negotiated with third countries. The Division analysed and monitored this Free Trade Agreement.

The EU also commenced negotiations with Canada within the framework of a comprehensive Economic and Trade Agreement. All EU Member States have agreed with the negotiation mandate that is expected to provide European companies with better access to Canadian markets.

Negotiations with Euromed countries continued in an effort to conclude an FTA with these countries by 2010. Discussions included progress on negotiations with respect to the liberalisation of agricultural, processed agricultural and fisheries products, especially with Egypt and Israel, and the conclusion of the dispute settlement agreement with Tunisia and Lebanon. Notwithstanding this progress, other areas are still lagging behind. Such areas include the liberalisation of trade in services and establishment with all Euromed countries apart from Morocco. Developments regarding the Commission's mandate concerning negotiations for a commercial agreement with Libya have continued during this year. Apart from including a comprehensive trade agreement, the mandate also gives way for the inclusion of political dialogue, economic cooperation, energy, justice and a number of other sectors where cooperation is possible.

The Division also continued to monitor developments within the context of various Economic Partnership Agreements with Africa, Caribbean and Pacific countries as well as bilateral trade discussions with China, United States, Russia and India.

Trade Policy Committee (Article 207)

The Trade Policy Committee is a trade coordination and advisory committee to the European Union covering all aspects of trade policy. The Division participates actively in the various committee formations pertaining to the Trade Policy Committee. These include: Full Members, Services, Anti-dumping and Anti-subsidy, General Systems of Preferences and Steel, Textiles and others Industrial Sectors Committee. The Division engages in consultation with the respective ministries and entities involved, as well as with social partners in order to draft the respective Malta positions.

Full Members and Deputies

This Committee discussed the bilateral and multilateral aspect of trade together with other themes including protectionism, developments with respect to the Doha Development Agenda, market access issues, as well as various bilateral agreements including the recent agreement between the EU and South Korea.

Services

This consultative Committee deals primarily with international trade related aspects in the area of services, including liberalisation schemes with third countries, better market access to local and European companies and transparency in international markets. In particular, the work of this Committee focused on the negotiations of services offers with Korea, Andean countries and CARIFORUM states, together with the ongoing developments within the World Trade Organisation on services negotiations.

Steel, Textiles, and Other Industrial Sectors Committee (STIS)

The Division followed the Trade Policy Committee STIS meetings which discuss steel markets, textiles and other industrial products. In particular, the Division coordinated the questionnaire response sent to the EU Commission on chemicals, on the basis of which a communication shall be issued in the future. This Communication will provide a policy which shall guarantee sustainable market access to chemicals for the EU market. The EPD also analysed an offer from Russia to the EU intended to increase steel quotas in the framework of the renewal of the Agreement between Russia and the EU on steel products. Developments in the Textiles Agreement between the EU and Belarus were also closely monitored.

Market Access Strategy

The Market Access Advisory Committee continued to extend the market access approach to other key third countries. More support was given to new trade areas where the Community has important economic interests such as trade in pharmaceuticals; a sector that is heavily burdened with barriers to trade. In addition, the Commission set up Market Access Teams in third countries and specific working groups which operate under the Market Access Advisory Committee. The aim of these groups is to prevent, detect and tackle trade barriers as well as to work on the concrete removal of specific barriers to trade.

General System of Preferences

The Division followed discussions of the Generalised System of Preferences Committee and the GSP Working Party. The discussions included various issues with respect to the granting of preferential access to markets for developing countries. In particular, the GSP Working Party discussed the Council Regulation applying a scheme of generalised tariff preferences for the period from 1 January 2009 to 31 December 2011.

Antidumping/Anti-Subsidy

The Division monitored and analysed the ongoing developments on anti-dumping, anti-subsidy and safeguard mechanisms. Advice was provided on a number of anti-dumping issues, this being based primarily on economic analysis whilst taking into consideration the objectives, interests and priorities of the various government entities and stakeholders. Some of the most contentious cases that were discussed included the imposition of duties on footwear imported from China and Vietnam and on cargo scanners from China. The necessary consultations with local and Community stakeholders were maintained.

Protectionism

The Division was engaged in a EU study concerning protectionist actions by third countries. This study has been triggered as a result of the financial and economic crisis that led a number of third countries to resort to protectionist measures that hindered access to their goods and services markets.

Investment Promotion and Protection Agreements

In consultation and coordination with the Ministry of Foreign Affairs, the Office of the Attorney General and other pertinent authorities, the Division continued negotiations on a number of draft bilateral Investment Promotion and Protection Agreements with a number of countries, including Morocco, Cambodia, Algeria, Albania, Bosnia and Herzegovina, Montenegro and India. The Division also initiated negotiations with Serbia and Peru.

An Investment Promotion and Protection Agreement with the People's Republic of China has been signed.

Visit to Malta by the Swedish Trade Minister

The Swedish Minister responsible for trade, the Hon Dr Eva Björling, visited Malta between 14 and 15 April 2009 for talks with the Prime Minister and Minister of Finance, the Economy and Investment. Other meetings were held with the Parliamentary Committee for European and Foreign Affairs. The Ministers discussed issues related to international trade policy including the Swedish Presidency's priorities on trade policy.

Visit to Malta by the European Commissioner responsible for International Trade

Baroness Catherine Ashton, then Commissioner responsible for International Trade, visited Malta between 28 and 30 May 2009. During this visit, meetings were held with the Prime Minister and the Minister of Finance, the Economy and Investment. The issues discussed during the meeting with the Minister included the Doha Development Agenda, bilateral trade agreements with third countries and other issues related to international trade.

8th Sino-Maltese Joint Commission

The 8th Sino-Maltese Joint Commission was held between 22 and 24 June 2009. The necessary preparations were undertaken by Division officials in conjunction with the Private Secretariat of the Ministry of Finance, the Economy and Investment and the Ministry of Foreign Affairs.

The agenda items included two Memoranda of Understanding on the banking and securities sectors and an item on the donation of television sets, furniture and RMB3m by the Government of the People's Republic of China to the Government of Malta.

Research and Publications

Advisory Services

The Division continued to provide its services to a number of government entities particularly through the preparation of information documents, technical advice on Malta's position with respect to issues pertaining to international trade and research, and analysis carried out to respond to ad hoc requests

JOSEPH RAPA

Director General (Economic Policy)

EU Affairs Directorate

BACKGROUND

The EU Affairs Directorate is responsible for the coordination of all EU-related issues falling within the remit of the Ministry of Finance, the Economy and Investment. As such, the EU Affairs Directorate is also responsible for coordinating the drawing up of a national position in preparation for meetings at the level of the Council of the EU and the EU Commission. The Directorate is involved in the dissemination of meeting agendas and documentation, coordination of attendance by officials at the meetings and the drawing up and clearance of instruction notes to be used by the technical officials and attachés participating in the meetings. The Directorate compiles Malta's position in consultation with the technical experts from both the public and the private sector.

The Directorate is also responsible for preparing periodic status reports on the activities and operations of the EU Affairs Directorate. It also provides adequate support to the Ministry's departments in areas relating to the European Union. The EU Directorate is also the coordinating unit for the preparation of letters in reply to infringements lodged against Malta, following the process from start to finish. The EU Directorate is also the contact point within the Ministry for the notification of Maltese legislation to the EU Commission.

Progress achieved in 2009

During 2009, the EU Directorate continued to be responsible for the preparation of instruction notes and briefing notes for officers attending meetings at EU institutions. This also entailed the preparation of briefing files for the ministerial delegations attending the ECOFIN, Competitiveness and Trade Council Ministers meetings. Apart from preparing the Council meeting files for the Maltese delegation, the EU Directorate organised pre-ECOFIN and pre-Competitiveness briefings for resident EU embassies. During these meetings, the Directorate informs resident ambassadors and senior diplomats of Malta's position on particular agenda items for discussion during the Council meetings.

The Directorate continued to coordinate the consultation process on proposals submitted by the Commission. Malta's position is drawn up in consultation with both internal and external entities. In 2009, the Directorate was also entrusted with the coordination of particular dossiers such as the auctioning of the emissions-trading scheme. The Directorate was also responsible for presenting the proposals at the Inter-Ministerial Committee (a Committee composed of high-level officials from all government ministries and headed by the Permanent Representative of Malta to the EU). During 2009, a total of 155 memoranda were prepared for presentation at the Inter-Ministerial Committee meetings.

Apart from preparing for Council meetings, the EU Affairs Directorate is also involved with the preparation for visits from foreign dignitaries visiting Malta. During 2009, the Directorate was involved in the coordination of the visits of two EU Commissioners and a Trade Minister, hosted by the Minister of Finance, the Economy and Investment. Besides these visits, the EU Affairs Directorate was also involved in the preparation of briefing notes for the Prime Minister's visits abroad and other meetings held in Malta.

During 2009, the Directorate, with the assistance and support of the Programme Implementation Directorate within the Ministry of Finance, the Economy and Investment, concluded the remaining projects under the Transition Facility.

DIANE SAMMUT
Director (EU Affairs)

Programme Implementation Directorate

BACKGROUND

The Programme Implementation Directorate is responsible for the management of the Ministry's Change Management Programme, including facilitating the implementation of the Ministry's endorsed policies, strategies and change management programmes and monitoring the implementation of the required programmes and activities, including Customer Care and Green Initiatives. The Directorate also coordinates and monitors EU funded projects implemented by the Ministry's entities and the appointments on Boards and Committees that fall under the Ministry's remit. The newly set up Conference Incentive Fund is also coordinated from within the Directorate.

EU Structural Funds 2007-2013

During the year under review, the Directorate continued the work to successfully close projects funded under the 2004-2006 programming period. It also coordinated and monitored three projects funded under the 2007-2013 programming period that included the developing of national metrology capacity in support of the industry, a project being implemented by the Malta Standards Authority; the setting up of a life sciences centre, a project being implemented by Malta Enterprise, and the upgrading and embellishment of industrial estates, a project being implemented by the Malta Industrial Parks. Assistance was also extended in the implementation of the seven aid schemes for industries managed by Malta Enterprise.

The Programme Implementation Directorate acts as a liaison between project leaders, the Planning and Priorities Coordination Division within the Office of the Prime Minister and other stakeholders, to ensure effective implementation of EU funded projects. It also assists other divisions and departments in exploring EU funding options for their projects and liaises between the Department of Contracts and other ministries to ensure the timely processing of EU funded tenders.

Customer Care

The Directorate receives customer care queries through the Ministry's website, the Clearance House at the Office of the Prime Minister, telephone calls, letters and personal calls. In mid-June 2009, the Clearance House started operating the e-ID system and since then, whoever sent a query or complaint had to do this with the e-ID system. The following table reports the number of cases which were received by the Directorate through the various channels available to the public:

Customer Care Issues - 2009								
Month	Customer Care Network		Website		Tel	Personal Calls	Letters	Total
	Clearance House	Local Councils	Local	Foreign				
Total	46	10	303	162	220	6	1	748

The Directorate also received and processed complaints from the SOLVIT Centre at the Commerce Division.

Boards and Committees

The Programme Implementation Directorate coordinates the appointments of boards and committees that fall under this Ministry's portfolio. This work is carried out in coordination with the Minister's Private Secretariat, the Office of the Prime Minister and the Department of Information. Records are kept of all members on these boards and committees and a database has been designed to keep records current and updated at all times.

Green Initiatives

The Directorate sustained its green initiatives, mainly through the continual implementation of new measures to safeguard the environment such as waste management, reduction of consumption of water and electricity. Centralised duplex printing was further increased and a scanning option was introduced where possible, in a continuous effort to reduce the consumption of paper. These initiatives were promulgated throughout the Ministry and its entities through the Ministry's network of focal points on green issues.

Constant contact is kept with the Green Leaders' coordination office within the Ministry for Resources and Rural Affairs and every effort is done to implement any measures that arise out of meetings and conferences.

Gender Issues

Throughout 2009, the Directorate followed programmes and attended meetings organised by the NCPE. The outcomes of these meetings were divulged to staff at the Ministry and also to the Ministry's other divisions, department and entities via the network of focal points on gender issues.

Conference Incentive Fund

The Conference Incentive Fund was launched in mid-2009 and this initiative was coordinated and implemented by the Programme Implementation Directorate. This new initiative assisted departments, ministries and entities in the bidding, organising and hosting international conferences in Malta. In this first year, 44 applications were made and 19 conferences were funded. Ten of these conferences took place in 2009, eight will take place in 2010, one in 2011 and a bid was made for an event to take place in 2012. The 2009 conferences brought more than 1,000 delegates for a total of 29 conference days.

Representation on Boards

The Programme Implementation Directorate through the Director participated in a number of boards during the year under review. These included the DAS Replacement Project Board, the Sanctions Monitoring Board, the Board of Standards and the Inter-Ministerial Commission for the European Capital of Culture in Malta - 2018.

AUDREY-ANNE CALLUS RANDICH
Director (Programme Implementation)

EU Paying Authority Directorate

Mission Statement

To perform duties and responsibilities relating to the financial management of EU-Funded projects and EU Own Resources with the aim of maximising the benefits to Malta within the obligations and parameters as set out in national and EC legislation.

MAIN AREAS OF RESPONSIBILITY

- To act as National Authorising Officer (NAO) in charge of the National Fund which had been set up as a Unit for the management of EU Pre-Accession and Transition Facility Funds;
- To act as the EU Paying/Certifying Authority with regard to Structural and Cohesion Funds and other Funds, Programmes and Initiatives, regarding the certification of expenditure and subsequent drawdown of funds from the EU Commission;
- To open and manage accounts in connection with receipts and payments of EU-related funds;
- To disburse funds relating to Own Resources as part of Malta's contribution to the EU Budget.

CORE FUNCTIONS

- Perform the duties of the Paying/Certifying Authority for Structural and Cohesion Funds 2004-2006 and 2007-2013;
- Perform the duties of the National Authorising Officer for Malta and be responsible for the management of the National Fund;
- Monitor progress of the projects which are being financed through foreign funds emanating from the EU and the European Economic Area and other non EU Member States, and draw budgets and forecasts for the said funds;
- Control and report on a regular basis the financial position of the funds and relative disbursements;
- Liaise with the DG Budget on the payment and financial management of EU Own Resources;
- Compile and maintain proper records of ex-ante, interim and ex-post inspections by third parties;
- Perform on-the-spot checks on the stakeholders involved in the implementation of EU-funded projects;
- Monitor the work of the Treasury and Contracts Department, which together are equivalent to the Central Financing and Contracting Unit (CFCU);
- Maintain an ongoing liaison with government institutions on EU-related matters in order to ensure that all commitments emanating from the various funding operations are being met;
- Manage the EU Travel Envelope regarding Malta's participation in EU Council and Commission meetings;
- Manage and process funds related to other EU Programmes, Flows and Initiatives.

WORK REPORT FOR 2009

Pre-Accession and Transition Facility Funding

The Director EU Paying Authority is also vested with the responsibility of National Authorising Officer which is a function directly delegated by the Minister of Finance, the Economy and Investment (MFEI). As stated in the Memorandum of Understanding (MOU), the Financing Memoranda (FM) and EC Financing Decisions for the four Pre-Accession and the three Transition Facility Programmes, the NAO is

recognised as the top leader in the implementation process. These Programmes are regulated by EC Regulation 555/2000.

The NAO continued adopting, in liaison with the European Commission, the Extended Decentralised Implementation System (EDIS) in the management of EU Pre-Accession funds, including the Transition Facility and ensured as an ongoing exercise that the EDIS requirements were maintained.

During 2009, the Office of the NAO liaised with the EU Commission to finalise the Transition Facility Programmes for 2004 and 2005. It is expected that by the end of March 2010 both programmes will be closed. Moreover, the NAO ensured that the deadline of 15 December 2009 in relation to the execution deadline for the Transition Facility for 2006 was attained successfully.

The National Authorising Officer was also involved in the following:

- chaired meetings with the participation of all the Horizontal Stakeholders, including the National Aid Coordinator, PPCD, the Contracts and Treasury Divisions to monitor the progress of all projects under the various Programmes and also to resolve any pending issues;
- participated in the biannually scheduled Sectoral Monitoring Sub Committees together with the National Aid Coordinator (NAC), Senior Programming Officers and the Project Leaders of projects under the various programmes, from various ministries, departments and other entities;
- participated in Steering Committees of Twinning Projects of various departments and ministries;
- issued circulars related to the implementation of projects under the Pre-accession and Transition Facility Programmes. These circulars included reminders to stakeholders regarding contracting and the disbursement deadlines of Programmes, another on Budget Estimates for each Project, and another on the submission of Irregularity Reports;
- participated and contributed in a number of monitoring visits and audits promoted by the European Commission on Projects under the Pre-accession and Transition Facility Programmes at various Implementing Authorities;
- monitored the iPerseus System for the updating of financial data on the various projects;
- communicated its position on various issues and problems encountered.

The total amount of funds received from the Commission during 2009 to finance projects of the Programmes still open, added up to €832,469. Following authorisation of payments according to expenditure effected at project level, €2,067,764 were actually transferred to Government Revenue. Detailed information is included in table below:

Pre-Accession and Transition Facility Funds for 2009		
<i>Programme</i>	<i>Funds transferred to Government Revenue (€)</i>	<i>Funds received from Commission (€)</i>
TF 2005	1,023,742.85	0
TF 2006	1,044,021.40	832,468.80
Totals	2,067,764.25	832,468.80

Structural and Cohesion Funds

The Directorate also had the role of Paying Authority (PA) for Structural and Cohesion Funds and during 2009 honoured Malta's commitments and obligations and fulfilled its functions and tasks emanating from EC Regulations 1260/1999 and 438/2001 for the Programming Period 2004-2006 and as Certifying Authority under EC Regulation 1083/2006 for the new Programming Period 2007-2013.

During 2009, the Directorate experienced a heavy load of work since it had to cope with all the obligations and responsibilities emanating from the Structural and Cohesion Funds system whilst retaining all the responsibilities pertaining to Pre-Accession and Transition Facility Programmes. The Directorate performed a total of 12 certifications of expenditure to the Commission during the year and was directly responsible for overseeing the whole certification process, and drawing up the necessary financial reports and disbursement claims. The said certifications carried out consisted of seven certifications under

Structural Funds for 2004-06 and five certifications under Structural Funds for 2007-2013. All the said certifications were accepted by the Commission and the relative funds transferred to Government Revenue.

During 2009, the PA implemented the strategy for the certification of structural and cohesion funds for the programming period 2007-2013.

The EU Paying Authority continued to establish and maintain efficient communications and contacts with the Financial Services at the EU Commission in Brussels and with the different Funds to ensure a smooth and reliable process.

During the year, the PA participated as a permanent member, in all the various Monitoring Committees for Structural and Cohesion Funds for the periods 2004-2006 and 2007-2013. Throughout the year the Directorate was involved in other fora and communicated its position on various issues including updates for the structure and implementation of the new Structural Funds Database for the programming period 2007-2013 and also on the Manual of Procedures for the same period.

Furthermore, the EU Paying Authority ensured that the funds concerning projects under the Structural and Cohesion Funds were provided and committed in the National Budget. In this process, sound communication links with the Central Bank of Malta (CBM) were maintained at all times and instructions to the CBM were issued to provide statements of account of all transactions, including interest earned on balances and other certifications requested by the EU Commission. Details about the relative accounts were communicated to the pertinent services in Brussels.

The table below indicates the aggregated amounts of Structural and Cohesion Funds per fund for the 2004-2006 Programme received from the Commission and their eventual transfer to revenue following the certifications carried out in 2009. These funds totalled €8,654,334.

Structural & Cohesion Funds 2004-2006	
<i>Fund</i>	<i>Funds transferred to Govt. Revenue in 2009 (€)</i>
ERDF	6,139,036.68
ESF	1,298,380.83
EQUAL	115,909.11
FIFG	375,862.94
EAGGF	303,122.11
Total	8,232,311.67
Cohesion Fund	422,022.79
Total	8,654,334.46

The Structural and Cohesion Funds 2004-2006 (overall to date) table below highlights the aggregate amount to date of Structural and Cohesion Funds certified and transferred to Revenue per fund for the 2004-2006 Programme amounting to €78,704,347 and their respective absorption rates. The global average absorption rate to date for all funds is over 91%.

Structural & Cohesion Funds 2004-2006 (overall to date)			
<i>Fund</i>	<i>Allocation €</i>	<i>Certified and received amounts (€)</i>	<i>% Absorbed</i>
ERDF	46,697,639	44,457,130.67	95.20%
ESF	9,457,500	8,535,955.84	90.26%
EQUAL	1,241,163	1,171,757.01	94.41%
FIFG	2,837,500	2,463,456.02	86.82%
EAGGF	4,200,000	4,102,728.29	97.68%
Total	64,433,802	60,731,028	92.87%
Cohesion Fund	21,966,289	17,973,319.53	81.82%
Total	86,400,091	78,704,347.36	91.09%

Moreover as per table below for the 2007-2013 Financial Period, for the year 2009 and as at to date, a total amount of €45,737,930 were certified and transferred to Government Revenue under the various Operational Programmes (OP) and Funds:

Structural & Cohesion Funds 2007-2013		
<i>Fund</i>	<i>Allocation €</i>	<i>Certified and received amounts €</i>
OPI	443,978,031	18,674,018.78
OPII	112,000,000	3,934,893.00
Cohesion Fund	284,145,020	23,129,018.57
Total	840,123,051	45,737,930.35

Own Resources

The EU Paying Authority Directorate also managed the Bank Account relating to EU Own Resources. During 2009, close relations were maintained with the relevant services in DG Budget of the EU Commission and also local stakeholders mainly the Customs and VAT Divisions and the National Statistics Office, on the payment and financial management of Own Resources, reporting requirements, and the transactions to be made in the accounts and the exchange rate criteria. The Directorate ensured that payments to the EU Commission were effected on a regular basis and in the appropriate manner within the stipulated deadlines.

Payments of Own Resources effected by the Directorate for Malta in favour of the Commission during 2009 are highlighted in the table below and amount to €62,894,239. During the year, the Commission refunded to Malta €3,025,151 as indicated by the negative amount in the totals column.

Payments to the EU during 2009	€
TOR	9,645,369.66
VAT-Based	8,040,893.34
GNI-Based	43,619,948.03
UK Correction	4,218,543.96
Reduction in favour of other Member States	394,635.00
GNI Adjustment	(3,025,151.00)
Total	62,894,238.99

Travel Vote

The EU Paying Authority Directorate managed the Travel Envelope of EU Funds allocated to Malta in respect of the reimbursement of travel expenses for participation in EU Council Meetings as per EU Decision 190/2003 and also implemented the procedures for reimbursement for participation in EU Commission Meetings.

The Directorate conducted the following related work in this regard:

- coordinated the follow-up of all outstanding travel claims with all government ministries, departments and entities;
- formulated Malta's Travel Declaration in respect of the reimbursement of all travel expenses incurred following the participation in EU Council meetings;
- gave its contribution towards the issuing of instructions by MFEI, laying out the procedures to be followed by all government ministries, departments and entities for the reimbursement of travel expenses for participation in EU Council and Commission Meetings, apart from also providing information to the various stakeholders involved and also issuing various circulars in this regard;
- authorised the transfers of the EU funds from the Central Bank of Malta to Government Revenue and the respective government ministries, departments and entities claiming reimbursement of travel expenses following their participation in the respective meetings.

The total of travel funds claimed and transferred to Maltese revenue for participation in EU Council and Commission Meetings during the year in question to date, amounted to €964,550. This included €633,056 for Council Meetings and €331,494 for Commission Meetings.

Other Community Programmes/Initiatives and other work

European Globalisation and Adjustment Fund (EGF)

This fund was established to assist the re-integration into employment through occupational guidance, training and retraining, aid for self-employment, job search allowance and a redeployment scheme. Funds received from the EU Commission allocated to this fund amounted to €681,207. During 2009, the amounts certified and transferred to revenue totalled €318,920.

Solidarity and Management of Migration Flows

The EU Paying Authority Directorate performs the role of Certifying Authority for this Programme for the 2007-2013 period, which includes the four Funds related to Migration Flows, namely European Refugee Fund (ERF), External Borders Fund (EBF), Return Fund and Integration Fund (IF). The aggregate amount for the four Funds is circa €122m for a number of projects to aid Malta in this area. During the year, the Directorate continued to give its input as regards the updating of the Manual of Procedures. Moreover, the CA participated actively in a seminar organised by the Responsible Authority (RA) MJHA in November whereby it delivered a presentation on the role of the CA and on eligibility guidelines. In September, the CA participated also in a DG Justice, Liberty and Security seminar on the Solidarity Programme in Brussels. During 2009, the CA certified and transferred to revenue funds in connection with the ERF, EBF and Return Fund projects, and these amounted to €8,596,737.

Norwegian & EEA Financial Mechanisms (NFM & EEA FM)

Malta is participating in these Funds to achieve a social and economic disparities reduction with regard to participation in the Internal Market. The protection of the environment, the promotion of sustainable development, the conservation of European cultural heritage, human resource development, health and childcare, and academic research are the identified priority areas for Malta wherein eight projects (Technical Assistance included) are benefitting from €3,389,957. During the year, the Paying Authority participated in the Monitoring Committee and Annual Meeting for the European Economic Area (EEA) and Norway Financial Mechanisms. As at end 2009, €535,393 (NFM) and €269,982 (EEA FM) were certified and transferred to revenue.

Swiss Fund

The Directorate was involved in discussions on how the said Fund was to operate and the respective funds certified. The Swiss Government granted a fund amounting to €1.841million, covering 85% of the costs of a PET scanner acquisition, which is the only project under this fund. The PA participated in the Annual Meeting of the said Fund whereby the Annual Report was presented.

Fiscalis Programme

During 2009, work was carried out by the EU Paying Agency in its role as National Coordinator and Representative of the Fiscalis Programme 2013. As Account Holder, the PA managed the Malta Fiscalis Account held at CBM, regarding the transfer of funds from the EU to Government Revenue. Funds from the Commission received during the year amounted to €94,000. It also coordinated and managed Malta's participation in various activities offered by the Fiscalis Programme, such as seminars, exchanges, multi-lateral controls, committees and workshops and also contributed towards the hosting of a VAT-Customs Fiscalis Seminar in Malta. For the year, €148,178, which covered the reimbursement of travel costs by

Malta's participation incurred by various officials across departments and also the costs related to the hosting of the Seminar, were transferred to Government Revenue.

Other Work

The EU Paying Authority was also involved in other specific areas of work as follows:

- certification of €119,055 under the INTEREGG IIIA Italia-Malta programme;
- monitored and processed funds under the PRINCE agreement with the European Commission to finance the euro changeover process. For 2009, the funds transferred to revenue amounted to €384,479;
- played a key role in the setting up of procedures and systems for the certification of the European Fisheries Fund (EFF) 2007-2013;
- involved in discussions and a workshop on the JEREMIE initiative to assist SMEs;
- kept abreast with developments in the EU on various issues.

CLAUDE G CUSCHIERI
Director (EU Paying Authority)

Policy Development Directorate

INTRODUCTION

During 2009 the Policy Development Directorate was characterised by an important addition to its portfolio, namely the coordination of the Malta National Reform Programme (NRP), which saw the Directorate shifting from a merely internal function as Ministry Coordinator to an important role as driver of the Programme.

NATIONAL REFORM PROGRAMME

The Directorate's main assignment for the year was the coordination of the first Progress Report for the National Reform Programme (NRP) 2008-2010, culminating in a publication documenting no less than 79 macroeconomic and microeconomic measures. The Directorate was entrusted with the project, taking over the role from the Management Efficiency Unit which had previously been responsible for the compilation and follow-up of the NRP. In its role as NRP Coordinator, the Directorate received a European Commission delegation on two fact-finding visits in April and June (on the microeconomic, employment, and education measures) and coordinated the Commission's annual official visit in September, which focused primarily on Malta's country-specific recommendations and Points-to-Watch and addressed the relative issues. On a quarterly basis, all ministries (through their respective NRP contact person) were requested to submit a progress report on each measure falling under their remit. The Malta Council for Economic and Social Development and its Gozo Regional Committee were each given a detailed presentation to keep them abreast with the developments. The Progress Report 2009 was finalised and published in October and the launch was given due publicity with a press conference and an interview on national television. The next task at hand for the NRP Coordinating Team is the drawing up of the Closure Report for the current Programme and the formulation of the new NRP for the next cycle.

LISBON AGENDA

During 2009, the Directorate continued in its coordinating role of the Lisbon Strategy for Growth and Jobs. This included providing advice on policy issues and drawing up instruction notes on the current Lisbon Agenda and on the post-2010 Lisbon Process.

In November, the Commission issued a public consultation paper on the post-Lisbon "EU 2020" Strategy. This strategy should enable the EU to make a full recovery from the crisis, while speeding up the move towards a smart and sustainable economy. In this regard, the Directorate drew up a 'non-paper' Malta position prior to its publication by the Commission. Furthermore, the PDD started working on coordinating Malta's consolidated position on the EU 2020 Strategy.

BETTER REGULATION

The PDD is the Better Regulation Ministry Coordinator (BRMC) for MFEI. The role entails identifying opportunities for the reduction of administrative burdens, reporting progress on current Better Regulation measures taken in the Ministry, and acting as a contact point on Better Regulation both internally and with fellow BRMCs.

Until September 2009, the Directorate was also responsible for Better Regulation policy, including the formulation of Malta's position on all issues pertaining to Better Regulation at EU level and the participation in the Group of High Level National Regulatory Experts, Working Party on Competitiveness and Growth and Single Point of Contact (SPOC) meetings in Brussels. Since then, this responsibility has been handed over to the Better Regulation Unit (BRU), which now administers the Better Regulation policy in its entirety.

Up until that date, the PDD had continued with its work on the Government's Administrative Burden Reduction programme, and the Directorate was in negotiations with the National Statistics Office to discuss the possibility of using NSO resources to carry out the measurement across all ministries in collaboration with the PDD. The Administrative Burden Reduction programme has been passed on to the BRU as part of the Better Regulation package.

SINGLE MARKET

During 2009, the Directorate continued to coordinate issues pertaining to the Single Market. In June, the Commission adopted a non-binding Recommendation setting out measures that Member States could take to improve the operation of the internal market. It calls on Member States to report within three years on progress achieved, which will be followed by a cross-cutting assessment the following year. The Directorate followed and took the necessary action on the developments being pursued by the Commission through the proceedings of the Internal Market Advisory Committee (IMAC) meetings.

This was complemented by the usual provision of advice on policy issues and the preparation of Malta's position on the subject.

TRAINING

This Directorate believes in the continuous development and skill enhancement of its personnel. During 2009, PDD staff attended training given by the Staff Development Organisation in the fields of policy making, information technology, presentation techniques, writing skills, interpersonal communication, lateral thinking, and personal development.

INTER-MINISTERIAL COMMITTEES

During 2009 the Directorate represented the Ministry on the following Committees:

- Inter-Ministerial Committee on the UN's Convention on the Rights of Persons with Disability;
- Inter-Ministerial Committee on the International Council of Nurses Congresses in Durban (2009) and Malta (2011);
- Inter-Ministerial Working Group on the Proposal for a Council Directive on implementing the principle of equal treatment between persons irrespective of religious belief, disability, age or sexual orientation (Anti-Discrimination Directive).

CONFERENCES, SEMINARS AND WORKSHOPS

During 2009, the Directorate continued to ensure that it was always duly represented by a member of staff in national conferences and workshops focusing on various policy issues. These included:

- Public Dialogue on the Czech Presidency of the European Union: Europe without Barriers (January);
- ICT, Clustering and Other Networking Frameworks: exploiting their potential to boost competitiveness, innovation and sustainable growth (February);
- Conference on Entrepreneurship and Education (May);
- Malta – Hames Snin fl-Unjoni Ewropea (May);
- Workshop on the Freedom of Information Act (September);
- Half-Day Seminar on IP Enforcement Matters for Maltese SMEs (October);

- Europe after Ireland: What next? (October);
- Business Breakfast on Budget 2010 (October).

OVERSEAS PARTICIPATION

Officials from the Directorate participated in the following conferences and technical meetings:

- Working Party on Competitiveness and Growth – Better Regulation, Brussels (February);
- Joint HLG Competitiveness & Growth and Economic Policy Committee Meeting, Brussels (February);
- Internal Market Advisory Committee (IMAC) Working Group Level, Brussels (February, October);
- Better Regulation Single Point of Contact (SPOC) Meetings, Brussels (February, April, September);
- IMAC Directorate General Level, Brussels (March, November);
- Group of High Level National Regulatory Experts Meetings, Brussels (April);
- Competitiveness and Growth (High Level Group) Working Party, Brussels (October).

MARTIN SPITERI

Director (Policy Development)

Enterprise Policy Directorate

In its second year of operation the Enterprise Policy Directorate was primarily engaged in the transposition of the Services Directive, in development of measures for the furtherance of the principles identified in the EU's Small Business Act Communication and in a number of other activities intended to ensure that the Ministry met its obligations and provided the inputs required for a number of meetings organised by the EU Commission and the Council of Ministers.

SERVICES DIRECTIVE

In the process of transposing the Services Directive, which came into force on 28 December 2009, the Directorate had a coordinating and advisory role in ensuring that a number of other ministries finalised the necessary amendments to primary as well as secondary legislation required to ensure its correct implementation. The Directorate also had to ensure timely action by those Competent Authorities within the Ministry's portfolio that also had to update their legislation. This process reached a major milestone on 29 December with the publication of Act XXIII which included amendments to 16 other Acts as well as the Services (Internal Market) Act (Cap 500). The transposition process also required the setting up of an electronic single point through which applicants could find relevant information as well as submit an application for authorisation to undertake a service activity. Pending the launching of the e-Forms platform by MITA, the Directorate worked with the office of the CIO and the relevant Competent Authorities to collect the necessary data and coordinated with the Office of the Prime Minister to upload this information on the e-Government website in a section dedicated to 'Business'.

SMALL BUSINESS ACT

The Directorate has continued its work on establishing and developing the measures which have been identified to implement some of the principles included in the EU's Small Business Act. The exercise included the establishment of which measures fit in with the local scenario and can be therefore implemented at the local level. These include the possibility of facilitating the transfer of information for SMEs from one government department to another in order to avoid duplication of requests, the setting up of a Consultative Council for Enterprise as a dialogue between Government, regulatory authorities and stakeholders and the establishment of a College of Regulators with the aim of serving as a coordination forum for all entities whose function is somehow connected to the regulation of our market. The Directorate has also looked into the 'softer' measures included in the Small Business Act and has consequently taken action on a number of initiatives. These included the holding of a conference on entrepreneurship education in conjunction with the European Union Programmes Agency and the Ministry of Education, Culture and Youth. On another SBA point, which has been given prominence by the European Commission and which concerns national bankruptcy measures and second chance issues to entrepreneurs, the Enterprise Policy Directorate has compiled a list of best practices for Malta.

DIRECTORATE'S WEBSITE

During 2009, the Directorate worked on the setting up, collection and collation of information for a 'child' website of the Ministry. The website (www.entreprisepolicy.gov.mt) includes ample information about the Directorate's remit as well as news on enterprise policy, entrepreneurship and the EU's policy on the

subject. The website also includes information on the European Commission's working groups, their aims and objectives.

PARTICIPATION AT EU LEVEL

The Enterprise Policy Directorate has ensured participation at the various Council and Commission working group meetings. These include regular attendance for the Competitiveness Ministerial Council meetings, Women Entrepreneurship group, Entrepreneurship education, National bankruptcy and second chance working group, the National Start-up coordinators group and the Entrepreneurship and Innovation Framework programme committee meetings. The Directorate also participated in the EU's conference on the Small Business Act and the European Enterprise Awards, as well as in the initiative to submit two applications from Malta for the European Enterprise Awards 2010.

GENERAL

In 2009, the Directorate started contributing articles which are being published on a fortnightly basis in a Sunday newspaper. The articles touch upon topical items that are of interest to SMEs. Some of these articles included information on the Services Directive, the Late Payments Directive, the EU's Innovation Policy, the Single Market etc.

The Directorate was involved in Government's initiative on the Local Council Enterprise Support Award Scheme, which is aimed at incentivising local councils to take initiatives to assist and promote businesses in their locality.

ANTON SPITERI

Director (Enterprise Policy)

Information Management Unit

During 2009, the Information Management Unit within MFEI consolidated further its position and introduced workflows and procedures to provide a more professional and efficient ICT support in terms of operations, strategy, project management, consultancy, governance and user support to the Ministry and its departments. The IMU was instrumental in leading and implementing most of the IT initiatives and ensuring that these are in line with the overall Government ICT strategy.

Local Area Networks

During 2009, the IMU commenced an exercise to upgrade the whole network infrastructure of the Ministry and departments. The exercise involved the upgrading of all network hubs to managed network switches and the rewiring of network cabinets where applicable. Various other network-related tasks were also carried out in the various departments and these included:

- LAN extensions;
- reconfiguration of switches;
- installation of new switches and distribution switches;
- new network points or their relocation following office moves;
- upgrading of network cabinets;
- relocation of network fibre;
- laying of backbone cables;
- re-patching of telephony points in network cabinets;
- redeployment of network equipment from one premises to another;
- installation of Uninterruptible Power Supplies in a number of network cabinets.

Requests for services

The IMU logged and/or approved a number of requests for services that were required by users across the Ministry and its departments. All final approvals were granted only through the IMU to ensure more control when accessing systems or services and monitor costs. The range of requests for services included the following:

- Alterations in access to CDB accounts;
- Alterations in access permissions to generic email accounts;
- DocReg installations;
- Installations of the Structural Funds Database 2007-2013;
- Provision of Internet, e-mail and Corp accounts;
- Change in users details on Outlook Mail;
- New passwords notifications;
- Deletion of obsolete email accounts;
- Provision or deletion of home connectivity service;
- Provision or deletion of digital secure certificates and/or secure mail tokens;
- Provision or deletion of Teleworking accounts;
- Access to Arch DAS;
- Assign/revoke rights to shared folders;
- Upgrades to the storage limit of generic e-mail accounts;
- Upgrades to storage quota on network drives.

ICT Budgeting 2010

In July the budgeting process to submit the Operational (OPEX) and Capital (CAPEX) ICT budgetary requirements for the Ministry and its departments for 2010 was commenced. A number of meetings with all relevant stakeholders were organised in order to assess the ICT requirements for the coming year. The finalised ICT budgets were forwarded to MITA in October.

Desktop Leasing Programme

The IMU coordinated with MITA the Desktop Leasing Services programme to replace Desktop PCs and Laptops with leased ones. During 2009, leased PCs including a number of laptops were rolled out in all the following entities: Ministry Private Secretariat, Parliamentary Secretariat, Support Services and Corporate Services Directorates, Government Property Division, Treasury Department, Economic Policy Division, Customs Department, Consumer and Competition Division, National Statistics Office, Commerce Division, VAT Department and the Inland Revenue Department. Overall within the Ministry there were approximately 1,400 desktops (combination of PCs and laptops), of which 90% were leased. Other PCs and laptops were not leased for the following reasons:

- They were EU funded or donated PCs.
- They hosted systems which run on old operating systems or UNIX based systems.
- They were dual core PCs which were procured within the last two years.

User and Departmental Support

The IMU provided general technical support to the Ministry and its users. Though support calls were on the decline due to the desktop leasing agreement, whereby the leasing supplier attends to requests related to the workstation, the IMU still received additional requests of a different nature. The support provided consisted mainly of the:

- Provision of minor IT equipment such as Mice and Keyboards;
- Support for problems related to emails such as offline mail, backups, archiving etc;
- Provision of Video Conferencing facilities;
- Servicing requests for Teleworking including provision of ICT equipment and Internet Service at home;
- Transferring of IT equipment, set up of network and telephones following office moves;
- Assisting departments in installing attendance verification systems;
- Configuration settings on user's PCs;
- Participation in boards to identify unserviceable equipment;
- Assisting users in handling files in unsupported formats;
- Installation of non standard software following an exemption process;
- Assisting users in upgrading their leased PC/laptop when required.

The IMU also offered support to a number of departments within the Ministry related to diverse aspects of ICT ranging from project management, consultancy, advice and technical support. The following entities made use of our services: Parliamentary Secretariat, Customs Division, Treasury Division, Commerce Division, Consumer and Competition Division, Accountancy Board, and the Contracts Department.

DAC Accounts

A newly established framework by MITA assigned IMUs administrative rights on workstations within their ministries through a DAC account (Desktop Administrative Client). This account allows the holder of such an account to install software on users' PCs if need be, and also gives access to some settings that are usually disabled for the normal user. The IMU has extended and managed these accounts for a select number of key ICT contacts within the departments.

Patch Management Group

The IMU coordinated the setting up of a number of test users across the Ministry and Departments to assist the Patch Management Unit within MITA. The role of this group of users is to report any unusual behaviour to the MITA Patch Management Unit following the roll out of new patches on their desktops and/or systems. The scope of deploying patches on the testing group is to reduce the possibility of impact on the end user's workstation for both MITA managed systems as well as other third party systems at large. Following this rollout and subject to no issues encountered, these patches will then be released on the other workstation groups as per patch management schedule.

Procurement and Supplier Management

All ICT procurement except for leased personal computers and laptops was centralised within the IMU. This mechanism ensured more control on ICT spending and allowed the IMU to monitor and ensure that suppliers are delivering services/products in accordance to specifications, service agreements and/or contractual obligations. The IMU also checked the legitimacy and accuracy of various invoices related to the procurement of ICT equipment prior to authorising the payments.

To optimise the use of resources and reduce costs, the IMU also ensured that unused equipment available within certain departments was transferred and made available to others that required such equipment.

The IMU was also involved in managing suppliers and coordinating repairs on electronic equipment that needed to be carried out by third party suppliers. The IMU prepared the equipment for pick-up by the supplier, kept track of such equipment and ensured that the equipment was properly repaired and returned to its user/s.

Technician Apprenticeship Scheme

On the initiative of the CIO, an apprentice was engaged at the IMU through the Employment and Training Corporation. The sponsored apprentice is following a three-year course for a Computer Network and ICT Support Technician at MCAST. The apprentice will obtain the necessary hands-on work experience at the IMU by assisting with network related works and the provision of end user support.

ICT Asset Register

The IMU continuously updated the ICT Asset Register with new systems that were implemented or hardware that was procured. The register provides a snapshot of all the physical and intangible ICT assets within the Ministry and its departments. The assets include network equipment, information systems, ICT personnel, work centres and other specialised hardware and software. The asset register is used by the IMU as a basis for a proper ICT asset management framework and for inventory management purposes as well.

Monitoring and tracking of ICT Budgeting and Procurement

The IMU embarked on the development of a database which will be used to internally monitor the IT expenditure and generate reports related to budget expenditure, payments due and forecasting of costs. Due to the sheer number of software licences, digital certificates, IT equipment and ICT services that are procured and/or provided during the year, the use of such a database will assist the IMU to monitor and track better ICT expenditure.

Generic e-mail Accounts

During the past year, the IMU initiated an exercise to validate the number of generic e-mail accounts registered on the Ministry at MITA. A total of 136 generic e-mail accounts with a total of 501 permissions

pertaining to various departments and personnel within MFEI were verified. A total of 146 generic e-mail accounts had to have their user permissions modified due to either movement of staff from one department/section to another or because users joined or left the Ministry. Four e-mail accounts no longer in use were deleted after ensuring that any relevant data had been saved/or transferred.

Open Source Software

The IMU commenced a process to start identifying a number of Open Source Software programs that may be used to replace commercial software. Since open source normally do not incur a licence cost, it makes economic sense to start using this kind of software to satisfy certain non-critical business needs rather than procuring expensive proprietary programs. This exercise is being conducted in conjunction with MITA's Compliance Unit to ensure that only open source software acceptable to MITA is selected for use within the departments.

New websites and related support

The IMU was heavily involved in works related to web related support and development. Responsibility for keeping the Ministry portal www.finance.gov.mt updated also lies within the IMU.

During the year under review the IMU assisted five different departments in launching a new website. These were:

- www.commerce.gov.mt for the Commerce Division
- www.mfst.gov.mt for the Malta Financial Services Tribunal
- www.consumer.gov.mt for the Consumer and Competition Division
- www.consumeraffairscouncil.gov.mt for the Consumer Affairs Council
- www.enterpriepolicy.gov.mt for the Enterprise Policy Directorate

The IMU was involved in the requirements gathering stage, selection of suppliers, project management, quality assurance, domain name registration, hosting arrangements and formulation of maintenance and support agreements, among other tasks.

Following a security scan of all websites hosted at MITA, a number of vulnerabilities were discovered on some websites belonging to entities that fall within the remit of the Ministry. The IMU assisted these entities in making the necessary amendments to their websites to mitigate against such vulnerabilities by liaising with the developers of the sites, MITA and the entities themselves.

The former Euro Portal was decommissioned and its contents archived for future reference. In the meantime the IMU developed a webpage on the Ministry's web portal containing information of historical relevance with regard to the euro changeover process. The webpage *Introduction to the Euro* has been published under the "Library" section of the Ministry's portal. The existing domain name euro.gov.mt was also retained to automatically route users to this web page and also ensures that existing links to the ex-Euro Portal do not become dead links.

Consolidation

As part of the ongoing ICT consolidation exercise within Government and MFEI, the IMU assisted MITA in migrating additional ICT services and systems on to the MITA consolidated environment.

In February 2009, the first important milestone was achieved in consolidating the MFEI departments with MITA. The data and systems on the server housed at the Consumer and Competition Division were migrated onto the MITA consolidated environment and the server was later decommissioned.

During October, the Government Property Division (Joint Office, Estates Management, Finance & Administration and Land Department) were fully consolidated with MITA's IT infrastructure. All PCs and laptops within the Division were joined to the CORP domain and all the data and systems residing on the servers were transferred to the consolidated environment. The servers were later decommissioned. The new setup ensured that GPD now have an ICT set-up within the parameters of government restrictions which is secure and functional at the same time.

Later, in November 2009, following months of testing and continuous technical liaising with MITA, the Trademarks System at the Commerce Division was migrated on to the MITA consolidated environment as well. The Trademarks System is a core system for the Directorate of Industrial Property Registration (IPR) within the Commerce Division. Previously the system was hosted on a small PC server at the Division running an outdated Operating System called Novell which was no longer supported with all inherent risks to the data. The IMU has taken the initiative to commence this migration in order for IPR to have a more secure environment hosting their system and data. The migration of the system and the data was done in such a way so that the whole process was transparent to the users.

Exemptions and Waivers

The IMU received a number of ICT requests which due to GM ICT policies required a formal exemption from the MITA ICT Compliance Department in order to be implemented. The process for coordinating the submission and eventual processing of exemptions by MITA was fully coordinated by the ICT Governance Officer within the IMU. During 2009, the IMU processed a total of 65 exemptions.

Training

During the year under review, officers from the IMU benefited from the following training:

- Developing Senior IT Executive Capacity through Service Excellence - a training workshop sponsored by the Commonwealth Fund for Technical Cooperation (CFTC) of the Commonwealth Secretariat.
- Two training workshops organised by the European Patent Office on Information Systems currently in use by the Commerce Division.
- Microsoft Executive Briefing on e-Government services.
- Training in SAP Business Objects using Web Intelligence and Universe Design.

The IMU was also invited and participated through its officers, in a number of local conferences and/or seminars dealing with IT Security, Virtualisation, Unified Communications and Collaborative tools.

ICT Awareness programme for employees

As part of its effort to provide end user ICT training and support, the Information Management Unit continued with the initiative of the ICT Awareness Programme which was launched in 2008. Another series of short, focused and easy to follow publications were circulated to all users within the Ministry. The intention is that through these publications, users are educated and/or trained on specific ICT topics. Seven publications have been published in 2009 and dealt with the following topics:

- Microsoft Outlook PST files
- File Compression and archiving
- PC Housekeeping tips
- Ergonomics
- Generic Emails
- Using your Outlook 2003 Calendar
- Email threats and related malware

ICT Support for the National Budget 2010

The IMU managed the Ministry's ICT requirements for the preparation of the National Budget 2010. The support commenced weeks prior to the budget as well as during Budget Day itself. The main tasks included the coordination for the provision of dedicated technical support to the Ministry, the allocation of additional and standby hardware, real time updating of the Ministry's web portal with the Budget publications, domain name registration and support on the budget website.

Representation on Boards

The IMU, through the CIO, participated in a number of boards and councils during the year. These included among others, the DAS Replacement Project Board, the SEPA Project Board, the CIO Council and the CIO Forum.

Setting up of MFEI as a DIMIC

The Internal Market Information (IMI) system was set up by the European Commission in collaboration with Member States to facilitate communication between Competent Authorities of the thirty EEA countries. The Commerce Division is the National Coordinator of IMI in Malta and has the overall responsibility for the implementation of the IMI application as required by the Services Directive.

In view of the fact that the IMI is an electronic system, the office of the CIO was delegated with the responsibility to act as a Delegated IMI Coordinator (DIMIC) for services falling within the Ministry's respective area/s of responsibility. DIMICs and subsequently the IMU had the responsibility to register Competent Authorities in the system, manage their data, monitor progress of requests and assist in case of problems.

European Social Fund Application

The CIOs of MFEI and OPM teamed up to submit a joint application through the Centre for Policy Research and Training (CPRT) to tap EU funding in order to provide Specialist ICT training for staff in Information Management Units and other ICT personnel.

The project, entitled *Strengthening IMUs and other related functions through specialist training*, was submitted under Priority Axis 4 of the Operational programme II – Empowering people for more jobs and a better quality of Life. In November, the Planning and Priorities Coordination Division approved the application for co-financing. The funding available for this project amounts to approximately 2 million euro over a three and a half year period. Work on this project will commence in early 2010.

LEMIS

In September, the Department of Contracts awarded the tender for the Land and Estate Management Information System (LEMIS). Following the award, the IMU was involved in a series of meetings between the Government Property Division, MITA and the supplier to agree on a project implementation plan and finalise the contract. The project is targeted to commence in early 2010.

Services Directive

The Services Directive requires Member States to provide for the completion of all authorisation procedures electronically as well as the provision of the relevant information to enable would-be service providers to apply for an authorisation. These responsibilities were assigned to the Competent Authorities (CA) responsible for the licensing schemes identified in Malta, and therefore Competent Authorities are required to:

- Identify and organise all relevant information necessary for would-be service providers and service recipients, and ensure it is clearly structured and easily available.
- Collate all relevant information and ensure that it is kept updated through regular review. Responsibility for this review to be clearly assigned to identified officials in each CA.
- Draw up guidelines explaining the requirements for authorisation and the procedures applied in the application process.

In order to provide these services, it was necessary to set up a Website/Portal to give access to information and enable completion of all procedures online. This was done by classifying the different schemes which are operated in Malta under the service sectors as per NACE headings (16 in all) and providing a short description of each with links to the relevant CA and main legislation, as well as to a pdf file containing the required information and guidelines for the application procedures with the relevant application form. This required the inclusion of a new page in the www.gov.mt portal (www.eugo-malta.gov.mt) leading to sixteen new pages, each containing links to information pages in pdf format as well as application forms. In the interim, MITA are evaluating submissions for an e-forms solution for Government, which will cater for the needs of the e-Means part of the Services Directive.

EGPA Conference

Between 2 and 5 September 2009, the Ministry organised the European Group for Public Administration (EGPA) Conference. The IMU was involved, during the organisation of the conference, to oversee the provision of all IT and related equipment as well as the provision of graphic design services. The subject of the conference was *The Public Service: Service Delivery in the Information Age*. The IMU also assisted the organisers of the conference in setting up the conference website www.egpa2009.com

ICT Support to Customs

The IMU works constantly with Malta Customs to assist and eventually finance the ICT systems required by the Customs Division. During 2009, the IMU assisted Customs in implementing the following:

- deployment of an extension to the Export Control System;
- signing of the Contract with Steria to implement the Single Administrative Document on the e-Customs system;
- compilation of the Single Administrative Document (SAD) by Steria;
- implementation of the Customs Risk Management System;
- the evaluation process for the selection of the Excise Movement Control System;
- establishing the hardware and maintenance support required to host the eBISCUS Suite comprising the Tariff System, TARIC System, Manifest, and Reference Tables;
- general support to users and traders on Customs Information Systems;
- debugging of errors on Information Systems when these arise.

Used Vehicle Valuation Web Portal

The IMU assisted the Financial Policy Development and Analysis Directorate within the Ministry and the Malta Transport Authority in improving the functionality of the new web portal, to allow second-hand car dealers and private importers to obtain indicative vehicle registration tax due on car imports both from EU and non-EU countries. In 2010 the portal will also include data for motorcycles. The portal is available at <http://www.valuation.vehicleregistration.gov.mt>

ALBERT VELLA
Chief Information Officer

Tax, Pay and Social Welfare Policy Directorate

BACKGROUND

The Tax, Pay and Social Welfare Policy Directorate was set up in November 2006 to contribute to enhanced economic and financial well-being by ensuring that professional standards of financial management apply across Government, by promoting tax, welfare and expenditure policies that improve the quality and cost-effectiveness of public service delivery and make for a tax and benefit system that is fair, equitable and efficient. In addition, a consultation and policy formulation capacity concerning the financial services sector was introduced and implemented within the Directorate.

ASSIGNMENTS UNDERTAKEN

Tax Policy

The Directorate firmly embedded itself as the policy vehicle which links the Ministry with the revenue collecting line departments. Hence the Directorate continued on its mission to refer policy issues, both domestic as well as those which form part of our international obligations, to the Directorate by the VAT, Inland Revenue and Customs Departments for direction and formulation. Several consultations were carried out with potentially impacted sectors of the business community and the feedback was recorded, so as to be able to formulate policy proposals which incorporate such views. The Directorate has also attended various working party/group meetings at EU Commission and Council level on diverse issues such as the intra-EU recovery of tax revenue and green taxation. Malta's position for each of such meetings was constructed after the necessary consultation with line departments and other Government entities.

The Directorate works closely with other departments/entities both within the Ministry and across Government to assist in the establishing of rates which are not solely aimed at generating revenue but also take into consideration the prevailing social, environmental and commercial realities. The Directorate was directly involved in the closure of a number of infringement proceedings instituted by the Commission.

Motor Vehicle Tax Reform

The motor vehicle registration and annual circulating tax reform was a primary issue which has taken up a substantial part of the Division's resources. The first phase of the motor vehicle tax reform addressed the M1 sector which concerns the passenger car sector, while the second phase addressed the M2 and M3 as well as the N1, N2 and N3 sectors that sum up the commercial sector.

The Motor Vehicles Registration and Licensing Act was brought into force on 1 January 2009, and addressed the passenger car sector (M1). Throughout 2009, the new system was monitored and fine-tuned in order to ensure its smooth running vis-à-vis the impact it has on the stakeholders. Thus, a number of diverse and conflicting issues were considered. These included the existing fleets of vehicles, new and used registrations, as well as the wider impact on stakeholders such as the concerns of the dealers and importers, environmental issues, the impact on the business sector and the obvious effect on government revenue brought about by any new proposal. This was done in collaboration with a motor vehicle valuation company of international repute which assisted in the valuation process of used vehicles and the online hosting of a website to provide data to the taxpayer.

During 2009, the Directorate also overhauled the rest of the motor vehicle registration and licensing sector, known as ‘commercial vehicles’. The relevant amendments were brought into force on 1 January 2010 and within the deadline given to the Commission. Whilst the underlying principles were also based on the polluter pays system, it was felt that the tax criteria should be different to those adopted in the passenger vehicles sector and should reflect the diverse use of commercial vehicles as well as the potential for emissions.

Pay and Social Welfare Policy

The Directorate was also involved in a number of initiatives and reports drawn up in conjunction with other government bodies.

Financial Services Policy

During the year under review, the Directorate expanded its activities to incorporate a structured financial services policy formulation capability. The Directorate participated in a number of committees and working groups within the European Council and Commission including:

- Financial Services Committee which assists the European Council to define the medium and long-term strategy for financial services issues;
- European Banking Committee which assists the European Commission in adopting and implementing measures for EU Directives and provides advice on policy issues related to banking activities;
- European Securities Committee which assists the European Commission in adopting implementing measures for EU Directives and provides advice on policy issues in the securities field.

IMAN SCHEMBRI

Director (Tax, Pay and Social Welfare Policy)

Financial Policy Development and Analysis Directorate

FINANCIAL MANAGEMENT

Following a review of all financial regulations and circulars, work continued on consolidating the financial management framework, with a view to updating the respective legislation, namely the Financial Administration and Audit Act and subsidiary legislation, namely the General Financial Regulations. The main objectives of this exercise will be to:

- modernise the financial management system across public administration;
- enable public sector managers to manage better, and being held more accountable;
- ensure the timely provision of quality information; and
- eliminate the waste in the use of public assets.

This process will be a priority area in the 2010-2011 period with a view to introduce the necessary amendments in the coming years.

Transport

In the course of 2009, the Directorate became responsible for the Fleet Management System (FMS) which is a system that is being currently installed across all government ministries and departments. It is planned that in future this system will be installed also across all public sector organisations. The FMS allows Government to manage its fleet more efficiently. The current main functions of this system are fuel management, maintenance and repairs. As announced in the 2010 budget speech, Government is committed to publishing its carbon dioxide emissions. In this respect the FMS will provide supporting information related to carbon dioxide emissions by government transport. This is in line also with the objectives set by the Air Quality Plan published by the Ministry for Infrastructure, Transport and Communications, namely a reduction in vehicle emissions, modal shift and promoting cleaner technologies.

In view of the importance of this policy area, with over €11.0 million being voted for 2010, a specific unit was set up within the Directorate in 2009. The replacement and disposal programme that was embarked upon was consolidated in 2009, with a view to Government having a cleaner, newer and smaller fleet of vehicles. A circular related to the purchase of fully-expensed vehicles by retiring officers was also issued in 2009.

In 2010, it is planned to consolidate the implementation of the FMS by its implementation by the Police and the Armed Forces. Additionally, the reporting framework and fuel usage verification will be consolidated. There are also plans to centralise the disposal of surplus vehicles or those which are beyond economical use or repair. The Directorate will also start to assess the feasibility of overhauling the procurement of vehicles and explore the feasibility of leasing and insuring government-owned vehicles. Such work will be carried out between 2010 and 2011.

Utilities and telephony

Expenditure by ministries and departments amounted to an estimated €26.7 million in 2009, including water, electricity and telephony. Benchmarks were established under an initiative whereby ministries and

departments contribute to the planting of trees, with a view towards reducing carbon dioxide emissions and Corporate Social Responsibility (CSR). Discussions with mobile telephone service providers continued during 2009, with a view to having a service-wide agreement. It is hoped to finalise this agreement in 2010. An inventory of carbon emissions by individual government departments and entities will be carried out in collaboration with the Ministry for Resources and Rural Affairs. The objective is to establish the level of carbon dioxide emissions in order to establish targets through which such emissions will be decreased in the coming years.

Obesity

The Directorate represented the Ministry on the Intersectoral Committee to Counteract Obesity (ICCO), which is responsible for:

- translating measures outlined in the European Charter on counteracting Obesity(2006) into a series of specific sectoral and intersectoral objectives and implementation strategies, within an appropriate timescale and priority ranking as defined in a working plan (action plan);
- ensuring close collaboration and consistency of action regarding food and nutrition as described in The Malta Food and Nutrition Policy (1988);
- making proposals to Government on any matters related to its functions;
- reporting regularly to the Authorities on progress achieved.

Several meetings were held with the Public Health Regulation Division and a plan of action was agreed to. This led to an initial vote equal to €150,000 being voted in Budget 2010 in order to draw up a strategy on obesity. The strategy will aim at furthering research in this area and proposing targets that are socially and economically viable in order to effectively reduce the level of obesity in the adult and young population.

Late Payments

Numerous payments in commercial transactions among businesses or between enterprises and public authorities are made after delivery and frequently later than arranged in general commercial conditions. These habits impact liquid assets and complicate the financial management of businesses. Furthermore, overdue payments by public authorities weaken the credibility of policies and makes operating conditions for businesses unstable and unpredictable, thereby hindering growth and employment.

In the course of 2009, the Directorate was assigned responsibility for examining a proposal by the European Commission for replacing and repealing Directive 2000/35/EC: Combating Late Payment in Commercial Transactions, proposing amendments to it and attending Working Party Competitiveness and Growth meetings. Moreover, several meetings and consultations were held with various stakeholders in order to set Malta's position in this regard. Consultations with the business community were led by the Enterprise Policy Directorate.

Plans are underway to initiate an exercise in 2010, in order to identify the time taken by Government to settle outstanding invoices. The objective is to entrench financial responsibility across all the public sector by engaging in better financial planning and execution.

Insurance

In the course of 2009 the Ministry, through the financial policy development and analysis directorate, started evaluating the cost-effectiveness of introducing insurance cover against medical malpractice; and on government-owned vehicles and government property.

In this respect, the Directorate carried out some background analysis where an insurance specialist was appointed in order to assist Government to determine the feasibility of insuring against these risks. The priority area identified was medical malpractice. In the course of 2009 contact was established with the

Health Care Services Division within the Ministry for Social Policy in order to identify target groups. Background research was also carried out in order to explore the practice of other EU member countries in this regard. Work on this area will be consolidated in 2010.

Funding of Public Broadcasting

The Directorate was assigned the task of looking into the funding of the Public Broadcasting Services Ltd (PBS), which is currently funded by revenue generated through commercial activities and funds provided by Government through the Public Service Obligation agreement that had been signed between PBS and Government.

In 2009 the Directorate, in conjunction with the Ministry of Education, Culture, Youth and Sport, started identifying a number of options that could be used to fund the PBS in the future. An analytical review of the financial position of PBS was carried out in order to establish a benchmark and provide assistance in the shorter term.

Background research was also carried out to identify existing methods by which national broadcasting stations are funded in other EU member countries. It is planned that work on the funding of the PBS will be intensified in 2010 with a view that a new mechanism will be established by 2011.

BUDGETARY MEASURES

Vehicle Registration Tax and Licensing

The reformed motor vehicle registration and licensing regime for cars and motorcycles came into effect on 1 January 2009. The new taxation system is based on carbon dioxide and particulate matter emissions, together with the length and registration value of a vehicle. The registration value is determined in terms of Cap 368, Motor Vehicles Registration and Licensing Act.

During the year, the Directorate was responsible for enhancing the mechanism by which the registration values are calculated and the system now includes motorcycles, mileage and month of registration. The registration values are published by the Authority for Transport in Malta through the official Malta Transport Authority Motor Vehicle Registration site (eReg) portal. This portal won the Good Practice Label by the European Commission in recognition of proven credibility, excellence and scope of research. The vehicle registration and licensing system (www.vehicleregistration.gov.mt) allows motor vehicle agents, dealers as well as the public a number of services related to vehicle registration, including access to the registration value and registration tax of over 40,000 models. The registration values are published on the basis of local market evidence.

During 2009, the technical proposal for the reform of commercial vehicles (N1, N2, and N3 categories) and M2/M3 vehicles was presented with the aim of bringing the regime into effect as of 1 January 2010. For commercial vehicles the registration tax is calculated on the N category, euro standard and Gross Vehicle Weight (GVW).

It is expected that a significant proportion of the Directorate's efforts in 2010 will continue to be dedicated to the fine-tuning of the system and collection of data.

Other measures

The Directorate was also responsible for the drafting and administration of a grant scheme whereby officially recognised sport associations can benefit from a grant of 15.25% on the capital expenditure incurred on their sport facilities.

Another budgetary measure which the Directorate helped implementing was the deduction, for income tax purposes, of the membership fee paid by those parents who send their children to recognised sport associations, with the deduction being capped at €100.

OTHER

EGPA 2009 Conference

The Ministry of Finance, the Economy and Investment co-hosted the Annual European Group for Public Administration (EGPA) between 2 and 5 September 2009. This conference was attended by over 400 participants. The theme of the conference was *The Public Service: Service Delivery in the Information Age*. The Directorate was responsible for the logistics and assisted in the preparation of this conference. Related information is available at www.egpa2009.com

Pandemic Preparedness

In the course of 2009, this Directorate continued representing the Permanent Secretary, Ministry of Finance, the Economy and Investment on the National Pandemic Preparedness Committee (PPC). This was integrated with the Civil Protection Council (CPC) which is chaired by the Minister for Justice and Home Affairs. The committee is made up of high-ranking officials from various ministries as well as a representative from the Opposition.

Investment Facility

During 2009 the Directorate continued representing Malta as member on the Investment Facility Committee (European Investment Bank). The Investment Facility (IF) is a revolving fund, i.e. loan amortisations will be re-invested in new operations.

The IF provides various forms of risk sharing financing instruments for investment projects in most sectors of the economy. This includes projects in the commercially run public sector and in the infrastructure sector which are key to the development of the private sector, as well as the financial sector. IF support is provided through: debt finance; guarantees; equity-type financing; and acting as an investor in private equity funds. All projects funded by the IF must be economically, financially, technically and environmentally viable.

HERALD BONNICI

Director (Financial Policy Development and Analysis)

Consumer and Competition Division

ORGANISATION STRUCTURE

The Division encompasses four directorates namely the:

- Competition Directorate, responsible for the application and enforcement of competition law;
- Consumer Affairs Directorate, which is responsible for mediating between consumers and traders, disseminating information regarding consumers' rights and education;
- Operations Directorate responsible for monitoring of prices in specific sectors, such as medicines and foodstuffs; and
- Enforcement Directorate, responsible for the enforcement of the price indications and price monitoring.

The Consumer and Competition Division also incorporates the Office for Fair Competition and Department of Consumer Affairs in terms of the Competition Act (Cap. 379) and the Consumers' Affairs Act (Cap. 378).

OFFICE OF THE DIRECTOR GENERAL

European Consumer Centre - Malta

The European Consumer Centre of Malta (ECC) is part of the European Consumer Centres network with offices throughout all EU member States, Iceland and Norway. The underlying objective of the network is to enhance consumer confidence in the Internal Market. In 2009, the ECC submitted an application to the European Commission for a grant covering 50% of its operative costs for 2010. The application was successful and the grant agreement was signed in December 2009. Since the Centre has been nominated as the Article 21 designated body as of 2010, its tasks have been extended to provide information to service recipients for the purposes of the Services Directive.

Promotional Activities

Collection of information on EU and national laws

The Centre researched and collected information on a number of laws of interest to consumers. The information was simplified to form the basis of the new website which the Centre envisages to launch in 2010. Topics researched were air passenger rights, rail passenger rights, timeshare, consumer credit, payment methods, purchasing of cars from other member states, classification of accommodation establishments, and, the European Small Claims procedure.

The Centre also issued the following publications:

- Education material on the sale of consumer goods and guarantees;
- A booklet and bookmarks with comprehensive information on the purchasing of a vehicle from another Member State;
- Flyers and sign on 'Howard' an interactive web application to assist consumers in deciding whether a particular website is trustworthy or otherwise;
- An annual report for the ECC for 2008;
- A contribution to the Network's 2008 Annual Report.

Cooperation with other stakeholders in the field of consumer protection

The ECC also liaised with a number of stakeholders in the field of consumer protection in Malta in order to discuss a variety of issues of relevance to consumers:

- The Consumer and Competition Division: air passenger rights, the organisation and performance of a Scams Awareness campaign;
- Lotteries and Gaming Authority: case handling, request to discuss the possibility of notifying the Authority as an ADR in the field of gaming;
- Malta Communications Authority: Euro-Label trust-mark, notification as an ADR;
- Malta Tourism Authority: timeshare, hotel classification, guest accidents in hotels.

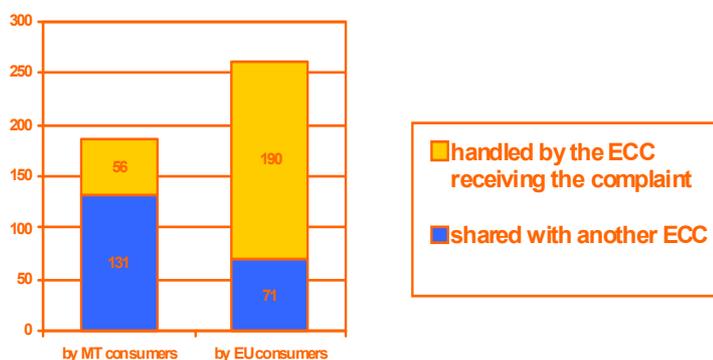
Direct Provision of Information

A fundamental role of the ECC is that of providing clear and timely information. In 2009 ECC Malta addressed 3,590 enquiries, a substantial increase from the 2,256 received in 2008. Out of these, 995 were directly related to the ECC. The other 2,595 enquiries were consumer-related but did not fall within the competence of the Centre and were forwarded to other organisations, mainly the Consumer and Competition Division. Out of the 995 enquiries handled, 557 were information requests logged in the Commission's IT tool. The remaining were classified as complaints or handled otherwise due to their nature.

Assisting a Consumer with a Complaint/Dispute

In its grant application, ECC Malta had envisaged a case load of 195 complaints for 2009. Effectively, the ECC handled 261 complaints from EU consumers against Malta-based businesses and 187 complaints from Maltese consumers against businesses based in other EU member states for a total of 448 cases. This figure significantly exceeds the amount handled in 2008.

ECC Malta was directly involved in the handling of 258 of these cases either exclusively or in conjunction with another ECC. In the remaining cases, the Centre was informed of the problem by the ECC receiving the complaint against a Maltese business. These did not necessitate the Centre's direct intervention.



Networking and Feedback

Statistics

A log of all enquiries received is kept and statistic exercises collected monthly. Furthermore, ECC Malta also forms part of the ECC IT Tool Key User Group which deals with the development of a database for use by the ECC Network.

Joint Research Projects

In 2009 the Centre participated in four joint research projects of the network on air passenger rights, prepaid mobile telephony cards, hotel classifications, and a price comparison of high street brands. The Centre also contributed to a joint project on ADR which started in 2008.

Participation in consultations at EU and national level

In 2009, the Centre received a total of 67 requests for information from the Commission. It also received numerous requests on a variety of issues from other Centres within the network as well as from other organisations and research companies.

Enforcement – Administrative proceedings

With regard to administrative enforcement, investigations and administrative proceedings in terms 12A and 14A of the Consumer Affairs Act were carried out in a number of cases related to unfair commercial practices issues. Such cases included one instance against a service provider (telephony – fixed and mobile, internet and television) which action eventually stimulated a unilateral withdrawal of a charge and a commitment to refund those consumers who had already paid such charge. In another case, the service provider (mobile telephony) tariffs were investigated and concurrently administrative proceedings were instituted due to the presence of misleading actions and misleading omissions, an administrative decision according to which the service provider was fined. In yet another case, the advertisement and promotion adopted by a service provider (mobile telephony) gave the consumer misleading information that materially distorted the economic behaviour of the average consumer, and omitted material information that is necessary for the consumer to take a transactional decision, in this case the administrative proceedings and the concurrent interim measure were issued.

World Consumer Rights Day

The theme chosen for 2009 was *Advertising: Fact or Fiction?* This theme complemented that chosen by Consumers International which emphasised the importance of healthy eating. The aim of the event was to inform consumers on their rights.

The Minister of Finance, the Economy and Investment launched the event during a press conference wherein he also emphasised the importance of identification and exposure of scams. Scam boxes were distributed to local councils for use by consumers and the material received was analysed. An analogous event was organised in Gozo.

COMPETITION DIRECTORATE

The Directorate is responsible for handling complaints regarding potential infringements of competition legislation. The Directorate advises the Director General regarding the exercise of his powers under the various laws and draws up reports and issues formal decisions on the basis of investigations conducted.

Complaints

A total of 18 cases are being investigated by the OFC, seven of which were newly submitted complaints referring to alleged infringements of the Competition Act concerning *inter alia* communications, provision of services, insurance and others.

The office received an informal complaint on CFLs concerning the scheme from importers participating in the Scheme. The Office eventually decided to look into matter and concluded the case.

Investigations

Investigations carried out further to specific complaints concerned primarily the following markets:

- Concerted Practices (Art. 5 infringements):
 - Port services;
 - Retail.

- Abuse of dominance (Art. 9 infringements):
 - Port services;
 - Access to essential facility;
 - Communications;
 - Energy;
 - Transport;
 - Insurance.
- Examined under both Art. 5 and Art. 9:
 - Insurance

Decisions

During 2009, the Office for Fair Competition delivered four decisions. These decisions concerned the provision of services at yacht marinas; provision of insurance cover, price discrimination in tariff surcharge in the energy sector and the grant of licences for double-deckers. Four complaints concerning communications, groupage cargo, transport and the media sectors were dismissed since the complainants did not substantiate their allegations. In another two instances (mobile telephony and the food and liquid waste sectors), the complainants did not pursue the matter.

Using the newly adopted method for commercial dispute resolution, the office managed to bring about a settlement in connection with a case of refusal to supply in the flour market.

Concentrations

LN 294 of 2002 (Control of Concentrations Regulations) requires that in specific circumstances undertakings are to notify the office and, if the proposed Concentration does not present any competition law concerns, the Office gives its go ahead for the business transaction to proceed. The Office gives its consent to such a go-ahead after conducting an analysis on the effects of such a transaction on the relevant market. Therefore, businesses planning such a venture frequently request pre-notification meetings with the Directorate for advice. In this respect the office conducted meetings and where appropriate drew up reports. Such reports included the gaming, insurance and communication sectors.

Advice Tendered

Tendering advice continues to be another important aspect of the work carried out by the Directorate. In 2009, government departments, local authorities, law and accountancy firms, businesses and individual consumers sought advice from the Directorate on competition issues. Such advice is also tendered to foreign companies and law firms.

Advice tendered mainly dealt with the following issues:

- Motor Vehicle Registration Tax;
- Privatisation of yacht marinas which are currently administered by the Malta Maritime Authority;
- Communications;
- Sports Rights;
- Transport Coaches,
- Scheme to promote the domestic use of compact lamps;
- Regulatory competences.

Cases before the Commission for Fair Trading (CFT)

The Directorate represents the OFC in cases before the CFT when an undertaking asks for a revision of the complaint before the CFT. During 2009, the Directorate represented the OFC in the following sectors: transport, communications, television and marine services.

Review of Reports

The Directorate expressed its position on various papers or working documents including:

- negotiations with the USA on consumer protection;
- codification exercise of Council Regulation applying rules of competition to transport by rail, road and inland waterway, and the codification exercise of Council Regulation on the application of Article 81 (3) of the Treaty to certain categories of agreements, decisions and concerted practices between liner shipping companies;
- White Paper on Competition Collective Redress and Class Actions; and
- Green Paper on Consumer Collective Redress and Class Actions.

This Office was also involved in the Consumer Rights Directive.

Cooperation with other Local Authorities/Organisations

During the year the Directorate conducted several meetings with various regulatory authorities and organisations. These meetings were either informative with the scope of keeping up to date with developments in specific markets or complaint related. With reference to the latter, the Directorate held several meetings to examine specific complaints and determine the best placed authority to conduct an investigation. An example is the Malta Resources Authority (MRA).

OFC officials held various discussions on matters of mutual interest with other sectoral organisations including the Malta Financial Services Authority, Central Bank, MRA and the MCA. A Memorandum of Understanding has been signed with MRA.

Collaboration with MUESAC

The Directorate, together with MUESAC, organised an information meeting for stakeholders in the motor vehicle sector with regard to the motor vehicle block exemption regulation.

Relations with the European Commission and other International Organisations

The Directorate became heavily involved in international fora. The OFC's full participation within the European Competition Network (ECN) established under Regulation 1/2003, the Global Forum on Competition within OECD and the International Competition Network (ICN) has been reactivated.

Officials within the Directorate regularly attended meetings organised within the ECN framework.. The Directorate was also appointed as rapporteur.

OPERATIONS DIRECTORATE

The main functions of the Directorate are to monitor the prices of medicines to verify whether these are fair and reasonable, and to monitor the prices of consumer products, mainly food items, in order to detect any collusive practice amongst traders which may be to the detriment of the consumer. The Directorate was also entrusted with the disbursement of the subsidy granted to bakers for the production of the Maltese-type bread.

Price of Medicines

The basis of the price mechanism is external price referencing, whereby the price of each medicine is compared to an average price of 12 European countries. The pharmaceutical market is dynamic since prices are subject to frequent changes, especially in some reference countries. National pricing regulatory systems are also subject to change. These aspects, together with the exchange rate of the local currency

against the euro, prompted the Directorate to carry out a new pricing exercise to establish the new average prices. As a first step, the average price of the 116 medicines, the price of which exceeded the average and for which no agreement was reached with the importer, was calculated again. The results showed that the calculated average price had decreased in 70% of the cases.

Apart from the above, another 241 medicines were checked and the prices of 65 were found to be higher than the average price. The number of medicines that have decreased in price in 2009 was three. The decrease in the consumer price varied between 7% to 27%.

The Directorate performed 346 inspections in private pharmacies related to medicinal pricing and investigated 27 complaints lodged by consumers. During these inspections, data was compiled regarding the composition, presentation and the consumer price of 1,801 medicinals. Concurrently, the prices of medicines were monitored and where necessary investigated. Where it was found that the consumer had been overcharged, the Directorate ensured that the consumer was refunded and that the respective medicine price was corrected.

The Directorate compiled and provided information on the prices of pre-selected categories of medicinal products related to the INFOPRICE project, which is spearheaded by the Directorate-General Enterprise and Industry within the European Commission. The project aims at improving the availability, exchange and comparison of pharmaceutical pricing between Member States, as well as EEA-EFTA countries. The data is compiled twice yearly and analysed with a view to facilitate benchmarking and price comparisons at EU level.

Market Analysis

The Operations Directorate inspected 12 supermarkets on a monthly basis and another supermarket was visited on a bimonthly basis. A total of 150 inspections were carried out during 2009, in order to monitor the consumer price trends of 330 consumer products considered to be market leaders in their relevant sector, namely in the food, beverages and toiletries sectors.

Apart from the actual consumer price, the Directorate also monitored the recommended retail prices of the same category of products. This was carried out in order to ensure that supermarkets did not mislead consumers by increasing the recommended retail price set by the importer giving the impression that the consumers were being offered a higher discount.

From the analysis of the data collected, it transpires that some products are cheaper in one supermarket while other products are cheaper in other supermarkets. It should be noted that this situation was also noticed in supermarkets in some other EU member states. This makes it harder for customers to determine which supermarket is actually offering the best price deals. From a study carried out by the Directorate on a basket of 90 products, it resulted that there was a 6% difference in the total cost between the highest and lowest priced supermarkets that are monitored. Therefore the Directorate is attempting to ensure that any claimed recommended retail prices are consistent across Malta. This will eventually help consumers to evaluate the discounted prices prior to their purchases, from the respective retail outlets.

Dolceta website

In March 2009, a presentation was delivered by the Directorate during the launching of modules 3 and 4 of the Dolceta Project which is funded by the European Commission.

Bakers' subsidy

Subsidies to bakers amounting to €140,656 were disbursed in 2009. The 45 bakers who utilised light heating oil for the production of Maltese bread benefitted from the subsidy as per agreement reached between the Bakers Union and the Ministry. The objective of the subsidy was to maintain a level playing

field between bakers utilising gas heating and others utilising light heating oil for their furnaces. The rate of subsidy was equal to the already existing subsidy of liquefied petroleum gas. Each baker utilising light heating oil received a subsidy that was proportional to the amount of flour purchased to produce Maltese bread. The subsidy was terminated at the end of July 2009, when the prices of liquefied petroleum gas reflected production cost.

Following the liberalisation of the Maltese-type bread, two exercises were carried out in the first five months of the year in 96 bakeries to collect prices and analyse the price variations and trends nationally. After the variance in prices of the first months of the year, the market seemed to settle down and the consumer price for the large loaf varied €0.05 between the different bakeries.

ENFORCEMENT DIRECTORATE

Price Indication Regulations

The Directorate carried out 14,828 visits in the various retail outlets. In total 146 warning letters were issued and legal action taken in three instances. Warning letters were issued to 92 retail outlets, 22 hawkers in open-air markets and 32 vegetable hawkers.

Price Indication – Vegetable Hawkers and Open-air Markets

Price indication surveillance was carried out at open-air markets in a number of localities. Results were as outlined below:

Category	Number of Inspections	Compliant	Non-Compliant
Retail Outlets	11,882	11,786	96
Vegetable Hawkers	644	609	35
Open-air Markets	2,302	2,238	64

Price Indication – Cars

The Directorate contacted the three major car importers associations in order to compile an exhaustive database of all car sellers. This was done to ensure that all operators in the sector are compliant with the Price Indication Regulations.

Price Indication – Feasts, Jewellers and Perfumeries

During August, the Directorate carried out price indication investigations at jewellery and perfumery shops and during feasts, the results of which are listed in the table hereunder:

Visits carried out at Feasts, Jewellers & Perfumeries					
Feasts		Jewellers		Perfumeries	
Compliant	Non-Compliant	Compliant	Non-Compliant	Compliant	Non-Compliant
30	18	56	15	0	13

Price Monitoring

Five leading supermarkets asked to submit consumer purchasing patterns for a selection of brands on a sales volume basis. Analysis of this information was used to compile a list of fast moving items: soft drinks, beers, wine, tinned food, tea, coffee, sauces, pasta, rice, baby food, cereals, oils and butter, fresh dairy products, frozen and chilled meat, frozen foods, sugar, sweets and snacks, detergents and toiletries. The prices of these commodities are being monitored monthly from the following establishments:

- 12 Supermarkets - 252 fixed commodities;
- 18 Butchers - 34 fixed items;

- 67 Restaurants - monitoring 730 items;
- 42 Kiosks - monitoring 347 products.

Exercise on the Prices of Solar Water Heaters/White Goods

The Directorate started monitoring the prices of solar water heaters and white goods. Prices of 125 solar water heaters from 32 importers/traders were monitored. As regards white goods, a total of 559 items from 27 shops were examined. During this exercise Surveillance Officers also checked for compliance with the Price Indication Regulations.

Complaints/Court Cases

During 2009, the Directorate investigated 121 complaints: 85 were on price indication, 32 cases indicated an abuse on misleading prices and the remaining four did not necessitate any further action. Furthermore, the Police Citations Office was asked to initiate proceedings against three commercial establishments for having violated the Price Indication Regulations. Two cases resulted in an acquittal and the other resulted in a fine. One case from 2008 is still pending.

Exercise on the Monitoring of January Sales

The Enforcement Directorate undertook an exercise to monitor January sales in the clothing sector. Three criteria were taken into account: (1) the presentation of the discounted price as the final price, (2) a clear indication of the price and (3) the awareness of consumer rights when purchasing a discounted item. The following table lists visits made according to locality:

Locality	No of Outlets visited	Final Discounted Price		Items on sale clearly marked		Conditions of Sale	
		Yes	No	Yes	No	Yes	No
Valletta	16	11	5	11	5	12	4
Sliema	13	9	4	11	2	11	2
Mosta	10	5	5	9	1	9	1
Paola	10	6	4	10	0	10	0
Baystreet	7	3	4	3	4	7	0
Victoria Gozo	7	6	1	7	0	1	6
	63	40	23	51	12	50	13

All outlets were found to be compliant after the second visit.

Pricing of advertised flights and package tours

The Directorate audits promotional material related to travel in local newspapers. This audit is carried out in order to check that adverts appearing in the local newspapers are in line with the provisions of the Consumer Affairs Act relative to the Unfair Commercial Practices (Articles 51A to 51J). Presently the Directorate is checking that the final price is inclusive of all taxes.

During the year, an extensive audit was carried out on promotional material on travel material appearing in the local newspapers in order to identify any misleading adverts. Travel agents were informed on the requirements of the law. An administrative fine letter was delivered in July and two compliance orders were served to defaulting travel agents. It has been noticed that instances of misleading adverts have been effectively diminished.

CONSUMER AFFAIRS DIRECTORATE

Complaints handling

During 2009, 2,482 complaints were lodged with the Directorate. Following is a detailed breakdown of complaints registered at the Directorate.

Category	Registered
Advertising	12
Brown Goods	171
Computers	107
Construction	148
Cosmetics	7
Distance Selling	5
Door step Contract	5
Furniture	123
Household goods electric	481
Household goods non electric	120
Insurance & Finance	8
Leisure	229
Personal Accessories	199
Pricing & Schemes	12
Professional Services	55
Public Utilities	19
Safety	6
Telecommunications	543
Textiles	62
Toys & Infants Goods	9
Transport	115
Unfair Contract Terms	46
Total	2,482

Enforcement

Article 25A of the Consumer Affairs Act

During the year, 62 traders who failed to honour the Arbiter's decision within the stipulated three month period were issued with a court summons by the police. 26 Consumer Claims Tribunal decisions were honoured before the expiry of the three month period, six were honoured at Court, two were withdrawn by consumers, four cases could not be notified by the police, five traders were issued a fine by the presiding magistrate for non-compliance and a case was appealed by a consumer but was not upheld by Court. The remaining cases are still pending.

Consumer Policy meetings abroad

Meetings were attended on a number of issues that ranged from Consumer Experts Groups to workshops and other consumer policy related topics. The following is a list of the meetings attended:

- Consumer Complaints Expert Group meetings
- EU Sweep meetings
- Consumer Policy Network (CPN) meetings
- Consumer Protection Cooperation (CPC) meetings, workshops and training sessions
- Europa Diary Partners meeting
- Workshops on Credit Agreements for Consumers
- Workshop on Naming and Sanctions
- Conference on Consumer Rights
- European Consumer Summit

Sweep Electronic Equipment

The Directorate participated in a Sweep exercise organised by the Consumer Protection Cooperation Committee of the DG Health & Consumer Protection of the European Commission. Ten websites selling electronic equipment were selected and investigated with the purpose of looking out for infringements and to ensure that the information provided on the respective websites is in line with the Distance Selling Regulation. From the investigations, it transpired that six of these chosen websites needed to be examined further. The establishments behind these six websites were contacted and the traders told to rectify their position. The enforcement phase will be implemented in 2010.

Information to the General Public and Education

During 2009, officers participated in 129 radio programmes on four different stations and 76 television programmes on four different stations.

In addition, 121 articles were published on three different newspapers. Among these articles, one is published as a weekly column every Sunday. Articles were also published in primary and secondary school magazines and 12 write-ups were included in a commercial magazine published monthly. Through this contribution, practical information on consumer issues and case studies are tackled, including also a set of practical consumer tips.

Furthermore, 13 talks were delivered to primary and secondary level students and four talks were delivered to a number of social groups.

Commercial guarantees

In view of the fact that a significant number of complaints tend to centre on the issue of commercial and legal guarantees, an exercise was carried out to monitor the terms and conditions of commercial guarantees in relation to consumer legislation. The aim of this exercise was to raise awareness amongst traders on consumer law and to assist them in updating the terms and conditions so as to be in line with the Consumer Affairs Act. A total of 49 notifications were sent and to date 11 traders have made the necessary updates. Negotiations with the remaining traders are in hand.

Freephone 80074400

In the course of the year, 19,299 telephone enquiries were received from consumers enquiring about their complaints. Officers at this office tender advice to callers and provide guidance as to the best manner in which to solve their complaints. If this proves to be inconclusive, the general public is advised to register their complaint at the Consumer Affairs Directorate for the necessary investigations and mediation to be undertaken.

Europa Diary

The Europa Diary is a publication produced by Generation Europe Foundation and is provided free of charge by the European Commission. The Consumer Affairs Directorate is a partner in this project and assists Generation Europe in the preparation and distribution of this publication. The Diary is designed for students aged 15 to 17 years and has a wealth of information on the European Union, career opportunities, health and safety and environmental issues.

MIREILLE VELLA

Director General (Consumer & Competition)

Commerce Division

INTRODUCTION

The role of the Commerce Division is to assist business and facilitate trade whilst providing the necessary infrastructure to encourage the securing, utilisation and respect of intellectual property rights.

Initiatives aimed at fulfilling this role are undertaken through the concerted efforts of its three directorates namely the Industrial Property Registrations Directorate, the Trade Services Directorate and the Small Businesses and Crafts Directorate assisted ably by its Support Services arm.

OPERATIONS

The Commerce Division performs the following duties:

- registration of trademarks, certification marks, collective marks and designs;
- patenting of inventions;
- issuing of supplementary protection certificates in respect of medicinals and plant protection products;
- issuing of trade licences;
- recording of transfers, cancellations, amendments and renewals regarding trading licences as well as trade marks, patents and designs;
- authorisation of the export and transaction of dual use goods;
- issuing of import licences and export licences;
- administration of EU import quotas;
- administration of temporary state aid for sugar;
- licensing of auctioneers;
- dissemination of information relevant to the business sectors;
- payment of the flour transport subsidy;
- acting as intermediary vis-à-vis complaints and enquiries from businesses about services provided by Government and other entities;
- acting as the National Coordinator (NIMIC) of the Internal Market Information System (IMI);
- running of Crafts Centre in St John Square, Valletta;
- providing support to the Malta Crafts Council, the Copyright Board, the Auctioneers Board and the Trading Licence Advisory Committee;
- hosting the EU SOLVIT Centre for Malta;
- coordinating Malta's participation in the European Enterprise Awards
- coordinating the drafting of legislation relating to trade and intellectual property;
- providing input on drafting of related EU directives and regulations as well as international treaties;
- participating in international and EU meetings as required.

SALIENT STATISTICS FOR 2009

Trade

Applications were received, processed and published in the Government Gazette as follows: 261 new applications for premises based activities, 24 for Reactivation of Licence, 288 for Transfer of Licences, 19 for Transfer by Inheritance, 46 for Market Hawkers, 72 for Street Hawkers, 19 for Buskers, 11 for

Marketing Agents, 65 for Registration of freelance activity non-premises based, 4 for Changes from old to new regime of licences, 21 for Extension of time, 39 for Commercial Fairs, 25 for Car boot sales, and 56 for change or additional activity.

Furthermore 1,433 applications were received for import licences and 40 for export licences. There were also 73 applications for exports of dual-use goods and military equipment.

The Division, through the Trade Services Directorate, testified 576 times in court cases instituted by different authorities including Civil and Criminal courts, Family Courts, MEPA Appeals Tribunal, Local Councils' Tribunals.

Industrial Property

Applications were received as follows:

- 922 for registration of new trademarks, 5 for registration of new designs and 30 for patenting of new inventions;
- 824 for renewal of existing trademarks, 5 for renewal of existing designs and 964 for renewal of existing patents.

Furthermore there were 4,006 Industrial Property searches.

The Commerce Division through its Industrial Property Registrations Directorate was called to testify in court 87 times on intellectual property related issues.

Crafts

Members registered with the Malta Crafts Council as on 31 December 2009, stood at 850 craftsmen and 432 entrepreneurs.

The number of visitors (including locals and tourists) to the local exhibition of crafts at Crafts Centre Valletta was 25,429.

During 2009, the Malta Crafts Council participated in several crafts fairs/exhibitions held locally such as Great Spring Show, Festival Nazzjonali tal-Għana, Valletta Artisan Fair (as part of World Tourism Day) *Notte Bianca* and others organised by various local councils.

ASSISTING BUSINESS

Business Care Unit

The Commerce Division through the Business Care Unit of the Small Business and Crafts Directorate continued to give first hand assistance and advice to clients who required any service offered by the Division. During 2009, circa 2,399 telephone enquiries and 3,040 personal visits were received at the Business Care Unit mainly in relation to services offered by the Commerce Division.

Malta SOLVIT Centre

As of 1 May 2004, the Commerce Division began hosting the EU SOLVIT Centre for Malta. SOLVIT is a network of centres throughout the EU and EEA, committed to solve cross-border problems which hinder the rights of citizens and Businesses in the Internal Market. The network works through an online database maintained by the EU Commission.

SOLVIT Malta processed 41 enquiries during 2009. Out of these, 37 did not qualify as SOLVIT cases whilst the other four cases were inputted in the SOLVIT database, with Malta acting as Home Centre. Two enquiries received during 2008 were inputted as cases in 2009.

Awareness Activities and meetings with the Business Community

The Commerce Division organised or participated in several seminars or meetings aimed at raising awareness amongst local stakeholders on trade issues, Intellectual Property, Crafts, SOLVIT and the Internal Market Information System. In particular one may mention the following:

- A national seminar with input from Malta Enterprise; the Chamber of Commerce, Enterprise and Industry and the General Retailers and Traders Union on Intellectual Property Enforcement Matters for Maltese SMEs which was co-financed through EU funds and which also saw the participation of the EU-China IPR Helpdesk.
- An awareness campaign on community trademarks and designs was carried out in the latter part of 2009 through funds made available to this office under the Technical Cooperation Agreement entered into with the Office for Harmonization in the Internal Market (OHIM) – Community Trademarks and Designs.
- Participation in the 2009 edition of the International Fair of Malta. The Commerce Division's stand promoted *inter alia* intellectual property, primarily patents and also included the exhibition of local inventions and crafts. The Commerce Division's stand also provided a focus on the novel service launched by the CD during this event called IP Check-Up, which is a Diagnostic service that the CD is providing to local SMEs for free, where purposely trained officers visit the premises of any interested SME and in full confidence the team advises them through a detailed and methodical report on the SME's IP potential not only for Protection purposes but also, equally important, in order for the SME to strategically exploit its IP potential commercially.

LEGISLATION AND BETTER REGULATION

The Division is regulated in its activities by the following main legislations: the Auctioneers Act; the Commercial Code; the Trading Licences Act 2001; the Supplies and Services Act; the Trade Marks Act; the Copyright Act and the Patents and Designs Act. These are complemented with a significant amount of subsidiary legislations. The following legislation was enacted in 2009:

- The Trading Licences Act was amended in line with Services Directive introducing the possibility of securing a trading licence through a notification;
- The Trading Licence Regulations were amended in 2009 via Legal Notice 226 of 2009 which put in place new conditions in respect to the Gozitan Commercial premises' shop opening hours, allowing the undertaking of various commercial activities on Sundays;
- The Copyright Act was amended to enable accession to the WIPO Copyright Treaty and WIPO Performers and Phonogram Treaty;
- Legal Notice 425 of 2003 on the control of the Establishment and Operation of Societies for the collective Administration of Copyright was amended in order to implement obligations resulting from the Services Directive.

INTERNATIONAL AND EU INITIATIVES

International Instruments

The ratification by the EU and the EU Member States, including Malta, of the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT), took place on 14 December 2009, at the WIPO HQ in Geneva, with the deposit of Malta's instruments of accession being carried out with the assistance of Malta's Permanent Mission to the UN in Geneva.

The ratification of the treaties – which establish the basic standards of protection for copyright and related rights in the digital environment – will positively influence the development of creativity within the digital environment in Europe and beyond.

These two treaties also mark the first time that the EU is accorded full contracting party status in the field of copyright and related rights.

Participation in EU and International Meetings

Officials from the Division participated in EU and international meetings pertaining to its remit or in order to assist other entities. Meetings concerned the following issues: Sanctions Monitoring, Dual Use Goods, the European Charter for SMEs, Trademark Practice and Procedures, Protection of Designs, Trade Related Aspects of Intellectual Property Rights, Patents, Copyright, Patent Libraries, Technical Cooperation, Better Regulation, the Internal Market Information System, European Enterprise Awards, Regulation 2679/98 EC on Disruption to the Internal Market and Crafts.

In addition to the above, the Division participated in the General Assembly of the World Intellectual Property Organisation and the meetings of the Administrative Council of the European Patent Office and of the Administrative Board and Budget Committee of the Office of the Harmonisation of the Internal Market, as well as the EPO's Budget and Finance Committee, the Committee on Patent Law and the Technical and Operational Support Committee.

In addition, national judges were given the opportunity to participate in a series of seminars for judges dealing with trademark and design cases organised by the Office for Harmonization in the Internal Market (OHIM) – Community Trademarks and Designs.

BILATERAL COOPERATION INITIATIVES

Cooperation with the Office for the Harmonisation of the Internal Market (Trademarks and Designs)

During 2009, the Commerce Division once more benefited from a Cooperation agreement aimed at increasing awareness on intellectual property rights and in particular the Community Trademarks and Community Designs. Discussions with a view to conclude a similar agreement for 2010 were also initiated.

The Commerce Division is also participating in IT based projects funded by the OHIM for Trademark Classification and Searching services.

Cooperation with the European Patent Office

Malta was the first European country member of the European Patent Office to introduce the SOPRANO system for Patents which is gradually replacing the manual system for the application, processing and granting of patents. During 2009, preparations were finalised with the EPO through the assistance of the Ministry's IMU together with MITA for the upgrading of the EPTOS set, including SOPRANO and the implementation of other software tools in the area of patents as well as for the digitisation of all national patent records. These tools, which include access to patent databases, documentation management systems, and online filing amongst others, as well as the digitisation process would serve to offer a more overall efficient service in the area of patents.

Other projects falling under the EPO-CD National Action Plan for Malta for the years 2008-2011 included the upgrading of national infrastructure for Training and Archiving of IP documentation in addition to other technical training in the area of patents, to better promote the protection of inventions via a patent information dissemination service.

Malta also has a working agreement in place with the EPO whereby the Commerce Division is now in a position to request searches from the European Patent Office to determine the level of novelty in patent applications, which has paved the way for legislative amendments in the field of patenting to be discussed with the generic pharmaceutical industry.

Cooperation with EU DG Enterprise

Under the Competitiveness and Innovation Framework Programme, the CD is actively participating in EU's trans-national project, known as IPEuropAware, involving 27 partners comprising the EU's main IP Offices *to raise awareness of and knowledge of IP rights in particular for SMEs*. The project, which commenced in November 2007 and ends in 2011, consists of some 15 Work Packages grouped under three Modules. This office is pro-actively participating in this project by providing input to seven of the Work Packages (WPs) found under Module 1: Local Level SMEs Services for IPR Awareness and Enforcement.

Cooperation with the World Intellectual Property Organisation (WIPO)

A specific fact-finding preparatory mission from WIPO came to Malta in August 2009 meeting all the relevant stakeholders with a view of preparing a snapshot analysis of the IP situation in Malta. This was followed by meetings with Director General of WIPO and a number of WIPO experts leading to a cooperation programme to start in 2010.

TRAINING

Ongoing exposure was given to the members of the SOLVIT team through participation in workshops partly funded by the EU Commission and two members of the IMI team through training events also organised and partly funded by the EU Commission. Other officials participated in workshops and training sessions organised by the Office for the Harmonisation of the Internal Market, the World Intellectual Property Organisation and by the European Patent Office.

During the past year, Officials from the Division attended several courses organised by Staff Development Organisation. Moreover, ad hoc seminars on social and work related issues were organised by the Commerce Division. The topics chosen were: Bullying at the Workplace, Approaching the problem employee, Stress Management and Data Protection. Furthermore, on site visits to the Sant'Antnin Recycling Plant were organised.

GODWIN WARR

Director General (Commerce)

Office of the Notary to Government

The Office of the Notary to Government comprises two main sections: the Notarial Archives and the Notarial Section.

NOTARIAL ARCHIVES SECTION

Documents deposited in the Notarial Archives include deeds *inter vivos* and *causa mortis* published by Notaries Public who have practised or are practising in Malta. The latter are wills drawn up in the public form; the former are all other deeds relating to property transfers (sales, emphyteusis, partitions and others), loans, powers of attorney and so on. Moreover in the Archives one finds also all deeds received by the Notaries to Government. All these deeds are deposited for custody and safe-keeping. The original deeds are housed at the head office in number 2/3, Mikiel Anton Vassalli Street, Valletta, whilst the Registers (copies) are housed at 24, St. Christopher Street, Valletta.

All deeds are also accessible to the public for inspection, provided that the person enquiring about a particular deed can indicate the Notary who published same and the date thereof. Legal or informal photocopies thereof are issued on request. Requests are also made by means of e-mail and this system has helped to improve the services. Fees are charged for such inspections and for any copies requested.

Assistance was given to a great number of clients who had problems arising from deeds published by a Notary whose warrant was suspended by the Courts. In this respect, assistance was mostly given where possible relative notes of enrolment and hypothecation were entered into the Public Registry by the Chief Notary to Government and where necessary forms for payment of taxes to the CIR were signed by same.

By virtue of a Legal Notice published during the year under review, the Commissioner for Notarial Acts can now inspect volumes after June 2000 as was previously the case. This has doubled the influx of volumes into the Archives and thus enabling us to offer a better service to our clients.

NOTARIAL SECTION

The Notarial Section publishes deeds to which the Government, any corporate body established by law or any partnership or other body in which the Government of Malta or any such body has a controlling interest or over which they have effective control, is a party.

The Notarial Section liaises directly with various government departments to give effect to certain government policies and activities. The Department also receives requests for the publication of deeds relating to courses of study which the Health Division advertises from time to time for the training of medical and para-medical staff. These requests are also received when scholarships are granted by the Education Division, the Ministry of Foreign Affairs, the Works Division and others.

A number of contracts were published by the Notaries at the Department, of note were contracts requested by the SDO for those employees following a Diploma course in Public Administration and a course leading to a Masters Degree in Administration, as well as other courses leading to a Masters Degree in various subjects.

UPGRADING OF ARCHIVES AT ST CHRISTOPHER STREET

During the period under review the Office, with the assistance of the Notarial Archives Resources Council, continued working on the project of organising and upgrading the Archives at St Christopher Street Valletta. A room in St Paul's Street was granted on lease from the Government Property Division and annexed to the Archives thus helping to alleviate the ever-increasing problem of lack of space. Another room on the top floor of the building had its beams reinforced and was whitewashed to prepare for the installation of new shelving.

These Archives had a number of distinguished visitors during the year including the Spanish Ambassador who was impressed with the contents of these Archives. In fact the Archives form part of the project regarding Archives between the Maltese and the Spanish Governments, the memorandum of which was signed in November 2009. A meeting was also held with Professor Theresa Vann from the Hill Monastic Manuscript Library of St John's University, Minnesota in the United States with the view of instituting a pilot project of digitisation of the oldest volumes in 2010.

These Archives are officially open to the public twice a week; however by agreement with the staff they are in actual fact receiving the public every day.

NOTARIAL WARRANT EXAMINATION

In March 2009, a Notarial warrant exam was held for 26 students. All the students were successful and obtained their warrant in June.

LIST OF NOTARIES

The Department also prepared the list of deceased Notaries and their keepers, both in Malta and Gozo, as well as the list of practising Notaries, in Malta and Gozo, for publication in the Government Gazette in January 2010.

LOTTERIES

The Notaries from this Department were appointed by the Lotteries and Gaming Authority to be present to supervise the weekly Super Five and Lotto draws held throughout the year. These are being held in a private studio in Birkirkara and transmitted live on television. A Notary from the Department also supervised the Government VAT receipts lottery held monthly at St James Ditch, Floriana.

STATISTICS

Notarial Archives

Volumes of deeds received in the Archives in terms of the Notarial Profession and Notarial Archives Act (Chap. 55)	345
Volumes of deeds received from the Special Commissioner for Notarial Acts in terms of Act X of 1999	321
Copies of deeds issued	8,625
Volumes repaired	71
Volumes bound	43

Notary to Government Office

Deeds were published in connection with:	
Works (Tenders) contracts	-
Courses of Study and Scholarships	32
Sale of grave sites	6
Other transactions to which Government was a party	16
Notes of Enrolment, Hypothecs, and References entered in the Public Registry	55

Revenue and Expenditure

The revenue collected by the Office, during the year under review, amounted to €63,670.58 and the expenditure during the same period totalled €263,156.48

DR CORA VELLA
Chief Notary to Government

Government Property Division

Directorate General

INTRODUCTION

The Government Property Division (GPD) is responsible for the management of Government's immovable estate. The mission of the GPD is to promote and maintain the highest and best use of Government's immovable estate and to ensure an equitable process for the acquisition of property that may be required for public purpose. The GPD incorporates the Land Department, the Estate Management Department and the Joint Office.

Whereas each of the three departments has precise objectives to achieve within a specific remit, the GPD acts as the coordinator of all operations whilst ensuring smooth management through the provision of the necessary financial and administrative support.

FINANCE AND ADMINISTRATION

Rehabilitation Works

- *Auberge de Bavière*: The refurbishment work that had started during the previous years continued. Works on the intermediate floor, in the west wing of the Auberge, were completely finalised, including the staircase leading to the upper level. Electrical installation is operational except for the corridors and the main entrance. Paving of this wing is also finalised. Air conditioning works were completed. Restored timber doors and windows were refitted. The tender for the network infrastructure for the west wing of the Auberge was awarded and works started immediately and now are completed. The electricity substation civil engineering works were also finished.

Preparatory work for the rehabilitation of phase 3, ie, the central part of the part started in earnest and it is hoped that a turnkey tender will be awarded. It is planned that most of this work will be undertaken during 2010.

- *Joint Office*: Works on a passenger lift at the GPD Annexe that houses the Joint Office continued to render the three-storey building more accessible to both staff and clients. Works continued to ensure that all offices have air-conditioning.

Information Technology

The major work in the area was the awarding of the tender for the Land Estate Management Information System (LEMIS). This tender was won by Datatrak and intensive negotiation took place between the two sides in order to conclude and sign the contract. It is hoped that this contract will be finalised and signed during the first week of January 2010.

Enhancements to the Land Cheque Printing System were carried out and finalised early in 2009, thus enabling the provision of a detailed cheque statement to clients for the first time. Meetings and workshops regarding the EMA project, which consist of the consolidation of GPD with MITA and the decommissioning of servers from GPD data centre, were concluded. Coordination with MFEI and MITA for the procurement of new PCs for GPD staff continued and more than 100PCs were replaced. The project to extend the rent billing service, the payment of rent at local council service as well as the e-service to ex-Church properties is being continued. The accounts currently being migrated are those

whose tenants applied under the Agricultural Land Scheme 2000. Discussion with MITA to enhance the Map Scanning Tenements and Acquisitions applications are still on-going. Updates took place in the GPD website reflecting recent changes within the Division.

Human Resources

During 2009, GPD experienced substantial changes in its workforce. 21 staff members terminated their employment whilst 46 were newly deployed to the Division, thus increasing GPD staff complement by 25 staff members.

During the year, management introduced the possibility that all personnel of Division can chose either to work from 7.00am to 4.30pm or from 7.45am to 5.15pm with a 45 minute break. More than 60 staff members opted for the first timetable.

Opening hours to the public were also changed to allow staff to perform internal administrative work. The Division now remains closed to the public every Tuesday and Thursday afternoon. Notices were put on every entrance of the Division and adverts were published on daily papers announcing the new opening hours.

Training Programme

The GPD continued to organise in-house training programmes to upgrade the skills and abilities of staff. In collaboration with SDO, four morning sessions were organised on the work of the Registry and the handling of the DOCREG and around 75 GPD employees participated in this training. Moreover one training session was organised for Registry staff for upgrading of skills and strengthening of coordination of work.

A two-hour training session on eviction orders was given to six Enforcement Officers by the Director of the Lands Department and the Head of Section.

During September and October, Heads of Sections in the Estate Management Department gave a lecture to other staff members within the various units. Areas covered included Land Registration, Property Terrier, Agricultural Leases and Auto Cad.

Registry & Customer Care

The Registry section is the heart of the Government Property Division, ensuring that all correspondence reaching the Office is inserted into the relative files. During 2009 the Registry Section received a total of 10,570 letters that were acknowledged and either inserted into existing files or inserted into new files. The Registry Section also distributes many more letters that do not need to be acknowledged. During the year, 395 new files were opened, along with a substantial amount of part files, bringing the total amount of Government Property Division files to 131,643. Registry also ensures that all members of staff are provided with the files relating to the property, request, complaint or administrative task that they are responsible for dealing with. File movements during 2009 amounted to 210,231, an average of 809 files moving to different sections per day.

The Customer Care section was recently amalgamated with the Registry Section in order to ensure that the process of distributing queries to the responsible officials is more efficient, and new procedures are being put into operation to ensure that the general public receive the attention and information that they need.

This section is open to the general public on Monday to Friday from 8.30am to 12.00 noon, and on Monday, Wednesday and Friday from 2.00pm to 4.00pm. The Customer Care Section replies both to queries received by post and e-mail and also attends to an average of 25 persons per day who personally visit their offices to pose the relative queries on departmental procedures, regulations and other personal

queries. This Section receives an average of five e-mails per day, which are either replied to immediately, or as soon as more research is carried out. Incoming telephone calls are incessant particularly in the morning and calculated at approximately 60 calls per day. The general public now has also the opportunity to contact the GPD's Freephone on 1,577 which is also being filtered through the Customer Care Section.

Many of the requests for assistance entail follow-up action and research in the relevant files. Due to lack of human resources, a support time-table has been formulated for the Section to be manned by personnel from the different sections of the Division, when Customer Care staff are either on vacation leave or sick leave.

Gozo Branch

GPD continues to provide personalised service to clients through its branch in Gozo where rents, ground rents, and *qbiela* may be paid. The Gozo office also provides limited customer care services. Due to shortage of staff, GPD was unable to replace one of the two employees assigned to this branch and hence, this office has to be kept closed for a few of days.

Financial Matters

Funds allocated to the GPD under the Budget Estimates are managed with care and due diligence. All reporting is done on a regular basis including accrual accounting reports. Besides the day-to-day running expenses, the Accounts Section settled all bills related to court registry fees, research, land registration, contracts, electricity and water supply, burthens, refunds of overpaid ground rent and enforcement works.

Health and Safety

Health and safety issues are an ongoing process and annual updating of the risk assessment is being carried out in order to continue building on past initiatives. GPD staff members are regularly notified of any course that is available. All staff members are encouraged to attend.

Green Initiatives

The GPD continues to support and promote green initiatives. Waste is being separated and disposed of according to guidelines in collaboration with WasteServ. Environment stickers to save water and electricity can be seen in prominent places and auto-spouts purchased. Energy saving appliances are used whenever possible.

ALFRED BEZZINA
Director General (Designate)

Government Property Division

Land Department

INTRODUCTION

The Land Department's role within the Government Property Division is that of being responsible for the legal aspect of Government Property Management. This means that after the Estate Management Department or Joint Office has decided on the best possible use for a particular property, the issue is taken over by the Land Department for the actual disposal of the property under the procedures permitted in the Disposal of Government Land Act.

In general terms, the formal disposal of government property requires either the issue of a call for tenders or else an ad hoc Parliamentary Resolution. It is the Land Department's task to prepare tender documents, publish them and award the disposal. Likewise ad hoc Parliamentary Resolutions are prepared by the Department. Subsequent to the disposal of a property through lease agreements/contracts, the Land Department is then responsible for the follow-up and enforcement of any conditions imposed on the transferee. These include the payment of rent and the proper maintenance of the property but may also contain other special conditions such as the development of structural improvements within specified time limits. The finalisation of contracts also includes those related to the acquisition of private property for a public purpose under the auspices of the Land Acquisition (Public Purpose) Ordinance. Indeed the expropriation of private property is a primary task of the Land Department, one which enables government to carry out major infrastructure works and other projects of benefit to Maltese society.

The Land Department is organisationally split up into two branches, namely the Enforcement Branch and the Contracts Branch; between them these cater for the wide ranging roles entrusted to the department. As the names suggest, the former is responsible for all enforcement measures required to better manage government property, whilst the latter takes care of the formal requirements of leasing or selling/purchasing property and finalising related contracts.

ENFORCEMENT BRANCH

The enforcement of contractual conditions is essential if property management is to be given any significance. Within this aspect, the very small number of Enforcement Officers carries out site checks to ensure that conditions of leases and permits are being honoured. Non-compliance is met by counter measures to ensure that defaulters are brought back on track. These measures include formal warnings, the issue of prohibitory injunctions and also eviction proceedings. In this regard Chapter 228 of the Laws of Malta - Land (Compulsory Eviction) Act – gives the Commissioner of Land extensive powers to evict persons who occupy government property without title. This power is used with caution but the Land Department is committed to ensure that government property is not abused of.

The enforcement section incorporates within it the collection of rent due on leased property. The non-payment of rent is monitored through periodical invoices and also through individual demand letters. Persistent non-payment leads to judicial action that may include executive warrants, the termination of leases and, in the more serious cases, eventual eviction. The Revenue Section of the Joint Office is to be amalgamated with the Revenue Section at the Land Department.

During 2009, over 24,000 payments (51% of total payments of rent) were effected at local councils, while 1,000 payments (2.22% of total payments) were made through the Government Property Division's website (www.gpd.gov.mt). Clients have three options for the payment of rent: at the Department by cheque or bank draft, at the local councils by cash, cheque or bank draft and from their homes by credit card through the GPD's website. It is planned to introduce the 24X7 internet banking and epos services in 2010.

CONTRACTS BRANCH

The role of this branch is the formalisation of any disposal or acquisition of property. As already indicated, the Disposal of Government Land Act stipulates that government property can generally be disposed of either through tenders or through a special Resolution of the House of Representatives.

The publication of tenders necessitates continual liaison with the Estate Management Department and the Joint Office to ensure that the appropriate conditions are set out in the tender. Transparency is ensured by opening all tender documents in public.

Government has for decades made use of the provisions of the Land Acquisition (Public Purpose) Ordinance (LAO) to enable it to take over private property without having finalised acquisition proceedings. Since 1994, the department has limited the growth of the acquisition debt by requiring government departments that originate the need for the acquisition, to provide up front the full estimated value of the effected property. This ensures the payment on demand for any acquired property. Between 2002 and 2009 over €74 million have been paid for expropriated property.

In accordance with the provisions of amendments brought into force in 2003, the Department can take action to process past outstanding acquisitions and purchase property under certain conditions set out by law. These are intended to minimise the expropriation debt as well as to enable Government to draw up the long outstanding HOS plots contracts and dispose of residences within housing estates constructed on land still under acquisition. Under these amendments a total of 94 bank accounts were opened in 2009 for a total deposit amounting to €2 million.

In terms of Act XXI of 2009, which came into force on 1 December 2009, the Land Acquisition (Public Purpose) Ordinance was amended further to establish a method of valuation for the expropriation of historical property, allow the owner/s to contest the public purpose, qualify further the role of the architects and appointment of architects sitting on the Land Arbitration Board as experts, make court appointed architects' reports accessible and to the parties who may wish to make questions to members of the Land Arbitration Board and allow persons to appeal on both points of law and facts before the Court of Appeal.

2009 HIGHLIGHTS

Revenue Collection

During the year, 69,500 rent invoices, 149 judicial letters, and over 98 lease termination warnings were issued to ensure timely recovery of rent dues. This also entailed telephone contacts and customer care assistance. About 120 repayment agreements (90 residential and 30 non-residential) were also negotiated with defaulters. This has resulted in a total revenue in 2009 of €25,983,854 excluding sales.

Abuse of Government Property/Evictions

The new administration felt the need to address this matter seriously and as result serious enforcement measures were initiated in 2008 and continued during 2009. Notwithstanding that the Enforcement Branch numbers five persons in all, the Department can boast that through the determination of the new administration with the efficiency of these persons, enforcement was incessantly carried out in 2009 and the Department is successfully managing to free public pavements and government land from illegal

encroachments. As a result, the Land Department has won the support of the public in its commitment to stop the abuse of government land. A total of 142 evictions and approximately 200 inspections on illegalities were carried out during 2009.

Tenders, Leases and Sales

During the year, the Land Department advertised a total of 198 tenders for the lease of government property. These resulted in 99 lease agreements and 57 contracts. A total of 433 lease agreements were concluded in terms of the Agricultural Scheme. 162 encroachment permits were issued - these included permits for mobile kiosks and permits for the placing of tables in public areas. The Department also completed the sale of government land/property, including ex Church Property resulting in revenue for 2009 of €7,146,690.

Acquisition

In 2009, the Department finalised a number of acquisition deeds paying a total of €10.5 million to owners of expropriated property. A total of 60 new President's Declarations for the expropriation of land mainly for Road formation was issued. In addition, 34 President's Declarations of past outstanding acquisitions, in order to compensate the owners in accordance with the amendments made to the Land Acquisition (Public Purpose) Ordinance (Chapter 88), were also issued.

Releases

In 2009, a total of 30,011 square meters of land in various localities formerly acquired in virtue of the Land Acquisition (Public Purpose) Ordinance (Chapter 88), was released back to the private owners.

Other Services

During 2009, the Land Department continued to provide, free of charge, agency services to the Housing Authority. Within these services, the total sum collected on behalf of the Housing Authority was €230,521. The sum of €10,831 was collected as rent for sports facilities on behalf of the Sports Council.

Projects

The Land Department worked closely with Enemalta Corporation and the Privatisation Unit in the conclusion of expropriations and other work related to the privatisation of the Petroleum Division, which is envisaged to take place in 2010. The Land Department, in conjunction with MIMCOL, also prepared a comprehensive report on the major projects for the Public Accounts Committee. A comprehensive exercise was carried out to identify alternative property for the evictees affected by the Renzo Piano City Gate Project and other spadework was done in connection with this project. The Department also processed the devolution of various sites and premises to NGOs and local councils.

ALBERT V MAMO
Director (Land)

Government Property Division

Estates Management Department

DEPARTMENTAL OVERVIEW

The Estate Management Department's (EMD) mission within the Government Property Division is to shape and deliver Government's immovable property agenda by providing quality property-related advice and services. EMD ensures that Government achieve its policy objectives by contributing to three key outcomes:

- Improved and more efficient property operations;
- Sustaining Government finances;
- Sustaining Government projects and initiatives.

PROPERTY OPERATIONS

Property Records

The update and maintenance of government property records is a fundamental task carried out by the EMD. This comprises of several property datasets including a textual database of government-owned property (excluding ex-church property records which are maintained by the Joint Office), deed packets as well as a number of map-sets. These records are an important information source for such government projects as Enemalta SPV project, the Grand Harbour project, City Gate project, housing, roads etc.

Properties occupied by Government Departments/Entities

In order to consolidate the property terrier, properties occupied by government departments/entities are being investigated and verified; this exercise is being carried out to confirm occupation, type of use, extent and actual occupier. During 2009, EMD undertook the task of verification and consolidation of properties occupied by Enemalta, Heritage Malta, Water Service Corporation and Education Division.

Property Information Requests

As part of its role in maintaining the property terrier, the EMD provides property related information to a varied list of clients that ranges from private individuals and companies to government ministries, departments, agencies and authorities. Information is typically required in connection with the possible disposal of such property and in relation to government projects and initiatives. During 2009, the EMD handled over 4,500 such requests/reports. In addition, the EMD carried out 721 property inspections, apart from giving assistance to the Land Department in 57 court cases. 356 property status reports were also drawn up.

Property Plans

The preparation of property plans and drawings is an essential element in the management of government immovable property and the maintenance of a property terrier. The EMD utilises a custom-developed GIS-based Property Drawing System for the preparation of all property drawings. This system also interfaces with specific off-the-shelf computer aided design software to facilitate layout drawings. During 2009, the EMD put up a total of 1,018 property drawings in connection with leases, sales and permits over

government-owned property. In addition, 10,811 copies of plans were provided by the GPD in relation to such matters as Parliamentary Resolutions, land registrations, tenders etc.

Protection of Government Title to Property

Under the provisions of the Land Registration Act, the first registration claimant to a property obtains a pre-emptive advantage over other pretenders. To safeguard Government's rights, the EMD checks every single application for property registration made with the Land Registry. During 2009, about 400 such applications were checked and, where applicable, the necessary cautions raised. The Department also investigated and resolved 147 cases of cautions & corrections raised against it by private parties. To further secure Government's title to its real estate, the EMD also undertakes the laborious process of registering Government's title via ad hoc applications to the Land Registry. During 2009 some 3,060 land registration plans were prepared of which the EMD registered a total land area of 2,446.534 square metres.

Operational Streamlining

The EMD's efforts to ensure an effective public service delivery are ongoing. During 2009 the Department streamlined a number of operational processes, including the transfer of government-owned residential property to the Housing Authority and the issue of permits for temporary activities. It is calculated that efficiency in these cases has improved by a minimum of 100%.

SUSTAINING GOVERNMENT FINANCES

Tender Proposals

Tender proposals are prepared for the eventual issue of tenders for the disposal of government property. During this process, EMD analyse and submit proposals for the issue of tenders, taking into account factors such as demand, location, type of use, property ownership, etc. During 2009, EMD prepared and referred to the Land Department 151 tender proposals.

Sale of Property

As part of its business development process, the EMD continually strives for the identification of property that may be issued for sale at competitive prices. During 2009, 68 properties were referred to the Land Department for sale through tenders or redemption. During 2009 sale of government property was effected for a total in excess of €10,457,500.00.

Property Leasing

EMD also sustains government finances by processing and approving the disposal of government-owned land and buildings via emphyteutical grants, leases and temporary permits – with the final legal document being issued by the Land Department. This involves such properties as land, shops, garages, stores, mobile kiosks, filming, table and chair permits etc. During 2009 the EMD processed 65 cases for temporary activities on government land, 265 permits for repairs/works and 113 tables and chairs permits. In addition the EMD also approved another 83 properties for leasing and emphyteutical grants. During 2009 new leases were effected for a total yearly rent in excess of € 215,446.43.

SUSTAINING GOVERNMENT PROJECTS AND INITIATIVES

Devolution of Property to Local Councils

The EMD's task is to assess the devolution proposal, draw up necessary plans and ad hoc conditions and then refer the matter to the Land Department for finalisation of contract of transfer. During 2009 the

Government Property Division concluded the devolution/leasing agreements for 13 properties as approved by EMD. These consist of properties in Għarb, Munxar, St Julians, Qala, Victoria, Kirkop, Żurrieq, Sannat, Xaghra, Xgħajra, and three sites in Mellieħa.

Property Expropriation Assistance for Infrastructural Projects

The EMD also handles requests made by government departments for the expropriation of private property for public purposes, mainly in connection with infrastructural projects. The EMD collects all relevant technical data, takes corrective measures as appropriate, liaisons with the sponsoring department and prepares the necessary plans for the expropriation. The EMD also provides technical assistance to the Land Department in acquisition cases taken in front of the Land Arbitration Board. During 2009 EMD's efforts enabled the Land Department to issue 56 new cases of expropriation.

In 2009, the EMD approved the release back to the original owners of 29,697 square metres of land that had been expropriated but was never made use of by Government.

Special Projects

During 2009, the EMD continued to play an active role in special projects sponsored by Central Government including the Enemalta SPV project, Malta Dry Docks, City Gate project, and the Grand Harbour project. EMD's involvement relates to the identification of land boundaries, status and burdens, participation in the preparation of disposal conditions, preparation of plans and in some cases provision of final documentation.

Land Transfer to Government Entities

Other major projects that involved the EMD during 2009 were those related to the transfer of government-owned properties to government entities. These included the transfer of several parcels of land to Enemalta for substation purposes.

Facilitation of Home Ownership Schemes

As in previous years the EMD continued to sustain Government's efforts to promote home ownership by authorising the transfer to the Housing Authority of 212 properties for eventual sale to tenants.

Agricultural Land Scheme

This scheme was a corporate initiative that enabled cultivators of government-owned agricultural land to register for the possibility of acquiring a new title to the land even where occupation was irregular. During 2009 the EMD processed and approved for leasing 495 applications.

Possession and Use

The EMD has embarked on the process of capitalising properties held by Government under a Possession and Use/Public Tenure title. The process involves the manual sifting of all graphical map sets, and retrieval of relevant information from the hard copies held within the EMD, which documentation is then referred to the technical section for the drawing up of the required Property Drawing. When the data is organised and the plans are finalised all documentation is referred to the Land Department for the continuation of the process. During the year, 906 properties were referred to the Land Department for further investigation and issue of relative legal notice. In addition, 1,360 properties are pending the finalisation of their respective Property Drawing and or detail verification. The Localities under process are Valletta, Senglea, Birkirkara, Vittoriosa, Floriana and Cospicua.

Support Services

The EMD also provides support services by providing property related information to such government bodies as the Planning Authority, Works Division, Department of Social Housing, Land Registry, MIMCOL, MIP, Malta Transport Authority, Malta Maritime Authority and Housing Authority.

ALFRED MIFSUD

A/Director (Estate Management)

Government Property Division Joint Office

INTRODUCTION

The roles of the Joint Office are:

- managing and administering the immovable estate transferred to Government by the ecclesiastical authorities in terms of the Ecclesiastical Entities (Properties) Act, Cap. 358;
- validating and verifying the data being transferred to it by the ecclesiastical entities. The scope is to determine the exact value of all the properties transferred so that the necessary adjustments are made to the original amount of Lm28,067,000 which the Government issued in Bonds in terms of the 1991 Agreement with the ecclesiastical authorities
- to register at the Land Registry all the properties which it administers, as well as those retained by the ecclesiastical entities.

PROPERTY ADMINISTRATION AND ALIENATIONS

In 2009, the following properties were alienated:

As per 2002 Initiative or original deed	250
As per Tenders/Exchange/Direct Disposal/Conversion	6
Total	256

The Department also received and processed requests for the recognition of emphyteutae and tenants in their respective properties.

2002 INITIATIVE

This Scheme was a result of Government's announcement in the 2002 Budget Speech, that the Government was putting on the market all the properties being administered by the Joint Office and which are either resident-occupied or used as a summer residence. By 29 January 2009, when it was decided that the scheme be suspended and no new applications be accepted so that the Department would have time to process and conclude the existing applications within the short term and thereafter issue another Scheme (not necessarily with the same conditions), the Joint Office had received 5,478 applications for the redemption of ground rent and for the purchase of leased premises.

Of the 4,671 applications processed so far, 821 applications were invalid and a further 3,516 applicants were informed of the amount of redemption or of the selling price, as determined by established criteria. With a view to hastening the process, the Joint Office farms out to architects in private practice, the valuation of certain properties and to notaries in private practice the publication of deeds of redemption or sale.

AGRICULTURE LEASES SCHEME

The Joint Office is also processing applications received by February 2001 in terms of a scheme whereby persons occupying government-owned land for agricultural purposes without title were given the opportunity to regularise their position.

RECONCILIATION, VERIFICATION AND REGISTRATION

Transfer of Information on Properties

During 2009, the transfer of information from the Church Administrative Offices to the Joint Office regarding properties transferred to the Government by the Church continued at a steady pace. Up to the end of the year, 24,726 forms concerning properties, listed in Annex 8 of the Church/State Agreement, were forwarded to the Joint Office by the ecclesiastical entities.

It is to be noted, however, that a large number of correction forms had to be raised or confirmed regarding this information, which corrections have to be approved by the Control Committee in terms of Section 4 (2) of the Agreement. These corrections entail additions of properties inadvertently left out of the Annexes to the Agreement, deletion of others that were erroneously included, and correction to the capitalised amounts of properties.

In 2009, the Control Committee approved 359 of the above mentioned corrections. The Committee also signed 261 property forms, thus confirming the final amount due to the ecclesiastical entities in respect of the properties concerned.

During the year, the Joint Office continued to reconcile the values of properties previously owned by the 99 different ecclesiastical entities. Thus by the end of the year the Joint Office has reconciled a total of 53 entities.

Registration of Properties

The Department continued with the registration of property with the Land Registry in terms of Cap 358. During 2009, the Joint Office registered 542 properties which include 696,466 square metres of land which is not built up. The related work entailed the drawing up of relative plans. This brought the total number of properties registered as of 31 December 2009 to 12,268.

The following table shows the number of properties which were registered during the past three years:

	2007	2008	2009
Properties registered	567	607	542

Revenue Collection

Besides the collection of rent of leased properties, the Department identified properties available for disposal in terms of the Disposal of Government Land Act. The following table shows the comparative figure of revenue collected during the past three years:

	2007	2008	2009
	€	€	€
Rent	1,416,501	888,428	1,066,711
Sales	4,959,101	13,266,255	2,310,012
Total	6,375,602	14,154,683	3,376,723

40% of the amount of rent collected during 2009 consisted of arrears. This was the result of an ongoing enforcement exercise undertaken by the Department in conjunction with the Land Department.

The Control Committee

The Control Committee is a body set up in terms of Article 17 of the 1991 Agreement between the Holy See and the Government of Malta. Two members of the Committee are nominated by the Holy See and two members are nominated by the Government of Malta. Chairmanship of meetings is by rotation. The

present members representing the Government of Malta were nominated in January 2002. During 2009, this Committee met ten times.

The functions of the Control Committee are promoting and monitoring the correct and timely application of the provisions of the above-mentioned Agreement with particular reference to the approval of corrections to the Annexes; and the alienation of property and in particular to bonds that have to be issued to the Foundation for Church Schools.

By Legal Notice No. 166/2009 the sum of €13,670,000 in Government Stock was issued to the Foundation for Church Schools in respect of property alienated in the previous year.

COORDINATION WITH THE ESTATE MANAGEMENT DEPARTMENT AND LAND DEPARTMENT

The coordination and related cooperation of the Joint Office with the Estate Management Department and the Land Department continued to be essential for uniformity in adapting common policies of the Division.

CONCLUSION

The Government Property Division's role in ensuring that the use of government property is appropriately controlled is considered to be of utmost importance. This will help in inducing a rationalisation culture that appreciates the true potential value of government property and its possible uses.

VINCENT GILSON
Director (Joint Office)